



**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO. Order/JS/VC/2025-26/31971-31972)**

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:

Noticee No.	Name and PAN of the Noticee
1	Mr. Niraj Dhanraj Chhajer (PAN: ADIPC7826M)
2	Ms. Deepti Chhajer (PAN: ADEPB3292N)

In the matter of trading activities of an entity in the scrip of Torrent Power Limited.

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted investigation in the matter of alleged insider trading activity of an entity in the scrip of M/s. Torrent Power Limited (hereinafter referred to as “**TPL / the Company**”) to ascertain possible violation of the provisions of the SEBI Act, 1992 (hereinafter referred to as “**SEBI Act**”) and SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as “**PIT Regulations**”).
2. Based on the findings of investigation in the matter, SEBI initiated adjudication proceedings against Mr. Niraj Dhanraj Chhajer (hereinafter referred to as “**Noticee-1**”), Ms. Deepti Chhajer (hereinafter referred to as “**Noticee-2**”) and Mr. Rishi Sudhirbahi Shah (hereinafter referred to as “**Noticee-3**”) [hereinafter together referred to as “**Noticees**”] for alleged violation of the following provisions:
 - (a) regulation 4(1) of PIT Regulations and section 12A(d) and (e) of SEBI Act by Noticee-1 and 2;
 - (b) regulation 3(1) of the PIT Regulations and section 12A(e) of SEBI Act by Noticee-3.



APPOINTMENT OF ADJUDICATING OFFICER

3. Pursuant to transfer of the erstwhile Adjudicating Officer (hereinafter referred to as “**AO**”) who had been appointed so vide order dated February 11, 2025, the undersigned was appointed as AO in the matter vide order dated April 02, 2025, under section 15-I of the SEBI Act and rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**Rules**”) read with section 19 of the SEBI Act, to inquire into and adjudge the alleged violations by the Noticees under the provisions of section 15G of the SEBI Act.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice bearing Ref. No. SEBI/HO/EAD-8/AS/VC/7824/1-3/2025 dated March 11, 2025 (hereinafter referred to as “**SCN**”) was issued to the Noticees in terms of the provisions of rule 4(1) of the Rules read with section 15-I of the SEBI Act, requesting the Noticees to show cause as to why an inquiry should not be held against them and why penalty, if any, should not be imposed upon them under section 15G of the SEBI Act for the alleged violations.
5. The allegations levelled against the Noticees in the SCN are as under:
 - (a) *On February 14, 2023, at 16:42:03 IST, TPL had submitted the financial results for the quarter ended December 31, 2022, to the exchange. On standalone basis, the profit of the Company had increased to ₹694.94 crore for the quarter ended December 2022, which was ₹492.94 crore for quarter ended September 2022 and ₹380.18 for the quarter ended December 2021. Thus, there was an increase in profit of 83% on Year on Year basis and an increase of 41% on Quarter on Quarter basis. Similarly, the consolidated profit was also increased by 88% on Year on Year basis and 43% on Quarter on Quarter basis.*
 - (b) *The news of financial results had a positive impact on the movement of the price. The closing price before the announcement, i.e., on February 14, 2023 was ₹457.00, which increased to ₹504.40 post announcement, i.e., on February 15, 2023, i.e., an increase of 10.37% on close-to-close basis.*
 - (c) *Based on the trading pattern analysis, an investigation was carried out to ascertain whether there was any violation of the provisions of the SEBI Act and/or PIT Regulations by an entity, while trading in the scrip of TPL during the period January 2, 2023 to February 28, 2023. The focus of investigation was to ascertain, whether Noticee-1 traded in the scrip of TPL, while in possession of or having access to Unpublished Price Sensitive Information (hereinafter referred to as “**UPSI**”), in violation of the provisions of the SEBI Act and PIT Regulations, during the period starting from*



January 2, 2023 to February 28, 2023 (hereinafter referred to as “**Investigation Period/ IP**”).

Financial Results:

(d) The financial results of TPL concerning the investigation are detailed as under:

Table No. 1

Quarter Ended	Standalone (₹ Crore)			Consolidated (₹ Crore)		
	Dec'22	Sep'22	Dec'21	Dec'22	Sep'22	Dec'21
Revenue from operations	4,867.24	5,016.17	3,635.46	6,442.79	6,703.15	3,767.43
Other Income	94.75	116.69	87.43	83.65	94.06	65.71
Total Income	4,961.99	5,133.40	3,722.89	6,526.44	6,797.21	3,833.14
Profits after Tax	694.94	492.94	380.18	694.54	484.19	369.45

Period of UPSI:

(e) The first engagement / initiation when Corporate Accounts Office started the work on preparation of standalone and consolidated Q3 financial results was on January 17, 2023. Accordingly, the period of UPSI was considered from January 17, 2023 to February 14, 2023 (the date of announcement of financial results).

Price movement around the announcement dated February 14, 2023:

(f) It was observed that the news of financial results had a positive impact on the movement of the price. The price movement in the scrip of TPL around the announcement is as under:

Table No. 2

Date	OPEN	HIGH	LOW	CLOSE	52W H	52W L	VOLUME	No of trades	Change
10-Feb-23	448.55	454.50	446.85	453.25	610	415.25	1,59,007	8,136	0.85%
13-Feb-23	453.25	458.95	449.00	457.40	610	415.25	3,88,405	12,336	0.92%
14-Feb-23	457.55	459.10	450.30	457.00	610	415.25	4,17,319	11,455	-0.09%
Announcement 14-02-2023 16:36:33 PM									
15-Feb-23	494.40	507.15	481.70	504.40	610	415.25	1,30,87,706	1,38,748	10.37%
16-Feb-23	504.00	512.40	500.25	509.50	610	415.25	26,42,615	42,718	1.01%
17-Feb-23	508.70	512.10	503.10	506.75	610	415.25	9,37,022	20,908	-0.54%

Price Volume Analysis:

(g) The Price Volume Analysis of the scrip of TPL during IP is as under:

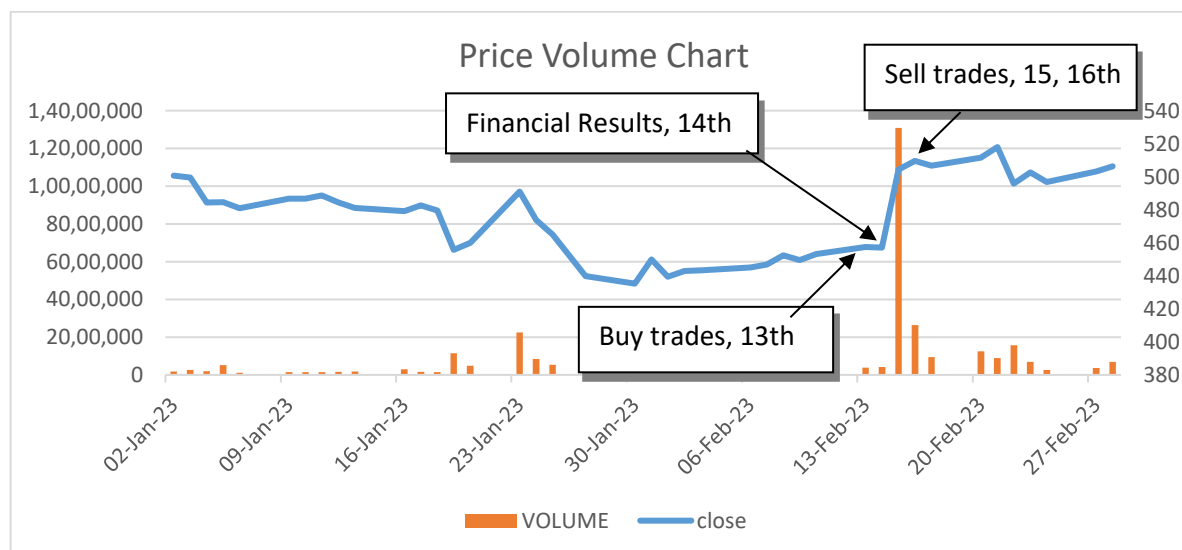
Table No. 3



Particulars	Period	Price / Volume	Opening Price and Volume (₹ lakh) on the First Day of the Period	Closing Price and Volume (₹ lakh) on the Last Day of the Period	Low Price and Volume (₹ lakh) during the Period	High Price and Volume (₹ lakh) during the Period	Average no. of shares traded during the period (₹ lakh)
Pre - UPSI Period	January 02, 2023, to January 16, 2023	Price	498.8	479.1	477.15 16-Jan-23	505.85 03-Jan-23	2.15
		Volume	1.89	2.98	1.17 06-Jan-23	5.12 05-Jan-23	
UPSI Period	January 17, 2023, to February 14, 2023	Price	479	457	430.85 30-Jan-23	493.20 24-Jan-23	5.11
		Volume	1.63	4.17	1.38 18-Jan-23	22.52 23-Jan-23	
Post announcement period	February 15, 2023, to February 28, 2023	Price	494.4	506.55	481.70 15-Feb-23	520.20 21-Feb-23	20.65
		Volume	130.88	3.35	2.61 24-Feb-23	130.88 15-Feb-23	

Price Volume Chart:

(h) The Price Volume Chart of the scrip of TPL during IP is as under:



(i) From the above chart, it was observed that the price of the scrip witnessed a sharp increase on February 15, 2023 after the day of announcement of financial results on February 14, 2023 and the price rise continued till February 21, 2023.



Trading by entities under Investigation:

I. Mr. Niraj Dhanraj Chhajer (Noticee-1):

- (j) Trading activities of Noticee-1 in cash segment during the period from January 02, 2023, to February 28, 2023, are as under:

Table No. 4

Date	Buy Quantity	Sell Quantity	Buy Rate (₹)	Sell Rate (₹)	Buy Value (₹)	Sell Value (₹)
Pre UPSI-Period (January 02, 2023, to January 16, 2023)						
-	-	-	-	-	-	-
UPSI Period (January 17, 2023, to February 14, 2023)						
13-Feb-2023	11,500	-	453.20	-	52,11,767	-
Post Announcement (February 15, 2023, to February 28, 2023)						
15-Feb-2023	-	6,500	-	503.42	-	32,72,250
16-Feb-2023	-	5,000	-	510.50	-	25,52,500

- (k) From the above table, it was observed that Noticee-1 through M/s. Axis Securities Ltd., had purchased 11,500 shares in cash segment at an average price of ₹453.20 on February 13, 2023 and sold 6,500 shares and 5,000 shares on February 15 and 16, 2023, respectively, at an average price of ₹506.50, thereby earned a positive square off difference of ₹6,12,983/-. As confirmed by the stock broker, these orders were placed offline directly with the stock broker by Noticee-1.

- (l) Trading activities of the Noticee-1 in Derivative segment (Call Option) during the period from January 02, 2023 to February 28, 2023, are as under:

Table No. 5

Expiry Date	Trade Date	Bought Forward Long Qty	Bought Forward Short Qty	Buy Qty	Sell Qty	Buy Rate (₹)	Sell Rate (₹)	Buy Value (₹)	Sell Value (₹)
Pre UPSI-Period (January 02, 2023, to January 16, 2023)									
-	-	-	-	-	-	-	-	-	-
UPSI Period (January 17, 2023, to February 14, 2023)									
23-Feb-2023	13-Feb-2023			13,500		14.68		1,98,225	
Post Announcement (February 15, 2023, to February 28, 2023)									
23-Feb-2023	15-Feb-2023				13,500		51.56		6,96,075



- (m) From the above table, it was observed that in derivatives segment, Noticee-1, through M/s. Pravin Ratilal Share and Stockbrokers Ltd., had bought 13,500 call options at a price of ₹14.68 for February month expiry contract on February 13, 2023 and squared off the entire options at a price of ₹51.56 on February 15, 2023, thereby, earned a positive square off difference of ₹4,97,850/-. As confirmed by the stock broker, these orders were placed through mobile application by Noticee-1.

II. Ms. Deepti Chhajjer (Noticee-2):

- (n) It was observed that there were trades done in the trading account of Noticee-1's wife, viz., Ms. Deepti Chhajjer (Noticee-2) in the scrip of TPL, whose trade details are as under:

Table No. 6

Date	Client PAN	Name	Trade Price (₹)	Gross Buy Vol	Gross Sell Vol	Trade Value (₹)
13/02/2023	ADEPB3292N	Deepti Chhajjer	458.16	5000	0	22,90,794.25
14/02/2023	ADEPB3292N	Deepti Chhajjer	452.50	2000	0	9,05,000.00
15/02/2023	ADEPB3292N	Deepti Chhajjer	500.75	0	7000	35,05,276.55

- (o) It was observed from the above table that Noticee-2, trading through M/s. Axis Securities Ltd., had bought 5,000 shares and 2,000 shares at an average price of ₹456.54 on February 13 and 14, 2023 just before the announcement of financial results and sold the entire quantity on February 15, 2023 (i.e., post announcement of financial results) at an average price of ₹500.75. Thus, Noticee-2 made a profit of ₹3,09,482.30/- from the above transactions. Further, with regard to other trades done by Noticee-2 during IP, it was observed that the trades for sale of 5,000 shares, 34 shares, and 5,000 shares in the scrip of ITC Ltd., TCS, ITC Ltd., were done on February 2, 2023, and February 13, 2023 in her trading account.
- (p) Vide email dated January 10, 2025, it was enquired with Noticee-1 with respect to trades in his wife's account, as to who had placed the orders in the scrip of TPL. Noticee-1 replied stating that it was his decision to place those orders and further he himself had placed the orders in his wife's account. Thus, it was observed that Noticee-1 had not only used his trading account but also used his wife's account to trade in the scrip of TPL.
- (q) Accordingly, Noticee-1 and his wife, Ms. Deepti Chhajjer have made a total profit of ₹14,20,315/- from the aforesaid transactions in the scrip of TPL.

Analysis of trading history of Noticee-1:

- (r) Noticee-1 had purchased shares in 12 scrips during the UPSI period (i.e., January 17, 2023 to February 14, 2023) and a call option contract in the scrip of TPL as per details given below:

Table No. 7

Sr. No.	Security Name/ Contract	Gross Buy Vol	Gross Buy Value (₹)
1	TORRENT POWER LTD &	11500 &	5409992.00



	TORNTPOWER23FEB450CE	13500	
2	SHRE PUSH CHEM & FERT LTD	10000	1738380.00
3	ADANI PORT & SEZ LTD	3000	1736575.00
4	PHANTOM DIGITAL EFF LTD	4800	978600.00
5	DUCOL ORGS AND COLOURS LT	6400	709200.00
6	VITAL CHEMTECH LIMITED	3600	433680.00
7	HERANBA INDUSTRIES LTD	1000	348512.50
8	ANNAPURNA SWADISHT LTD	2000	264200.00
9	RPSG VENTURES LIMITED	500	225025.00
10	POCL ENTERPRISES LTD	1330	184189.50
11	WELSPUN CORP LIMITED	500	105000.00
12	RTS Power Corporation Ltd.	0	0.00

- (s) From the above table, it was observed that the Noticee-1 had 44.59% concentration in the scrip of TPL based on gross buy value during the UPSI period, which was highest amongst the concentration in all traded scrips. Further, "TORNTPOWER23FEB450CE" was the only derivative contract traded amongst all the scrips traded during the period with gross buy value of ₹1,98,225/-. The total gross buy value in the scrip of TPL, in both cash and derivatives segment, comes to ₹54,09,992/-.
- (t) Similarly, the Gross traded value (purchase and sales) of all the trades of the Noticee-1 were analyzed for the investigation period (i.e., January 2, 2023 to February 28, 2023). The trade data for both cash and derivatives segment is as follows:

Table No. 8

Sr. No.	Security Name/ Contract	Gross Trade Value (₹)	% of Gross Traded Value
1	TORRENT POWER LTD & TORNTPOWER23FEB450CE	11930817.00	39.37
2	ADANI PORT & SEZ LTD	3541414.15	11.69
3	SHRE PUSH CHEM & FERT LTD	2622410.20	8.65
4	WELSPUN CORP LIMITED	2330250.00	7.69
5	JBM AUTO LIMITED	1370007.85	4.52
6	HOUSING DEVELOPMENT FINANCE CORP. LTD	1290000.00	4.26
7	PHANTOM DIGITAL EFF LTD	1218660.00	4.02
8	RELIANCE INDUSTRIES LTD	1187475.00	3.92
9	RTS POWER CORPORATION LTD.	992865.05	3.28
10	PRICOL LIMITED	805921.75	2.66
11	DUCOL ORGS AND COLOURS LT	709200.00	2.34
12	HERANBA INDUSTRIES LTD	677512.50	2.24
13	ANNAPURNA SWADISHT LTD	544200.00	1.80
14	RPSG VENTURES LIMITED	452525.00	1.49
15	VITAL CHEMTECH LIMITED	433680.00	1.43
16	POCL ENTERPRISES LTD	184189.50	0.61
17	NIFTY2311218500CE	12075.00	0.04



- (u) From the above table, it was observed that Noticee-1 had traded in 17 scrips during the IP. Out of all the trades, the concentration of Noticee-1 in the scrip of TPL was the highest in terms of Gross Traded Value which stood at 39.37%.
- (v) Further, the day wise trade values of Noticee-1 were analysed for the investigation period, the data of which is as under:

Table No. 9

Date	Security Name/ Contract	Gross Buy Value (₹)	Gross Sell Value (₹)	Gross Trade Value (₹)
03/01/2023	RPSG VENTURES LIMITED	227500.00	0.00	227500.00
04/01/2023	NIFTY2311218500CE	10025.00	0.00	10025.00
09/01/2023	NIFTY2311218500CE	0.00	2050.00	2050.00
12/01/2023	ANNAPURNA SWADISHT LTD	280000.00	0.00	280000.00
19/01/2023	SHRE PUSH CHEM & FERT LTD	178000.00	0.00	178000.00
19/01/2023	VITAL CHEMTECH LIMITED	148500.00	0.00	148500.00
20/01/2023	RPSG VENTURES LIMITED	225025.00	0.00	225025.00
20/01/2023	SHRE PUSH CHEM & FERT LTD	712130.00	0.00	712130.00
23/01/2023	SHRE PUSH CHEM & FERT LTD	344000.00	0.00	344000.00
24/01/2023	ANNAPURNA SWADISHT LTD	264200.00	0.00	264200.00
25/01/2023	SHRE PUSH CHEM & FERT LTD	254000.00	0.00	254000.00
25/01/2023	VITAL CHEMTECH LIMITED	145800.00	0.00	145800.00
27/01/2023	ADANI PORT & SEZ LTD	620500.00	295339.15	915839.15
27/01/2023	SHRE PUSH CHEM & FERT LTD	250250.00	0.00	250250.00
27/01/2023	VITAL CHEMTECH LIMITED	139380.00	0.00	139380.00
27/01/2023	WELSPUN CORP LIMITED	105000.00	0.00	105000.00
30/01/2023	ADANI PORT & SEZ LTD	0.00	324500.00	324500.00
31/01/2023	HERANBA INDUSTRIES LTD	87750.00	0.00	87750.00
31/01/2023	PHANTOM DIGITAL EFF LTD	247200.00	0.00	247200.00
01/02/2023	ADANI PORT & SEZ LTD	535075.00	0.00	535075.00
01/02/2023	HERANBA INDUSTRIES LTD	260762.50	0.00	260762.50
02/02/2023	PHANTOM DIGITAL EFF LTD	239400.00	0.00	239400.00
06/02/2023	DUCOL ORGS AND COLOURS LT	185680.00	0.00	185680.00
07/02/2023	ADANI PORT & SEZ LTD	581000.00	597000.00	1178000.00
07/02/2023	DUCOL ORGS AND COLOURS LT	353760.00	0.00	353760.00
08/02/2023	POCL ENTERPRISES LTD	138600.00	0.00	138600.00
08/02/2023	ADANI PORT & SEZ LTD	0.00	588000.00	588000.00
08/02/2023	DUCOL ORGS AND COLOURS LT	169760.00	0.00	169760.00
08/02/2023	PHANTOM DIGITAL EFF LTD	492000.00	0.00	492000.00
09/02/2023	POCL ENTERPRISES LTD	45589.50	0.00	45589.50
13/02/2023	RTS POWER CORPORATION LTD.	0.00	992865.05	992865.05
13/02/2023	TORNTPOWER23FEB450CE	198225.00	0.00	198225.00
13/02/2023	TORRENT POWER LTD	5211767.00	0.00	5211767.00
15/02/2023	TORNTPOWER23FEB450CE	0.00	696075.00	696075.00
15/02/2023	TORRENT POWER LTD	0.00	3272250.00	3272250.00
16/02/2023	WELSPUN CORP LIMITED	390000.00	0.00	390000.00
16/02/2023	TORRENT POWER LTD	0.00	2552500.00	2552500.00
17/02/2023	HERANBA INDUSTRIES LTD	0.00	329000.00	329000.00



Date	Security Name/ Contract	Gross Buy Value (₹)	Gross Sell Value (₹)	Gross Trade Value (₹)
17/02/2023	JBM AUTO LIMITED	0.00	1370007.85	1370007.85
17/02/2023	PHANTOM DIGITAL EFF LTD	240060.00	0.00	240060.00
17/02/2023	PRICOL LIMITED	397921.75	0.00	397921.75
17/02/2023	WELSPUN CORP LIMITED	195000.00	0.00	195000.00
20/02/2023	PRICOL LIMITED	0.00	408000.00	408000.00
20/02/2023	WELSPUN CORP LIMITED	388000.00	0.00	388000.00
20/02/2023	SHRE PUSH CHEM & FERT LTD	0.00	713000.00	713000.00
21/02/2023	WELSPUN CORP LIMITED	1064250.00	0.00	1064250.00
22/02/2023	WELSPUN CORP LIMITED	188000.00	0.00	188000.00
23/02/2023	SHRE PUSH CHEM & FERT LTD	67716.00	0.00	67716.00
24/02/2023	Housing Development Finance Corp. Ltd	1290000.00	0.00	1290000.00
24/02/2023	RELIANCE INDUSTRIES LTD	0.00	1187475.00	1187475.00
24/02/2023	SHRE PUSH CHEM & FERT LTD	103314.20	0.00	103314.20

- (w) From the above table, it was observed that the buy value of the Noticee-1 in the scrip of TPL was highest on February 13, 2023. Similarly, the sell trade value in the scrip of TPL was highest on February 15 and 16, 2023 amongst all sell trades done during the IP.

Analysis of Call Data Records with insider:

- (x) As per company records, Mr. Rishi Sudhirbhai Shah (Noticee-3) is General Manager in Corporate Finance Department of the Company and he was named as insider of the Company by it. It was observed from the sequence of events forwarded by TPL, that there was an email communication dated January 31, 2023 with Noticee-3 and team, in which financial statement for the quarter ended December 2022 was shared with them. Hence, Noticee-3 was an insider as defined under section 2(1)(g) of PIT Regulations.
- (y) It was observed from the Call Detail Records (CDRs) of Noticee-1 and the insiders of the Company obtained from respective Telecom Service Providers, that there were call communications between Noticee-1 and Noticee-3. As per the UCC data, the mobile number of Noticee-1 is "999****23" and of Noticee-3 is "982****35". Details of phone calls between them during the IP are as under:

Table No. 10

Mr. Niraj Dhanraj Chhajera	Mr. Rishi Sudhirbhai Shah	Date	Time	Duration (seconds)	Call Type
999****23	982****35	12/Jan/2023	08:04:35	29	CALL_OUT
999****23	982****35	20/Jan/2023	18:49:57	192	CALL_OUT
999****23	982****35	20/Jan/2023	21:37:16	65	CALL_OUT
999****23	982****35	20/Jan/2023	21:39:45	29	CALL_IN
999****23	982****35	21/Jan/2023	18:41:53	30	CALL_OUT
999****23	982****35	21/Jan/2023	19:11:56	25	CALL_OUT
999****23	982****35	27/Jan/2023	20:35:47	20	CALL_OUT



999****23	982****35	27/Jan/2023	21:09:43	10	CALL_OUT
999****23	982****35	27/Feb/2023	21:52:41	47	CALL_IN

- (z) From the above table, it was observed that there were 9 phone calls between Noticee-1 and Noticee-3. Out of which, 7 phone calls were made by the Noticee-1, and 2 calls were made by Noticee-3 to Noticee-1. From the telephonic calls between Noticee-3 and Noticee-1, it was observed that both persons were connected to each other. During the UPSI period, there were phone calls between them on January 20, 2023, January 21, 2023 and January 27, 2023. There were 3 phone calls on January 20, 2023, 2 calls on January 21, 2023 and 3 phone calls on January 27, 2023.

Examination of the submission of Noticee-1 vis-à-vis the facts available on record:

- (aa) Statements of Noticee-3 and Noticee-1 were recorded on December 18, 2024 and December 19, 2024, respectively, at SEBI, Head Office. The observations made from the statements of Noticee-1 and Noticee-3 are given in following paragraphs.

- (bb) It was observed that Noticee-1, Mr. Niraj Dhanraj Chhajjer and the insider, Mr. Rishi Sudhirbhai Shah (Noticee-3) have been friends since their schooldays. As deposed by Noticee-3, being in corporate finance department, he gets access to rough figures of financial results of a quarter generally after 20th day of first month of subsequent quarter. Further, there was a financial statement shared with Noticee-3 and team vide email dated January 31, 2023. As admitted by Noticee-3 during statement recording, he had communicated to Noticee-1 as under:

“..... that the Company’s financial result for the quarter looks good considering the merchant market. Usually, during winter season, the demand for power would be less, however, during that quarter since the projections were different because of more demand, I told him that the directions of profits were good.”

- (cc) It was observed that Noticee-1 bought shares and call options in the scrip of TPL on February 13, 2023, just a day before the announcement of financial results for the quarter ended December 2022 by TPL. TPL announced the financial results on February 14, 2023. Noticee-1 sold the entire quantity on February 15 and 16, 2023 while making profit of ₹11.10 lakh. Similarly, he also admittedly bought 7,000 shares through his wife’s trading account on February 13 and 14, 2023 just before the announcement of financial results and sold the entire quantity on February 15, 2023, thereby, made a profit of ₹3.09 lakh. By allowing the trades in her trading account, Noticee-2 become responsible for the trades happened in the scrip of TPL and similarly by placing orders in her trading account, Noticee-1 also holds responsibility for the trades. Therefore, both husband and wife (Noticee-1 and 2) are jointly and severally responsible for the said trades.

- (dd) Noticee-1 through his trading account had 44.59% concentration in the scrip of TPL based on gross buy value, i.e., ₹54,09,992/-, during the UPSI period in both cash and derivative segment, which was the highest amongst the concentration in all traded 12 scrips. Further, during the IP, the concentration in the scrip of TPL was 39.37% based on gross buy value, which again was the highest amongst 17 scrips traded.



(ee) *The trading pattern of Noticee-1 and the abovementioned observations indicated that Noticee-1 and 2 had traded in the scrip of TPL based on the UPSI related to financial results for the quarter ended December 2022 with an objective to maximize their profits.*

(ff) *In view of the above, it was alleged that Noticee-1 and Noticee-2 traded in the scrip of TPL, based on the UPSI related to financial results for the quarter ended December 2022, communicated by Noticee-3, an insider of TPL, and thus, they violated the following provisions:*

(i) *Noticee-1 and 2 violated the provisions of regulation 4(1) of PIT Regulations and section 12A(d) and (e) of SEBI Act.*

(ii) *Noticee-3 violated the provisions of regulation 3(1) of the PIT Regulations and section 12A(e) of SEBI Act.*

6. I note that the SCN issued to the Noticees was duly served upon them. Vide letter dated April 18, 2025, Noticee-1 and 2 submitted their reply to the SCN. Vide said reply dated April 18, 2025, Noticee-1 and 2 requested for cross-examination of Noticee-3 (Mr. Rishi Sudhirbahi Shah). Accordingly, cross-examination of Noticee-3 was conducted by authorised representatives of the Noticee-1 and 2, viz., Adv. Vinay Chauhan, assisted by CS Anand Kankani, CS Muskan Kadiwar and Ms. Payal Lad (hereinafter referred to as “**ARs**”) on September 09, 2025. Thereafter, vide letter dated September 30, 2025, Noticee-1 and 2 submitted the additional submissions in the matter. Vide notice of hearing dated September 19, 2025, an opportunity of personal hearing on October 01, 2025 was granted to the Noticee-1 and 2. ARs of the Noticee-1 and 2 attended the personal hearing on the said date in person and reiterated the submissions made by the Noticee-1 and 2 vide replies dated April 18, 2025 and September 30, 2025. ARs were granted permission to furnish written submissions in the matter within 3 weeks, which was submitted vide letter dated October 24, 2025.

7. Relevant extracts of the replies of Noticee-1 and 2 dated April 18, 2025, September 30, 2025 and October 24, 2025 are as under:

7.1. **BRIEF BACKGROUND OF THE MATTER**

(a) *The foundation of the SCN is based on the Investigation Report (IR), which indicated that Noticee-3, Mr. Rishi Sudhirbhai Shah, the General Manager of the Corporate Finance Department at TPL, qualifies as an insider under regulation 2(1)(g)(ii) of the SEBI (PIT) Regulations, 2015. While he is not categorized as a connected person, Noticee-1, Mr. Niraj Dhanraj Chhajera, is regarded as a connected person under regulation 2(1)(g)(i) of the SEBI (PIT) Regulations, 2015 by virtue of his alleged frequent*



communication with Noticee-3 in a personal and friendly capacity. Similarly, Noticee-2, Mrs. Deepti Chhajer, being the wife of Mr. Niraj Dhanraj Chhajer, being an immediate relative and is therefore also classified as a connected person. Consequently, both Noticee-1 and 2 are alleged to be insiders under regulation 2(1)(g)(i) of the SEBI (PIT) Regulations, 2015, by virtue of their classification as connected persons.

- (b) The premise based on which the SCN is issued and the violations are alleged upon Noticee-1 and 2 is totally flawed, illegal and bad in law; as SEBI / IA has grossly erred in classifying Noticee-1 as connected person for TPL pursuant to his frequent communications with Noticee-3 (admittedly which are social in nature both as per the SCN and submission of all the Noticees). Such a finding is diametrically opposite to the well settled principles of law that are reiterated in multiple orders passed by Hon'ble Supreme Court, Securities Appellate Tribunal and SEBI.
- (c) Under regulation 2(1)(g) of the PIT Regulations, 2015, an insider may either be a connected person or any person who is in possession of or has access to UPSI. The definition of a "connected person" in regulation 2(1)(d) is premised on the assumption that the nature of the relationship described under regulation 2(1)(d)(i) or regulation 2(1)(d)(ii) provides actual or reasonably expected access to UPSI. Therefore, once a person is categorized as a connected person, he automatically qualifies as an "insider" under regulation 2(1)(g)(i).
- (d) It is an undisputed position of law that if a person has to be classified as connected person due to the frequent communication, it has to be in the context of such persons contractual, fiduciary or employment relationship which can allow such person to directly or indirectly access to UPSI or is reasonably expected to allow such access. This has also been noted in the SEBI Final Order passed by the Ld. WTM in the matter of insider trading in the scrip of PC Jeweller Limited (Balram Garg).

Para 17

"..... As per Regulation 2(1)(d)(i), if a person is found to be associated with a company during the past six months of the concerned act, in the ways mentioned thereunder, then such person becomes connected person. Regulation 2(1)(d)(i) envisages that certain associations with the company, in the ways mentioned in the definition, as allowing access or reasonable expected to allow access, to UPSI

.....

Association with the company that allow or reasonably expected to allow access to UPSI, is the underlying fundamental principle, under Regulation 2(1)(d)(i), for terming a person as connected person

.....

as per Regulation 2(1)(d)(i), association by virtue of frequent communication with the officer of the company must be arising in the discharge of his/her duty towards the company. The SCNs does not allege that there was any communication between Noticee no. 5 and Noticee no. 1 to 4, arising out discharge of any duty owed by Noticee no. 1, 2, 3 or 4 to the Company"

- (e) Noticee-1:
- (i) had no association with the Company (TPL)



- (ii) *did not have any communication with Noticee-3 in relation to the performance of his duties towards the Company (TPL); rather, their interactions were purely social and had no connection to the Company. Moreover, there is no evidence of any communication between them during the period when Noticee-3 was in possession of UPSI.*
- (iii) *No allegation in the SCN that there was any communication arising out of duty; rather the SCN also records that the frequent communications were in their friendly relationship.*

Hence, Noticee-1 cannot be classified as connected person, therefore he is not an Insider. Consequently, Noticee-2 cannot be classified as a connected person or Insider. Therefore, the allegation of violation of regulation 4(1) does not sustain.

- (f) *Regulation 4(1) prohibits an insider from trading while in possession of UPSI. Further, when such a connected person is alleged to have violated regulation 4(1), i.e., trading while in possession of UPSI, the burden of proving that he was not in possession of UPSI at the time of the trades lies upon him, as per regulation 4(2) of the PIT Regulations, 2015. However, if he is not a connected person, the burden of proof lies on with SEBI that such person was in possession of UPSI while carrying out trades.*
- (g) *It is a clear position of law that since Noticee-1 and 2 are neither insiders nor connected persons as alleged, therefore, under regulation 4(2) the burden of proof/onus lies with SEBI to prove their allegation that the Noticees were in possession of the UPSI, while they traded in the scrip of TPL.*
- (h) *This position of law is reiterated by Supreme Court, in Balram Garg v. SEBI Civil Appeals No. 7054 of 2021 with No. 7590 of 2021, decided on April 19, 2022; at Para 36 which states that:
“Moreover, we find merit in the submission of the counsel for the appellants in CA No. 7590 of 2021 that even assuming that the said family arrangements did not result in complete estrangement of social relations between the parties, SAT could not, by virtue of this very fact, discharge SEBI of the onus of proof placed on them to prove that the appellants were in possession of UPSI. In our opinion, the approach adopted by SAT turns the SEBI Act on its head as it places the burden of proving that there was a complete breakdown of ties between the parties, on the appellants in CA No. 7590 of 2021 while conveniently ignoring the fact that the onus was actually on SEBI to prove that the appellants were in possession of or having access to UPSI.”*
- (i) *Hence the entire allegation in the SCN and premise under which the SCN is issued is unfounded, devoid of merit both in terms of facts and law.*
- (j) *Without prejudice to the above submissions, the Noticee addressed the SCN on facts in the following paragraphs.*

7.2. BRIEF BACKGROUND OF NOTICEE-1

- (a) *Noticee-1 is a Chartered Accountant (CA) with an All-India Rank of 26, qualified in 2005, and holds a Master's degree in Commerce. With over 19 years of experience, he has worked in India, Hong Kong, and Singapore. He has served as director, nominee*



director, and board observer for various companies, including six Indian power firms, and has specialized expertise in the power sector. Additionally, he is an investor and mentor to several startups, including those seeking listings.

- (b) He is backed by a team of exceptionally skilled analysts. Among them is Mr. Pranay Vaghela, who was associated with him during the investigation period and is presently pursuing his MBA at the Indian Institute of Management Calcutta.

7.3. NOTICEE-3 – INSIDER AND POSSESSION OF UPSI

- (a) Noticee-3 operates in the Treasury Department, and had no role in preparation of financial results of TPL as they were prepared by the Accounts Department.
- (b) Mr. Rishi Sudhirbhai Shah (Noticee-3) became an Insider of Torrent Power Limited (TPL) pursuant to the possession of UPSI, i.e., Financial Results for Quarter ended December 2022, which he received via email from Accounts Department on January 31, 2023. This is supported by the Structured Digital Database (SDD) records provided by TPL. Therefore, Noticee-3 was in possession of UPSI from January 31, 2023.
- (c) The analysis of the flow of UPSI from the SDD records wherein the approach adopted to make the table was to ascertain what was the flow of UPSI to Noticee-3 and his reporting senior – Mr. Saurabh Mashruwala (CFO) as per his statement dated December 18, 2024. It also clearly shows that there was no inter – se discussion / sharing of UPSI between the members of Treasury department. Hence, prior to January 31, 2023, Noticee-3 was neither in possession nor had any access to the UPSI. Further, this was also clarified by Noticee-3 in his cross examination dated September 9, 2025.

7.4. CONNECTION BETWEEN NOTICEE-1 AND NOTICEE-3

- (a) Admittedly, Noticee-1 and 3 are school friends and are part of the same friends' group (social circle).
- (b) SEBI in its IR has placed reliance on the Call Data Records (CDRs) to establish the connection between Noticee-1 and 3. However, it was clarified by both the Noticees that the calls during the Investigation Period were in nature of social relation as articulated in the Reply dated April 18, 2025 and by Noticee-3 in his Cross Examination Statement.
- (c) Although the term "Frequent Communication" is not explicitly defined, but in concluding whether there was frequent communication between Noticee-1 and Noticee-3, the reliance is placed on the CDR, which shows 9 calls totalling 7 minutes and 27 seconds. Most of these calls occurred on weekends, suggesting a social nature. For example:
- (i) 12th January: 1 call of 29 seconds – Uttarayan get-together (kite flying)
 - (ii) 20th January: 3 calls totalling 286 seconds – Friend's wife's birthday (Dhwani Kothari, wife of Shiv Kothari)
 - (iii) 21st January: 2 calls totalling 55 seconds – Get-together at a friend's place (Vineet Mehta)
 - (iv) 27th January: 2 calls totalling 30 seconds – Noticee-1 met Noticee-3's wife after arriving at the wedding and before leaving the venue
 - (v) 27th February: 1 call of 47 seconds – Noticee-1 was in Mumbai for his father-in-law's treatment.



- (d) Clearly, these calls appear to be social in nature, and definitely not in the context of TPL or anything related to TPL. Despite this, it is a significant error to conclude that there was frequent communication between Noticee-1 and Noticee-3. Further, Noticee-1 also submitted WhatsApp group chat screenshot for the events (i), (ii) and (iii) and the wedding card. The CDR location of Noticee-1 would itself corroborate the submission for (v).
- (e) It must be noted that there were no calls or meetings took place between Noticee-1 and 3 after January 31, 2023 when Noticee-3 came in possession of the UPSI, till February 14, 2023 when the Financial Results were announced by TPL on the Stock Exchanges.
- (f) It is pertinent to note that in numerous instances, SEBI during the course of investigation, procures and analyses CDR, including location data, to ascertain the movement and possible interactions of the Noticees. In this case too, it seems primarily, SEBI relied upon location from CDRs which indicated the presence of the Noticees at Rajpath Club on January 27, 2023. On the basis of this information, SEBI inferred a possible meeting between Noticee-1 and Noticee-3. Pursuant thereto, the Noticees were summoned and were examined on their visit to Rajpath Club, as well as their membership status with the said establishment. However, SEBI did not come across any instance indicating that Noticee-1 and Noticee-3 were present at the same location, except on January 27, 2023. Hence, there are ample evidence to prove that there were no meeting / calls / any communication that could have taken place between Noticee-1 and 3 post January 31, 2023 till the declaration of results by TPL.
- (g) It is further noted that Noticee-1 has placed on record sufficient and appropriate indisputable submissions that no meeting took place between them even on that date. Noticee-1 was attending a wedding ceremony along with his father at a venue located in the vicinity of Rajpath Club and the purpose of the two calls - it's time and duration would also corroborate the submissions tendered by Noticee-1.

7.5. ALLEGED COMMUNICATION OF UPSI

- (a) However, the SCN and IR alleges that Noticee-1 and 3 had met on January 27, 2023, at Rajpath Club, Ahmedabad wherein the UPSI was communicated by Noticee-3 to Noticee-1, which motivated Noticee-1 to trade in the scrip of TPL while in possession of UPSI.
- (b) SEBI has also placed reliance upon the statement of Noticee-3 dated December 18, 2024 particularly Question 37 to 40 and the CDR record which shows the location of both the Noticees at Rajpath Club.
- (c) It is contended that the allegations raised in the SCN against Noticee-1 lack cogent evidence and, in fact, stand contradicted by the material on record, especially the statements and clarifications provided by Noticee-3 during cross examination.
- (d) Noticee-1 strongly protested the statements of Noticee-3 highlighting the discrepancies and contradictions in his statements vis-à-vis the factual position as evidenced by



documentation provided by Noticee-1 to SEBI even at the time of his deposition / investigation by SEBI (prior to the issuance of SCN).

- (e) Consequently, prejudiced by Noticee-3's statement, Noticee-1 requested SEBI for the cross examination of Noticee-3, which was acceded and held on September 9, 2025.

7.6. CLARIFICATIONS IN CROSS EXAMINATION

(a) The following is the gist of clarifications provided by Noticee-3 in the Cross Examination:

- (i) His statement before SEBI on December 18, 2024 was based on his memory/recollection.
- (ii) He had no role in the preparation of financial result.
- (iii) He received the rough figures regarding the financial results on January 31, 2023 by email.
- (iv) He did not discuss financial result with any outsider including Noticee-1.
- (v) He did not visit Rajpath club during 1st January to February 25, 2023 (including January 27, 2023).
- (vi) He did not take Noticee-1 to Rajpath club in the month of January -February 2023.
- (vii) Noticee-1 never asked any information regarding TPL during the investigation period.
- (viii) The statement made by him on December 18, 2024, wherein he admitted to meeting and taking Noticee-1 to Rajpath Club, was given at the insistence of the Investigating Authority (IA), and his submission at Q37 of the same statement was also made under such insistence, with the caveat that any conversation, if it occurred, pertained only to general market information, as he was not in possession of UPSI on that day.
- (ix) Noticee-3's incorrect recollection was a direct result of the nearly two-year delay between the alleged incident and the recording of his statement, as well as the IA's claim that they possessed evidence of a meeting—despite Noticee-3 producing his phone records, which showed no SMS alert indicating any entry log.

7.7. INCONSISTENCIES IN THE INVESTIGATION

- (a) During the course of Investigation, i.e., at time of deposition before IA, Noticee-1 had tendered oral submissions and thereafter provided list of documents via email, to substantiate his rationale for buy and sell his positions in the scrip of TPL. A major portion of the submissions of Noticee-1 was not even considered for the investigation.
- (b) The CDR data clearly established that on February 27, 2023, Noticee-1 was located in Mumbai at Kokilaben Dhirubhai Ambani Hospital, Four Bungalows, Link Road, Andheri (W), Mumbai. The IA was duty-bound to consider the submissions made by Noticee-1, which were consistent with evidence independently obtained by SEBI. However, these material facts were blatantly disregarded in arriving at the findings. Contrarily, the IR records that only Noticee-2 travelled to Mumbai and Noticee-1 did not travel to Mumbai.
- (c) Noticee-1 also submitted an email communication dated June 5, 2023 from Axis Securities, sent approximately three to four months after the relevant trades. It appears



that, as part of its routine compliance process, Axis Securities, the broker for both Noticee-1 and 2 sought clarification regarding the sale transactions in TPL. Noticee-1, in response, provided a detailed explanation consistent with the facts and chronology later reiterated during his deposition before SEBI and furnished the complete set of supporting documents through email as well as in all subsequent submissions. Notably, as on June 5, 2023, there was no indication of any investigation or inquiry initiated by SEBI.

- (d) *Despite the contemporaneous and evidentiary nature of this material, the IA neither addressed nor acknowledged these submissions. No finding was recorded on whether this evidence was accepted or rejected, which is complete travesty constituting a grave violation of the principles of natural justice, particularly the doctrine of audi alteram partem.*
- (e) *Furthermore, at this stage, it is pertinent to note that during cross-examination, Noticee-3 unequivocally stated that his earlier statements were made under the insistence of the IA, suggesting that the recording process was tainted by misrepresentation, inducement, and undue pressure. A similar approach was adopted with respect to Noticee-1, who was informed that Noticee-3 had already admitted to the communication of UPSI, evidently in an attempt to extract a corroborative statement.*
- (f) *It must be noted that the statements of Noticee-1 and Noticee-3 were recorded under inducement and through improper means.*
- (g) *In particular, Noticee-3 was led to believe that the IA possessed proof of his meeting with Noticee-1 at Rajpath Club, despite his initial response that he did not recall such a meeting. He even showed his phone records and pointed out the absence of any alert, such as an SMS, indicating a visit to the club. Noticee-3's incorrect recollection appears to have been influenced by the IA's persistent assertions. Furthermore, the IA suggested that not only did the meeting take place, but that Noticee-3 had also communicated UPSI during it. This pressure led Noticee-3 to make a statement to that effect in response to Question 37 of his deposition dated December 18, 2024. However, during cross-examination, he clarified that he had told the IA that, if any conversation had occurred, it was only general market information. He further affirmed that he was not in possession of any UPSI on that day.*
- (h) *In a similar vein, during the deposition of Noticee-1 on December 19, 2024 – next day after Noticee-3's deposition, the IA posed a question (Q28) suggesting that Mr. Rishi Shah had confessed to having conveyed a projection of positive financial results for the quarter ended December 2022 during a discussion with Noticee-1. This line of questioning was pursued despite the absence of any evidence indicating a meeting between Noticee-1 and Noticee-3 at Rajpath Club, and after Noticee-3's prior clarification that there was no SMS or other record indicating a visit to the club, as well as his express disclaimer as already highlighted in the previous paragraph that "if any conversation had occurred, it was only general market information. He further affirmed that he was not in possession of any UPSI on that day". In response to the IA's assertion, Noticee-1 unequivocally stated that he did not recall any such passing comment being*



made and affirmed that his trading activity was based solely on his own independent analysis.

- (i) Further, the email dated 6th January 2025 wherein Noticee-3 is apologizing to SEBI for not being able to recall the exact details, which suggests that Noticee-3 was under some form of pressure to provide details to IA, and when he was unable to do so, he became petrified of the consequences.*
- (j) In so far as Statement of Noticee 3 as recorded by IA on December 18, 2024 concerned, no reliance can be placed on the same, in light of the statements given by Mr. Rishi S Shah during the course of cross examination on September 9, 2025, wherein he has, inter alia, retracted his statements and has categorically stated that he made certain statements on the 'insistence of IA'. Thus, the investigation was unfair and did not follow natural justice and the recording of statement was not free of misrepresentation, inducement or pressure.*
- (k) Statements made during cross examination reveal that the statements were involuntary and were significantly influenced by the false assertions of the IA. Since the statement has been retracted by Mr. Rishi S Shah, it holds little evidentiary value and cannot be the basis for levelling grave allegations of insider trading entailing serious adverse civil consequences.*
- (l) In any event, no reliance can be placed on the said retracted statement without corroborating the same with independent, credible and cogent evidence. Admittedly, there is no independent corroboration of the said statement particularly with regard to the alleged communication.*
- (m) Reliance is also placed on K.T.M.S. Mohd. And Another v. Union of India [Criminal Appeal no.631 of 1990] r/w Amanullah Quareshi [Criminal Appeal no.632 of 1990] (1992), wherein it was held that for any statement made before the Customs Authorities or Enforcement Officers to be considered reliable, it must be established that the statement was made voluntarily. Any statement found to have been obtained through inducement, threat, coercion, or by employing any improper means shall be disregarded in its entirety. At the same time, a statement cannot be deemed involuntary solely because it has been retracted. The burden lies on the person making the allegation to prove that inducement, threat, or coercion was used. However, even if the person fails to prove such allegations, the authority relying on the inculpatory statement must still apply its mind to the retraction and assess whether the statement was indeed voluntary.*
- (n) Moreover, following the recording of his statement, Noticee-3 furnished the official visitor log of Rajpath Club, which unequivocally established that he had not visited the club during the investigation period. Despite the clear evidentiary significance of this document, it was neither annexed to the SCN nor reflected in the IR.*
- (o) This means IA had other evidences too which were appropriate and sufficient to prove that Noticee-1 and 3 did not meet at Rajpath club and the entire basis of the alleged meeting in person and alleged communication of UPSI collapsed, but instead of making*



further attempt to find the truth, prejudicially the material evidences are either not dealt or without any cause not made part of IR and the findings of the investigation are concluded.

- (p) *These procedural deficiencies and omissions raise serious concerns regarding the credibility, fairness, and objectivity of SEBI's investigation in the present case.*
- (q) *Reliance is also placed on the K.I. Pavunny v. Assistant Collector (HQ), Central Excise Collectorate, Cochin (Criminal Appeal No. 543 of 1988) decided on February 3, 1997 clearly sets the law that a confession that is supported by credible and persuasive evidence and appears to have been made voluntarily retains substantial evidentiary value, even if subsequently retracted. Initially, the burden lies on the accused to demonstrate that the confession was obtained through threat, coercion, or inducement. However, if the case record or surrounding circumstances reveal suspicious elements concerning the confession, its reliability becomes questionable. Once the accused establishes reasonable grounds to suggest the confession was not voluntary, the burden then shifts to the prosecution to prove otherwise. As a matter of judicial prudence, courts generally seek corroboration of a retracted confession through independent and trustworthy evidence.*
- (r) *Reliance is also placed on Hon'ble SAT in the matter of Ameen Khwaja & Ors. v. SEBI (Appeal no. 584 of 2019) wherein it was held that the burden of proof of having reasonable expectation of having access to the UPSI is initially no doubt on respondent SEBI. Once the respondent SEBI place material/probabilities then onus to prove shifts to the other side, i.e., the appellants to prove otherwise. Since, admittedly, respondent SEBI is required to establish the facts on preponderance of probability and not beyond reasonable doubt, the similar standard of proof would apply to the appellants to shift the onus. However, in the present case, there are ample evidence on record to support the following:*
- (i) There was inducement exerted by the IA on both Noticees at the time of recording their statements.*
 - (ii) Material evidence, specifically the visitor log of Rajpath Club, has been suppressed.*
 - (iii) No meeting took place between Noticee-1 and Noticee-3 at Rajpath Club.*
 - (iv) Noticee-3 came into possession of the UPSI only on January 31, 2023.*
 - (v) There were no phone calls or communications between Noticee-1 and Noticee-3 from January 31, 2023 to February 14, 2023.*

Accordingly, no exchange of UPSI could have occurred during this period. Therefore, the allegation of communication and trading based on such UPSI is unsustainable. The chronological sequence of events, as consistently evidenced and submitted by Noticee-1, clearly demonstrates the impossibility of any such communication and that the allegations against Noticee-1 lack merit and are not supported by cogent or conclusive evidence.

- (s) *Supreme Court, in the case of Hanumant v. State of M.P. (1952) 2 SCC 71: AIR 1952 SC 343 held that Para 12:*



"It is well to remember that in cases where the evidence is of a circumstantial nature, the circumstances from which the conclusion of guilt is to be drawn should in the first instance be fully established, and all the facts so established should be consistent only with the hypothesis of the guilt of the accused. Again, the circumstances should be of a conclusive nature and tendency and they should be such as to exclude every hypothesis but the one proposed to be proved. In other words, there must be a chain of evidence so far complete as not to leave any reasonable ground for a conclusion consistent with the innocence of the accused and it must be such as by to the show that within all human probability the act must have been done accused."

In light of these material deficiencies and the comprehensive rebuttal provided by Noticee-1, it is submitted that the allegations in the SCN for any communication of UPSI between Noticee-1 and 3 are unfounded and deserve to be dismissed in their entirety.

- (t) *Notwithstanding the absence of any communication of UPSI between Noticee-1 and 3, and purely for the sake of completeness and to further demonstrate his bona fides, Noticee-1 seeks to place on record the rationale underlying his trades in TPL.*

7.8. RATIONALE FOR TRADING IN THE SCRIP OF TPL

- (a) *Noticee-1's buy trades were undertaken based on his independent research, existing portfolio strategy, and investment exposure during the relevant period. In contrast, the sell trades were compelled solely by unforeseen medical emergencies. Had such exigencies not arisen, these sell transactions would not have taken place. It is further submitted that the buy trades were entirely in line with Noticee-1's historical trading conduct and established investment patterns.*

7.9. BUY TRADES

- (a) *Noticee-1 furnished a detailed and comprehensive explanation of his shareholding, trading history, and the trades executed during the investigation and pre-investigation period. In particular, Noticee-1 highlighted his prior high-value purchases completed within short intervals from a single day to a few weeks thereby evidencing a consistent trading pattern that was explicitly brought to AO's attention during the hearing to support the submission of the Noticee that the current high value acquisition in TPL was not a peculiar transaction.*
- (b) *Noticee-1's ordinary course of business is investing in the various listed and unlisted securities. In pursuit of better opportunities, he often participates in various investor seminars, programs and conferences. One of such conference that he attended was at Pune on February 4 and 5, 2023.*
- (c) *On the sidelines of this event, Noticee-1 engaged in substantive discussions with several fellow investors regarding key Government initiatives focused on achieving universal electricity access across the country. Motivated by these exchanges, Noticee-1 initiated a focused evaluation of the Indian power sector. Upon return to Ahmedabad, he further directed his employee, Mr. Pranay Vaghela (his analyst), to conduct a detailed study of the sector.*



- (d) Noticee-1 carried out a comprehensive analysis of the top ten power companies in India based on market capitalization. Among them, TPL stood out as a company with strong underlying fundamentals, significantly undervalued as at that time TPL's stock had declined by roughly 30% from its 52-week high, enhancing its attractiveness from a valuation perspective. Following this thorough evaluation, Noticee-1 made a well-informed investment decision and allocated funds for deployment accordingly.
- (e) As his trading strategy, Noticee-1's exposure was ₹75,02,600/- in cash segment and ₹198,180/- Option premium paid for an exposure of ₹61,00,000 as follows:
- (i) 11,500 equity shares were purchased by Noticee-1 at an average price of ₹453.20 per share in the cash segment.
 - (ii) 5,000 equity shares were purchased in the demat account of Noticee-2 at an average price of ₹458.16 per share.
 - (iii) 13,500 call option contracts of TPL (February expiry) were purchased by Noticee-1 at a premium of ₹14.68 per contract.
- (f) It is important to highlight that Noticee-1 had sufficient funds to invest the full amount in cash. However, given the market volatility at the time primarily due to the Adani-Hindenburg developments and historical one-off write off by TPL, he opted to take a position through options instead of deploying 100% in the cash segment. His strategy was to manage risk: if the stock price declined, he could purchase shares in the cash market to lower his average cost; if the price rose, the gains from the options position would prevent any significant increase in the average cost. Thus, the maximum potential loss was limited to the option premium paid.
- (g) It is pertinent to note the following:
- (i) Supporting documents related to the travel to Pune, the conference, and WhatsApp chat screenshots with the Analyst were submitted to SEBI immediately following Noticee-1's deposition. However, these appear to have not been duly considered. The detailed timeline of events is provided in their replies.
 - (ii) It is an admitted fact that there are no CDRs or any evidence of a meeting between Noticee-1 and Noticee-3 during the relevant period.
 - (iii) Noticee-1 did not borrow funds to take a position in TPL; the investment was made entirely using his own capital, in line with his financial standing.
 - (iv) The trading pattern of Noticee-1 in the UPSI period was consistent and unvarying with his overall past trading pattern.
 - (v) Had Noticee-1 been privy to any UPSI, he would likely have taken a significantly larger position particularly deploying 100% in the options segment to maximize potential gains.

7.10. MEDICAL EMERGENCIES

- (a) Noticee-1 faced unprecedented medical emergencies during that period, i.e., from February 13, 2023 onwards, viz.,
- (i) Noticee's daughter's elbow fracture and subsequent surgery, left both Noticee-1 and Noticee-2 to remain immobilized and fully engaged in her care.



- (ii) Noticee-1's father-in-law detection of cancer and opinion of doctor that it could be metastasis (with possibilities of multiple myeloma – a type of bone marrow cancer), which may require overseas treatment; which was the reason Noticee-1 liquidated his most recent purchases, i.e., in TPL immediately to create liquidity.
- (iii) Noticee-1 and 2 furnished the detailed timeline of events regarding said medical emergencies in their replies.

7.11. SELL TRADES

- (a) On the evening of February 13, 2023, Noticee-2 was informed by her family in Kolkata that her father (Noticee-1's father-in-law) had been unable to get out of bed that morning. Following an MRI and consultation scheduled for the next day, the family, acting on medical advice, promptly decided to shift him to Mumbai for further treatment.
- (b) In light of the seriousness of the condition, they requested Noticee-1 to travel to Mumbai urgently to assist with the treatment and to bring his passport, as there was a possibility that the patient might need to be taken to Singapore for advanced medical care. It is pertinent to note that Noticee-1 had previously resided in Singapore for six years (April 2009 to May 2015), and could offer valuable support due to his personal connection's familiarity with the city.
- (c) Noticee-1 was in no position to leave Noticee-2 alone immediately owing to his daughter's position. However, he reassured the family that he would travel to Mumbai at the earliest possible opportunity and take all necessary steps to support the treatment process.
- (d) In light of a developing medical emergency and the need to ensure contingency liquidity for potential expenses related to his father-in-law's urgent treatment while his daughter's hospital discharge was still pending Noticee-1, to the best of his understanding at the time, made the decision to square off his entire options position.
- (e) Accordingly, he initiated sell orders to liquidate his entire holdings in TPL, placing orders himself and through his broker. It is important to note that once the discharge process for his daughter began (at approximately 2:00 p.m.), Noticee-1 was fully engaged at the hospital and was unable to monitor the status of the offline orders via traders. As a result, some pending orders that could not be executed on the 15th were completed on the 16th.
- (f) The decision to liquidate TPL, as opposed to other stocks in the portfolio, to the best of his memory, was based on the fact that TPL was the most recent acquisition and therefore attracted a lower capital gains tax. In contrast, the sale of older core holdings would have incurred higher tax liabilities due to their lower acquisition costs.
- (g) Noticee-1 had consistently provided the same explanation regarding his exit from TPL to Axis Securities on June 5, 2023, and subsequently reiterated this before the Investigating Authorities at SEBI during his deposition on December 19, 2024. He also submitted supporting documentation, including medical records and travel tickets for himself, Noticee-2, and his in-laws.



- (h) However, these submissions appear to have been overlooked. A sweeping allegation was made, concluding without due consideration that the shares were sold strategically through multiple orders in a single day to maximize profit. This conclusion was reached in isolation, with apparent bias, and in disregard of the fact that trade settlements are processed collectively on a T+1/T+2 basis. Contrarily, a sweeping finding is made in the IR "Further, in a medical emergency situation, it is highly unlikely to place limit orders.....sell orders to get executed at the anticipated higher price". A detailed response to this is as under:
- (i) The IR incorrectly suggests that Noticee-1 should have placed a market order to sell the TPL shares all at once, rather than using limit orders split by quantity and price, especially in the event of a medical emergency. SEBI's conclusion overlooks the following key points:
 - (ii) As per the exchange settlement mechanism, regardless of whether an investor sells their stocks at the beginning or end of the trading day, the proceeds are credited by the broker on a T+1 or T+2 basis. This is a standard practice well known to Noticee-1, which is why he opted for an orderly liquidation of his TPL holdings.
 - (iii) Noticee-1 is a seasoned investor who is well aware of how to efficiently liquidate his holdings, even in emergency situations.
 - (iv) Noticee-1 squared off his options position and sold the entire quantity in Noticee-2's account. Both of these orders were online orders, and therefore, they were liquidated on February 15, 2023.
 - (v) The IR fails to acknowledge that Noticee-1 had intended to sell his entire holding of 11,500 shares of TPL in Axis Securities on February 15, 2023. He had placed sale orders for the full quantity. However, since these orders were placed offline through a trader, and Noticee-1 was simultaneously occupied with the hospital discharge process for his daughter from around 2:00 PM onwards, only 6,500 shares were liquidated on that day, with the remaining shares being liquidated the following day.
 - (vi) The method employed by Noticee-1 to liquidate his position in TPL, even during a medical emergency, was entirely rational and consistent with how any seasoned investor would have approached the situation.
 - (vii) The Noticee was collectively holding 18,500 shares of TPL in cash segment. Placing a single market sell order would not have been a prudent decision, especially since Noticee-1 is aware that if a large market sell order is placed in the market, it results in a decline in price. A seasoned rationale investor would never have placed such a single market order of this quantity.
 - (viii) Hence, Noticee-1's intention was not to sell his TPL holdings to maximize profits, but rather to liquidate his holdings in an orderly manner without disrupting market equilibrium. It must also be noted that whether a single sell order or multiple sell orders were placed on the same trading day, the trades would have been settled on a T+1/T+2 basis collectively for the entire day's transactions. Therefore, SEBI has erred in its conclusion that Noticee-1 sold the shares to maximize profits. The



intent was always to create liquidity by selling the TPL holdings in a coherent manner.

- (i) *Considering the above arguments and supporting evidence, it is clear that Noticee-1's trading in TPL shares was based entirely on independent analysis and legitimate investment choices, with no connection to any possession or communication of UPSI. The purchase transactions resulted from a thoughtful assessment of the power sector and market conditions, while the subsequent sales were driven solely by unexpected medical emergencies within the family. The timeline of events, corroborated by verifiable documents such as WhatsApp chats, travel records, medical reports, and contemporaneous explanations provided to Axis Securities and SEBI, firmly demonstrates Noticee-1's good faith and lack of any unlawful intent. Consequently, the allegations of trading while in possession of UPSI are completely baseless, and the proceedings initiated through the SCN should be dismissed in full even on the facts. Therefore, the matter be put to rest and the allegations be dropped against the Noticees.*

CONSIDERATION OF ISSUES AND FINDINGS

8. I have carefully perused the charges levelled against the Noticees in the SCN, their replies, submissions made during personal hearing and the material available on record. The issues that arise for consideration in the present case are as follows:

Part A – Unpublished Price Sensitive Information

- I. Whether the information relating to financial results of TPL for the quarter ended December 31, 2022 was UPSI in terms of PIT Regulations?
- II. What was the UPSI period?

Part B – Role of Noticees

- III. Whether Noticee-1 received UPSI regarding the financial results of TPL for the quarter ended December 31, 2022 from Noticee-3?
- IV. Whether Noticee-1 while in possession of the UPSI had traded in the scrip of TPL and Noticee-2 allowed Noticee-1 to trade in the scrip of TPL in her trading account, thereby Noticees 1 and 2 violated the provisions of regulation 4(1) of PIT Regulations and section 12A(d) and (e) of the SEBI Act?

Part C – Determination of Penalty, if any

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



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

9. In this regard, it is pertinent to refer the relevant provisions of law, allegedly violated by Noticees, as under:

PIT Regulations

“Communication or procurement of unpublished price sensitive information.

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

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

Trading when in possession of unpublished price sensitive information.

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

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

SEBI Act

“Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. No person shall directly or indirectly—

.....

(d) engage in insider trading;

(e) deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder;”

10. The issues raised in this matter are dealt in the following paragraphs.

11. Before proceeding to the merits of the case, it is appropriate to deal with the preliminary issue raised by the Noticees. Noticee-1 and 2 submitted that Noticee-3 had retracted his statements made during the investigation and stated that his statements were made under the insistence of the IA, suggesting that the recording process was tainted by misrepresentation, inducement, and undue pressure.



Noticee-1 and 2 contended that the statements of Noticee 1 and Noticee 3 were recorded under inducement and through improper means and Noticee 3's incorrect recollection appears to have been influenced by the IA's persistent assertions. Noticee-1 and 2 also submitted that statement before SEBI was based on Noticee 3's memory/ recollection. Since the statement has been retracted by Noticee 3, it holds little evidentiary value and cannot be the basis for levelling grave allegations of insider trading entailing serious adverse civil consequences.

12. It is noted that the Noticee-3 has merely retracted his earlier statements made during the cross-examination and he has not submitted any credible evidence to support his claim that his statements during the investigation were obtained under the insistence or inducement of IA through improper means. I note that the maker of the statement who alleges inducement, insistence, undue pressure, etc., needs to establish that such improper means were adopted, which Noticee-3 failed to do so. Further, it is noted that if the statement by Noticee-3 on December 18, 2024 was given at the insistence of IA, he neither demonstrated that he made any complaint to any authority nor provided any explanation for not doing so. Significantly, the retraction was made only during the cross-examination proceedings, i.e., after the initiation of adjudication proceedings in the matter. *Arguendo*, if the statements were recorded under inducement or at the insistence of IA, it remains unexplained as to why Noticee-3 did not raise any grievance to any authority in this regard or why he had not retracted his statements immediately after the statement recording process. Noticee-3 vide e-mail dated January 07, 2025, stated that '*I have been recollecting from yesterday on which date and venue we met, but unfortunately I am not able to recollect exact date and venue where we met.*' However, he neither stated that the statement was recorded at the insistence of the IA nor retracted his statement. The said e-mail was sent by Noticee-3 after recording of his statement on December 18, 2024. This indicates that retraction of statement by Noticee-3 during the cross-examination proceedings is an afterthought. In this connection, it is relevant to note that Noticee-3 settled the instant proceedings upon payment of ₹39,00,000/- (Rupees Thirty Nine lakh only) as settlement amount and settlement order in respect of him was passed on September 23, 2025. In view of the above, it is held that the statement made by Noticee-3 was true and was voluntarily made by him and the



delayed retraction of said statement by Noticee-3 during the cross-examination proceedings and that too without corroboration appears to be an afterthought and not reliable.

13. With regard to the contention of Noticee-1 and 2 that the statement of Noticee-3 was based on his memory and recollection, it is noted that statements recorded during investigations are ordinarily based on memory and recollection, which may subsequently be corroborated by independent evidence. Therefore, the mere fact that a statement is based on memory and recollection cannot, by itself, constitute a valid ground for retraction. Noticee-1 and 2 further submitted that Noticee-3 furnished the copy of visitors entry logs of Rajpath Club to SEBI after his statement recording, purportedly establishing that he had not visited the club during the IP and that Noticee-1 and 3 did not meet there. In this regard, Noticee-3 was advised to furnish a copy of the email allegedly sent to SEBI enclosing the visitors entry logs of the club. In response, vide email dated December 12, 2025, Noticee-3 furnished a copy of the email dated December 24, 2024 sent to SEBI. From the said email sent by Noticee-3 to SEBI, it is observed that he had furnished a copy of the general ledger statement of Rajpath Club and not the visitors entry logs of the club, on the basis of which the aforesaid claims were made by him and statement recorded during investigation was retracted. In my opinion, the general ledger statement of the club provided a record of financial charges in the account of Noticee-3 and not necessarily the records of visitors entries. Hence, the general ledger statement of the club cannot be considered as the visitors entry logs of the club. Therefore, the claims of Noticee-3 that that he had not visited the club during the IP and did not meet Noticee-1 there and consequent retraction of statement on that basis cannot be accepted.

14. It is noted that the Hon'ble Supreme Court in many of judgments had held that a statement does not simply become unworthy of credit just because it has been retracted by the maker after a considerable time. A retracted statement can still be used as an evidence once corroborated in material particulars by independent evidence.



15. In this regard, reliance is placed on the judgment of the Hon'ble Supreme Court in the matter of *K.T.M.S. Mohd. and Ors. v. Union of India (UOI)*, wherein the Hon'ble Supreme Court while dealing with the issue of retracted statements, *inter alia*, held the following:

"33. We think it is not necessary to recapitulate and recite all the decisions on this legal aspect. But suffice to say that the core of all the decisions of this Court is to the effect that the voluntary nature of any statement made either before the Custom Authorities or the officers of Enforcement under the relevant provisions of the respective Acts is a sine quo non to act on it for any purpose and if the statement appears to have been obtained by any inducement, threat, coercion or by any improper means that statement must be rejected brevi manu. At the same time, it is to be noted that merely because a statement is retracted, it cannot be recorded as involuntary or unlawfully obtained. It is only for the maker of the statement who alleges inducement, threat, promise etc. to establish that such improper means has been adopted. However, even if the maker of the statement fails to establish his allegations of inducement, threat etc. against the officer who recorded the statement, the authority while acting on the inculpatory statement of the maker is not completely relieved of his obligations in at least subjectively applying its mind to the subsequent retraction to hold that the inculpatory statement was not extorted. It thus boils down that the authority or any Court intending to act upon the inculpatory statement as a voluntary one should apply its mind to the retraction and reject the same in writing....."

16. Further, in the matter of *Periyasami and Ors. v. State represented through the Inspector of Police, 'Q' Branch CID, Tiruchirappalli, Tamil Nadu and Ors.*, the Hon'ble Supreme Court once again had the occasion to deal with the evidentiary value of retracted statements of the accused and, *inter alia*, held the following:

"23. We must now come to the retraction. It is argued however that A1- Senthilkumar has retracted his confession and, hence, it has no evidentiary value. It cannot be relied upon. It is not possible to accept this submission. Retraction does not always dilute or reduce or wipe out the evidentiary value of a confessional statement. Quite often retraction is an afterthought. It could be the result of legal advice or pressure exerted by those whose involvement may be likely to be disclosed or confirmed by the confessional statement of the accused. Therefore, in each case, the court will have to examine whether the confession was voluntary and true and whether the retraction was an afterthought. In Kalawati v. State of Himachal MANU/SC/0030/1953: AIR 1953 SC 131, this Court stated that the amount of credibility to be attached to a retracted confession would depend upon the facts and circumstances of each case. Again in State of Tamil Nadu v. Kuttu MANU/SC/0443/2001: AIR 2001 SC 2778, this Court stated that a retracted confession may form legal basis for conviction if the court is satisfied that the confession was true and was voluntarily made. Following these judgments in Yakub Abdul Razak Memon, this Court held that where the original confession was truthful and voluntary, the court can rely upon such confession to convict the accused in spite of a subsequent retraction and its denial in statement Under Section 313 of the Code. The



law is thus crystallized. A retracted confessional statement is therefore not always worthless. We have no hesitation in reiterating that A1- Senthilkumar's confessional statement was recorded after following the correct procedure; that it was voluntary and truthful; that A1Senthilkumar was not forced or compelled to give his statement and that the retraction of the said statement is clearly an afterthought and should be ignored."

17.I find that there is no merit in the statement of Noticee-3 made during the cross-examination proceedings that he was put under duress/ pressure by IA during statement recording to give statements as per his instructions, since no proof of alleged insistence of IA has been shown in this regard coupled with the fact that no such duress was alleged against IA later despite sufficient opportunities. A statement recorded under sections 11C(5) and 11C(7) of the SEBI Act, statutorily deemed to have evidentiary value, cannot be retracted at the mere will of the party. In this context, it is pertinent to refer to the observations of the Hon'ble Kerala High Court in the case of *Commissioner of Income Tax v. O. Abdul Razak [2011] 337 ITR 350 (Ker.)* that 'A statement made under oath deemed and permitted to be used in evidence, by express statutory provision, has to be taken as true unless there is contra evidence to dispel such assumption'. As per the established jurisprudence, the retracted statement can still be used if it is corroborated by independent and cogent evidence. In the instant matter, the facts and circumstances such as the alleged phone calls between Noticee-1 and 3 (insider of TPL), presence of Noticee 1 and 3 at same cell tower location at the same time and the trading patterns of Noticee-1 and 2 in the scrip of TPL corroborate the statement of Noticee-3 recorded during the investigation. Therefore, it is noted that the said statement of Noticee-3 holds its evidentiary value.

18.In view of the above, it is further noted that the preliminary issues raised by the Noticee hold no merit. Having dealt with the preliminary issues, I shall now proceed to address the key issues that arise for consideration.

Part A – Unpublished Price Sensitive Information

Issue I. Whether the information relating to financial results of TPL for the quarter ended December 31, 2022 was UPSI in terms of PIT Regulations?



19. From the material on record, it is noted that TPL had announced its financial results for the quarter ended December 31, 2022 on February 14, 2023 at 16:42:03 IST. As per the financial results, the profit of the Company was ₹492.94 crore for quarter ended September 2022 and ₹380.18 crore for the quarter ended December 2021, which increased to ₹694.94 crore for the quarter ended December 2022. Thus, there was an increase in profit of 83% on year-on-year basis and an increase of 41% on quarter-on-quarter basis. Similarly, the consolidated profit of the Company was also increased by 88% on year-on-year basis and 43% on quarter-on-quarter basis.
20. It is further noted that the news of financial results had a positive impact on the movement of the price. The closing price of the scrip of TPL before the announcement, i.e., on February 14, 2023, was ₹457.00, which increased to ₹504.40 post announcement, i.e., on February 15, 2023 (an increase of 10.37% on close-to-close basis). Therefore, the announcement of financial results for the quarter ended December 31, 2022 had materially affected the price of the scrip of TPL.
21. In this regard, reference is drawn to regulation 2(1)(n) of PIT Regulations:
- (n) "unpublished price sensitive information" means any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following: –*
- (i) financial results*
22. Hence, the requirement of regulation 2(1)(n) of PIT Regulations has been squarely met as the financial results were not generally available and considering the financial performance of the Company during the quarter ended December 31, 2022, it was likely to affect the price of the scrip. Further, it is also pertinent to note that information relating to financial results is deemed to be an UPSI in terms of regulations 2(1)(n)(i) of the PIT Regulations. Noticees have not disputed the fact that the information relating to financial results of TPL for the quarter ended December 31, 2022 was UPSI in terms of PIT Regulations.



23. In view of the aforesaid discussions, it is established that the information relating to financial results of TPL for the quarter ended December 31, 2022 was UPSI in terms of PIT Regulations.

Issue II. What was the UPSI period?

24. The SCN alleged the UPSI period was from January 17, 2023 to February 14, 2023.

25. From the material on record, it is noted that the first engagement / initiation when Corporate Accounts Office started the work on preparation of standalone and consolidated Q3 financial results was on January 17, 2023 and the financial results for the quarter ended December 31, 2022 was announced on February 14, 2023. Accordingly, the period of UPSI was considered from January 17, 2023 to February 14, 2023. Further, it is noted that the Noticees have not disputed the period of UPSI as alleged in the SCN.

26. In view of the above, it is established that the UPSI period was from January 17, 2023 to February 14, 2023.

Part B – Role of Noticees

Issue III. Whether Noticee-1 received UPSI regarding the financial results of TPL for the quarter ended December 31, 2022 from Noticee-3?

Issue IV. Whether Noticee-1 while in possession of the UPSI had traded in the scrip of TPL and Noticee-2 allowed Noticee-1 to trade in the scrip of TPL in her trading account, thereby Noticees 1 and 2 violated the provisions of regulation 4(1) of PIT Regulations and section 12A(d) and (e) of the SEBI Act?

27. It was alleged in the SCN that Noticee-3 communicated UPSI regarding the Company's financial results for the quarter ended December 31, 2022 to Noticee-1. Subsequently, while in possession of that UPSI, Noticee-1 bought shares and call options in the scrip of TPL on February 13, 2023, a day before the announcement of financial results for the quarter ended December 2022 by TPL and then sold the entire quantity of shares and call options on February 15 and 16, 2023 after the Company publicly announced the financial results, thereby made a profit of ₹11.10



lakh. Similarly, Noticee-1 also admittedly bought 7,000 shares through his wife's trading account (i.e., Noticee-2) on February 13 and 14, 2023, one-two days before the announcement of financial results and sold the entire quantity of shares on February 15, 2023, a day after the Company publicly announced the financial results, thereby made a profit of ₹3.09 lakh. By allowing the trades in her trading account by Noticee-1, Noticee-2 became responsible for the trades in the scrip of TPL as elaborated above. Therefore, it was alleged that Noticee-1 and 2 traded in the scrip of TPL, based on the UPSI related to financial results for the quarter ended December 2022, communicated by Noticee-3, an insider of TPL.

Insiders/Connected Persons:

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

29.Further, regulation 2(1)(d)(i) of PIT Regulations defines a “*connected person*” as “*any person who is or has been, during the six months prior to the concerned act, associated with a company, in any capacity, directly or indirectly, 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, whether temporary or permanent, with the company, that allows such a person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.*”

30.In terms of the abovementioned definitions, Noticees were alleged to be as “insiders/connected persons” in the SCN, which has been discussed in the following paragraphs.

Noticee-3

31.From the material on record, it is noted that Noticee-3 was General Manager in Corporate Finance Department of TPL and as per the details furnished by TPL, vide letter dated June 5, 2023, Noticee-3 was the designated person/ insider of the TPL.



Further, vide an email dated January 31, 2023, financial statement of TPL for the quarter ended December 2022 was shared with Noticee-3. In view thereof, Noticee-3 had direct access to UPSI regarding financial results of the Company for the quarter ended December 2022 making him a “connected person” in terms of regulations 2(1)(d)(i) of the PIT Regulations. It is also pertinent to note that Noticee-3 had admitted that he was also in possession of the UPSI from January 31, 2023. In view of the same, it is an admitted fact that Noticee-3 was an “insider” in terms of regulation 2(1)(g)(i) of PIT Regulations being a “connected person” as well as within the ambit of regulation 2(1)(g)(ii) of PIT Regulations being a person who was in possession of UPSI.

Noticee-1 and 2

32. It was alleged that Noticee-1 by being in frequent communication with Noticee-3 was a “connected person” in terms of regulation 2(1)(d)(i) of PIT Regulations. Further, Noticee-2 being wife of Noticee-1 is an immediate relative and thus she was a “connected person” as defined under regulation 2(1)(d)(ii) of PIT Regulations. Therefore, they were insiders in terms of regulation 2(1)(g)(i) of the SEBI PIT Regulations. In this regard, Noticee-1 and 2 contended that SEBI grossly erred in classifying Noticee-1 as connected person for TPL pursuant to his frequent communications with Noticee-3. Noticee-1 and 2 submitted that if a person has to be classified as connected person due to the frequent communication, it has to be in the context of such persons contractual, fiduciary or employment relationship which can allow such person to directly or indirectly access to UPSI or is reasonably expected to allow such access. Noticee-1 and 2 relied upon the observations made in the order passed by the WTM in the matter of PC Jeweller Limited and stated that they did not communicate with Noticee-3 in relation to the performance of his duties towards the Company, rather, their interactions were purely social and had no connection to the Company. In this regard, it is noted that Noticee-1 and 2 had relied upon the observations made in the order passed by the WTM in the matter of PC Jeweller Limited.

33. In this regard, it is pertinent to refer to the definition of “connected person” as mentioned in the regulation 2(1)(d)(i) of PIT Regulations, as under:



“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.”

34. In view of the above, there is no ambiguity in the language of regulation 2(1)(d)(i) of PIT Regulations, which states that 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, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access is a “connected person”. Therefore, the above contentions of Noticee-1 and 2 are untenable. It is admitted that Noticee-1 and 3 are school friends and are part of the same friends’ group (social circle) and their connection is social in nature. Also, the material on record revealed that there were 9 phone calls between the Noticee-1 and 3 during the IP, they were found in same cell tower location at the same time and they were friends since school days. Accordingly, I hold that Noticee-1 by being in frequent communication with Noticee-3 was a “connected person” in terms of regulation 2(1)(d)(i) of PIT Regulations. Further, Noticee-2 being wife of Noticee-1 is an immediate relative and so she was a “connected person” as defined under regulation 2(1)(d)(ii) of PIT Regulations. Thus, they were insiders in terms of regulation 2(1)(g)(i) of the PIT Regulations and the reliance placed on the order of WTM in the matter of PC Jeweller Limited by Noticees is misplaced.

35. Noticee-1 further submitted that his interactions with Noticee-3 was purely social in nature, hence, he cannot be classified as connected person, therefore he is not an insider. Consequently, Noticee 2 cannot be classified as a connected person or insider. In this regard, Noticees relied upon the observation of the Hon’ble Supreme Court in the matter of *Balram Garg v. SEBI* (supra). However, it is noted that in the case of Balram Garg, there was no evidence of frequent communication between the alleged tipper and tippee. The reliance on trading patterns was based on the peculiar facts of that case. In contrast, in the instant matter, Noticees Noticee-1 and



3 are part of the same social groups and they were in frequent communication with each other and several calls during the UPSI period are on record. Besides this, evidence indicate that they had met at Rajpath Club during January/ February 2023. Hence, the said contentions are untenable.

36. In this context, further reference is drawn to the relevant extracts of the Sodhi Committee Report¹ on the scope of “connected person” following which the PIT Regulations, 1992 were repealed and PIT Regulations, 2015 were enacted:

“Whether or not a person is a connected person will always and necessarily be a mixed question of fact and law to be answered from the facts and circumstances of the case. Whether the association of a person with a company would put him in a position of accessing UPSI would also be a mixed question of fact and law. The Committee was conscious that if it were not possible to have direct evidence of actual access to UPSI, the test to be applied would be to consider whether the person in question is reasonably expected to have such access as a reasonable inference that a reasonable man would draw from the facts and circumstances of the case.”

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

38. Considering nine phone calls between Noticee-1 and 3 during the IP prior to the concerned act (which is an important aspect for the definition of “connected person” under regulation 2(1)(d)(i) of PIT Regulations), the initiation of phone calls by Noticee-1 and 3 on different occasions, admitted pre-existing social association between Noticee-1 and 3, which is supported by the statement of Noticee-3 recorded on December 18, 2024, a reasonable inference can be drawn that Noticee-1 was a “connected person” under regulation 2(1)(d)(i) of the PIT Regulations and Noticee-2 was a “connected person” in terms of regulation 2(1)(d)(ii) of PIT Regulations as alleged in the SCN / IR. Consequently, they became an “insider” under regulation 2(1)(g)(i) of the PIT Regulations.

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



39. The next issue is whether Noticee-3 communicated UPSI to Noticee-1 and whether Noticee-1 traded in the scrip of TPL through his account and his wife's account (Noticee-2) while in possession of such UPSI. In this regard, it is important to look into the following aspects:

- (a) Timing of calls between Noticee-1 and 3 during the UPSI period; and
- (b) Unique trading pattern of Noticee-1 and 2.

Timing of calls between Noticee-1 and 3 during the UPSI period

40. As discussed in preceding paragraphs, it is noted from SCN that nine phone calls took place between Noticee-1 and 3 during January-February 2023. During the UPSI period, there were three phone calls on January 20, 2023, two calls on January 21, 2023, two phone calls on January 27, 2023 and one phone call on February 27, 2023 between Noticee-1 and 3. During the phone calls made on January 27, 2023, the cell tower address of the Noticee-1 and 3 as per CDR was also same. It is pertinent to note that after the aforesaid phone calls, Noticee-1 purchased shares of TPL and call options on February 13 and 14, 2023 in the account of his wife and him, one-two day before the announcement of financial results. It is contended by Noticee-1 and 2 that Noticee-3 came into possession of the UPSI only on January 31, 2023 and no meeting / call / any communication took place between Noticee-1 and 3 post January 31, 2023, while Noticee-3 was in possession of/access to UPSI till the declaration of results by TPL. In this regard, as per material available on record, the financial statements were shared with Noticee-3 on January 31, 2023. Further, it is noted that Noticee-3 was General Manager in Corporate Finance Department of the Company and a designated person/ insider of the Company, therefore, it is reasonably expected that he had an access to/awareness of the UPSI before January 31, 2023 also. This inference is corroborated by the statement of Noticee-3 dated December 18, 2024, wherein he admitted that he generally gets access to rough figures of financial results of a quarter generally after 20th day of first month of subsequent quarter and admittedly communicated to Noticee-1 that “.... *during that quarter since the projections were different because of more demand, I told him that the directions of profits were good*”. As discussed hereinabove, the statement dated December 18, 2024 with regard to the particular aspect is not retracted by the Noticee-3 during the cross-examination dated September 09, 2025. When viewed



holistically in the surrounding circumstances, including the position held by connected person/insider, i.e., Noticee-3 in TPL, the timing of communications between Noticee-1 and 3, same CDR location of Noticee-1 and 3 during two calls indicating their meeting, the statement dated December 18, 2024 of Noticee-3 corroborating the aforesaid and the pattern of trades executed thereafter by Noticee-1, it is reasonable to conclude that Noticee-3 had access to UPSI and that the same was communicated to Noticee-1.

41. Noticee-1 and 2 submitted that the calls during the IP were in the nature of social relation and in support of their submissions, they have given the explanations and also furnished documentary evidences for two calls made on January 27, 2023. It is possible that few calls between Noticee-1 and 3 may be in the nature of social relation, however, in the circumstances as discussed above and in absence of documentary evidences as to the nature of remaining calls, it cannot be believed and ensured that all the calls between Noticees were in the nature of social relations only and nothing other than the social matters were discussed by Noticee-3 to Noticee-1. Further, the genuineness of the documentary evidence furnished by Noticee-1 and 2 cannot be confirmed and their submissions are not persuasive, especially in the said facts and circumstances of the case. In view of the above, it appears that the explanations given by the Noticees in the hindsight are afterthought. This inference is further corroborated by the statement of Noticee-3 dated December 18, 2024. Therefore, the submissions of Noticee-1 and 2 are untenable.

Unique trading pattern of Noticee-1 and 2

42. The details of trades made by Noticee-1 and 2 in the scrip of TPL as alleged in the present proceedings are as under:

- (a) From the Table No. 4 above, it is observed that Noticee-1 had purchased 11,500 shares at an average price of ₹453.20 on February 13, 2023, one day before the announcement of financial results and sold 6,500 shares and 5,000 shares on February 15 and 16, 2023, respectively, at an average price of ₹506.50, thereby earned a positive square off difference of ₹6,12,983/-;
- (b) Further, from the Table No. 5 above, it is observed that Noticee-1 purchased 13,500 call options contracts on February 13, 2023 at a price of ₹14.68 for



February month expiry, a day before the announcement of financial results and squared off the entire options contracts at a price of ₹51.56 on February 15, 2023, one day after the announcement of financial results, thereby, earned a positive square off difference of ₹4,97,850/-;

- (c) It is observed from the Table No. 6 above that Noticee-2 had purchased 5,000 shares and 2,000 shares on February 13 and 14, 2023, respectively, at an average price of ₹456.54, one day before the announcement of financial results and sold the entire quantity on February 15, 2023 at an average price of ₹500.75, one day after the announcement of financial results. Thus, Noticee-2 has made a profit of ₹3,09,482.30/- from the above transactions.

43. To substantiate that the aforesaid trades done in the scrip of TPL by Noticee-1 and 2 were guided and influenced by their access to UPSI, the IR made following observations as circumstantial evidence:

- (a) Noticee-1 had 44.59% concentration in the scrip of TPL based on gross buy value during the UPSI period, which was highest amongst all the scrips he traded;
- (b) Similarly, during the IP, the concentration of Noticee-1's trade in terms of Gross Traded Value was highest in the scrip of TPL, which stood at 39.37%.
- (c) During the UPSI period, 'TORNTPOWER23FEB450CE' was the only derivative contract traded by Noticee-1 amongst all the scrips traded during this period;
- (d) The buy value of the Noticee-1 was highest on February 13, 2023, i.e., in the scrip of TPL. Similarly, the sell trade value was highest on February 15 and 16, 2023, i.e., in the scrip of TPL amongst all sell trades done during the IP;
- (e) With regard to other trades done by Noticee-2 during the IP, it was observed that the only other trades were sale of 5,000 shares, 34 shares, and 5,000 shares in the scrip of ITC Ltd., TCS, ITC Ltd., respectively, on February 2 and 13, 2023 in her trading account.

44. Noticee-1 submitted that his buy trades were undertaken based on his independent research, existing portfolio strategy, and investment exposure during the relevant period. Noticee-1 submitted that he was motivated by substantive exchanges in an investor conference and hence instructed his analyst to do research on power sector



during the IP. However, it is noted from the material furnished by Noticee-1 that his analyst did not recommend him the purchase of shares of TPL, hence, the said submission of Noticee-1 is untenable.

45. Noticee-1 and 2 further submitted that their holdings of listed equity shares as on January 1, 2023, at the beginning of Q3 of FY 2022-23, were ₹7.43 crore and ₹61.30 lakh, respectively. Noticee-1 stated that he had followed a concentrated approach for long-term investment based on fundamental analysis and his investment in the top 3 holdings (ITC Limited, AB Capital Limited, and HDFC Limited) and top 5 holdings was significant and his total exposure in TPL was 5.99% of his listed portfolio at that time, which aligns with his historical investment behaviour. In this regard, it is noted that said top 3 holdings of Noticee-1 were, *apparently and as submitted by him*, long term investments in nature and no trades in these scrips were carried out during the IP. However, during the IP, the concentration of Noticee-1's trade in terms of Gross Traded Value was highest in the scrip of TPL, which stood at 39.37%. Therefore, it not appropriate to compare the exposure percentage of the impugned trades carried out by Noticee-1 in the scrip of TPL with his total portfolio size / long term investments / top holdings. Therefore, the above contentions of Noticee-1 are devoid of merit.

46. It was submitted that Noticee-1 took high exposure in TPL as historically he invested in multiple scrips including other stocks of similar value. In this regard, it is noted that Noticee-1 could not demonstrate as to how long the said holdings were retained by him. In most instances, Noticee-1 demonstrated his past trading pattern by clubbing trades undertaken in the said scrips during a period of 1-2 months, indicating that he was consolidating his positions in those scrips and hence apparently held the said positions for longer period. However, in contrast, in the instant case, Noticee-1 purchased shares and call options in the scrip of TPL on February 13, 2023, just a day before the announcement of financial results and then sold the entire quantity/ squared off his positions on February 15 and 16, 2023 and made a profit of ₹11.10 lakh. Therefore, the above submission of Noticee-1 is untenable.

47. Further, Noticee-1 argued that SEBI erred by limiting assessment of his exposure solely to the trading in IP, thereby presenting a distorted and incomplete



representation that failed to accurately reflect his overall trading conduct and pattern. He stated that if any conclusion has to be drawn from his trades, it is essential to consider the trades during the calendar quarter, where his total exposure to TPL was approximately 23.4% which explained that his buy trades in the scrip of TPL were consistent with his historic trading pattern. In this regard, it is noted that the connections/trades of entities under investigation are assessed / analysed as per the UPSI period and IP. Therefore, the findings emanating from analysis of trades carried out during the IP/ UPSI period were brought out in IR without any prejudice to the Noticees. Further, it is noted that the concentration of Noticee-1 in the scrip of TPL will obviously dilute when a longer period is taken into account as the Noticee had traded in other scrips as well. It is also observed that the Noticee-1 has not demonstrated that for how long the holdings in other scrips were retained by him, in the absence of which, the scrips would not be comparable as buy and exit in TPL was completed during IP unlike other scrips. Further, even from the analysis of quarterly trade data furnished by Noticee-1, it is observed that the Gross Traded Value was highest, i.e., ₹1.19 crore, for his trades in the scrip of TPL. In any event, in case of impugned trades, the facts and circumstances of the case are different, viz., the position held by connected person/insider, i.e., Noticee-3 in TPL, the timing of communications, the pattern of trades executed thereafter (Noticee-1 purchased shares and call options in the scrip of TPL on February 13, 2023, just a day before the announcement of financial results and then sold the entire quantity/ squared off his positions on February 15 and 16, 2023, by making profit of ₹11.10 lakh) and the said insider trades are further corroborated from the statement of Noticee-3. In view of the above, the comparison of impugned trades with the said quarterly trades of Noticee-1 is flawed and untenable.

48. Noticee-1 further submitted that he had evaluated the top 10 power companies in India by market capitalization, among them, TPL stood out as an undervalued opportunity with robust fundamentals and TPL's stock had corrected approximately 30% from its 52-week high, making its valuation compelling and thus he invested in TPL. He further submitted that TPL's one-time extraordinary write-off of ₹1,300 crore in Q4 FY 2021-22 and considering the broader market volatility stemming from events such as the Adani-Hindenburg episode during that time, he prudently opted



for a risk-mitigated strategy and decided to take approximately 40% of the intended exposure via call options, while investing the remaining 60% in the cash segment. In this regard, it is noted that out of top 10 power companies by market capitalization, TPL was not the only company that was significantly down from its 52 week high during February 2023 when Noticee-1 purchased the shares and option contracts of TPL. There were many companies among top 10 power sector companies, which had corrected more than TPL during the relevant time. However, Noticee-1 and 2 purchased shares and call options in the scrip of TPL on February 13 and 14, 2023, 1-2 days before the announcement of financial results and then sold their entire holdings/ squared off their positions on February 15 and 16, 2023, 1-2 days after the announcement of financial results, thereby made a total profit of ₹14.20 lakh. Therefore, Noticee-1 and 2's purchases in the TPL are influenced by their possession of the UPSI.

49. Regarding Noticee-1's submission that considering the one-time extraordinary write-off of ₹1,300 crore in Q4 FY 2021-22 and the prevailing broader market volatility during that time, he prudently opted for a risk-mitigated strategy and decided to take approximately 40% of the intended exposure via call options, it is noted that said write-off had occurred around a year prior to the impugned trades and was one-time and non-recurring event. Therefore, the likelihood of any sustained or imminent impact on future price movement of TPL's share and option premium on account of said write-off was limited, hence the contentions of Noticee-1 are far-fetched and not plausible. Further, it was noted that 'TORNTPOWER23FEB450CE' was the only derivative contract of TPL in which Noticee-1 traded during the IP. Notably, Noticee-1 did not undertake similar derivative or hedged positions in other securities or broader market index during the IP, despite the purported prevailing broader market volatility. In this context, the contention that Noticee-1 adopted a risk-mitigated strategy by taking exposure through call options does not adequately explain why such a strategy was confined exclusively to TPL shares. The selective application of a purported risk-mitigation strategy only in respect of TPL and trading pattern adopted by Noticee-1, therefore, renders the explanation implausible and unconvincing.



50. Regarding sale of shares and square off of the positions in TPL, Noticee-1 submitted that owing to a medical emergency and the need to ensure contingency liquidity for potential expenses related to his father-in-law's urgent treatment while his daughter's hospital discharge was still pending, he made the decision to square off his entire options position and also initiated sell orders to liquidate the entire cash holding in TPL. Noticee-1 stated that in a state of panic and considering options for seeking overseas treatment, he decided to create the necessary liquidity for his father-in-law's treatment, as overseas treatment would have required immediate funds. In this regard, it is noted that for sale of shares of TPL, Noticee placed two limit sell orders for sale of 2,500 shares each at 11:21:15 hrs and 11:21:34 hrs., at limit price ₹512.5 and ₹520, respectively. As the sell orders were not matching with any buy orders, he modified the sell order price at 14:07:58 hrs. and 14:38:49 hrs., to ₹510 and ₹511, respectively, which then got executed at an average price of ₹510.50 from 14:07:58 hrs. to 14:38:53 hrs. At the same time, Noticee-1 placed two buy orders for 1,000 shares each in the scrip of M/s. Welspun Corp Ltd., at 13:37:35 hrs., and 14:36:33 hrs., on February 16, 2023 at limit price of ₹195. These two buy orders resulted into trades from 14:27:17 hrs. to 15:25:41 hrs., at a price of ₹195.00. I note that in a medical emergency situation and need of contingency funds, a prudent and reasonable approach would be expected to prioritise immediacy of execution of orders over price optimization. However, in the instant case of purported financial exigency, it is inconsistent and highly unlikely to place the limit sell orders and wait for around 3 hours to get them executed at the expected higher price. In this regard, Noticee-1 submitted that this conclusion was reached in isolation, with apparent bias, and in disregard to the fact that trade settlements are processed collectively on a T+1/T+2 basis. In the instant matter, Noticee-1 chose to place limit sell orders, which carried the inherent risk of non-execution in the absence of triggering the limit price, despite allegedly being in pressing need of contingency funds. In the situation of non-execution of orders, the question of settlement of funds would not have arisen, as argued by Noticee-1. When the purported medical emergency and the contemporaneous trading conduct are viewed holistically, the explanation advanced by Noticee-1 appears to be an afterthought, lacking corroborative consistency. The timing, manner, and pricing of the sell orders, coupled with parallel investment activity in another scrip, demonstrate that the trades



were not driven by exigent personal circumstances but were calibrated decisions and carried out with an intent to maximise the profits.

51. Noticee-1 further submitted that he was fully engaged at the hospital and was unable to monitor the status of the offline orders via traders, as a result, some pending orders that could not be executed on the 15th were completed on the 16th February. In this regard, it is also noted that five limit sell orders placed on February 15, 2023 were split in different quantities at different levels of elevated prices. While the first sell order for 1,500 shares was placed at ₹502, the 4th and 5th sell orders were placed for 2,500 shares each at ₹512.5 and ₹520, respectively. The 4th and 5th sell orders did not match with any buy orders and hence they did not result into trades on February 15, 2023. Since Noticee-1 expected higher price as evident from 4th and 5th sell orders, he did not sell 5,000 shares on February 15, 2023. It is also noted that had he wanted to sell the shares to meet the purported medical emergency, it is likely that he would have placed the sell order for the entire quantity at one go on the same day, i.e., on February 15, 2023 at the existing market price, without splitting the quantity into limit orders and would not have waited till the next day. In view of the above, justification advanced by the Noticee-1 appears to be an afterthought and not acceptable.

52. I also note that during the purported financial exigency, Noticee-1 chose to sell the shares and call options in the scrip of TPL instead of any other older holdings in his portfolio. However, the same was said to be purchased by Noticee-1 on the basis of undervalued stock coupled with robust fundamentals of TPL. Therefore, Noticee-1's thesis of investment in TPL based on his research considering the undervalued share and strong fundamentals of TPL is not consistent with the immediate sale after the declaration of quarterly results by the Company, which he should have held longer as per his research findings. In this context, Noticee-1 submitted that the decision to liquidate his investments in TPL, as opposed to other stocks in the portfolio, to the best of his memory, was based on the fact that TPL was the most recent acquisition and therefore attracted a lower capital gain tax. In contrast, the sale of older core holdings would have incurred higher tax liabilities due to their lower acquisition costs. In this regard, it is noted that as per the prevailing Indian tax laws



applicable to listed equity shares, short-term capital gains (when shares are sold within 12 months of purchase) are taxed at a higher rate than long-term capital gains. Thus, the sale of older holdings of Noticee-1 would have been more tax efficient and would have resulted in a lower tax liability (in percentage terms) compared to tax liability on selling of the shares of TPL. Hence, as a prudent approach, the sale of older holdings would be more appropriate than the sale of recently acquired holdings. Therefore, the contention of Noticee-1 is devoid of any merit and his selling of the shares / option contracts in the scrip of TPL, just 1-2 days after the announcement of financial results was apparently with an objective to maximize profits pursuant to his purchases in the scrip of TPL motivated by his possession of the UPSI.

53. Noticee-1 further submitted that he had received an email dated June 05, 2023 from Axis Securities, approximately three to four months after the relevant trades. According to Noticee-1, Axis Securities, the stock broker of Noticee-1 and 2, vide the said email had sought clarification regarding the sale transactions in TPL as part of its routine compliance process. In response to said query, Noticee-1 provided a detailed explanation to the stock broker consistent with the facts and chronology later reiterated during his deposition before SEBI and furnished the supporting documents in this proceedings. Noticee-1 contended that as on June 05, 2023, there was no indication of any investigation or inquiry initiated by SEBI. In this regard, it is noted that Noticee-1 merely submitted that apparently, as a part of routine compliance process, clarification regarding the sale transactions in TPL were sought by Axis Securities. However, from the reply given by Noticee-1 to Axis Securities and submission made by him that Axis Securities sought his bank statements, Income Tax Returns, etc., it appears that Axis Securities had sought clarifications from Noticee-1 observing suspicious trading patterns, including buy and sell trades in the scrip of TPL during the UPSI period and in response to that query, Noticee-1 furnished his reply to Axis Securities. The very fact that such clarification was sought by the stock broker indicates that the trading behaviour of Noticee-1 was perceived as suspicious by his stock broker itself. Thus, it is reasonable to comprehend that Noticee-1 will consistently furnish the same explanations to all the concerned authorities including, stock broker and SEBI for his impugned trades in the scrip of



TPL. Therefore, the contemporaneous explanations provided by Noticee-1 to Axis Securities cannot be a ground to justify that the impugned trades in the scrip of TPL during the UPSI period were genuine and not influenced by his access to the UPSI.

54. The cumulative effect of all the circumstances discussed above must be evaluated to determine whether the Noticee-1 and 2 traded while in possession of UPSI. In the present case, the convergence of factors namely, frequent communication between Noticee-1 and 3 prior to declaration of quarterly results of TPL, their presence at same cell tower location at the same time, the timing of trades, the deviation from past trading pattern, the exclusivity of trades in TPL during the UPSI period, the immediate sale of entire holdings in TPL following the disclosure of financial results creates a coherent chain of events consistent only with trading influenced by UPSI. Therefore, the trading pattern exhibited by the Noticees in the pre-UPSI and post-UPSI periods does not negate the allegation. On the contrary, it reinforces the conclusion that the trades executed during the UPSI period were not genuine investment-driven trades but were undertaken while in possession of UPSI. Additionally, the communication of UPSI by Noticee-3 to Noticee-1 and subsequent trades executed by Noticee-1 motivated by the possession of UPSI is corroborated from the statement of Noticee-3 dated December 18, 2024.

55. Noticee-1 and 2 further submitted that they were neither insiders nor connected persons as alleged, therefore, under regulation 4(2) the burden of proof/onus lies with SEBI to prove their allegation that they were in possession of the UPSI, while they traded in the scrip of TPL. In this regard, I note that it has already been held in the foregoing paragraphs that Noticee-1 and 2 were “insider” under regulation 2(1)(g)(i) of the PIT Regulations as they were “connected person” under the definition of regulation 2(1)(d)(i) and 2(1)(d)(ii), respectively, of the PIT Regulations, thus, the onus to prove that the trades were not based on/in possession of UPSI shifts to the Noticees. In this regard, I would like to refer to the relevant provisions of PIT Regulations and the relevant extracts of the Sodhi Committee Report following which the SEBI (Prohibition of Insider Trading) Regulations, 1992 was repealed and re-enacted as PIT Regulations:

PIT Regulations:

“Trading when in possession of unpublished price sensitive information.



4.

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

Sodhi Committee Report:

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

56. In the instant matter, Noticee-1 and 3's frequent communication with each other, several phone calls made during the UPSI period and their admitted social relations including group gatherings, get-togethers, etc., their meeting at Rajpath Club, indicate that the connection between them was very strong, therefore, the access to information would be even more direct. Hence, as per regulation 4(2) of PIT Regulations, the burden of proof/onus to prove that the trades of Noticee-1 and 2 were not based on/in possession of UPSI lay with them, however, the onus has not been discharged by them and it has not been demonstrated that they were not in possession of UPSI while they traded in the scrip of TPL, hence in view of the facts and circumstances of the case, it can be presumed that their trades in the scrip of TPL were on the basis and possession of UPSI.

57. Noticee-1 and 2 placed reliance on observations of the Hon'ble SAT in the matter of Ameen Khwaja & Ors. v. SEBI² and stated that Noticee-3 received UPSI via email from Accounts Department on January 31, 2023 and there is no evidence of any communication between Noticee-3 and 1 during the period when Noticee-3 was in possession of the UPSI. In this regard, the findings are already made hereinabove at Para 40, wherein it is held that it is reasonably expected that Noticee-3 had access to UPSI before January 31, 2023 and that the same was communicated to Noticee-1, which is also corroborated by the statement of Noticee-3 dated December 18, 2024. When Noticee-3 was admittedly in possession of UPSI and Noticee-1 and 2 being “connected person” as per regulation 2(1)(d)(i) and 2(1)(d)(ii), respectively, of the PIT Regulations, they clearly and undisputedly became “insider” as per

² Appeal no. 584 of 2019



regulation 2(1)(g)(i) of the PIT Regulations. Afterwards the trades in the scrip of TPL were executed from February 13, 2023 to February 16, 2023 by Noticee-1 and 2 when they were insiders as per PIT Regulations. Thus, the burden of proof that the trades in the scrip of TPL executed by them were not based on/in possession of UPSI rested with them, however, the onus has not been discharged by Noticee-1 and 2.

58. In the matter of Ameen Khwaja & Ors. v. SEBI, the Hon'ble SAT observed that '*the burden of proof of having reasonable expectation of having access to the UPSI is initially no doubt on respondent SEBI. Once the respondent SEBI place material/probabilities then onus to prove shifts to the other side i.e. the appellants to prove otherwise. Since, admittedly, respondent SEBI is required to establish the facts on preponderance of probability and not beyond reasonable doubt, the similar standard of proof would apply to the appellants to shift the onus*'. Therefore, in light of the observations of the Hon'ble SAT in the matter of Ameen Khwaja & Ors. v. SEBI, it is noted that the material/probabilities of alleged insider trading activities in the scrip of TPL by Noticee-1 and 2 was placed on record making them insiders and connected persons, the onus to prove genuineness of trades had shifted on them, however, the same could not be proved by them. It is noted that Noticee-1 is reasonably expected to have access to UPSI and traded in TPL based on said UPSI and the same is established on high preponderance of probability in this matter, as elaborated above. Thus, the contentions of Noticee-1 and 2 are untenable.

59. In support of their contentions, Noticee-1 and 2 have relied on the judgment of Hon'ble Supreme Court in the matter of Balram Garg v. SEBI and observations of the Hon'ble SAT in the matter of Mrs. Chandrakala v. Adjudicating Officer, SEBI and KSL & Industries Limited v. SEBI. Upon perusal of the cases relied upon by Noticees, it is noted that the facts and circumstances of those cases are materially different from the present proceedings. Further, Noticees have also failed to demonstrate as to how the aforesaid cases will be applicable in the instant proceedings. I shall now proceed to deal with the aforesaid cases as follows:

- (a) Balram Garg v. SEBI: There was no evidence of frequent communication between the alleged tipper and tippee, who were family members, as the family



was estranged. The reliance on trading patterns was based on the peculiar facts of that case. In contrast, in the instant matter, Noticee-1 and 3 were in frequent communication with each other and several calls made during the UPSI period are on record. The unusual trading pattern, as elaborated earlier, binds different facets of this case, supporting the conclusion on a preponderance of probability that UPSI was communicated to Noticee-1 prior to his trades in TPL through his own and wife's account. Further, the said conclusion is corroborated by the statement of Noticee-3 dated December 18, 2024. Hence, the ratio laid down in Balram Garg is not applicable in this matter.

- (b) Mrs. Chandrakala v. Adjudicating Officer, SEBI: Sufficient material was placed on record to show that trades were not on the basis of UPSI. In this case, appellant was not considered "deemed to be a connected person". The appellant was trading in the ordinary course according to her own commercial wisdom prior to the corporate announcements, during the said corporate announcements and post corporate announcements. Further, declaration of financial results, dividend and bonus were positive information but the appellant bought as well as sold the shares not only during the period when the price sensitive information was unpublished but also prior to and after the information became public. Thus, the facts of the said case are materially different from the present proceedings, where Noticee-1 and 2 had reasonably possessed the UPSI and based on which, they purchased the shares/ option contracts 1-2 days before the announcement of financial results and sold the entire quantity 1-2 days after the announcement of financial results.
- (c) KSL & Industries Limited v. SEBI: This matter pertains to violation of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995, where allegations of market manipulations and unfair trade practices were levelled against the entities. Hence, the said case is materially different from the present proceedings. Therefore, the ratio of aforesaid case does not provide any relief to the Noticees in the instant matter.



60. I note that the Hon'ble Supreme Court of India in the matter of *SEBI v. Kishore R Ajmera*³ held as under:

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

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

"The charge of insider trading is one of the most serious charges in relation to the securities market and having regard to the gravity of this wrong doing, higher must be the preponderance of probabilities in establishing the same."

62. In view of the foregoing and as discussed in preceding paragraphs, the cumulative effect of following circumstances creates a coherent chain of events:

- (a) Noticee-1 shared a close association with Noticee-3, a General Manager in Corporate Finance Department of TPL and the designated person/ insider of TPL, who admittedly had access to UPSI;
- (b) Multiple phone calls showing frequent communication between Noticee-1 and 3 during the UPSI period prior to declaration of quarterly results of TPL, strengthening the inference of communication of UPSI;
- (c) The timing of the telephone calls and subsequent trading in the shares and option contracts of TPL by Noticees;
- (d) Same location of Noticee-1 and 3 as per CDRs indicating their meeting, which is corroborated by the statement of Noticee-3;
- (e) Communication of UPSI by Noticee-3 to Noticee-1, which is further corroborated from the statement of Noticee-3 dated December 18, 2024;
- (f) Execution of buy trades in the scrip of TPL 1-2 days before the publication of UPSI and execution of sell trades by Noticees after 1-2 days of the publication of UPSI;
- (g) Absence of trading in TPL in such a huge quantity prior to the UPSI period and after the UPSI period;
- (h) Noticee-1's high concentration in the scrip of TPL (i.e., 39.37%) based on gross traded value during the IP;

³Civil Appeal No. 2818 of 2008 decided on February 23, 2016



- (i) Exclusive trades in option contracts of TPL in UPSI period and absence of trades in derivative instruments corresponding to other shares held by Noticees during the UPSI;
- (j) Abnormal trading pattern of Noticee-1 in the scrip of TPL indicating trading based on USPI, the same is corroborated from the statement of Noticee-3 dated December 18, 2024;
- (k) Noticees failure to offer any plausible explanation for purchase of TPL shares/ option contracts only 1-2 days prior to publication of financial results and selling of entire holdings in TPL immediately after (within 1-2 days) publication of financial results.

63. The aforesaid chain of events leads to the conclusion, based on preponderance of probabilities, that Noticee-3, by virtue of his role in the TPL was admittedly in possession of UPSI concerning the positive financial results for quarter ended December 2022, which he in turn communicated to Noticee-1 resulting in an information asymmetry that enabled Noticee-1 to take trading positions ahead of the market. Thereafter, Noticee-1 traded in the scrip of TPL through his trading account as well as the trading account of his wife (Noticee-2) while in possession of UPSI. The said conclusion is also corroborated by the statement of Noticee-3 dated December 18, 2024. The trading in the scrip of TPL by Noticee-1 while in possession of UPSI reflects a clear disregard to the provisions of PIT Regulations and undermines the very purpose of the same, which is designed to prohibit the trading on the basis of information asymmetry.

64. In view of the above, it stands established that Noticee-1 and 2 violated the provisions of regulation 4(1) of PIT Regulations and section 12A(d) and (e) of SEBI Act.

Part C – Determination of Penalty, if any

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



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

65. As it has been established that Noticee-1 and 2 had violated the provisions of regulation 4(1) of PIT Regulations and section 12A(d) and (e) of SEBI Act, the Noticees are liable for penalty in terms of section 15G of the SEBI Act. The text of the section 15G of the SEBI Act is reproduced below:

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.

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

“15J. Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under Section 15-I, the adjudicating officer shall have due regard to the following factors, namely: -

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
- (b) the amount of loss caused to an investor or group of investors as a result of the default;*
- (c) the repetitive nature of the default.”*

67. I note that material available on record does not bring out any loss caused to any specific investor or a group of investors, as a result of violations committed by Noticee-1 and 2. I have also considered the profit of ₹14.20 lakh made by Noticee-1 and 2 while trading in the scrip of TPL, as discussed above. As regards the repetitive nature of the default, I do not find anything on record against the Noticees. The said factors have been taken into consideration while adjudging the penalty.



ORDER

68. Taking into account the facts and circumstances of the case, material available on record, submissions of the Noticee-1 and 2, findings made hereinabove and factors mentioned in section 15J of the SEBI Act, in exercise of the powers conferred upon me under section 15-I of SEBI Act read with rule 5 of the Rules, I hereby impose monetary penalty of ₹50,00,000/- (Rupees fifty lakh only) on the Noticee-1 and 2 under section 15G of the SEBI Act. Noticees are jointly and severally liable to pay the said penalty. In my view, the said penalty is commensurate with the violations committed by Noticee-1 and 2 in this case.

69. Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

70. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

71. In terms of rule 6 of the Rules, copy of this order is sent to the Noticees and also to SEBI.

Place: Mumbai
Date: January 16, 2026

JAI SEBASTIAN
ADJUDICATING OFFICER