**WTM/GM/IVD/55 /2019–20**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**IMPOUNDING ORDER**

**UNDER SECTION 19 READ WITH SECTIONS 11(1), 11(4)(d) AND SECTION 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATION 10 OF THE INSIDER TRADING REGULATIONS, 2015 –**

**IN THE MATTER OF PC JEWELLER LIMITED.**

| | ENTITY | PAN |
|---|---|---|
| 1. | SHIVANI GUPTA | AHOPG5347H |
| 2. | SACHIN GUPTA | AAGPG3473P |
| 3. | AMIT GARG | AAJPG0015G |
| 4. | QUICK DEVELOPERS PVT. LIMITED | AAACQ2182N |
| 5. | BALRAM GARG | AANPG9208P |

**BACKGROUND –**

1. Securities and Exchange Board of India ("**SEBI**") had conducted an investigation in the scrip of PC Jeweller Limited ("**PC Jeweller/Company**") to ascertain whether or not suspected entities had traded in the aforesaid scrip during the period April 2–July 31, 2018 ("**Investigation Period**") on the basis of unpublished price sensitive information ("**UPSI**"), in contravention of the provisions of the SEBI Act, 1992 ("**SEBI Act**") read with the SEBI (Prohibition of Insider Trading) Regulations, 2015 ("**Insider Trading Regulations, 2015**").

2. PC Jeweller was incorporated under the Companies Act, 1956 on April 13, 2005, as a private limited company under the name of *'P. Chand Jeweller Private Limited'*, which was subsequently changed to *'PC Jeweller Private Limited'* on December 9, 2009. The Company was converted into a public company on August 2, 2011. The Registered Office of the Company is at C–54 Preet, Vihar Vikas Marg, Delhi East, Delhi–110092, India. The shares of PC Jeweller are listed on BSE Limited ("**BSE**") and the National Stock Exchange of India Limited ("**NSE**").

3. The Promoters of PC Jeweller during the Investigation Period were as under –

| TABLE I [SOURCE: BSE WEBSITE] |
|---|
| **NAME** |
| BALRAM GARG |
| PADAM CHAND GUPTA |

4. The Board of Directors of PC Jeweller during the Investigation Period was as under –

| TABLE II [SOURCE: BSE WEBSITE/ ANNUAL REPORT FOR PC JEWELLER FOR F. Y. 2017–18] | |
|---|---|
| **NAME** | **DESIGNATION** |
| PADAM CHAND GUPTA | CHAIRMAN |
| BALRAM GARG | MANAGING DIRECTOR |
| RAMESH KUMAR SHARMA | EXECUTIVE DIRECTOR AND CHIEF OPERATING OFFICER |
| SANNOVANDA MACHAIAH SWATHI | INDEPENDENT DIRECTOR |
| DR. MANOHAR LAL SINGLA | INDEPENDENT DIRECTOR |
| KISHAN KUMAR KHURANA | INDEPENDENT DIRECTOR |
| MIYAR RAMANATH NAYAK | INDEPENDENT DIRECTOR |
| SURESH KUMAR JAIN | INDEPENDENT DIRECTOR |
| SANJEEV BHATIA | CHIEF FINANCIAL OFFICER |
| VIJAY PANWAR | COMPANY SECRETARY AND COMPLIANCE OFFICER |

5. The shareholding pattern of PC Jeweller for various Quarters prior to, during and subsequent to the Investigation Period is provided below –

| TABLE III [SOURCE: BSE WEBSITE] | | | | | | |
|---|---|---|---|---|---|---|
| **QUARTERLY SHAREHOLDINGS→ / CATEGORIES ↓** | **% SHAREHOLDINGS FOR** | | | | | |
| | **QUARTER ENDED MARCH 2018** | | **QUARTER ENDED JUNE 2018** | | **QUARTER ENDED SEPTEMBER 2018** | |
| | **NO. OF SHARES** | **%** | **NO. OF SHARES** | **%** | **NO. OF SHARES** | **%** |
| SHAREHOLDING OF PROMOTER AND PROMOTER GROUP | 23,75,70,300 | 60.24 | 22,72,70,300 | 57.61 | 22,72,70,300 | 57.59 |
| NON–PROMOTER SHAREHOLDING | 15,67,84,900 | 39.76 | 16,71,97,700 | 42.39 | 16,73,77,687 | 42.41 |
| **TOTAL** | **39,43,55,200** | **100.00** | **39,44,68,000** | **100.00** | **39,46,47,987** | **100.00** |
| THE PROMOTER SHAREHOLDING DECREASED FROM 60.24% DURING THE Q. E. MARCH 2018 TO 57.61% DURING THE Q. E. JUNE 2018 AND MARGINALLY DECREASED TO 57.59% DURING Q. E. SEPTEMBER 2018. THE CHANGE IN PROMOTER SHAREHOLDING WAS BECAUSE OF A REDUCTION IN THE HOLDING OF ONE PROMOTER I.E. PADAM CHAND GUPTA DURING THE PERIOD APRIL 1–20, 2018. | | | | | | |

6. The Quarterly Financial Results of PC Jeweller prior to, during and subsequent to the Investigation Period (April 2 – July 31, 2018), are provided below –

| TABLE IV [AMOUNT IN ₹ CRORES] [SOURCE: BSE WEBSITE] | | | | | |
|---|---|---|---|---|---|
| **DESCRIPTION** | **QUARTER ENDED** | | | | |
| | **SEPTEMBER 2017** | **DECEMBER 2017** | **MARCH 2018** | **JUNE 2018** | **SEPTEMBER 2018** |
| **TOTAL INCOME** | 2642.98 | 2690.42 | 2114.50 | 2,455.43 | 1663.18 |
| **TOTAL EXPENDITURE** | – 2420.24 | – 2457.55 | – 1974.54 | – 2257.50 | – 1526.95 |
| **NET PROFIT/LOSS** | 150.59 | 162.71 | 118.28 | 141.93 | 93.72 |
| **EPS** | 4.02 | 4.13 | 3.13 | 3.60 | 2.38 |

7. The Investigation observed that PC Jeweller had made the following corporate announcements in respect of buyback of equity shares of the Company. The price data for the scrip prior to and after the aforementioned announcements along with date and time of dissemination of the same by BSE/NSE on their websites (tabulated below) indicate that the information pertaining to the approval and subsequent withdrawal of the aforementioned buyback is considered to be a price sensitive information.

**TABLE V – PRICE DATA AFTER ANNOUNCEMENTS**

<table>
<tr><th>DATE OF ANNOUNCEMENT ON NSE/BSE</th><th>ANNOUNCEMENT</th><th>PRICE MOVEMENT IN THE SCRIP OF PC JEWELLER</th><th>IMPACT ON PRICE</th></tr>
<tr><td>10.05.2018 @ 20:29:03 HOURS (BSE)<br><br>11.05.2018 @ 08.33 HOURS (NSE)</td><td>BOARD MEETING ON 10.5.2018 APPROVES BUYBACK OF EQUITY SHARES AND APPOINTMENT OF IDBI AND CORPORATE PROFESSIONALS CAPITAL PVT LTD AS MERCHANT BANKERS.</td><td>MAY 10, 2018<br><table><tr><th></th><th>O</th><th>H</th><th>L</th><th>C</th></tr><tr><td>NSE</td><td>216.00</td><td>222.00</td><td>194.65</td><td>208.95</td></tr><tr><td>BSE</td><td>216.00</td><td>222.00</td><td>195.10</td><td>209.00</td></tr></table>MAY 11, 2018<br><table><tr><th></th><th>O</th><th>H</th><th>L</th><th>C</th></tr><tr><td>NSE</td><td>229.80</td><td>250.70</td><td>196.40</td><td>200.85</td></tr><tr><td>BSE</td><td>229.90</td><td>247.00</td><td>197.50</td><td>201.15</td></tr></table></td><td>AFTER THE ANNOUNCEMENT, THE SCRIP HIT THE UPPER CIRCUIT OF 10%.</td></tr>
<tr><td>13.07.2018<br><br>@19:33 HOURS (NSE)<br><br>@19:28:44 HOURS (BSE)</td><td>BOARD APPROVES WITHDRAWAL OF BUYBACK OFFER AND THE SAME WAS INFORMED TO EXCHANGES.</td><td>JULY 13, 2018<br><table><tr><th></th><th>O</th><th>H</th><th>L</th><th>C</th></tr><tr><td>NSE</td><td>121.90</td><td>126.35</td><td>118.00</td><td>119.90</td></tr><tr><td>BSE</td><td>121.95</td><td>126.30</td><td>118.10</td><td>119.95</td></tr></table>JULY 16, 2018<br><table><tr><th></th><th>O</th><th>H</th><th>L</th><th>C</th></tr><tr><td>NSE</td><td>107.95</td><td>107.95</td><td>83.95</td><td>89.20</td></tr><tr><td>BSE</td><td>108.00</td><td>108.00</td><td>86.10</td><td>88.90</td></tr></table></td><td>AFTER THE ANNOUNCEMENT, THE SCRIP HIT THE LOWER CIRCUIT OF 20%</td></tr>
</table>

**UNPUBLISHED PRICE SENSITIVE INFORMATION –**

8. Regulation 2(1)(n)(iii) of the Insider Trading Regulations 2015 defines *'unpublished price sensitive information' ("**UPSI**")* as *'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 … change in capital structure'*. Further, the ***Note*** to the aforementioned Regulation states: *It is intended that information relating to a company or securities, that is not generally available would be UPSI if it is likely to materially affect the price upon coming into the public domain…*

9. On May 10, 2018, PC Jeweller informed BSE and NSE that the Board of Directors in its meeting held on that date had approved a buyback of equity shares at a price not exceeding ₹350 per equity share of ₹10 each for an aggregate amount not exceeding ₹424 Crores. Thereafter, on July 13, 2018 (after market hours), PC Jeweller informed BSE and NSE that the Board of Directors in its meeting held on that date had approved the withdrawal of the aforesaid buyback of equity shares with immediate effect. The aforementioned information

pertaining to the buyback of equity shares of the Company, which was related to a change in capital structure of the Company, qualifies as *UPSI* in terms of Regulation 2(1)(n)(iii) of the Insider Trading Regulations 2015. The chronology of events relating to the announcement of the aforementioned buyback of equity shares is as under –

| **TABLE VI – CHRONOLOGY OF EVENTS FOR DETERMINING UPSI** | | |
|---|---|---|
| | **DATE** | **PARTICULARS/EVENT** |
| *1.* | **25.04.2018** | PRELIMINARY DISCUSSION AMONG MD, ED & COO AND CFO IN RELATION TO THE PROPOSAL FOR BUYBACK OF FULLY PAID–UP EQUITY SHARES OF THE COMPANY. |
| *2.* | **27.04.2018**<br><br>**28.04.2018** | PRELIMINARY DISCUSSION BY CFO AND CO. SECY. WITH OFFICIALS OF CORPORATE PROFESSIONALS CAPITAL PVT. LTD. ("**CPCPL**") AND WALKER CHANDIOK & CO. LLP (STATUTORY AUDITORS) ("**WALKER CHANDIOK**") RELATING TO THE PROPOSAL FOR BUYBACK OF FULLY PAID–UP EQUITY SHARES OF THE COMPANY. MD AND ED & COO WERE UPDATED ABOUT THE DISCUSSIONS. |
| *3.* | **29.04.2018** | COMPANY INFORMED BSE AND NSE THAT BOARD MEETING WILL BE HELD ON MAY 25, 2018 TO *INTER ALIA* CONSIDER THE PROPOSAL FOR BUYBACK OF COMPANY'S EQUITY SHARES. |
| *4.* | **04.05.2018** | PRELIMINARY DISCUSSION WITH OFFICIALS OF IDBI CAPITAL MARKETS AND SECURITIES LIMITED ("**IDBI SECURITIES**") FOR THEIR POTENTIAL ENGAGEMENT AS MERCHANT BANKERS FOR THE PROPOSED BUYBACK ISSUE. |
| *5.* | **05.05.2018** | COMPANY INFORMED BSE AND NSE THAT A SEPARATE BOARD MEETING WILL BE HELD ON MAY 10, 2018 TO *INTER ALIA* CONSIDER THE PROPOSAL FOR BUYBACK OF COMPANY'S EQUITY SHARES. |
| *6.* | **07.05.2018** | E–MAIL CORRESPONDENCES BETWEEN COMPANY AND MERCHANT BANKERS/AUDITORS WITH REGARD TO BUYBACK ASSIGNMENT AND DRAFT REPORT/CERTIFICATE. |
| *7.* | **09.05.2018**<br><br>**10.05.2018** | STATUTORY AUDITORS EMAILED DRAFT REPORT/CERTIFICATE TO CO. SECY. DISCUSSIONS AMONG IDBI SECURITIES, SHARDUL AMARCHAND MANGALDAS & CO. AND PC JEWELLER RELATING TO CERTAIN QUERIES ON THE PROPOSED BUYBACK ISSUE. |
| *8.* | **10.05.2018** | BOARD IN ITS MEETING *INTER ALIA* APPROVED BUYBACK OF UPTO 1,21,14,285 FULLY PAID–UP EQUITY SHARES OF ₹10/- EACH AT A PRICE OF ₹350/- PER EQUITY SHARE. COMPANY INFORMED EXCHANGES ABOUT THE OUTCOME OF BOARD MEETING WHICH WAS DISSEMINATED BY BSE ON MAY 10, 2018 AT 20:29:03 AND BY NSE ON MAY 11, 2018 AT 08:33. |
| | | |
| *9.* | **07.07.2018** | PC JEWELLER'S REQUEST FOR ISSUE OF NOC FOR THE PROPOSED BUY BACK OFFER REFUSED BY STATE BANK OF INDIA ("**SBI**"), THE LEAD BANKER COMMUNICATED ON THE SAME DAY VIDE ITS LETTER ADDRESSED TO THE MD OF THE COMPANY. |
| *10.* | **10.07.2018** | MEETING OF INDEPENDENT DIRECTOR, ED & COO AND CFO OF THE COMPANY HELD TO DISCUSS FURTHER COURSE OF ACTION. NO MINUTES DRAWN. |
| *11.* | **12.07.2018** | CFO MEETING WITH SBI OFFICIAL REQUESTING TO RECONSIDER THE BANK'S REFUSAL TO ACCORD CONSENT FOR THE BUY BACK. THE REQUEST WAS AGAIN REFUSED BY THE BANKER, WHICH WAS COMMUNICATED VIDE THEIR LETTER DATED 12.7.2018 ADDRESSED TO MD OF THE COMPANY. ED & COO AND CFO DECIDED TO CONVENE THE BOARD MEETING. NO MINUTES DRAWN. NOTICE FOR CONVENING BOARD MEETING ON 13.7.2018 SENT BY EMAIL |
| *12.* | **13.07.2018** | BOARD APPROVES WITHDRAWAL OF BUYBACK OFFER AND THE SAME WAS INFORMED TO EXCHANGES. COMPANY INFORMED EXCHANGES ABOUT THE WITHDRAWAL OF BUYBACK WHICH WAS DISSEMINATED BY BSE AND NSE ON THE SAME DAY AFTER MARKET HOURS AT 19:28:44 AND 19:33 RESPECTIVELY. |

**PERIOD OF UNPUBLISHED PRICE SENSITIVE INFORMATION –**

10. From the chronology of events, the preliminary discussion in respect of the proposal for buyback of equity shares of the Company which occurred on April 25, 2018 (which subsequently became public on May 10, 2018), is considered as the origin point of *UPSI – I*. Further, the refusal for NOC for the proposed buyback of equity shares of the Company which occurred on July 7, 2018 (which subsequently became public on July 13, 2018), is considered as the origin point of *UPSI – II*. Thus, the *UPSI periods* are determined as under:

| TABLE VII – UPSI PERIOD | | | |
|---|---|---|---|
| | **PRE–UPSI PERIOD** | **UPSI PERIOD** | **POST–UPSI PERIOD** |
| **UPSI – I** | APRIL 2, 2018 TO APRIL 24, 2018 | APRIL 25, 2018 TO MAY 10, 2018 | MAY 11, 2018 TO MAY 31, 2018 |
| **UPSI – II** | JUNE 22, 2018 TO JULY 6, 2018 | JULY 7, 2018 TO JULY 13, 2018 | JULY 16, 2018 TO JULY 31, 2018***** |
| *****14.07.2018 AND 15.07.2018 WERE TRADING HOLIDAYS | | | |

**INSIDER –**

11. As per the provisions of the Insider Trading Regulations, 2015, –

*A.* ***Regulation 2(1)(g)*** defines an '*Insider*' to mean *any person who is*

*(i) a connected person or*

*(ii) in possession of or having access to UPSI.*

The *Note* to the aforementioned Regulation 2(1)(g) *inter alia* states: *"Since 'generally available information' is defined, it is intended that anyone in possession of or having access to UPSI should be considered as 'insider' regardless of how one came in possession of or had access to such information."*

*B.* ***Regulation 2(1)(d)(i)*** defines *'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.'*

12. SEBI had sought information from PC Jeweller and certain other entities regarding details of persons including Promoters/Directors/Employees and/or any other persons who were having access to and/or in possession of the information pertaining to the buyback of equity shares. On the basis of information received from the aforementioned entities and having regard to the investigation conducted by SEBI in light of the provisions of the Insider Trading Regulations, 2015, the Investigation identified Padam Chand Gupta and Balram Garg, Shivani

Gupta, Sachin Gupta, Amit Garg and Quick Developers Pvt. Limited ("**QDPL**") as *'Insiders'*. The details of such findings are reproduced below:

*i.* **Padam Chand Gupta:** Padam Chand Gupta is the Chairman of the Company and as such, is connected to the Company and was reasonably expected to have access to the aforesaid *UPSI–I* and *UPSI–II*. Therefore, Padam Chand Gupta is a *'Connected person'* in terms of Regulation 2(1)(d)(i) of the Insider Trading Regulations, 2015 and is considered to be an *'Insider'* in terms of Regulation 2(1)(g) of the Insider Trading Regulations, 2015.

*ii.* **Balram Garg:** Balram Garg was the Managing Director of the Company and was privy to the discussions/information regarding the approval for and withdrawal of the buyback of equity shares of the Company i.e. *UPSI–I* and *UPSI–II*. Therefore, Balram Garg is a *'Connected person'* in terms of Regulation 2(1)(d)(i) of the Insider Trading Regulations, 2015 and is considered to be an *'Insider'* in terms of Regulation 2(1)(g) of the Insider Trading Regulations, 2015.

13. The Investigation noted that the following suspected entities had traded in the scrip of PC Jeweller during the period of *UPSI–I* and *UPSI–II*, viz.

a. **Shivani Gupta (daughter–in–law of Padam Chand Gupta), Sachin Gupta and Amit Garg** – Shivani Gupta had traded in the scrip through Ganpati Securities (orders were placed directly by Shivani Gupta). Sachin Gupta (Shivani Gupta's husband and son of Padam Chand Gupta) had traded in the scrip through the trading account of Shivani Gupta with SS Corporate Securities Limited. Further, Shivani Gupta's brother–in–law i.e. Amit Garg [nephew of Padam Chand Gupta and Balram Garg and son of Amar Chand (Ex–Vice Chairman of PC Jeweller)] had traded in the scrip (orders were placed from mobile No.9871434400) through the trading account of Shivani Gupta with Karvy Stock Broking Limited ("**Karvy**").

b. **QDPL** – The entity had traded in the scrip through Karvy (orders were placed from mobile No.9871434400 by Amit Garg, who held 50% shareholding in QDPL and was authorised by the Company to place orders on its behalf).

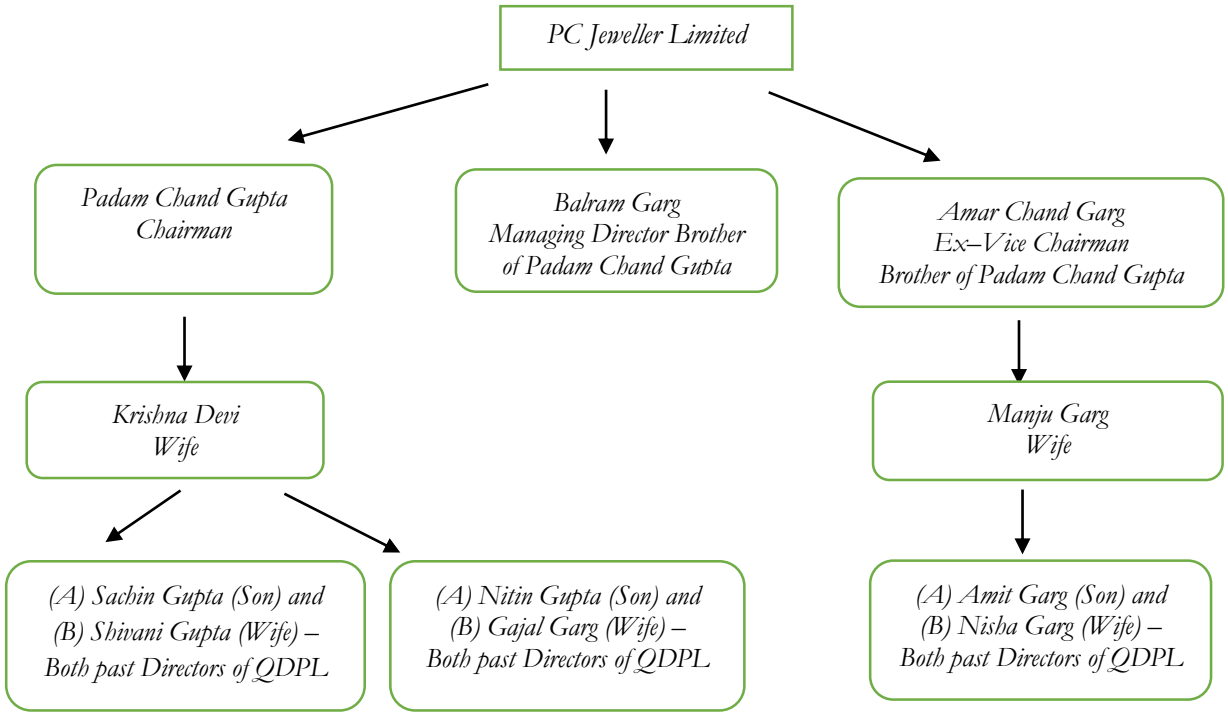
c. Further, an analysis of the bank account of QDPL with HDFC Bank (A/c No. 50200022965595) during the period June 1, 2018 to July 31, 2018, revealed the following transactions:

**TABLE VIII – ANALYSIS OF BANK STATEMENT OF QDPL**

| DATE | NARRATION | DEBIT(₹) | CREDIT(₹) | BALANCE(₹) |
|---|---|---|---|---|
| 01.06.2018 | AMIT GARG TO QUICK DEVELOPERS PVT LTD BY RTGS | | 1,00,00,000 | 2,18,76,567.84 |
| 01.06.2018 | TO KARVY STOCK BROKING BY CHEQUE | 2,00,00,000 | | 18,76,567.84 |
| 16.07.2018 | | | | 18,18,317.84 |
| 20.07.2018 | PAY OUT BY KARVY STOCK BROKING TO QUICK DEVELOPERS | | 1,15,00,000 | 1,33,18,317.84 |
| 25.07.2018 | PAY OUT BY KARVY STOCK BROKING TO QUICK DEVELOPERS | | 1,85,00,000 | 3,18,18,317.84 |
| 31.07.2018 | TO AMIT GARG BY RTGS | 2,00,00,000 | | 1,18,18,317.84 |

d. It is noted from the above table that there was a receipt of ₹1 Crore from Amit Garg on June 1, 2018 and on the same day, out of a total credit balance of ₹2,18,76,567.84 available in the account, payment of ₹2 Crore was made to Karvy. Further, there was a credit of ₹3 Crore in the form of pay–out from Karvy on 20th and 25th of July 2018 out of which ₹2 Crore was remitted to Amit Garg on July 31, 2018 (post – UPSI–II period). Further, vide an e–mail dated June 12, 2019, HDFC Bank had informed SEBI that Amit Garg and his wife, Nisha Garg, were the authorised signatories to the bank account (this is despite the fact that they had ceased to be Directors of QDPL w.e.f. April 3, 2018).

14. As noted from the Investigation Report, a diagrammatic representation of the family relationship that exists between Padam Chand Gupta, Balram Garg, Sachin Gupta, Shivani Gupta and Amit Garg, is provided below:



15. Relationship of *Insiders* i.e. Padam Chand Gupta and Balram Garg, with entities suspected of insider trading i.e. (a) Shivani Gupta, (b) Sachin Gupta, (c) Amit Garg and (d) QDPL –

A. **Shivani Gupta:** She is the wife of Sachin Gupta and the daughter–in–law of Padam Chand Gupta, Chairman and Promoter of PC Jeweller. She was gifted 1.03 Crore shares from Padam Chand Gupta as gift through off–market transfers during the period April 2, 2018 to April 20, 2018. The nature of relationship that existed between Shivani Gupta and Sachin Gupta, Padam Chand Gupta and Balram Garg would reasonably appear to allow her to have access to *UPSI–I and UPSI–II.* In light of the aforementioned, Shivani Gupta is an '*Insider'* in terms of Regulations 2(1)(g)(i) read with 2(1)(d)(i) of the Insider Trading Regulations, 2015 and further, Regulation 2(1)(g)(ii) of the aforesaid Regulations.

B. **Sachin Gupta:** He is the son of Padam Chand Gupta and the nephew of Balram Garg. He was authorised by his wife, Shivani Gupta, to trade on her behalf in respect of her trading account with SS Corporate Securities Limited. The nature of relationship that existed between Sachin Gupta and Shivani Gupta, Padam Chand Gupta and Balram Garg would reasonably appear to allow him to have access to *UPSI–I and UPSI–II.* In light of the aforementioned, Sachin Gupta is an '*Insider'* in terms of Regulations 2(1)(g)(i) read with 2(1)(d)(i) of the Insider Trading Regulations, 2015 and further, Regulation 2(1)(g)(ii) of the aforesaid Regulations.

C. **Amit Garg:** Amit Garg is the nephew of Padam Chand Gupta and Balram Garg, Managing Director and Promoter of PC Jeweller and the son of Amar Chand Garg (Ex – Vice Chairman of PC Jeweller). He was authorised by his sister–in–law, Shivani Gupta, to trade on her behalf in respect of her trading account with Karvy. Sachin Gupta is his cousin. The nature of relationship that existed between Amit Garg and Sachin Gupta, Shivani Gupta, Padam Chand Gupta and Balram Garg would reasonably appear to allow him to have access to *UPSI–I and UPSI–II.* In light of the aforementioned, Sachin Gupta is an '*Insider'* in terms of Regulations 2(1)(g)(i) read with 2(1)(d)(i) of the Insider Trading Regulations, 2015 and further, Regulation 2(1)(g)(ii) of the aforesaid Regulations.

D. **QDPL:** The Company had authorised Amit Garg to trade on its behalf in respect of its trading account with Karvy. Amit Garg held 50% shareholding in QDPL and was also its Director for the period August 8, 2015–April 3, 2018. Prior to the aforesaid period, QDPL had Sachin Gupta and Shivani Gupta as its Directors and shareholders. Further, fund transfers were observed between QDPL and Amit Garg, which were utilised for trading in the scrip of PC Jeweller. The nature of relationship that existed between

QDPL and Amit Garg, Sachin Gupta and Shivani Gupta (having regard to the observations at paragraph 15.A.–C. would reasonably appear to allow it (through its past Directors, viz. Amit Garg, Sachin Gupta and Shivani Gupta respectively) to have access to *UPSI–I and UPSI–II*. In light of the aforementioned, QDPL is an '*Insider'* in terms of Regulations 2(1)(g)(i) read with 2(1)(d)(i) of the Insider Trading Regulations, 2015 and further, Regulation 2(1)(g)(ii) of the aforesaid Regulations.

E. In addition, from the KYC documents obtained by SEBI, it is observed that Shivani Gupta, Sachin Gupta, Amit Garg, Padam Chand Gupta and Balram Garg shared a common residential address. Further, it is observed from the said documents that Balram Garg also shared a common address with QDPL.

**CHARGES OF INSIDER TRADING –**

Accordingly, in view of the facts brought out in the preceding paragraphs, the charges alleged in the instant proceedings against Padam Chand Gupta, Balram Garg, Shivani Gupta, Sachin Gupta, Amit Garg and QDPL on the basis of the material available on record, are brought out as under –

16. The facts as brought out in paragraphs 8–15 indicate a *prima facie* case that Padam Chand Gupta (Chairman of PC Jeweller) and Balram Garg (Managing Director of PC Jeweller) (*'Insiders'* in terms of Regulations 2(1)(d)(i) read with 2(1)(g) of the Insider Trading Regulations, 2015) had communicated *UPSI–I* and *UPSI–II* to Shivani Gupta, Sachin Gupta, Amit Garg and QDPL (who qualify as *'Insiders'* in accordance with Regulations 2(1)(g)(i) read with 2(1)(d)(i) of the Insider Trading Regulations, 2015 and also Regulation 2(1)(g)(ii) of the aforesaid Regulations). Accordingly, Padam Chand Gupta and Balram Garg have *prima facie* violated Section 12A(e) of the SEBI Act and Regulation 3(1) of the Insider Trading Regulations, 2015, by communicating *UPSI–I* and *UPSI–II* to Shivani Gupta, Sachin Gupta, Amit Garg and QDPL.

17. It is however, noted from the copy of Death Certificate obtained by SEBI from the Karvy that Padam Chand Gupta had passed away on January 28, 2019.

18. During the *UPSI–II* period (July 7, 2018 to July 13, 2018) ["**Pre–announcement (of withdrawal of Buy Back) period**"] (when the price sensitive information remained undisclosed), Shivani Gupta, Sachin Gupta (through the account of Shivani Gupta) and Amit Garg (through the account of Shivani Gupta) had traded in the scrip of PC Jeweller (net sold quantity amounted to 15,00,000 shares, which constituted 7.84% of the total market deliverable quantity during the *UPSI–II* period) as under:

| TABLE IX – TRADES EXECUTED BY SHIVANI GUPTA, AMIT GARG AND SACHIN GUPTA | | | | |
|---|---|---|---|---|
| **PERSON WHO PLACED ORDERS/ RELATIONSHIP WITH CLIENT** | **NO. OF SHARES BOUGHT** | **NO. OF SHARES SOLD** | **NET TRADED QUANTITY (SELL)** | **TRADE DATES** |
| SHIVANI GUPTA (STOCK BROKER: GANPATI SECURITIES) | 5,000 | 2,10,000 | 2,05,000 | 09.07.2018–11.07.2018 |
| AMIT GARG (THROUGH SHIVANI GUPTA'S ACCOUNT) (STOCK BROKER: KARVY STOCK BROKING LTD.) | 0 | 11,00,000 | 11,00,000 | 11.07.2018–13.07.2018 |
| SACHIN GUPTA (THROUGH SHIVANI GUPTA'S ACCOUNT) (STOCK BROKER: SS CORPORATE SECURITIES LTD) | 0 | 1,95,000 | 1,95,000 | 10.07.2018–11.07.2018 |
| **TOTAL** | **5,000** | **15,05,000** | **15,00,000** | |

19. The above pattern and timing of trades coupled with the proximity Shivani Gupta, Sachin Gupta and Amit Garg had with the PC Jeweller's Promoter Group (Padam Chand Gupta and Balram Garg), indicate a *prima facie* case that that they had knowledge of the events taking place in PC Jeweller with regard to the proposal for buyback of equity shares and its subsequent withdrawal. The above mentioned trades were executed by them during *UPSI–II* period when in possession of *UPSI–II* in order to avoid loss on account of the fall in price of the scrip due to the announcement for withdrawal of the buyback.

20. During the *UPSI–II* period, QDPL held a long position of 2.25 Lakh futures in the derivatives–Futures segment of the scrip of PC Jeweller, which was subsequently squared–off with a short position on July 11, 2018. QDPL followed the aforementioned transaction with a fresh short position of 3 Lakh futures on July 13, 2018 in the derivatives–Futures segment of the scrip, as tabulated below:

| TABLE X – TRADING PATTERN OF QDPL | | | | |
|---|---|---|---|---|
| **PERSON WHO PLACED ORDERS/ RELATIONSHIP WITH CLIENT** | **NO. OF FUTURES BOUGHT** | **NO. OF FUTURES SOLD** | **NET TRADED QUANTITY (SELL)** | **TRADE DATES** |
| AMIT GARG (ON BEHALF OF QDPL) (STOCK BROKER: KARVY STOCK BROKING LTD.) | 0 | 2,25,000 | 2,25,000 | 11.07.2018 |
| | 0 | 3,00,000 | 3,00,000 | 13.07.2018 |
| **TOTAL** | **0** | **5,25,000** | **5,25,000** | |

21. Further, during the post *UPSI–II* period (July 16, 2018 to July 31, 2018) ["**Post–announcement (of withdrawal of Buy Back) period**"] (when the price sensitive information was published), QDPL had squared–off the short position by taking a long

position of 3 Lakh futures in the derivatives–Futures segment of the scrip as tabulated below and earned a square–off difference:

| TABLE XI – TRADING PATTERN OF QDPL | | | | |
|---|---|---|---|---|
| PERSON WHO PLACED ORDERS/ RELATIONSHIP WITH CLIENT | NO. OF FUTURES BOUGHT | NO. OF FUTURES SOLD | NET TRADED QUANTITY (BUY) | TRADE DATES |
| AMIT GARG (ON BEHALF OF QDPL) (STOCK BROKER: KARVY STOCK BROKING LTD.) | 3,00,000 | 0 | 3,00,000 | 20.07.2018 |

22. The above pattern and timing of trades coupled with the proximity Amit Garg (who traded on behalf of QDPL) had with the PC Jeweller's Promoter Group (Padam Chand Gupta and Balram Garg), indicate a *prima facie* case that he had knowledge of the events taking place in PC Jeweller with regard to the proposal for buyback of equity shares and its subsequent withdrawal. The above mentioned trades were executed by Amit Garg (on behalf of QDPL) during *UPSI–II* period when in possession of *UPSI–II* in order to avoid loss and make gains on account of the fall in price of the scrip due to the announcement for withdrawal of the buyback.

23. Therefore, Shivani Gupta, Sachin Gupta, Amit Garg and QDPL being *'insiders'*, have *prima facie* violated Section 12A(d) and (e) of the SEBI Act and Regulations 4(1) read with 4(2) of the Insider Trading Regulations, 2015 by trading in the shares of PC Jeweller when in possession of *UPSI–II*, thereby indulging in insider trading.

**LOSS AVOIDED/WRONGFUL GAINS MADE BY SHIVANI GUPTA, SACHIN GUPTA, AMIT GARG AND QDPL –**

24. As stated at paragraphs 19 and 22, Shivani Gupta, Sachin Gupta, Amit Garg and QDPL had executed trades in the scrip of PC Jeweller during *UPSI–II* period when in possession of *UPSI–II* in order to avoid loss and make gains on account of the fall in price of the scrip due to the announcement for withdrawal of the buyback. In this regard, the loss avoided/unlawful gains made been computed as under –

| TABLE XII – NOTIONAL LOSS AVOIDED BY SHIVANI GUPTA, SACHIN GUPTA AND AMIT GARG | |
|---|---|
| **PARTICULARS** | |
| **NO. OF SHARES SOLD WHILE IN POSSESSION OF *UPSI–II*** | 15,00,000 |
| **X WEIGHTED AVERAGE SALE PRICE** | ₹124.36 |
| **SUBTOTAL (I)** | ₹18,65,43,255.05 |
| **(–) LESS NO. OF SHARES SOLD WHILE IN POSSESSION OF *UPSI–II*** | 15,00,000 |
| **X CLOSING PRICE ON THE FOLLOWING TRADING DAY AFTER *UPSI–II* BECAME PUBLIC** | ₹89.20 |
| **SUBTOTAL (II)** | ₹13,38,00,000.00 |
| **LOSS AVOIDED (APPROX.) [(I)-(II)]** | **₹5,27,43,255.05** |

| TABLE XIII – NOTIONAL LOSS AVOIDED BY QDPL | |
|---|---|
| **PARTICULARS** | |
| **NO. OF FUTURES SOLD WHILE IN POSSESSION OF *UPSI–II*** | 2,25,000 |
| **X WEIGHTED AVERAGE SALE PRICE** | ₹128.92 |
| **SUBTOTAL (I)** | ₹2,90,07,000.00 |
| **(–) LESS**<br>**NO. OF FUTURES SOLD WHILE IN POSSESSION OF *UPSI–II*** | 2,25,000 |
| **X CLOSING PRICE ON THE FOLLOWING TRADING DAY AFTER *UPSI–II* BECAME PUBLIC** | ₹89.00 |
| **SUBTOTAL (II)** | ₹2,00,25,000.00 |
| **LOSS AVOIDED (APPROX.) [(I)-(II) = (X)]** | **₹89,82,000.00** |

| TABLE XIV – NOTIONAL GAINS MADE BY QDPL | |
|---|---|
| **PARTICULARS** | |
| **NO. OF FUTURES SOLD WHILE IN POSSESSION OF *UPSI–II*** | 3,00,000 |
| **X WEIGHTED AVERAGE SALE PRICE** | ₹119.76 |
| **SUBTOTAL (I)** | ₹3,59,28,000.00 |
| **(–) LESS**<br>**NO. OF FUTURES SOLD WHILE IN POSSESSION OF *UPSI–II*** | 3,00,000 |
| **X CLOSING PRICE ON THE FOLLOWING TRADING DAY AFTER *UPSI–II* BECAME PUBLIC** | ₹89.00 |
| **SUBTOTAL (II)** | ₹2,67,00,000.00 |
| **NOTIONAL GAINS (APPROX.) [(I)-(II) = (Y)]** | **₹92,28,000.00** |

| | |
|---|---|
| **TOTAL OF NOTIONAL LOSS AND GAINS (APPROX.) [(X)+(Y)]** | **₹1,82,10,000.00** |

**Note:** Method adopted to compute notional loss avoided/notional gains under various scenario is:

*(a) Notional loss avoided/gains made (in case of negative news) = No. of shares/Futures sold while in possession of UPSI x Weighted Average Sale Price] Minus (-) [No. of shares/Futures sold while in possession of UPSI x Closing price on the day of UPSI becoming public].*

*(b) The closing prices of the shares (₹89.20)/Futures (₹89) of PC Jeweller on the next trading day after UPSI – II became public i.e. July 16, 2018 (see also Table VII), on NSE has been considered as closing price for computation of notional loss avoided/gains made.*

25. As the amount of notional loss avoided/ amount of notional gains made during the period July 7, 2018 to July 31, 2018, it becomes reasonable and necessary to levy an interest at the rate of 12% simple interest per annum, which has been computed as under–

| TABLE XV – COMPUTATION OF NOTIONAL GAINS/ LOSS AVOIDED | | | |
|---|---|---|---|
| **ENTITY NAME** | **GAIN (AMOUNT IN ₹)** | **INTEREST 12% PER ANNUM*** | **TOTAL (AMOUNT IN ₹)** |
| SHIVANI GUPTA | 5,27,43,255.05 | 90,16,929.08 | **6,17,60,184.13** |
| QDPL | 1,82,10,000.00 | 31,13,161.64 | **2,13,23,161.64** |
| **INTEREST CALCULATED ON NOTIONAL LOSS AVOIDED/GAINS MADE DURING THE PERIOD (FROM THE DATE WHEN UPSI – II BECAME PUBLIC I.E. JULY 16, 2018 TO DECEMBER 17, 2019).* | | | |

26. Upon a consideration of paragraphs 24 and 25, the summary of loss avoided/notional gains made by Shivani Gupta, Sachin Gupta, Amit Garg and QDPL in aggregate including interest through trading in the scrip of PC Jeweller amounted to **₹6,17,60,184.13** and **₹2,13,23,161.64** respectively.

27. With the initiation of quasi–judicial proceedings, it is possible that the individuals/entities may divert the notional gains (*subject to the adjudication of the allegation on the merits in the final order*), which may result in defeating the effective implementation of the direction of disgorgement, if any, to be passed after adjudication on merits. Non–interference by SEBI at this stage would therefore result in irreparable injury to the interests of the securities market and the investors. It therefore becomes necessary for SEBI to take urgent steps of impounding and retaining the proceeds (notional loss/gains) made by Shivani Gupta, Sachin Gupta, Amit Garg and QDPL, by way of an interim measure.

28. Accordingly, as an interim measure, an *Ad–Interim Ex–Parte* Order for impounding such alleged profits under Sections 11(1) read with 11(4)(d) and Section 11B of the SEBI Act read with Regulation 10 of the Insider Trading Regulations, 2015 needs to be issued against Shivani Gupta, Sachin Gupta, Amit Garg and QDPL.

**ORDER –**

29. In view of the foregoing, I, in exercise of the powers conferred upon me in terms of Section 19 read with Sections 11(1), 11(4)(d) and Section 11B of the SEBI Act read with Regulation 10 of the Insider Trading Regulations, 2015, hereby issue the following directions:

A. A sum of **₹6,17,60,184.13** shall be impounded jointly and severally, from Shivani Gupta, Sachin Gupta and Amit Garg, being the notional loss avoided on account of trades carried out in the trading accounts of Shivani Gupta, and

B. A sum of **₹2,13,23,161.64** shall be impounded jointly and severally, from Quick Developers Pvt. Limited and Amit Garg, being the notional loss avoided/gains made on account of trades carried out in the trading account of Quick Developers Pvt. Limited.

30. The persons/entities mentioned at paragraphs 29A and 29B are directed to credit the aforesaid amounts to an Escrow Account ["**Escrow Account in Compliance with SEBI Order dated December 17, 2019 – A/c (in the name of the respective persons/entities)**"] in a Nationalized Bank, by marking a lien over it. Banks are allowed to transfer the amounts

available in the bank accounts of the persons mentioned at paragraphs 29A and 29B, to the aforesaid Escrow Account(s), for the purpose of complying with this Order.

31. Banks shall not allow debits from the bank accounts of Shivani Gupta, Sachin Gupta, Amit Garg and Quick Developers Pvt. Limited, to the extent of the amounts impounded under paragraphs 29A and 29B, until the Escrow Account(s) as stated above are opened by them and the amounts as stated are transferred. Any debit beyond the said limit may be automatically permitted. Credits, if any, into the accounts may be allowed. Depositories are directed that no debit shall be made, without permission of SEBI, in respect of the demat accounts held by the aforesaid persons/entities. The Banks and the Depositories are directed to ensure that all the aforementioned directions are strictly enforced.

32. Further, the persons/entities mentioned at paragraphs 29A and 29B are directed not to dispose of or alienate any of their assets/properties/securities, till such time the amounts are credited to the Escrow Account(s). Further, they are directed to provide, within 7 days of this Order, a full inventory of all their assets and properties and details of all their bank accounts, demat accounts and holdings of shares/securities, if held in physical form and details of companies in which they hold substantial or controlling interest.

33. The *prima facie* observations/findings contained in this Order are made on the basis of the material available on record. In light of the alleged violations of the provisions of Sections 12A(d) and (e) of the SEBI Act and Regulations 4(1) read with 4(2) of the Insider Trading Regulations, 2015, by Shivani Gupta, Sachin Gupta, Amit Garg and Quick Developers Pvt. Limited, this Order shall be treated as a Notice under Sections 11(1), 11(4) and 11B(1) of the SEBI Act calling upon them to show cause as to why certain directions shall not be passed against them, as proposed hereunder:

    a. Direction to disgorge an amount equivalent to the total gains made/loss avoided on account of insider trading in the scrip of PC Jeweller along with interest;
    b. Direction to restrain them from accessing the securities market and prohibiting them from buying, selling or otherwise dealing in securities for an appropriate period.

34. Similarly, in light of the alleged violations of the provisions of Section 12A(e) of the SEBI Act and Regulation 3(1) of the Insider Trading Regulations, 2015 by Balram Garg, this Order shall be treated as a Notice under Sections 11(1), 11(4) and 11B(1) of the SEBI Act calling upon him to show cause as to why direction shall not be passed against him to restrain him from accessing the securities market and prohibiting him from buying, selling or otherwise dealing in securities for an appropriate period.

35. SEBI shall serve upon the aforementioned persons/entities all the relevant documents including the Investigation Report and the annexures therein along with this Order.

36. The persons/entities against whom this Order have been passed may file their replies to SEBI within 30 days from the date of receipt of this Order and avail an opportunity of personal hearing in the matter, if they so desire.

37. As stated at paragraph 17, Padam Chand Gupta had passed away on January 28, 2019. Having regard to the same, no proceedings are initiated against him for the alleged violations of the provisions of Sections 12A(e) of the SEBI Act and Regulation 3(1) of the Insider Trading Regulations, 2015.

38. This Order is without prejudice to any other action that SEBI may initiate under the securities laws, as deemed appropriate, against the above mentioned persons/entities.

39. This Order shall come into force with immediate effect and shall be in force till further Orders.

40. A copy of this Order shall be forwarded to the Stock Exchanges, Depositories, Registrar and Share Transfer Agents and Banks to ensure necessary compliance.

**Place: Mumbai**
**Date: December 17, 2019**

**G. MAHALINGAM**
**WHOLE TIME MEMBER**
**SECURITIES AND EXCHANGE BOARD OF INDIA**