BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/PM/PA/2021-22/13808

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

In respect of

Virat Kumar Yerramalla

(PAN: ABNPY0529Q)

In the matter of Mindtree Ltd.

A. BACKGROUND

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

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

3. The investigation revealed that Virat Kumar Yerramalla (hereinafter referred to as the "**Noticee**") was an employee of the Company and had transacted in the scrip of the Company on multiple occasions, including

during the Investigation Period. It was further observed that the Noticee had done transactions aggregating to traded value in excess of Rs 10,00,000 during the Investigation Period.

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

B. APPOINTMENT OF ADJUDICATING OFFICER

5. Pursuant to the investigation, SEBI initiated adjudication proceedings against the Noticee and appointed the undersigned as the adjudicating officer *vide* order dated March 4, 2021 under section 19 of the SEBI Act read with sub-section (1) and (2) of section 15-I of the SEBI Act and rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**SEBI Adjudication Rules**") to inquire into and adjudge under section 15A(b) of the SEBI Act for the alleged violation of regulation 7(2)(a) of the PIT Regulations by the Noticee.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

6. A show cause notice (hereinafter referred to as "**SCN**") bearing reference no. EAD-8/PM/NJMR/20484/1/2021 dated August 23, 2021 was served on the Noticee under rule 4 of the SEBI Adjudication Rules to show cause as

to why an inquiry should not be held against him in terms of rule 4 of the SEBI Adjudication Rules and penalty should not be imposed under section 15A(b) of the SEBI Act for the violation alleged to have been committed by him. In the SCN, the Noticee was asked to indicate whether he would prefer a personal hearing before the adjudicating officer in the matter. The SCN was duly served on the Noticee.

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

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

(ii) The Company *vide* its email dated August 7, 2020, August 10, 2020, August 12, 2020, August 25, 2020 and August 26, 2020 submitted the list of their promoters, directors, designated persons, their relatives and employees in India for the period January 01, 2019 to March 31, 2019.

(iii) From the data provided by the Company, an analysis of trading data as received from the BSE and NSE in respect of the employees of the Company, in the scrip of the Company was done and it was observed that the Noticee has done transaction aggregating to traded value in excess of Rs 10,00,000 in a calendar quarter *i.e.,* from January 1, 2019 till March 31, 2019.

(iv) In terms of the provisions of regulation 7(2)(a) of the PIT Regulations, every promoter, employee and director of every company shall disclose to the company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of

transactions over any calendar quarter, aggregates to a traded value in excess of Rs 10,00,000 or such other value as may be specified.

(v) However, it is observed that the Noticee did not disclose his respective transaction in the scrip of the Company which exceeded Rs 10,00,000 in value in the calendar quarter from January 01, 2019 till March 31, 2019 to the Company, as confirmed by the Company, *vide* email dated December 7, 2020 and December 14, 2020.

(vi) In view of the above, it is alleged that the Noticee has violated the provisions of regulation 7(2)(a) of the PIT Regulations.

(vii) The aforesaid alleged violation, if established, makes the Noticee liable for monetary penalty under Section 15A(b) of SEBI Act.

8. The Noticee *vide* letter dated August 28, 2021 submitted his reply (hereinafter referred to as the "**August Reply**") to the SCN. The submissions of the Noticee are summarized hereunder:

(i) The Noticee apologized for his mistake of trading shares of the Company during the restricted window.

(ii) The Noticee pleaded ignorance regarding how the total traded amount is calculated in derivative markets. The Noticee considered the premium value to be paid and did not take into account the whole transaction.

(iii) The Noticee thought that he had traded for an amount of approximately Rs 2,00,000 (including buy and sell) and he has gained nothing.

(iv) The Noticee stated that he had committed the violation inadvertently.

(v) The Noticee did not have malicious intention or any intention to engage in insider trading directly or indirectly.

(vi) The Noticee requested to treat this violation as a mistake and exempt him due to his ignorance.

(vii) The Noticee has been directed to pay penalty of Rs. 30,000 to SEBI Investor Education and Protection Fund (IEPF) by the Company and he has remitted the same.

(viii) The Noticee does not prefer a personal hearing in the matter as he admits his mistake.

9. Proviso of sub-rule (5) of rule 4 of the SEBI Adjudication Rules provides that the adjudicating officer is authorised to waive the opportunity of personal hearing at the request of the concerned person. As the Noticee had specified in the August Reply that he does not desire a personal hearing in the matter, by virtue of the powers conferred on me *vide* proviso of sub-rule (5) of rule 4 of the SEBI Adjudication Rules, the said request was acceded to and the hearing was waived off in respect of the Noticee. In view of the above, I deem it appropriate to proceed against the Noticee based on the material available on record.

D. CONSIDERATION OF ISSUES AND FINDINGS

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

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

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

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

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

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

Disclosures by certain persons.

7. (2) Continual Disclosures.

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

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

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

12. I note from the records that the Noticee was an employee of the Company during the Investigation Period. On perusal of the transaction details of the Noticee, I note that the Noticee had traded in excess of Rs 10,00,000 in the scrip of the Company during the Investigation Period (*i.e.,* calendar quarter beginning from January 1, 2019 to March 31, 2019). The details of the said trades of the Noticee are tabulated below:

Name of the Noticee	Traded Value at NSE Cash segment (in ₹)	Traded Value at NSE Derivatives segment (in ₹)	Traded Value at BSE Cash Segment (in ₹)	Total Traded Value (BSE +NSE) (in ₹)	No. of occasions transactions executed
Virat Kumar Yerramalla (PAN: ABNPY0529Q)	67,011	5,728,950	0	5,795,961	5

13. I note from the table given in paragraph 12 above that the Noticee had executed 5 transactions through which the total traded value of the Noticee in the said calendar quarter was Rs. 5,795,961 which is in excess of Rs 10,00,000.

14. Regulation 7(2)(a) of the PIT Regulations provides that certain specified entities of the company are required to file disclosures to the company within two trading days of transactions, if the value of the securities traded aggregates to a traded value in excess of Rs 10,00,000 whether in one transaction or a series of transactions over any calendar quarter.

15. I note from the December Replies submitted by the Company that the Company has confirmed that pursuant to the trades executed by the Noticee in paragraph 12, the Noticee has not filed any disclosures as required under regulation 7(2)(a) of the PIT Regulations. I also note from the August Reply that the Noticee has admitted that he had executed trades in excess of Rs 10,00,000 and not filed the requisite disclosures due to his ignorance. Further, I note that there is no material to indicate any subsequent disclosures submitted by the Noticee about the concerned transactions in reasonable time.

16. Further, I note that the Noticee in his August Reply has submitted that he lacked the requisite knowledge for calculating the total traded value and hence he failed to submit the requisite disclosure. The Noticee has requested to be excused due to his ignorance. I find that the aforesaid

justification for the alleged violation is untenable as it goes against the established legal principle of "*ignorantia juris non excusat*" which translates into ignorance of law is no excuse. The legal principle is justified on grounds of necessity because if there is relaxation in the application of this principle, every accused will take the plea that he did not know the law and it will be impossible for the adjudicating authority to establish the knowledge of law and it would in turn weaken the administration of justice. In light of this, I am unable to accept the submission of the Noticee.

17. As regards the submission made by the Noticee in his August Reply that he had no malicious intention or intention to engage in insider trading and that he had not made any gains from the transactions executed, I find it relevant to refer to the order passed by Hon'ble SAT in Akriti Global Traders Ltd. vs. SEBI (Appeal no.78 of 2014), decided on September 30, 2014, wherein it held that "*Argument of appellant that the delay was unintentional and that the appellant has not gained from such delay and therefore penalty ought not to have been imposed is without any merit, because, firstly, penal liability arises as soon as provisions under the regulations are violated and that penal liability is neither dependent upon intention of parties nor gains accrued from such delay..".* In view of the same, I am not inclined to accept said submissions of the Noticee.

18. Assuming whilst denying that there is any merit in the submission that the Noticee inadvertently committed the alleged violation and that the Noticee did not have any malafide intention, I find it relevant to refer to the judgment of the Apex Court in SEBI vs Shri Ram Mutual Fund (Appeal Civil 9523-9524 of 2003) dated May 23, 2006, wherein it was held that "*in our opinion, mens rea is not an essential ingredient for contravention of the provisions of a civil act*". In view of the aforesaid judgment, I find it difficult to exercise leniency on grounds such as ignorance or lack of malafide intention. If leniency is observed in such cases then every offender would seek impunity citing aforesaid reasons and the legislative intent of the provisions of PIT Regulations would be defeated.

19. I note that the Noticee *vide* the August Reply has submitted Form C sent to the Company on February 11, 2020 with respect to the shares traded on March 18, 2019 and derivatives traded from the period January 30, 2019 to March 18, 2019 by the Noticee. The said form is the format for disclosure required under regulation 7(2) of PIT Regulations. However, it is important to note that singular instances of disclosure cannot serve as an excuse or justify the requirement of submitting continual disclosures mandated under the PIT Regulations. It is also noted that the aforesaid disclosure was not submitted as per the timeline provided in regulation 7(2)(a) of the PIT Regulations and hence the same would be considered as a delayed disclosure. The key objective of SEBI Act is protection of the interests of the investors. The requirement to submit disclosures under the PIT Regulations are sacrosanct as they enable the public to make an informed investment decision in a timely manner. By not submitting the requisite disclosures in the time specified, the concerned persons deprive the investing public of the statutory rights available to them.

20. In view of the above, I conclude that the allegation that the Noticee has violated regulation 7(2)(a) of the PIT Regulations stands established due to his failure to make the requisite disclosures pursuant to executing transactions in excess of Rs 10,00,000 during the Investigation Period.

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

21. I note that the Apex Court in the case of SEBI vs Shri Ram Mutual Fund (Appeal Civil 9523-9524 of 2003) dated May 23, 2006, has held that *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established."*

22. Further, in Mr. Ankur Chaturvedi vs SEBI (Appeal no. 434 of 2014) decided on August 04, 2015, Hon'ble SAT has held that *"As rightly pointed out by*

the adjudicating officer the entire securities market stands on disclosure based regime and accurate and timely disclosures are fundamental in maintaining the integrity of the securities market. Therefore, omission on the part of the appellant in failing to make disclosures was detrimental to the interest of the investors in the securities market and hence no fault can be found with the decision of SEBI in imposing penalty".

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

Penalty for failure to furnish information, return, etc.

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

(b) *to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations, [3][or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to a penalty [4][which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees].*

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

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

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

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

Factors to be taken into account while adjudging quantum of penalty

While adjudging quantum of penalty under [5][15-I or section 11 or section 11B, the Board or the adjudicating officer] shall have due regard to the following factors, namely :—

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.

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

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

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

25. In the instant case, it is not possible from the material on record to quantify the amount of disproportionate gain or unfair advantage resulting from the default of the Noticee in making disclosures or the consequent loss caused to investors as a result of the default. With respect to repetitive nature of the default, it is important to note that the Noticee has violated provisions

of regulation 7(2)(a) of the PIT Regulations on five occasions during the Investigation Period. Hence, the violation committed by the Noticee is repetitive in nature. Further, I note that the Noticee has already remitted Rs 30,000 to the Investor Education and Protection Fund (IEPF) for the violation admitted by him.

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

E. ORDER

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

28. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of demand draft in favor of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or through online payment facility available on the SEBI website **www.sebi.gov.in** on the following path by clicking on the payment link.

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

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

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

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

Date: October 21, 2021 **PRASANTA MAHAPATRA**

Place: Mumbai **ADJUDICATING OFFICER**