BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO: Order/PM/GD/2021-22/14253

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

In respect of

Shri Uday Agarwal

(PAN: ANTPA8142R)

In the matter of L&T Finance Holdings Ltd.

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as **SEBI**) conducted an examination in the dealings in the scrip of L&T Finance Holdings Limited (hereinafter referred to as **L&T Finance/Company**) to examine the violations of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the **SEBI Act, 1992**), Rules, Regulations, if any, during the period April 15, 2018 to October 15, 2018 (hereinafter referred to as **IP**). The Company is listed on Bombay Stock Exchange (**BSE**) and National Stock Exchange (**NSE**). It was observed that Shri Uday Agarwal (hereinafter referred to as **Noticee/you**) failed to comply with regulation 4(1) and clauses 4, 6 and 10 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders specified in Schedule B read with (r/w) regulation 9(1) of SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as **PIT Regulations, 2015**) while dealing in the scrip of Company. Accordingly, SEBI initiated adjudication proceedings against the Noticee for the aforesaid alleged violation of PIT Regulations, 2015.

APPOINTMENT OF ADJUDICATING OFFICER

2. The undersigned has been appointed as the Adjudicating Officer, under section 15-I of the SEBI Act, 1992 r/w rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (herein after referred to as **Adjudication Rules, 1995**) to inquire into and adjudge under sections 15G and 15HB of the SEBI Act, 1992, the alleged violation of regulation 4(1) and clauses 4, 6 and 10 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders specified in Schedule B read with (r/w) regulation 9(1) of PIT Regulations, 2015. The same was conveyed to the undersigned vide communique dated March 22, 2021.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING:

3. A Show Cause Notice having reference no. SEBI/HO/EAD-8/PM/SM/8844/1-2/2021 dated April 16, 2021 (hereinafter referred to as **SCN**) was issued to the Noticee under rule 4(1) of the Adjudication Rules, 1995 to show cause as to why an inquiry should not be initiated against the Noticee and why penalty, if any, should not be imposed on the Noticee under sections 15G and 15HB of the SEBI Act, 1992, for the alleged violation of regulation 4(1) and clauses 4, 6 and 10 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders specified in Schedule B read with (r/w) regulation 9(1) of PIT Regulations, 2015by the Noticee. The allegations against the Noticee are as follows:

   a) *SEBI conducted an examination in the dealings in the scrip of L&T Finance to examine the violation, if any, of the provisions of PIT Regulations, 2015. It has been observed that the Noticee had traded in the scrip of L&T Finance during the investigation period. On July 20, 2018 at 04:20PM (after market hours), L&T Finance made a corporate announcement relating to its financial results for the period ended June 30, 2018 wherein the company reported net profit after tax of Rs. 539.83 cr as compared to net profit of Rs. 336.77 cr for the quarter ending June 2017 of the previous year i.e. a rise of 60.29%. The price of the scrip was observed to have moved from a closing* *price of Rs. 155.60 on Friday July 20, 2018 to the closing price of Rs. 170.90 on Monday July 23, 2018 on NSE i.e. it registered an increase by 9.83% in one trading day.*

b) *Details of the major corporate announcements made by L&T Finance during IP and their impact on the price of the scrip are given as follows:*

(Exchange – BSE)

<table>
<tr><th>S.No.</th><th>Date-Time</th><th>Announcement/News</th><th>Price Impact/Shares Traded</th><th>Remarks</th></tr>
<tr><td>1.</td><td>01/05/2018
(19:36:07)</td><td><u>Publication of Financial Results of The Material Subsidiary, L&T Infrastructure Finance Company Limited</u>
The Board of L&T Infrastructure Finance Company Limited, a material subsidiary of the Company has approved its Audited Financial Results for the financial year ended March 31, 2018 at its Meeting held on
April 30, 2018.</td><td><table><tr><th>Date</th><th>O</th><th>H</th><th>L</th><th>C</th><th>No. of shares traded</th></tr><tr><td>30.04.2018</td><td>169.25</td><td>173.90</td><td>169.25</td><td>173.00</td><td>4,03,648</td></tr><tr><td>02.05.2018</td><td>175.00</td><td>175.30</td><td>172.20</td><td>173.65</td><td>4,36,786</td></tr></table></td><td>No substantial movement in scrip price.</td></tr>
<tr><td>2.</td><td>03/05/2018
(15:44:42)

(15:46:48)

(16:04:57)</td><td><u>Results-Financial Results For Mar 31, 2018 (Consolidated and Standalone)</u>
We hereby inform the Exchange that the Board at its meeting held on 3/5/18 has, inter alia, approved the Audited Financial Results (Consolidated and Standalone) of the Company for the quarter and financial year ended 31/3/18.

The Board of Directors of the Company at its meeting held on May 3, 2018, inter alia, has recommended a dividend of Re. 1.00 per Equity Share of face value Rs. 10/- each for the financial year ended March 31, 2018. The dividend, if approved by the Members at the ensuing Annual General Meeting ("AGM") will be credited / dispatched within 30 days from the date of AGM.

<u>Publication of Financial Results of The Material Subsidiary, L&T Finance Limited</u>
The Board of L&T Finance Limited (erstwhile Family Credit Limited), a material subsidiary of the Company has approved its Audited Financial Results for the financial year ended March</td><td><table><tr><th>Date</th><th>O</th><th>H</th><th>L</th><th>C</th><th>No. of shares traded</th></tr><tr><td>03.05.2018</td><td>173.40</td><td>173.60</td><td>168.75</td><td>171.65</td><td>3,24,929</td></tr><tr><td>04.05.2018</td><td>175.80</td><td>180.00</td><td>173.75</td><td>176.25</td><td>11,62,039</td></tr></table></td><td>No substantial movement in scrip price.</td></tr>
</table>

<table>
<tr><th>S.No.</th><th>Date-Time</th><th>Announcement/News</th><th>Price Impact/Shares Traded</th><th>Remarks</th></tr>
<tr><td></td><td></td><td>31, 2018 at its Meeting held on May 2, 2018.</td><td></td><td></td></tr>
<tr><td>3.</td><td>20/07/2018 (16:24:21)</td><td><u>Results - Financial Results For June 30, 2018</u>
The board of directors of the Company at its meeting held on 20/07/18 has, inter alia, approved the Unaudited Financial Results (Consolidated and Standalone) of the Company for the quarter ended 30/06/18.</td><td><table><tr><th>Date</th><th>O</th><th>H</th><th>L</th><th>C</th><th>No. of shares traded</th></tr><tr><td>20.07.2018</td><td>152.50</td><td>156.40</td><td>151.00</td><td>155.30</td><td>5,64,466</td></tr><tr><td>23.07.2018</td><td>158.00</td><td>172.00</td><td>156.70</td><td>170.75</td><td>16,53,039</td></tr></table></td><td>The closing price of the scrip increased by 9.94% on the next day of announcement.</td></tr>
<tr><td>4.</td><td>05/09/2018 (13:00:28)</td><td><u>Announcement under Regulation 30 (LODR)-Press Release / Media Release</u>
Please find enclosed a press release in relation to sale of the supply chain finance division of L&T Finance Limited, a material subsidiary of the Company</td><td><table><tr><th>Date</th><th>O</th><th>H</th><th>L</th><th>C</th><th>No. of shares traded</th></tr><tr><td>04.09.2018</td><td>180.20</td><td>180.25</td><td>167.50</td><td>169.15</td><td>12,46,063</td></tr><tr><td>05.09.2018</td><td>168.85</td><td>171.40</td><td>162.50</td><td>165.45</td><td>9,30,495</td></tr></table></td><td>No substantial movement in scrip price</td></tr>
<tr><td>5.</td><td>08/10/2018 (19:47:31)</td><td><u>Announcement under Regulation 30 (LODR)-Issue of Securities</u>
We wish to inform you that the meeting of the COD of the Company was held today to approve the issuance of 2,50,00,000 Cumulative Compulsorily Redeemable Non-Convertible Preference Shares ('CRPS') of FV of Rs. 100 each at par aggregating to a nominal amount of Rs. 250,00,00,000 on a private placement basis. The CRPS will be unlisted but may be listed subsequently at the option of the Company on any recognized stock exchange and will have a tenure of 3 years from the date of allotment.</td><td><table><tr><th>Date</th><th>O</th><th>H</th><th>L</th><th>C</th><th>No. of shares traded</th></tr><tr><td>08.10.2018</td><td>118.00</td><td>123.95</td><td>115.00</td><td>118.85</td><td>32,33,153</td></tr><tr><td>09.10.2018</td><td>120.00</td><td>126.60</td><td>119.30</td><td>123.95</td><td>20,05,410</td></tr></table></td><td>No substantial movement in scrip price</td></tr>
</table>

(Exchange – NSE)

<table>
<tr><th>S.No.</th><th>Date-Time</th><th>Announcement/News</th><th>Price Impact/Shares Traded</th><th>Remarks</th></tr>
<tr><td>1.</td><td>02/05/2018 (08:35)</td><td><u>Financial Results Updates</u>
L&T Finance Holdings Limited has informed the Exchange that the Board of L&T Infrastructure Finance Company Limited, a material subsidiary of the Company has approved its Audited Financial Results for the financial year ended March 31, 2018 at its Meeting held on April 30, 2018</td><td><table><tr><th>Date</th><th>O</th><th>H</th><th>L</th><th>C</th><th>No. of shares traded</th></tr><tr><td>30.04.2018</td><td>170.10</td><td>173.90</td><td>169.80</td><td>173.20</td><td>35,13,096</td></tr><tr><td>02.05.2018</td><td>174.40</td><td>175.50</td><td>172</td><td>174.25</td><td>49,74,489</td></tr></table></td><td>No substantial movement in scrip price</td></tr>
<tr><td>2.</td><td>03/05/2018 (15:38:23)

(15:44:00)</td><td><u>Financial Results Updates</u>
L&T Finance Holdings Limited has submitted to the Exchange, the financial results for the period ended March 31, 2018

<u>Dividend</u></td><td><table><tr><th>Date</th><th>O</th><th>H</th><th>L</th><th>C</th><th>No. of shares traded</th></tr><tr><td>03.05.2018</td><td>173.80</td><td>173.80</td><td>168.50</td><td>171.75</td><td>36,17,601</td></tr><tr><td>04.05.2018</td><td>174.80</td><td>180.40</td><td>173.50</td><td>176.35</td><td>1,32,20,595</td></tr></table></td><td>No substantial movement in scrip price</td></tr>
</table>

<table>
<tr><th>S.No.</th><th>Date-Time</th><th>Announcement/News</th><th>Price Impact/Shares Traded</th><th>Remarks</th></tr>
<tr><td></td><td>(16:26)</td><td>L&T Finance Holdings Limited has informed the Exchange that Board of Directors at its meeting held on May 03, 2018, recommended Final Dividend of 1 per equity share.
<u>Financial Results Updates</u>
L&T Finance Holdings Limited has informed the Exchange that the Board of L&T Finance Limited (erstwhile Family Credit Limited), a material subsidiary of the Company has approved its Audited Financial Results for the financial year ended March 31, 2018 at its Meeting held on May 2, 2018.</td><td></td><td></td></tr>
<tr><td>3.</td><td>20/07/2018 (16:20:58)</td><td><u>Financial Results Updates</u>
L&T Finance Holdings Limited has submitted to the Exchange, the financial results for the period ended June 30, 2018.</td><td><table><tr><th>Date</th><th>O</th><th>H</th><th>L</th><th>C</th><th>No. of shares traded</th></tr><tr><td>20.07.2018</td><td>151.80</td><td>156.60</td><td>150.85</td><td>155.60</td><td>58,70,012</td></tr><tr><td>23.07.2018</td><td>157.70</td><td>171.85</td><td>156.20</td><td>170.90</td><td>2,23,88,754</td></tr></table></td><td>The closing price of the scrip increased by 9.83% on the next day of announcement</td></tr>
<tr><td>4.</td><td>05/09/2018 (13:01:00)</td><td><u>Press Release</u>
L&T Finance Holdings Limited has informed the Exchange regarding a press release dated September 05, 2018, titled "Centrum Acquires L&T Finance's Supply Chain Finance Business"</td><td><table><tr><th>Date</th><th>O</th><th>H</th><th>L</th><th>C</th><th>No. of shares traded</th></tr><tr><td>04.09.2018</td><td>180.30</td><td>180.45</td><td>167.55</td><td>169.25</td><td>94,53,832</td></tr><tr><td>05.09.2018</td><td>168</td><td>171.40</td><td>162.30</td><td>165.20</td><td>75,97,630</td></tr></table></td><td>No substantial movement in scrip price</td></tr>
<tr><td>5.</td><td>09/10/2018 (08:25)</td><td><u>Committee Meeting Updates</u>
We wish to inform you that the meeting of the Committee of Directors of the Company was held today i.e. Monday, October 8, 2018 to approve the issuance of 2,50,00,000 Cumulative Compulsorily Redeemable Non-Convertible Preference Shares ("CRPS") of face value of Rs. 100 (Rupees One Hundred only) each at par aggregating to a nominal amount of Rs. 250,00,00,000 (Rupees Two Hundred and Fifty Crores) on a private placement basis.</td><td><table><tr><th>Date</th><th>O</th><th>H</th><th>L</th><th>C</th><th>No. of shares traded</th></tr><tr><td>08.10.2018</td><td>118</td><td>123.75</td><td>114.70</td><td>118.65</td><td>1,89,00,009</td></tr><tr><td>09.10.2018</td><td>120</td><td>126.50</td><td>119.50</td><td>123.80</td><td>1,49,21,399</td></tr></table></td><td>No substantial movement in scrip price
.</td></tr>
</table>

c) *Chronological events related to corporate announcement made on July 20, 2018 by L&T Finance are as follows:*

a. Financial results for the period ended June 30, 2018

I. L&T Finance *(as per L&T Finance emails dated June 04, 2019, June 11, 2019 and July 08, 2019 – copies provided to the Noticee as* ***Annexure B****)*

S.No.	Date	Event
1.	July 07, 2018	*Draft standalone financial statements shared with FP&A team*
2.	July 08, 2018	*Updated version of standalone financial statements shared with FP&A team* *Draft consolidated financial statements shared with FP&A team*
3.	July 09, 2018	*Hyperion Ind AS financial statements for past period provided to auditors for review* *Updated version of standalone financial statements shared with the auditors*
4.	July 10, 2018	*Data related to provision for expenses/ payroll expenses/related party balances/ at standalone basis as at quarter end shared with the auditors as part of review process* *Draft consolidated financial statements shared with FP&A team*
5.	July 11 -12, 2018	*Email with in Deloitte team for data received on draft Ind AS financial statements as on June 18 and on corporate support charge for the period ended June 30, 2018* *Updated version of standalone financial statements shared with the regulatory team for regulatory reporting and review* *Corporate support charge information provided to the auditors for the period ended June 30, 2018* *Chart of accounts and consolidation entries provided to the auditors for review*
6.	July 13, 2018	*Draft consolidated financial statements shared with FP&A team*
7.	July 14, 2018	*Dmat statements as on June 18 provided to auditors as part of review process by auditors.* *Format/template provided to the auditors for standalone and consolidated Ind AS Financial statements.* *Email communication with in the team for format/template for standalone Ind AS Financial statements.* *Data pendency email from auditors seeking information from LTFS team for the quarter ended June18.* *Reply to auditors with respect to the data pendency email from auditors providing with more explanations.* *Data related to bank reconciliation statements submitted to auditors for review.*
8.	July 15, 2018	*Draft standalone financial statements shared with the auditors as part of review process.*
9.	July 16, 2018	*Data related to ESOP grant letter provided to the auditors as a part of review process* *Variance analysis email with in auditors* *Updated version of standalone financial statement provided to the auditors.*
10.	July 17, 2018	*ESOP calculations as per fair valuation for various periods have been shared with auditors as review process.* *Email for requirement of templates for the financials to the auditors.* *Ind AS adjustment entries provided to the auditors as part of review process.*

S.No.	Date	Event
		Data related to ESOP grant letter provided to the auditors as a part of review process *ESOP calculations as per fair valuation for the period ended June 18 provided to auditors as review process.* *Email with in the auditors team members* *ESOP calculations as per intrinsic value for the period ended June 17 provided to auditors as review process.* *ESOP calculations as per intrinsic value for the period ended June 17 provided to auditors as review process.* *Updated version of standalone financial statement provided to FP&A Team.* *Impact analysis provided to the auditors as part of review process* *Data related to PAT Equity reconciliation as on June 17 provided to auditors as part of review process.* *Draft consolidated financial statements shared with FP&A team*
11.	*July 18, 2018*	*Data requirement email from auditors* *Variance analysis submitted to the auditors as part of review process.* *Corporate support charges agreement provided to the auditors as part of audit process.* *Draft consolidated financial statement of LTFH to the auditors for review and remarks.* *Draft consolidated financial statements shared with FP&A team*
12.	*July 19, 2018*	*Updated version of standalone financial statement provided to FP&A Team.* *Updated version of consolidated financial statement of LTFH to the auditors for review and remarks.* *Calculation of segment reporting provided to the auditors at consolidated level* *Updated calculation of segment reporting at consolidated level* *Updated version of consolidated financial statement of LTFH to the auditors for review and remarks.*
13.	*July 20, 2018*	*Final results after review of Statutory Auditors were shared with the Auditors and Board of Directors*
14.	*July 20, 2018 (16:24:21 IST on BSE and 16:20:58 IST on NSE)*	*Public Announcement gets updated on the websites of BSE and NSE*

II. **Deloitte Haskins & Sells LLP** *(auditor to financial results for quarter ended June 30, 2018)*

S.No.	Date	Event
1.	*June 30, 2018*	*Kick off meeting with company Chief Financial Officer and his team*
2.	*July 09-20, 2018*	*1. Exchange of information and queries between the audit team of the firm and the company's accounting and risk teams and consultation with engagement partners* *2. Closing meeting with joint auditors on July 19, 2018* *3. Audit committee meeting on July 20, 2018*

III. B.K.Khare & Co. *(auditor to financial results for quarter ended June 30, 2018)*

S.No.	***Date***	***Event***
1.	*July 11, 2018*	*Kick off meeting with company Chief Financial Officer and his team*
2.	*July 18, 2018*	*1. Review of standalone and consolidated financials* *2. Discussion with the management on director's/partners review points*
3.	*July 19, 2018*	*Closing meeting with auditors and management on director's/partners review points*
4	*July 20, 2018*	*Presentation by joint statutory auditors to the audit committee*

d) Unpublished Price Sensitive Information

As per regulation 2(1)(n) of PIT Regulations, 2015, 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*
ii. *dividends*
iii. *change in capital structure*
iv. *mergers, de-mergers, acquisitions, delistings, disposals and expansion of business and such other transactions*
v. *changes in key managerial personnel; and*
vi. *material events in accordance with the listing agreement.*

On July 20, 2018 at 04:20:58PM (after market hours), L&T Finance made a corporate announcement relating to its financial results for the period ended June 30, 2018 on NSE wherein the company reported net profit after tax of Rs. 539.83 cr as compared to net profit of Rs. 336.77 cr for the quarter ending June 2017 of the previous year i.e. a rise of 60.29%. The said announcement *is considered as Unpublished Price Sensitive Information (UPSI) in terms of PIT Regulations, 2015.*

e) Period of UPSI

i. When did UPSI come into existence

Based on the chronology of events related to corporate announcement made on July 20, 2018 by L&T Finance, the UPSI related to financial results for the quarter ended June 30, 2018 had come into existence on July 07, 2018.

ii. When did UPSI get published (Source : BSE and NSE Website)

The corporate announcement relating to financial results for the quarter ended June 30, 2018, was made by L&T Finance on July 20, 2018 after market hours.

iii. Period of UPSI

Based on the above para, the period of UPSI was observed to be from July 07, 2018 to July 20, 2018.

UPSI	*UPSI Period*
Financial results for the quarter ended June 2018	*July 07, 2018 to July 20, 2018*

f) Insiders

In terms of regulation 2 (1) (g) of SEBI (PIT) Regulations, 2015, "insider" means any person who is:

i. A connected person, or

ii. in possession of or having access to unpublished price sensitive information

As per the replies received from L&T Finance vide its emails dated June 04, 2019, June 11, 2019 and July 08, 2019 (copies provided to the Noticee as Annexure B), Noticee was involved in the discussions/was aware of the financial results for the period ended June 30, 2018, till the date of the public announcement or was in possession of the Price Sensitive information (PSI), prior to the public announcement and thus, was an insider as per PIT

Regulations, 2015. The analysis of trading by the Noticee during the UPSI period was done by SEBI and it was observed that Noticee made trading in the scrip of L&T Finance during the UPSI.

g) Insider Trading

I. As per replies vide emails dated June 04, 2019 and July 08, 2019, it was inter alia submitted by L&T Finance that Noticee was involved in the discussions relating to financial results for the quarter ended June 30, 2018 (UPSI). Hence, he was an insider as per regulation 2(1)(g)(ii) of PIT Regulations, 2015.

II. From the trading details provided by NSE (provided to the Noticee as Annexure C), it was observed that Noticee had traded in the scrip of L&T Finance in F&O segment during the UPSI period. The trade details of the Notiee are as follows:

Date	***Security Type***	***Expiry Date***	***Brought Forward Long Quantity***	***Brought Forward Short Quantity***	***Days Buy Quantity***	***Days Sell Quantity***	***Days Buy Value (in Rs.)***	***Days Sell Value (in Rs.)***
Pre-UPSI period (April 07, 2018 - July 06, 2018)								
11/04/2018	*FF*	*26/04/2018*	*0*	*0*	*4,500*	*0*	*7,63,875*	*0*
17/04/2018	*FF*	*26/04/2018*	*4,500*	*0*	*0*	*9,000*	*0*	*15,57,450*
19/04/2018	*FF*	*26/04/2018*	*0*	*4,500*	*4,500*	*0*	*7,68,150*	*0*
23/04/2018	*FF*	*31/05/2018*	*0*	*0*	*4,500*	*4,500*	*7,49,250*	*7,50,600*
03/05/2018	*FF*	*28/06/2018*	*0*	*0*	*4,500*	*0*	*7,82,550*	*0*
04/05/2018	*FF*	*28/06/2018*	*4,500*	*0*	*0*	*4,500*	*0*	*8,00,100*
24/05/2018	*FF*	*31/05/2018*	*0*	*0*	*4,500*	*0*	*7,30,350*	*0*
25/05/2018	*FF*	*31/05/2018*	*4,500*	*0*	*0*	*4,500*	*0*	*7,56,675*
01/06/2018	*FF*	*28/06/2018*	*0*	*0*	*4,500*	*0*	*7,38,450*	*0*
04/06/2018	*FF*	*28/06/2018*	*4,500*	*0*	*0*	*4,500*	*0*	*7,39,125*
27/06/2018	*FF*	*26/07/2018*	*0*	*0*	*4,500*	*0*	*7,04,475*	*0*
UPSI period (July 07, 2018 - July 20, 2018)								
16/07/2018	*FF*	*26/07/2018*	*4,500*	*0*	*4,500*	*0*	*6,43,500*	*0*
18/07/2018	*FF*	*26/07/2018*	*9,000*	*0*	*0*	*9,000*	*0*	*13,49,550*
20/07/2018	*FF*	*30/08/2018*	*0*	*0*	*4,500*	*0*	*6,93,450*	*0*
Post UPSI period (July 21, 2018 - October 20, 2018)								
23/07/2018	*FF*	*30/08/2018*	*4,500*	*0*	*0*	*4,500*	*0*	*7,47,000*
26/09/2018	*FF*	*25/10/2018*	*0*	*0*	*4,500*	*4,500*	*6,04,125*	*6,06,150*
27/09/2018	*FF*	*25/10/2018*	*0*	*0*	*4,500*	*0*	*5,69,025*	*0*
03/10/2018	*FF*	*25/10/2018*	*4,500*	*0*	*4,500*	*4,500*	*5,77,350*	*5,92,875*
04/10/2018	*FF*	*25/10/2018*	*4,500*	*0*	*0*	*4,500*	*0*	*5,81,625*

III. *From the aforesaid table, it was observed that during the UPSI period, Noticee was observed to be holding a long position of 4,500 shares in F&O segment on July 16, 2018 and had bought 4,500 shares in F&O segment on July 16, 2018 and thereby created a total long position of 9,000 shares. Subsequently, the Noticee squared off aforesaid long position of 9,000 shares on July 18, 2018.*

IV. *Pursuant to aforesaid, the Noticee created a long position of 4,500 (buy value of Rs. 6,93,450) on July 20, 2018 (on the day of announcement of financial results) and the same was squared off (sell value of Rs. 7,47,000) on July 23, 2018 (immediately after the announcement). It was observed that by trading on July 20 and July 23, 2018, the Noticee earned a profit of Rs. 53,550. The profit is considered only for those trade(s) where the long position was created before the announcement and the same position was squared off after the announcement.*

V. *Vide email dated October 29, 2020 (copies provided to the Noticee as Annexure D), Noticee inter alia submitted following in respect of reasons for trading in the scrip of L&T Finance:*

- *I started trading in stock market from FY2014 onwards and gradually developed an interest towards share trading. Since then I had been doing trading across many scripts including index shares. I started trading in 2015 and amongst many scripts, I had also undertaken a few trades in L&T Finance Holdings (LTFH) in the F&O segment. I was mapped as a designated person in LTFH from Jan'2018 and used to receive Open period and closed period windows intimations every quarter. However, I kept on undertaking trades in LTFH in F&O segment under bona-fide impression that restriction under company's policy was on purchase and sale only of shares and not on F&O. But later on a self-contemplation, I realized that the policy might apply to*

F&O transactions also and hence I voluntarily stopped trading in LTFH script. Thus, I did not enter in any F&O transactions under L&T Finance Holdings script after 2018. Further, I would like to bring to your notice that all future purchase of LTFH shares were only in delivery and under full compliance of company's code of conduct.

VI. *As per regulation 4(1) of SEBI (PIT) Regulations, 2015, 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. Considering that the Notiee traded when in possession of UPSI, it is alleged that the Noticee violated regulation 4(1) of PIT Regulations, 2015 which provides for a complete embargo on trading by the insiders when in possession of UPSI.*

h) Preclearance, disclosure of trades and trading window closure

I. Vide emails dated October 29, 2020, January 20, 2021 and January 22, 2021 (copies provided to the Noticee as Annexure E), L&T Finance inter alia submitted the following –

a) Was Mr. Uday Agarwal (PAN:ANTPA8142R) a designated person as per the Company's Code of Conduct for Prohibition of Insider Trading during the period January 01, 2018 to December 31, 2018? - Yes

b) All documents relating to the preclearance of trades and/or trading plan/s approved by L&T Finance to Mr. Uday Agarwal (PAN:ANTPA8142R), for the trades executed by him, during the period March 01, 2018 to December 31, 2018. - No pre-clearance was obtained by Mr. Uday Agarwal. Also, no trading plan was approved for Mr. Uday Agarwal for any trades executed by him.

c) Has Mr. Uday Agarwal (PAN:ANTPA8142R) made any disclosure as specified in the code of conduct of L&T Finance in respect of his trades during the period March 01, 2018 to October 20, 2018 in the scrip of L&T Finance? If yes, provide all details alongwith documentary evidence *thereof - Disclosures submitted from Jan to Dec 2018 - 4 quarters with NIL transactions*

d) *Has L&T Finance taken any action in respect of trading done by Mr. Uday Agarwal (PAN:ANTPA8142R) during the period January 01, 2018 to December 31, 2018 in the scrip of L&T Finance? If yes, provide all details alongwith documentary evidence thereof. - Since no trading was reported by Mr. Uday Agarwal, no actions have been taken during this period*

e) *Was any correspondence and/or communication sent to Mr. Uday Agarwal (PAN:ANTPA8142R) with regard to trading window closure during the period January 01, 2018 to December 31, 2018? If yes, provide all details along with documentary evidence thereof - Yes*

II. *The quarter wise trade details of the Noticee in the scrip of L&T Finance in F&O segment during the four quarters of 2018 are as follows –*

(source: NSE)

Date	**Expiry Date**	**Brought Forward Long Quantity**	**Brought Forward Short Quantity**	**Days Buy Qty.**	**Days Sell Qty.**	**Buy Avg. Price (in Rs.)**	**Sell Avg. Price (in Rs.)**	**Days Buy Value (in Rs.)**	**Days Sell Value (in Rs.)**	*Cumulative traded Value (in Rs.) wherever applicable*	**Whether disclosure made to L&T Finance as specified in the code of conduct of L&T Finance**	**Whether traded during trading window closure**
						Quarter ended March 2018						
20/03/2018	26/04/2018	0	0	4,500	0	153.90		6,92,550	0			
27/03/2018	26/04/2018	4,500	0	0	4,500		160.50	0	7,22,250	692,550+ 722,250= 14,14,800	No	
						Quarter ended June 2018						
11/04/2018	26/04/2018	0	0	4,500	0	169.75		7,63,875	0			Yes
17/04/2018	26/04/2018	4,500	0	0	9,000		173.05	0	15,57,450	7,63,875+ 15,57,450= 23,21,325	No	Yes
19/04/2018	26/04/2018	0	4,500	4,500	0	170.70		7,68,150	0			Yes
23/04/2018	31/05/2018	0	0	4,500	4,500	166.50	166.80	7,49,250	7,50,600	7,68,150+ 7,49,250+ 7,50,600= 22,68,000	No	Yes
03/05/2018	28/06/2018	0	0	4,500	0	173.90		7,82,550	0			Yes
04/05/2018	28/06/2018	4,500	0	0	4,500		177.80	0	8,00,100	7,82,550+ 8,00,100= 15,82,650	No	Yes
24/05/2018	31/05/2018	0	0	4,500	0	162.30		7,30,350	0			
25/05/2018	31/05/2018	4,500	0	0	4,500		168.15	0	7,56,675	7,30,350+	No	

Date	*Expiry Date*	*Brought Forward Long Quantity*	*Brought Forward Short Quantity*	*Days Buy Qty.*	*Days Sell Qty.*	*Buy Avg. Price (in Rs.)*	*Sell Avg. Price (in Rs.)*	*Days Buy Value (in Rs.)*	*Days Sell Value (in Rs.)*	*Cumulative traded Value (in Rs.) wherever applicable*	*Whether disclosure made to L&T Finance as specified in the code of conduct of L&T Finance*	*Whether traded during trading window closure*
										7,56,675= 14,87,025		
01/06/2018	*28/06/2018*	*0*	*0*	*4,500*	*0*	*164.10*		*7,38,450*	*0*			
04/06/2018	*28/06/2018*	*4,500*	*0*	*0*	*4,500*		*164.25*	*0*	*7,39,125*	*7,38,450+ 7,39,125= 14,77,575*	*No*	
27/06/2018	*26/07/2018*	*0*	*0*	*4,500*	*0*	*156.55*		*7,04,475*	*0*			
Quarter ended September 2018												
16/07/2018	*26/07/2018*	*4,500*	*0*	*4,500*	*0*	*143*		*6,43,500*	*0*			*Yes*
18/07/2018	*26/07/2018*	*9,000*	*0*	*0*	*9,000*		*149.95*	*0*	*13,49,550*	*6,43,500+ 13,49,550= 19,93,050*	*No*	*Yes*
20/07/2018	*30/08/2018*	*0*	*0*	*4,500*	*0*	*154.10*		*6,93,450*	*0*			*Yes*
23/07/2018	*30/08/2018*	*4,500*	*0*	*0*	*4,500*		*166.00*	*0*	*7,47,000*	*6,93,450+ 7,47,000= 14,40,450*	*No*	
26/09/2018	*25/10/2018*	*0*	*0*	*4,500*	*4,500*	*134.25*	*134.70*	*6,04,125*	*6,06,150*	*6,04,125+ 6,06,150= 12,10,275*	*No*	
27/09/2018	*25/10/2018*	*0*	*0*	*4,500*	*0*	*126.45*		*5,69,025*	*0*			
Quarter ended December 2018												
03/10/2018	*25/10/2018*	*4,500*	*0*	*4,500*	*4,500*	*128.30*	*131.75*	*5,77,350*	*5,92,875*	*5,77,350+ 5,92,875= 11,70,225*	*No*	
04/10/2018	*25/10/2018*	*4,500*	*0*	*0*	*4,500*		*129.25*	*0*	*5,81,625*			
01/11/2018	*29/11/2018*	*0*	*0*	*0*	*4,500*		*136.30*	*0*	*6,13,350*	*5,81,625+ 6,13,350 = 11,94,975*	*No*	
02/11/2018	*29/11/2018*	*0*	*4,500*	*9,000*	*4,500*	*135.65*	*135.25*	*12,20,850*	*6,08,625*	*12,20,850+ 6,08,625= 18,29,475*	*No*	
06/11/2018	*29/11/2018*	*0*	*0*	*4,500*	*0*	*135.60*		*6,10,200*	*0*			
09/11/2018	*29/11/2018*	*4,500*	*0*	*0*	*4,500*		*136.70*	*0*	*6,15,150*	*6,10,200+ 6,15,150= 12,25,350*	*No*	
*11/12/2018**	*27/12/2018*	*0*	*0*	*4,500*	*0*	*2.60*	*0*	*11,700*	*0*			
*12/12/2018**	*27/12/2018*	*4,500*	*0*	*0*	*4,500*	*0*	*0.95*	*0*	*4,275*			

**Entity had traded in options*

From above table, it was observed that as per Securities Dealing Code of L&T Finance (copy provided to the Noticee as Annexure F), Noticee was required make disclosures to L&T Finance in respect of his trades having aggregate traded value of more than Rs. 10 lacs on 13 instances in the scrip of L&T

Finance in F&O segment during four quarters of 2018 as specified in the code of conduct of L&T Finance. However, as per reply from L&T Finance (provided to the Noticee as Annexure E), disclosures were submitted by the Noticee for January to December 2018 i.e. four quarters of 2018 with NIL transactions. Therefore, it is alleged that the Noicee made wrong disclosures in respect of his aforesaid trades.

III. *Further, vide emails dated October 29, 2020 and January 20, 2021 (provided to the Noticee as Annexure E), L&T Finance inter alia submitted that the trading window was closed during periods March 08 – 19, 2018, April 11 – May 05, 2018, July 09 – 22, 2018 and October 11 – 26, 2018. During the aforesaid trading window closure periods, the Noticee (a designated person) was observed to be trading in the scrip of L&T Finance in F&O segment on nine (9) instances. Also, as per aforesaid reply from L&T Finance (provided to the Noicee as Annexure E), it was observed that the intimation of all the aforesaid trading window closures was sent to the Noticee.*

IV. *As per Securities Dealing Code of L&T Finance (provided to the Noticee as Annexure F), every Designated Person is required to obtain pre-clearance through the system before he and / or any of his immediate relatives, deals in L&TFH securities (either buy / acquire or sell / dispose), 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 Rupees ten lakh (Rs. 10 lakh) or if the number of securities involved in the deal, in the aggregate, exceeds 5,000 in a week. The threshold limit would apply in respect of one type of transaction i.e. either buy / acquire or sell / dispose. If the aggregate of dealings in L&TFH securities made within any calendar quarter by the Designated Person and / or any of his immediate relatives exceeds the threshold limit specified, the second & subsequent deals, if any, within the same period, will require pre-clearance, although each such deal may individually pertain to less than the threshold limit.*

V. *The quarter wise trade details of the Noticee in the scrip of L&T Finance in F&O segment during the four quarters of 2018 are as follows –*

(source: NSE)

Date	Expiry Date	Brought Forward Long Quantity	Brought Forward Short Quantity	Days Buy Qty.	Days Sell Qty.	Buy Avg. Price (in Rs.)	Sell Avg. Price (in Rs.)	Days Buy Value (in Rs.)	Days Sell Value (in Rs.)	Whether preclearance required
Quarter ended March 2018										
20/03/2018	26/04/2018	0	0	4,500	0	153.90		6,92,550	0	
27/03/2018	26/04/2018	4,500	0	0	4,500		160.50	0	7,22,250	
Quarter ended June 2018										
11/04/2018	26/04/2018	0	0	4,500	0	169.75		7,63,875	0	
17/04/2018	26/04/2018	4,500	0	0	9,000		173.05	0	15,57,450	Yes as aggregate buy/sell value exceeded Rs. 10 lacs
19/04/2018	26/04/2018	0	4,500	4,500	0	170.70		7,68,150	0	
23/04/2018	31/05/2018	0	0	4,500	4,500	166.50	166.80	7,49,250	7,50,600	
03/05/2018	28/06/2018	0	0	4,500	0	173.90		7,82,550	0	
04/05/2018	28/06/2018	4,500	0	0	4,500		177.80	0	8,00,100	
24/05/2018	31/05/2018	0	0	4,500	0	162.30		7,30,350	0	
25/05/2018	31/05/2018	4,500	0	0	4,500		168.15	0	7,56,675	
01/06/2018	28/06/2018	0	0	4,500	0	164.10		7,38,450	0	
04/06/2018	28/06/2018	4,500	0	0	4,500		164.25	0	7,39,125	
27/06/2018	26/07/2018	0	0	4,500	0	156.55		7,04,475	0	
Quarter ended September 2018										
16/07/2018	26/07/2018	4,500	0	4,500	0	143		6,43,500	0	
18/07/2018	26/07/2018	9,000	0	0	9,000		149.95	0	13,49,550	Yes as aggregate buy/sell value exceeded Rs. 10 lacs
20/07/2018	30/08/2018	0	0	4,500	0	154.10		6,93,450	0	
23/07/2018	30/08/2018	4,500	0	0	4,500		166.00	0	7,47,000	
26/09/2018	25/10/2018	0	0	4,500	4,500	134.25	134.70	6,04,125	6,06,150	
27/09/2018	25/10/2018	0	0	4,500	0	126.45		5,69,025	0	
Quarter ended December 2018										
03/10/2018	25/10/2018	4,500	0	4,500	4,500	128.30	131.75	5,77,350	5,92,875	
04/10/2018	25/10/2018	4,500	0	0	4,500		129.25	0	5,81,625	Yes as aggregate buy/sell value exceeded Rs. 10 lacs
01/11/2018	29/11/2018	0	0	0	4,500		136.30	0	6,13,350	
02/11/2018	29/11/2018	0	4,500	9,000	4,500	135.65	135.25	12,20,850	6,08,625	
06/11/2018	29/11/2018	0	0	4,500	0	135.60		6,10,200	0	
09/11/2018	29/11/2018	4,500	0	0	4,500		136.70	0	6,15,150	
11/12/2018*	27/12/2018	0	0	4,500	0	2.60		11,700	0	
12/12/2018*	27/12/2018	4,500	0	0	4,500		0.95	0	4,275	

From above table, it was observed that as per Securities Dealing Code of L&T Finance (provided to the Noticee as Annexure F), the Noticee was required to take preclearance in respect of his trades having aggregate buy/sell value in excess of Rs. 10 lacs in one transaction or a series of transactions in the scrip of L&T Finance in F&O segment during quarters ending June 2018, September 2018 and December 2018.

VI. *From reply of L&T Finance vide its emails dated October 29, 2020 and January 22, 2021 (provided to the Noticee Annexure E), it was observed that no preclearance was taken by the Noticee in respect of his aforesaid trades.*

Being a team manager- finance & accounts and a Chartered Accountant, it is expected that the Noticee should know and adhere to code of conduct as laid down by L&T Finance.

i) Contra Trades

I. The details of contra trades by the Noticee in the scrip of L&T Finance in F&O segment during the four quarters of 2018 are as follows –

(source: NSE)

Date	Brought Forward Long Quantity	Brought Forward Short Quantity	Days Buy Quantity	Days Sell Quantity	Days Buy Value (in Rs.)	Days Sell Value (in Rs.)	Profit/loss (in Rs.) (Sell Value-Buy Value)
Instance 1							
20/03/2018	0	0	4,500	0	6,92,550	0	29,700
27/03/2018	4,500	0	0	4,500	0	7,22,250	
Instance 2 & 3							
11/04/2018	0	0	4,500	0	7,63,875	0	25,425
17/04/2018	4,500	0	0	9,000	0	15,57,450	
19/04/2018	0	4,500	4,500	0	7,68,150	0	
Instance 4							
23/04/2018	0	0	4,500	4,500	7,49,250	7,50,600	1,350
Instance 5							
03/05/2018	0	0	4,500	0	7,82,550	0	17,550
04/05/2018	4,500	0	0	4,500	0	8,00,100	
Instance 6							
24/05/2018	0	0	4,500	0	7,30,350	0	26,325
25/05/2018	4,500	0	0	4,500	0	7,56,675	
Instance 7							
01/06/2018	0	0	4,500	0	7,38,450	0	675
04/06/2018	4,500	0	0	4,500	0	7,39,125	
Instance 8							
27/06/2018	0	0	4,500	0	7,04,475	0	1,575
16/07/2018	4,500	0	4,500	0	6,43,500	0	
18/07/2018	9,000	0	0	9,000	0	13,49,550	
Instance 9							
20/07/2018	0	0	4,500	0	6,93,450	0	53,550
23/07/2018	4,500	0	0	4,500	0	7,47,000	
Instance 10							
26/09/2018	0	0	4,500	4,500	6,04,125	6,06,150	2,025
Instance 11							
27/09/2018	0	0	4,500	0	5,69,025	0	23,850
03/10/2018	4,500	0	0	4,500	0	5,92,875	
Instance 12							
03/10/2018	4,500	0	4,500	0	5,77,350	0	4,275
04/10/2018	4,500	0	0	4,500	0	5,81,625	
Instance 13							

Date	Brought Forward Long Quantity	Brought Forward Short Quantity	Days Buy Quantity	Days Sell Quantity	Days Buy Value (in Rs.)	Days Sell Value (in Rs.)	Profit/loss (in Rs.) (Sell Value-Buy Value)
01/11/2018	0	0	0	4,500	0	6,13,350	1,125
02/11/2018	0	4,500	9,000	4,500	12,20,850	6,08,625	
Instance 14							
06/11/2018	0	0	4,500	0	6,10,200	0	4,950
09/11/2018	4,500	0	0	4,500	0	6,15,150	
Instance 15							
11/12/2018	0	0	4,500	0	11,700	0	(7,425)
12/12/2018	4,500	0	0	4,500	0	4,275	

From above table, it was observed that the Noticee had entered into contra trades on 15 instances. Out of 15 instances, in 14 instances a cumulative profit of Rs. 1,92,375 was earned and in one instance a loss of Rs. 7,425 was incurred.

j) In view of the above, it is alleged that the Noticee being an insider and a designated person violated the following provisions of PIT Regulations, 2015:

I. Regulation 4(1) of PIT Regulations, 2015 by trading in the scrip of L&T Finance when in possession of UPSI.

II. Clause 4 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders specified in Schedule B r/w regulation 9(1) of PIT Regulations, 2015 by trading in the scrip of L&T Finance in F&O segment during quarters ending June 2018 and September 2018 during trading window closure.

III. Clause 6 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders specified in Schedule B r/w regulation 9(1) of PIT Regulations, 2015 by trading repeatedly in the scrip of L&T Finance in F&O segment during quarters ending June 2018, September 2018 and December 2018 without taking pre-clearance.

IV. Clause 10 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders specified in Schedule B r/w *regulation 9(1) of PIT Regulations, 2015 by entering into contra trades in the scrip of L&T Finance in F&O segment during the four quarters of 2018.*

4. The SCN was sent through speed post acknowledgement due and also through e-mail at *Udayagarwalca@gmail.com.* The said SCN was delivered to the Noticee as available on record. Noticee was advised to reply within 15 days of the receipt of the SCN. Vide e-mail dated May 18, 2021, Noticee was further advised to submit reply to the SCN by May 25, 2021. Noticee vide his e-mail dated May 25, 2021 requested 2 weeks' time and vide his e-mail dated June 07, 2021 requested one week time to submit reply to the SCN. Accordingly, Noticee was advised to reply by June 15, 2021. Vide e-mail dated June 15, 2021, Noticee informed that he has filed a settlement application with SEBI under SEBI (Settlement Proceedings), Regulations, 2018. In this regard, the concerned department of SEBI intimated the same to the undersigned vide e-mail dated June 18, 2021. Vide e-mail dated October 04 2021, the concerned department of SEBI informed the undersigned that settlement application of the Noticee has been rejected by the competent authority.

5. Subsequently, vide hearing notice dated October 04 2021, the Noticee was granted an opportunity of hearing on October 11, 2021 which was later adjourned on the Noticee's request. The Noticee vide email dated October 27, 2021 submitted his reply to the SCN. Further, vide hearing notice dated October 22, 2021, the Noticee was granted another hearing opportunity on October 29, 2021. The Noticee attended the hearing on the scheduled date and reiterated the submissions made vide e-mail dated October 27, 2021 and stated that no further submissions would be made.The submissions of the Noticee are summarized hereunder:

   a) *There was inordinate delay in issuance of Show Cause Notice.*
   b) *The Noticee during 2018 was working as Team Manager looking after the Rural business MIS and also automation projects working with IT Team and*

was dealing with financial information pertaining to only a particular business segment (rural business).

c) *Noticee had been dealing in the securities market in the ordinary course (in small quantum) since 2013-14 and never defaulted in meeting the payment or delivery obligations on any occasion.*

d) *Noticee had admitted the allegation pertaining to non-obtaining of Preclearance, execution of contra trades, non-making of disclosure of trades and trading during the window closure period.*

e) *The Noticee was unaware of disclosures and restrictions on "Designated Person" in terms of trading in the scrip of the Company.*

f) *Noticee was directed by Compliance Department of the Company to remit Rs 192,375/- (the alleged cumulative profit arising from execution of contra trades in 15 instances during the year 2018) to the 'Investor Protection & Education Fund' which was remitted by Noticee.*

g) *Noticee is hard working person and is at nascent stage of his professional career, any charges of insider trading would damage his reputation.*

h) *The Noticee apologized for the inadvertent errors/mistakes on his part. Noticee assured that he will be extra careful in future and such kind of mistake would not be repeated.*

CONSIDERATION OF ISSUES AND FINDINGS:

6. I have taken into consideration the facts and circumstances of the case, reply of the Noticee and the material available on record, the issues that arise for consideration in the present case are:

(a) Whether the Noticee has violated the provisions of regulation 4(1) and clauses 4, 6 and 10 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders specified in Schedule B r/w regulation 9(1) of PIT Regulations, 2015?

(b) Does the violations, if any, on the part of the Noticee would attract monetary penalty under sections 15G and 15HB of the SEBI Act, 1992?

(c) If so, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors mentioned in section 15J of SEBI Act, 1992?

7. Before moving forward, it is pertinent to refer to the relevant provisions of the SAST Regulations, 2011 which read as under:

PIT Regulations, 2015

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

Code of Conduct.

9.(1) The board of directors of every listed company and market intermediary shall formulate a code of conduct to regulate, monitor and report trading by its employee and other connected person towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule B to these regulations, without diluting the provisions of these regulations in any manner.

Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insider

4. Designated persons may execute trades subject to compliance with these regulations. Towards this end, a notional trading window shall be used as an instrument of monitoring trading by the designated persons. The trading window shall be closed when the compliance officer determines that a designated person or class of designated persons can reasonably be expected to have possession of unpublished price sensitive information. Such closure shall be imposed in relation to such securities to which *such unpublished price sensitive information relates. Designated persons and their immediate relatives shall not trade in securities when the trading window is closed.*

6. When the trading window is open, trading by designated persons shall be subject to pre-clearance by the compliance officer, if the value of the proposed trades is above such thresholds as the board of directors may stipulate. No designated person shall apply for pre-clearance of any proposed trade if such designated person is in possession of unpublished price sensitive information even if the trading window is not closed.

10. The code of conduct shall specify the period, which in any event shall not be less than six months, within which a designated person who is permitted to trade shall not execute a contra trade. The compliance officer may be empowered to grant relaxation from strict application of such restriction for reasons to be recorded in writing provided that such relaxation does not violate these regulations. Should a contra trade be executed, inadvertently or otherwise, in violation of such a restriction, the profits from such trade shall be liable to be disgorged for remittance to the Board for credit to the Investor Protection and Education Fund administered by the Board under the Act.

8. Now I deal with the issues on merit in the matter. Before I proceed further, I note that Noticee have raised the preliminary issue with regard to delay in issuance of SCN. I Note from the records available that SCN was issued on April 16, 2021. I note that investigation in the present matter was initiated by SEBI. Investigation involved examining the analysis of price volume in the scrip. In order to carry out the aforesaid investigation, various activities are involved like 1) Examination of trades of various entities, 2) collecting data from various sources such as exchanges, depositories, banks, etc. 3) Seeking responses from various delinquent entities, etc. and thereafter, various dots were

connected to get the complete picture and thus, investigation was concluded. Thus investigation in the matter was onerous, time consuming and complex owing to involvement of funds. After conclusion of the investigation, SCN was issued and served upon the Noticee in the matter. This, generally, consumes considerable time and efforts depending on the number of entities involved, the complexity of the transactions, correspondences with the entities involved etc. In Ravi Mohan & Ors. vs. SEBI and other connected appeals decided on August 08, 2013, Hon'ble Securities Appellate Tribunal, Mumbai (hereinafter referred to as 'Hon'ble SAT') while referring to its own decision in HB Stockholdings Ltd. v. SEBI (Appeal no. 114 of 2012) decided on August 27, 2013 and decision of Hon'ble Supreme Court in Collector of Central Excise, New Delhi v. Bhagsons Paint Industry (India) reported in 2003 (158) ELT 129 (S.C.), held that: "....Based on decision of this Tribunal in case of HB Stockholdings Ltd. vs. SEBI (Appeal no. 114 of 2012 decided on 27.08.2013) it is contended on behalf of the appellants that in view of the delay of more than 8 years in issuing the show cause notice, the impugned order is liable to be quashed and set aside. There is no merit in this contention, because, this Tribunal while setting aside the decision of SEBI on merits has clearly held in para 20 of the order, that delay itself may not be fatal in each and every case. Moreover, the Apex Court in case of Collector of Central Excise, New Delhi vs. Bhagsons Paint Industry (India) reported in 2003 (158) ELT 129 (S.C) has held that if there no statutory bar for adjudicating the matter beyond a particular date, the Tribunal cannot set aside the adjudication order merely on the ground that the adjudication order is passed after a lapse of several years from the date of issuing notice...." The decisions made by Hon'ble SAT in the aforesaid case, were reiterated by it, in a subsequent order in the matter of Kunal Pradip Savla & Ors. v. SEBI. (Appeal no. 231 of 2017) decided on April 04, 2018.In view of the above, I find no merit in this submission of the Noticee. Having decided the preliminary issues raised by the Noticee, now I proceed to deal with the merits of the matter.

Issue (a): Whether the Noticee has violated the provisions of regulation 4(1) and clauses 4, 6 and 10 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders specified in Schedule B r/w regulation 9(1) of PIT Regulations, 2015?

(a) It has been alleged that the Noticee being an insider and a designated person made trading in the scrip of L&T Finance during the UPSI and therefore violated the provisions of regulation 4(1) and clauses 4, 6 and 10 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders specified in Schedule B r/w regulation 9(1) of PIT Regulations, 2015.

(b) Unpublished Price Sensitive Information**:** From the available record, it is noted that the company made corporate announcements during the IP i.e. April 15, 2018 to October 15, 2018. I observed that L&T Finance made a corporate announcement relating to its financial results for the period ended June 30, 2018 on NSE on July 20, 2018 at 04:20:58PM (after market hours), wherein the company reported net profit after tax of Rs. 539.83 cr as compared to net profit of Rs. 336.77 cr for the quarter ending June 2017 of the previous year i.e. a rise of 60.29%. As per regulation 2(1)(n) of PIT Regulations, 2015, 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
ii. dividends
iii. change in capital structure
iv. mergers, de-mergers, acquisitions, delistings, disposals and expansion of business and such other transactions
v. changes in key managerial personnel; and
vi. material events in accordance with the listing agreement.

As per regulation 2(ha) of PIT Regulations, 1992, it is noted that the aforesaid corporate announcement of L&T Finance relating to its financial results for the period ended June 30, 2018 was Unpublished Price Sensitive Information (UPSI) on July 20, 2018 at 04:20:58 PM, wherein the company reported net profit after tax of Rs. 539.83 cr as compared to net profit of Rs. 336.77 cr for the quarter ending June 2017 of the previous year i.e. a rise of 60.29%.

(c) UPSI period: It is observed from the available record that chronology of events related to corporate announcement of the Company made on July 20, 2018 that the UPSI related to financial results for the quarter ended June 30, 2018 had come into existence on July 07, 2018. As per BSE and NSE Website, UPSI got published on July 20, 2018 i.e. the corporate announcement relating to financial results for the quarter ended June 30, 2018, was made by L&T Finance. Therefore, the period of UPSI was from July 07, 2018 to July 20, 2018.

(d) Insiders: In terms of regulation 2(1) (g) of PIT Regulations, 2015, insider means any person who is a connected person, or in possession of or having access to unpublished price sensitive information. It is noted from the emails of L&T Finance dated June 04, 2019, June 11, 2019 and July 08, 2019 that the Noticee was involved in the discussions / was aware of the financial results for the period ended June 30, 2018, till the date of the public announcement or was in possession of the Price Sensitive information (PSI), prior to the public announcement. Therefore, I am of the view that by virtue of Noticee's involvement in the financial results for the period ended June 30, 2018 of the company and as he had access to the UPSI, he is considered as an insider in terms of regulation 2(1) (n) of PIT Regulations, 2015.

(e) Insider Trading: It is observed that the Noticee was involved in the discussions relating to financial results for the quarter ended June 30, 2018 (UPSI) and hence, he was an insider as per regulation 2(1)(g)(ii) of PIT Regulations, 2015. From the trading details of the Noticee, it is observed that Noticee had traded in the scrip of L&T Finance in F&O segment during the UPSI period. Also, it is noted that during the UPSI period, Noticee was holding a long position of 4,500 shares in F&O segment on July 16, 2018 and had bought 4,500 shares in F&O segment on July 16, 2018 and thereby created a total long position of 9,000 shares. Afterward, the Noticee squared off aforesaid long position of 9,000 shares on July 18, 2018. Thereafter, the Noticee created a long position of 4,500 (buy value of Rs. 6,93,450) on July 20, 2018 (on the day of announcement of financial results) and the same was squared off (sell value of Rs. 7,47,000) on July 23, 2018 (immediately after the announcement). The same was not disputed by the Noticee. As per regulation 4(1) of PIT Regulations, 2015, 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. Considering that the Notiee being an insider, traded when in possession of UPSI, it is established that the Noticee violated regulation 4(1) of PIT Regulations, 2015 which provides for a complete restraint on trading by the insiders when in possession of UPSI.

(f) <u>Preclearance, disclosure of trades and trading window closure:</u> From the emails of L&T Finance dated October 29, 2020, January 20, 2021 and January 22, 2021, it is noted that the Noticee was a designated person as per the Company's Code of Conduct for Prohibition of Insider Trading during the period January 01, 2018 to December 31, 2018. Also, it is observed from the reply of the company that no trading plan was approved for the Noticee for any trades executed by him and Noticee did not make any disclosure as specified in the code of conduct of L&T Finance in respect of his trades during the period March 01, 2018 to October 20, 2018 in the scrip of L&T Finance. From the quarter wise trade details of the Noticee in the scrip of L&T Finance in F&O segment during the four quarters of 2018, it is observed that Noticee traded in the scrip of L&T Finance having aggregate traded value of more than Rs. 10 lakh on 13 instances in F&O segment during four quarters of 2018. As per Securities Dealing Code, the Noticee was required make disclosures to L&T Finance in respect of his trades having aggregate traded value of more than Rs. 10 lakh on <u>13 instances</u> in the scrip of L&T Finance in F&O segment during four quarters of 2018 as specified in the code of conduct of L&T Finance. However, as per reply from L&T Finance, disclosures submitted by the Noticee for January to December 2018 i.e. four quarters of 2018 with NIL transactions. Therefore, it is concluded that the Noticee made wrong disclosures in respect of his aforesaid trades.

Further, it is noted from L&T Finance emails dated October 29, 2020 and January 20, 2021 that the trading window was closed during periods March 08 – 19, 2018, April 11 – May 05, 2018, July 09 – 22, 2018 and October 11 – 26, 2018. During the aforesaid trading window closure periods, the Noticee (a designated person) traded in the scrip of L&T Finance in F&O segment on <u>nine (9) instances</u>. Also, as per aforesaid reply from L&T Finance, it is observed that the intimation of all the aforesaid trading window closures was sent to the Noticee.

As per Securities Dealing Code of L&T Finance, every Designated Person is required to obtain pre-clearance through the system before he and / or any of his immediate relatives, deals in L&T Finance securities (either buy / acquire or sell / dispose), 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 Rupees ten lakh (Rs. 10 lakh) or if the number of securities involved in the deal, in the aggregate, exceeds 5,000 in a week. The threshold limit would apply in respect of one type of transaction i.e. either buy / acquire or sell / dispose. If the aggregate of dealings in the scrip made within any calendar quarter by the Designated Person and / or any of his immediate relatives exceeds the threshold limit specified, the second & subsequent deals, if any, within the same period, will require pre-clearance, although each such deal may individually pertain to less than the threshold limit.

With regard to the quarter wise trade details of the Noticee in the scrip of L&T Finance in F&O segment during the four quarters of 2018, it is observed that as per Securities Dealing Code of L&T Finance, the Noticee was required to take preclearance in respect of his trades having aggregate buy/sell value in excess of Rs. 10 lakh in one transaction or a series of transactions in the scrip of L&T Finance in F&O segment during quarters ending June 2018, September 2018 and December 2018. However, from reply of L&T Finance, it is observed that no preclearance was taken by the Noticee in respect of his aforesaid trades. Being a designated person, the Noticee should know and adhere to code of conduct as laid down by L&T Finance.

(g) <u>Contra Trades:</u> With regard to the contra trades by the Noticee in the scrip of L&T Finance in F&O segment during the four quarters of 2018, it is observed that the Noticee had entered into contra trades on 15 instances in the scrip. Out of 15 instances, in 14 instances a cumulative profit of Rs. 1,92,375/- was earned and in one instance a loss of Rs. 7,425 was incurred by the Noticee. The same was admitted by the Noticee. In this regard, Noticee replied that the amount of Rs. 1,92,375/- for the alleged cumulative profit arising from execution of contra trades in the scrip during the year 2018 remitted to the "Investor Protection & Education Fund". From the available record, it is noted that Noticee made payment on March 08, 2021 to SEBI-IPEF. In this regard, I am of the view that Noticee being an designated person in the Company not only made contra trades in the scrip of L&T Finance but also made trading in the scrip of L&T during UPSI, traded during widow closure period, traded without taking any pre-clearance from the Company and also did not disclosures for his trading.

(h) With regard to the alleged violations, I note that Noticee in its reply submitted that he did not comprehend the scope and implication of being made a "designated Person" and the disclosures and restriction on designated Person in terms of trading in the scrip of company. Noticee has contended that he was ignorant of the fact the embargo of trading in the scrip of company applies to F&O segment as well. In this regard, I find this submission inadmissible as it goes against the legal maxim of "ignorantia juris non excusat" which translates into ignorance of law is no excuse. The legal principle is justified on grounds of necessity because if there is relaxation in the application of this principle, every accused will take the plea that he did not know the law and it will be impossible for the adjudicating authority to establish the knowledge of law and it would in turn weaken the administration of justice. So, I am of the view that ignorance of law cannot be considered as an excuse.

(i) In view of the above, it is concluded that the alleged violation of the provisions of regulation 4(1) and clauses 4, 6 and 10 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders specified in Schedule B r/w regulation 9(1) of PIT Regulations, 2015, against the Noticee is established.

Issue (b): Does the violations, if any, on the part of the Noticee would attract monetary penalty under sections 15G and 15HB of the SEBI Act, 1992?

(a) It has been established in the foregoing paragraphs that Noticee has violated the alleged provisions of regulation 4(1) and clauses 4, 6 and 10 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders specified in Schedule B r/w regulation 9(1) of PIT Regulations, 2015 and therefore, the aforesaid violations committed by the Noticee attract monetary penalty under sections 15G and 15HB of the SEBI Act, 1992.

(b) In this regard, reliance is placed upon the order of the Hon'ble Supreme Court of India in the matter of Chairman, SEBI Vs Shriram Mutual Fund { [2006]5 SCC 361 } – wherein the Hon'ble Supreme Court of India 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 and hence the intention of the parties committing such violation becomes wholly irrelevant*…………...."

(c) In view of the above, I conclude that the Noticee is liable for monetary penalty under the provisions of sections 15G and 15HB of the SEBI Act, 1992 which reads as under :

SEBI Act, 1992
Penalty for insider trading.
15G. If any insider who,—
(i) either on his own behalf or on behalf of any other person, deals in securities of a body corporate listed on any stock exchange on the basis of any unpublished price-sensitive information; 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.

Penalty for contravention where no separate penalty has been provided.
15H: *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.*

Issue (c): If so, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors mentioned in section 15J of SEBI Act, 1992?

(a) While determining the quantum of penalty under sections 15G and 15HB of the SEBI Act, 1992, it is important to consider the factors relevantly as stipulated in section 15J of the SEBI Act, 1992 which reads as under:-

Factors to be taken into account by the adjudicating officer.

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.*

9. The material available on record also has not quantified the amount of the loss suffered by the investors as a result of the non-compliance committed by the Noticee. Material on record does not show that failure is repetitive in nature. With regard to the profit by the Noticee, it is noted that he made profit of Rs. 1,92,375 for the contra trades executed during IP and the said amount of profit was remitted to SEBI - Investor Protection & Education Fund . However, the facts of the case clearly bring out the default made by the Noticee that being an insider, he traded in the scrip having possession of UPSI, traded during trading window closure period, failed to obtain preclearance, failed to make disclosure for his trading and made contra trades and thereby violated the provision of regulation 4(1) and clauses 4, 6 and 10 of the Minimum Standards for Code of Conduct to Regulate, Monitor and Report Trading by Insiders specified in Schedule B read with (r/w) regulation 9(1) of SEBI PIT 2015.

ORDER

10. After taking into consideration the facts and circumstances of the case, material/facts on record and also the factors mentioned in the preceding paragraphs, I, in exercise of the powers conferred upon me under section 15-I of the SEBI Act, 1992 r/w rule 5 of the Adjudication Rules, 1995, hereby impose a penalty of Rs. 15,00,000/- (Rupees Fifteen Lakh only) under section 15G of the SEBI Act, 1992 and Rs. 10,00,000/- (Rupees Ten Lakh only) under section 15HB of the SEBI Act, 1992 i.e. penalty totaling Rs. 25,00,000/- (Rupees Twenty Five lakh only) upon the Noticee for the failure to comply with the relevant provisions of the law. I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticee.

11. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through Demand Draft in favour of “SEBI -Penalties Remittable to Government of India”, payable at Mumbai, or the 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, the Noticee may contact the support at portalhelp@sebi.gov.in.

12. The Noticee shall forward said Demand Draft or the details/confirmation of penalty so paid to the Division Chief, Enforcement Department-I, DRA-2, SEBI. The Noticee shall provide the following details while forwarding DD/payment information:

    a) Name and PAN of the entity (Noticee)
    b) Name of the case / matter
    c) Purpose of Payment –Payment of penalty under AO proceedings
    d) Bank Name and Account Number
    e) Transaction Number

13. In terms of the provisions of rule 6 of the Adjudication Rules, 1995, a copy of this order is being sent to the Noticee and also to the Securities and Exchange Board of India.

Place: Mumbai	**PRASANTA MAHAPATRA**
Date: November 23, 2021	**ADJUDICATING OFFICER**