BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/JS/YK/2025-26/ 31830-31832]

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

In respect of:

Noticee No.	Noticee Name	PAN
1	Anil Jain	AADPA8582A
2	Kamlesh Jain	AAFPJ2745J
3	Jain Family Trust (through its trustee Mr. Kamlesh Jain)	AAETJ3966E

In the matter of insider trading activities of certain entities in the scrip of Refex Industries Limited

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BACKGROUND

1. Refex Industries Ltd. (hereinafter referred to as **"Company/Refex"**) is a company listed in BSE Ltd. (hereinafter referred to as **"BSE"**) and National Stock Exchange of India Ltd. (hereinafter referred to as **"NSE"**). NSE based on its internal alerts on insider trading, *inter alia*, examined trading in the scrip of Refex close to the announcement of financial results by the Company for the year ended March 31, 2023 on May 18, 2023 at 17:52:34 hours. Thereafter, Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted an investigation in the matter to ascertain possible violations of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **"SEBI Act"**) and SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as **"PIT Regulations"**). The period under investigation was March 15, 2023 to July 20, 2023 (hereinafter referred to as **"Investigation Period/IP"**). Based on the investigation, it was alleged that Mr. Anil Jain (hereinafter referred to as **"Noticee 1"**), Chairman and Managing Director (CMD) of Refex, had communicated Unpublished Price Sensitive Information (hereinafter

referred to as **"UPSI"**) to Mr. Kamlesh Jain (hereinafter referred to as **"Noticee 2"**) and Noticee 2 through M/s. Jain Family Trust (hereinafter referred to as **"Noticee 3"**) had traded in the scrip of Refex while in possession/on the basis of UPSI and made unlawful gains of Rs. 12.33 Lakh. Therefore, it was alleged that the Noticee 1 had violated the provisions of section 12A(e) of SEBI Act read with regulation 3(1) of PIT Regulations and Noticees 2 and 3 had violated the provisions of section 12A(d) and (e) of SEBI Act read with regulation 4(1) of PIT Regulations.

APPOINTMENT OF ADJUDICATING OFFICER

2. The undersigned was appointed as Adjudicating Officer (hereinafter referred to as ''**AO**'') in this matter vide communiqué dated June 11, 2025 under section 15-I of the SEBI Act read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"Rules"**), to inquire into and adjudge the aforementioned violations alleged to have been committed by the Noticees under section 15G of the SEBI Act.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice Ref. No. SEBI/EAD-2/JS/YK/19428/1-7/2025 dated July 21, 2025 (hereinafter referred to as **"SCN"**) was issued to Noticees in terms of rule 4 of the Rules read with section 15-I of the SEBI Act to show cause as to why an inquiry should not be held against Noticees and why penalty, if any, should not be imposed on them in terms of the provisions of section 15G of the SEBI Act for the aforementioned violations alleged to have been committed by Noticees.

4. The SCN dated July 21, 2025, *inter alia*, alleged the following:

UPSI

(a.) Announcement of financial results for the period ended March 31, 2023 was made by the Company on May 18, 2023 at 17:52:34 hours. As per the financial results, the Company recorded a total income of INR 631.97 crore for quarter ended March 31, 2023 against INR 381.77 crore for the quarter ended December 31, 2022 and INR 178.11 crore for the quarter ended March 31, 2022, thereby registering a growth of 65.54% on quarter-on-quarter basis and 254.82% on year-on-year basis respectively. Further, the Company recorded a net profit of INR 50.67 crore for quarter ended March 31, 2023 against INR 26.15 crore for the quarter ended December 31, 2022 and INR 24.01 crore for the quarter ended March 31, 2022,

thereby registering a growth of 93.75% on quarter-on-quarter basis and 111.05% on year-on-year basis respectively.

(b.) The closing price of the scrip of Refex before announcement, i.e., on May 18, 2023, was INR 355.55/- and the closing price after the announcement, i.e., on May 19, 2023, was INR. 426.65/-, i.e., 19.99% rise on close-to-close basis. The price of the scrip of Refex registered an additional rise of 51.23% on a close-to-close basis during the next three trading days, i.e., from May 19, 2023, to May 24, 2023.

(c.) The announcement of financial results for the period ended March 31, 2023 is considered as price sensitive information in terms of regulation 2(1)(n) of PIT Regulations and the said information remained as UPSI till its announcement on May 18, 2023.

(d.) To establish the date of existence of UPSI, chronology of events leading to the UPSI was sought from Refex and the statutory auditor of the Company. After perusing the replies of Refex dated March 25, 2024 and statutory auditor dated May 23, 2024, the UPSI period is considered from March 29, 2023, i.e., the first engagement/initiation referred for initial audit requirements till date of announcement of financial result, i.e., May 18, 2023.

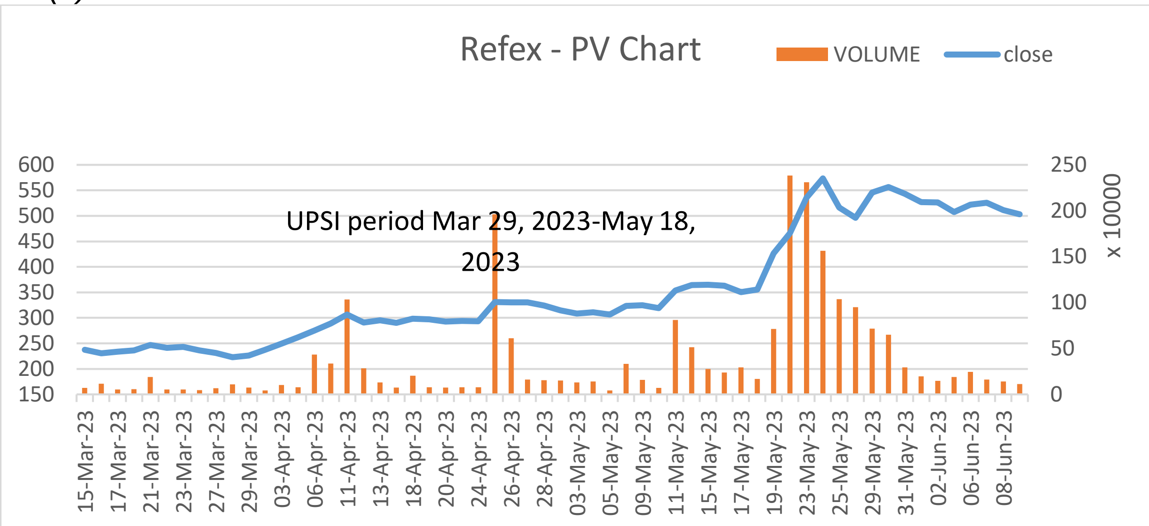
Price Volume Analysis:

(e.) Price Volume at NSE:

Table 1

Particulars	Period	Price/ Volume	Opening Price and Volume (INR in Lakh) on the First Day of the Period	Closing Price and Volume (INR in Lakh) on the Last Day of the Period	Low Price and Volume (INR in Lakh) during the Period	High Price and Volume (INR in Lakh) during the Period	Average no. of shares traded during the period
Pre - UPSI Period	December 29, 2022, to March 28, 2023	Price	265.4	222.85	219.95	306.55	1,03,409
					28-Mar-23	07-Feb-23	
		Volume	2,21,505	1,10,601	34,903	4,66,197	
					12-Jan-23	03-Feb-23	
UPSI Period	March 29, 2023, to May 18, 2023	Price	225.4	355.55	222	377.4	2,90,868
					29-Mar-23	16-May-23	
		Volume	74,558	1,67,797	42,877	19,62,476	
					31-Mar-23	25-Apr-23	
Post announcement period	May 19, 2023, to August 18, 2023	Price	426.65	695.15	415.05	847.1	4,04,943
					19-May-23	01-Aug-23	
		Volume	7,14,413	1,49,387	23,338	23,83,690	
					07-Aug-23	22-May-23	

(f.) PV Chart NSE:



Trading by Noticee 3

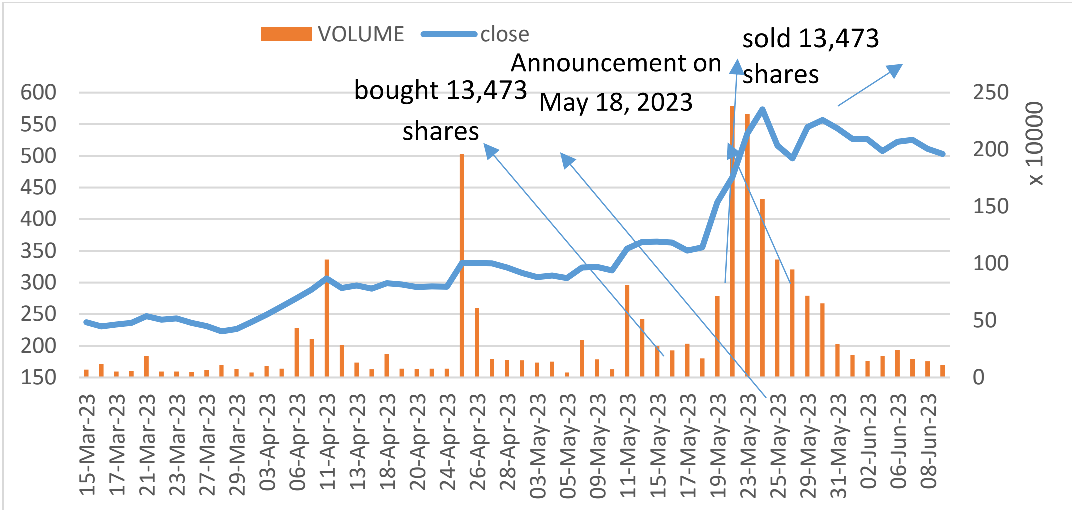
(g.)The trading activity of Noticee 3 and its trustees was analysed during the IP and the following was observed:

Table 2: Trading summary of Noticee 3 in the scrip of Refex

Date	Buy Quantity	Buy Rate	Buy Value (INR in lakh)	Sell Quantity	Sell Rate	Sell Value (INR in lakh)
Pre-UPSI Period (29-Dec-2022 - 28-Mar-2023)						
-						
UPSI period (29-Mar-2023 - 18-May-2023)						
15-05-23	3,973	364.8	14.49	0	0	0
16-05-23	9,500	365.75	34.75	0	0	0
Total	**13,473**	**365.47**	**49.24**	**0**	**0**	**0**
Post Announcement Period (19-May-2023 – 18-Aug-2023)						
19-05-23	0	0	0	6,700	426.65	28.59
22-05-23	0	0	0	6,773	487.06	32.99
Total	**0**	**0**	**0**	**13,473**	**457.02**	**61.57**

(h.)It was observed that Noticee 3 had placed orders of the aforesaid trades through off-line mode (through pre-trade confirmation slip) of the stock broker, Monarch Networth Capital Limited and made a profit of INR 12.33 lakh.

(i.) The graphical representation of trading activity of Noticee 3 during UPSI period is given below:



(j.) *It was further observed that apart from trading in the scrip of Refex, Noticee 3 had also traded in other scrips. The summary of total trades in comparison with its trades in the scrip of Refex is provided in the following table:*

Table 3

Period	Refex Industries Ltd.		Other Scrips		Total
	Gross Traded Value (in INR)	% activity in this scrip to gross traded value	Gross Traded Value (INR in lakh) (No. of scrips)	% activity in this scrip to gross traded value	Gross Traded Value (INR in lakh) (No. of scrips)
Before UPSI Period(March 15, 2023, to March 28, 2023)	0	0%	20,57,010	100%	20,57,010 (No. of scrip:1)
During UPSI Period (March 29, 2023, to May 18, 2023)	49,23,975.40	100%	0	0	49,23,975.40 (No. of scrip:1)
After UPSI Period (May 19, 2023, to July 20, 2023)	61,57,394	23.17%	2,04,19,844.25 (No. of scrip:7)	76.83%	2,65,77,238.25 (No. of scrip:8)

(k.) *From the aforesaid table, it was observed that during UPSI period, Noticee 3 had traded in the scrip of Refex only and the traded value was INR 49,23,975.4. It was further observed that Post UPSI period, the gross traded value in the scrip of Refex was INR 61,57,394/- which was 23.57% of the Gross traded value of INR*

2,65,77,238.25. Further, it was observed that after UPSI period, entity had traded in 7 other scrips and gross traded value was INR 2,04,19,844.25.

(l.) It was further observed that Noticee 3 had sold 6,700 shares of Refex immediately after the announcement and remaining 6,773 shares of Refex on the next trading day. Further, during the UPSI period, trading activity of Noticee 3 was 100% concentrated in the scrip of Refex and the entity had not traded in any other scrip.

Correspondence with Noticee 3

(m.) During investigation, information was sought from Noticee 3 with reference to trades in the scrip of Refex during the IP. The submission made by Noticee 3 in this regard is given below:

*i.) **Name and contact details of authorized person who placed the order**: Mr. Amit Kumar Parekh placed orders offline upon instructions of Mr. Kamlesh Jain (Trustee of M/s. Jain Family Trust). Mr. Amit Kumar Parekh is an employee of Mr. Kamlesh Jain. His mobile number is '99XXXXXXX9' and email id is 'saxxxxxxxxgroup.com'.*

*ii.) **Rationale/ reason(s) for the trading i.e. buying and selling the shares**: "We are investor based on the market sentiments, we invest in the shares and same way we investment in Refex Industries Ltd."*

*iii.) **Connection with Refex** – Entity denied any connection in any capacity with the promoters/directors/key management personnel/employees of Refex.*

*iv.) **ITR of M/s. Jain Family Trust –***

Table 4

Financial Year	*Total Income (in INR)*
FY 2020-21	*60,28,050*
FY 2021-22	*1,07,98,740*

Connection among the Noticees:

Analysis of Call data records (CDR) of Noticee 2

(n.) CDR of Noticee 2 who was also trustee of Noticee 3 (Mobile No. 9XXXXXXX00*) was analyzed by the Investigating Authority and the following was observed:*

Table 5

<table>
<tr><th>Suspect</th><th>Insider/ Designated Person</th><th>In/Out</th><th>Date</th><th>Span</th></tr>
<tr><td rowspan="4">Mr. Kamlesh Jain (Trustee – M/s. Jain Family Trust) - 9XXXXXXX00</td><td rowspan="3">Mr. Anil Jain (Chairman and Managing Director (CMD)) – 98XXXXXX77</td><td>Out</td><td>07-04-2023</td><td>195 secs</td></tr>
<tr><td>In</td><td>13-05-2023</td><td>12 secs</td></tr>
<tr><td>In</td><td>13-05-2023</td><td>25 secs</td></tr>
<tr><td>Ms. Suma (Executive Secretary to CMD) – 98XXXXXX73</td><td>Out</td><td>10-04-2023</td><td>67 secs</td></tr>
</table>

(o.) From the aforesaid table, it was observed that Noticee 2 had calls with Noticee 1 on April 07, 2023 and May 13, 2023. It was further observed that Noticee 2 had also call with Ms. Suma, Executive Secretary to Noticee 1 on April 10, 2024.

Statement Recordings

(p.)Statement of Noticee 1 was recorded on January 21, 2025, wherein he, inter alia, states as under:

i.) Being the Managing Director of the Company, he is on top of the business activities of the Company and he has a fair idea of the financial performance of the Company from the monthly MIS meetings of each business vertical which is scheduled around second week after end of each month.

ii.) He chairs the MIS monthly/ weekly review meetings (MIS meetings) of each business vertical each month. Such meetings are attended by the senior officials of the Company and areas related to revenue, profit, operational activities and business issues are discussed. The overall performance of Company is known to him during discussions in such meetings as he attends all the monthly MIS meetings being the MD of the Company.

iii.) He knew about Mr. Kamlesh Jain (Noticee 2) long before as he had similar line of business of that of his father. However, he has been in close friendship with Mr. Kamlesh Jain since 2019-20 when Jain International Trade Organization (JITO), an organization of Jain businessmen, organized a family trip of members of Jain community to Baku, which was attended by his and Mr. Kamlesh Jain's family. He and Mr. Kamlesh Jain often attend each other's family functions. He is in regular touch with Mr. Kamlesh Jain through phone calls and meets him personally in social meetings.

iv.) With regard to the phone calls between him and Mr. Kamlesh Jain during the UPSI period, he has submitted that he does not recall exact details and purpose of the calls. However, he stated that Mr. Kamlesh Jain is close family friend and so they are in touch through phone calls and personal meetings.

(q.)Statement of Noticee 2 was recorded on January 24, 2025, wherein he, inter alia, stated as under:

i.) With regard to the rationale for buying the shares of Refex just prior to the announcement of financial results for the period ended March 2023 and selling the shares post announcement of the same on May 18, 2023, Noticee 2 submitted as follow:

- *He understands the solar power generation business very well and had researched on this sector deeply relating to government policies and support of financial institutions and future growth potential.*
- *He has submitted that the main line of business of Refex is solar power generation and he believed solar power generation is a booming sector. He is very bullish in solar power generation sector. In view of the same he had invested in shares of Refex during May 2023.*

- *He does his own research on various listed companies by way of analysis of technical charts, social media like Moneycontrol and through various news/ print media.*
- *It is purely coincidental that his trading clashed with the announcement of financial results for the quarter ended March 2023.*

ii.) Noticee 2 further stated that he has been in touch with Mr. Anil Jain (Noticee 1) since last 6 years. He met Mr. Anil Jain through JITO (Jain International Trading Organization) where they both do social charitable work for Jain community. Mr. Anil Jain was secretary of JITO at that time and he was a member of JITO.

iii.) With regard to the phone calls observed between him and Mr. Anil Jain on May 13, 2023, he submitted that he does not remember the exact details for the said calls, however, most of the time he talks with Mr. Anil Jain on JITO matter.

iv.) With regard to calls between him and Ms. Suma, Assistant to Mr. Anil Jain, on April 10, 2024, he has submitted that usually contact Ms. Suma for communicating JITO matters with Mr. Anil Jain and for getting in contact with Mr. Anil Jain.

Communication of UPSI by Noticee 1 to Noticee 2 and trading by Noticee 2 on the basis of UPSI

(r.) The Company in its reply dated March 25, 2024 and e-mail dated January 23, 2025 had mentioned that Noticee 1, CMD of Refex, was involved in the process of/ having access to and/ or in possession of the unpublished price sensitive information relating to the financial results of Refex for the period ending March 2023. Further, as per the submission of the Company, Noticee 1, was part of the following MIS meetings for the three major verticals, viz., Ash Business, Power Trading Business and Refrigerant Business during the period January 01, 2023 to May 18, 2023.

Table 6

Sr. No.	Type of MIS	Dates when such reports were shared (complete details like date of email / letter, date of receipt, etc.)	Mode of details shared (like date of email / letter, date of receipt, etc.)	MIS Frequency
1	MIS for Thermal Business (Ash Business)	January 05, 2023 January 12, 2023 January 19, 2023 February 02, 2023 February 09, 2023 February 16, 2023 February 23, 2023 March 02, 2023 March 09, 2023 March 16, 2023 March 23, 2023	Zoom Meeting	Weekly

Sr. No.	Type of MIS	Dates when such reports were shared (complete details like date of email / letter, date of receipt, etc.)	Mode of details shared (like date of email / letter, date of receipt, etc.)	MIS Frequency
		March 30, 2023 April 13, 2023 April 20, 2023 April 27, 2023 May 4, 2023 May 11, 2023		
2	MIS for Power Trading Business	January 04, 2023 January 11, 2023 January 18, 2023 February 01, 2023 February 08, 2023 February 15, 2023 February 22, 2023 Mar 01, 2023 Mar 08, 2023 March 15, 2023 March 22, 2023 March 29, 2023 April 12, 2023 April 19, 2023 May 3, 2023 May 10, 2023	Zoom Meeting	Weekly
3	MIS for Refrigerant Business	January 05, 2023 January 19, 2023 February 02, 2023 February 09, 2023 February 16, 2023 February 23, 2023 March 16, 2023 March 23, 2023 March 30, 2023 April 6, 2023 April 13, 2023 April 20, 2023 April 27, 2023 May 4, 2023 May 11, 2023	Zoom Meeting	Weekly/ Bi-monthly

(s.) Moreover, from the perusal of documents shared during the MIS meetings as submitted by the Company to the SEBI, it was observed that particulars like

revenue of each project, monthly targets, targets achieved for the year, gross margin, etc. were shared with the members who were present in the MIS meetings. Hence, it was alleged that Noticee 1 was aware of the positive performance of the Company during the March 2023 quarter. It was further alleged that Noticee 1 was a connected person in terms of regulation 2(1)(d) of PIT Regulations and by virtue of the same was an insider in terms of regulation 2(1)(g) of PIT Regulations.

(t.) Further, as discussed in the preceding paragraphs, from the CDR analysis of Noticee 2, it was observed that Noticee 2 had calls with Noticee 1 during the UPSI period on April 07, 2023 and May 13, 2023. Hence, it was alleged that Noticee 2 by being in communication with Noticee 1 is a connected person in terms of regulation 2(1)(d) of PIT Regulations.

(u.) Further, as discussed in the preceding paragraphs, from the trading activity of Noticee 3 in the scrip of Refex, it was observed that it had bought 13,473 shares of Refex on May 15, 2023 (Monday) and May 16, 2023 (Tuesday) at an average price of Rs. 365.47 per share. It was further observed that during the UPSI period, Noticee 3 had 100% concentration in the scrip of Refex only and it had only bought shares of Refex for a value of Rs. 49.24 lakh. Thereafter, pursuant to the disclosure of financial results for the period ending March 2023 on May 18, 2023, the total shares of 13,473 were sold by Noticee 3 at an average price of Rs. 457.02 per share for a total value of Rs. 61.57 lakh and thereby generating a total profit of Rs. 12.33 lakh.

(v.) Noticee 2 during his statement recording before the IA submitted that the main line of business of Refex is solar power generation and he believed solar power generation is a booming sector. He selects one or two companies per sector and he had been studying Refex for last 4-5 years. He was very bullish in solar generation sector and because of that he invested in Refex during May 2023. However, from the financial statements of Refex and as submitted by Noticee 1 during his statement recording, the major source of revenue of Refex was ash and coal handling which contributed to around 80% of its revenue while the remaining was from power trading and refrigerant business. A small portion of revenue of Refex comes from solar power plant leasing with Aditya Birla Group company in Barmer, Rajasthan from 2007. Further, the investment of Noticee 2 through Noticee 3 in Refex during May 2023 was for short term and the holding period of the same was for a few days, i.e., 7 days only. Hence, it was alleged that the rationale submitted by Noticee 2 is inconsistent with the facts.

(w.) In view of aforesaid, from the preponderance of probability, it was alleged that the UPSI regarding financial results of the Company for the quarter ending March 2023 was communicated by Noticee 1 to Noticee 2. It was further alleged that Noticee 2 while in possession of the UPSI had bought shares of Refex through Noticee 3 during the UPSI period and sold the same after the announcement of the financial results by the Company.

(x.) *Therefore, it was alleged that Noticee 1 by communicating UPSI to Noticee 2 has violated section 12A(e) of the SEBI Act read with regulation 3(1) of PIT Regulations and by trading in the scrip of Refex, when in possession of UPSI, Noticees 2 and 3 have violated the provisions of section 12A(d) and (e) of the SEBI Act read with regulation 4(1) of PIT Regulations.*

5. The SCN was duly served upon Noticees in consonance with the Rules.

Noticee 1

6. Authorized representative (hereinafter referred to as **"AR"**) of Noticee 1, Mr. Saurabh Bachhawat (i/b Chandhiok & Mahajan) vide letter dated August 07, 2025 requested inspection of documents which was duly conducted on August 29, 2025. Thereafter, Noticee 1 was advised to submit his reply, if any, latest by September 18, 2025. Noticee submitted his reply vide letter dated September 12, 2025. Subsequently, an opportunity of hearing was granted to Noticee 1 on October 15, 2025. ARs, Mr. Saurabh Bachhawat assisted by Mr. Kaushik Parag Puranik, attended the hearing and reiterated the submissions made vide letter dated September 12, 2025. ARs had also relied upon the order of Hon'ble Supreme Court in the matter of Balram Garg v. SEBI (Civil Appeal No. 7054 of 2021 dated April 19, 2022) and orders of Hon'ble SAT in the matter of Mr. Maneesh Kumar Jain v. SEBI (Appeal No. 712 of 2025 dated July 02, 2025), Dilip S. Pendse v. SEBI (Appeal No. 80 of 2009 dated November 19, 2009), Affluence Fincon Service Pvt. Ltd. v. SEBI (Appeal No. 314 of 2021 dated October 10, 2024), Venkatraman Ranganathan v. SEBI (Appeal No. 69 of 2024 dated August 09, 2024) and Lashit Sanghvi v. SEBI (Appeal No. 257 of 2023 dated May 02, 2025).

Noticees 2 and 3

7. Noticees 2 and 3 filed their replies vide letters dated August 19, 2025. Subsequently, an opportunity of hearing was granted to Noticees 2 and 3 on October 15, 2025. ARs, Mr. Ravichandra S Hegde, Mr. Mitravinda Chunduru and Ms. Rhea Kapoor (i/b RHP Partners), attended the hearing and reiterated the submissions made vide letter dated August 19, 2025. ARs had also requested for one week's time to file further submissions which was granted and the same was filed vide e-mail dated October 28,

2025. Thereafter, vide e-mail dated October 29, 2025, AR of Noticees 2 and 3 filed revised submissions and requested to ignore the submissions made vide e-mail dated October 28, 2025.

8. The relevant extracts of Noticees' replies are reproduced as under:

Noticee 1

(a.) It is important to mention that Noticee 1 and Mr. Kamlesh Jain are friends and know each other since 1998 as Mr. Kamlesh Jain and Noticee 1's father was in the same line of business. Further, since last 13 years Noticee 1 and Mr. Kamlesh Jain are both part of Jain International Trade Organization ("JITO"). Noticee 1 and Mr. Kamlesh Jain remain in regular touch with each other through phone calls and social meetings.

(b.) Further, there is no quarrel to the fact that financial results of Refex for the quarter ending 31 March 2023 was a price sensitive information in terms of regulation 2(1)(n) of PIT Regulations and that it remained an UPSI for the period of 29 March 2023 to 18 May 2023 ("UPSI period") (i.e., from the first engagement/initiation referred for initial audit requirements till date of announcement of financial results). There is also no denial to the fact that Noticee 1 was in possession of the UPSI during the UPSI period.

(c.) The whole allegation of SEBI is based on the fact that there were phone calls between Noticee 1 and Mr. Kamlesh Jain during the UPSI period (para 16 of the SCN) during which Noticee 1 allegedly communicated the UPSI in question to Mr. Kamlesh Jain.

(d.) In this regard, Noticee 1 has not denied his connection/association with Mr. Kamlesh Jain. In fact, Noticee 1 has informed SEBI during the investigation that he knew Mr. Kamlesh Jain since 1998 and that they are friends and often communicate via phone and meet regularly. Similarly, Mr. Kamlesh Jain has also mentioned in his statement to SEBI that he knew Mr. Anil Jain for the last 25 years. Noticee 1 states that at no point in time (including the investigation period) was any UPSI communicated to Mr. Kamlesh Jain as alleged or otherwise.

(e.) However, merely basis this association or 3 phone calls it cannot be alleged that Mr. Kamlesh Jain (Noticee 2) is an insider as per regulation 2(1)(d) of PIT Regulations. In this regard, reliance is placed on the order of the Hon'ble Securities Appellate Tribunal in the matter of Mr. Lashit Sanghvi v. SEBI (Appeal No. 257 of 2023 decided on 2 May 2025).

(f.) It is submitted that only based on these unsubstantiated phone calls between Noticee 1 and Mr. Kamlesh Jain during the UPSI period, it cannot be alleged that the UPSI in question was communicated by Noticee 1 to Mr. Kamlesh Jain. It is obligatory on part of SEBI to place on record any material to prove that the UPSI in question was communicated by Noticee 1 to Mr. Kamlesh Jain over the said phone calls. Other than the phone calls, there is no evidence or inkling of communication of UPSI by Noticee 1 to Mr. Kamlesh Jain. The allegations seem to be based merely on surmises and conjectures. In absence of any material

indicating specific communication, the presumption of communication of UPSI by Noticee 1 cannot be drawn.

(g.) The onus is upon SEBI to prove that the UPSI was communicated by Noticee 1 to Mr. Kamlesh Jain. It is settled law that negative cannot be proved. In the initial threshold, in order to prove a contrary fact, the fact whose opposite is sought to be established must be proved first. It is trite law that initial burden always lies on the prosecution.

(h.) Serious charges/allegations such as in the present case required a higher degree of proof and preponderance of probability. SEBI has not discharged its burden to prove nor shown the preponderance of probability that the UPSI was allegedly transferred by Noticee 1.

(i.) The Noticee 1 has placed reliance on the following judgments:

- *Dilip Pendse v. SEBI (Appeal No.80 of 2009 decided on November 19, 2009);*
- *Balram Garg v. SEBI [(2022) 9 SCC 425];*
- *Mr. Lashit Sanghvi v. SEBI (supra);*
- *Affluence Fincon Services Pvt. Ltd. & Ors. v. SEBI (Appeal No. 314 of 2021 decided on October 10, 2024);*
- *Venkatraman Ranganathan v. SEBI (Appeal No. 69 of 2024 decided on August 09, 2024);*
- *Mr. Maneesh Kumar Jain v. SEBI (Appeal No. 712 of 2024 decided on July 02, 2025);*

(j.) On the trades executed by Noticee 3 in the scrip of Refex during the investigation period. Although Noticee 1 cannot state the actual reason for the trades of Noticee 3 in the scrip of Refex, based on the documents/material on record, the following can be inferred:

- *Mr. Kamlesh Jain had called Noticee 1 on 7 April 2023 and Noticee 1's secretary on 10 April 2023. Whereas the buy trades had taken place on 15 and 16 May 2023 (which is more than a month from the date of the calls). Also, from the chronology of events it is clear that no major event had taken place on 7 or 10 April 2023.*
- *Noticee 1 had called Mr. Kamlesh Jain (twice) on 13 May 2023 (at around 9 pm), the first call lasted for 12 seconds and second call lasted for 25 seconds and the total call duration of two calls was only 37 seconds. Noticee 1 is not able to recall the exact purpose of the said call, as Noticee 1 and Mr. Kamlesh Jain are friends and talk to each other on regular basis over phone calls.*
- *However, it is not possible for Noticee 1 to have discussed about the results in such a short span of time unless and until Kamlesh Jain (Noticee 2) was privy of the information earlier which is not the allegation in the instant matter.*
- *The total traded value of Noticee 3 in the scrip of Refex on 15 & 16 May 2023 was INR 49,23,975.*
- *From the trade log of the Noticee 3, it is clear that it regularly trades in securities.*
- *The annual income of Mr. Kamlesh Jain (as per his reply dated 23 April 2024 submitted to SEBI) is approx. INR 2.7 Crore. The total turnover of all his*

businesses is approx. INR 4000 Crore (as per his statement recorded on 24 January 2025).

(k.) From the above, it can be inferred that Mr. Kamlesh Jain is a high net worth individual and the trading in the scrip of Refex by Noticee 3 was insignificant and modest in comparison to his and Noticee 3's overall trading and net worth. If at all he would have been in possession of any UPSI as alleged, why would he (directly or indirectly) only trade for a sum of INR 49.24 Lakh and make a mere profit of INR 12.33 lakh, as compared to his overall net worth.

(l.) Noticee 1 submitted that it is a matter of public knowledge that the net profit for quarter ended March 2022 increased significantly as compared to the quarter ended December 2021, therefore, it was expected that the profit for quarter ended March 2023, would also increase a manifold. Accordingly, based on this anticipation the trades may have been executed. Hence, it cannot be alleged that Noticee 1 has communicated the UPSI to Noticee 2.

Noticee 2

Preliminary Objections:

(a.) Noticee 2 raised certain preliminary issues regarding the approach and assumptions in the Show Cause Notice.

(b.) The Show Cause Notice failed to fulfil its burden of proving that Noticee 2 is an 'insider'. Regulation 2(1)(g) of the PIT Regulations requires SEBI to show that either the noticee is a 'connected person' or 'in possession of or having access to unpublished price sensitive information'. Firstly, the Show Cause Notice nowhere alleges that Noticee 2 is an 'insider'. The Show Cause Notice (at paragraph 21) alleges that he is a 'connected person' by stating that "as discussed in the preceding paragraphs, from the CDR analysis of Noticee 2, it was observed that Noticee 2 had calls with Noticee 1 during the UPSI period on April 7 and May 13, 2023. Hence, it was alleged that Noticee 2 by being in communication with Noticee 1 is a connected person in terms of regulation 2(1)(d) of PIT Regulations." While stating so, SEBI has contradicted its own findings by showing 'infrequent communications' while making an allegation of 'connected persons,' which necessarily requires the existence of 'frequent communications'. Only 2 phone calls between the noticees cannot be considered as 'frequent communication,' as has been held by the Hon'ble SAT as well as the Hon'ble Supreme Court in a plethora of cases. The second test of showing that a noticee is an 'insider' is by showing such noticee is 'in possession of or having access to unpublished price sensitive information'. The Show Cause Notice has not even considered this test. There is no finding or even an allegation anywhere in the Show Cause Notice that Noticee 2 is an 'insider' by virtue of regulation 2(1)(g)(ii) of the PIT Regulations.

(c.) Therefore, given a scenario where the regulator has failed to establish at least a prima facie case against the Noticees and show or at least allege under what provision are the Noticees considered to be 'insiders', it would be extremely difficult for the Noticees to defend the non-allegations in the Show Cause Notice. As has

been held in the case of Oryx Fisheries, it is trite law that a show cause notice spells out the proper allegations against the noticees so as to provide adequate and meaningful opportunity to such noticees to participate in the proceedings to defend themselves. The burden of proof is erroneously shifted onto the Noticees to show that they have not violated regulation 4(1) of the PIT Regulations, which presumes 'possession' of UPSI with the 'insider'. When regulation 4(1) is read in conjunction with regulation 2(1)(g) of the PIT Regulations, it becomes necessary that SEBI ought to have shown 'possession' of the UPSI in question with the Noticees while issuing the Show Cause Notice, which it has failed to.

(d.) In view of the above, it is unfair to require the Noticees to show cause to the baseless and improper allegations levied in the Show Cause Notice. Notwithstanding and without prejudice to the same, Noticee 2 provided complete details of the impugned investments, the underlying rationale and his general background, a consolidated reading of which will prove beyond doubt that the Noticees are in no manner in violation of any of the provisions of the PIT Regulations.

<u>Background of the Noticees:</u>

(e.) Noticee 2 is a seasoned entrepreneur in the metal industry, holding directorship in 7 different companies as of date, out of which he also holds the position of a Managing Director cum Promoter in Jain Resource Recycling Limited, which is an IPO bound company. He had obtained his bachelor's degree in commerce from the University of Madras in 1989. He has experience of more than 30 years in the Metal industry. He has been associated with Bombay Metal Exchange Limited as the Senior Vice President of their South India chapter since October, 2024. He is also the Regional Vice President, South India of the Recycling Association of Africa since October 2023. He is the trustee of Jain Family Trust (Noticee 3), which was established in 2018 with the primary purpose of consolidating family investments and ensuring proper wealth management and succession planning. The Trust has been making investments across various asset classes, including equities, debt instruments, and real estate. The Trust's investment decisions are made collectively by its trustees based on thorough market research, financial analysis, and long-term investment goals. Not just the Trust and Noticee 2, each of his family members have been regular investors in the securities market, and mostly conduct long-term investments based on fundamental analysis of companies and sectors. They maintain a diversified portfolio across multiple sectors to manage risk effectively. Their investment decisions are guided by proper research, market trends, and financial analysis rather than any insider information. The nature and size of the positions held by the Noticees and family, in various securities, including Refex Industries and other group companies, will itself substantiate his bona fides and the lack of any violation as alleged in the Show Cause Notice. Their trading patterns demonstrate a consistent investment strategy that is not influenced by any unpublished information.

(f.) It is pertinent to highlight that there has been no instance of regulatory intervention against the Noticees in the past for any violation of the PIT Regulations. Needless

to add that considering the nature of Noticee 2 reputation held, it would be beyond logic Noticee 2 to jeopardise his stature and business trajectory by violating the prescription of regulatory law and conduct a serious offence such as insider trading, for a meagre profit of Rs. 12.33 lakh. However, notwithstanding, he herein below provided his responses on merits herein to assist the regulatory process in arriving at a reasonable conclusion of the matter.

<u>Submissions on Facts:</u>

Rationale underlying the impugned investments

(g.) It may be noted that the impugned investments conducted in account of Noticee 3 were not motivated by any UPSI. He is an avid investor since 1997 and he has taken substantial investments in the accounts of both the Noticees regularly. Generally, and including in the case of the impugned investments identified in the Show Cause Notice, his investments are always inspired from research based on news articles, research reports, technical charts, sector analysis and tips / advice from stockbrokers, market sentiments and his general instincts. His investments are spread across various sectors and he conducts both short term and long-term trades.

(h.) In case of the impugned investments in Refex as well, he had conducted the same based on market research and stock trends. As can be seen from the investigation report of SEBI (enclosed as Annexure 1 to the Show Cause Notice), each major corporate announcement made by the Company has had an impact on the price and volumes of the Company. From March 29, 2023, there was an increase in the trading in the scrip of Refex and therefore, it came under his observation. He had regularly invested in the Refex group of companies and considering that this group falls under his watchlist and since some momentum was noticed in this particular Company, he decided to invest a very small sum in the Company. As soon as a reasonable profit was noticed, he decided to liquidate the investment and cash in the profits. He wish to reiterate once again that seeing the nature of his investments and the size of his portfolio, if anything, the size of investment made in Refex will show anything but possession of UPSI. Had he had access to any UPSI, he would have taken a much larger position in the said scrip, given that at such time, the size of his portfolio along with the Trust was valued at Rs. 7.52 Crore (i.e., (i) Kamlesh Jain – 7.17 Crore and (ii) Jain Family Trust – 0.35 Crore).

He is not privy to the UPSI

*(i.) The Show Cause Notice relies upon 2 phone calls observed in the CDR analysis to allege that he was in receipt of UPSI from Noticee 1. In this regard, he had informed SEBI at the time of giving his statement that he knew Noticee 1 through social connections, that they interacted in relation to matters pertaining to the Jain International Trading Organisation ("**JITO**"), where they regularly did social charitable work. He had clarified that they attended each other's family functions and also attend the JITO events. He had informed that he has not been in touch with Noticee 1 for a long period of time and also that his telephonic conversations*

with Noticee 1 and his secretary were pertaining to coordination for the JITO matters.

(j.) It is reiterated that none of his communications with Noticee 1 were for sharing the UPSI if any, over to him. It is a settled position of law that failing demonstration of actual communication of UPSI and merely showing remote connections is not sufficient to meet the tests of the PIT Regulations. Reference in this regard is made to the following judgements –

- *Hon'ble Supreme Court, in the case of Balram Garg v. SEBI, Civil Appeal No. 7054 of 2021;*
- *Hon'ble SAT in the case of Mr. Lashit Sanghvi v. SEBI, Order dated May 2, 2025 in Appeal No. 257 of 2023;*
- *WTM order dated November 6, 2023 in the matter of Lux Industries Ltd;*
- *WTM order dated August 25, 2023 in the matter of United Spirits Ltd.*

(k.) Therefore, given the factual circumstances submitted by him read with the extant principles of law on communication, there can be no occasion of alleging that he was in possession of UPSI, which is a sine qua non for violation of regulation 4(1) of the PIT Regulations.

He is a regular trader in the Company's securities

(l.) He and his family members, including Noticee 3 Trust, have been regular traders in the securities of Refex Industries and other companies forming part of the Refex group of companies for several years. He has tracked these companies over years and have developed a deep understanding of their business models, growth prospects, and market dynamics. This consistent investment pattern demonstrates my long-term interest in these companies based on their fundamental strengths and growth prospects, rather than any short-term trading based on UPSI.

(m.) As evidenced by the trading records submitted, he, along with his family members have maintained substantial holdings in Refex Industries and Refex Renewables across multiple financial years –

Investments in Refex Industries Limited		
Financial Year	**Investor**	**Total quantity traded in the scrip during the FY (no. of shares)**
2024-25	Jain Family Trust	2,01,500
2025-26	Jain Family Trust	2,01,500
2024-25	Kamlesh S. Jain	95,000
2025-26	Kamlesh S. Jain	95,000
2024-25	Sanchit Jain	60,362
2025-26	Sanchit Jain	60,362

Investments in Refex Renewables & Infrastructure		
Financial Year	**Investor**	**Total quantity traded in the scrip during the FY (no. of shares)**
2022-23	Geetha Kumar	29,996
2023-24	Geetha Kumar	29,996
2022-23	Kamlesh S. Jain	1,32,702
2023-24	Kamlesh S. Jain	82,396
2022-23	Sanchit Jain	9,555

(n.)The impugned investments in question, as detailed in the Show Cause Notice, are as follows:

Period	Refex	Gross Traded Value (INR)	% activity in this scrip to gross traded value	Other Scrips Gross Traded Value (INR in lakh) (No. of scrips)	% activity in this scrip to gross traded value
Before UPSI Period (March 15, 2023, to March 28, 2023)	0	0%	20,57,010 (No. of scrip:1)	100%	20,57,010 (No. of scrip:1)
During UPSI Period (March 29, 2023, to May 18, 2023)	49,23,975.40	100%	0	0%	49,23,975.40 (No. of scrip:1)
After UPSI Period (May 19, 2023, to August 18, 2023)	61,57,394	23.17%	2,04,19,844.25 (No. of scrip:7)	76.83%	2,65,77,238.25 (No. of scrip:8)

(o.)It is evident from the comparison between his regular investment holdings and the impugned investments in the Show Cause Notice, that the latter represents only a small fraction of his total investments in Refex group companies. Had he been privy to any UPSI, considering his investment appetite and financial capacity, he would have taken much larger positions in the scrip to maximize potential gains. Therefore, his actions directly point to the absence of trading on the basis of UPSI. Reference in this regard is made to the case of Mr. Manoj Gaur v. SEBI, where it

was held that trades that are significantly smaller than the financial capacity and regular trading pattern of the alleged insider indicate the absence of trading based on UPSI. Similarly, in the AO Order in Prateek Sarawgi, it was held that trades that are consistent with the regular trading pattern of the investor do not indicate insider trading. Reference is also made to the findings of the Ld. WTM in the case of Lux Industries where after taking note of the cumulative trades of the noticee at a group level, it was concluded that if someone had UPSI, their entire trading pattern should logically reflect profit-maximization and not just isolated profitable trades, and accordingly the findings and interim directions against the noticees were revoked.

(p.) Therefore, given the background of their substantial investments in Refex group companies over several years, it may safely be stated that their trades were in fact agnostic to the availability of UPSI and were part of their regular investment strategy.

Incorrect analysis of 'trade concentrations' in the Show Cause Notice

(q.) The Show Cause Notice has made incorrect observations as regards the 'trade concentration' of Noticee 3 by taking a tunnel vision of the impugned investments of the said one account. When all the trades of the Noticees including the family as detailed above are considered, entirely different conclusions would be arrived at. Moreover, even during the alleged UPSI Period, his family including in the account of Noticee 3, the following investments were undertaken –

Trades of Sanchit Jain for the period between March 29, 2023 - May 18, 2023		
Sr. No.	***Company***	***Quantity***
1.	*Araham Technologies*	*3000*
2.	*Hindzinc*	*20726*
3.	*Refex Industries Ltd.*	*3000*

(r.) In fact, the investigation report itself notes that immediately after the UPSI period, Noticee 3 had traded in 7 other scrips and the gross traded value in those was of Rs. 12.04 crore, which itself shows that if slightly longer period is considered in the trading concentration of Noticee 3 itself in Refex as against its total investments would come down to 4.85% (61.57 lac in 12.69 crore).

(s.) Therefore, he submitted that incorrect and misleading inferences are made in the Show Cause Notice by non-appreciation of complete data.

Lack of mala fides

(t.) He and his family, including the Jain Family Trust, have been active traders/investors for many years, and have held large positions in the markets. Currently, they have significant investments in the market across various scrips, demonstrating their diversified investment strategy and financial capacity. Their investment portfolio is managed based on thorough research, market analysis, and long-term growth prospects of companies. He regularly reviews their investments and make adjustments based on market conditions, company performance, and overall investment strategy. It is not uncommon for him to take a decision to pull

out of an investment in a short span of time based on market dynamics or when the target returns are achieved. There are occasions where if reasonable profits are derived from an investment, he would choose to liquidate the same as he had done in the past with investments in companies such as Kingfa Technologies, Veranda Learning and Cyber Media Research. The details of the investments made in these scrips is provided below –

Trades of Kamlesh Jain for the FYs 2022-2024			
Sr. No.	***Date of Trade***	***Company***	***Quantity***
1	*07-04-2022*	*Veranda Learning Solutions*	*57,941 (buy)*
2	*28-04-2022*	*Veranda Learning Solutions*	*10,000 (sell)*
3	*10-05-2022*	*Veranda Learning Solutions*	*2,000 (buy)*
4	*18-05-2022*	*Veranda Learning Solutions*	*5,430 (sell)*
5	*24-05-2022*	*Veranda Learning Solutions*	*4,500 (sell)*
6	*19-06-2023*	*Veranda Learning Solutions*	*36,011 (sell)*

Trades of Jain Family Trust for the FYs 2022 2-24			
Sr. No.	***Date of Trade***	***Company***	***Quantity***
1	*19-06-2023*	*Veranda Learning Solutions*	*36,011 (sell)*

(u.) Given the nature of his business activities and portfolio size, there can be no logical reason for him to risk his reputation by engaging in insider trading, especially for such relatively meagre profits as alleged in the Show Cause Notice. The insignificant quantum of the alleged gains (Rs. 12.33 Lakh) compared to their overall investment portfolio and business interests clearly disproves any motive for insider trading. In this regard, reference is made to the case of Abhijit Rajan v. SEBI, where the Supreme Court held that the insignificant quantum of alleged gains compared to the overall financial capacity and business interests of the alleged insider is a relevant factor in determining the absence of motive for insider trading. Similarly, in Shreehas Tambe v. SEBI, Chandrakala v. SEBI, and Rajiv B. Gandhi v. SEBI, it was held that motive is a necessary factor in cases relying on preponderance of probabilities and the absence of significant financial gains relative to the alleged insider's financial capacity indicates the absence of motive for insider trading. Similarly, in the case of Manoj Gaur v. SEBI, it was held that consistent trading pattern before, during and after the UPSI period indicates that the trades were not induced by UPSI. It is demonstrated in the above paragraphs that a consistent pattern of investment in Refex group companies has been maintained by the Noticees over several years, further supporting the fact that the impugned investments were not induced by any UPSI.

Legal submissions:

(v.) The legal framework governing insider trading in India is designed to prevent abuse of unpublished price sensitive information by insiders for personal gain at

the expense of other investors. However, this framework must be applied based on clear evidence and legal principles rather than mere assumptions or conjectures. It is a settled principle of law that to prove serious charges like insider trading, mere assumptions will not suffice. In the case of Dilip S Pendse v. SEBI, it was held that "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 wrongdoing, higher must be the preponderance of probabilities in establishing the same."

(w.) This principle has been consistently upheld by the Hon'ble Supreme Court and the Hon'ble SAT in various cases, emphasizing the need for clear and convincing evidence to establish insider trading violations. The burden of proof in such cases is higher due to the serious nature of the allegations and the potential reputational and financial damage to the alleged insider. In the present case, SEBI has failed to meet this higher standard of proof. The allegations in the Show Cause Notice are based on mere assumptions without any concrete proof of actual possession or use of UPSI.

(x.) Noticee 2 has provided legitimate investment rationales for his trading activities, supported by documented trading patterns across multiple securities and financial years. Their investments in Refex group companies have been consistent and substantial, demonstrating a long-term investment strategy based on fundamental analysis rather than short-term trading based on UPSI.

(y.) Admittedly, no harm was caused to investors as the price of the shares was not significantly impacted due to the impugned investments. At the given time, Noticee 3 had purchased 13,473 shares in the scrip on May 15, 2023 and May 16, 2023 while the aggregate volume in the scrip on these dates was at 5,12,615, which is in fact much lower to the volumes in the scrip during the 2 days prior to Noticee 3's trades, i.e., 5,13,921 (on May 12, 2023); and 8,10,004 (on May 11, 2023).

(z.) The above stated submissions adequately demonstrate the Noticees' bona fides and absence of ingredients that support the imputations of violation of the PIT Regulations. The Ld. Adjudicating Officer was therefore requested to consider all the facts holistically and not merely the impugned investments based on incorrect appreciation and application of the provisions of the PIT Regulations to the present case.

Noticee 3

Preliminary Objections:

(a.) Noticee 3 raised certain preliminary issues regarding the approach and assumptions in the Show Cause Notice –

The Trust is wrongly arraigned as a Noticee

(b.) Evidently, there are no findings or allegations made against the Trust anywhere in the Show Cause Notice. When the Show Cause Notice alleges that – (a.) Noticee 2 is the connected person who is alleged to be connected with Noticee 1; and that (b.) Noticee 2 has made the impugned investments in Refex through the Trust,

then there is no reason for arraigning the Trust as a separate Noticee in the Show Cause Notice. There is no finding or allegation attributed to the Trust for the Trust to show cause to. The fundamental requirement for alleging a charge of insider trading, is to establish a tipper-tippee relationship between an insider of the company and a person who has traded in such company based on the information received from the tipper. The Show Cause Notice does not categorise the Trust as the tippee. Noticee 2 is alleged to be the tippee as well the trader. When no action is attributed to the Trust, there is no requirement to arraign the Trust as a separate Noticee to the Show Cause Notice. On this ground alone, the Show Cause Notice ought to be dropped against the Trust and all the submissions herein below are being made on a without prejudice basis.

Show Cause Notice does not discharge its burden of proof

(c.) The Show Cause Notice also fails to fulfil its burden of proving that the Trust or Noticee 2 are 'insiders'. Regulation 2(1)(g) of the PIT Regulations requires SEBI to show that either the noticee is a 'connected person' or 'in possession of or having access to unpublished price sensitive information'. Firstly, the Show Cause Notice nowhere directly alleges that the Trust or Noticee 2 are 'insiders'. Merely relying upon 2 phone calls, Noticee 2 is stated to be a 'connected person'. While stating so, SEBI has contradicted its own findings by showing 'infrequent communications' while making an allegation of 'connected persons,' which necessarily requires the existence of 'frequent communications'. Only 2 phone calls cannot be considered as 'frequent communication,' as has been held by the Hon'ble SAT as well as the Hon'ble Supreme Court in a plethora of cases. The second test of showing that a noticee is an 'insider' is by showing such noticee is 'in possession of or having access to unpublished price sensitive information'. The Show Cause Notice has not even considered this test. There is no finding or even an allegation anywhere in the Show Cause Notice that the Trust or even Noticee 2 is an 'insider' by virtue of regulation 2(1)(g)(ii) of the PIT Regulations.

(d.) Therefore, given a scenario where the regulator has failed to establish at least a prima facie case against the Noticees and show or at least allege under what provision are the Noticees considered to be 'insiders', it would be extremely difficult for the Noticees to defend the non-allegations in the Show Cause Notice. As has been held in the case of Oryx Fisheries, it is trite law that a show cause notice spells out the proper allegations against the noticees so as to provide adequate and meaningful opportunity to such noticees to participate in the proceedings to defend themselves. The burden of proof is erroneously shifted onto the Noticees to show that they have not violated regulation 4(1) of the PIT Regulations, which presumes 'possession' of UPSI with the 'insider'. When regulation 4(1) is read in conjunction with regulation 2(1)(g) of the PIT Regulations, it becomes necessary that SEBI ought to have shown 'possession' of the UPSI in question with the Noticees while issuing the Show Cause Notice, which it has failed to.

(e.) In view of the above, it is unfair to require the Noticees to show cause to the baseless and improper allegations levied in the Show Cause Notice. Notwithstanding and without prejudice to the same, we are herein providing

complete details of the impugned investments, the underlying rationale and their general background, a consolidated reading of which will prove beyond doubt that the Noticees are in no manner in violation of any of the provisions of the PIT Regulations.

Background of the Trust:

(f.) The Jain Family Trust was established in 2018 with the primary purpose of consolidating family investments and ensuring proper wealth management and succession planning. Noticee 2 is the sole Trustee of the Trust and the Trust is established for the benefit of Noticee 2 and his family comprising of Mrs. Geetha Jain, Mr. Sanchit Jain and Mrs. Mahima Jain. The Trust has been making investments across various asset classes, including equities, debt instruments, and real estate. The Trust's investment decisions are made collectively by its trustee based on thorough market research, financial analysis, and long-term investment goals. Each of the members of the family of Noticee 2, including the Trust are regular investors in the securities market, and mostly conduct long-term investments based on fundamental analysis of companies and sectors. A diversified portfolio is maintained across multiple sectors to manage risk effectively. The investment decisions are guided by proper research, market trends, and financial analysis rather than any insider information. The nature and size of the positions held by the Trust and the family, in various securities, including Refex Industries and other group companies, will itself substantiate the bona fides underlying the impugned investments, and the lack of any violation as alleged in the Show Cause Notice.

(g.) There has been no instance of regulatory intervention against the Trust in the past for any violation of the PIT Regulations. Needless to add that considering the nature of the reputation held by Noticee 2, it would be beyond logic for Noticee 2 to jeopardise his stature and business trajectory by violating the prescription of regulatory law and conduct a serious offence such as insider trading through the Trust, for a meagre profit of Rs. 12.33 lakh. However, notwithstanding, a reply to the Show Cause Notice is provided to assist the regulatory process in arriving at a reasonable conclusion of the matter.

Submissions on Facts:

Rationale underlying the impugned investments

(h.) The impugned investments conducted in the Trust's account were not motivated by any UPSI. The Trust and the family of Noticee 2 have been avid investors since 1997 and have taken substantial investments regularly. Generally, and including in the case of the impugned investments identified in the Show Cause Notice, the investments are always inspired from research based on news articles, research reports, technical charts, sector analysis and tips / advice from stockbrokers, market sentiments, and personal instincts. The investments of the family are spread across various sectors, and both short term and long-term trades are regularly conducted.

(i.) In case of the impugned investments in Refex as well, the same were conducted based on market research and stock trends. As can be seen from the investigation report of SEBI (enclosed as Annexure 1 to the Show Cause Notice), each major corporate announcement made by the Company had an impact on the price and volumes of the Company. From March 29, 2023, there was an increase in the trading in the scrip of Refex and therefore, it came under observation. The family of Noticee 2 had regularly invested in the Refex group of companies and considering that this group falls under its watchlist, and since some momentum was noticed in this particular Company, the decision was made to invest a very small sum in the Company. As soon as a reasonable profit was noticed, the investment was liquidated to cash in the profits. It is worth reiterating that seeing the nature of investments and the size of portfolio of the family of Noticee 2, if anything, the size of investment made in Refex will show anything but possession of UPSI. Had there been any access to UPSI, the Noticees would have taken a much larger position in the said scrip, given the substantial size of the family's portfolio being 21.08 Crore (i.e., Kamlesh Jain 7.17 Crore, Jain Family Trust – 0.35 Crore, Geetha Jain – 2.02 Crore and Sanchit Jain – 11.54 Crore) at the relevant time.

Noticee 2 was not privy to the UPSI

(j.) The Show Cause Notice relies upon 2 phone calls observed in the CDR analysis between Noticees 1 and 2 to allege that the impugned investments were made through Noticee 3 while in possession of UPSI by Noticee 2. In this regard, reference was made to statement of Noticee 2 provided to SEBI which shows that he knew Noticee 1 through social connections, that they interacted in relation to matters pertaining to the Jain International Trading Organisation ("JITO"), where they regularly did social charitable work. It has already been clarified that they attended each other's family functions and also attend the JITO events. It has been informed that Noticee 2 has not been in touch with Noticee 1 for a long period of time, and also that his telephonic conversations with Noticee 1 and his secretary were pertaining to coordination for the JITO matters.

(k.) It is reiterated that none of the communications between Noticee 2 and Noticee 1 were for sharing any UPSI, and consequently, the impugned investments made through the Trust are not conducted while in possession of any UPSI regarding Refex Industries.

(l.) It is a settled position of law that failing demonstration of actual communication of UPSI, and merely showing remote connections is not sufficient to meet the tests of the PIT Regulations. Reference in this regard is made to the following judgements

- *Hon'ble Supreme Court, in the case of Balram Garg v. SEBI, Civil Appeal No. 7054 of 2021;*
- *Hon'ble SAT in the case of Mr. Lashit Sanghvi v. SEBI, Order dated May 2, 2025 in Appeal No. 257 of 2023;*
- *WTM order dated November 6, 2023 in the matter of Lux Industries Ltd;*
- *WTM order dated August 25, 2023 in the matter of United Spirits Ltd.*

(m.) Therefore, given the factual circumstances submitted read with the extant principles of law on communication, there can be no occasion of alleging that the impugned investments made through the Trust were while in possession of UPSI, which is a sine qua non for alleging a violation of regulation 4(1) of the PIT Regulations.

Regular investments are made in the Company's securities

(n.)The Trust and the family of Noticee 2 have been regular investors in the securities of Refex Industries, and other companies forming part of the Refex group of companies, for several years. These companies have been tracked over years to develop a deep understanding of their business models, growth prospects, and market dynamics. This consistent investment pattern demonstrates the family's long-term interest in these companies based on their fundamental strengths and growth prospects, rather than any short-term trading based on UPSI. As evidenced by the trading records submitted, the family including the Trust, have maintained substantial holdings in Refex Industries across multiple financial years-

Investments in Refex Industries Limited		
Financial Year	***Investor***	***Total quantity traded in the scrip during the FY (no. of shares)***
2024-25	*Jain Family Trust*	*2,01,500*
2025-26	*Jain Family Trust*	*2,01,500*
2024-25	*Kamlesh S. Jain*	*95,000*
2025-26	*Kamlesh S. Jain*	*95,000*
2024-25	*Sanchit Jain*	*60,362*
2025-26	*Sanchit Jain*	*60,362*
Investments in Refex Renewables & Infrastructure		
Financial Year	***Investor***	***Total quantity traded in the scrip during the FY (no. of shares)***
2022-23	*Geetha Kumar*	*29,996*
2023-24	*Geetha Kumar*	*29,996*
2022-23	*Kamlesh S. Jain*	*1,32,702*
2023-24	*Kamlesh S. Jain*	*82,396*
2022-23	*Sanchit Jain*	*9,555*

(o.)The impugned investments in question, as detailed in the Show Cause Notice, are as follows:

Period	*Refex*	*Gross Traded Value (INR)*	*% activity in this scrip to gross traded value*	*Other Scrips Gross Traded Value (INR in lakh) (No. of scrips)*	*% activity in this scrip to gross traded value*
Before UPSI Period (March 15, 2023, to March 28, 2023)	*0*	*0%*	*20,57,010 (No. of scrip:1)*	*100%*	*20,57,010 (No. of scrip:1)*
During UPSI Period (March 29, 2023, to May 18, 2023)	*49,23,975.40*	*100%*	*0*	*0%*	*49,23,975.40 (No. of scrip:1)*
After UPSI Period (May 19, 2023, to August 18, 2023)	*61,57,394*	*23.17%*	*2,04,19,844.25 (No. of scrip:7)*	*76.83%*	*2,65,77,238.25 (No. of scrip:8)*

(p.) It is evident from a comparison between the family's regular investment holdings including of the Trust and the impugned investments stated in the Show Cause Notice, the latter represents only a small fraction of the total investments in Refex group companies. Had there been any access to UPSI, considering the total investment appetite and financial capacity, Noticee 2 would have taken much larger positions in the scrip to maximize potential gains. Therefore, the impugned actions directly point to the absence of trading on the basis of UPSI. Reference in this regard is made to the case of Mr. Manoj Gaur v. SEBI, where it was held that trades that are significantly smaller than the financial capacity and regular trading pattern of the alleged insider indicate the absence of trading based on UPSI. Similarly, in the AO Order in Prateek Sarawgi, it was held that trades that are consistent with the regular trading pattern of the investor do not indicate insider trading. Reference is also made to the findings of the Ld. WTM in the case of Lux Industries where after taking note of the cumulative trades of the noticee at a group level, it was concluded that if someone had UPSI, their entire trading pattern should logically reflect profit-maximization and not just isolated profitable trades, and accordingly the findings and interim directions against the noticees were revoked.

(q.) Therefore, given the background of the family's substantial investments in Refex group companies over several years, including of the Trust, it may safely be stated

that the impugned investments are in fact agnostic to the availability of UPSI and were part of a regular investment strategy.

Incorrect analysis of 'trade concentrations' in the Show Cause Notice

(r.) The Show Cause Notice has made incorrect observations as regards the 'trade concentration' of Trust by taking a tunnel vision of the impugned investments. On one hand the Show Cause Notice alleges that Noticee 2 is the connected person who has invested through the Trust's account, and yet ignores the total investments of all the accounts maintained by Noticee 2 and his family while conducting the trade analysis. When all the trades of the family including the Trust as detailed above are considered, entirely different conclusions would be arrived at. Moreover, even during the alleged UPSI Period, the family have undertaken the following trades –

Trades of Sanchit Jain for the period between March 29, 2023 - May 18, 2023		
Sr. No.	***Company***	***Quantity***
4.	*Araham Technologies*	*3000*
5.	*Hindzinc*	*20726*
6.	*Refex Industries Ltd*	*3000*

(s.) In fact, the investigation report itself notes that immediately after the UPSI period, the Trust itself had traded in 7 other scrips and the gross traded value in those was of Rs. 12.04 crore, which itself shows that if slightly longer period is considered in the trading concentration of Trust in Refex as against its total investments would come down to 4.85% (61.57 lac in 12.69 crore). Therefore, it was submitted that incorrect and misleading inferences are made in the Show Cause Notice by non-appreciation of complete data.

Lack of mala fides

(t.) The family of Noticee 2 including the Trust have been active investors since 1997, and have held large positions in the markets. Currently, they have significant investments in the market across various scrips, demonstrating its diversified investment strategy and financial capacity. Each of the investment portfolios are managed based on thorough research, market analysis, and long-term growth prospects of companies. The investments are regularly reviewed, and adjustments are made based on market conditions, company performance, and overall investment strategy. It is not uncommon for the family including the Trust to take a decision to pull out of an investment in a short span of time based on market dynamics or when the target returns are achieved. There are occasions where if reasonable profits are derived from an investment, the investment is liquidated as has been done in the past with investments in companies such as Kingfa Technologies, Veranda Learning and Cyber Media Research. The details of the investments made in these scrips by the Trust is provided below –

Trades of Jain Family Trust for the FYs 2022-24			
Sr. No.	***Date of Trade***	***Company***	***Quantity***
1	*19-06-2023*	*Veranda Learning Solutions*	*36,011 (sell)*

(u.) Given the nature of the family's investment portfolio size, there can be no logical reason for Noticee 2 to risk his reputation by engaging in insider trading, especially for such relatively meagre profits as alleged in the Show Cause Notice. The insignificant quantum of the alleged gains (Rs. 12.33 Lakh) compared to Noticee 2's family's overall investment portfolio clearly disproves any motive for insider trading. In this regard, reference is made to the case of Abhijit Rajan v. SEBI, where the Hon'ble Supreme Court held that the insignificant quantum of alleged gains compared to the overall financial capacity and business interests of the alleged insider is a relevant factor in determining the absence of motive for insider trading. Similarly, in Shreehas Tambe v. SEBI, and Rajiv B. Gandhi v. SEBI, it was held that motive is a necessary factor in cases relying on preponderance of probabilities, and the absence of significant financial gains relative to the alleged insider's financial capacity indicates the absence of motive for insider trading. Similarly, in the case of Manoj Gaur v. SEBI, it was held that consistent trading pattern before, during, and after the UPSI period indicates that the trades were not induced by UPSI. It is demonstrated in the above paragraphs that a consistent pattern of investment in Refex group companies has been maintained by the family of Noticee 2 including the Trust over several years, further supporting the fact that the impugned investments were not induced by any UPSI.

Legal submissions:

(v.) The legal framework governing insider trading in India is designed to prevent abuse of unpublished price sensitive information by insiders for personal gain at the expense of other investors. However, this framework must be applied based on clear evidence and legal principles rather than mere assumptions or conjectures. It is a settled principle of law that to prove serious charges like insider trading, mere assumptions will not suffice. In the case of Dilip S Pendse v. SEBI, it was held that "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 wrongdoing, higher must be the preponderance of probabilities in establishing the same."

(w.) This principle has been consistently upheld by the Hon'ble Supreme Court and the Hon'ble SAT in various cases, emphasizing the need for clear and convincing evidence to establish insider trading violations. The burden of proof in such cases is higher due to the serious nature of the allegations and the potential reputational and financial damage to the alleged insider. In the present case, SEBI has failed to meet this higher standard of proof. The allegations in the Show Cause Notice are based on mere assumptions without any concrete proof of actual possession or use of UPSI.

(x.) Legitimate investment rationales for their trading activities are provided hereinabove, supported by documented trading patterns across multiple securities and financial years. Their investments in Refex group companies have been

consistent and substantial, demonstrating a long-term investment strategy based on fundamental analysis rather than short-term trading based on UPSI.

(y.) Admittedly, no harm was caused to investors as the price of the shares was not significantly impacted due to the impugned investments. At the given time, when Trust had purchased 13,473 shares in the scrip on May 15, 2023 and May 16, 2023 while the aggregate volume in the scrip on these dates was at 5,12,615, which is in fact much lower to the volumes in the scrip during the 2 days prior to the impugned investments i.e., 5,13,921 (on May 12, 2023); and 8,10,004 (on May 11, 2023).

(z.) The above stated submissions adequately demonstrate the Noticees' bona fides and absence of ingredients that support the imputations of violation of the PIT Regulations. The Ld. Adjudicating Officer was therefore requested to consider all the facts holistically and not merely the impugned investments based on incorrect appreciation and application of the provisions of the PIT Regulations to the present case.

CONSIDERATION OF ISSUES AND FINDINGS

9. After perusal of the material on record, I note that the issues that arise for consideration in the present case are as follows:

Part A – Unpublished Price Sensitive Information

I. Whether the information relating to financial results of Refex for the period ended March 31, 2023 was UPSI in terms of PIT Regulations?

II. What was the UPSI period?

Part B – Role of Noticees

III. Whether Noticee 1 communicated the UPSI regarding the financial results of Refex for the period ended March 31, 2023 to Noticee 2 and thereby violated the provisions of section 12A(e) of the SEBI Act read with regulation 3(1) of PIT Regulations?

IV. Whether Noticee 2 while in possession of the UPSI had traded in the scrip of Refex through Noticee 3 and thereby Noticees 2 and 3 violated the provisions of section 12A(d) and (e) of the SEBI Act read with regulation 4(1) of PIT Regulations?

Part C – Determination of Penalty, if any

V. Does the violation, if any, on the part of Noticees attract monetary penalty under sections 15G of the SEBI Act?

VI. If so, what would be the quantum of monetary penalty that can be imposed on Noticees after taking into consideration the factors stipulated in section 15J of the SEBI Act?

10. Before proceeding further, it is pertinent to refer the relevant provisions of law, allegedly violated by Noticees. The same are reproduced as under:

PIT Regulations

*"**Communication or procurement of unpublished price sensitive information.***

3. (1) No insider shall communicate, provide, or allow access to any unpublished price sensitive information, relating to a company or securities listed or proposed to be listed, to any person including other insiders except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

NOTE: This provision is intended to cast an obligation on all insiders who are essentially persons in possession of unpublished price sensitive information to handle such information with care and to deal with the information with them when transacting their business strictly on a need-to-know basis. It is also intended to lead to organisations developing practices based on need-to-know principles for treatment of information in their possession."

*"**Trading when in possession of unpublished price sensitive information.***

4. (1) No insider shall trade in securities that are listed or proposed to be listed on a stock exchange when in possession of unpublished price sensitive information:

Explanation –When a person who has traded in securities has been in possession of unpublished price sensitive information, his trades would be presumed to have been motivated by the knowledge and awareness of such information in his possession."

SEBI Act

*"**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;"

Part A – Unpublished Price Sensitive Information

Issue I. Whether the information relating to financial results of Refex for the period ended March 31, 2023 was UPSI in terms of PIT Regulations?

11. From the material on record, it is noted that Refex had announced its financial results for the period ended March 31, 2023 on May 18, 2023 at 17:52:34 hours. As per the financial results, the Company recorded a total income of Rs. 631.97 crore for quarter ended March 31, 2023 against Rs. 381.77 crore for the quarter ended December 31, 2022 and Rs. 178.11 crore for the quarter ended March 31, 2022, thereby registering a growth of 65.54% on quarter-on-quarter basis and 254.82% on year-on-year basis respectively. Further, the Company recorded a net profit of Rs. 50.67 crore for quarter ended March 31, 2023 against Rs. 26.15 crore for the quarter ended December 31, 2022 and Rs. 24.01 crore for the quarter ended March 31, 2022, thereby registering a growth of 93.75% on quarter-on-quarter basis and 111.05% on year-on-year basis, respectively.

12. It is further noted that the closing price of the scrip of Refex on May 18, 2023 was Rs. 355.55 and the closing price after the announcement, i.e., on May 19, 2023 was Rs. 426.55. Hence, pursuant to the announcement of financial result, the price of the scrip of Refex was increased by 19.99% on close-to-close basis. Thereafter, the price of the scrip of Refex had registered an additional rise of 51.23% on a close-to-close basis during the next three trading days, i.e., May 19, 2023, to May 24, 2023. Therefore, it can be seen that announcement of financial result for the period ended March 31, 2023 had materially affected the price of the scrip of Refex.

13. In this regard, reference is drawn to regulation 2(1)(n) of PIT Regulations:

> *(n) "unpublished price sensitive information" means any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following: –*
> *(i) financial results*

14. Hence, the requirement of regulation 2(1)(n) of PIT Regulations has been squarely met since the financial results were not generally available and considering the financial performance of the Company during the period ended March 31, 2023, it was likely to affect the price of the scrip. Further, it is also pertinent to note that information relating to financial results are deemed to be an UPSI in terms of regulations 2(1)(n)(i) of the PIT Regulations. Additionally, Noticees have not disputed the fact that information relating to financial results of Refex for the period ended March 31, 2023 was UPSI in terms of PIT Regulations.

15. In view of the aforesaid discussions, it is established that the information relating to financial results of Refex for the period ended March 31, 2023 was UPSI in terms of PIT Regulations.

Issue II. What was the UPSI period?

16. The SCN alleged the UPSI period was March 29, 2023 to May 18, 2023.

17. In this regard, from the material on record, it is noted that the statutory auditor of the Company had initiated the audit for the period ended March 31, 2023, i.e., sent an e-mail to the Company for the list of workings and documents required for the audit on March 29, 2023 and the financial results for the period ended March 31, 2023 was announced on May 18, 2023. Hence, the period of UPSI was considered from March 29, 2023 to May 18, 2023.

18. It is pertinent to note that the Noticees have not disputed the period of UPSI as alleged in the SCN.

19. In view of the above, it is established that the UPSI period was March 29, 2023 to May 18, 2023.

Part B – Role of Noticees

Issue III. Whether Noticee 1 communicated the UPSI regarding the financial results of Refex for the period ended March 31, 2023 to Noticee 2 and thereby violated the

provisions of section 12A(e) of the SEBI Act read with regulation 3(1) of PIT Regulations?

Issue IV. Whether Noticee 2 while in possession of the UPSI had traded in the scrip of Refex through Noticee 3 and thereby Noticees 2 and 3 violated the provisions of section 12A(d) and (e) of the SEBI Act read with regulation 4(1) of PIT Regulations?

20. It was alleged in the SCN that Noticee 1 communicated UPSI regarding the Company's financial results for the quarter ended March 2023 to Noticee 2. Subsequently, while in possession of that UPSI, Noticee 2 via Noticee 3's trading account acquired shares of Refex. Noticees 2 and 3 then sold those shares after the Company publicly announced the financial results. During the investigation, Noticee 3 stated that the trades executed in its account were under the instructions of Noticee 2, who acted as the trustee of Noticee 3. Given this, the contention that Noticee 3 should not be arraigned separately is without merit.

Insiders/Connected Persons:

21. Regulation 2(1)(g) of PIT Regulations defines *"insider"* as any person who is *(i) a connected person; or (ii) in possession of or having access to unpublished price sensitive information.*

22. Further, regulation 2(1)(d)(i) of PIT Regulations defines a *"connected person"* as *"any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holds any position including a professional or business relationship between himself and the company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access."*

23. In terms of the abovementioned definitions, Noticees 1 and 2 were alleged to be "insiders/connected persons" in the SCN, which has been discussed in the following paragraphs.

Noticee 1

24. From the material on record, it is noted that Noticee 1 was CMD of the Company who had attended MIS meetings during the period from January 01, 2023 to May 18, 2023 wherein financial performance of the Company for the period ended March 31, 2023 was discussed. In view thereof, Noticee 1 had direct access to UPSI regarding positive performance/financial results of the Company for the period ended March 2023 making him a "connected person" in terms of regulations 2(1)(d)(i) of the PIT Regulations. It is also pertinent to note that Noticee 1 in his replies has admitted that he was also in possession of the UPSI during the UPSI period. In view of the same, it is an admitted fact that Noticee 1 was an "insider" in terms of regulation 2(1)(g)(ii) of PIT Regulations being a person who was in possession of UPSI and as a "connected person" within the ambit of regulation 2(1)(g)(i) of PIT Regulations.

Noticee 2

25. It was alleged in the SCN that Noticee 2 by being in communication with Noticee 1 was a "connected person" in terms of regulation 2(1)(d) of PIT Regulations. In this regard, Noticees contended that while making an allegation of "connected persons", the existence of "frequent communication" is necessarily required and the two phone calls between Noticees 1 and 2 cannot be considered as "frequent communication".

26. In this context, it is noted that regulation 2(1)(d)(i) of the PIT Regulations, *inter alia*, contemplates "frequent communication" with officers of the company during the six months preceding the concerned act in order to treat a person as a "connected person."

27. From the material on record, the following communications between Noticees 1 and 2 are noted:

(a.) Three phone calls between Noticees 1 and 2 during the UPSI period on April 07, 2023 and May 13, 2023. The details of calls as noted from the CDR available on record are as under:

Table 7

Call made by	Call made to	In/Out*	Date	Time	Span
Noticee 2 (Mobile No. 98XXXXX000)	Noticee 1 (Mobile No. 98XXXXX177)	Out	April 07, 2023	14:00:13	195 secs
Noticee 1 (Mobile No. 98XXXXX177)	Noticee 2 (Mobile No. 98XXXXX000	In	May 13, 2023	20:54:04	12 secs
		In		21:32:08	25 secs

*Call Type as per CDR of Noticee 2 (Mobile No. 98XXXXX000)

(b.) Statements of Noticees 1 and 2 recorded during the course of investigation (statement recorded in January, 2025):

I. Noticee 1 stated that he knows Noticee 2 since 1998 as he is in steel and scrap business which was a similar line of business of that of his father and since 13 years through the Jain International Trade Organization (JITO). As per Noticee 1, they became close friend during 2019-20 when they along with their family members visited Baku (a trip organized by JITO). Noticee 1 further stated that they attend each other family functions and in regular touch with each other through phone calls and personal meetings socially.

II. Noticee 2 stated that he knows Noticee 1 since 25 years as he was in metal trading and also through social gatherings but not in touch with him for a long period of time. Then, 6-7 years back he met Noticee 1 through JITO where they both do social charitable work and 6 years before they along with their family members and other members of JITO visited Baku. Noticee 2 further stated that they attend each other's family functions and met Noticee 1 around 2 months back.

28. Noticee 2, in his reply, has sought to contend that he had not been in touch with Noticee 1 for a long period of time. However, this assertion is contradicted by his own statements as well as the material placed on record. In his reply and in the statement

recorded during the course of investigation, Noticee 2 expressly acknowledged that he and Noticee 1 regularly do social charitable work in JITO, attend each other's family functions and jointly participated in various JITO events along with their respective family members. Furthermore, Noticee 1, in both his reply and statement recorded during these proceedings, has categorically admitted that he and Noticee 2 have been in regular touch with each other. The statement of Noticee 1, containing these admissions, was duly furnished to Noticee 2 as an annexure to the SCN. Despite the same, Noticee 2 has not raised any objection or challenge to the contents of Noticee 1's statement in his reply. This chain of admissions, coupled with the absence of any rebuttal from Noticee 2, clearly establishes the existence of an ongoing and close association between Noticees 1 and 2. Accordingly, the attempt by Noticee 2 to suggest that there was no regular contact or that the relationship was distant is devoid of merit and cannot be accepted. In fact, the statements of Noticees 1 and 2 demonstrate that they share a long standing association having been the members of JITO, attending the JITO events, attending each other family functions and both were in regular touch with each other. It is noteworthy in this connection that in this age of social media and messaging apps which had revolutionized the ways of communication where it is instant, encrypted, untraceable and people interact with each other using multiple apps on a daily basis, direct evidence in the nature of telephone calls is exceptional. The phone calls made between Noticees 1 and 2 during the UPSI period are viewed in this context.

29. In this respect, reference is drawn to the relevant extracts of the Sodhi Committee Report[1] on the scope of "connected person" following which the SEBI (Prohibition of Insider Trading) Regulations, 1992 was repealed and reenacted as PIT Regulations:

> *"Whether or not a person is a connected person will always and necessarily be a mixed question of fact and law to be answered from the facts and circumstances of the case. Whether the association of a person with a company would put him in a position of accessing UPSI would also be a mixed question of fact and law. The Committee was conscious that if it were not*

[1] *https://www.sebi.gov.in/sebi_data/attachdocs/1386758945803.pdf*

possible to have direct evidence of actual access to UPSI, the test to be applied would be to consider whether the person in question is reasonably expected to have such access as a reasonable inference that a reasonable man would draw from the facts and circumstances of the case."

30. From the aforesaid, it can be noted that one of the important aspect of definition of "connected person" is that direct or indirect association is of such nature that it could be reasonably inferred that the person would have access to unpublished price sensitive information of the company. The determination would have to be made on a case-by-case basis and stand the test of being a reasonable inference that a reasonable person would draw from the facts and circumstances of the case.

31. Considering three phone calls during the period of six months prior to the concerned act (which is an important aspect for the definition of "connected person" under regulation 2(1)(d)(i) of PIT Regulations), the initiation of phone calls by Noticees 1 and 2 on different occasions, admitted pre-existing association between the Noticees 1 and 2 and the trading behaviour of the Noticee 2 and 3 in the scrip of Refex , a reasonable inference can be drawn that Noticee 2 was as a "connected person" under regulation 2(1)(d)(i) of the PIT Regulations as alleged in the SCN. Consequently, he became an "insider" under regulation 2(1)(g)(i) of the PIT Regulations. Hence, the argument that the SCN did not allege that Noticee 2 was an insider is misconceived.

32. The next issue is whether Noticee 1 communicated UPSI to Noticee 2 and whether Noticee 2 traded in the scrip of Refex through Noticee 3 while in possession of such UPSI. In this regard, it is important to look into the following aspects:
    a. Timing of telephone calls between Noticees 1 and 2 during the UPSI period; and
    b. Unique trading pattern of Noticee 3.

<u>Timing of telephone calls between Noticees 1 and 2 during the UPSI period</u>

33. As discussed in preceding paragraphs, it is noted from IR that three phone calls took place between Noticees 1 and 2 during the period of UPSI. It is pertinent to note that

Noticee 2 made a call to Noticee 1 on April 07, 2023. Subsequently, Noticee 1 made two calls to Noticee 2 on May 13, 2023 at 20:54:04 hours and 21:32:08 hours. These calls were made while Noticee 1 was admittedly in possession of to UPSI. Immediately thereafter, on May 15, 2023 (next trading day), Noticee 2 through the trading account of Noticee 3 purchased 3,973 shares of Refex, followed by a further purchase of 9,500 shares on May 16, 2023. Noticee 2 had cited that these calls were made in the context of coordination for the JITO matters. However, in order to substantiate this claim, he has not produced any supporting evidence. Given the timing of the calls and the immediate trading activity, the explanation appears improbable.

34. With respect to the observation in the IR regarding the telephonic communication that allegedly took place between Noticee 2 and the executive secretary of Noticee 1 on April 10, 2023, it is noted that there is neither any finding in the IR establishing communication of UPSI from Noticee 1 to his executive secretary nor has any such allegation been made in the SCN. In the absence of any allegation or evidence demonstrating the flow of UPSI through the executive secretary, the said observation in the IR does not merit consideration.

Unique trading pattern of Noticee 3

35. In the background that the Noticee 2 is already held to be "insider" under regulation 2(1)(g)(i) of the PIT Regulations as he was as a "connected person" under the definition of regulation 2(1)(d)(i) of the PIT Regulations, the onus to prove that the trades were not based on/in possession of UPSI shifts to the Noticees. In this regard, I would like to the refer to the relevant provisions of PIT Regulations and the relevant extracts of the Sodhi Committee Report following which the SEBI (Prohibition of Insider Trading) Regulations, 1992 repealed and reenacted as PIT Regulations:

"Trading when in possession of unpublished price sensitive information.

4.

(2) In the case of connected persons the onus of establishing, that they were not in possession of unpublished price sensitive information, shall be on such connected persons and in other cases, the onus would be on the Board."

Sodhi Committee Report:

"It was felt that in the case of a "connected person" where the connection is stronger and, therefore, the access to information would be even more direct (as compared to any other person who becomes an insider by reason of receipt of the UPSI) the onus of demonstrating that the connected person in fact did not have access to the UPSI would be on the connected person."

36. In this context, Noticees 2 and 3 have emphasized their momentum-driven strategy, investment pattern and negligible investment in Refex compared to their overall portfolio to prove that the trades were not based on UPSI. The details of trades made by Noticee 3 in the scrip of Refex as alleged in the present proceedings are as under:

Table 8

Date	Buy Quantity	Buy Rate	Buy Value (INR in lakh)	Sell Quantity	Sell Rate	Sell Value (INR in lakh)
Pre-UPSI Period (December 29, 2022 to March 28, 2023)						
-						
UPSI period (March 29, 2023 to May 18, 2023)						
May 15, 2023	3,973	364.8	14.49	0	0	0
May 16, 2023	9,500	365.75	34.75	0	0	0
Total	**13,473**	**365.47**	**49.24**	**0**	**0**	**0**
Post Announcement Period (May 19, 2023 to August 18, 2023)						
May 19, 2023	0	0	0	6,700	426.65	28.59
May 22, 2023	0	0	0	6,773	487.06	32.99
Total	**0**	**0**	**0**	**13,473**	**457.02**	**61.57**

37. To substantiate that aforesaid trading made in the scrip of Refex by Noticees 2 and 3 was guided by their access to UPSI, the IR made following observations as circumstantial evidence:

(a) During the Pre-UPSI period, Noticee 3 did not make any trades in Refex, however, traded in one other scrip (gross buy value: Rs. 20.57 Lakh);

(b) During the UPSI period, the trades were only made in the scrip of Refex (gross buy value: Rs. 49.24 Lakh) and no other scrip was traded by Noticee 3; and

(c) During the post UPSI period, Noticee 3 sold its entire shares of Refex bought during the UPSI period (gross sell value: Rs. 61.57 Lakh) and traded in 5 other scrips (gross buy value: Rs. 189.05 Lakh, gross sell value: Rs. 15.15 Lakh).

38. Noticees 2 and 3 have submitted that the investment decision in the shares of Refex during the UPSI period was influenced by the consistent upward momentum in the share price of Refex. In this regard, I would also like to take note of the closing price of the scrip of Refex during the period from March 29, 2023 (commencement of UPSI period) to May 22, 2023 (when shares of Refex were sold by Noticees 2 and 3):

Table 9

Period	**Date**	**Closing Price (in Rs.)**
UPSI Period	March 29, 2023	226.4
	March 31, 2023	237.7
	April 03, 2023	249.55
	April 05, 2023	262
	April 06, 2023	275.1
	April 10, 2023	288.85
	April 11, 2023	306.35
	April 12, 2023	291.1
	April 13, 2023	295.2
	April 17, 2023	290.05
	April 18, 2023	298.65
	April 19, 2023	297
	April 20, 2023	292.7
	April 21, 2023	293.8
	April 24, 2023	293.45
	April 25, 2023	330.95
	April 26, 2023	330.6
	April 27, 2023	330.2
	April 28, 2023	323.9
	May 02, 2023	314.9
	May 03, 2023	308.45
	May 04, 2023	311.2
	May 05, 2023	306.85
	May 08, 2023	323.65
	May 09, 2023	324.45
	May 10, 2023	319.15
	May 11, 2023	353.4
	May 12, 2023	364.2
	May 15, 2023	364.8
	May 16, 2023	363.2
	May 17, 2023	350.2

Period	Date	Closing Price (in Rs.)
	May 18, 2023	355.55
Post UPSI Period	**May 19, 2023**	**426.65**
	May 22, 2023	**465.95**
	May 23, 2023	**547.15**
	May 31, 2023	**543.35**
	June 30, 2023	**545.55**
	July 31, 2023	**845.30**

39. As observed from the price table discussed above, the price of the Refex scrip had been steadily rising from Rs. 226.40 on March 29, 2023 to Rs. 364.80 on May 15, 2023, showing a gradual appreciation of over 61% during these periods. While such price momentum existed, it is pertinent to note that Noticees 2 and 3 did not make any purchases during the initial one and a half months of this upward trend. Their purchases were triggered only immediately after the calls with Noticee 1 on May 13, 2023. Further, even after the announcement of the financial results, the upward momentum in the scrip persisted and the share price stayed above Rs. 500 for nearly a year, until the share split on March 22, 2024. Notwithstanding this continued upward momentum, Noticee 3 did not hold the shares after the announcement of financial results and sold them within two trading days of the announcement. It is also relevant to note that on the very next trading day after the sale, i.e., on May 23, 2023, the price of the scrip further increased by 17.43%. It appears that such trading pattern of Noticee 3 is not consistent with a momentum-driven investment strategy but aligns more closely with trading influenced by UPSI. Hence, the submissions of Noticees in this regard cannot be accepted.

40. Noticees 2 and 3 further submitted that they have been regularly investing substantial amounts in various securities, including shares of Refex group companies and that the trades executed in the account of Noticee 3 formed part of his ongoing investment activity. Noticee 2 has also contended that he, along with Noticee 3 and other family members, collectively maintained a portfolio of approximately ₹21.08 crore during the relevant period. In support of the aforesaid contention, Noticee 2 has furnished copies of his holding statements and those of his family members as on May 31, 2023, as

well as copies of contract notes. The Noticees have also placed reliance on the order of Hon'ble SAT in the matter of Mr. Manoj Gaur v. SEBI[2]. The details of investments as submitted by the Noticees are summarised below:

Table 10

Name of Investor	**Relation with Noticee 2**	**Total holding value as on May 31, 2023[3] (Rs. in Crores)**	**Investment in Refex Renewables & Infrastructure Limited[4] out of total holding vale as on May 31, 2023[5] (Rs. in Crores)**
Noticee 2	self	8.89	6.47
Noticee 3	Trust wherein Noticee 2 is the trustee	0.57	-
Sanchit Jain	Son[6]	11.52	0.47
Geetha Jain	Spouse[6]	2.02	1.46
Total		**23.00**	**8.40**

41. Since the allegation in the present proceedings primarily concerns the purchase of shares in the scrip of Refex by Noticee 2 through Noticee 3, the individual holdings and investment pattern of Noticee 2 merit consideration. However, from the investment details as provided by these Noticees, it is observed that Noticees 2 and 3 was not holding any shares of Refex prior to UPSI period and the same was purchased only during the UPSI period and that too the next trading day after the calls with Noticee 1. With regard to the submission of Noticees 2 and 3 that they held shares of group company of Refex prior to UPSI period, from the documents submitted by them, it is noted that they have substantial holdings in Refex Renewables & Infrastructure Limited (erstwhile SunEdison Infrastructure Limited). From the annual reports of these Companies for the FY 2023-24, it is noted that major source of revenue for Refex was Ash and Coal Handling while for Refex Renewables &

[2] *Appeal No. 64 of 2012 dated October 03, 2012*
[3] *As per holding statements submitted by Noticees.*
[4] *erstwhile SunEdison Infrastructure Limited. It is part of Refex group companies.*
[5] *From the contract notes as submitted by Noticees, it is noted that these purchases were made during the FY 2022-23 (before UPSI period).*
[6] *As per statement of Noticee 2 recorded on January 24, 2025 during the course of investigation.*

Infrastructure Limited, the major source of Revenue is EPC, operations and maintenance services of solar power plants and Rooftop. The businesses are distinct and investment patterns in one cannot justify sudden purchases in another only during the UPSI period. The abrupt and isolated investment in Refex during the UPSI period, followed by swift exit post-announcement, strengthens the inference of UPSI-influenced trading.

42. Noticees 2 and 3 further submitted that even subsequent to the UPSI period, they along with their family members continued to regularly trade in the shares of Refex, as illustrated below:

Table 11

Name of Investor	Relation with Noticee 2	No. of shares bought in FY 2024-25	No. of shares sold in FY 2024-25
Noticee 2	self	1,79,034	83,953
Noticee 3	Trust wherein Noticee 2 is the trustee	2,01,500	-
Sanchit Jain	Son	60,362	-

43. With respect to Noticees 2 and 3's submissions that they bought shares of Refex during post UPSI period, it is observed the same has to be seen along with Noticees activity prior to the UPSI period. It is observed that prior to UPSI period, Noticee 3 had not bought any shares of Refex. Further, to have a holistic view of Noticee 3 trading pattern, Noticee 3 trades in other scrips during the UPSI period and prior to it also has to be seen. The material on record depicts the following trading pattern of Noticee 3 in the scrip of Refex and other scripts during Pre-UPSI period, UPSI period and Post-UPSI period:

Table 12

Period	Refex Industries Ltd.		Other Scrips		Total
	Gross Traded Value (in INR)	**% activity in this scrip to gross traded value**	**Gross Traded Value (INR in lakh) (No. of scrips)**	**% activity in this scrip to gross traded value**	**Gross Traded Value (INR in lakh) (No. of scrips)**
Before UPSI Period (December 29, 2022 to March 28, 2023)	0	0%	20,57,010	100%	20,57,010
During UPSI Period (March 29, 2023 to May 18, 2023)	49,23,975.40	100%	0	0	49,23,975.40
After UPSI Period (May 19, 2023 to August 18, 2023)	61,57,394	23.17%	2,04,19,844.25	76.83%	2,65,77,238.25

44. It is noted that during the UPSI period, Noticee 3 had not invested in any other scrips and the entire investment of Noticee 3 was only in the scrip of Refex. Moreover, Noticees gross buy value in other scrips, prior to 3 months to UPSI period was Rs. 0.21 Lakh. Thereafter, during the post UPSI period, i.e., within 3 months after the UPSI period gets over, gross traded value of Noticees in other scrips was Rs. 2.04 Crore. During this period, Noticee 3 had not bought any shares of Refex rather sold all the shares of Refex purchased during the UPSI period within two trading days after the announcement of financial results. Thus, when Noticees trades in all the scrips starting from 3 months prior to UPSI period and ending 3 months' post UPSI period as against the trades in Refex are seen, it demonstrates that Noticees 2 and 3 invested in the scrip of Refex only during the UPSI period which is inconsistent with their normal trading behaviour/pattern.

45. Further, Noticees have relied on the order of Hon'ble SAT in the matter of Mr. Manoj Gaur v. SEBI. However, it is pertinent to note that the trading pattern of Noticees 2 and 3 as discussed in preceding paragraphs are squarely different from the trading

pattern of the alleged tippees in the said matter as they were regular traders of the shares of Jaiprakash Associates Ltd. (company whose shares were alleged to be traded in possession of UPSI) and already held the shares of Jaiprakash Associates Ltd. during the UPSI period. Even, post UPSI period, they continued to hold the shares of Jaiprakash Associates Ltd. Hence, the reliance placed by Noticees in the said case is misplaced.

46. Interestingly, the subsequent trading undertaken by Noticees 2 and 3 in the scrip of Refex as submitted by them was well after the UPSI period, i.e., after a gap of more than one year from the end of the UPSI period and such trading was spread across seven months. In this backdrop, Noticees' attempt to compare trades executed much later in FY 2024-25 with the concentrated, time-sensitive trades executed during only two days of the UPSI period is flawed. The circumstances and time-frame of these trades differ materially and stand on an entirely different footing. Thus, such comparison does not assist the Noticees in eliminating the inference that the trades during the UPSI period were influenced by possession of UPSI.

47. The cumulative effect of the circumstances discussed above must be evaluated to determine whether the Noticees traded while in possession of UPSI. In the present case, the convergence of factors namely, the timing of trades and the telephone calls, the deviation from past investment pattern, first time investment in this scrip, the exclusivity of trades in Refex during the UPSI period, the immediate sale following the disclosure of financial results and the communication between Noticees 1 and 2 creates a coherent chain of events consistent only with trading influenced by UPSI. Therefore, the trading pattern exhibited by the Noticees in the pre-UPSI and post-UPSI periods does not negate the allegation. On the contrary, it reinforces the conclusion that the trades executed during the UPSI period were not genuine investment-driven trades but were undertaken while in possession of UPSI.

48. The Noticees have argued that the alleged profit of Rs. 12.33 Lakh is meagre compared to the overall investment portfolio of Noticee 2 along with his family

members. In this regard, Noticees have relied on the judgment of Hon'ble Supreme Court in the matter of SEBI v. Abhijit Rajan[7] and the orders of Hon'ble SAT in the matter of Shreehas Tambe v. SEBI[8] and Rajiv B. Gandhi v. SEBI[9]. The Noticees further argued that no harm was caused to investors as the price of the shares was not significantly impacted due to their impugned investments. These contentions of the Noticees is fundamentally flawed. At the outset, it is well-settled legal principle that the quantum of profit or loss or the market impact is not an essential ingredient to determine whether insider trading has occurred. The essence of insider trading lies in preventing information asymmetry and ensuring that all investors participate in the market on an equal footing. Trading on the basis of UPSI, irrespective of the size of such trades creates an uneven playing field where a participant having access to UPSI exploits such information to his advantage while the rest of the market operates without access of such information. In this connection, reference is drawn to the "NOTE" provided below regulation 4(1) of PIT Regulations which explicitly states that *"The reasons for which he trades or the purposes to which he applies the proceeds of the transactions are not intended to be relevant for determining whether a person has violated the regulation. He traded when in possession of unpublished price sensitive information is what would need to be demonstrated at the outset to bring a charge."*

49. Further, in the instant case, the Noticee 3 generated a profit of Rs. 12.33 Lakh over a period of 7-8 days from the investment of Rs. 49.24 Lakh, i.e., a return of 25% in just 7-8 days. This quantum of profit within a timeframe so narrow cannot be termed "meagre". More importantly, the materiality of profit has no being on the determination of violation of PIT Regulations and the Noticees cannot seek to dilute or nullify the violation on this ground. Even in the matter of SEBI v. Abhijit Rajan (supra), the Hon'ble Supreme Court, *inter alia*, held that the actual gain or loss is immaterial as follows.

[7] *Civil Appeal No. 563 of 2020 dated September 19, 2022*
[8] *Appeal No. 491 of 2021 dated July 26, 2022*
[9] *Appeal No. 50 of 2007 dated May 09, 2008*

*"…..**For instance, the sale by a person in possession of price sensitive information, at a time when the price is likely to take a plunge, will certainly be an attempt at taking advantage of or encashing the information. Similarly the purchase by a person in possession of UPSI at a time when the price of the security is about to skyrocket, will certainly be an attempt to take advantage.***

28. But the above logic cannot be applied to cases which fall on the opposite side of the spectrum. For instance, the sale by a person at a time when the price of the securities is likely to shoot up on account of price sensitive information coming into the public domain or the purchase by a person at a time when the price of the shares is likely to go downward due to price sensitive information getting published, cannot come under the category of insider trading. While it is true that the actual gaining of profit or sufferance of loss in the transaction, may not provide an escape route for an insider against the charge of violation of Regulation 3, one cannot ignore normal human conduct. If a person enters into a transaction which is surely likely to result in loss, he cannot be accused of insider trading. ***In other words, the actual gain or loss is immaterial,*** *but the motive for making a gain is essential." (Emphasis supplied)*

50. In the matter of SEBI v. Abhijit Rajan, the respondent in that case had sold the shares of Gammon Infrastructure Projects Limited prior to the publication of UPSI. However, in the instant case, the shares were sold within two trading days from the publication of UPSI. Hence, the facts and circumstances of the instant case is different the case of SEBI v. Abhijit Rajan. Accordingly, the reliance placed by Noticees in the said case is misplaced.

51. Unlike the present case, in the matter of Shreehas Tambe v. SEBI, the appellant had obtained pre-clearance and provided justifiable reasons for trading in securities. Even in the matter of Rajiv B. Gandhi v. SEBI, the Hon'ble SAT held as under:

"*We are of the considered opinion that if an insider trades or deals in securities of a listed company, it would be presumed that he traded on the basis of the unpublished price sensitive information in his possession unless he establishes to the contrary. Facts necessary to establish the contrary being especially within the knowledge of the insider, the burden of proving those facts is upon him. The presumption that arises is rebuttable and the onus would be on the insider to show that he did not trade on the basis of the unpublished price sensitive information and that he traded on some other basis. He shall have to furnish some reasonable* *or plausible explanation of the basis on which he traded. If he can do that, the onus shall stand discharged or else the charge shall stand established."*

52. However, as discussed in preceding paragraphs, in the instant case, the Noticees failed to demonstrate any reasonable or plausible explanation for trading in the shares of Refex during the UPSI period. Hence, the reliance placed by Noticees in the aforesaid cases is misplaced.

53. Noticees contended that SEBI has failed to demonstrate actual communication of UPSI and that mere remote connections are insufficient to meet the tests of the PIT Regulations. In support of this contention, Noticees relied upon on the judgments of Hon'ble Supreme Court in the matter of Balram Garg v. SEBI (supra) (hereinafter referred to as **"Balram Garg"**), orders of Hon'ble SAT in the matter of Mr. Lashit Sanghvi v. SEBI (supra) (hereinafter referred to as **"Lashit Sanghvi"**), Affluence Fincon Services Pvt. Ltd. & Ors. v. SEBI (supra) (hereinafter referred to as **"Affluence"**), Venkatraman Ranganathan v. SEBI (supra) (hereinafter referred to as **"Venkatraman"**) and Mr. Maneesh Kumar Jain v. SEBI (supra) (hereinafter referred to as **"Maneesh Kumar Jain"**) and the orders of whole time members of SEBI in the matter of Lux Industries Ltd. (hereinafter referred to as **"Lux Industries"**) and United Spirits Ltd. (hereinafter referred to as **"United Spirits"**).

54. Upon perusal of the cases relied upon by Noticees, it is noted that the facts and circumstances of those cases are materially different from the present proceedings. Further, Noticees have also failed to demonstrate how the aforesaid cases will be applicable in the instant proceedings. I shall now proceed to deal with the aforesaid cases as follows:

(a.) Balram Garg case: In Balram Garg, there was no evidence of frequent communication between the alleged tipper and tippee, who were family members, as the family was estranged. The reliance on trading patterns was based on the peculiar facts of that case. In contrast, in the instant matter, Noticees 1 and 2 were in communication with each other and several calls during the UPSI period are on record. The unusual trading pattern, as elaborated earlier, binds different facets of this case, supporting the conclusion on a preponderance of probability that UPSI was communicated to Noticee 2 prior to his trades in Refex through Noticee 3's account. Hence, the ratio laid down in Balram Garg is not applicable in this matter.

(b.) Lashit Sanghvi Case: In this case, frequent communication between the alleged tipper and tippee could not be established, as only a single phone call during the UPSI period was on record. On the contrary, in the instant case, Noticees 1 and 2 are "connected persons" to the Refex based on their statements, demonstrating a long-standing association through JITO membership, family functions and regular contact, along with three calls during the UPSI period. Further, in Lashit Sanghvi, the alleged tippee initiated the call and did not exploit UPSI for trading rather held the shares for eight years. In contrast, calls were initiated by both Noticees on different occasions and Noticee 2 purchased Refex shares the next trading day after May 13, 2023 calls initiated by Noticee 1 (who had access to UPSI) and sold the shares within two trading days after UPSI publication. Therefore, reliance placed on this case is misplaced.

(c.) Affluence Case: In the said case, the appellants were not held as "connected person" within the meaning of regulation 2(1)(d) of the PIT regulations since at the time of subscription of the preferential allotment of the company (two years prior to start of UPSI period), they had disclosed themselves as "unrelated party" and it was held that such unrelated parties cannot be held as "connected persons" unless otherwise provided in the Regulations. However, in the instant case, as discussed in the preceding paragraphs, Noticees 1 and 2 are established as "connected persons" to the Refex. Further, Noticee 2 in the instant case was not alleged to be insider under regulation 2(1)(g)(ii) of the PIT Regulations which was alleged in the Affluence case. Hence, the reliance placed by Noticees in Affluence Case is misplaced.

(d.) Venkatraman Case: In this matter, reasonable explanations have been provided for the communications regarding the impending preferential issue between the alleged tipper (managing director) and tippee (independent director) unlike the instant case where Noticees have not provided plausible reasons or supporting evidence for calls made during the UPSI period. Hence, this case is not applicable.

(e.) Maneesh Kumar Jain case: The appellant therein had traded in multiple sectors during the UPSI period and was a sector-agnostic professional trader. In contrast, Noticee 3 did not trade in any other scrips during the UPSI period and Noticee 2 has not demonstrated trading across multiple sectors during the UPSI period. Therefore, reliance on this case is misplaced.

(f.) Lux Industries: In Lux Industries, UPSI was allegedly communicated on May 14, 2021, but trades were executed ten days later by a downstream recipient and the first recipient of UPSI did not trade. Here, Noticee 2 (first recipient of UPSI) traded in Refex through Noticee 3's account the very next trading day after May 13, 2023 calls by Noticee 1. Hence, the facts differ materially and reliance on this case is without merit.

(g.) United Spirits: In the said case, no communication between Mr. Nishat (alleged insider) and other Noticees (alleged to be traded on the basis of UPSI) during the UPSI period was established since they have undertaken a trip to London after a period of more than one month from the UPSI period. However, in the instant matter, the fact that Noticees 1 and 2 were in communication with each other and the existence of several calls between the two of them during the UPSI period are matter of record. Hence, the reliance placed by Noticees in United Spirits case is devoid of merit.

55. I note that the Hon'ble Supreme Court in the matter of *SEBI v. Kishore R Ajmera*[10] held as under:

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[10] *Civil Appeal No. 2818 of 2008 decided on February 23, 2016*

> *"… The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned. Prosecution under Section 24 of the Act for violation of the provisions of any of the Regulations, of course, has to be on the basis of proof beyond reasonable doubt."*

56. Furthermore, the Hon'ble SAT in the matter of *Dilip S. Pendse v. SEBI (supra)* held that:

> *"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."*

57. In light of the findings of Hon'ble Supreme Court and Hon'ble SAT, it can be held that degree of proof required to establish a charge of insider trading is that a reasonable/prudent man would adopt to arrive at a conclusion based on a higher degree of preponderance of probability.

58. In view of the foregoing and as discussed in preceding paragraphs, the cumulative effect of following circumstances creates a coherent chain of events:
    (a.) Noticee 2 shared a close association with Noticee 1, the chairman and managing director of Refex who admittedly had access to UPSI;
    (b.) Multiple telephone calls occurred between Noticees 1 and 2 during the UPSI period;
    (c.) Noticee 3 whose trustee is Noticee 2, bought shares of Refex on the next trading day after speaking to Noticee 1 over telephone;
    (d.) The trades in Refex were executed in very close proximity to the publication of UPSI;
    (e.) Noticee 3 ceased trading in all other scrips during the UPSI period, indicating an abnormal concentration of activity in Refex;
    (f.) There was no trading in Refex prior to the UPSI period and even after the UPSI period, the subsequent trades in Refex occurred more than a year later;
    (g.) The Noticees failed to offer any plausible explanation for purchasing Refex shares only 2–3 days prior to publication of financial results and selling immediately thereafter.

59. The aforesaid chain of events leads to the conclusion, based on a high degree of preponderance of probabilities, that Noticee 1, by virtue of his role in the Refex, was in possession of the UPSI concerning the positive financial results for the period ended March 31, 2023 which he in turn communicated to Noticee 2 resulting in an information asymmetry that enabled Noticee 2 to take trading positions ahead of the market. Thereafter, Noticee 2 traded in the scrip of Refex through the trading account of Noticee 3 while in possession of said UPSI. The communication of UPSI by Noticee 1 reflects a clear disregard of the diligence expected from an individual in possession of UPSI and the trading in Refex by Noticees 2 and 3 while in possession of UPSI, undermine the very purpose of the PIT Regulations, which is designed to prevent trading on the basis of information asymmetry.

60. In view of the above, it stands established that Noticee 1 had violated the provisions of section 12A(e) of SEBI Act read with regulation 3(1) of PIT Regulations and Noticees 2 and 3 had violated the provisions of section 12A(d) and (e) of SEBI Act read with regulation 4(1) of PIT Regulations.

Part C – Determination of Penalty, if any

Issue V. Does the violation, if any, on the part of Noticees attract monetary penalty under sections 15G of the SEBI Act?

Issue VI. If so, what would be the quantum of monetary penalty that can be imposed on Noticees after taking into consideration the factors stipulated in section 15J of the SEBI Act?

61. As it has been established that Noticee 1 had violated the provisions of section 12A(e) of SEBI Act read with regulation 3(1) of PIT Regulations and Noticees 2 and 3 have violated the provisions of section 12A(d) and (e) of SEBI Act read with regulation 4(1) of PIT Regulations, the Noticees are liable for payment of a monetary penalty in terms of section 15G of the SEBI Act.

62. The text of the above said section 15G of the SEBI Act is reproduced below:

"15G. Penalty for insider trading.
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; or
(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 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"

63. While determining the quantum of penalty under section 15G of the SEBI Act, the following factors stipulated in section 15J of the SEBI Act are taken into account:

"15J. Factors to be taken into account by the adjudicating officer
While adjudging quantum of penalty under Section 15-I, the adjudicating officer shall have due regard to the following factors, namely: -
(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
(b) the amount of loss caused to an investor or group of investors as a result of the default;
(c) the repetitive nature of the default."

64. I note that material available on record does not bring out any loss caused to any specific investor or a group of investors, as a result of violations committed by Noticees. I have also considered the profit of Rs. 12.33 Lakh made by Noticee 3 while trading in scrip of Refex. As regards the repetitive nature of the default, it is noted that following penalties have been imposed upon Noticee 2 by SEBI.

Table 13

Sr. No.	**Case Name**	**Date of Order**	**Violation of provisions of**	**Penalty**
1.	In the matter of Richa Industries Limited	April 30, 2020	SEBI Act, SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003	Rs. 3,00,000/-

Sr. No.	Case Name	Date of Order	Violation of provisions of	Penalty
2.	In the matter of B C Power Controls Ltd.	March 26, 2021	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011	Rs. 1,00,000/-
3.	In the matter of Le Waterina Resorts & Hotels Limited	August 13, 2021	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, SEBI (Prohibition Of Insider Trading) Regulations, 1992	Rs. 1,00,000/-

65. The aforementioned factors have been taken into consideration while adjudging the penalty

ORDER

66. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in preceding paragraphs and the factors mentioned in section 15J of the SEBI Act, I, in exercise of powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, hereby impose following penalty on the Noticees under section 15G of the SEBI Act.

Table 14

Noticees	Penalty under section	Penalty Amount
Noticee 1	15G of the SEBI Act	Rs. 10,00,000/- (Rupees Ten Lakh Only)
Noticee 2 Noticee 3	15G of the SEBI Act	Rs. 25,00,000/- (Rupees Twenty-Five Lakh Only)

67. Noticees 2 and 3 are jointly and severally liable to pay the aforesaid penalty of Rs. 25,00,000 (Rupees Twenty-Five Lakh Only).

68. I am of the view that the said penalty is commensurate with the lapses/omissions on the part of Noticees.

69. Noticee shall remit/pay the said amount of penalty within 45 days of receipt of this order 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.

70. In terms of the provisions of rule 6 of the Rules, a copy of this order is being sent to Noticee and also to SEBI.

JAI SEBASTIAN

Digitally signed by JAI SEBASTIAN
Date: 2025.12.12 12:30:09 +05'30'

Date: December 12, 2025 **JAI SEBASTIAN**

Place: Mumbai **ADJUDICATING OFFICER**