BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO. Order/PM/PA/2021-22/14757

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

In respect of:

Gonuguntla Harish
PAN: BTSPG4464J

In the matter of Mindtree Ltd.

A. BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") received a letter dated October 26, 2018 from Mindtree Ltd. (hereinafter referred to as the "**Company**") informing SEBI regarding instances of violation of the code of conduct framed by the Company under the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as the "**PIT Regulations**") by two of its employees and action taken by the Company pursuant to the same. Accordingly, SEBI initiated an examination in the matter against the said two employees.

2. SEBI also initiated a separate investigation for ascertaining any violation of regulation 7(2)(a) of the PIT Regulations with regard to the transactions of promoters, directors and employees of the Company, in the Company's scrip, during the period from January 01, 2019 to March 31, 2019 (hereinafter referred to as the **"Investigation Period"**).

3. The investigation revealed that Gonuguntla Harish (hereinafter referred to as the "**Noticee**") was an employee of the Company and had transacted in the Company's scrip on multiple occasions, including during the Investigation Period. It was further observed that the Noticee had done transactions aggregating to a traded value in excess of Rs 10,00,000 over a calendar quarter.

4. Thereafter, the Company was asked to confirm whether the Company or its compliance officer had received any disclosures for trading done by the Noticee in terms of regulation 7(2)(a) of the PIT Regulations. *Vide* emails sent on December 07, 2020 and December 14, 2020 (hereinafter referred to as the "**December 2020 Replies**"), the Company confirmed that it had not received any disclosures from the said Noticee. In view of this communication, it was *prima facie* observed that the Noticee had failed to make the required disclosure under regulation 7(2)(a) of the PIT Regulations. Thereafter, SEBI initiated adjudication proceedings against the Noticee for the alleged violation of regulation 7(2)(a) of PIT Regulations in respect of the transactions in the Company's scrip under section 15A(b) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "**SEBI Act**").

B. APPOINTMENT OF ADJUDICATING OFFICER

5. Pursuant to the investigation, SEBI initiated adjudication proceedings against the Noticee and appointed the undersigned as the adjudicating officer *vide* order dated March 04, 2021 under section 19 of the SEBI Act read with sub-section (1) of section 15-I of the SEBI Act and rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**SEBI Adjudication Rules**") to inquire into and adjudge under section 15A(b) of the SEBI Act for the alleged violation of regulation 7(2)(a) of the PIT Regulations by the Noticee.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

6. A show cause notice (hereinafter referred to as "**SCN**") bearing reference no. EAD-8/PM/NJMR/20484/1/2021 dated August 23, 2021 was served on the Noticee under rule 4 of the SEBI Adjudication Rules to show cause as to why an inquiry should not be held against him in terms of rule 4 of the SEBI Adjudication Rules and penalty should not be imposed under section 15A(b) of the SEBI Act for the violation alleged to have been committed by him. The SCN was returned undelivered. Thereafter, the SCN was served *vide* emails sent on October 06, 2021. I note that the said emails were delivered at the following email address of the Noticee gharish.g100@gmail.com. In the SCN, the Noticee was asked to indicate whether he would prefer a personal hearing before the adjudicating officer in the matter.

7. The allegations levelled against the Noticee in the SCN are summarized below as follows:

   (i) SEBI *vide* email sent on August 03, 2020, called upon the Company, to provide the names and PAN of its employees, promoters, directors and persons falling under the purview of regulation 6(2) of the PIT Regulations for the period January 01, 2019 to March 31, 2019, duly certified as true and correct by their compliance officer.

   (ii) The Company *vide* emails sent on August 07, 2020, August 10, 2020, August 12, 2020, August 25, 2020 and August 26, 2020 submitted the list of their promoters, directors, designated persons, their relatives and employees in India for the period January 01, 2019 to March 31, 2019.

   (iii) On receipt of the aforesaid data from the Company, SEBI conducted an analysis of the trading data received from the BSE Limited

(hereinafter referred to as "**BSE**") and National Stock Exchange of India Limited (hereinafter referred to as "**NSE**") with respect to the employees of the Company, in the Company's scrip, and it was observed that the Noticee had executed transactions aggregating to a traded value in excess of Rs 10,00,000 in a calendar quarter *i.e.,* from January 01, 2019 till March 31, 2019.

(iv) In terms of the provisions of regulation 7(2)(a) of the PIT Regulations, as it existed at the time the Noticee committed the alleged violation, promoters, employees and directors of every company were required to disclose to the company the number of securities acquired or disposed of, within two trading days of such transaction, if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregated to a traded value in excess of Rs 10,00,000.

(v) However, it was observed that the Noticee did not disclose his transactions in Company's scrip which exceeded Rs 10,00,000 in value in the calendar quarter from January 01, 2019 to March 31, 2019 to the Company, as confirmed by the Company, *vide* the December 2020 Replies.

(vi) Given the above, it was alleged that the Noticee had violated regulation 7(2)(a) of the PIT Regulations. The alleged violation, if established, makes the Noticee liable for monetary penalty under section 15A(b) of the SEBI Act.

8. After considering the facts and circumstances of the case, the undersigned granted an opportunity of personal hearing to the Noticee on December 17, 2021 *vide* notice of hearing sent *vide* email on December 10, 2021. In view of the prevailing circumstances owing to COVID-19, the hearing was scheduled through video conferencing on cisco webex platform. On the scheduled hearing date, the Noticee appeared before me through video

conference. The Noticee was informed that no reply has been submitted by him yet with respect to the current adjudication proceedings. The Noticee requested time until December 22, 2021 to make submissions, which was acceded to. On December 23, 2021, the Noticee sent his reply to the SCN *vide* email, which has been reproduced in paragraph 9 below.

9. The Noticee *vide* email sent on December 23, 2021 submitted his reply to the SCN. The relevant extract from the aforesaid reply is reproduced below verbatim:

I was trading the derivatives as mentioned in the Annexure document but I stopped trading or investing into the stock market for the last 2 years. And also I never traded during the closing of the trading window which was informed by us through email.

I was not aware that I was supposed to disclose my transactions to Mindtree by then (Apologies for that).

My derivative transactions are looking huge because I have executed the same transactions repeatedly.

Sincere apologies for all these things and also I have stopped trading/investing. Kindly excuse me from this matter.

I will be available for any kind of proceedings in the future.

D. CONSIDERATION OF ISSUES AND FINDINGS

10. I have taken into consideration the facts and material available on record. The issues that arise for consideration in the present case are as follows:

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

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

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

I. Issue No. 1: Whether the Noticee has violated regulation 7(2)(a) of the PIT Regulations?

11. Before moving forward, it is pertinent to refer to the relevant provision of the PIT regulations alleged to have been violated by the Noticee. The said provision is reproduced hereunder:

Disclosures by certain persons.

7. (2) Continual Disclosures.

(a). Every promoter [1][member of the promoter group], [2] [designated person] and director of every company shall disclose to the company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of ten lakh rupees or such other value as may be specified;

[1] Inserted by Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2019 (w.e.f. January 21, 2019).

*[2] Substituted for the word "employee" by Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2018 (w.e.f. April 01, 2019) (hereinafter referred to as the "**PIT 2018 Amendment Regulations**").*

12. I note from the material available on record that the Noticee was an employee of the Company during the Investigation Period. On perusal of the transaction details of the Noticee, I note that the Noticee had traded in

excess of Rs 10,00,000 in the Company's scrip during the Investigation Period (*i.e.,* calendar quarter from January 01, 2019 to March 31, 2019). The details of the said trades of the Noticee are tabulated below:

Traded value at NSE cash segment (in Rs)	Traded value at NSE derivatives segment (in Rs)	Traded value at BSE cash segment (in Rs)	Total traded value (BSE and NSE) (in Rs)	No. of occasions transactions executed
0	12,389,910	0	12,389,910	7

13. I note from the table given in the paragraph above that the Noticee had executed seven transactions through which the total traded value of the Noticee in the said calendar quarter amounted to Rs. 12,389,910 which is in excess of Rs 10,00,000.

14. Regulation 7(2)(a) of the PIT Regulations, as it existed at the time the Noticee committed the alleged violation (*i.e.,* before the PIT 2018 Amendment Regulations came into force), provides that certain specified entities (such as employees) are required to submit disclosures to the company within two trading days of transactions, if the value of the securities traded, in one transaction or a series of transactions, aggregates to a traded value in excess of Rs 10,00,000 over any calendar quarter.

15. I note from the reply of the Noticee that he has not disputed that he was an employee of the Company during the Investigation Period. Further, I note that the Noticee has admitted in his reply that he had executed the trades provided in the annexure to the SCN *i.e.,* the Noticee had executed the trades which exceeded Rs 10,00,000 in value. I note that the submissions of the Noticee from his reply provided in paragraph 9 can be summarized as follows:

    (i) The Noticee did not trade when the trading window of the Company was closed.

(ii) The Noticee was unaware that he was required to disclose the concerned trades executed by him to the Company.

(iii) The trades executed by the Noticee in derivatives, appear large in number, as he had repeatedly executed the same transactions.

16. To begin with, I find that the submission of the Noticee as provided in paragraph 15(i) above is irrelevant to the current adjudication proceeding. The violation alleged against the Noticee is failure to disclose trades executed in excess of Rs 10 lakhs over a calendar quarter under regulation 7(2)(a) of the PIT Regulations. The aforesaid alleged violation has no relation with the trading window obligations under the PIT Regulations.

17. As reproduced in paragraph 15(ii) above, the Noticee has submitted that he was unaware that he was required to disclose the trades which exceeded the threshold prescribed under regulation 7(2)(a) of the PIT Regulations to the Company. I find that the Noticee cannot take shelter under the garb of lack of knowledge, as ignorance of law cannot be an excuse to evade liability arising under the law due to such non-compliance. "*Ignorantia juris non excusat*" is an established legal principle that translates into ignorance of law is not an excuse.

18. At this juncture, I also find it relevant to refer to the decision of the Supreme Court in ***Motilal Padampat Sugar Mills Co. Ltd. vs. State of Uttar Pradesh and Ors.*** (Civil Appeal No. 1597 of 1972), decided on December 12, 1978, wherein it provided more clarity on the aforesaid rule, it held that:

"……Moreover, it must be remembered that there is no presumption that every person knows the law. It is often said that every one is presumed to know the law, but that is not a correct statement: there is no such maxim known to the law. Over a hundred and thirty years ago, Maule, J., pointed out in Martindala v. Faulkner [1846] 2 Q.B. 786: "There is no presumption

in this country that every person knows the law: it would be contrary to common sense and reason if it were so". Scrutton, also once said: "It is impossible to know all the statutory law, and not very possible to know all the common law." But it was Lord Atkin who, as in so many other spheres, put the point in its proper context when he said in Evans v. Bartlem [1937] A.C. 473 " - the fact is that there is not and never has been a presumption that every one knows the law. There is the rule that ignorance of the law does not excuse, a maxim of very different scope and application." (emphasis added)

19. I find that the aforesaid principle has been explained in detail by John Salmond, in one of his revered works, "*Jurisprudence or the Theory of the Law",* wherein he has provided three reasons for the rigorous principle. I find that out of the said three reasons, one reason is the bedrock for its strict application. The reason is reproduced below verbatim:

"In the second place, even if invincible ignorance of the law is in fact possible, the evidential difficulties in the way of the judicial recognition of such ignorance are insuperable, and for the sake of any benefit derivable therefrom it is not advisable to weaken the administration of justice by making liability dependent on well nigh inscrutable conditions touching knowledge or means of knowledge of the law. Who can say of any man whether he knew the law, or whether during the course of his past life he had an opportunity of acquiring a knowledge of it by the exercise of due diligence?....." (emphasis added)

20. Thus, I find that the aforesaid principle is justified on the grounds of necessity because if there is relaxation in the application of this principle, every accused would seek impunity on the ground that he did not know the law and the authorities would be involved in determining the cause of such ignorance which would render the administration of justice impracticable. I find that my view is supported by the decision of Hon'ble SAT in ***Madanchand Prasan Chand Chordia vs. SEBI*** (Appeal No. 134 of 2014),

dated June 16, 2014, wherein it that: *"The main contention of the appellant, who has appeared in person before us, is that he was not aware about the requirement of law in making disclosure as a part of SAST Regulations, 2011 and PIT Regulations, 1992. We note that ignorance of law is not an excuse." (emphasis added).* In line with the discussion above, I find that the submission of the Noticee as provided in paragraph 15(ii) above is liable to be dismissed.

21. Lastly, as provided in paragraph 15(iii), the Noticee has submitted that the trades executed by him in derivatives, appear large in number, as the Noticee repeatedly executed the same transactions. I find that to fall foul of the requirement under regulation 7(2)(a), the following conditions should be fulfilled: (a) acquisition or disposal of securities by a promoter or an employee or a director of the company; (b) the value of securities traded aggregates to a traded value in excess of Rs 10 lakhs over a calendar quarter; and (c) the said promoter or employee or director of the company fails to make disclosure to the company within two trading days of such transaction. I find that the repetition of the transactions in derivatives bears no relevance to the present matter which is concerned with regulation 7(2)(a). I find that the trades executed by the Noticee and his conduct thereafter has fulfilled each of the conditions provided above to attract the violation alleged under regulation 7(2)(a) of the PIT Regulations, therefore, the violation against the Noticee stands established.

22. The requirement to submit disclosures under the PIT Regulations in the manner prescribed and within the stipulated time is sacrosanct as it enables the public to make an informed investment decision in a timely manner. By not submitting the requisite disclosures in the time specified, the concerned persons deprive the investing public of their statutory rights. Further, the disclosure also enables the regulator to properly monitor the transactions in the capital market to regulate the same effectively. Thus, I find that the aforesaid violation by the Noticee affects multiple stakeholders and impacts the entire securities market.

II. Issue No 2: Does the violation, if any, attract monetary penalty under section 15A(b) of the SEBI Act?

23. I note that the Apex Court in the case of ***The Chairman, SEBI vs. Shriram Mutual Fund and Ors.*** (Civil Appeal Nos. 9523-9524 of 2003), decided on May 23, 2006, has 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."*

24. Further, in ***Mr. Ankur Chaturvedi vs. SEBI*** (Appeal no. 434 of 2014) decided on August 04, 2015, the Hon'ble SAT has held that *"As rightly pointed out by the adjudicating officer the entire securities market stands on disclosure based regime and accurate and timely disclosures are fundamental in maintaining the integrity of the securities market. Therefore, omission on the part of the appellant in failing to make disclosures was detrimental to the interest of the investors in the securities market and hence no fault can be found with the decision of SEBI in imposing penalty…."*

25. In view of the judgments/orders referred above and the fact that the Noticee has violated regulation 7(2)(a) of the PIT Regulations, I am of the view that a monetary penalty needs to be imposed upon the Noticee under section 15A(b) of the SEBI Act, which reads as under:

Penalty for failure to furnish information, return, etc.

15A. *If any person, who is required under this Act or any rules or regulations made thereunder:*

(b) *to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations, [3][or*

who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to a penalty [4][which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees].

[3] Inserted by the Finance Act, 2018 w.e.f. 08-03-2019.

[4] Substituted for the words "of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.

III. Issue No 3: If the answer to issue no. 2 is in affirmative, then what should be the quantum of monetary penalty?

26. While determining the quantum of monetary penalty under section 15A(b) of the SEBI Act, I have considered the factors stipulated in section 15J of the SEBI Act, which reads as under:

Factors to be taken into account while adjudging quantum of penalty

While adjudging quantum of penalty under [5][15-I or section 11 or section 11B, the Board or 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.

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

[5] Substituted for the words "section 15-I, the adjudicating officer" by the Finance Act, 2018 w.e.f. 08-03-2019.

[6] Inserted by Part VIII of Chapter VI of the Finance Act, 2017 vide Gazette Notification No. 7, Extraordinary Part II Section 1 dated March 31, 2017. This shall come into force from April 26, 2017.

27. In the instant case, it is not possible from the material on record to quantify the amount of disproportionate gain or unfair advantage resulting from the default of the Noticee in submitting timely disclosures or the consequent loss caused to investors as a result of the aforesaid default. With respect to the repetitive nature of the default, it is important to note that the Noticee has violated the provisions of regulation 7(2)(a) of the PIT Regulations on seven occasions during the Investigation Period. Hence, the violation committed by the Noticee is repetitive in nature.

28. In the present matter, the facts of the case clearly establish the violation committed by the Noticee. Accordingly, I consider it necessary to impose a monetary penalty which would act as a deterrent to the Noticee in future.

E. ORDER

29. After taking into consideration the nature and gravity of the violation established in the preceding paragraphs and in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the SEBI Adjudication Rules, I hereby impose a penalty of Rs 1,00,000 (Rupees One Lakh Only) on the Noticee *i.e.,* Gonuguntla Harish under section 15A(b) of the SEBI Act. I am of the view that the penalty imposed on the Noticee is commensurate with the violation committed by the Noticee.

30. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of demand draft in favor of “SEBI - Penalties Remittable to Government of India”, payable at Mumbai, or

through online payment facility available on the SEBI website **www.sebi.gov.in** on the following path by clicking on the payment link.

ENFORCEMENT→ ORDERS→ ORDERS OF AO → PAY NOW

31. The Noticee shall forward the said demand draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-I, SEBI, in the format given in table below:

Case name	
Name of payee	
Date of payment	
Amount paid	
Transaction no	
Bank details in which payment is made	
Payment is made for	Penalty

32. In terms of rule 6 of the SEBI Adjudication Rules, copies of this order are sent to the Noticee and SEBI.

Date: January 24, 2022 **PRASANTA MAHAPATRA**
Place: Mumbai **ADJUDICATING OFFICER**