BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: Order/JS/VC/2025-26/31695)

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

Mr. Rahul Sharma
(PAN No.: BNLPS7534L)

In the matter of insider trading activity of certain entities in the scrip of M/s. Swan Energy Limited

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BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**), conducted an investigation into the alleged insider trading activity of certain entities in the scrip of M/s. Swan Energy Limited (hereinafter referred as **'Company'/ 'SEL'**). During investigation, SEBI observed trades and contra trades by Mr. Rahul Sharma (hereinafter referred as **'Noticee'**). Pursuant to the findings of investigation, SEBI initiated adjudication proceedings against the Noticee:
   (a) under section 15HB of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **'SEBI Act'**) for the alleged violation of regulation 9(1) read with clause 6 and 10 of Schedule B of SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred as **'PIT Regulations'**); and
   (b) under section 15A(b) of SEBI Act for the alleged violation of regulation 7(2)(a) of PIT Regulations.

APPOINTMENT OF ADJUDICATING OFFICER

2. SEBI appointed the undersigned as Adjudicating Officer vide communique dated April 01, 2025, under section 15-I of the SEBI Act read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **'Rules'**) to inquire into and adjudge under the provisions of sections 15HB and 15A(b) of the SEBI Act, the aforementioned alleged violations by Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice bearing Ref. No. SEBI/EAD/EAD-2/JS/VC/13316/1-5/2025 dated May 15, 2025 (hereinafter referred to as **'SCN'**) was issued to the Noticee in terms of the provisions of rule 4(1) of the Rules read with section 15-I of the SEBI Act, requesting Noticee to show cause as to why an inquiry should not be held against him and why penalty, if any, should not be imposed upon the Noticee under sections 15HB and 15A(b) of the SEBI Act for the alleged violation.

4. The SCN, *inter alia*, alleged the following:

   *(a) During the investigation, it was observed that Noticee was one of the designated persons of the Company. The trades of the Noticee during the period September 01, 2023 to November 30, 2023 (hereinafter referred to as '**Investigation Period/ IP'**) were analyzed and it was found that the Noticee had executed trades and contra trades within IP in the scrip of SEL. Noticee traded in high volumes and made unlawful profits amounting to Rs. 30,25,133/-. The details of the contra trades done by the Noticee is as under:*

Date	***Gr. Buy Vol.***	***Gr. Sell Vol.***	***Net Trade Vol.***	***Gr. Trade Vol***	***Gr. Buy Value (in Rs.)***	***Gr. Sell Value (in Rs.)***
04/09/2023	*10,650*	*2,500*	*8,150*	*13,150*	*32,35,208.90*	*7,61,875.00*
04/09/2023	*1,000*	*1,000*	*-*	*2,000*	*3,01,900.00*	*3,04,800.00*
05/09/2023	*1,000*	*-*	*1,000*	*1,000*	*2,96,815.00*	*-*
05/09/2023	*1,600*	*-*	*1,600*	*1,600*	*4,76,835.50*	*-*
06/09/2023	*1,000*	*-*	*1,000*	*1,000*	*2,93,425.00*	*-*
08/09/2023	*100*	*-*	*100*	*100*	*30,025.00*	*-*
12/09/2023	*1,375*	*-*	*1,375*	*1,375*	*3,92,182.45*	*-*
13/09/2023	*250*	*500*	*-250*	*750*	*68,852.50*	*1,40,760.00*
14/09/2023	*330*	*115*	*215*	*445*	*94,656.00*	*33,709.25*
18/09/2023	*1,100*	*-*	*1,100*	*1,100*	*3,19,389.70*	*-*
21/09/2023	*600*	*300*	*300*	*900*	*1,77,205.00*	*89,490.00*
25/09/2023	*1,200*	*1,200*	*-*	*2,400*	*3,58,200.00*	*4,04,588.60*
26/09/2023	*250*	*250*	*-*	*500*	*73,425.00*	*74,400.00*
27/09/2023	*600*	*600*	*-*	*1,200*	*1,71,527.50*	*1,73,970.00*
28/09/2023	*100*	*-*	*100*	*100*	*28,640.00*	*-*
12/11/2023	*-*	*3,000*	*-3,000*	*3,000*	*-*	*13,50,623.80*
12/11/2023	*-*	*5,050*	*-5,050*	*5,050*	*-*	*22,72,312.50*
13/11/2023	*67,693*	*43,600*	*24,093*	*1,11,293*	*2,92,21,826.85*	*1,94,49,871.20*
16/11/2023	*900*	*-*	*900*	*900*	*3,83,362.50*	*-*
17/11/2023	*1,500*	*1,500*	*-*	*3,000*	*6,48,750.00*	*6,58,826.10*
21/11/2023	*250*	*-*	*250*	*250*	*1,06,012.50*	*-*
22/11/2023	*1,501*	*1,501*	*-*	*3,002*	*6,33,120.90*	*6,43,853.95*
23/11/2023	*-*	*20,485*	*-20,485*	*20,485*	*-*	*89,63,304.30*
29/11/2023	*11,400*	*-*	*11,400*	*11,400*	*48,27,370.00*	*-*

(b) *In this context, an email dated December 11, 2024 was sent to the Company, advising it to verify the contra trades of the Noticee and disgorge the profits, if any, earned by him and to remit the said amount to SEBI Investor Protection and Education Fund ('SEBI-IPEF'). Vide emails dated January 08 and 21, 2025, and February 26, 2025, Company provided the details of profits earned by the Noticee, and the evidences showing the credit of amounts to SEBI IPEF account.*

(c) *Noticee remitted the profit of Rs. 30,25,133/- to SEBI-IPEF on January 08, 2025 and February 26, 2025.*

(d) *The clause 1.7 (i) of Code of Conduct of the Company specified Rupees Ten Lakh value as the threshold limit over a quarter for the designated persons for obtaining the pre-clearance from the compliance officer. The above referred clause is reproduced below for reference:*

"SWAN ENERGY LIMITED – INSIDER TRADING – Code of Conduct

1.7 Pre clearance of trades

(i) *Any Designated person who intend to trade in the securities of SEL (either in their own name or in any immediate relatives' name) and if the value of the securities likely to be 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, should pre-clear the transactions by making an application in the format set out in Annexure A, to the Compliance officer and also declare that the applicant is not in possession of any UPSI."*

(e) *Further, the trades executed by the Noticee during the investigation period exceeded Rupees Ten Lakh in value. In this regard, the Company submitted that Noticee failed to obtain pre-clearance.*

(f) *In view of the above, since the Noticee had entered into trades and contra trades in the scrip of SEL and failed to obtain pre-clearance for the trades from the compliance officer, the Noticee was alleged to have violated regulation 9(1) read with clause 6 and 10 of Schedule B of PIT Regulations.*

(g) *It was also noted during the investigation that the Noticee failed to submit disclosures to the Company in respect of trades executed by him where the value of trades exceeded more than Rupees Ten Lakh. In view of the above, the was alleged to have violated regulation 7(2)(a) of PIT Regulations.*

5. I note that the SCN issued to Noticee was duly served upon him. However, Noticee did not furnish any response to the SCN, therefore in order to conduct an inquiry in the matter, notice of hearing dated June 17, 2025 was issued to the Noticee. Thereafter, vide letter dated June 30, 2025, Noticee submitted his reply to the SCN. Vide e-mail dated August 06, 2025, Noticee filed additional submissions in the matter regarding disclosure made by the Company on BSE w.r.t. disgorgement of amount and action taken in the matter.

6. The relevant extracts of the Noticee's replies dated June 30, 2025 and August 06, 2025 are reproduced as under:

(a) I would like to bring to your goodself's kind attention that I was taken aback upon receiving the SCN as it pertains to the alleged violations for which internal proceedings were initiated by Swan Energy Limited (in short "the Company") and stands concluded vide an email dated February 19, 2025, i.e., much prior to the issue of the captioned SCN.

(b) At the outset, I would like to state that the SCN ought not to have been issued as it seeks to enquire into my transactions and alleges violations for which I have already been held liable by the Company and for which I have already been penalized. Before dealing with the allegations in seriatim, I would like to bring to your goodself's kind attention the series of events that transpired prior to issue of the captioned SCN by your goodself. The same is as under:

(c) The Company was in receipt of an email dated December 11, 2024 from the SEBI whereby certain information was sought from the Company, including but not limited to the trades undertaken by certain entities including me. Pursuant to the receipt of the email dated December 11, 2024, the Company issued a formal Show Cause Notice (in short "Company SCN") vide an email dated December 12, 2024 and called for the details as sought by SEBI in its email dated December 11, 2024.

(d) Thereafter, vide an email dated December 17, 2024 the Company provided certain information in response to the email dated December 11, 2024. Vide the same email, the Company intimated SEBI regarding the issuance of the Company SCN to certain entities including me as mentioned in the email dated December 11, 2024 and assured SEBI that the ensuing adjudication proceedings and further details along with appropriate action will be taken only after completion of the adjudication proceedings. The Company also sought additional ten days' time to provide the information and complete the adjudication proceedings. Vide an email dated December 18, 2024 SEBI was pleased to grant the Company time till December 27, 2024 to complete the proceedings.

(e) Further, vide an email dated December 27, 2024 I sought additional one weeks' time due to difficulty in getting the trade related information and on January 08, 2025 vide an email I provided my reply to the Company SCN. Vide my reply, I submitted that I was neither involved in the process of drafting nor finalization of the said financial statements and that I was not aware of any impending insider information, therefore, my trades were devoid of any Unpublished Price Sensitive Information (in short "UPSI"). However, in order to settle the matter, I have deposited the net profit/actual gains amounting to Rs. 19,26,664/- in the account of SEBI Investor Protection and Education Fund (in short "IPEF") earned by me from the alleged transactions.

(f) On January 08, 2025 the Company intimated SEBI regarding the deposit of the net profit/actual gains amounting to Rs. 19,26,664/- in the account of SEBI IPEF arising out of the alleged trades in my account. Vide the same email, the Company also

submitted the excel sheets which provided the working on the calculation of the alleged unlawful gains.

(g) *I would also like to bring to your goodself's kind attention that vide a letter dated February 01, 2025, I had tendered my resignation from Swan LNG Private Limited and had also requested that February 28, 2025 be considered as my last date.*

(h) *Post internal discussions, the Company vide an email dated February 19, 2025 considered my submissions made in the email dated January 08, 2025 and also noted that the alleged unlawful gains were deposited in the account of SEBI IPEF. Further, the Company also indicated that my submissions are subject to approval or further email from SEBI and no action will be taken against me. The Company also cautioned me from not indulging in such unlawful activities in the future.*

(i) *It is pertinent to note that vide an email dated February 24, 2025, which was later on forwarded to me, SEBI directed the Company to disgorge the total amount i.e., to disgorge the gross profit of Rs. 30,25,133/- failing which the adjudication proceedings shall be initiated against the responsible entities. Thus, it can be inferred that on depositing the balance alleged unlawful gains no adjudication proceedings shall lie against the responsible entities.*

(j) *Thereafter, in furtherance of the net profit, I deposited the balance amount of Rs. 10,98,469/- on February 26, 2025 and had also intimated the same to the Company, which, in turn, intimated SEBI vide an email dated February 26, 2025.*

(k) *It is submitted that post my cessation as the CEO on February 28, 2025, I am no longer associated with the Company or any of its subsidiaries as KMP.*

(l) *On perusal of the aforesaid sequence of events, it is clear that for violations as alleged against me in the captioned SCN, the Company has already completed the adjudication proceedings and consequently, I have also deposited the alleged unlawful gains in the account of SEBI IPEF and have been prohibited from selling or transferring the shares of the Company. The proceedings initiated by the Company had attained finality in the month of February, 2025 and the present Notice was issued much later in the month of May, 2025 for the same violations as mentioned in the Company SCN.*

(m) *It is further submitted that the deposits made in the IPEF were duly communicated to SEBI vide emails dated January 08, 2025 and February 26, 2025. It is respectfully reiterated that the alleged unlawful gains have been fully disgorged and deposited into the SEBI IPEF account through two transactions dated January 08, 2025 and February 26, 2025. In such circumstances, the issuance of the captioned SCN for the very same alleged violations appears to subject me to double punishment for the same cause of action. This is in direct contravention of Article 20(2) of the Constitution of India, which enshrines the protection against double jeopardy by providing "No person shall be prosecuted and punished for the same offense more than once".*

(n) *Further, it is brought to your goodself's kind attention that the PIT Regulations sets out the standards for the Code of Conduct of any listed Company and on the basis of those*

principles, the Code of Conduct of the Company was formulated. It is also pertinent to note that no adverse inference has been drawn against the Code of Conduct of the Company implying that the Company's Code of Conduct was in accordance with the Model Code of Conduct as prescribed in the PIT Regulations. On this basis, it is submitted that the adjudication proceedings concluded against me were in line with the Model Code of Conduct as prescribed under the PIT Regulations.

(o) *I would also like to place reliance on the judgement of the Hon'ble Supreme Court in the matter of Thomas Dana v. State of Punjab AIR 1959 SC 375 wherein it has laid down the conditions to be satisfied to avail protection against double jeopardy. The extract for the same are produced below.*
"…. The words of this Article are clear and unambiguous and their plain meaning is that there cannot be a second prosecution where the accused has been prosecuted and punished for the same offence previously. The clause uses the three words of well-known connotation: (1) Prosecution; (2) punishment; and (3) offence."

(p) *Placing reliance on the above judgement, it is submitted that the present SCN is issued for the same violation for which I have been already been punished and based on which I deposited the profit in the SEBI IPEF account. Thus, the captioned SCN issued by your goodself violates my inalienable constitutional right guaranteed under Article 20(2).*

(q) *Without prejudice to the aforesaid, the detailed submissions regarding the alleged violations are dealt hereunder in seriatim.*

(r) *It is stated that the objective of Regulation 7(2)(a) of PIT Regulations is to ensure that the investors are aware of the transactions undertaken by the officials of the Company, who may be presumed to have an access to the UPSI of the Company which will then have a tendency of influencing the trades. It should be noted that I have been associated with the Company for a very long time and it was never my intention to hide any information from the investors or the Company during the said period. Further, I was posted in the Ahmedabad Branch of the Company during the said period, and thus had no access to the UPSI.*

(s) *Clause 6 of Schedule B r/w Regulation 9(1) of PIT Regulations provide for preclearance of trade if the value of the trade is above such threshold, as the Board of Directors may stipulate. It is humbly submitted that requirement for pre-clearance of trades applies specifically when an individual is appointed as a Designated Person and trading by them or their immediate relative is subject to restrictions. My trading activities were not motivated by any intention to gain an unfair advantage or to harm retail investors.*

(t) *Further, I would like to clarify that I was under the belief that pre-clearance is required when someone is in possession of UPSI. Since I was not in possession of any UPSI or no non-public information was shared with me, I did not seek pre-clearance for my alleged trades. I also undertook the alleged trades to meet my financial exigencies which I never anticipated. Notwithstanding the same, I have deposited the amount which is alleged to be the proceeds of an unlawful trades in the IPEF. Thus, appropriate*

action has been taken against me by the Company and thus, I humbly request that no further penalty/punishment must be imposed vide the present SCN.

(u) *Clause 10 of Schedule B r/w Regulation 9(1) of PIT Regulations provides that the designated person shall not execute contra trades for at least six months. Since the scrip was volatile during that time, shares were purchased or sold due to inappropriate knowledge of the restriction under this provision which was a mere technical error. It is humbly submitted that by virtue of lack of knowledge, the contra trades were executed. There was no intentional and deliberate intent to violate the above stated provisions. In view of the aforesaid provision, I accept that contra trades were undertaken by me during the relevant period. It should also be noted that the profits booked in the aforesaid trades had been deposited in SEBI's IPEF account, meaning thereby that both equitable and punitive remedy has been provided with. Thus, I request that when the alleged gross profits have been deposited, no adverse inference should be taken against me under this SCN.*

(v) *I would also like to bring to your goodself's kind notice that post my resignation and as per the provisions of the PIT regulations, I shall continue to be a connected person of the Company for the next six months starting from February 28, 2025. Thus, I am legally restrained from trading in the scrip of the Company till August 31, 2025.*

(w) *It is also pertinent to note that the submissions made herein above are based on the observations made in the order dated July 20, 2016 in respect of Mr. Gautam Anand in the matter of ITC Limited, whereby the delinquent, Mr. Gautam Anand, was found by the Company to have violated the Code of Conduct of ITC Limited. Thereafter, he was directed by ITC Limited to disgorge the unlawful gains and was also restrained from trading in the scrip of ITC Limited for six months. The Ld. Adjudicating Officer observed as under-*

"…. the Noticee has been adequately penalized by the Company for his lapses, which resulted in the violation of the Model Code of Conduct by the Noticee prescribed under the PIT Regulations. I observe that apart from payment of Rs 2,521/- as penalty to the Company, Noticee has also undergone debarment from buying or selling the shares of the Company for a period of six months. I am therefore of the view that the penalty imposed by the Company on the Noticee is commensurate with the violations committed by him.

… Therefore, considering the aforesaid facts and circumstances of the matter, in my view, the mitigating effects of the observations made above and also at paras 11 and 12 above come to the aid of the Noticee and no penalty under the provisions of Section 15 HB of the SEBI Act is merited in the facts and circumstances of the case."

(x) *The facts of the present matter are also similar to the Adjudication Order dated May 20, 2024 in the matter of Radico Khaitan Limited, wherein no penalty was imposed upon the Noticees as they had already deposited the profit in the IPEF account of SEBI. The relevant excerpts are reproduced below:*

"16.I note that upon perusal of material available on record and all the evidences submitted that all the Noticees have remitted the unlawful gain to the IEPF. Further Noticees have been penalized by the company by imposing monetary penalty. I further note that Noticees have undergone debarment from buying or selling in the scrip of RKL….

17. I note that company has prior to issuance of SEBI SCN, issued their SCN to the Noticees, adjudicated the matter and after examination taken action including given certain directions which include levying penalty, remission of unlawful gains and debarment from buying or selling in the scrip of RKL. Thus, I note that company at their level has taken remedial as well as punitive measures for the matter concerning the same cause of action….

20. In view of the reasons recorded hereinabove, considering the facts and circumstances of this specific case and other mitigating factors mentioned above, I am therefore of the view and hold that no penalty needs to be imposed, on the Noticees 1 to 24 in the present matter, for the above-mentioned violations under Section 15A(b) /15HB of SEBI Act, 1992…."

(y) On a perusal of these aforesaid orders, it is stated that no penalty should be imposed on me under this SCN, as the alleged unlawful profits have been credited to SEBI's IPEF account for the violation of PIT Regulations and Code of Conduct of the Company.

(z) It is respectfully submitted that when the SCN itself acknowledges in Paragraph 5 that the alleged unlawful profits were duly disgorged into the IPEF account and considering that based on similar facts, your goodself has already disposed of adjudication proceedings against the erring entities, there exists no intelligible differentia to justify the continuance of the present proceedings against me.

(aa) I would also like to place reliance on the judgement of the Hon'ble Bombay High Court in the matter of SEBI v. Cabot International Capital Corporation Limited, whereby it was held that where the breach is unintentional, not deliberate, technical and minor and based on bonafide belief, then strict enforcement of the regulation need not be warranted. Thus, the Hon'ble High Court has explicitly stated that the authority may refuse to impose penalty for justifiable reason, the relevant excerpts for which is mentioned below:

"…. Though looking to the provisions of the statute, the delinquency of the defaulter may itself expose him to the penalty provision yet despite, that in the statute minimum penalty is prescribed, the authority may refuse to impose penalty for justifiable reasons like the default occurred due to bona fide belief that he was not liable to act in the manner prescribed by the statute or there was too technical or venial breach, etc. "

(bb) Thus, placing reliance on the above judgement, since the said violations as outlined in the SCN are a result of lack of knowledge, with no detrimental intent to harm the investors, it is humbly submitted that no penalty should be imposed upon me based on the present SCN.

(cc) In view of submissions made herein above, I would like to state that immediately upon the issuance of the Company SCN I understood the gravity of the aforesaid violations and how even a slightest non-compliance/non-disclosure can impact the investors which will be against the interest of the Company. Thus, considering that I failed to adhere with the Code of the Conduct of the Company, I have deposited the alleged

unlawful gains in SEBI's IPEF account. I want to assure your goodself that I have become diligent in respect of my dealings in securities.

(dd) Without prejudice to the aforesaid submissions, I would like to state that under the SEBI Act, penalty is levied on the basis of violations mentioned in substantive provisions of Section 15-A to Section 15-HA of the SEBI Act. However, while deciding the quantum of penalty, due consideration should be given to the factors under Section 15 J of the SEBI Act.

(ee) The provision of Section 15 J of the SEBI Act is reproduced as under:

"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."

(ff) Without prejudice to the above submissions, I would like to submit as follows:

With regard to clause (a): - "the amount of disproportionate gain or unfair advantage, whether quantifiable, made as a result of the default" : it is submitted that the requisite amount has already been disgorged pursuant to the adjudication proceedings initiated against me by the Company.

With regard to clause (b): - "the amount of loss caused to an investor or group of investors as a result of the default": it is submitted that there are no investor complaints filed at any Stock Exchange or SEBI and the same has also not been alleged in the Notice.

With regard to clause (c): - "the repetitive nature of the default.": it is submitted that I have never been held guilty for any violation of SEBI Laws, and it is the first time the present proceeding has been initiated against me. Further, I have also ensured transparency and clean records in regards to my dealings, hence, the question of repetitive nature of default does not arise.

(gg) The Hon'ble Supreme Court in the case of Siddharth Chaturvedi vs Securities and Exchange Board of India (2016) 12 SCC 119 held as follows:

"The facts of the present case would go to show that where there is allegedly only a technical default, and the three parameters of Section 15J would allegedly be satisfied by the Appellants, namely, that no disproportionate or unfair advantage has been made as a result of the default; no loss has been caused to an investor or group of investors as a result of the default; and there is in fact, no repetitive nature of default, no penalty at all ought to be imposed."

(hh) In light of the aforesaid decision of the Hon'ble Supreme Court along with the applicability of factors under Section 15 J in the present matter, it is submitted that no

penalty ought to be imposed under Section 15A(b) and Section 15HB of the SEBI Act, as the alleged violation is a technical default.

(ii) *Without prejudice to the above, it is humbly prayed that the penalty, if any, can be imposed only under Section 15A(b) of the SEBI Act and not Section 15HB, as the later provides for payment of penalty where no separate penalty is imposed. The Noticee would like to place reliance on the judgement of the Hon'ble Securities Appellate Tribunal in the matter of Uday Agarwal v. SEBI [Appeal No. 14 of 2022] wherein penalty imposed by SEBI under Section 15HB was nullified. The relevant extracts are provided below-*

"….In the instant case, since Clause 10 provides a mechanism for disgorgement of the profit earned. In that case, only the profit earned could have been disgorged and no separate penalty could have been imposed under Section 15HB."

Thus, it can be inferred that the charging provision under which I am liable for penalty, if any, is only Section 15A(b).

(jj) *I would like to quote another order of the Hon'ble Supreme Court in the matter of Adjudicating Officer v. Bhavesh Pabari (Civil Appeal No. (S).11311 of 2013, dated February 28, 2019) wherein it was held that Section 15J is illustrative in nature and the relevant factors depends from case-to-case basis. The same is reproduced as under:*
"..This dictum, however, does not mean that factum of continuing default is not a relevant factor, as we have held that clauses (a) to (c) in Section 15J of the SEBI Act are merely illustrative and are not the only grounds/factors which can be taken into consideration while determining the quantum of penalty."

(kk) *It is humbly stated that while imposing any penalty under Section 15A(b) of the SEBI Act, miniscule instances of alleged violations, no trading on the basis of possession of UPSI, should be considered as mitigating factors before arriving at any conclusion. The aforesaid is without prejudice to the fact that I have already been subjected to adjudicatory proceedings with resultant directions imposed on.*

(ll) *Reliance is also placed on the order of the Hon'ble Supreme Court in the case of Hindustan Steel v. State of Orissa AIR 1970 SC 253 wherein it was held as follows:*
"An order imposing penalty for failure to carry out a statutory obligation is the result of a quasi-criminal proceeding and penalty will not be ordinarily imposed unless the party obliged either acted deliberately in defiance of law or was guilty of conduct contumacious or dishonest, or acted in conscious disregard of its obligation. Penalty will not also be imposed merely because it is lawful to do so. Whether penalty should be imposed for failure to perform a statutory obligation is a matter of discretion of the authority to be exercised judicially and on a consideration of all the relevant circumstances. Even if a minimum penalty is prescribed, the authority competent to impose the penalty will be justified in refusing to impose penalty, when there is a technical or venial breach of the provisions of the Act or where the breach flows from a bonafide belief that the offender is not liable to act in the manner prescribed by the statute."

(mm) *Thus, on the basis of the abovementioned judgement it is stated that alleged violations were not deliberately intended and were a mere technical breach of the provisions of the PIT Regulations for which I have been duly punished by the Company.*

(nn) It is also submitted that as held in the Adjudicating Order in respect of Gautam Anand and Radico Khaitan Limited, the facts of the present case are similar to both the orders and thus, no penalty should be imposed on me in light of the fact that the Company has already adjudicated upon the matter and the disgorgement amount has been paid and trading restriction is being complied with.

(oo) Taking into account the arguments presented above, I vehemently deny any violation of the provisions mentioned in the SCN that would warrant the double imposition of a penalty as appropriate and necessary actions have been taken against me by the Company. Based on the contentions outlined in the preceding sections, I respectfully request the present proceedings initiated vide the current SCN be withdrawn. It is requested that my aforesaid submissions wherein I have tried to prove my innocence and have provided a rationale including the adjudication by the company should be considered while passing an order.

(pp) Further, I would like to reiterate that I am no more associated with the Company. Thus, any action taken is surely to have a detrimental impact on my professional life and career prospects. Hence, it is humbly prayed on humanitarian ground, that no action be taken as I am no longer concomitant with the Company.

(qq) The Company made a Corporate Announcement dated February 19, 2025 on the platform of Bombay Stock Exchange, pertaining to the Action Taken Report in respect of the adjudication proceedings initiated against Noticee by the Company."

7. With regard to opportunity of personal hearing provided to the Noticee on July 08, 2025, vide notice of hearing dated June 17, 2025, Noticee requested for adjournment of hearing, which was granted to him. Accordingly, the hearing in the matter was rescheduled to August 06, 2025. On August 06, 2025, authorised representatives of the Noticee, viz., Ms. Anandini Fernandes, assisted by Ms. Nirali Mehta and Mr. Pulkit Lodha, (hereinafter referred to as **'AR'**), attended the personal hearing in person and reiterated the submissions made by the Noticee vide reply dated June 30, 2025. Further, ARs also stated that a disclosure has been made by the Company on BSE w.r.t. disgorgement of amount and action taken on entities in the matter.

CONSIDERATION OF ISSUES AND FINDINGS

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

   I. Whether Noticee entered into trades and contra trades in the scrip of SEL and failed to obtain pre-clearance for the said trades from the compliance officer

and thereby violated the provisions of regulation 9(1) read with clause 6 and 10 of Schedule B of PIT Regulations?

II. Whether Noticee failed to submit disclosures to the Company in respect of trades executed by him where the value of trades exceeded more than Rupees Ten Lakh and thereby violated the provisions of regulation 7(2)(a) of PIT Regulations?

III. Does the violation, if any, attract monetary penalty under sections 15HB and 15A(b) of the SEBI Act?

IV. If so, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in section 15-J of the SEBI Act read with rule 5(2) of the Rules?

9. Before proceeding further, it is pertinent to refer to the provisions of PIT Regulations, which are allegedly violated by the Noticee, as under:

Regulation 7
Disclosures by certain persons.
"(2) Continual Disclosures.
(a) *Every promoter, member of the promoter group, 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;"*

Regulation 9
Code of Conduct.
"(1) *The board of directors of every listed company and the board of directors or head(s) of the organisation of every intermediary shall ensure that the chief executive officer or managing director shall formulate a code of conduct with their approval to regulate, monitor and report trading by its designated persons and immediate relatives of designated persons towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule B (in case of a listed company) and Schedule C (in case of an intermediary) to these regulations, without diluting the provisions of these regulations in any manner."*

SCHEDULE B
Minimum Standards for Code of Conduct for Listed Companies to Regulate, Monitor and Report Trading by Designated Persons
……..

*"**6.** When the trading window is open, trading by designated persons shall be subject to pre-clearance by the compliance officer, if the value of the proposed trades is above such thresholds as the board of directors may stipulate."*

……

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

10. Based on perusal of the material available on record and submissions of the Noticee, the issues raised in this matter are dealt in the following paragraphs.

Issue I. Whether Noticee entered into trades and contra trades in the scrip of SEL and failed to obtain pre-clearance for the said trades from the compliance officer and thereby violated the provisions of regulation 9(1) read with clause 6 and 10 of Schedule B of PIT Regulations?

Allegation 1: Execution of contra trades in the scrip of SEL

11. It was alleged in the SCN that the Noticee was one of the designated persons of the company and he entered into trades and contra trades in the scrip of SEL during the investigation period exceeding Rupees Ten Lakh in value. Thus, he violated the provisions of regulation 9(1) read with clause 10 of Schedule B of PIT Regulations.

12. As per clause 10 of Schedule B of PIT Regulations, the code of conduct shall specify the period, which in any event shall not be less than six months, within which a designated person who is permitted to trade shall not execute a contra trade. Should a contra trade be executed, inadvertently or otherwise, in violation of such a restriction, the profits from such trade shall be liable to be disgorged for remittance to the Board for credit to the Investor Protection and Education Fund administered by the Board under the Act.

13. In response to above allegations, Noticee submitted that the SCN pertains to the alleged violations for which internal proceedings were initiated by the Company and stands concluded vide an email dated February 19, 2025, i.e., much prior to the issue

of the captioned SCN. He stated the SCN ought not have been issued to him as SCN seeks to enquire into his transactions and alleges violations for which he had already been held liable by the Company and penalised. Noticee submitted that SEBI had directed the Company to disgorge the total amount of profit, i.e., Rs. 30,25,133.00, which was deposited by him in SEBI IPEF account. In this regard, Noticee placed reliance on the judgement of the Hon'ble Supreme Court in the matter of *Thomas Dana v. State of Punjab* and submitted that the present SCN is issued for the same violation for which he was already punished and he also deposited the profit in the SEBI IPEF account. In this regard, it is observed that the adjudication proceedings were initiated by SEBI for the violations of provisions of PIT Regulations and internal proceedings were initiated by the Company for the violation of its code of conduct. Hence, the adjudication proceedings initiated by SEBI under the provisions of the SEBI Act are distinct, independent and cannot be substituted or nullified by any internal action undertaken by the Company. Thus, the contentions of the Noticee are not tenable.

14. Noticee further submitted that the Company indicated to him that no action will be taken against him. In this regard, I find that the Company vide email dated February 19, 2025, *inter alia*, stated that *'…. the Board / Management is not taking any action this time. However, if any such incident is repeated in future, then actions, as laid down in the COC will be initiated.'* However, the fact that the Company did not take any action against the Noticee does not preclude SEBI from taking appropriate action under PIT Regulations.

15. Noticee further placed reliance on the observations made in the Adjudication Order dated July 20, 2016 in respect of Mr. Gautam Anand in the matter of ITC Limited and observations made in the Adjudication Order dated May 20, 2024 in the matter of Radico Khaitan Limited, wherein no penalty was imposed upon the Noticees as they had already deposited the profit in the SEBI IPEF account. In this regard, it is observed that in the matter of ITC Limited, in addition to disgorgement of the unlawful gains made by Mr. Gautam Anand, a penalty of Rs. 2,521/- was imposed on Mr. Gautam Anand by the Company and he was also restrained from trading in the scrip of ITC Limited for six months. Similarly, in the matter of Radico Khaitan Limited, in addition to disgorgement of the unlawful gains made by the entities, penalties of

varying amounts were imposed on the concerned entities by the Company and they were also debarred from buying or selling in the scrip of the Company. In contrast, in the instant matter, Noticee has not furnished any details of such action, except disgorgement of actual profit sans interest that would have accrued to him, taken by the Company including restraint in trading in securities of SEL. Therefore, the facts and circumstances of this case are materially different from those relied upon by the Noticee and hence the comparison made is not relevant and tenable.

16. It is noted from the reply of the Noticee that he admittedly entered into the alleged contra trades. SEBI vide email dated December 11, 2024, advised the Company to verify the contra trades of the Noticee and disgorge the profits made by him and to remit the said amount to SEBI IPEF. Thereafter, Noticee deposited the amount of profit made by him through the contra trades, i.e., Rs. 30,25,133/- to the SEBI IPEF in terms of clause 10 of Schedule B to the PIT Regulations. Therefore, it is established that the Noticee violated the provisions of regulation 9(1) read with clause 10 of Schedule B of PIT Regulations, which stipulates that a designated person who is permitted to trade shall not execute a contra trade.

Allegation 2: Not obtaining the pre-clearance for trades

17. It was alleged in the SCN that the Noticee failed to obtain pre-clearance from the compliance officer of the Company for the said contra trades, which was in the violation of regulation 9(1) read with clause 6 of Schedule B of PIT Regulations.

18. As per clause 6 of Schedule B of PIT Regulations, when the trading window is open, trading by designated persons shall be subject to pre-clearance by the compliance officer, if the value of the proposed trades is above such thresholds as the board of directors may stipulate. In this regard, clause 1.7 (i) of code of conduct of the Company specified Rupees Ten Lakh value as the threshold limit over a quarter for the designated persons for obtaining the pre-clearance from the compliance officer.

19. Regarding allegations of failure to obtain pre-clearance from the compliance officer, Noticee admitted the violations and submitted that he was under the belief that pre-clearance is required when someone is in possession of UPSI and since he was not in possession of any UPSI or non-public information, he did not seek pre-clearance

for his alleged trades. Noticee further admitted that the shares were purchased or sold due to inappropriate knowledge of the restriction under said provision which was a technical error. He stated that by virtue of lack of knowledge, the contra trades were executed. In this regard, reference is drawn to the legal maxim "*ignorantia juris non excusat*", and therefore, ignorance of prohibition on contra trades does not absolve the Noticee from the penalty for breach of it.

20. Noticee further submitted that his trading activities were not motivated by any intention to gain an unfair advantage or to harm retail investors and there was no intentional and deliberate intent to violate the alleged provisions and the alleged violation is a technical and minor default. In this regard, I note that the arguments such as there was no deliberate intent to violate the alleged provisions and Noticee was not motivated by any intention to gain an unfair advantage, etc., cannot be an acceptable ground to contravene the provisions PIT Regulations, especially in a situation when Noticee made a profit of Rs. 30,25,133/- from contra trades. Further, Noticee's failure to obtain pre-clearance from the compliance officer of the Company for the said trades and making a profit of Rs. 30,25,133/- from it, cannot be said a technical and minor default as contended by the Noticee. It is also noted that PIT Regulations mandate that the trading by a designated person is subject to pre-clearance from the compliance officer of the Company, hence the said violation cannot be said as technical and minor default. Therefore, the contentions of the Noticee are not tenable.

21. In view of the above, I hold that the Noticee violated the provisions of regulation 9(1) read with clause 6 of Schedule B of PIT Regulations.

Issue II. Whether Noticee failed to submit disclosures to the Company in respect of trades executed by him where the value of trades exceeded more than Rupees Ten Lakh and thereby violated the provisions of regulation 7(2)(a) of PIT Regulations?

22. SCN alleged that the Noticee failed to submit disclose the details in respect of trades executed by him, where the value of trades exceeded more than Rupees Ten Lakh,

to the Company. Hence, it was alleged that Noticee violated the provisions of regulation 7(2)(a) of PIT Regulations.

23. In this regard, the Noticee submitted that the objective of regulation 7(2)(a) of PIT Regulations is to ensure that the investors are aware of the transactions undertaken by the officials of the Company, who may be presumed to have an access to the UPSI of the Company, which will then have a tendency of influencing the trades. Noticee further submitted that he was associated with the Company for a very long time and it was never my intention to hide any information from the investors or the Company during the said period and he was posted in the Ahmedabad Branch of the Company during the said period, and thus had no access to the UPSI.

24. It is an admitted fact that the Noticee traded in the securities of SEL in excess of Rupees Ten Lakh and it was not disclosed to the Company within two trading days when his transaction value exceeded Rupees Ten Lakh and triggered mandatory disclosure requirement. In this regard, the regulation 7(2)(a) of PIT Regulations, *inter alia*, stipulates that every designated person 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 Rupees Ten Lakh or such other value as may be specified. Accordingly, the Noticee was under obligation to disclose to the Company the details of securities acquired or disposed in excess of ten lakh rupees, within two trading days of such transaction as required under PIT Regulations. The obligation to disclose is absolute and does not depend on the presence or absence of the UPSI or intentions of the Noticee. Thus, the contentions of the Noticee are not tenable.

25. In view of the above, I hold that the Noticee violated the provisions of regulation 7(2)(a) of PIT Regulations.

Issue III. Does the violation, if any, attract monetary penalty under sections 15HB and 15A(b) of the SEBI Act?

26. Regarding violation of clause 10 of Schedule B of PIT Regulations on account of execution of contra trades in the scrip of SEL, Noticee submitted that the penalty

cannot be imposed under section 15HB of the SEBI Act, as the profits earned from the contra trades have already been disgorged. In this regard, Noticee placed reliance on the judgement of the Hon'ble Securities Appellate Tribunal ("SAT") in the matter of *Uday Agarwal v. SEBI [Appeal No. 14 of 2022]*. In line with the observations of Hon'ble SAT in the matter of Uday Agarwal *v. SEBI* that *"……. since Clause 10 provides a mechanism for disgorgement of the profit earned. In that case, only the profit earned could have been disgorged and no separate penalty could have been imposed under Section 15HB"* and the fact that the profit made by the Noticee from contra trade have already been disgorged, I do not find the said violations to be a fit case to impose penalty under section 15HB of the SEBI Act.

27. Further, in the light of findings and observations made against the Noticee in the foregoing paragraphs, it has been established that the Noticee failed to obtain pre-clearance from the compliance officer as prescribed under regulation 9(1) read with clause 6 of Schedule B of PIT Regulations and failed to make the disclosures to the Company under regulations 7(2)(a) of PIT Regulations. The said violations by the Noticee attract monetary penalty.

28. With regard to levy of monetary penalty, Noticee submitted that no penalty should be imposed on him as the breach is unintentional, not deliberate, technical and minor and based on bonafide belief and relied on the decision of the Hon'ble Bombay High Court in the matter of *SEBI v. Cabot International Capital Corporation Limited* and decision of the Hon'ble Supreme Court in the case of *Hindustan Steel v. State of Orissa*. Noticee relying on section 15J of the SEBI Act submitted that the profit made by contra trades has already been disgorged, no investor complaints has been filed at any stock exchange or to SEBI regarding loss caused to any investor and he is not a repetitive defaulter. In this regard, Noticee relied on the decisions of the Hon'ble Supreme Court in the matter of *Siddharth Chaturvedi v. SEBI*.

29. I find that the allegation of violations that were established in the cases relied upon by Noticee are different from the violations that have been established in the present case. Further, the facts and circumstances of the said cases differ from the instant matter. In the matter of *SEBI v. Cabot International Capital Corporation Limited,* it was held that '*… the authority may refuse to impose penalty for justifiable reasons*

like the default occurred due to bona fide belief that he was not liable to act in the manner prescribed by the statute or there was too technical or venial breach, etc…..' In the said matter, Cabot International Capital Corporation Limited had informed to the stock exchange, Registrar of Companies w.r.t. preferential share allotment and complied with other provisions of other laws and it only failed to file a report to SEBI regarding preferential share allotment. However, in the instant matter it is observed that the violations committed by the Noticee cannot be regarded as merely technical or venial breach as Noticee failed to obtain pre-clearance for trades from the compliance officer and failed to make the disclosures for the said trades to the Company, which constitute a substantive lapse under the PIT Regulations. Therefore, the ratio of Cabot does not provide any relief to the Noticee in the instant matter.

30. As regards the matters of *Hindustan Steel v. State of Orissa*, wherein it was held that '*Even if a minimum penalty is prescribed, the authority competent to impose the penalty will be justified in refusing to impose penalty, when there is a technical or venial breach of the provisions of the Act or where the breach flows from a bonafide belief that the offender is not liable to act in the manner prescribed by the statute,* I note that the position has since been clarified by the Hon'ble Supreme Court in its order dated May 23, 2006 in the case of *Chairman SEBI v. Shriram Mutual Fund and Anr. 68 SC 216(SC),* wherein it was held that decision in case of Hindustan Steel Ltd. pertained to criminal/quasi criminal proceedings and it would not apply to imposition of civil liabilities under SEBI Act and regulations made thereunder. As regards the matter of *Siddharth Chaturvedi v. SEBI,* it is noted that in the said matter the allegations were pertaining to violation of provisions of PIT Regulations and appeal was related to issue of interplay between section 15A and section 15J of the SEBI Act, hence it does not stand on the same footing as the given case of Noticee. Further, I also note that the Hon'ble Supreme Court in the matter of *Adjudicating Officer v. Bhavesh Pabari* held that section 15J are merely illustrative and are not the only grounds/factors which can be taken into consideration while determining the quantum of penalty. Hence, the said contentions of the Noticee are not acceptable.

31. With regard to contentions of the Noticee, I further note that Hon'ble SAT in the matter of *Komal Nahata v. SEBI (Appeal No. 5 of 2014 dated January 27, 2014)* observed that *"Argument that no investor has suffered on account of non-disclosure and that the AO has not considered the mitigating factors set out under Section 15J of SEBI Act, 1992 is without any merit because firstly penalty for noncompliance of SAST Regulations, 1997 and PIT Regulations, 1992 is not dependent upon the investors actually suffering on account of such non-disclosure"*.

32. I also note that in Appeal No. 78 of 2014 in the case of *Akriti Global Traders Ltd. v. SEBI*, the Hon'ble SAT vide order dated September 30, 2014 observed 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".*

33. Further, reliance is placed on the judgment of Hon'ble Supreme Court dated May 23, 2006 in the matter of *SEBI v. Shriram Mutual Fund,* wherein it was, *inter alia,* observed that *'In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant. A breach of civil obligation which attracts penalty in the nature of fine under the provisions of the Act and the Regulations would immediately attract the levy of penalty irrespective of the fact whether contravention must made by the defaulter with guilty intention or not.*'

34. The aforesaid violation, make the Noticee liable for penalty under sections 15A(b) and 15HB of the SEBI Act. The said sections read as follows:

"Penalty for failure to furnish information, return, etc.
15A. *If any person, who is required under this Act or any rules or regulations made thereunder,—*
(b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents, he shall be liable to a penalty 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;"

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

Issue IV. If so, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in section 15-J of the SEBI Act read with rule 5(2) of the Rules?

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

"Factors to be taken into account while adjudging quantum of penalty
15J. *While adjudging quantum of penalty under 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."

36. In this connection, any quantifiable gain or unfair advantage accrued to the Noticee or the extent of loss suffered by the investors as a result of non-compliance to the provisions of provisions of SEBI Act is not available from the material available on record. With respect to the repetitive nature of the default, I do not find anything on record. In the present matter, based on findings as above, it is established that the Noticee failed to obtain pre-clearance from the compliance officer as prescribed under regulation 9(1) read with clause 6 of Schedule B of PIT Regulations and failed to make the disclosures to the Company under regulations 7(2)(a) of PIT Regulations. Noticee was under a statutory obligation to abide by the provisions of PIT Regulations, which it failed to comply. The said violations by the Noticee attract monetary penalty. Therefore, I feel it appropriate to levy a penalty which is commensurate with the nature of violations.

ORDER

37. Taking into account the facts and circumstances of the case, material available on record, submissions of the Noticee, findings hereinabove and factors mentioned in section 15J of the SEBI Act, in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, I hereby impose the following monetary penalty on the Noticee:

Sr. No.	Provisions violated by the Noticee	Penalty provisions	Amount of penalty
1	Regulation 9(1) read with clause 6 of Schedule B of PIT Regulations	Section 15HB of the SEBI Act	₹ 1,00,000/- (Rupees One Lakh only)
2	Regulation 7(2)(a) of PIT Regulations	Section 15A(b) of the SEBI Act	₹ 1,00,000/- (Rupees One Lakh only)

In my view, the said penalty is commensurate with the violation committed by the Noticee in this case.

38. The Noticee 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

39. 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.

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

JAI SEBASTIAN

Digitally signed by JAI SEBASTIAN
Date: 2025.09.30 13:06:26 +05'30'

Place: Mumbai **JAI SEBASTIAN**

Date: September 30, 2025 **ADJUDICATING OFFICER**