BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. ORDER/GG/BS/2022-23/17489-17491

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

In respect of:

Noticee No.	Name of the Entities	Pan No. of the Entities
1	Reeta Sharma	FRNPS3678P
2	Pradeep Kumar Sharma	FRNPS3638R
3	Praveen Tiwary	AGKPT3305P

In the matter of Vaibhav Global Limited

(The aforesaid entities are hereinafter individually referred to by their respective names/ Noticee number and collectively as "Noticees", unless the context specifies otherwise)

A. BACKGROUND OF THE CASE

1. Securities and Exchange Board of India ("SEBI") received a report from National Stock Exchange of India Limited ("NSE") in respect of trading of certain entitiy(ies) in the scrip of Vaibhav Global Limited ("Vaibhav/VGL/the Company"). The report raised suspicion that certain entity(ies) may have traded when in possession of Unpublished price sensitive information (UPSI) regarding significant decline (83.88%) in standalone Net Profits After Tax

(NPAT) of the company for quarter ended March 2015. Thereafter, SEBI has conducted investigation in the scrip of VGL to ascertain as to whether certain persons/entities have traded in the scrip of the company during the period of January 02, 2015 to August 21, 2015 ("investigation period") when in possession of UPSI, in contravention of the provisions of the SEBI Act, 1992, SEBI (Prohibition of Insider Trading) Regulations, 1992 (since repealed) (hereinafter called "SEBI (PIT) Regulations, 1992") read with Regulation 12 of the SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter called "SEBI (PIT) Regulations, 2015"). SEBI conducted an investigation into the matter. Investigation revealed that the announcement of financial results for the quarter ended March 2015 was done on May 21, 2015 after the market hours. There was decline in the company's standalone Net Profit after Tax (NPAT). It was observed that pursuant to the announcement, the scrip's price moved down from closing price of Rs. 773.5 (NSE) and Rs. 772.4 (BSE) on May 21, 2015 to closing price of Rs. 660.15 (NSE) and Rs. 657.5 (BSE) on May 22, 2015. The price declined by 14.65% on NSE and 14.88% on BSE. Thus the information on decline in the company's standalone NPAT for quarter ended March 2015 was observed to have made significant impact on price of the scrip i.e. a fall of 14.65% and 14.88% on NSE and BSE respectively compared to the previous trading day. Hence, dissemination of information by VGL on May 21, 2015 after market hours regarding 'decline in audited standalone NPAT of the company for the quarter ended March 2015, was considered as Unpublished price sensitive information in terms of Regulation 2 (ha) of the SEBI (PIT) Regulations 1992 read with Regulation

12 of the SEBI (PIT) Regulations 2015. Investigation also revealed that Reeta Sharma, Pradeep Kumar Sharma and Praveen Tiwary traded in the shares of VGL during the investigation period.

B. APPOINTMENT OF ADJUDICATING OFFICER

2. SEBI initiated adjudication proceedings and appointed me, as the Adjudicating Officer under section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "SEBI Act") read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "SEBI Adjudication Rules") vide order dated 07.12.2021 to inquire into and adjudge under Section 15 (A) (b) and Section 15G of the SEBI Act 1992, against the Noticees for the alleged violations.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

3. A show cause notice dated 14.03.2022 (hereinafter referred to as "SCN") was issued against the Noticee No. 1 under rule 4(1) of the SEBI Adjudication Rules to show cause as to why an inquiry should not be initiated against them and why penalty should not be imposed against Noticee No. 1 under Section 15G of the SEBI Act, as applicable, for the alleged violation of the provisions of Regulation 3(i) and 3 (ii) of SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015. Further, it is also alleged that by dealing in securities of VGL, while in possession of material non-public information, Noticee No. 1 has also violated the provision of Section 12 (A) (d) and 12 A (e) of SEBI Act, 1992.

4. A separate SCN dated 14.03.2022 was issued against the Noticee Nos. 2 & 3 under rule 4(1) of the SEBI Adjudication Rules to show cause as to why an inquiry should not be initiated against them and why penalty should not be imposed against them under Section 15 A (b) of the SEBI Act 1992, as applicable, for the alleged violation of the provisions of Regulation 13(4) and 13 (5) of SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015.

5. Both the SCNs dated 14.03.2022 stated above, in paragraph 3 and 4 are being taken up together for consideration and disposal as Part I and II of this order.

PART I: - Allegation of Insider Trading against Noticee No.1

PART II: - Allegation of Non-disclosure against Noticee Nos. 2 and 3

6. In the interest of natural justice, an opportunity of personal hearing was granted to the Noticees on 19.04.2022 which was availed by Noticee No. 3. Noticee Nos. 1 & 2 did not avail this opportunity of hearing. On the request of Mr. Rakesh Puri, Advocate who represented Noticee No.s 1 & 2 in this matter, scanned/soft copies of the SCN dated March 14, 2022 issued to Noticee No. 1 along with all Annexures were handed over to authorized person in a compact disc (CD) on 21.04.2022. Second opportunity of hearing was granted to Noticee Nos. 1 & 2 on 05.05.2022 wherein Mr. Rakesh Puri, Advocate, appeared on behalf of Noticee Nos. 1 & 2 and requested for adjournment of hearing. Third opportunity of hearing was granted to Noticee

Nos. 1 & 2 on 06.06.2022. However, the hearing scheduled on 06.06.2022 was re-scheduled to 14.06.2022 on request of Mr. Rakesh Puri, Advocate. Noticee Nos. 1 & 2 availed the opportunity of hearing on 14.06.2022 and appeared before me through Mr. Rakesh Puri, Advocate and argued the matter on merit.

Replies of Noticees

7. Noticee Nos. 1 & 2 filed preliminary replies vide letters dated 29.04.2022 and 04.05.2022 respectively. Noticee No. 3 forwarded his reply vide email dated 17.03.2022. Noticee Nos. 1 & 2, vide 2 separate letters dated 13.06.2022, submitted on merit replies and additional replies were forwarded vide letters dated 20.06.2022.

PART I: ALLEGATION OF INSIDER TRADING AGAINST NOTICEE NO. 1

8. As brought out in the investigation conducted by SEBI, the facts leading to violations mentioned in the SCN dated 14.03.2022 by the Noticee No. 1 are as under:-

Background of the company

9. Vaibhav Global Limited is a public limited company and listed on National Stock Exchange of India Limited (NSE) and BSE Limited (BSE). Vaibhav has its registered office at K-6B, Fateh Tiba, Adarsh Nagar, Jaipur-302004, Rajasthan. The company is vertically-integrated electronic retailer of fashion jewellery and lifestyle products in the USA and United Kingdom on its TV

Shopping channels and complimented by e-commerce websites/mobile apps.

10. The investigation in the matter of suspected trading activities of certain entities during the investigation period in the scrip of VGL, *inter-alia*, revealed the following relevant announcements being made by VGL during the investigation period:

10.1. On April 20, 2015, the company informed the exchanges that "meeting of the Board of Directors will be held on May 21, 2015, inter alia, to consider and approve the audited financial results of the company for the quarter and year ended March 31, 2015 and the Board will also consider the recommendation of final dividend, if any, for the FY ended March 31, 2015".

10.2. On April 21, 2015, the company announced closure of trading window for sale/ purchase of shares in the scrip with effect from May 06, 2015 to May 22, 2015 owing to declaration of audited financial results of the company for the quarter and year ended March 31, 2015 and to consider the recommendation of final dividend for the financial year ended March 31, 2015 in the forthcoming Board meeting to be held on May 21, 2015.

10.3. On May 21, 2015, VGL, *inter- alia*, announced that the company's Board of Directors in the meeting held on May 21, 2015, *inter-alia*, transacted the following:

- ***Approval of financial results****: The Board approved and declared the* *audited financials results of the company for the quarter and year ended March 31, 2015.*

- ***Final Dividend**: The Companies (Amendment) Bill, 2014 puts certain restriction on payment of dividend. In view of the same, no final dividend has been proposed by the Board.*

10.4. VGL's standalone financial results for quarters ended March 2014, September 2014, December 2014 and March 2015 and also year ended March 2014 and March 2015 are mentioned below:

Table 1

Particulars	Standalone (Rs. in lakh)					
	Quarter ended				Year ended	
	March 31, 2015	December 31, 2014	September 30, 2014	March 31, 2014	March 31, 2015	March 31, 2014
	(Audited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Net Sales/Income from operations	8666.92	13234.55	10163.75	10215.29	40378.39	34827.33
Exchange Gain/(Loss)	116.06	46.10	191.25	50.24	797.26	2136.71
Other operating income	128.11	96.48	33.93	660.80	406.69	977.76
Total income from operations	8911.10	13377.13	10388.93	10926.13	41582.34	37941.80
Total Expenses	8383.35	11962.35	9022.15	9741.73	37073.84	31776.16
Profit before Tax	425.83	1284.16	1254.68	1276.39	3975.27	5329.87
Net Profit After Tax (NPAT)	**169.40**	**1050.97**	981.00	2098.06	2997.66	5316.05
Paid up Equity Share Capital	3238.02	3236.41	3235.02	3217.56	3238.02	3217.56
EPS (Rs.)	0.53	3.26	3.04	6.55	9.3	16.6

10.5. The announcement on decline in the company's standalone NPAT for quarter ended March 2015 made significant impact on scrip's closing price i.e. 14.65% and 14.88% fall on NSE and BSE respectively.

10.6. Corporate announcements made by VGL during the investigation period and their impact on price of the scrip is given below:

Table 2

<table>
<tr><th>Date</th><th>Announcement/news</th><th>Price impact/share traded</th></tr>
<tr><td>BSE: 20.04.2015 at 17:38:58 hrs.
NSE: 21.04.2015 at 08:16:00 hrs.</td><td>Meeting of the Board of Directors will be held on May 21, 2015, inter alia, to consider and approve the audited financial results of the company for the quarter and year ended March 31, 2015 and the Board will also consider the recommendation of final dividend, if any, for the FY ended March 31, 2015.</td><td rowspan="2"><table>
<tr><th colspan="6">BSE</th></tr>
<tr><th>Date</th><th>O</th><th>H</th><th>L</th><th>C</th><th>Vol.</th></tr>
<tr><td>20.04.2015</td><td>805</td><td>814</td><td>798</td><td>802.15</td><td>2123</td></tr>
<tr><td>21.04.2015</td><td>800.05</td><td>810</td><td>798</td><td>800.9</td><td>813</td></tr>
<tr><th colspan="6">NSE</th></tr>
<tr><td>20.04.2015</td><td>805</td><td>805</td><td>796.3</td><td>798.6</td><td>3650</td></tr>
<tr><td>21.04.2015</td><td>810</td><td>810</td><td>795</td><td>799.55</td><td>5460</td></tr>
</table>
O -Open, H -High, L -Low, C -Close

0.16% fall in scrip's price on BSE and 0.12% rise on NSE.

No substantial price movement in the scrip.</td></tr>
<tr><td>NSE: 21.04.2015 at 08:16:00 hrs.
BSE: 21.04.2015 at 14:05:16 hrs.</td><td>VGL announced closure of trading window for sale/ purchase of shares in the scrip w.e.f. May 06, 2015 to May 22, 2015.</td></tr>
<tr><td>NSE: 21.05.2015 at 17:07:02
BSE: 21.05.2015 at 17:17:09 hrs.</td><td>The company's Board of Directors in the meeting held on May 21, 2015, inter alia, transacted the following:
Approval of financial results: The Board approved and declared the audited financial results of the company for the quarter and year ended March 31, 2015.
Final Dividend: The Companies (Amendment) Bill, 2014 puts certain restriction on payment of dividend. In view of the same, no final dividend has been proposed by the Board.</td><td><table>
<tr><th colspan="6">BSE</th></tr>
<tr><th>Date</th><th>O</th><th>H</th><th>L</th><th>C</th><th>Vol.</th></tr>
<tr><td>21.05.2015</td><td>780</td><td>780</td><td>758</td><td>772.4</td><td>3738</td></tr>
<tr><td>22.05.2015</td><td>730</td><td>730</td><td>640.05</td><td>657.5</td><td>44093</td></tr>
<tr><th colspan="6">NSE</th></tr>
<tr><td>21.05.2015</td><td>766.05</td><td>782.3</td><td>758</td><td>773.5</td><td>17114</td></tr>
<tr><td>22.05.2015</td><td>700</td><td>724</td><td>645.05</td><td>660.15</td><td>172802</td></tr>
</table>
14.88% fall in the scrip's price on BSE and 14.65% fall on NSE.

Significant fall in scrip's price on a single day compared to the previous trading day.</td></tr>
</table>

10.7. The announcement of financial results for the quarter ended March 2015 was done on May 21, 2015 after the market hours. There was decline in the company's standalone NPAT. It was observed that pursuant to the announcement, the scrip's price moved down from closing price of Rs. 773.5 (NSE) and Rs. 772.4 (BSE) on May 21, 2015 to closing price of Rs. 660.15 (NSE) and Rs. 657.5 (BSE) on May 22, 2015. The price declined by 14.65% on NSE and 14.88% on BSE.

11. The Board of directors of the company in its meeting held on May 21, 2015, *inter alia*, transacted the following:

i. The Board approved and declared the audited financial results of the company for the quarter and year ended March 31, 2015.

ii. Final dividend was not proposed and declared in compliance with certain provisions of the Companies Act.

12. VGL, had *inter-alia* informed the Exchanges on April 20, 2015 that "…the Board will also consider the recommendation of final dividend, if any, for the financial year ended March 31, 2015".

The company considered this item in its Board meeting held on May 21, 2015 and recorded the following in the minutes:

"10. To consider and recommend the payment of final dividend for the financial year 2014-15.

The Group CFO informed the Board that the Companies (Amendment) Bill, 2014 (which is passed by both Houses of Parliament) prohibits payment of *dividend unless past losses are fully absorbed against current year's profit. He also table a copy of the said amendment. The Board discussed the matter and after detailed discussion withdrew the proposal of final dividend."*

13. On a perusal of the financial statement of the company for financial year 2014-15, it was also observed that VGL was having deficit to the extent of Rs. 264.27 crore as on March 31, 2015. Accordingly, it was observed that the company had not declared final dividend for financial year 2014-15. Hence, the event of "proposing/ declaring final dividend" by the company does not qualify as price sensitive information.

14. The Board approved and took on record the financial results of the company for quarter ended March 2015 and financial year 2014-15. VGL, *inter alia*, informed 83.88% decline in standalone Net Profit After Tax (NPAT) for the quarter ended March 2015 compared to previous quarter ended December 2014 and 91.93% decline compared to the corresponding quarter of the previous financial year i.e. March 2014.

15. The sequence of events relating to decline in Company's Quarter on Quarter (QoQ) NPAT and its impact on share price post announcement of the financial results on May 21, 2015 has been elaborated in the part of this order dealing with "Consideration of Issues"

16. Dissemination of information by Vaibhav on May 21, 2015 regarding 'decline in audited standalone NPAT of the company for the quarter ended March

2015, was considered as UPSI in terms of Regulation 2 (ha) of the SEBI (PIT) Regulations 1992 read with Regulation 12 of the SEBI (PIT) Regulations 2015.

Summary of events and emails:

17. Summarised chronology of events that led to generation of UPSI and ending with UPSI becoming public, is tabulated as below:

Table 3

Date	**Discussion (phone/meeting / approval etc.)**	**Event details**	**Name, Designation of the person (s) associated with event**
02.04.2015	E-mail	Forwarded group daily report as on March 31, 2015 containing key financial items.	Sunil Agrawal, MD, Hemant Sultania, CFO, Ghanshyam Gupta, **Reeta Sharma** and Vivek Jain
13.04.2015	E-mails/ Internal Meetings	Preparation of the company's accounts for the quarter ended March 31, 2015 were started.	Anshuman Khandelwal, Abhinav Sharma, Ghanshyam Gupta, Hemant Sultania and Sunil Agrawal
	Internal Meeting	Discussion on duty draw back income for FY 2015	Anshuman Khandelwal and Abhinav Sharma
17.04.2015	Internal Meeting	Discussion on fixed assets Register to finalise the standalone balance sheet for FY 2015	Anshuman Khandelwal and Abhinav Sharma
21.04.2015	Internal Meeting	Discussion on BPO cost for debiting Shop LC (subsidiary)	Anshuman Khandelwal and Ghanshyam Gupta
22.04.2015	Internal Meeting	Discussion on reassessment of useful life of fixed assets pursuant to the provisions of Schedule II to the Companies Act, 2013 effective from 1st April 2014	Anshuman Khandelwal, Ghanshyam Gupta and Hemant Sultania
22.04.2015	E-mail	Agenda of Audit 30/04/2015	SS Bhandari, PN Bhandari, Mahendra Kumar Doogar, Nirmal Kumar Bardiya, Vikram Kaushik, Hemant Sultania and Brahm Prakash

Date	Discussion (phone/meeting / approval etc.)	Event details	Name, Designation of the person (s) associated with event
23.04.2015	Internal meeting	Discussion on gratuity, leave encashment and bonus for the quarter/ year ended 2015	Anshuman Khandelwal, Ghanshyam Gupta and Abhinav Sharma
23.04.2015	E-mail	Subsidiaries performance-FY15	Ghanshyam Gupta and Hemant Sultania
27.04.2015	E-mail	Audit committee documents	Ghanshyam Gupta, Hemant Sultania and Brahm Prakash
	E-mail	Other Agenda papers of Audit 30/04/2015	SS Bhandari, PN Bhandari, Mahendra Kumar Doogar, Nirmal Kumar Barddiya, Vikram Kaushik, Hemant Sultania and Brahm Prakash
29.04.2015	E-mail	Audit committee documents	Ghanshyam Gupta, Hemant Sultania and Brahm Prakash
30.04.2015	Internal meeting	Discussion on Debtors aging and Inventory aging	Anshuman Khandelwal, Ghanshyam Gupta and Hemant Sultania
	Meeting	Audit Committee meeting held on 30th April, 2015 inter alia discussed internal audit report for the quarter ended 31st March 2015, consider and review the performance of Vaibhav, subsidiaries and step down subsidiaries for the quarter and year ended 31st March, 2015, consider and review the SEBI (Prohibition of Insider Trading Regulation), 2015 and code of conduct made thereunder, consider and review the new secretarial standards on Board Meeting (SS1) and General meeting (SS2) issued by ICSI.	SS Bhandari, PN Bhandari, Mahendra Kumar Doogar, Nirmal Kumar Bardiya, Vikram Kaushik, Hemant Sultaniya, Brahm Prakash, Raj Singh, Anshuman Khandelwal, Unnat Gautam (AGM-Internal Auditor), Himanshu Goyal (Internal auditor, M/s S S Surana & Co), Prashant Bansal (Internal auditor, M/s S S Surana & Co) were present during their relevant item.
04.05.2015	E-mail	Discussion on Financial results	Anshuman Khandelwal and Ghanshyam Gupta
09.05.2015	E-mail	Discussion on Financial results	Ghanshyam Gupta and Hemant Sultania
11.05.2015	E-mail	Discussion on Financial results	Ghanshyam Gupta, Hemant Sultania and Sunil Agrawal

Date	Discussion (phone/meeting / approval etc.)	Event details	Name, Designation of the person (s) associated with event
	E-mail/ Internal meeting	Preparation of draft of company's accounts were completed.	Anshuman Khandelwal, Abhinav Sharma, Ghanshyam Gupta, Hemant Sultania and Sunil Agrawal
12.05.2015	Internal meeting	Discussion on consolidation of standalone financial results	Sunil Agrawal, Anshuman Khandelwal, Ghanshyam Gupta and Hemant Sultania
	E-mail/ Internal meeting	Draft of accounts was communicated to management for discussion of accounts.	Anshuman Khandelwal, Abhinav Sharma, Ghanshyam Gupta, Hemant Sultania and Sunil Agrawal
N/A	E-mail/ Internal meeting	Any medication/suggestion by Management	
14.05.2015	Meeting	The company's quarterly results were prepared for circulation to the Audit Committee and the Board of Vaibhav.	Anshuman Khandelwal, Abhinav Sharma, Ghanshyam Gupta, Hemant Sultania and Sunil Agrawal
	E-mail	The company's quarterly results were circulated to the Audit Committee.	SS Bhandari, PN Bhandari, Mahendra Kumar Doogar, Nirmal Kumar Barddiya, Hemant Sultania and Brahm Prakash
15.05.2015	E-mail	The company's quarterly results were circulated to the Board of Vaibhav.	Sunil Agrawal, Rahim Ullah, SS Bhandari, Nirmal Kumar Bardiya, Vikram Kaushik, Peter Whitford, Pulak Prasad, Sheela Agarwal, Mahendra Kumar Doogar, PN Bhandari, Hursh Agrawal (Agenda sent being special invitee, but could attend meeting)
20.05.2015	Meeting	The company's quarterly results were reviewed by the Audit Committee.	SS Bhandari, PN Bhandari, Mahendra Kumar Doogar, Nirmal Kumar Bardiya, Hemant Sultaniya, Brahm Prakash, Anshuman Khandelwal, Unnat Gautam (AGM-Internal Auditor) were present during their relevant item, Chetan Desai (Statutory Auditors), Sandeep Mundra (Statutory Auditors), Ashish

Date	Discussion (phone/meeting / approval etc.)	Event details	Name, Designation of the person (s) associated with event
			Ruparlia (Statutory Auditors) were present during their relevant item.
21.05.2015	Meeting	The company's quarterly results were approved by the Board of Vaibhav	Sunil Agrawal, Rahim Ullah, SS Bhandari, Nirmal Kumar Bardiya, Vikram Kaushik, Pulak Prasad, Sheela Agarwal, Mahendra Kumar Doogar, PN Bhandari, Hemant Sultania, Brahm Prakash, Jeff Allar (Special invitee), Collin Wagstaffe (Special invitee) were present during their respective relevant item.

Period of UPSI:

18. VGL, vide letter dated December 08, 2016 , *inter alia*, provided the chronology of events and vide letter dated July 22, 2021, *inter alia,* provided revised chronology of events leading to announcement of the company's audited standalone financial results for the quarter ended March 2015 and financial year ended 2014-15.

19. Further, VGL, vide letters dated July 05, 2021 and July 15, 2021 *inter alia,* submitted that a group daily report was being prepared by the company wherein certain key financial items of the group (including VGL's standalone) likes sales, expenses, receipts, payments, debtors, stock, etc. were shared with selected persons of VGL and its subsidiaries. It was observed that the group daily report contained the daily figures, consolidated month- till- date figures and consolidated year- till-date figures. Such report for March 31, 2015 was circulated on April 02, 2015.

20. Based on the information and details provided by the company, vide above mentioned letters, it is observed that the event leading to declaration of the company's standalone financial results for quarter ended March 2015 was started from April 02, 2015. Accordingly, UPSI related to declaration of the company's audited standalone financial results for the quarter ended March 2015 is alleged to have come into existence on April 02, 2015.

21. Further, the BoD approved and took on record the audited standalone financial results of the company for quarter ended March 2015 on May 21, 2015 and accordingly disclosed to the exchanges viz., BSE and NSE on the same day i.e. May 21, 2015 at 17:07:02 hrs. on NSE and at 17:17:09 hrs. on BSE. Therefore, UPSI was published on May 21, 2015 at 17:07:02 hrs.

22. In view of the above, it is noted that UPSI period with regard to dissemination of decline in audited standalone NPAT of VGL for the quarter ended March 2015, by the company on stock exchange on May 21, 2015 at 17:17:02 hrs. (post trading hours), was from April 02, 2015 to May 21, 2015.

23. Based on the information/ details provided by VGL and with regard to the investigation carried out by SEBI in light of the provisions of SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015, it was observed that Mr. Pradeep Kumar Sharma and Ms. Reeta Sharma (husband and wife) were holding senior positions in the subsidiaries of VGL.

24. As per information provided by Vaibhav vide letter dated February 23, 2021, Reeta Sharma was working as Finance /Corporate Controller of the company's USA based subsidiaries- The Jewellery Channel Inc. ("TJC") (also known as Shop LC Global) and STS Jewels Inc. ("STS Jewels"). She was responsible for all finance and accounting duties including treasury, reporting, audit and taxation and interacting on a day to day basis with peer, subordinates and group employees. Further, the company, vide letter dated March 08, 2021 inter-alia stated that Reeta Sharma was responsible for monitoring the data relating to monthly MIS/financials/profit & loss of the USA based Subsidiaries i.e. TJC and STS Jewels and was reporting to Hemant Sultania-Group CFO and Gerald Tempton-President.

25. VGL, vide letters dated July 05 and 15, 2021, *inter alia*, submitted that a group daily report was being prepared by the company where certain key items of group, including VGL's standalone figures like sales, expenses, receipts, payments, debtors, stock etc. were shared with selected persons of Vaibhav and its subsidiaries, including Ms. Reeta Sharma.

26. VGL, vide letter dated July 22, 2021 further stated that *"Mrs. Reeta Sharma was in receipt of a group daily report, where only certain key items of group (including VGL's standalone) like sales, expenses, receipts, payments, debtors, stock etc. were available (not complete financial results) and she* *was not involved in the preparation of company's standalone financial results."*

27. VGL vide letter dated July 22, 2021 *inter alia*, forwarded scanned copy of e-mails, duly received and certified by Reeta Sharma, relating to group daily reports as on January 30, 2015, February 27, 2015 and March 31, 2015.

28. Upon examination of VGL's above mentioned group daily reports, it was observed that the company's and its subsidiaries' key financial information (including VGL's standalone) and details viz. actual/ budgeted sales, material consumed, gross profit, net profit, profit before tax, expenses, receipt & payments, debtors, etc. were being shared through group daily reports on day-to-day basis to selected recipients including Reeta Sharma. It was further observed that these group daily reports contained the daily figures, consolidated month till date figures and consolidated year till date figures of VGL and its subsidiaries. The group daily report for March 31, 2015 was circulated on April 02, 2015 at 08:45 AM and the same was received by Reeta Sharma.

Group daily Report:

29. Relevant financial information/items (year till date figures) extracted from the company's group daily report as on March 31, 2015 forwarded vide e-mail dated April 02, 2015 are mentioned below:

Table 4

Particulars	Amount (US $ in '000)
Net Sales	67,235
Profit before Tax (PBT)	6,719

29.1. The above financial information/items (year till date figures) extracted from the company's group daily report prepared on March 31, 2015 were compared with the audited standalone financial results declared by the company for the financial year ended 2015 as below:

Table 5

Particulars	Amount (US $ in '000) as per group daily report	Exchange Rate (US $ to INR)*	Equivalent Amount in INR (Lakh) as per group daily report	Amount in INR (Lakh) as per Vaibhav's financial statements	Difference in INR (Lakh)	% Difference
Net Sales	67,235	60	40,341.00	40,378.39	37.39	0.09%
Profit before Tax (PBT)	6,719	60	4,031.40	3,975.27	56.13	1.41%

**Exchange rate as mentioned in the group daily report as on March 31, 2015*

29.2. As observed from the above table, the difference between net sales mentioned in the group daily report and net sales disclosed in audited standalone financial results for the year ended March 2015 was only 0.09% and for Profit before Tax (PBT), it was also only 1.41%. It was observed that difference between the figures given in group daily report and audited financial statement was negligible.

30. Further, comparison of the standalone net sales figures with respect to the March quarter 2015 was also done as given below:

a) It was observed that the cumulative/total Net sales declared by the company for the quarters ended June 2014, September 2014 and December 2014 was Rs. 31,711 lakh. Further, the total net sales figure till March 2015 mentioned in the group daily report was Rs. 40,341 lakh. It is observed that the difference between the group daily figure for financial year 2014-15 and the cumulative/total Net sales till December 2014 declared by the company was Rs. 8630 lakh (Rs. 40,341 lakh- Rs. 31,711 lakh). Thus Rs. 8630 lakh was the net sales figure for the quarter ended March 2015 as per group daily report.

b) It is pertinent to mention that the company declared net sales as Rs. 8666.92 lakh for the quarter ended March 2015. The variation/ difference between the net sales amount as per the group daily report and declared audited financial statement for the quarter ended March 2015 was only 0.43%(Rs. 36.92 lakh).

31. In view of the above, the key financial items viz. net sales and Profit before Tax (PBT) of VGL and its subsidiaries, shared with selected persons including Reeta Sharma through group daily report were comparable with the standalone audited financial results declared by the company.

32. Reeta Sharma was Finance Head (Corporate Controller) of VGL's USA based subsidiaries which had significant impact on VGL's overall sales and the company's standalone NPAT performance for the quarter ended March 2015. As per company's submission vide its letter dated July 22, 2021 Reeta Sharma was one of the persons who were privy to the events leading to declaration of company's financial results for the quarter ended March 2015.

33. VGL, vide letter dated March 01, 2021, *inter alia*, confirmed that Reeta Sharma was also falling under the category of designated employee in terms of the Model Code of Conduct for prevention of insider trading framed by it under the SEBI (PIT) Regulations, 1992.

Trading by Reeta Sharma

34. Trading of Reeta Sharma was analysed based on information received from NSE and BSE. Based on the information received, it was observed that the Noticee No. 1 viz. Reeta Sharma has traded on one day i.e. May 05, 2015 and sold 1100 shares of VGL during the UPSI Period. Trading details are elaborated under the part dealing with "Consideration of Issues".

35. Based on the facts brought out in preceding paragraphs, it was alleged in the SCN that Reeta Sharma being an insider and having reasonably expected to have received UPSI, has engaged in insider trading while in possession of UPSI in the scrip of VGL during the UPSI period and violated the provision of Regulation 3(i) and 3 (ii) of SEBI (PIT) Regulations, 1992 read with

Regulation 12 of SEBI (PIT) Regulations, 2015. Further, it is also alleged that by dealing in securities of VGL, while in possession of material non-public information, Noticee No. 1 has also violated the provisions of Section 12 (A) (d) and 12 A (e) of SEBI Act, 1992.

36. Relevant provisions of law are reproduced below for reference

Securities and Exchange Board of India Act, 1992

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. No person shall directly or indirectly—

..

..

(d) engage in insider trading;

(e) deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder;

Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992.

Prohibition on dealing, communicating or counselling on matters relating to insider trading.

3. No insider shall—

(i) either on his own behalf or on behalf of any other person, deal in securities of a company listed on any stock exchange [when in possession of] any unpublished price sensitive information; or

[(ii) communicate [or] counsel or procure directly or indirectly any unpublished price sensitive information to any person who while in possession of such unpublished price sensitive information shall not deal in securities:

Provided that nothing contained above shall be applicable to any communication required in the ordinary course of business [or profession or employment] or under any law.]

Code of internal procedures and conduct for listed companies and other entities.

12. (1) All listed companies and organisations associated with securities markets including:

(a) the intermediaries as mentioned in section 12 of the Act, asset management company and trustees of mutual funds;

(b) the self-regulatory organisations recognised or authorised by the Board;

(c) the recognised stock exchanges and clearing house or corporations;

(d) the public financial institutions as defined in section 4A of the Companies Act, 1956; and

(e) the professional firms such as auditors, accountancy firms, law firms, analysts, consultants, etc., assisting or advising listed companies,

shall frame a code of internal procedures and conduct as near thereto the Model Code specified in Schedule I of these Regulations [without diluting it in any manner and ensure compliance of the same].

(2) The entities mentioned in sub-regulation (1), shall abide by the code of Corporate Disclosure Practices as specified in Schedule II of these Regulations.

(3) All entities mentioned in sub-regulation (1), shall adopt appropriate mechanisms and procedures to enforce the codes specified under sub-regulations (1) and (2).

(4) Action taken by the entities mentioned in sub-regulation (1) against any person for violation of the code under sub-regulation (3) shall not preclude the Board from initiating proceedings for violation of these Regulations.

37. The aforesaid alleged violations, if established, make the Noticee No. 1 viz. Reeta Sharma liable for monetary penalty under Section 15 G of the SEBI Act 1992, which are reproduced below for reference: -

Section 15G: If any insider who,—

(i) either on his own behalf or on behalf of any other person, deals in securities of a body corporate listed on any stock exchange on the basis of any unpublished price-sensitive information;

(ii) communicates any unpublished price-sensitive information to any person, with or without his request for such information except as required in the ordinary course of business or under any law; or

(iii) counsels, or procures for any other person to deal in any securities of any body corporate on the basis of unpublished price-sensitive information,

shall be liable to a penalty 98[which shall not be less than ten lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of insider trading, whichever is higher].shall be liable to a penalty which shall not be less than ten lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of insider trading, whichever is higher.

Reply of Noticee No. 1

38. A show cause notice dated March 14, 2022 was issued to the Noticee No. 1 alleging the charges mentioned in previous paragraphs. Noticee No. 1 has filed preliminary reply on 29.04.2022 and vide letter dated 13.06.2022 forwarded a detailed reply to SCN. Additional reply was filed vide letter dated 20.06.2022. Gist of the replies filed by Noticee No. 1 is given below:

Preliminary Submission

Double jeopardy

38.1. *As regards Article 20(2) dealing with double jeopardy what it bars is prosecution and punishment after an earlier punishment for the same offence. 'Offence' here means an offence as defined in section 3 (38) of the General Clauses Act applied to the Constitution by article 367. The offence must be the same, that is to say, involving the same ingredients in all respect and a trial for a separate and distinct offence is not barred under article 20(2). However, this article must be taken as supplemented by section 26 of the General Clauses Act, 1897 and the provisions of the Code of Criminal Procedure, 1973 as to second prosecution after conviction or acquittal for an offence where the* *second persecution is excluded by the doctrine of autrefois convict or autrefoic acquit. The word 'prosecution' would not normally cover departmental proceedings not held before a criminal court. The object of this provision is to avoid the harassment which must be caused to a person for successive criminal proceedings where only one crime has been committed.*

38.2. *The Noticee No. 1 relied on few case laws in her reply. The landmark case on the subject is the case of Thomas Dana v. State of Punjab, wherein a Constitutional Bench of five Judges of the Supreme Court evaluated the three requirements for double jeopardy i.e., prosecution, punishment and same offence and held that if these three requirements are satisfied, then the protection under Article 20(2) of the Constitution is guaranteed.*

38.3. *The Noticee No. 1 also placed reliance on Principle of Law and Doctrine of Estoppel / Res Judicata and also quoted case laws in her reply. Thus, an estoppel which has come to be known as "issue estoppel" may arise where a plea of res judicata could not be established because the cause of action was not the same. In order to apply the doctrine of res Page 6 of 9 judicata it is an essential requirement that the actual issues in the two proceedings are identical.*

38.4. *In this regard the Noticee submits that it was the same issue of fact as mentioned in SCN dated 14 March 2022 which was determined in the earlier case where cautionary advice to be careful in future and improve compliance standards has been issued to Noticee under SEBI letter SEBI/HO/IVD/ID13/OW/P/2021/28485/1 dated October 13, 2021. The submission is based on a perusal of the SCN dated 14 March 2022 of the Adjudicating Officer in which the same transaction was considered on the same facts as well as the Policy of SEBI wherein Cautionary advice has been issued under SEBI letter dated 13 October 2021 by DGM, Investigation Department –ID13. Further, the violation of the provision of the Act was also the same as is in the SCN and the same law was also taken into taken consideration by the DGM, Investigation Department who has issued this cautionary advice dated 13 October 2021. Further, the same facts and law has been considered by both the DGM, Investigations Department and Adjudicating Officer in the present SCN.*

39. I have perused the copy of the letter dated 13.10.2021 relied upon by Noticee No. 1 to contend that the current proceedings are not maintainable against her, as she was let off with a warning on an earlier occasion. I note that SEBI after noticing that Noticee No. 1 had not disclosed the transactions executed in the shares of VGL as mandated under Regulation 13 (4) & 13(5) of SEBI PIT Regulations, 1992 and had advised Noticee No. 1 to be careful in future and improve the compliance standards to avoid recurrence of such instances. I also note that present Adjudication proceedings against the Noticee No. 1 are for commission of insider trading as prohibited under Regulation 3(i) and 3 (ii) of SEBI (PIT) Regulations, 1992 read with Regulation 12 of SEBI (PIT) Regulations, 2015 and Section 12A (d) and 12 A (e) of SEBI Act, 1992 and are not for disclosure violations. Therefore, none of the objections raised by Noticee No. 1 would lie.

40. The Noticee No. 1 in her reply dated 13.06.2022 raised objection regarding delay in the proceedings and stated that the allegations framed in the SCN relates to transactions having occurred on 05.05.2015. The present SCN is issued on 14.03.2022 i.e. six years and nine months after the transactions. The SCN has been issued after an inordinate and unconscionable delay.

41. Normally, a Noticee is prejudiced by delay if he/she cannot defend the matter as they may tend to forget the facts or find it difficult to retrieve relevant documents to defend the matter etc. From the records, it is seen that investigation was initiated in September 2016. As Noticee No. 1 is aware, SEBI’s inquiry into the subject transactions started in the later half of 2018 and got concluded towards October 2021, when she got the warning letter with respect to the disclosure violations. Soon thereafter, the present Adjudication proceedings were initiated for violation of provisions of SEBI

(PIT) Regulations. Hence, I do not find that the delay, as contended, vitiates the current proceedings.

42. I also note that Noticee No. 1 also raised an objection regarding not providing the investigation report/examination report carried out by SEBI to the Noticee No. 1. In this regard, scanned copy of the investigation report was shared with the Noticee No. 1 and Noticee No. 2 through email on 14.06.2022, and the said ground was not pressed by the Counsel during the hearing.

43. Noticee No. 1 mentioned the following in reply. (Relevant Extract is reproduced below):

43.1. *Noticee has not been provided with the Investigations Report / Examination Report carried out by SEBI which you are requested to provide.*

43.2. *That Noticee is a Chartered Accountant and have work experience of about 35 years in supervisory role in Finance field in various organizations handling multi-level tasks in Treasury, Banking, Direct and Indirect Taxes, Audits, MIS and Financial management functions. At present, I am working as Corporate Controller for Shop LC Global Inc, (formally known as The Jewellery Channel Inc), Austin Texas US, step down subsidiary of Vaibhav Global Limited (VGL) and STS Jewels Inc, Austin Texas USA, subsidiary of Vaibhav Global Ltd. She is associated as Finance Head with US Subsidiaries of VGL Group since January 2005 for over 16 years.*

43.3. *Noticee denies that she was in possession of unpublished price sensitive information (UPSI) related to the company's standalone financial results for the quarter ended March 2015 as she was not involved in the audit of the financials nor a part of the Audit Committee of the Board or Board Member of VGL.*

43.4. *Noticee confirms having traded and executed sell transaction for 1,100 shares in the scrip of VGL on May 05, 2015. It will be observed that the Gross Sell Rate was Rs. 800 per share and Net Market Rate (net proceeds) that she got was Rs. 787.87 per share aggregating to Rs. 8,66,656.94 These shares were part of the ESOPs granted to her. Further, there has not been much fluctuation in the share price of the Company from 1st May 2015 to 21st May 2015 As the Noticee gathers from BSE and NSE website, the Company intimated the results for March 2015 on May 21st, 2015.*

43.5. *Noticee has undertaken trades in the scrip of Vaibhav Global Limited (VGL) in the ordinary course of business. As per Noticee's Demat Account Statement for the period from April 1st, 2015 to March 31st 2016 at Annexure A and from April 1st 2016 to August 6th, 2021 at Annexure B, it may be noted that she has never dealt with any share(s) of any other company or purchased VGL shares from market except sale of shares of VGL. These shares were part of the ESOPs granted to her. The shares sold by her on May 5th, 2015 is one off transaction made by her in the normal course to pay her daughter's medical college expenses. You may please also note that the number of shares involved on 5th May 2015 is miniscule in terms of quantity. The shares sold by Noticee on 5 May 2015 is one off transaction made by her, is the first time of Selling even though having Shares from the year 2010, in the normal course to pay his daughter's medical college expenses.*

43.6. *This is also evident from my very long term association with the company that in spite of series of incidents of fluctuations in the stock prices of VGL, Noticee has never purchased/ traded in the VGL shares in any situation. This is a huge evidence that her behaviour is not at all towards the direction it has been alleged. She has just availed facility given to her in a very normal way for which the ESOP scheme is meant for. It is further submitted that though she had ESOP shares of VGL from 2010 onward, she has hardly sold these shares except for the aforesaid transaction and on few other occasions. She continues to hold 73,655 ESOP shares and 1,52,785 options of VGL as of date (10 June 2022). Noticee denies the allegation that she traded in the scrip while in possession of and based on Unpublished Price Sensitive Information (UPSI).*

43.7. *Noticee was keen to sell these shares for financing the daughter's medical college expenses as the trading window of VGL was to close from 06.05.2015 to 22.05.2015 as per the Company's Notice dated 20 April 2015 given to Stock Exchanges and accordingly the Noticee had instructed her Broker. The Noticee did not intend to breach the Trading Window for sale of her 1,100 shares*

43.8. *It may further be noted that 1,100 shares sale is the first transaction of VGL shares by the Noticee from 2007 to 2015 though the Noticee was having balance of 29,991 Cash Options and 19,694 demat shares. The sale of 1,100 shares was undertaken by the Noticee in the normal course to pay her daughter's medical college expenses.*

Period		*NSE*		*BSE*				
	Qty.	*Total Volume*	*Close Price*	*Qty.*	*Total Volume*	*Clos e Price*	*NSE %*	*BSE*
05.05.2015 *05.05.2015*	*800*	*3,192*	*799.80*	*300*	*1,618*	*798.50*	*25.06*	*18.54*

Total	*800*	*3,192*		*300*	*1,618*		*25.06*	*18.54*
Total Shares							*1,100*	*22.86*

43.9. *The above table shows that Noticee's sale of shares only account for 22.86% of the total volume of shares trades in both the Exchangs. This demonstrates that trading in VGL was in minuscule quantity. It is also important to point out that Noticee sold 1,100 shares of VGL for the* ***first time*** *after grant of ESOPs when the trading window was still open in the Company to pay her daughter's medical college expenses. The Trading window of VGL was closed from May 6, 2015 to May 22, 2015 as per Company letter dated 20 April 2015 sent to NSE and BSE. Thus, it is respectfully submitted that Noticee trades in VGL is out of ordinary i.e. the trading pattern does not indicate that Noticee had traded on the basis of UPSI.*

43.10. *Noticee in her reply dated 13 August 2021 in response to Investigation mail dated 27 July 2021 has specifically stated in para 6 as:* ***".....The ESOP shares sold by me on May 5th, 2015 are one off transaction made by me in the normal course and to cover for my daughter's medical college expenses***

43.11. The details of Noticee's daughter's medical college expenses are given below. These have been partly met from the proceeds of shares sold on 5 May 2015.

Medical Education Expenses

Receipts:	**Amount($)**	**Date**
USD Receipts from sale 1100 ESOP Reeta Sharma - May 20,2015	13,647.19	
USD Receipts from sale 7488 ESOP Pradeep Sharma	92,102.93	May 20, 2015
USD Receipts from sale 4750 ESOP Pradeep Sharma	36,755.56	Oct 28, 2015
Tax Payment in US	(26,000.00)	October 15,2016
	<u>116,505.68</u>	

Payments:

<u>Medical Study period - July 2013 to June 2017</u>

Fees to University of North	**Date**	**Attachment #**	**Amount $**	**Comments**
Fees to UNT	04-01-2015	CC-1	4,520.00	CC-Paid in May/Jul)
Fees to UNT	19-03-2015	CC-2	4,549.50	CC-Paid in July
Fees to UNT	12-08-2015	CC-3	4,782.00	
Fees to UNT	15-10-2015	CC-4	4,781.00	
Fees to UNT	19-01-2016	CC-5	4,260.25	
Fees to UNT	18-03-2016	CC-6	4,290.25	
Fees to UNT	14-07-2016	CC-7	4,335.00	
Fees to UNT	07-09-2016	CC-8	3,823.75	
Fees to UNT	24-01-2017	CC-9	4,294.50	

Fees to UNT	24-02-2017	CC-10	4,321.00
Total Fees Paid Jan 2015-Feb			**43,957.25**

43.12. *Details of funds transferred (period 01.05.2015 to 22.07.2016) from BOA to daughter Sneha Sharma for lodging, boarding, books and other expenses is provided totaling to USD 77,450. Ms. Sneha Sharma, daughter of the Noticee after graduating from Cornell University, joined University of North Texas Medical sciences located in Fort Worth State of TEXAS in USA to peruse Medical profession from July 2013 to June 2017. It may further be noted that the funds sent on Medical College Expenses as above were to the tune of USD 77,450 by Bank Transfer plus USD 43,957.25 through Credit Card totaling USD 1,21,407.25.*

43.13. *The details of ESOPs granted, vested and exercised are detailed in the Table below:-*

Table 6

Year	Grant Price $	Grant	Total Vested	Cumulative Vested	Exercised	Vested Balance	Sold from Demat account	Demat Balance
2007	45.30	4053	3,242	3,242		3,242		0
2008				3,242		3,242		0
2009				3,242		3,242		0
2010	26.75	15000	15,000	18,242		18,242		0
2011			0	18,242		18,242		0
2012	45.30	7,259	7,259	25,501	3,242	22,259		3,242
2013			-	25,501		22,259		3,242
2014	742.50	4,490	4,490	29,991	16,452	10,297		19,694
2015			-	29,991		10,297	1,100	18,594
2015				29,991		10,297		18,594
2016	311.55	3,840	3,840	33,831		14,137		18,594
2017	544.15	2,087	2,087	35,918		16,224		18,594
2018	711.85	2,500	2,500	38,418		18,724		18,594
2019	680.40	2,500	2,500	40,918		21,224		18,594
2020	944.75	2,500	1,250	42,168		22,474	9,670	8,924
2021	2.00	2,045	409	42,577	5,807	17,076		14,731

2021	562.00	990	-	42,577		17,076		14,731
TOTAL		47,264	42,577	42,577	25,501	17,076	10,770	14,731
Total ESOP after Split						**83,744**		**73,655**

43.14. *This is also evident from my very long term association with the company that in spite of series of incidents of fluctuations in the stock prices of VGL Noticee has never traded in the VGL shares in any situation. This is a huge evidence that her behavior is not at all towards the direction it has been alleged. Noticee has just availed facility given to him in a very normal way for which the ESOP scheme is meant for. It is further submitted that though Noticee had ESOP shares of VGL from 2007 onwards, she has not sold these shares except for the aforesaid transaction in 2015 and in 2020.*

43.15. *It may further be noted that 1,100 shares sale is the first transaction of VGL shares by the Noticee from 2007 to 2015 though the Noticee was having balance of 10,297 Cash Options and 19,694 demat shares. The sale of 1,100 shares was undertaken by the Noticee in the normal course to pay her daughter's medical college expenses. Noticee continues to hold 73,655 ESOP shares and 83,744 cashless options of VGL as of date.*

43.16. *It will be observed that ESOP Sold in May 2015 are 3.67% of total ESOP Shares and Cashless Option. The Noticee could have sold 100% of her ESOP shares as well as Cashless Options too to make substantial gains if she had UPSI and used it but she did not act that way. Further no ESOP shares or Cashless Options were sold from October 2015 to August 2020. The last ESOP shares sold were in August 2020 at Rs. 1800. After the ESOP sale in August 2020, the share price of VGL went up to Rs. 4780 (NSE).Therefore, the Noticee has acted in good faith and in a bonafide manner without any ulterior motive.*

43.17. *Please also find attached credit card statements of AMEX Card for May 2015 to July 2015 which shows accumulated balance payable and statement of June 2015 indicating that once ESOP remittance was received in May 2015 the Noticee cleared the accumulated balance of USD 10,000 on 15 May 2015 and interest on such overdrafts charged by AMEX is in the range of 18% to 21%. This clearly proves that reason for selling shares was to pay overdue balance of AMEX and to meet ongoing expenses for daughter's medical education.*

43.18. *In this regard, the Noticee relies upon the Hon'ble SAT Order in the matter of Mrs. Chandrakala vs. SEBI (Order dated 31.01.2012 in Appeal No. 209 of 2011) and Abhijit Rajan vs. SEBI (Appeal 232 of 2016 decided on 08.11.2019).*

43.19. *The ratio of the aforementioned judgments apply with full force in the facts and circumstances of the present case against the Noticee. In terms of Regulation 4(1) of the PIT Regulations read with the proviso and the notes to the said regulation, an insider may prove his innocence by demonstrating the circumstances 'including' those mentioned in the said proviso. Therefore, the circumstances enumerated in the proviso to Regulation 4 (1) to prove innocence, are merely illustrative and not exhaustive and an insider can demonstrate the circumstances other than those mentioned in the said proviso, to prove his innocence. From the above observations/records and also the facts and circumstances surrounding the impugned transaction which resulted in the sale of 1,100 shares of VGL, it is clear that Noticee is able to demonstrate its bona fide w.r.t the allegation of insider trading levelled against it in the SCN. Although the policy under the PIT Regulations is to prevent dealing in securities, while in* *possession of the UPSI, irrespective of whether the UPSI is positive or negative and irrespective of whether profit is made or not, the facts and circumstantial evidence in the present matter, has to be seen in totality. In the instant matter, Noticee submits to demonstrate with sound reasoning the circumstances leading to its execution of the transaction in the scrip of VGL during the UPSI period were only to fund and to pay his daughter's medical college expenses.*

43.20. *Thus, in the present matter, a benefit of doubt has to be given to the Noticee for its execution of the transactions in VGL during the UPSI period. Further, on the basis of circumstantial evidence of trading behavior/pattern also, benefit of doubt has to be given to the Noticee w.r.t its impugned trades in VGL. Therefore, in the facts and circumstances of the case, Noticee submits that the sale of 1,100 shares of VGL by the Noticee during the UPSI period was to comply with the requirement of funds to pay her daughter's medical college expenses. The charge of insider trading is one of the most serious charges in relation to the securities market and having regard to the gravity of this wrong doing, higher must be the preponderance of probabilities in establishing the same. In the instant matter, the SCN has failed to establish the charge of Insider Trading in respect of the transactions executed by the Noticee in the scrip of VGL on 5 May 2015. In view of these, the Noticee submits that the allegation levelled in the SCN that Noticee has violated the provisions of sections 12A(d) and (e) of the SEBI Act and Regulation 4 (1) of the PIT Regulations is not established against the Noticee.*

43.21. *it is humbly submitted that the Noticee dealt in the shares of VGL on 5 May 2015 during UPSI period only to repay her obligations towards her daughter's medical college expenses and relies on Adjudication Order No: EAD-1/ AO/SBM/JR/ 2021-22/14530 in the matter of Trading by certain entities in the scrip of Dish TV India Limited dated 20 December 2021 whereby the Adjudicating Officer has disposed of the SCN without any penalty or action.*

43.22. *The Noticee also relies on latest Hon'ble Supreme Court Judgement in Civil Appeal No. 7054 of 2021 - Balram Garg Versus SEBI with Civil Appeal No.7590 of 2021 Ms. Shivani Gupta & Ors. Versus SEBI decided on 19 April 2022.*

NOT AN OFFICER AS PER SECTION 2 (g) of SEBI (PIT) REGULATIONS

43.23. *It was bonafide belief of the Noticee that he can sell the ESOP shares for meeting the medical educational expenses of his daughter as he was not "officer" of the Company as per Regulation 2(g) of SEBI **(PIT)** Regulations, 1992 read with Section 2(30) of the Companies Act,2013. Further he had no access to UPSI. As per the letter dated 16th March 2021 of Vaibhav Global Limited, the Noticee believed even the Company also had similar bonafide belief. It is only if no reasonable person would ever consider such bonafide belief that it can be said to be a violative development. Therefore, in view of the above that Noticee is not officer, it is submitted that the Noticee acted in good faith and belief that he can trade ESOP shares during this period without violation of any regulations. The Noticee respectfully submits that if two bona fide views are possible, and a Noticee takes one of the bona fide interpretations„ penal intervention should not inexorably follow. Supreme Court in the matter of Tolaram Relumal anti Another Vs. State of Bombay (1955) 1 SCR 158: AIR 1954 SC 496 at Para 8, observed that ii is a well-settled rule of construction of penal statutes that if two possible and reasonable constructions can be put upon a penal provision, <u>the court must lean towards that construction which exempts the subject from penalty rather the one which imposes penalty.</u> It is not competent to the court to stretch the meaning of an expression used by the legislature in order to carry out the intention of the legislature.*

D. CONSIDERATION OF ISSUES

44. I have taken into consideration the facts of the case, the reply submitted by Noticee No. 1 and the material available on record. Following issues arise for consideration based on the facts of the case:

Issue I: Whether Reeta Sharma, Corporate Controller, Shop LC Global Inc (formerly known as 'The Jewellery Channel Inc'), Subsidiary of VGL, was in possession of UPSI.

Issue II: Whether Reeta Sharma traded in the shares of VGL when in possession of UPSI and whether it constitutes 'insider trading' for the purpose of SEBI (PIT) Regulations, 1992.

If the answers to the above questions are in the affirmative, what should be the quantum of penalty?

I shall now proceed to deal with the above mentioned issues in the following paragraphs:

Issue I

45. Before moving on to decide whether Noticee No. 1 was in possession of UPSI, I would like to identify the UPSI in the present case. In this regard, on a perusal of the standalone financial results of VGL, I note that the company's standalone NPAT significantly declined from Rs. 1050.97 lakh for quarter ended December 2014 to Rs. 169.40 lakh for quarter ended March 2015. The main reason for the Quarter on Quarter (QoQ) lower NPAT performance in March 2015 was the decline in the company's sales to the extent of Rs. 4567.63 lakh compared to the previous quarter ended December 2014. The sales figure of the company was Rs.13234.55 lakh for the quarter ended December 2014 which had come down to Rs. 8666.92 lakh for the quarter ended March 2015. I also note from the sales details provided by VGL that standalone sales was largely dependent on its USA based subsidiaries i.e. The Jewellery Channel Inc. ("TJC") (also known as Shop LC Global) and STS Jewels Inc. ("STS Jewels"). Since, sales of these USA based subsidiaries had significant impact on VGL's overall sales, the decline in the company's standalone NPAT performance for the quarter ended March 2015 was mainly attributed to substantial reduction in sales to the USA based subsidiaries.

46. The investigation observed that post the company's announcement on May 21, 2015, after the market hours, regarding 83.88% decline in the company's standalone NPAT for the quarter ended March 2015, the scrip opened at Rs. 700, touched an intraday low of Rs. 645.05, high of Rs. 724 and closed at Rs. 660.15 on NSE i.e. a fall of 14.65% in the scrip's closing price compared to the previous day's closing price. On BSE, the scrip opened at Rs. 730, touched an intraday low of Rs. 640.05, high of Rs. 730 and closed at Rs. 657.5 i.e. a fall of 14.88% in the scrip's closing price compared to the previous day's closing price. Thus, the information on decline in the company's standalone NPAT for quarter ended March 2015 was observed to have made significant impact on price of the scrip i.e. a fall of 14.65% and 14.88% on NSE and BSE respectively compared to the previous trading day. Hence, I note that dissemination of information by VGL on May 21, 2015 at 17:17:09 hrs. regarding ‘decline in audited standalone NPAT of the company for the quarter ended March 2015, was considered as UPSI in terms of Regulation 2 (ha) of the SEBI (PIT) Regulations 1992 read with Regulation 12 of the SEBI (PIT) Regulations 2015.

47. In her reply dated 13.06.2022, Noticee No. 1 had denied the fact that she was in possession of UPSI related to the Company’s standalone financial results for the Quarter ended March 2015 as she was not involved in the audit of the financials nor a part of the Audit Committee of the Board of Board member of VGL. However, Noticee No. 1 has not disputed the receipt of group daily reports. I note that VGL, vide letters dated July 05, 2021 and July 15, 2021, *inter alia*, submitted that a group daily report was being prepared by the company where certain key items of group, including VGL’s standalone figures like sales, expenses, receipts, payments, debtors, stock etc. were shared with selected persons of VGL and its subsidiaries, including Ms. Reeta Sharma. Further, VGL, vide letter dated July 22, 2021 stated that “Mrs. Reeta Sharma was in receipt of a group daily report, where only certain key items of group (including VGL’s standalone) like sales, expenses, receipts, payments, debtors, stock etc. were available (not complete financial results).

48. From a comparison between net sales mentioned in the group daily report and net sales disclosed in audited standalone financial results for the year ended March 2015, it was noted that the difference was only 0.09% and for Profit before Tax (PBT) the difference was only 1.41%. It was observed that difference between the figures given in group daily report and audited financial statement was negligible.

49. Further, comparison of the standalone net sales figures with respect to the March quarter 2015 was also done as given below:

a) It was observed that the cumulative/total Net sales declared by the company for the quarters ended June 2014, September 2014 and December 2014 was Rs. 31,711 lakh. Further, the total net sales figure till March 2015 mentioned in the group daily report was Rs. 40,341 lakh. It is observed that the difference between the group daily figure for financial year 2014-15 and the cumulative/total Net sales till December 2014 declared by the company was Rs. 8630 lakh (Rs. 40,341 lakh- Rs. 31,711 lakh). Thus Rs. 8630 lakh was the net sales figure for the quarter ended March 2015 as per group daily report.

b) It is pertinent to mention that the company declared net sales as Rs. 8666.92 lakh for the quarter ended March 2015. The variation/ difference between the net sales amount as per the group daily report and declared audited financial statement for the quarter ended March 2015 was only 0.43%(Rs. 36.92 lakh). In view of the above, the key financial items viz. net sales and Profit before Tax (PBT) of VGL and its subsidiaries, shared with selected persons including Reeta Sharma through group daily report were comparable with the standalone audited financial results declared by the company.

50. I note that Reeta Sharma was Finance Head (Corporate Controller) of VGL's USA based subsidiaries which had significant impact on VGL's overall sales and the company's standalone NPAT performance for the quarter ended March 2015. Being a recipient of the Group daily report which contained the key financial items, I find that the Noticee No.1 was in possession of the UPSI.

Issue II

51. The details of sell transactions of the Noticee No. 1 are given below:

Date	Scrip	BSE/ NSE	Gross Buy Qty.	Gross Sell Qty.	Net Traded Qty.	Gross buy Value (Rs.)	Gross Sell Value (Rs.)
During Pre-UPSI period: January 02, 2015 to April 01, 2015							
-	-	-	-	-	-	-	-
During UPSI period-April 02, 2015 to May 21, 2015							
05/05/2015	Vaibhav Global Ltd	BSE	0	300	-300	0.00	2,40,003
05/05/2015	Vaibhav Global Ltd	NSE	0	800	-800	0.00	6,40,000
Total			**0**	**1,100**	**-1,100**	**0.00**	**8,80,003**
Post UPSI period- May 22, 2015 to August 21, 2015							
-	-	-	-	-	-	-	-

52. The trading of Noticee No. 1 has been analysed by investigation based on pre- UPSI Period i.e. January 02, 2015 to April 01, 2015 (hereinafter referred to as "Pre-UPSI Period"), UPSI Period i.e. April 02, 2015 to May 21, 2015 (hereinafter referred to as "UPSI Period"), and Post-UPSI Period i.e. May 22, 2015 to August 21, 2015 (hereinafter referred to as "Post-UPSI Period"). Therefore, based on the facts, circumstances and trading details, the following observations were made by the investigation against the Noticee No.1:-

(i) Reeta Sharma was a designated person and privy to the company's financials and also receiving details on key financial items of the group including the company's standalone financials on daily basis which included consolidated month till date and consolidated year till date. She was very much aware of the consequent effect of these financial details including sales and budgeted sales on the company's standalone NPAT for forthcoming quarter i.e. March 2015.

(ii) Reeta Sharma sold 1100 shares of VGL at an average price of Rs. 800/- per share during the UPSI period. She did not make any buy/ sell transaction in the scrip in the pre-UPSI period and post-UPSI period.

(iii) The trading details of Reeta Sharma in the scrip of VGL vis-a-vis other scrips (Value Terms and quantity terms) during UPSI period, pre-UPSI period and post-UPSI period were analysed and the same are tabulated as under:

Table 7

Reeta Sharma- Trading details based on value terms								
Period	**Other Scrips (Sell)**						**VGL(Sell)**	
	BSE		**NSE**		**Total Value** (Rs.)	**% activity to gross value across mkt**	**Total Value** (Rs.)	**% activity to gross value across mkt**
	No. of Scrips	**Value** (Rs.)	**No. of Scrips**	**Value** (Rs.)				
Pre UPSI	0	0	0	0	0	0%	0	0%
UPSI	0	0	0	0	0	0%	8,80,003	**100%**
Post UPSI	0	0	0	0	0	0%	0	0%

Table 8

Reeta Sharma- Trading details based on quantity terms								
Period	Other Scrips				VGL			
	Gross Buy Qty.	% to total gross buy Qty. of all	Gross Sell Qty.	% to total gross sell Qty. of all	Gross Buy Qty.	% to total gross buy qty. of all	Gross Sell Qty.	% to total gross sell qty. of all
Pre UPSI	0	0	0	0	0	0	0	0%
UPSI	0	0	0	0	0	0	1,100	**100%**
Post UPSI	0	0	0	0	0	0	0	0%

53. Computation of Unlawful loss avoided by Reeta Sharma:

Table 9

BSE/ NSE	**No. of shares sold**	**Weighted average sale price per share (Rs.)** (sale *value /sale quantity rounded off to two digits)*	**Total Weighted sale value (Rs.)** (iii) x (iv)	**Closing price of the scrip as on 22.05.2015** *(the following trading day of publishing UPSI)*	**Unlawful loss avoided (Rs.)** {(No. of shares sold x weighted average sale price per share) - (no. of shares sold x closing price)} {(iii)x(iv)-(iii)xvi)}
(ii)	(iii)	(iv)	(v)	(vi)	(vii)
BSE	300	800.01	2,40,003	657.50	42,753
NSE	800	800.00	6,40,000	660.15	1,11,880
Unlawful loss avoided by Reeta Sharma					**1,54,633**

The UPSI was made public after market hours on May 21, 2015. The closing price of the following trading day i.e. May 22, 2015 was, therefore, considered for calculating the wrongful loss avoided. The closing price of the scrip VGL on May 22, 2015 was Rs. 660.15 and Rs. 657.5 on NSE and BSE respectively, which was adopted for computation of unlawful loss.

Findings:-

54. In light of the above facts, I proceed to evaluate the nature of trades executed by Noticee No. 1. I note that the Noticee No.1 has admitted the trades. She has contended that it was a one- off trade which was not done on the basis of the UPSI. I note that Noticee No. 1 was not part of the finalization of the accounts of the company as seen from the participants' names and the meetings in Table No. 3. It is also a fact that Noticee No. 1 has liquidated a miniscule quantity of her demat holding of 1100 shares while she was having 19694 shares in her account. The alleged UPSI was available with her right from April 2, 2015, when the group daily report was sent through email. I see that the alleged trades were executed much later, i.e. on May 5, 2015. I note that Noticee No. 1 has avoided a loss of Rs. 1,54,633/-, as computed by the investigation and this figure is also too meagre to convince anyone that she has done the trades on the basis of UPSI. Hence, in view of the peculiar facts and circumstances stated above, I am inclined to grant benefit of doubt to the Noticee No.1 and drop the allegation in this regard contained in the SCN.

PART II: ALLEGATION OF NON-DISCLOSURE AGAINST NOTICEE NOS. 2 AND 3.

55. Investigation revealed that Noticee Nos. 2 & 3 have traded in the scrip of VGL during the investigation period. However, they have failed to file disclosures as required under Regulation 13(4) and 13(5) of the SEBI (PIT) Regulations. Therefore, a separate show cause notice dated March 14, 2022 was issued to Noticee Nos. 2 & 3 under Rule 4 of the Adjudication Rules to show-cause as to why an inquiry should not be initiated against them and penalty, if any, not be imposed upon him under the provisions of Section 15A(b) of SEBI Act for the violation alleged to have been committed by Noticees Nos. 1 & 2.

The allegations levelled against the Noticees in the SCN are as follows:

56. VGL, vide letter dated February 23, 2021, *inter alia,* submitted that Pradeep Kumar Sharma, Noticee No. 2 was working as General Manager of STS Jewels Inc., USA and reporting to Sunil Agrawal, Managing Director of the company. Praveen Tiwary, Noticee No. 3 was Head of STS Gems Ltd., Hong Kong (China) based subsidiary of VGL and reporting to Sunil Agrawal, Managing Director of the company.

57. It was observed that Noticee Nos. 2 and 3 transacted in the scrip of VGL during the investigation period. In this regard, the company was also advised to confirm whether the above mentioned entities filed the disclosures for their trades as required under Regulations 13(4) of the SEBI (PIT) Regulations, 1992. VGL vide letter dated March 16, 2021, *inter alia,* stated that:

(i) The company has not received any disclosure from Pradeep Sharma and Praveen Tiwary for the above mentioned transactions under Regulations 13(4) of the SEBI (PIT) Regulations. As per model Code of Conduct for Prevention of Insider Trading Regulation of the company read with the SEBI (PIT) Regulations, 1992, the disclosure requirements under the said regulations were not applicable on them.

(ii) Further, the company is of the view that the above mentioned entities were not falling under the criteria specified for disclosure purpose in terms of the Regulations 13(4) of the SEBI (PIT) Regulations, 1992 read with Regulation 2(g) of the SEBI (PIT) Regulations, 1992 and Section 2(30) of the Companies Act, 1956.

58. It was alleged that Noticee Nos. 2 & 3 did not file the disclosures under Regulation 13(4) and 13 (5) of the SEBI (PIT) Regulations 1992 read with Regulation 12 of the SEBI (PIT) Regulations 2015 with respect to aforesaid transactions in the shares of the Company on different dates.

59. Noticee No. 2 in his reply dated 10.06.2022 forwarded through Advocate Rakesh Puri vide letter dated 13.06.2022 stated that:-

The Noticee could not make disclosure of sale of 7,488 shares for the following reasons:

a. there was no intention on part of the Noticee to suppress sale of shares of the company- it was simple bonafide belief and innocence.

b. failing to make disclosures to the Company was an inadvertent error and there was no malafide intention on part of the Noticee.

c. failure to make disclosure has not resulted in any profit to the Noticee

d. *failure to make disclosure has not caused any loss to the investors.*

e. *violation of **PIT** Regulations committed by the Notice is not repetitive in nature.*

f. *there is no disproportionate gain or unfair advantage to the Noticee as a result of the default and there is no loss caused to the investors due to the default.*

60. Noticee No. 3 vide his email dated 17.03.2022 submitted that :-

Nobody in VGL ever told me to file disclosures while selling the shares. VGL told me that I was not supposed to file disclosure and also I was not the officer in company.

It's an issue of negligence on the part of VGL, they should have informed me that if I sell shares of VGL, I need to file disclosure and I would have done that.

61. I have carefully perused the charges levelled against Noticees Nos. 2 & 3, replies filed by Noticee Nos. 2 & 3 and other documents/ evidence available on record. Before moving forward, it is pertinent to refer to the relevant provisions of the PIT Regulations which are reproduced as under:

Regulation 13 of the SEBI (PIT) Regulations 1992 states that:

(4) "Any person who is a director or officer of a listed company, shall disclose to the company and the stock exchange where the securities are listed in Form D, the total number of shares or voting rights held and change in shareholding or voting rights, if there has been a change in such holdings of such person and his dependents (as defined by the company) from the last disclosure made under sub-regulation (2) or under this sub regulation, and the change exceeds Rs. 5 lakh in value or 25,000 shares or 1% of total shareholding or voting rights, whichever is lower."

(5) The disclosure mentioned in sub-regulations (3), (4) and (4A) shall be made within two working days of:

(a) the receipts of intimation of allotment of shares, or

(b) the acquisition or sale of shares or voting rights, as the case may be.

62. Both the Noticees have transacted in the shares of VGL and their trading details are presented below:

Trades of Noticee No. 2 in the shares of VGL

Table 10

Date	BSE/ NSE	Gross Buy Qty.	Gross Sell Qty.	Net Traded Qty.	Gross buy Value (Rs.)	Gross Sell Value (Rs.)
During Pre-UPSI period: January 02, 2015 to April 01, 2015						
-	-	-	-	-	-	-
During UPSI period-April 02, 2015 to May 21, 2015						
28/04/2015	NSE	0	2,000	-2,000	0.00	16,02,012
29/04/2015	BSE	0	264	-264	0.00	2,11,200
29/04/2015	NSE	0	551	-551	0.00	4,41,342
30/04/2015	BSE	0	270	-270	0.00	2,16,085
30/04/2015	NSE	0	1,373	-1,373	0.00	10,99,116
04/05/2015	BSE	0	1,000	-1,000	0.00	8,00,251
04/05/2015	NSE	0	1,393	-1,393	0.00	11,14,405
05/05/2015	BSE	0	88	-88	0.00	70,400
05/05/2015	NSE	0	549	-549	0.00	4,39,200
Total		**0**	**7,488**	**-7,488**	**0.00**	**59,94,011**
Post UPSI period- May 22, 2015 to August 21, 2015						
-	-	-	-	-	-	-

Trades of Noticee No. 2 in the shares of VGL

Table 11

Date	Scrip	BSE/ NSE	Gross Buy	Gross Sell	Net Traded	Gross buy	Gross Sell Value (Rs.)
During Pre-UPSI period: January 02, 2015 to April 01, 2015							
09/01/2015	Vaibhav Global Ltd.	NSE	0	3,000	-3,000	0.00	19,61,834
13/01/2015	Vaibhav Global Ltd.	NSE	0	3,149	-3,149	0.00	20,94,095
02/02/2015	Vaibhav Global Ltd.	NSE	0	5,000	-5,000	0.00	41,37,830
Total			**0**	**11,149**	**-11,149**	**0.00**	**81,93,759**

During UPSI period-April 02, 2015 to May 21, 2015							
30/04/2015	Vaibhav Global Ltd.	NSE	0	5,000	-5,000	0.00	39,26,216
Post UPSI period- May 22, 2015 to August 21, 2015							
-	-	-	-	-	-	-	-

From the above tables, I note that trades have been executed by both Noticees and they have not disputed the transactions carried out in the scrip of VGL in their replies. They were required to file disclosures in terms of Regulation 13(4) of SEBI (PIT) Regulations as the transaction value was more than Rs. 5 Lakhs on the following instances:

Noticee No. 2

Table 12

Date	No. of share bought	No. of share sold	Buy value (Rs.)	Sell value (Rs.)	Due date of filing the disclosure
28/04/2015	0	2,000	0.00	16,02,012	30/04/2015
29/04/2015	0	815	0.00	6,52,542	04/05/2015
30/04/2015	0	1,643	0.00	13,15,201	05/05/2015
04/05/2015	0	2,393	0.00	19,14,656	06/05/2015
05/05/2015	0	637	0.00	5,09,600	07/05/2015

Noticee No. 3

Table 13

Date	No. of share bought	No. of share sold	Buy value (Rs.)	Sell value (Rs.)	Due date of filing the disclosure
09/01/2015	0	3,000	0.00	19,61,834	13/01/2015
13/01/2015	0	3,149	0.00	20,94,095	15/01/2015

02/02/2015	0	5,000	0.00	41,37,830	04/02/2015
30/04/2015	0	5,000	0.00	39,26,216	05/05/2015

63. I note from the above trade details that Noticee No. 2 and Noticee No. 3 were required to file disclosures on 5 instances and 4 instances respectively in terms of Regulation 13(4) of SEBI PIT Regulations.

64. In terms of the Regulation 13(4) of SEBI (PIT) Regulations, it is settled position that requisite disclosures are to be made based on every event of either acquisition or disposal of securities in excess of the limits specified therein in terms of number/value/percentage.

65. Noticee No. 2 in his reply stated that failing to make disclosures to the Company was an inadvertent error and there was no malafide intention on part of the Noticee. Noticee No. 3 in his reply has contended that VGL did not advise him to file disclosures. Therefore, it is negligence on VGL's part as the company should have informed that disclosures need to be filed in case of selling the shares.

66. In this connection, I note that Hon'ble Securities Appellate Tribunal (*Hon'ble SAT*) in the matter of **Coimbatore Flavors & Fragrances Ltd. vs SEBI** (Appeal No. 209 of 2014 order dated August 11, 2014), highlighted the importance of disclosures, and held that *"Undoubtedly, the purpose of these disclosures is to bring about more transparency in the affairs of the companies. True and timely disclosures by a company or its promoters are* *very essential from two angles. Firstly; investors can take a more informed decision to invest or not to invest in a particular scrip secondly; the Regulator can properly monitor the transactions in the capital market to effectively regulate the same".*

67. Again, in the matter of **Virendrakumar Jayantilal Patel Vs SEBI** (Appeal No.299 of 2014 and Order dated October 14, 2014), the Hon'ble Appellate Tribunal had held that *"……….. obligation to make the disclosures within the stipulated time is a mandatory obligation and penalty is imposed for not complying with the mandatory obligation. Similarly, argument that the failure to make the disclosures within the stipulated time, was unintentional, technical or inadvertent and that no gain or unfair advantage has accrued to the appellant, is also without any merit, because, all these factors are mitigating factors and these factors do not obliterate the obligation to make the disclosures" (Emphasis supplied).*

Findings:-

68. To sum up, I find that disclosure violations are strictly viewed as the same involves dissemination of the timely information to the public at large. The non-disclosures cannot be condoned as a *bona fide* or inadvertent error or on the ground of the Noticees being unaware of such requirement. Hence, I find that the violation warrants imposition of suitable monetary penalty as stipulated under Section 15A (b) of the SEBI Act. The text of Section 15A(b) of the SEBI Act is reproduced below:

SEBI Act, 1992

Penalty for failure to furnish information, return, etc.

15A. If any person, who is required under this Act or any rules or regulations made thereunder,—

(a)..

(b) to file any return or furnish any information, books or other documents within the time specified therefore in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees;

E. ORDER

69. **PART I**: SCN issued to Noticee No. 1 viz. Reeta Sharma stands disposed off hereby in view of the findings in paragraph No. 54 of this order.

PART II: In view of the findings in paragraph No. 68 above and considering the factors mentioned in Section 15J of the SEBI Act, I, do hereby impose a penalty of Rs.1,00,000/- (Rupees one Lakh only) on Noticee No. 2 viz. Pradeep Kumar Sharma and Rs.1,00,000/- (Rupees one Lakh only) on Noticee No. 3 viz. Praveen Tiwary, under the provisions of Section 15A (b) of SEBI Act 1992.

70. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT >Orders >Orders of AO >PAY NOW

71. The said demand draft or forwarding details and confirmation of e-payment made in the format as given in following table should be sent to "The Division Chief, EFD-DRA-5, Securities and Exchange Board of India, SEBI Bhavan II, Plot no. C- 7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051" and also to e-mail id:- tad@sebi.gov.in

1	Case Name	
2	Name of the Payee	
3	Date of Payment	
4	Amount Paid	
5	Transaction No.	
6	Bank Details in which payment is made	
7	Payment is made for (like penalties/disgorgement / recovery/ settlement amount and legal charges along with order details)	

72. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

73. In terms of the provisions of rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticees and also to the Securities and Exchange Board of India.

DATE: JUNE 30, 2022
PLACE: MUMBAI

GEETHA G.
ADJUDICATING OFFICER