BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER: Order/MC/VS/2022-23/16305]

UNDER SECTION 15-I (2) OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 2005

In respect of -

Janmejay Rajnikant Vyas (PAN AAGPV5002P) having address at IInd Floor, Bhadra – Raj Chambers, Swastik Cross Road, Navrangpura, Ahmedabad, Gujarat – 380 006

In the matter of Dishman Pharmaceutical and Chemicals Limited

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BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") initiated adjudication proceedings against Janmejay Rajnikant Vyas (hereinafter referred to as "the Noticee") under Section 15A (b) of the Securities and Exchange Board of India Act, 1992 ("SEBI Act") for violation of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 ('**Takeover Regulations'**), SEBI (Prevention of Insider Trading) Regulations, 1992 (**'PIT Regulations, 1992'**) read with SEBI (Prevention of Insider Trading) Regulations, 2015 (**'PIT Regulations, 2015'**).

APPOINTMENT OF ADJUDICATING OFFICER

2. The undersigned was appointed as Adjudicating Officer (hereinafter referred to as "**AO**") under Section 15-I of the SEBI Act read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**Adjudication Rules**"), vide order dated April 15, 2021, to

inquire into, and adjudge under Section 15A (b) of the SEBI Act, the aforesaid alleged violations by the Noticee.

3. The appointment of the undersigned as AO was communicated vide order dated April 16, 2021.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice No. EAD5/MC/VS/16119 /2021 dated 22.07.2021 (hereinafter referred to as "**SCN**") was issued to the Noticee, in terms of Rule 4 (1) of the Adjudication Rules read with Section 15-I of the SEBI Act to show cause as to why an inquiry should not be held and penalty not be imposed against the Noticee in terms of Section 15A (b) for the aforesaid alleged violations.

5. The allegations levelled against the Noticee in the SCN are summarized as follows:-

6. A complaint dated August 28, 2015 of Sh. Janmejay Rajnikant Vyas ('Noticee'), promoter of Dishman Pharmaceutical and Chemicals Limited, was received by SEBI against M/s Avatar Instalments Pvt. Limited, a Non-Banking Financial Company ('NBFC') and M/s 4A Securities Pvt. Limited, a Depository Participant ('DP'), and their respective Directors for allegedly transferring pledged shares in a fraudulent manner, during pendency of loan facility.

7. Noticee in his complaint inter-alia mentioned that he availed a loan facility of Rs. 7.5 Crore from an NBFC viz. M/s Avatar Instalments Pvt. Limited after pledging 21,75,000 (2.69%) number of shares of the company with the NBFC. Noticee also mentioned that the pledgee did not return the shares so pledged on time and used the shares of the entity without any authorization.

Violation of Takeover Regulations

8. Upon examination of the shareholding statements of Noticee, as provided by CDSL vide email dated October 05, 2016, for the period of April 01, 2014 to October 30, 2015, it was *inter-alia* observed that:

   a. Noticee had undertaken several transactions on different dates.
   b. Noticee was holding 25279855 equity shares of Dishman Pharmaceutical and Chemicals Limited (Target company) constituting 31.32% voting capital of the target company.
   c. On May 19, 2015 the shareholding of Noticee increased by 731500 equity shares to 27341776 shares, thereby increasing his aggregate shareholding from 31.32% to 33.88%.

9. In contrast to the claim of pledging the shares by Noticee in favor of pledgee, the shares were actually found to be transferred to the account of pledgee and subsequently transferred back into the account of the entity.

10. Pursuant to the above transaction, the Noticee was required to file disclosures in terms of Regulation 29(2) of Takeover Regulations. In this regard, BSE vide email dated February 15, 2021 was advised to confirm whether the Noticee had made the disclosure to exchange or not. BSE vide email dated February 16, 2021 (Annexure 2 to SCN) submitted that the exchange had not received any disclosure from the Noticee in respect of the transaction under reference.

11. It was therefore alleged that by failing to disclose the aforesaid transactions, the Noticee contravened the provisions of regulation 29(2) read with 29(3) of the Takeover Regulations.

Violations of PIT Regulations

12. It was observed upon perusal of the demat transaction statement of Noticee obtained from CDSL there was a difference in the shareholding pattern submitted by the Company and the holding seen from the transaction

statement. As per shareholding pattern submitted by the Company, the Noticee held 31.33% share capital of the Company for the quarter ended 31/03/2014 to 31/12/2015 whereas the transaction statement shows that he held 27.28% of share capital which increased to 30.16% of share capital on 30/10/2015.

13. On perusal of demat statement, it was observed that there was movement of shares from Noticee's account to NBFC account during the period April 2014 to October 30, 2015 and there was invocation of shares by NBFC due to which promoter's shareholding reduced by more than 2%. Extract of the transaction statement is reproduced below:

Transaction Statement of Janmejay Rajnikant Vyas in the scrip Dishman during the period 01/04/2014 to 30/10/2015

Transaction Date	Transaction Type	Deposit Volume	Withdrawal Volume	Op holding %	Cl Holding %	Change in holding	Violation
17/04/2014	Off Mkt		1200000	27.28	25.79	-1.49	13 (4) and (4A) by Janmejay
19/04/2014	Off Mkt		250000	25.79	25.48	-0.31	13 (4) and (4A) by Janmejay
21/04/2014	Interdepository	2730000		25.48	28.87	3.38	13 (4) and (4A) by Janmejay
23/04/2014	Off Mkt		725000	28.87	27.97	-0.90	13 (4) and (4A) by Janmejay
09/06/2014	Interdepository	526500		27.97	28.62	0.65	13 (4) and (4A) by Janmejay
04/07/2014	Interdepository	5921		28.62	28.63	0.01	
13/08/2014	Off Mkt		100000	28.63	28.50	-0.12	13 (4) and (4A) by Janmejay
28/04/2015	Off Mkt	286000		28.50	28.86	0.35	13 (4) and (4A) by

							Janmejay
29/04/2015	Off Mkt	57000		28.86	28.93	0.07	13 (4) and (4A) by Janmejay
19/05/2015	Off Mkt	731500		28.93	29.84	0.91	7(2) (a) by Janmejay
16/06/2015	Interde positor y	3000		29.84	29.84	0.00	
04/08/2015	Off Mkt	50000		29.84	29.90	0.06	7(2) (a) by Janmejay
16/09/2015	Off Mkt	8000		29.90	29.91	0.01	7(2) (a) by Janmejay
21/09/2015	Off Mkt	15000		29.91	29.93	0.02	7(2) (a) by Janmejay
29/09/2015	Off Mkt	10000		29.93	29.94	0.01	7(2) (a) by Janmejay
01/10/2015	Off Mkt	5000		29.94	29.95	0.01	7(2) (a) by Janmejay
05/10/2015	Off Mkt	10000		29.95	29.96	0.01	7(2) (a) by Janmejay
06/10/2015	Off Mkt	40000		29.96	30.01	0.05	7(2) (a) by Janmejay
13/10/2015	Off Mkt	19000		30.01	30.03	0.02	7(2) (a) by Janmejay
30/10/2015	Off Mkt	100000		30.03	30.16	0.12	7(2) (a) by Janmejay
	Total	**4596921**	**2275000**				

14. The Company vide email dated September 29, 2016 was asked to confirm the disclosures made by Mr. Janmejay Rajnikant Vyas and Company under Regulation 13(4) and 13 (4A) read with 13 (5) of SEBI (Prohibition of Insider Trading) Regulations, 1992 and Regulation 7(1) and 7 2) of SEBI (Prohibition of Insider Trading) Regulations, 2015.

15. Company vide email informed that there was no change in shareholding of Noticee between 01/04/2014 to 30/10/2015 (25279855 shares aggregating to 31.33% of share capital) and attached the Shareholding pattern filed by the Company.

16. However on analysis of Transaction Statement from CDSL it was observed that Noticee was holding 2,20,14,434 shares aggregating to 27.28% of share capital which increased to 2,43,36,355 shares aggregating to 30.16% as on October

30, 2015. NSDL vide email dated 03/10/2016, informed that no transactions/holdings were observed in the accounts of Noticee in the equity shares of Dishman for the period 01/04/2014 to 30/10/2015.

17. BSE vide email dated September 29, 2016, informed that they are not in receipt of any disclosures from Noticee under Regulation 13 (4) and 13(4A) and Regulation 13(6) of PIT Regulations, 1992 and under Regulation 7(2) of PIT Regulations, 2015 for the change in shareholding for the period 01/04/2014 to 30/10/2015.

18. NSE vide email dated October 04, 2016 (Annexure 3), informed that they had not received disclosures from Noticee under Regulation 13 (4) and 13(4A) and Regulation 13(6) of PIT Regulations, 1992 and under Regulation 7(2) of PIT Regulations, 2015 for the change in shareholding for the period 01/04/2014 to 30/10/2015.

19. It was thus alleged that Noticee violated Regulation 13 (4) and 13 (4A) read with 13(5) of PIT Regulations,1992 and Regulation 7(2) a of PIT Regulations, 2015 by failing to disclose transactions as mentioned in table above.

20. It was also alleged that Noticee violated Clause 4.2 of Model code of Conduct, Part A of Schedule I under Regulation 12(1) of PIT Regulations, 1992 by entering into an opposite transaction during the six months following the prior transaction on 5 occasions during the period 01/04/2014 to 30/10/2015.

21. The SCN was served upon the Noticee through SPAD on 07.08.2021, and vide e-mail on 23.07.2021.

22. Vide reply dated 09.12.2021, the Noticee made the following submissions:-
    (a) Noticee has a bachelor's degree in Chemistry from St. Xavier's College, Ahmedabad and a bachelor's degree in Pharma & Fine Chemical Technology from the UDCT, Mumbai. He has more than 46 years wide experience in Pharma Technology and has been acting as a consultant to

various pharmaceutical companies during 1974 to 1983. In 1983, Notice promoted the Company Dishman Pharmaceuticals and Chemicals Ltd. ("DPCL"); this company eventually set up 23 subsidiaries in UK, USA, Netherlands, Switzerland, Australia, Middle East, Japan and China amongst other countries, and has a consolidated turnover of more than Rs. 2000 crores.

(b) DPCL has been merged into its wholly owned subsidiary namely Carbogen Amcis (India) Ltd., w.e.f. 17th March, 2017 vide order of Hon'ble High Court of Gujarat dated 16th December, 2016 and subsequently, its name has been changed to Dishman Carbogen Amcis Ltd. Prior to its merger, equity shares of DPCL were listed for trading on the BSE Limited ("BSE") and National Stock Exchange of India Ltd. ("NSE").

(c) Noticee has been managing the affairs of Company since its inception in 1983. He has been the head of the research and development division of the Company since last more than 30 years. In 1987, he set- up the Naroda, Ahmedabad facility of Company. Thereafter, based on his understanding of the potential international outsourcing opportunity developing in the global pharmaceutical industry, he initiated the expansion of Company at Bavla, Ahmedabad in 1996. His emphasis on quality and adhering to international manufacturing standards ensured that Bavla facility was set-up and developed as per internationally accepted standards. He has successfully marketed the Company's in-house technologies and products, research and production capabilities both domestically and internationally.

(d) Noticee has successfully managed marketing and globalization activities of the Company since last 30 years. Noticee successfully negotiated several contract research proposals with companies like Solvay, Novartis, Sepracor, Cephalon, etc. Under his leadership, DPCL has entered into long term manufacturing and supply contract with several companies in Japan, USA, Europe and has acquired several research oriented companies in the recent past, including Carbogen Amcis at a cost of around USD 75 million, the latest being the purchase of Vitamin 0 business from Solvay situated in Veenandaal, the Netherlands.

(e) Noticee has been felicitated with several awards and recognitions including (i) the 'Bharatiya Udyog Ratan Award' in September 2000 by the Indian Economic Development & Research Association, New Delhi;(ii) the 'Outstanding Entrepreneur' 1999 by the Federation of Gujarat Industries, Baroda and (iii) the "AMA-Atlas Dy-Chem Outstanding Entrepreneur of the Year Award 2008" from Ahmedabad Management Association (AMA).

(f) As of March 31, 2014, Noticee held 2,52,79,855 equity shares of the Company, which amounted to 31.33% of the issued and paid up equity capital of the Company.

(g) In and around April 2014, Noticee approached Avtar Instalments Private Limited ("AIPL"), a Non-Banking Finance Company ("NBFC") registered with the Reserve Bank of India ("RBI") for a Loan Against Securities (LAS"); AIPL sanctioned a LAS of Rs.5.00 Crores vide letter dated April 17, 2014 and Rs.2.50 Crores vide letter dated April 22, 2014; copies of the sanction letters and loan agreements signed by Noticee, but not signed by Avtar were annexed and marked as Annexure A. As insisted by AIPL, the said Loans were to be secured by shares lying in the Beneficiary Account 1207660000001979 opened by Noticee with 4a Securities Limited ("4a Securities" or "the DP"); accordingly, shares of DPCL were transferred by Noticee to the said Beneficiary Account in the following manner:-

Date	No.of shares	Loan amount (Rs.)
16.4.2014	14,50,000	5,00,00,000
22.4.2014	7,25,000	2,50,00,000

(h) Copies of the Deposit Instruction Slips ("DIS") executed by Noticee in this regard were annexed as Annexure B. As part of the LAS documentation, Noticee was required to execute a Power of Attorney ("POA") in favour of AIPL; a copy of the POA signed by Noticee and submitted to AIPL along with other KYC documents, but not signed by AIPL was annexed and marked as Annexure C.

(i) In and around May 2014, the price of the scrip of DPCL as traded on the BSE and NSE declined and AIPL made a margin call on Noticee and demanded that additional shares of DPCL be pledged with them in order to maintain the Loan To Value ("LTV") ratio. Accordingly, Noticee transferred additional 1,00,000 shares of DPCL to his Beneficiary Account with 4a Securities on May 20, 2014; a copy of the DIS in respect of the said transfer was annexed and marked as Annexure D. Consequently, as of May 20, 2014, a total of 22,75,000 shares of DPCL were pledged as security by Noticee with AIPL in respect of the Loans sanctioned and disbursed to him. The details of the shares pledged by Noticee were disclosed to the stock exchanges from time to time; details of the same were annexed and marked as Annexure E.

(j) In and around August 2014 when the price of the scrip recovered and the LTV ratio was restored to levels existing prior to May 2014, Noticee sought the release of the 10,00,000 shares of DPCL which had been transferred to the 4a Securities account as additional margin; however, Noticee was informed by officials of AIPL that the shares would be released only after the loan was fully repaid. Around the same time, Noticee became aware that the shares pledged to AIPL were not reflected in the holding statement relating to his account with 4a Securities and called upon 4a Securities and therefore, he requested AIPL to clarify the reasons for the same.

(k) Vide their letter dated August 28, 2014, AIPL sent a statement, which was purportedly of stock as per their books and which had been pledged in favour of various banks and NBFCs; a copy of the said letter dated August 28, 2014 was annexed and marked as Annexure F.

(l) Noticee was shocked and surprised to see from the aforesaid letter dated August 28, 2014 and the statement therein that the shares which had been pledged by Noticee with AIPL had been transferred by 4a Securities to banks and NBFCs as security for borrowings by AIPL without Noticee's knowledge and consent.

(m) It is pertinent to note that there was never any default by Noticee in the repayment of the Loans or in meeting margin demands and therefore, there was no reason for AIPL and/or 4a Securities to transfer shares pledged in favour of AIPL.

(n) Since the DPCL was a listed Company and any change in shareholding of promoters was required to be informed to the stock exchanges and since the stock exchanges had orally pointed out mismatch between declared shareholding of promoters and actual shareholding (which occurred because of the illegal transfer of shares by AIPL and/or 4a Securities to Avtar's proprietary account), Noticee called upon Avtar to immediately cease and desist from transferring any shares from his demat account with 4 a Securities and to return the shares already transferred to the account of Noticee. Copies of the emails addressed by Noticee /his representative to Avtar/4 a Securities were annexed and marked as Annexure G**.** However, despite these repeated requests, Avtar refused to return the shares of Noticee to his demat account.

(o) Since Avtar was refusing to return his shares, Noticee decided to repay the loans and release the charge on his shares and repaid the loans of Rs.7.50 Crores with interest thereon as follows:

   I. The loan of Rs.2.50 Crores was repaid along with interest on April 23, 2015

   II. The loan of Rs.5 Crores was repaid with interest on May 16, 2015

(p) Copies of extracts of the relevant portion of Noticee's ledger statement showing the repayment of the aforesaid loans was annexed and marked as Annexure H.

(q) After repayment of the loans, vide emails dated April 24, 2015 and May 16, 2015, Noticee once again called upon Avtar to return the shares to his beneficiary account with Bank of India forthwith; however, Avtar returned only 10,74,500 shares to Noticee on June 27, 2015. Thereafter, after a notice was issued by Noticee, Avtar transferred 7,67,000 shares on various dates in April 2016. The remaining 4,33,500 shares along with corporate benefits that have accrued thereon were transferred to Noticee's account by March 2017 only after Noticee filed complaints with SEBI, NSDL, CDSL, RBI and MCA vide letter sent to the said Authorities on October 1, 2015, and after an FIR was registered at the Navrangpura Police Station on December 18, 2016. The details of return of the pledged shares to Noticee's account are as follows:-

Date	No. of shares returned
28.4.2015	2,86,000
29.4.2015	57,000
19.5.2015	7,31,500
8.4.2016	4,67,000
11.4.2016	1,00,000
21.4.2016	2,00,000
5.5.2016	1,00,000
28.5.2016	1,00,000
6.6.2016	1,00,000
8.2.2017	80,000
9.2.2017	1,20,000
28.2.2017	1,00,000
7.3.2017	1,00,000
15.3.2017	1,67,000
Total	27,08,500

 # It may be noted that the Company issued Bonus shares in the ratio of 1:1 in May 2016 and hence the shares held by Avtar as of April 30, 2016 i.e. 4,33,500 became 8,67,000 shares

(r) Annexed as Annexure I were copies of the correspondence with Avtar regarding the return of the pledged shares and annexed and marked as Annexure J were copies of complaints with SEBI, NSDL, CDSL, RBI and MCA along with the postal receipt and the FIR was registered at the Navrangpura Police Station on December 18, 2016.

(s) Vide email dated September 29, 2016, SEBI sought a confirmation from the Company as to whether disclosures had been made by them under Regulations 13 (4), (4A) and (5) and Regulation 7 (1) and (2) of the Securities and Exchange Board of India (Prevention of Insider Trading)

Regulations, 2015 ("the PIT Regulations"); since Avtar had wrongfully and without consent of Noticee transferred the shares from his account with 4a Securities, he considered that there was no change in beneficial ownership of the shares held by him and therefore, vide email dated September 29, 2016, the Company confirmed that there was no change in the shareholding of Noticee. Thereafter, until receipt of the SCN, Noticee did not receive any correspondence from SEBI or BSE/NSE.

(t) In the light of the above, Noticee submits that he had only pledged (and not transferred) 22,75,000 shares of the Company to Avtar for a loan availed from them; Avtar wrongfully and fraudulently misused the Power of Attorney executed as part of the KYC documents and transferred the pledged shares to their own beneficiary account. Despite Noticee fully repaying the loan, Avtar failed and neglected to release the pledge and/or return the shares; it was only after Noticee complained to SEBI regarding the same that Avtar returned the shares and that too in tranches. Therefore, Noticee submits that there was no change in his shareholding in the Company during the relevant period and hence, he did not make any disclosures to the Company or the Stock Exchanges under the PIT Regulations or the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011("the Takeover Code").

(u) During the period April 17, 2014 to August 13, 2014, Avtar illegally and without Noticee’s consent transferred a total of 22,75,000 shares from the Beneficiary Account No. 1207660000001979 with 4a Securities, using a Power of Attorney granted to them for use in case of default. After Noticee fully repaid the loan on May 16, 2015, Avtar failed and neglected to release the pledge over the shares/ return the shares wrongfully transferred by them to their own beneficiary account; it was only after legal notices were issued and a complaint was filed with SEBI that the shares were released/returned by them to the Noticee.

(v) Noticee held 2,52,79,855 shares of the Company as on March 31, 2014; this shareholding did not change till May 5, 2016 when the Company issued bonus shares in the ratio of 1:1 and Noticee's shareholding became 5,05,59,710 shares.

(w) After the Noticee repaid Rs.2.50 Crores (out of the Rs.7.50 Crores taken by him as loan from Avtar), they released/returned a total of 10,74,500 shares into Noticee's Beneficiary Account No. 1207660000001979 with 4a Securities as follows:-

Date	No. of shares Returned
28.4.2015	2,86,000
29.4.2015	57,000
19.5.2015	7,31,500

(x) These shares were transferred by the Noticee to his Beneficiary Account No. 1302080000301429 with Bank of India on June 27, 2015. It appears that SEBI has erroneously considered the release/repayment of 7,31,500 shares on May 19, 2015 by Avtar to Noticee's Beneficiary Account No. 1207660000001979 with 4a Securities as an increase in his shareholding.

(y) A perusal of the transaction statement of the Noticee's said Beneficiary Account will substantiate the fact that Avtar transferred the shares of the Company lying in the said Beneficiary Account {and which had been pledged to them) to their own account by misusing the Power of Attorney; this is evident from the copies of the Deposit Instruction Slips ("DIS") provided by SEBI as part of the Annexures to the SCN (Annexure 2). After Noticee repaid the loans, Avtar returned the shares so transferred to Noticee said Beneficiary Account. Thus, during the period April 1, 2014 to October 30, 2015 {"the Relevant Period"), there was in fact no change in the beneficial shareholding of the Noticee.

(z) Noticee had pledged the said 22,75,000 shares to Avtar and duly disclosed details of the said pledge to stock exchanges. Since Noticee had properly disclosed the details of shares pledged by him in favour of

Avtar to BSE and NSE, he denies that he has violated the provisions of Regulations 13 (4), (4A) & (5) r/w Regulations 7 (2) of the PIT Regulations.

(aa) The transfer of shares from Beneficiary Account No. 1207660000001979 with 4a Securities to his Beneficiary Account No. 1302080000301429 with Bank of India on June 27, 2015 is not a sale and the credits into Beneficiary Account No. 1207660000001979 with 4a Securities during the period August 4, 2015 to March 15, 2017 are only instances of release/return of pledged shares by Avtar. Therefore, Noticee denies that he entered into any opposing transactions within 6 months and further denies that he has violated the provisions of Regulation 12 (1) of the PIT Regulations r/w Clause 4.2 of the Model Code of Conduct which is at Part A of Schedule I of the PIT Regulations.

23. During the hearing conducted through videoconferencing by WebEx on 08.02.2022, Mr. Joby Mathew, Ms. Tanya Gupta, Mr. Dharmesh Desai and Mr. Harshil Dalal (Authorised Representatives of the Noticee) reiterated the submissions made in reply dated 09.12.2021.

24. Vide post-hearing submissions dated 12.03.2022 the Noticee made the following submissions: -

(a) Around April 2014 when the Notice approached AIPL (NBFC) for LAS, AIPL as a term of the sanction required the Noticee to open a new beneficiary account with its associate 4a Securities and transfer the collateral security shares to the new beneficiary account. Accordingly, Noticee transferred 14,50,000 shares from his beneficiary account with Bank of India to newly opened beneficiary account with 4a securities. The said shares were pledged on 16.04.2014 against a loan of Rs. 5,00,00,000 and 7,25,000 shares were pledged on 22.4.2014 against a loan of Rs. 2,50,00,000.

(b) In May 2014, AIPL demanded additional shares to be pledged with them to maintain Loan to Value ratio. Therefore, the Noticee transferred additional 1,00,000 shares on 20.05.2014 to 4a securities and pledge was marked on the shares.

(c) The other submissions made were a reiteration of the reply dated 09.12.2021.

25. In the light of the allegations contained in the SCN and relevant material available on record, I hereby proceed to decide the case on merits.

CONSIDERATION OF ISSUES AND FINDINGS

26. The issues arising for consideration in the instant proceedings before me are:-

I. Whether the provisions of Regulation 29(2) read with 29(3) of the Takeover Regulations, Regulation 13 (4) and 13(4A) read with 13(5) of SEBI (Prevention of Insider Trading) Regulations, 1992 ('PIT Regulations, 1992') and Regulation 7(2) a of SEBI (Prevention of Insider Trading) Regulations, 2015 ('PIT Regulations, 2015'), and Clause 4.2 of Model code of Conduct, Part A of Schedule I under Regulation 12(1) of PIT Regulations,1992 have been violated by the Noticee?

II. If yes, whether the Noticee is liable for imposition of monetary penalty under Section 15A (b) of the SEBI Act?

III. If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5 (2) of the Adjudication Rules?

I. Whether the provisions of Regulation 29(2) read with 29(3) of the Takeover Regulations, Regulation 13 (4) and 13(4A) read with 13(5) of SEBI (Prevention of Insider Trading) Regulations, 1992 ('PIT Regulations, 1992') and Regulation 7(2) a of SEBI (Prevention of Insider Trading) Regulations, 2015 ('PIT Regulations, 2015'), and Clause 4.2 of Model code of Conduct, Part A of Schedule I under Regulation 12(1) of PIT Regulations,1992 have been violated by the Noticee?

27. The uncontroverted facts of the case are that the Noticee was promoter of Dishman Pharmaceuticals and Chemicals Ltd. ("Dishman" or the "the

Company") as well as Chairman and Managing Director of the Company during Financial year 2014-15. As on 31.03.2014 the Noticee held 2,52,79,855 shares (31.33%) of the Company as per the shareholding pattern disclosed on the website of the BSE at the time. The Noticee is alleged to have failed to intimate the Company and stock exchanges regarding changes in his shareholding alleged to have resulted due to credit and debit transactions observed in his demat account no. 1207660000001979 opened with 4A Securities for shares pledged with AIPL.

28. In April 2014 the Noticee entered into a Loan against Securities ("LAS") arrangement with Avtar Instalments Pvt. Ltd. ("AIPL") pursuant to which on **16.04.2014 and 22.04.2014** the Noticee pledged **14,50,000** and **7,25,000** shares respectively (i.e. a total of 21,75,000 shares) of Dishman as collateral security in favour of AIPL for disbursal of loan amounts of Rs. 5,00,00,0000 and Rs. 2,50,00,000 respectively (a total of Rs 7.50 crores). The pledge of shares was disclosed by the Noticee as seen from disclosure dated 23.04.2014 submitted by the Noticee and available on BSE website.

29. The shares were transferred to a new beneficiary account of the Noticee with 4A Securities Pvt. Ltd., a depository participant associated with AIPL and pledged in favour of AIPL. I note the submission of the Noticee that he transferred an additional **1,00,000** shares of the Company to 4A Securities on **20.05.2014** on which pledge was marked in terms of the LAS arrangement. I note that this pledge was also disclosed by Noticee to exchanges on 27.05.2015 and is available on BSE website. The above transactions are duly reflected as credit transactions on the respective dates in the demat account of the Noticee with 4A Securities.

30. I note from the Noticee's reply that all the shares transferred by Noticee to his account in 4A Securities were pledged in favour of AIPL. I note that this pledge was through LAS documentation and giving of POA by Noticee to AIPL and not through a depository pledge. As per the LAS Agreement/Master Finance

Agreement (para 3.1 (d) entered into between AIPL and the Noticee, the lender shall have right and power to create a pledge or transfer or assign the securities agreed to be pledged, and also to borrow from any bank or NBFC by way of refinance or otherwise.

31. I note that shares pledged as stated above, amounting to a total 22,75,000 shares were debited from the 4A Securities account of Noticee almost immediately after the credits. I note from letter dated 28.08.2014 given by AIPL to the Noticee that these 22,75,000 shares were pledged by AIPL with other banks / NBFCs as follows:

    (a) Axis Bank – 1,00,000 shares
    (b) ILFS – 12,00,000 shares
    (c) ILFS - 725,000 shares
    (d) HDFC Bank – 50,000 shares
    (e) Citibank – 2,00,000 shares

32. From the aforesaid letter, it is clear that the said 22,75,000 shares were not sold by the Noticee, but were further pledged by AIPL. Since there was no sale, there could not have been any change of shareholding pursuant to aforesaid transfer of shares. \

33. Noticee has submitted that AIPL returned 10,74,500 shares to Noticee on 27.06.2015. Thereafter, AIPL transferred 7,67,000 shares on various dates in April 2016. The remaining 4,33,500 shares along with corporate benefits that accrued thereon were transferred to Noticee's account by March 2017. The credit of 10,74,500 shares to account of Noticee with 4A Securities thus pertains to return of shares which had been further pledged by AIPL.

34. I have also perused the copies of legal notices dated 30.07.2015 and 28.08.2015 issued by the Noticee *inter alia* to AIPL and 4A Securities for release of pledged shares, as well as copy of police complaint filed on behalf of the Noticee with the Navrangpura Police Station in Ahmedabad, against then

CEO and directors of AIPL and 4A Securities, regarding alleged fraud by AIPL in respect of the shares of Dishman belonging to the Noticee which were pledged with 4A Securities in favour of AIPL.

35. In the light of the material on record discussed above, it is evident that the 22,75,000 shares of Dishman pledged by the Noticee in favour of AIPL as part of the LAS arrangement were deposited into the beneficiary account of the Noticee with 4A Securities, an associate of the AIPL. There is nothing on record to indicate that the Noticee was aware of the said transactions. Instead, material on record indicates that since being intimated about transactions related to his pledged shares by AIPL, the Noticee has recorded his protest and had been trying to ensure that all the originally pledged shares of Dishman were transferred to his beneficiary account with 4A Securities.

36. Thus, based on the material on record, I find that there was no sale or purchase transaction by the Noticee and the impugned debit and credit transactions from his account at 4A Securities pertained to onward creation of pledge by AIPL on the shares owned by the Noticee. Further, record also shows that Noticee was not aware of the transactions done by AIPL. As there was no change in shareholding of the Noticee, question of disclosure under Regulation 29 (2) read with (3) of the Takeover Regulations does not arise. I take note that Noticee had duly made disclosure of pledge of shares to the stock exchange, as mentioned above.

37. Similarly, as there was no change in shareholding of the Noticee, disclosure requirement under Regulations 13 (4) and 13 (4) read with 13 (5) of the PIT Regulations 1992 were not triggered. As regards the allegation on contra trades, I note that the debit and credit transactions were not carried out by the Noticee but were done by AIPL for re-pledging of the shares. There was no sale or purchase of shares. Hence, it is evident that Noticee did not carry out any contra trades as alleged. Therefore, allegation of violation of Clause 4.2 of

Model code of Conduct, Part A of Schedule I under Regulation 12(1) of PIT Regulations, 1992 is not established.

38. In view of the above, I find that the charge of violation of Regulation 29(2) read with 29(3) of the Takeover Regulations, Regulation 13 (4) and 13(4A) read with 13(5) of PIT Regulations 1992 and Regulation 7(2) (a) of the PIT Regulations 2015, and Clause 4.2 of Model code of Conduct, Part A of Schedule I under Regulation 12(1) of PIT Regulations 1992 by the Noticee does not stand established.

39. As the alleged violations by the Noticee are not established, Issues II and III do not merit consideration.

ORDER

40. In the light of the findings noted hereinabove, the adjudication proceedings initiated against the Noticee vide SCN dated 22.07.2021 are disposed of.

41. Copies of this Adjudication Order are being sent to the Noticee and also to SEBI in terms of Rule 6 of the Adjudication Rules.

MANINDER CHEEMA Digitally signed by MANINDER CHEEMA Date: 2022.05.02 13:24:45 +05'30'

DATE: May 02, 2022 **MANINDER CHEEMA**

PLACE: MUMBAI **ADJUDICATING OFFICER**