BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/SM/S./2023-24/28991]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of:

Noticee No.	Name of the Noticee	PAN
1	A Rathinappan	ADLPR8177K
2	G. Manigandan	AFGPM4627Q
3	Haridass G	ABLPH0689Q
4	Jayaraj P	ACYPJ3499G
5	K Nagabushana	ADJPN4132A
6	George Mekat	AISPM7240G
7	Muniaraj Radhakrishnan	AXVPR2314L
8	Murugan M	AFGPM0606P
9	Mathalai Manikandan	AFGPM7392J
10	C Santhosh Kumar	CCXPS5660P

*(hereinafter collectively referred to as '**Noticees'**)*

In the matter of Titan Company Limited

FACTS OF THE CASE IN BRIEF

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') initiated adjudication proceedings in the scrip of Titan Company Limited (hereinafter referred to as '**Company/Titan/TCL**') for alleged violation of provision of

    Regulation 7(2)(a) of SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as '**PIT Regulations**') during the period April 01, 2018 to March 31, 2019 (hereinafter referred to as '**Investigation Period/IP'**) by certain entities including Noticees.

2. Subsequently, Adjudication orders were passed against Noticees wherein penalties were imposed on them. The details of the Adjudication Orders passed against Noticees are given in the table below:

Noticee No.	**Name of the Noticee**	**Adjudication Order No.**	**Adjudication Order Date**	**Penalty imposed (in Rs.)**
1	A Rathinappan	Order/SM/DD/2021-22/13871	October 25, 2021	1,00,000/-
2	G. Manigandan	Order/SM/DD/2021-22/14128	November 08, 2021	1,00,000/-
3	Haridass G	Order/SM/AD/2021-22/13697	October 08, 2021	1,00,000/-
4	Jayaraj P	Order/SM/DD/2021-22/13075	August 24, 2021	1,00,000/-
5	K Nagabushana	Order/SM/DD/2021-22/13868	October 25, 2021	1,00,000/-
6	George Mekat	Order/SM/DD/2021-22/13073	August 24, 2021	1,00,000/-
7	Muniaraj Radhakrishnan	Order/SM/DD/2021-22/13072	August 24, 2021	1,00,000/-
8	Murugan M	Order/SM/DD/2021-22/13869	October 25, 2021	1,00,000/-
9	Mathalai Manikandan	Order/SM/DD/2022-23/16264	April 29, 2022	1,00,000/-
10	C Santhosh Kumar	Order/SM/DD/2021-22/15329	March 10, 2022	1,00,000/-

3. Noticees challenged the aforesaid Adjudication Orders before the Hon'ble Securities Appellate Tribunal (hereinafter referred to as '**SAT**'). The details of appeals by Noticees before Hon'ble SAT are given in the below table:

Noticee No.	**Name of the Noticee**	**Hon'ble SAT Appeal no.**
1	A Rathinappan	597 of 2023

2	G. Manigandan	594 of 2023
3	Haridass G	593 of 2023
4	Jayaraj P	589 of 2023
5	K Nagabushana	592 of 2023
6	George Mekat	590 of 2023
7	Muniaraj Radhakrishnan	596 of 2023
8	Murugan M	595 of 2023
9	Mathalai Manikandan	591 of 2023
10	C Santhosh Kumar	588 of 2023

4. Vide order dated July 12, 2023 in the aforesaid appeals, Hon'ble SAT quashed the impugned adjudication orders and remitted the matter back to the file of adjudicating officer to pass a fresh order in light of the decision of Hon'ble SAT in appeal no. 654 of 2022, Sudhir Bapusaheb Devkar vs. SEBI decided on October 10, 2022, within three months. The relevant extract of the aforementioned order of Hon'ble SAT is reproduced below:

"……………..

3. We find that the controversy involved in the present appeals is squarely covered by the decision of this Tribunal in Appeal no.654 of 2022, Sudhir Bapusaheb Devkar v. SEBI decided on 10th October, 2022. Accordingly, the impugned orders are quashed. The appeals are allowed. The matter is remitted to the Adjudicating Officer to pass a fresh order in the light of the decision of this Tribunal within three months

……………….."

APPOINTMENT OF ADJUDICATING OFFICER

5. Pursuant to the above direction of Hon'ble SAT, vide order dated July 18, 2023, SEBI appointed the undersigned as Adjudicating Officer under Section 15I of the SEBI Act read with Section 19 of the SEBI Act and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules'**) to inquire into and adjudge, under the provisions of Sections 15A(b) and 15HB of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act'**), the aforesaid alleged violations of provision of Regulation 7(2)(a) of PIT Regulations by Noticees.

SHOW CAUSE NOTICE

6. Show Cause Notices dated July 06, 2021 (hereinafter referred to as '**SCN1'**) and August 09, 2021 (hereinafter referred to as '**SCN2**') (both SCN1 and SCN2 collectively referred to as '**SCN**') had been issued to various entities, including Noticees, through Speed Post Acknowledgement Due (hereinafter referred to as '**SPAD**") and through digitally signed email, under Rule 4 of the Adjudication Rules, to show-cause as to why an inquiry should not be initiated against the entities, including Noticees and penalty, if any, not to be imposed upon them under the provisions of Section 15A(b) of SEBI Act for the aforesaid violations alleged to have been committed by them.

7. The allegations levelled against Noticees in the SCN are summarised below:

   a. During investigation, it was observed that transactions by Noticees aggregating to traded value in the securities of Titan in a calendar quarter during the IP had exceeded Rs. 10 lakhs. The details of such traded value of Noticees during the IP along with the number of occasions in which their traded value exceeded 10 lakhs in a calendar quarter are mentioned in the table below:

		Total Traded value (BSE + NSE) (In Rs.)	**No. of Occasions on which traded**

Noticee No.	Name of Noticees	Apr-June 2018	July-Sep 2018	Oct-Dec 2018	Jan-Mar 2019	value exceeded Rs. 10 Lakh
1	A Rathinappan	1389000	2534100	-	-	2
2	G. Manigandan	4073963	-	-	-	2
3	Haridass G	-	3257288	-	-	2
4	Jayaraj P	3053680	-	-	-	2
5	K Nagabushana	2484682	-	-	-	2
6	George Mekat	-	-	-	2726717	2
7	Muniaraj Radhakrishnan	3341426	-	-	-	2
8	Murugan M	2778359	-	-	-	2
9	Mathalai Manikandan	1557788	-	2707350	-	3
10	C Santhosh Kumar	4780538	-	-	1693688	4

b. As seen from the above table, the number of occasions in which the traded value of Noticees in different calendar quarters during the IP exceeded Rs.10 lakh ranges from 2 to 4.

c. Noticees, being employees of Titan, the disclosure requirement under Regulation 7(2)(a) of the PIT Regulations was triggered when the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter aggregates to a traded value in excess of Rs. 10 lakhs. Therefore, Noticees were required to make disclosure in terms of the aforesaid regulation. In this regard, in reply to a query by SEBI, TCL vide email dated October 28, 2020, confirmed that it had not received any disclosures from Noticees

d. In view of the above observations, it was alleged that Noticees have violated Regulation 7(2)(a) of PIT Regulations by not making disclosures as required in terms of aforesaid regulation.

8. The facts available on record w.r.t the service of SCN are given as under

Noticee No.	Name of the Noticee	Details of Service of SCN
1	**A Rathinappan**	SCN1 was sent through SPAD on July 06, 2021 and digitally signed email dated July 08, 2021 and was duly served on Noticee.
2	**G. Manigandan**	SCN1 was sent through SPAD on July 06, 2021 and digitally signed email dated July 08, 2021 and was duly served on Noticee.
3	**Haridass G**	SCN1 was sent through SPAD on July 06, 2021 and digitally signed email dated July 08, 2021 and was duly served on Noticee.
4	**Jayaraj P**	SCN1 was sent through SPAD on July 06, 2021 and digitally signed email dated July 08, 2021 and was duly served on Noticee.
5	**K Nagabushana**	SCN1 was sent through SPAD on July 06, 2021 and digitally signed email dated July 08, 2021 and was duly served on Noticee.
6	**George Mekat**	SCN1 was sent through SPAD on July 06, 2021 and digitally signed email dated July 08, 2021 and was duly served on Noticee.
7	**Muniaraj Radhakrishnan**	SCN1 was sent through SPAD on July 06, 2021 and digitally signed email dated July 08, 2021 and was duly served on Noticee.
8	**Murugan M**	SCN1 was sent through SPAD on July 06, 2021 and digitally signed email dated July 08, 2021 and was duly served on Noticee.

9	**Mathalai Manikandan**	SCN2 dated August 09, 2021 was sent through SPAD on August 09, 2021 and digitally signed email dated August 12, 2021 and was duly served on Noticee.
10	**C Santhosh Kumar**	SCN2 was sent through SPAD on August 09, 2021 and digitally signed email dated August 12, 2021 and was duly served on Noticee.

<u>CONSIDERATION OF ISSUES</u>

9. I have carefully perused the charges levelled against Noticees and other documents/ evidence available on record. The issues that arise for consideration in the present case are:

   I. Whether Noticees have violated Regulation 7(2)(a) of PIT Regulations?

   II. Do the violations, if any, attract monetary penalty under Section 15A(b) of SEBI Act?

   III. If the answer to issue no. II is in affirmative, then what should be the quantum of monetary penalty?

10. Before moving forward, it is pertinent to refer to the relevant provision of the PIT Regulations which was in force at the time of impugned transactions, which are reproduced as under:

<u>Relevant provision of PIT Regulations:</u>

Disclosures by certain persons.

7(2) continual disclosure.

(a)Every promoter, employee and director of every company shall disclose to the company the number of such securities acquired or disposed of within two trading

days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of ten lakh rupees or such other value as may be specified;

<u>Issue No. 9(I)</u>- <u>Whether Noticees have violated Regulation 7(2)(a) of PIT Regulations</u>?

11. I note from available records that Noticees were employees of Titan at the relevant time. While in employment of Titan, Noticees had transacted in securities of Titan in different calendar quarters, ending on June 2018, September 2018, December 2018 and March 2019 with their traded values exceeding rupees ten lakhs, as depicted in the SCN1 and SCN2.

12. I note that it has been alleged in the SCN that the non-disclosure of the abovementioned trading of Noticees as employees of Titan, in calendar quarters ending on June 2018, September 2018, December 2018 and March 2019 had resulted in violation of Regulation 7(2)(a) of the PIT Regulations by them. Here, I find it pertinent to refer to Regulation 7(2)(a) of the PIT Regulations, as it stood during the relevant time, which is reproduced hereunder:

"7(2) Continual Disclosures.

(a). Every promoter, employee and director of every company shall disclose to the company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of ten lakh rupees or such other value as may be specified."

13. In this regard, I note that the term "employee" in the aforementioned provision was substituted with "designated person" by Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2018. I also note that the amendment came into effect from April 01, 2019. By virtue of the amendment, the obligation to make disclosures under Regulation 7(2)(a) of the PIT Regulations no longer lies on every employee of the company but is restricted to designated

persons only. In this context, I find it pertinent to quote a recent decision of Hon'ble SAT in Sudhir Bapusaheb Devkar & Anr v SEBI (Date of Decision: 10.10.2022, Appeal No. 654 of 2022; Appeal No. 655 of 2022); wherein Hon'ble SAT has held as under:

"*In view of the aforesaid, coupled with the fact that no disproportionate gain or unfair advantage resulted to any party for the default committed by the appellants, coupled with the fact that no loss was caused to the investors, as a result of the aforesaid default, we are of the opinion that without going into the controversy as to whether the appellants had in fact acquired or disposed of the shares through intra-day trading and whether the appellants have in fact violated the provisions of Regulation 7(2)(a) of the PIT Regulations, and <u>in view of the decision of the Hon'ble Supreme Court in Commissioner of Income Tax (supra), the amendment made in Regulation 7(2)(a) with effect from April 1, 2019 would apply retrospectively. We are of the opinion that the amendment was a beneficial piece of legislation and the benefit was conferred for the entire community as a whole. As such, even though the amendment came into effect from April 1, 2019, the amended provision would apply with retrospective effect to the transactions made by the appellants."</u>* (emphasis supplied)

14. From the above, I note that Hon'ble SAT, in its aforementioned decision, has laid down that amendment to Regulation 7(2)(a) of PIT Regulations which came into effect on April 1, 2019, would apply with retrospective effect i.e. benefit of amendment would go to the "employees" for the trades done by them prior to the amendment. I also note that Hon'ble SAT, while remanding back the instant matters, has held that the case of Noticees are squarely covered by the decision of Hon'ble SAT in appeal no. 654 of 2022, Sudhir Bapusaheb Devkar vs. SEBI decided on October 10, 2022. Considering the principle laid down in the aforementioned judgment and the fact that Noticees were not designated persons of the company at the time of impugned trades, I find that for the trades done by Noticees during the relevant time i.e. from April 01, 2018 to March 31, 2019,

Noticees would not be liable for violation of Regulation 7(2)(a) of the PIT Regulations. Therefore, I find allegation in SCN that Noticees have violated Regulation 7(2)(a) of the PIT Regulations does not stand established.

15. Since the alleged violation against Noticees are not established, I find that the Issues No. 9(II) and 9(III) require no further consideration.

ORDER

16. Accordingly, taking into account the aforesaid findings and in exercise of powers conferred upon me under Section 15-I of SEBI Act read with Rule 5 of the Adjudication Rules, the Adjudication proceedings against Noticees initiated vide SCNs dated July 06, 2021 and August 09, 2021, stand disposed of without imposition of any penalty.

17. In terms of the provisions of Rule 6 of the Adjudication Rules, copies of this order are being sent to Noticees and also to SEBI.

Place: Mumbai **SOMA MAJUMDER**
Date: August 28, 2023 **ADJUDICATING OFFICER**