BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/SM/DD/2022-23/18389]

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

In respect of

Mr. Rajakumar G

[PAN: ACQPR1282B]

In the matter of Titan Company Limited

FACTS OF THE CASE IN BRIEF

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') received a letter from Titan Company Limited (hereinafter referred to as '**Company/Titan/TCL**') wherein the company intimated SEBI about contravention of SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as '**PIT Regulations**') and Company's Code of Conduct for Prevention of Insider Trading by some of its designated persons/employees. The securities of Titan are listed on BSE Ltd (**BSE**) and the National Stock Exchange of India Ltd (**NSE**) (collectively called 'exchanges').

2. Thereafter, SEBI conducted an investigation in the scrip of Titan and observed several non-compliances of PIT Regulations during the period April 01, 2018 to March 31, 2019 (hereinafter referred to as '**Investigation Period/IP'**) by employees and designated persons of TCL including Mr. Rajakumar G (hereinafter referred to as '**Noticee/by name'**). Therefore, SEBI initiated adjudication proceedings against Noticee under the provisions of Section 15A(b) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as

'**SEBI Act'**) for alleged violation of Regulation 7(2)(a) of PIT Regulations by Noticee.

APPOINTMENT OF ADJUDICATING OFFICER

3. Vide order dated March 02, 2021, SEBI appointed the undersigned as Adjudicating Officer under Section 15I of the SEBI Act read with Section 19 of the SEBI Act and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules'**) to inquire into and adjudge under the provisions of Section 15A(b) of SEBI Act, the aforesaid alleged violation by Noticee.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. A show-cause notice dated August 09, 2021 (hereinafter referred to as '**SCN**') was issued to Noticee under Rule 4 of the Adjudication Rules to show-cause as to why an inquiry should not be initiated against Noticee and penalty, if any, not be imposed upon him under the provisions of Section 15A(b) of SEBI Act for the aforesaid violation alleged to have been committed by him.

5. The allegations levelled against Noticee in the SCN are as under:

    a) During the course of investigation, it was observed that Noticee had traded in the securities of the Titan during the Investigation Period. Details of his trading are as under:

Name of Noticee	**Total Traded Value (BSE+NSE) (in Rs.)**			**No. of occasions on which traded value exceeded Rs. 10 lakh**
	July-Sep 2018	**Oct-Dec 2018**	**Jan-Mar 2019**	
Mr. Rajakumar G	17,66,162	29,10,489	41,06,247	6

    b) It was observed from the table above that in the calendar quarter ending on September 2018, the total traded value of the securities traded by Noticee in the scrip of Titan was Rs 17,66,162/-, in the calendar quarter ended December 2018, the total traded value of the securities traded by Noticee in the scrip of Titan was Rs. 29,10,489/- and in the quarter ended March 2019, the total value securities traded by Noticee was Rs. 41,06,247/- . It was also observed that on 6 occasions in the aforesaid calendar quarters, Noticee's traded value of securities exceeded rupees ten lakhs. Therefore, for the aforesaid transactions, which were in excess of the limit specified in Regulation 7(2)(a) of PIT Regulations, Noticee was required to make disclosure in terms of the aforesaid regulation. In this regard, in reply to a query by SEBI, TCL vide email dated October 28, 2020, confirmed that it had not received any disclosures from Noticee.

c) In view of the above observations, it was alleged that Noticee has violated Regulation 7(2)(a) of PIT Regulations, on six occasions by not making disclosures as required in terms of aforesaid regulation.

6. The SCN was sent to Noticee through Speed Post Acknowledgement due (herein after referred to as '**SPAD**') on August 09, 2021, and digitally signed email dated August 12, 2021 and was duly served on Noticee. Noticee was given fourteen (14) days' time to make his submissions in respect of the allegations made in the SCN. Vide email dated August 25, 2021, Noticee submitted his reply to the SCN.

7. Thereafter, in the interest of natural justice, vide hearing notice dated July 14, 2022, Noticee was granted an opportunity of personal hearing before the undersigned on August 02, 2022. The aforesaid hearing notice was sent to Noticee through SPAD and also through digitally signed email on July 15, 2022 and was duly served upon him. Noticee appeared for hearing on the scheduled date and reiterated the submissions by him vide his earlier email. Due to difficulties in view of the Covid-19 pandemic, hearing was conducted through video conferencing.

8. The submissions by Noticee are summarized hereunder:-
    a. He was not aware of PIT Regulations while trading in shares of Titan.
    b. He did not get any profit, rather incurred losses in these transactions.
    c. He undertook to not this kind of trading in future.

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

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

   I. Whether Noticee has violated Regulation 7(2)(a) of PIT Regulations?

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

   III. If the answer to issue no. 2 is in affirmative, then what should be the quantum of monetary penalty?

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

    Relevant provisions of PIT Regulations:

    Disclosures by certain persons.

    7(2) continual disclosure.

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

Issue No.1- Whether Noticee has violated Regulation 7(2)(a) of PIT Regulations?

11. I note from the available records that Noticee was one of the employees of Titan at the relevant time. While in employment of Titan, Noticee had transacted in securities of Titan as seen from the details extracted from the trade log obtained from exchanges, which are given below:-

Date	Segment	Buy Qty	Buy Value/Sum of Notional Day Buy Value (Rs.)	Sell Qty	Sell Value/Sum of Notional Day Sell Value (Rs.)	Gross Value/Gross Notional Value (Notional Day Buy Value + Notiona Day Sell Value) (Rs.)	Cumulative Value (Rs.)
7-Aug-18	Cash	50	45,365	50	45,538	90,903	90,903
8-Aug-18	Cash	30	27,990	30	28,080	56,070	146,973
9-Aug-18	Cash	30	27,600	-	-	27,600	174,573
10-Aug-18	Cash	-	-	30	27,900	27,900	202,473
6-Sep-18	Cash	75	65,375	75	65,515	130,890	333,363
7-Sep-18	Cash	50	43,425	50	43,600	87,025	420,388
10-Sep-18	Cash	100	85,650	100	85,900	171,550	591,938
11-Sep-18	Cash	95	79,576	75	61,734	141,310	733,247
14-Sep-18	Cash	20	16,800	20	17,000	33,800	767,047
17-Sep-18	Cash	100	82,228	100	82,688	164,915	931,962
18-Sep-18	Cash	20	16,600	20	16,860	33,460	965,422
19-Sep-18	Cash	100	80,010	100	80,926	160,936	1,126,359
21-Sep-18	Cash	100	80,950	100	81,700	162,650	1,289,009
24-Sep-18	Cash	75	58,406	75	58,750	117,156	1,406,165
25-Sep-18	Cash	120	94,218	120	95,350	189,568	1,595,732
26-Sep-18	Cash	50	40,610	50	40,890	81,500	1,677,232
27-Sep-18	Cash	-	-	20	16,800	16,800	1,694,032
	Total	**1,015**	**844,802**	**1,015**	**849,231**	**1,694,032**	
1-Oct-18	Cash	125	98,543	125	98,850	197,393	197,393
3-Oct-18	Cash	200	159,700	200	160,700	320,400	517,793
4-Oct-18	Cash	70	55,150	70	54,290	109,440	627,233
8-Oct-18	Cash	150	118,550	150	118,850	237,400	864,633
9-Oct-18	Cash	250	194,950	250	186,642	381,592	1,246,225
10-Oct-18	Cash	50	38,450	50	38,075	76,525	1,322,750
16-Oct-18	Cash	25	20,250	25	20,325	40,575	1,363,325
21-Dec-18	Cash	200	182,745	200	183,200	365,945	1,729,270
26-Dec-18	Cash	100	87,000	100	87,300	174,300	1,903,570
27-Dec-18	Cash	100	88,700	100	89,100	177,800	2,081,370
28-Dec-18	Cash	450	415,570	450	413,549	829,119	2,910,489
	Total	**1,720**	**1,459,608**	**1,720**	**1,450,881**	**2,910,489**	

7-Jan-19	Cash	350	333,197	350	331,006	664,203	664,203
8-Jan-19	Cash	150	141,271	150	141,650	282,921	947,123
9-Jan-19	Cash	75	71,235	75	71,230	142,465	1,089,588
11-Jan-19	Cash	283	271,867	283	271,888	543,755	1,633,343
17-Jan-19	Cash	150	143,587	150	143,900	287,487	1,920,830
21-Jan-19	Cash	200	191,770	200	192,300	384,070	2,304,900
22-Jan-19	Cash	125	121,995	125	121,925	243,920	2,548,820
23-Jan-19	Cash	225	219,119	225	218,345	437,464	2,986,284
24-Jan-19	Cash	100	95,800	100	96,500	192,300	3,178,584
28-Jan-19	Cash	75	72,611	75	72,478	145,089	3,323,673
29-Jan-19	Cash	50	47,700	50	48,150	95,850	3,419,523
4-Feb-19	Cash	100	103,194	100	103,075	206,269	3,625,792
5-Feb-19	Cash	100	106,702	100	103,836	210,538	3,836,330
6-Feb-19	Cash	10	10,565	10	10,636	21,201	3,857,530
7-Feb-19	Cash	10	10,581	10	10,650	21,231	3,878,761
15-Feb-19	Cash	60	62,421	60	62,130	124,552	4,003,312
18-Feb-19	Cash	50	51,410	50	51,525	102,935	4,106,247
	Total	**2,113**	**2,055,024**	**2,113**	**2,051,223**	**4,106,247**	

12. From the above table, I note that during the period August 07 to September 19, 2018, on a cumulative basis, the value of trades by Noticee in the securities of Titan amounted to Rs 11,26,359/- on September 19, 2018. On perusal of trades of Noticee for the period from October 01 to October 09, 2018, I note that on a cumulative basis, Noticee traded in the securities of Titan for a value of Rs. 1,246,225/- on October 09, 2018. Similarly, on perusal of trades of Noticee for the period from October 10 to December 28, 2018, I note that Noticee traded in the securities of Titan for Rs.16,64,264/- on a cumulative basis as on December 28, 2018 and during January 07 to January 09, 2019, I note that on a cumulative basis, Noticee traded in the securities of Titan for a value of Rs.10,89,588/- on January 09, 2019. It is observed that on January 11 to January 21, 2019, I note that on a cumulative basis, Noticee traded in the securities of Titan for a value of Rs.12,15,312/-. Similarly, on January 22 to January 28, 2019, I note that on a cumulative basis, Noticee traded in the securities of Titan for a value of Rs.10,18,773/- on January 28, 2019.

13. Therefore, I observe that the value of total transactions by Noticee on each of the aforesaid six occasions exceeded rupees ten lakhs. On perusal of the submissions made by Noticee, I note that he has not disputed the impugned transactions by him in the scrip of Titan as specified above.

14. In terms of the Regulation 7(2)(a) of PIT Regulations, Noticee, being an employee of the company, was required to make disclosures to Titan, for each of the aforesaid transactions within two (2) working days. However, there is no evidence available on record to show that Noticee had made any disclosures in terms of the aforesaid regulation for the above transactions. Further, from the available records, I note that Titan vide email dated October 28, 2020, has confirmed that it had not received any disclosures from Noticee.

15. In his submissions, Noticee has contended that he was not aware of the provisions of PIT Regulations. In this regard, I note that in terms of Regulation 7(2)(a) of PIT Regulations, requisite disclosures are to be made based on every event of either acquisition or disposal of securities in excess of the limits specified therein in terms of number/value/percentage. In the instant matter, disclosure requirements in terms of Regulation 7(2)(a) of PIT Regulations were triggered because the total traded value of Noticee's transactions in the securities of Titan exceeded ten lakh rupees on the aforesaid six occasions. The statement that Noticee was ignorant of the regulatory provisions is not justified. As postulated by legal maxim "*ignorantia juris non excusat*", ignorance of law is no excuse and everyone is presumed to know the law of the land. A person cannot defend his illegal actions by stating that he was not aware his actions were illegal, even if he honestly believed that they were not breaking the law. Therefore, I do not find any merit in this contention of Noticee. I also note from his submissions that he has accepted the default on his part.

16. In view of the above, I conclude that the allegation that Noticee has violated Regulation 7(2)(a) of PIT Regulations on six (6) occasions, stands established.

Issue No. 2- Does the violation attract monetary penalty under Section 15A (b) of SEBI Act?

17. In this regard, I place reliance on the order of the Hon'ble SAT in the matter of Virendrakumar Jayantilal Patel vs. SEBI (Appeal No. 299 of 2014 order dated October 14, 2014), wherein Hon'ble SAT held that *"………. obligation to make*

disclosures within the stipulated time is a mandatory obligation and penalty is imposed for not complying with the mandatory obligation.”

18. I note that the Hon’ble Supreme Court of India in the matter of SEBI v/s Shri Ram Mutual Fund [2006] 68 SCL 216(SC) held that “*In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established...…”.*

19. Therefore, in view of the above judgments and considering that Noticee violated Regulation 7(2)(a) of PIT Regulations, as established in the foregoing paragraphs, I find that Noticee would be liable for monetary penalty under Section 15A (b) of the SEBI Act. The text of Section 15A(b) of the SEBI Act is reproduced below:

<u>SEBI Act</u>

Penalty for failure to furnish information, return, etc.

15A. *If any person, who is required under this Act or any rules or regulations made there under,—*
(b) to file any return or furnish any information, books or other documents within the time specified therefore in the regulations, fails to file return or furnish the same within the time specified therefore in the regulations, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees;

<u>Issue No.3 - What should be the quantum of monetary penalty</u>?

20. While determining the quantum of penalty under Section 15A(b) of the SEBI Act, it is important to consider the factors as stipulated in Section 15J of the SEBI Act, which reads as under:-

<u>SEBI Act</u>

Factors to be taken into account by the adjudicating officer.

***Section 15J** - 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.

***Explanation**- For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.*

21. In view of the charges established and the facts and circumstances of the case, the quantum of penalty would depend on the factors referred in Section 15-J of the SEBI Act, stated as above. In the instant case, it is not possible from the material on record to quantify the amount of disproportionate gain or unfair advantage resulting from the default of Noticee in making disclosures or the consequent loss caused to investors as a result of the default.

22. However, with respect to the disclosure violations by Noticee, I note that the purpose of these disclosures is to bring about transparency in the transactions of Directors/ Promoters/Acquirers/ employees and assist the Regulator to effectively monitor the transactions in the market. Hon'ble SAT in the case of **M/s. Coimbatore Flavors & Fragrances Ltd. & Ors vs SEBI (Appeal No. 209 of 2014 order dated August 11, 2014)**, has held that *"Undoubtedly, the purpose of these disclosures is to bring about more transparency in the affairs of the companies. True and timely disclosures by a company or its promoters are very essential from two angles. Firstly; investors can take a more informed decision to invest or not to invest in a particular scrip secondly; the Regulator can properly monitor the transactions in the capital market to effectively regulate the same."* Hon'ble SAT, in the aforesaid order, has articulated the importance of true and timely disclosures. Further, I find that Noticee has violated the provisions of Regulation 7(2)(a) of PIT Regulations on six (6) occasions.

ORDER

23. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by Noticee and also the factors mentioned in Section 15J of the SEBI Act, as enumerated above, I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, hereby impose a penalty of Rs. 1,00,000/-(Rupees One Lakh only) on Noticee i.e. Mr. Rajakumar G, under the provisions of Section 15A(b) of SEBI Act. I am of the view that the said penalty is commensurate with the lapse/omission on the part of Noticee.

24. 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. In case of any difficulties in payment of penalties, Noticee may contact the support at portalhelp@sebi.gov.in.

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

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

26. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under Section 28A of

the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties of Noticee.

27. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to Noticee viz. Mr. Rajakumar G and also to SEBI.

Place: Mumbai **SOMA MAJUMDER**
Date: August 19, 2022 **ADJUDICATING OFFICER**