

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Sections 11, 11B and 11(4) of the Securities and Exchange Board of India Act, 1992, read with Regulation 11 of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992

In respect of:

Sr. No.	NOTICEE(S)	PAN
1.	Praveen Mohnot	AAFPM3430K
2.	N. Ravichandran	AABPN7069H
3.	Priyanka Singhvi	AJPPM7139N
4.	Anita Ravichandran	AAHPR0973N

In the matter of KLG Capital Services Limited

BACKGROUND:

1. The Securities and Exchange Board of India (SEBI), upon receipt of alerts in its IMSS system in the scrip of KLG Capital Services Limited (KLG), had conducted an investigation which revealed that during the period February 22, 2008 to February 27, 2008, Awaita Properties Pvt. Limited (APPL) had acquired 17,11,287 equity shares of KLG through market transactions. Such acquisition had increased the shareholding of APPL in KLG to 60.46% and the same was disclosed by KLG to Bombay Stock Exchange Limited (BSE) on February 28, 2008. Thereafter, APPL made a public announcement dated March 03, 2008 to acquire another 20% shares of KLG. The investigation also revealed that certain entities, namely Hemant Patel (HUF) (whose karta is Mr. Hemant R. Patel), Ms. Priyanka Singhvi and Ms. Anita Ravichandran had bought substantial number of equity shares of KLG, based on unpublished price sensitive information (UPSI), relating to the impending acquisition of KLG by APPL. Based on the findings of the said investigation, SEBI issued Show Cause Notices dated December 02, 2008 and December 18, 2008 against Mr. Hemant R. Patel, Mr. Praveen Mohnot, Mr. N. Ravichandran, Ms. Priyanka Singhvi (daughter of Mr. Praveen Mohnot) and Ms. Anita Ravichandran (wife of Mr. N. Ravichandran) (hereinafter all five entities collectively

referred to as the 'Noticees') for alleged violations of the provisions of the SEBI (Prohibition of Insider Trading) Regulations, 1992 (PIT Regulations). Subsequently, SEBI passed an Order dated September 22, 2009 (First SEBI Order), under Section 11, 11B and 11(4) of the Securities and Exchange Board of India Act, 1992 (SEBI Act) in respect of the Noticees whereby they were *inter alia* restrained from buying, selling or dealing in the securities market in any manner whatsoever or accessing the securities market, directly or indirectly and from holding position of director in the board of directors in any listed company for a period ranging from 2 to 5 years. Further, the Noticees, namely Mr. Hemant R. Patel, Ms. Priyanka Singhvi and Ms. Anita Ravichandran were also directed to disgorge various amounts as the unjust enrichment, along with interest. However, pursuant to appeals filed by the Noticees, the Hon'ble Securities Appellate Tribunal (SAT), vide an order dated October 21, 2010, remanded the matter back to SEBI, while making *inter alia* the following observations:

"... ..., the cases be remanded to the whole time member for issuing a fresh/ supplementary show cause notice to the appellants laying therein a specific charge that they being connected/ deemed to be connected persons were "insiders" within the meaning of the Regulations in addition to the allegations already made and thereafter decide all the issues afresh in accordance with law after affording an opportunity of hearing to the appellants. In this view of the matter, we set aside the impugned order, remand the cases to the whole time member with the aforesaid directions. It is made clear that all the contentions raised on both sides shall remain open. ..."

2. In accordance with the order of Hon'ble SAT, fresh separate Show Cause Notices (SCNs), each dated December 27, 2012, were issued to the Noticees laying therein the charge that they being connected/ deemed to be connected person had access to the UPSI about the impending acquisition of KLG and were 'insiders'. The SCNs had stated *inter alia* the following facts and allegations:

A. Hemant R. Patel & Hemant R. Patel (HUF):

- (a) Mr. Hemant R. Patel was President - Business Development of SKIL Infrastructure Ltd. ("SKIL"). He was also the Karta of Hemant R. Patel HUF. He had admitted in his statement recorded on August 13, 2008 that he had information about the impending sale of the company and on that information he took decision to buy shares of KLG. His mobile number and email address were stated in the account

opening form of APPL with the stock broker Network Stock Broking Ltd. (NSBL). The Report titled '*The financial due diligence review of KLG Capital Services Limited*' carried out by a Chartered Accountant firm M/s Batra Sapra & Company one month prior to the acquisition was addressed to him. The comprehensive report contained company profile, capital structure, shareholding pattern, income tax matters, ROC matters, RBI compliance (NBFC), Capital market and SEBI Regulations compliance among other things of KLG. Mr. Hemant R. Patel dealt with the stock broker of APPL, namely NSBL, for the purpose of acquisition of the company by APPL. He had made calls from his mobile number to that of an officer of NSBL viz. Mr. Amit Singh on February 22, 2008, February 23, 2008, February 25, 2008, February 26, 2008 and February 27, 2008 and the dates of purchase of shares by APPL was February 22, 2008, February 25, 2008 and February 27, 2008.

- (b) During the period January 15, 2008 to February, 27, 2008, 33 calls were observed between Hemant R. Patel's mobile number and that of Mr. Ganesh Hadvale, another officer at NSBL. The fact that Mr. Hemant Patel had prior information about the acquisition is corroborated by the statements of Mr. Amit Singh, wherein he had stated that "*we were in touch with only Mr. Hemant Patel and Mr. Devichand Nimbade about acquisition of shares of KLG Capital Services Ltd. by APPL.*" Mr. Amit Singh has also mentioned in his statement that "*Both Shri Hemant Patel and Shri Devichand Nimbade, who is compliance officer at APPL, were present at the time of account opening procedures of APPL with us. Regarding pay in obligations, I contacted Shri Hemant Patel on his mobile number 9820286203 once or twice when Shri Devichand Nimbade was not reachable. After confirming with Shri Patel, payment was received in our account.*"
- (c) Calls were observed between Hemant R. Patel's mobile number and telephone number, which belongs to Mr. K.L. Garg, erstwhile promoter/director of KLG, on February 22, 2008 just prior to the commencement of the acquisition process. On February 28, 2008, three SMSs were observed between Mr. Patel's number and the mobile number which was given as contact mobile number of Mr. K.L. Garg in the KYC details filed with Depository Participant, Master Capital Services Ltd. Mr. Patel had stated in his statement that "*I spoke to Mr. KL Garg regarding the possibility of stake sale of KLG on 22 February 2008. Subsequently, as I was also involved in post-acquisition process I have sent SMSs and also called him regarding the acquisition matter. I confirm the call*

records of my conversations with KL Garg shown to me.”

- (d) It was observed that Executive Director of SKIL, Mr. Praveen Mohnot, had signed Memorandum of Understanding (MoU) with NSBL, merchant banker of APPL for the purpose of open offer, on behalf of APPL. As brought out before, Mr. Hemant Patel also held the position of President - Business Development in SKIL. Besides, he confirmed in his statement that he knew Mr. Praveen Mohnot since December 2007 and since Mr. Patel was working in the same organization, he and Mr. Praveen Mohnot had several business dealings and as such he and Mr. Praveen Mohnot needed to talk frequently.
- (e) Mr. Hemant Patel was a party to the discussions held between Mr. Praveen Mohnot and Mr. N. Ravichandran, Deputy Chairman of SKIL, regarding acquisition of the company by APPL prior to the acquisition.
- (f) The placements of orders by Mr. Patel (on behalf of Hemant Patel HUF) for buying shares of the company were around the same time when APPL placed orders for purchasing the shares of the company as part of its acquisition of KLG.
- (g) Mr. Patel (on behalf of Hemant Patel HUF) had placed two orders for purchase of shares of KLG of value amounting to Rs. 26.16 lakh that resulted in trades worth Rs. 16.16 lakh on February 22, 2008. The value of the orders and trades on a single day were not in line with the value of his trades during October 1, 2007 to June 30, 2008. He had taken loan from Starwort Engineers Private Limited ("SEPL") specifically for buying the shares of the company. SEPL is an associate company of Horizon Infrastructure Limited ("HIL") of which APPL and SKIL are group companies.
- (h) It was also observed that Mrs. Priyanka Singhvi, daughter of Mr. Praveen Mohnot, and Mrs. Anita Ravichandran, wife of Mr. N. Ravichandran, had taken loan from SEPL which was also used for buying shares of KLG around the same period Mr. Patel bought shares of KLG.
- (i) Based on the above, SEBI found that Mr. Hemant R. Patel had received

unpublished price sensitive information and had access to unpublished price sensitive information relating to the acquisition of the company by APPL before the said information became public. Hence, he was an insider according to Regulation 2 (e) of the PIT Regulations. Mr. Hemant R. Patel, being an insider, had dealt in the shares of KLG on behalf of Hemant R. Patel (HUF) and made an unjust enrichment of ₹ 42.58 lakh.

- (j) Hemant R. Patel communicated UPSI to Mr. Praveen Mohnot and Mr. N. Ravichandran who subsequently communicated the information to Ms. Priyanka Singhvi and Ms. Anita Ravichandran respectively, who dealt in the scrip of KLG when in possession of the information.

B. Mr. Praveen Mahnot and Mrs. Priyanka Singhvi:

- (a) Mr. Praveen Mohnot was Executive Director at SKIL. He had signed the MoU with NSBL, merchant banker/broker of APPL, and had dealt with NSBL for the open offer on behalf of APPL. He was party to the discussion, regarding acquisition of the company by APPL, held between Mr. Hemant Patel and Mr. N. Ravichandran, prior to the acquisition. Mr. Hemant Patel and Mr. N. Ravichandran were President-Business Development, SKIL and Deputy Chairman, SKIL respectively.
- (b) Mr. Mahnot was in touch with Mr. Hemant Patel through telephone calls immediately preceding the acquisition. Mr. Hemant Patel has admitted in his statement recorded on August 13, 2008 that he had information about the impending sale of the company and on that information he along with Mr. Mahnot and Mr. N. Ravichandran took decision to buy shares of KLG. Mr. Hemant Patel also figured as contact person in the account opening document of APPL available with the stock broker NSBL. Mr. Amit Singh, an officer in NSBL, stock broker of APPL, has mentioned in his statement recorded with SEBI that "*we were in touch with only Mr. Hemant Patel and Mr. Devichand Nimbade about acquisition of shares of KLG Capital Services Ltd. by APPL.*"
- (c) Mr. Girish Dev, CEO of NSBL, has indicated in his statement that "*The mandate for client APPL came to us through Shri Praveen Mohnot. Shri Mohnot was known to our Chairman Shri S.P. Jain from his earlier days. Shri Mohnot was in touch with us for this particular mandate*

in the sense that it was he who brought the deal to us from APPL/SKIL side." Mr. Mohnot possessing the unpublished price sensitive information was further confirmed by the statement of Mr. Hemant Patel that *"I had information about impending sale of KLG and on that information I alongwith N Ravichandran and Praveen Mohnot took the decision to buy shares of KLG"*.

- (d) Mr. Mohnot had communicated the unpublished price sensitive information to his daughter Mrs. Priyanka Singhvi. This is confirmed by her statement dated August 13, 2008 recorded at SEBI, where she stated that *"I have also discussed with my father before I made the decision to purchase the shares of KLG...Quantity of shares to be purchased and, price was decided by me in consultation with my family. We then decided to take a loan for this purpose, since we did not have the necessary liquidity. Thereafter, I informed my father who also agreed with the same and also arranged for the loan."*
- (e) The placements of orders by Mr. Mohnot's daughter for buying securities of the company were also around the time APPL placed orders for purchasing the securities of the company as part of its acquisition of KLG. His daughter purchased shares of the company for more than Rs. 37.25 lakh which was not in line with her trading history between October 1, 2007 and June 30, 2008.
- (f) Mr. Mohnot arranged for loan for his daughter specifically for buying the securities of the company from Starwort Engineers Pvt. Ltd. ("SEPL") which is an associate company of HIL of which APPL and SKIL are group companies. It was also observed that Mr. Hemant Patel and Mrs. Anita Ravichandran, wife of Mr. N. Ravichandran, had taken loans from SEPL which was also used for buying shares of KLG during the same period when Mr. Mohnot's daughter was observed to be buying shares of KLG.
- (g) Based on the above, SEBI found that Mr. Mohnot had received unpublished price sensitive information and had access to unpublished price sensitive information relating to the acquisition of the company by APPL before the said information became public. Further, Mrs. Priyanka Singhvi had received UPSI from her father, Mr. Praveen Mohnot. Hence, Mr. Praveen Mohnot and Mrs. Priyanka Singhvi were insiders according to Regulation 2 (e) of the PIT Regulations. Ms. Priyanka Singhvi

dealt in the scrip of KLG while in possession of such information and made unjust enrichment of ₹ 73.84 lakh against part selling of 81,237 shares of KLG till June 08, 2012 and held 28,673 shares of KLG as on June 08, 2012.

C. Mr. N. Ravichandran and Mrs. Anita Ravichandran:

- (a) Mr. N. Ravichandran, was the Deputy Chairman of SKIL. He was a party to the discussion held between Mr. Hemant Patel and Mr. Praveen Mohnot, who were President-Business Development and Executive Director of SKIL respectively, regarding acquisition of the company by APPL. He was in touch with Mr. Hemant Patel and Mr. Praveen Mohnot through telephone calls/SMSs during the period 15.01.08 to 15.06.08. Mr. Hemant Patel has admitted in his statement recorded on August 13, 2008 that he had information about the impending sale of the company and on that information, Mr. Patel along with Mr. Praveen Mohnot and Mr. N. Ravichandran took decision to buy shares of KLG. Mr. Hemant Patel also figured as contact person in the account opening document of APPL available with APPL's stock broker/merchant banker, NSBL. Mr. Praveen Mohnot had signed the Memorandum of Understanding with NSBL on behalf of APPL before the acquisition of the company.
- (b) Mr. N. Ravichandran was in touch with Mr. Devichand Nimbade, who was designated as authorized person by APPL in its KYC documents filed with NSBL. Mr. Nimbade was in touch with Mr. Amit Singh regarding the acquisition of shares of the company. Mr. Amit Singh was an officer in NSBL (stock broker/merchant banker of APPL) and has stated in his statement recorded with SEBI that "*we were in touch with only Mr. Hemant Patel and Mr. Devichand Nimbade about acquisition of shares of KLG Capital Services Ltd. by APPL.*"
- (c) Mr. N. Ravichandran possessing the unpublished price sensitive information is also confirmed by the statement of Mr. Hemant Patel that "*I had information about impending sale of KLG and on that information I alongwith N Ravichandran and Praveen Mohnot took the decision to buy shares of KLG*".

- (d) The placements of orders by Mr. N. Ravichandran's wife, Mrs. Anita Ravichandran, for buying shares of the company were around the same time APPL placed orders for purchasing the shares of the company as part of its acquisition of KLG.
- (e) Mrs. Anita Ravichandran, the wife of Mr. N. Ravichandran, purchased shares of the company for Rs. 26.16 lakh which was not in line with her trading history between October 1, 2007 and June 30, 2008.
- (f) Mr. N. Ravichandran arranged loan for his wife for buying the securities of the company from SEPL which is an associate company of HIL of which APPL and SKIL are group companies. This was confirmed by her statement dated August 14, 2008, where she stated that *"I borrowed funds for the purchase of the shares from Chetan Kothari of Starwort Engg. Pvt Ltd. My husband had arranged for the loan as he knew Chetan Kothari. The broker never asked for funds from me for any purchase. I have never done any monetary transactions with my broker. Such things are dealt with, by my husband."*
- (g) It was observed that Mr. Hemant Patel and Mrs. Priyanka Singhvi, daughter of Mr. Praveen Mohnot, too had taken loan from SEPL which was also used for buying shares of KLG during the same period when Mrs. Anita Ravichandran (wife of Mr. N. Ravichandran) was observed to be buying shares of KLG.
- (h) Based on the above, SEBI found that Mr. N. Ravichandran and Mrs. Anita Ravichandran had received unpublished price sensitive information and had access to unpublished price sensitive information relating to the acquisition of the company by APPL before the said information became public. Hence, they were insiders according to Regulation 2 (e) of SEBI (Prohibition of Insider Trading) Regulations, 1992. Mr. N. Ravichandran, being an insider had communicated the UPSI to his wife Ms. Anita Ravichandran, who dealt in the scrip of KLG while in possession of such information and made unjust enrichment of ₹54.61 lakh.

D. Relationship between APPL, SKIL, HIL and SEPL and the Noticees:

- (a) SEBI's investigation revealed that APPL, SKIL, HIL and SEPL belonged to SKIL group. Both APPL and SKIL are group companies of HIL. APPL and SKIL are also promoter group entities of HIL.

(b) Mr. Hemant R. Patel, Mr. Praveen Mohnot and Mr. N. Ravichandran belonged to SKIL Group.

3. Based on the above, the Noticees were alleged to have violated Section 12A(d) and (e) of the SEBI Act and Regulations 3(i), 3(ii) and 4 of the PIT Regulations. After considering the facts of the case and the replies filed by the Noticees, SEBI passed an order dated July 24, 2014 (Second SEBI Order) whereby it concluded that the Noticees had violated the provisions of the SEBI Act and the PIT Regulations. Vide the Second SEBI Order, SEBI *inter alia* directed that the Noticees shall not buy, sell or deal in or access the securities market in any manner whatsoever and shall not hold position of director in a listed company for 10 years. Further, Mr. Hemant R. Patel & Hemant R. Patel (HUF), Ms. Priyanka Singhvi and Ms. Anita Ravichandran were directed to dirgorge the unlawful gains made by them, along with interest.
4. The Noticees again filed appeals against the Second SEBI Order before the Hon'ble SAT wherein they inter alia contended that the Second SEBI Order was violative of the principles of natural justice on the ground that the said order was passed without giving an opportunity of hearing on merits and also on ground that the said order was passed after 11 months of granting of personal hearing. The Hon'ble SAT vide an order dated February 02, 2015 quashed and set aside the Second SEBI Order and remanded the matter back to SEBI for passing common order on the preliminary issue as to whether the show cause notice dated December 27, 2012 was contrary to the order of the Hon'ble SAT dated October 21, 2010 and also on merits. The Hon'ble SAT, while holding that all contentions on both sides were to be kept open, also directed the Noticees to intimate to SEBI, list of documents, inspection of which they sought and also the list of persons whom they wanted to cross examine.

PERSONAL HEARINGS AND REPLIES:

5. Subsequently, the proceedings were continued against the Noticees in accordance with the directions of the Hon'ble SAT, on the basis of charges mentioned in the SCNs dated December 27, 2012. Accordingly, inspection of various documents and cross examination

of certain persons were provided to the Noticees on various dates. Further, personal hearings were also provided to the Noticees on April 26, 2018, July 12, 2018 and October 11, 2018. During the personal hearing on April 26, 2018, it was specifically clarified by SEBI to the Noticees that SEBI was relying entirely upon the SCNs dated December 27, 2012 and that the same superseded the previous SCNs issued to the Noticees. It was further clarified to them that no fresh SCN would be issued to them in the matter.

6. Post the setting aside of the Second SEBI Order, the Noticees vide their individual letters of different dates have submitted fresh replies to the SCN dated December 27, 2012. The Noticees vide their letters dated September 06, 2018, September 28, 2018, October 04, 2018 November 01, 2018 and November 30, 2018 have submitted *inter alia* the following:
- (a) All the allegations against the Noticees are denied. The Noticees refers to all the submissions made earlier to SEBI.
 - (b) The non-availability of cross examination of two persons has broken the continuity of events bases upon which the charges in the SCN have been made.
 - (c) The SCN is based on assumptions and presumptions which are not supported by facts or evidence.
 - (d) The SCN does not specifically state as to what is alleged to be UPSI, but in some ways insinuates that the UPSI was the “acquisition of the company by APPL. “The Company” is defined in the SCN to mean KLG. The SCN itself alleges that a Public Announcement was made in respect of this alleged UPSI on February 28, 2008 after the "acquisition" of 60.46% of the shares of KLG by APPL on February 27, 2008. Therefore, admittedly after this date there was no UPSI. However, the said SCN does not even allege that any Share Purchase Agreement (SPA) was concluded on any date prior to February 27, 2008 or that for any other reasons, it can be held that there was any UPSI prior to February 27, 2008. In the absence of any such allegations and evidence to support the same, it cannot be alleged that there was any UPSI on February 22, 2008, being the date on which Ms. Priyanka Singhvi, Ms. Anita Ravichandran and Mr. Hemant Patel HUF are alleged to have purchased shares from the market.
 - (e) The SCN does not disclose as to when and how this UPSI of the acquisition of KLG by APPL came into existence. It does not even allege that any such UPSI existed prior to 27.02.22008. Consequently, it cannot be alleged that there was any

UPSI on the date of the purchase of shares by the Noticees on 22.02.2008.

- (f) The SCN does not disclose the list of persons who were aware of the alleged UPSI, nor does it disclose any evidence or material for the same. There are no allegations as to who allegedly was party to the negotiations of the said acquisition of shares of KLG by APPL nor does the SCN even allege as to who in APPL were involved in the decision making process for the acquisition of the said shares of KLG.
- (g) The said SCN merely relies upon various statements, but primarily on the statements of Mr. Hemant Patel. However, from Mr. Hemant Patel's statement, it is obvious that he had only stated that he was aware that Mr. K. L. Garg of KLG was *"looking for some investor"* to whom he could sell his stake in KLG. Mr. Hemant Patel never stated that he was aware that APPL was going to purchase Mr. Garg's stake in KLG. Therefore, as far as Mr. Hemant Patel was aware, Mr. Garg had not even identified a purchaser, and was still only looking for some investor. In fact, Mr. Patel in the same statement has also expressly recorded that- *"...I was not associated with APPL in any capacity. I came to know of KLG acquisition by APPL only after Share Purchase Agreement was signed between Shri K L Garg and APPL."*
- (h) It is indisputable that mere knowledge that Mr. Garg was "looking for some investor" cannot be termed as UPSI, nor is it even alleged in the said SCN that the same amounts to UPSI since the said SCN insinuates that the UPSI was the "... acquisition of the company by APPL...". Given this admitted factual position, it can never be contended that the Noticees had any UPSI, or it was communicated or that the decision of the said Noticees to trade in the shares was on the basis of any UPSI or while in possession of any UPSI as falsely alleged.
- (i) SEBI is relying on the statements of Mr. Hemant Patel, Mr. Praveen Mohnot and Mr. N. Ravichandran, as being the foundation of the charge of Insider Trading. However, all three statements corroborate that none of them were aware that APPL was proposing to acquire KLG and that the only information they had was that KLG or its promoter was looking for prospective investors; i.e., that they had not even identified any purchaser. Mr. Hemant Patel, Mr. N. Ravichandran and Mr. Praveen Mohnot have corroborated in their statement that they were not aware of the impending takeover. Mere knowledge that some party is looking to sell shares of a company, can never amount to UPSI, and trading on the basis of such information can never amount to a charge of "insider trading" as alleged. Therefore, it can never

be alleged that there was any UPSI known to the Noticee and/or to any of the said Noticees at the relevant time or that any UPSI was communicated by/to anyone or that the said Noticees traded on the basis of or while in possession of any UPSI.

- (j) The fact that prior to the acquisition of the shares on February 27, 2008 there was no UPSI that existed at all is also proved by the fact that KLG neither closed its trading window as per its Code of Conduct under the said Regulations nor disclosed to the stock exchanges the intended acquisition of KLG by APPL, as a material information in terms of listing agreement. In this regard, it is pertinent to refer to the order of Hon'ble SAT in the matter of Factorial Master Fund v. SEBI passed in June 2018. The fact that mere knowledge that KLG's promoter was looking for someone to buy up his shares does not amount to any UPSI at all is also substantiated by the Order of the Hon'ble SAT in the matter of Factorial Master Fund.
- (k) It is also pertinent to note that at the relevant time, the sale of shares by a promoter could not have been alleged to be UPSI. The definition of "Price sensitive information" as provided under Regulation 2 (ha) of the PIT Regulations as applicable then and the explanation provided therein both make it amply clear that the "information" had to relate to the internal working of 'the company'. Mere knowledge of the fact that a promoter / share-holder was looking for an investor could not be alleged to be price sensitive information at all.
- (l) It is settled law that whatever is not prohibited by law is permitted. Therefore, even if it is assumed for the sake of argument and without admitting the allegations in the said SCN that the impugned transactions were executed with the knowledge that Mr. Garg was looking for an investor, the same would not amount to any violation of the PIT Regulations as applicable at the relevant time.
- (m) Without prejudice to any of the other submissions, even as a matter of fact, the said acquisition of the shares of KLG by APPL, was not "price sensitive". The same is proved by the fact that even after the public announcement of the same on February 28, 2008, the price of the scrip of KLG was barely affected by such information. In fact, immediately after the said purchases of shares on February 22, 2008 and immediately after the said information was made public by the said announcement on February 28, 2008, the price of the said scrip of KLG actually fell marginally (closing price on 28.02.2008 was lower by 95 Paise than the closing price of the scrip on 27.02.2008). This is despite the fact that the price trend was upwards. It is

therefore obvious that what the SCN alleges to be the UPSI was in fact not even "price sensitive information" as a matter of demonstrable fact, and the full public disclosure of the alleged UPSI barely affected the prices. Therefore, the allegations in the said SCN are totally incorrect and unsustainable.

- (n) The allegation in the SCN is that the Noticees were *"... connected person to the company...and reasonable expected to have access to the Unpublished Price Sensitive Information, hence an insider of the Company.. ."* The SCN defines "the Company" as being KLG. However, all allegations of 'connection' are in respect of the Noticee's alleged connections to the "SKIL Group", of which APPL is a part. The SCN does not contain a single particular / fact to show any alleged 'connection', between the Noticees and KLG at any time prior to February 27, 2008, being the date on which APPL allegedly acquired 60.46% of KLG. In fact, the SCN does not even attempt to make out any "connection" or any 'deemed connection' between the Noticees and APPL.
- (o) The investigation conducted by SEBI is materially defective since the same is based on mere surmises and conjectures through improbable connections. The Noticees did not deal in the shares of APPL at any point in time nor did they know the concerned officials who were handling the operations of the Brokers. The Noticees have therefore been repeatedly raising the legitimate issue that the said SCN does not in any manner demonstrate as to how it is alleged that the said Noticees were connected or deemed to be connected to KLG.
- (p) It is also pertinent to note that APPL is an unlisted private limited company and the PIT Regulations do not apply to it. Realizing this, the SCN defines "the company" as being KLG. However, since there was no connection or deemed connection between the Noticee and KLG, the allegation in the said SCN is that they were connected to APPL. However, as stated aforesaid, there was no UPSI at the relevant time and the PIT Regulations did not apply to APPL. Therefore, the allegations in the said SCN are inconsistent and self-contradictory.
- (q) The SCN does not even allege that any of the said Noticees was a director of APPL or an officer or employee, or compliance officer or decision maker on the board of APPL due to which he could reasonably be expected to have an access to any UPSI. The Noticees therefore cannot be held to be "connected person" as defined under Regulation 2(c) of the PIT Regulations, even to APPL.
- (r) The allegation in the said SCN that Mr. Hemant Patel was named as a contact

person in some account opening document of APPL with NSBL, is irrelevant and does not mean that he was a "connected" person to APPL within the meaning of the aforesaid definition. Further, the statement of Mr. Hemant Patel as recorded by and relied upon by SEBI itself, *inter alia* states that he was not associated with APPL in any capacity nor was he aware of account opening by APPL with NBSL. As per his statement, he was also not aware that his mobile number and email id were being given for the purpose of account opening. Further, he has also denied that he had received any trade contract notes for the market purchases of KLG shares by APPL. Therefore, the said statement of Mr. Hemant Patel belies the allegation of "connection" in the said SCN.

- (s) The definition of “a person who is deemed to be a connected person” is provided under Regulation 2(h) of the PIT Regulations. A bare perusal of the same makes it obvious that the Noticees cannot be alleged to be “deemed” to be connected to either KLG or APPL. It is alleged that Mr. Praveen Mohnot was employed with other companies in the SKIL Group. Even if one were to assume that such other companies are "deemed to be connected" under Regulation 2 (h)(i), the employees thereof do not fall within the said definition of "deemed to be connected person" under Regulation 2 (h).
- (t) It is also pertinent to note that even SEBI's own Consultative Paper of March 2008 admits and correctly records that *the PIT Regulations prohibit persons from tipping people about inside information by insiders i.e. the tipper. However, there seems to be no liability for a person who improperly receives a tip i.e. a tippee from trading. There is a vague prohibition against 'procurement' of information. However, it does not clearly prohibit a tippee from trading.* Therefore, at the very least, even SEBI itself was of the opinion that the said Regulations were vague and unclear on the issue. Therefore, in any event, the Noticee cannot be penalized on account of such vague and unclear provisions of the said Regulations (the erstwhile Insider Trading Regulations), and to do so would be a travesty of justice and contrary to settled law.
- (u) The market price movements in the scrip during the relevant period also prove that the purported quantification of the alleged unjust enrichment is incorrect and misconceived. It is SEBI's own case that the sale of shares by Ms. Priyanka Singhvi, Ms. Anita Ravichandran and Mr. Hemant Patel were all after April 2008 (i.e. — in May, June and November 2008), even though the said alleged UPSI was made public by an

announcement on February 28, 2008. Therefore, in any event it cannot be alleged that their profits, if any, can automatically be held to be "unjust enrichment" arising out of the alleged "insider trading", and obviously the profits were the result of other factors driving the prices up several months after the said Announcement. Further, the difference between the alleged acquisition prices at which Ms. Priyanka Singhvi, Ms. Anita Ravichandran and Mr. Hemant Patel are alleged to have purchased the shares on February 22, 2008 and the closing price on February 28, 2008 was only Rs. 2.50/- per share. Therefore, it is reiterated that the said information was not "price sensitive", more so considering the upward trend even prior to the said transaction. Thus, the alleged profits of Ms. Priyanka Singhvi, Ms. Anita Ravichandran and Mr. Hemant Patel do not arise out of any alleged insider trading or the alleged UPSI, and it cannot be contended that the same are unjust enrichment or liable to be disgorged. Since none of the Noticees tendered shares in the Open offer, there was not even iota of intent about insider trading.

- (v) The fact that the Noticees Ms. Priyanka Singhvi, Ms. Anita Ravichandran and Mr. Hemant Patel sold the said shares only after April 2008 (i.e. — in May, June and November 2008), even though the said alleged UPSI was made public by an Announcement on February 28, 2008, proves that they had not traded on the basis of any alleged UPSI and had not done any "insider trading". It is also SEBI's own case that Ms. Priyanka Singhvi, Ms. Anita Ravichandran and Mr. Hemant Patel had all bought shares @ Rs. 32.70/- per share, but did not sell any shares to APPL when it was purchasing the shares of KLG @ Rs. 37.50/-, nor did they sell their shares even in the open offer made by APPL @ Rs. 37.50/-. This also belies the allegations of "insider trading". Similarly, it is SEBI's own case that Ms. Priyanka Singhvi in fact never sold 28,673 shares. This conduct also belies the allegations of "insider trading".
- (w) The trading pattern of the Noticees is also relevant to determine as to whether there was any insider trading. Persons who indulge in insider trading would trade on the basis of the UPSI, and then reverse the trades as soon as the UPSI becomes public knowledge, thereby making profits. However, the Noticees sold shares much after the alleged UPSI became public. The same belies the allegation of insider trading. Further, the trading history of the Noticees proves that they were trading in stock market in large volumes.
- (x) The SCN also contains inconsistent and self-contradictory allegations. The SCN alleges that the Noticee is "connected" to "the company", KLG, however, it does

not even allege a single "connection" between the Noticee and KLG.

- (y) The SCN makes allegations about Mr. Praveen Mohnot, Mr. N. Ravichandran and Mr. Hemant Patel being in touch, but the same cannot by itself lead to any conclusions of insider trading, as they were colleagues and worked in the same group of companies. Therefore, merely because there are telephone calls or SMS's between them, can never be a ground to assume that they were sharing any UPSI, more so when they all have corroborated that the only information they had was that the said shareholder of KLG was looking for an investor.
- (z) The Insider Trading Regulations as applicable in February 2008, were very different from the current Regulations and the same can never apply to the Noticees who had no connection to KLG. The later amendment of definition by SEBI vindicates the stand of Noticee.
- (aa) There was no unjust enrichment made by the Noticees. Taking into account the difference in the closing price of the scrip on 27.02.2008 and 28.02.2008 and the numbers of shares held by the Noticees on 27.02.2008, Mr.Hemant Patel (HUF), Mrs.Priyanka Singhvi and Mrs. Anita Ravichandran had in fact made losses of Rs.46,971.80/-, Rs.1,04,500/- and Rs.76,000/- respectively. Further, even if closing price of the scrip on 29.02.2008 is taken into account, they had made a profits of Rs.42,027.40/-, Rs.93,500/- and Rs.68,000/- respectively.

7. Since more than 6 months had elapsed from the date of personal hearing in the matter, the Noticees vide letter dated July 19, 2019 were given one more opportunity to make written submissions, if any. However, no further submission was received from them.

CONSIDERATION OF ISSUES:

8. I have carefully considered the facts and allegations in the SCN, the replies of the Noticees and the material available on record. I note that before proceeding to decide the matter on merits, the preliminary issue as to whether the SCN is contrary to the Order of the Hon'ble SAT dated 21.10.2010 has to be decided, as per the directions of the Hon'ble SAT issued vide Order dated 05.02.2015. As stated earlier, the Hon'ble SAT in its order dated 21.10.2010 had directed SEBI to issue a fresh/supplementary SCN to the Noticees and to decide the matter afresh. In this regard, I note that the preliminary issue apparently refers

to the question whether the SCN dated December 27, 2012 is supplementary in nature or a fresh one. I note that the Noticees had challenged Second SEBI Order on the ground that it was not clarified to them whether the said SCN was a supplementary notice to an earlier SCN or a fresh one. In this regard, I note that during the course of the current proceedings, before the Noticees submitted their replies on merits, it has been clarified to the Noticees in unambiguous terms that the SCN dated December 27, 2012 superseded any earlier SCN and comprehensively covered the issues. I note that the Noticees have not raised any further question to SEBI on this issue and have subsequently submitted their replies on merits. In view of the same, I find that no further discussion on the said preliminary issue is warranted.

9. Having decided the preliminary issue, I now proceed to decide the issues on merit. I note that the Noticees have not disputed the trades executed by three Noticees. Now, it is to be seen whether such trades were executed in violation of the provisions of the PIT Regulations, as they stood at the relevant time. Before proceeding to decide the issues at hand on merit, it is pertinent to look at how the different companies which find mention in this matter are placed. Details of the same are provided below:

Company	Description
KLG	The listed company whose shares were acquired by APPL and three Noticees
APPL	The company which acquired shares of KLG
SKIL	APPL's group company where Mr. Hemant Patel, Mr. Praveen Mohnot and Mr. N. Ravichandran were officials.
HIL and SEPL	Group companies of APPL and SKIL. Money was borrowed by three Noticees from SEPL to fund their trades.

10. I find that it is important to put the following facts into perspective:
 - (a) APPL had acquired shares of KLG on February 22, 2008; February 25, 2008 and February 27, 2008 and thereby achieved a total shareholding of 60.46% in KLG and made a disclosure on BSE on February 28, 2008 regarding the same.

- (b) APPL, SKIL, SEPL and HIL are group companies.
- (c) Mr. Hemant R. Patel, Mr. Praveen Mohnot and Mr. N. Ravichandran were President-Business Development, Executive Director and Deputy Chairman respectively at SKIL. Mr. Hemant Patel (through Hemant Patel HUF), Mrs. Priyanka Singhvi (daughter of Mr. Praveen Mohnot) and Mrs. Anita Ravichandran (wife of Mr. N. Ravichandran) had purchased shares of KLG on February 22, 2008, before the disclosure regarding acquisition of shares by APPL in KLG was made public on February 28, 2008. The funds for the said acquisitions were arranged by the Noticees through borrowings from SEPL.
- (d) Hemant Patel (HUF), Priyanka Singhvi and Anita Ravichandran had purchased shares of KLG on February 22, 2008. Mrs. Priyanka Singhvi had also purchased shares of KLG on February 27, 2008.
11. As per the SCN, APPL had acquired shares of KLG during February 22, 2008 and February 27, 2008 and thereby achieved a total shareholding of 60.46% in KLG. The same was disclosed on the stock exchange on February 28, 2008 and thereafter APPL made an open offer for acquiring additional 20% shares in KLG. The SCN has alleged the information relating to the acquisition of shares of KLG by APPL, before the same became public on February 28, 2008, was an unpublished price sensitive information (UPSI), which was available to the Noticees. I note that though the Noticees are not connected to KLG, the SCN alleges that three of the Noticees (Mr. Hemant Patel, Mr. Praveen Mohnot and Mr. N. Ravichandran) had acquired the said UPSI by virtue of their positions, dealings and access in SKIL, a group company of APPL, which acquired substantial shares in KLG.
12. The Noticees have vehemently denied that there was any UPSI or that they were privy to any such UPSI. They have also denied that they were “insiders” or “connected persons” as defined under the provisions of the PIT Regulations. As per the Noticees, the information pertaining to the acquisition of shares of KLG by APPL was not known to them and they were only aware that Mr. KL Garg, the promoter of KLG, was looking for an investor to buy his shares in KLG. As per the Noticees, the mere fact that a shareholder is wanting to sell his shares and is looking for a buyer can never be alleged to be price sensitive

information. However, in this regard, I note from the records that Mr. Hemant Patel and Mr. Praveen Mohnot not only had definite and concrete information, in advance, about the acquisition of shares of KLG by APPL, but they had also played key roles in the entire process of acquisition of shares of KLG by APPL and in fact had acted as representatives of APPL. The material on record further indicates that such concrete information, which was in the nature of UPSI, was available with the Noticees prior to the February 22, 2008 (i.e. when they first executed trades in APPL) and that three Noticees, namely Hemant Patel (trading on behalf of Hemant Patel HUF), Mrs. Priyank Singhvi and Mrs. Anita Ravichandran, had purchased the shares of KLG on February 22, 2008 and February 27, 2008 (i.e. before the UPSI became public on February 28, 2008) on the basis of the said UPSI. These inferences are clearly supported by the following evidences, as mentioned under para 2 above, and also below:

- Mr. Hemant R. Patel, Mr. Praveen Mohnot and Mr. N. Ravichandran were holding posts in SKIL which was a group company of APPL which acquired shares of KLG.
- Hemant Patel in his statement has admitted that he had information about the impending sale of shares of KLG and based on that information, he, along with Mr. N. Ravichandran and Mr. Praveen Mohnot took the decision to buy shares of KLG.
- The fact that Mr. Hemant Patel had information about impending sale of KLG is also evident from the fact that his mobile number and email id were mentioned in the account opening form of APPL with NSBL, the stock broker through whom APPL had purchased shares of KLG. Further, Mr. Hemant Patel dealt with NSBL for the purpose of acquisitions of shares of KLG during February 22, 2008 to February 27, 2008, as he had made several phone calls to Mr. Amit Singh and Mr. Ganesh Hadvale, who were officials of NSBL. A report regarding due diligence review of KLG was also found to be addressed to Mr. Hemant Patel. Mr. Amit Singh in his statement has also stated that Mr. Hemant Patel was present during the account opening of APPL with NSBL and that he had contacted Mr. Patel regarding pay-in obligations of APPL. Further it was also found that calls were made between mobile number of Hemant Patel and that of Mr. K.L. Garg on February 22, 2008 immediately prior to the commencement of acquisition process.
- Mr. Praveen Mohnot had signed the MoU with NSBL, merchant banker of APPL,

for the purpose of open offer, on behalf of APPL. The said MoU was dated February 08, 2008, indicating that Praveen Mohnot had prior information about acquisition of shares of KLG by APPL. Mr. Hemant Patel also confirmed in his statement that he knew Mr. Praveen Mohnot and had frequent interactions.

- Mr. Hemant Patel, Mr. Praveen Mohnot and Mr. N. Ravichandran were parties to the discussions regarding acquisition of KLG by APPL, prior to such acquisition.
- Mr. Girish Dev, CEO of NSBL, in his statement has stated that the mandate for client APPL came to NSBL through Mr. Praveen Mohnot, who was known to NSBL's chairman, Shri S.P. Jain, from his earlier days and that it was Mr. Mohnot who brought the deal to NSBL from APPL/SKIL side.
- Mr. Amit Singh and Mr. Girish Dev have reaffirmed their statements in their cross-examination by the Noticees.
- Mr. N. Ravichandran was in touch with Mr. Hemant Patel and Mr. Praveen Mohnot through telephone calls/SMSs during the period from 15.01.2008 to 15.06.2008. Mr. N. Ravichandran was also in touch with Mr. Devichand Nimbade, who was designated as authorised person by APPL in its KYC documents filed with NSBL.
- Mrs. Priyanka Singhvi in her statement has stated that *"I have also discussed with my father before I made the decision to purchase the shares of KLG...Quantity of shares to be purchased and, price was decided by me in consultation with my family. We then decided to take a loan for this purpose, since we did not have the necessary liquidity. Thereafter, I informed my father who also agreed with the same and also arranged for the loan."*
- Mrs. Anita Ravichandran in her statement has stated that *"I borrowed funds for the purchase of the shares from Chetan Kothari of Starwort Engg. Pvt Ltd. My husband had arranged for the loan as he knew Chetan Kothari. The broker never asked for funds from me for any purchase. I have never done any monetary transactions with my broker. Such things are dealt with, by my husband."*
- The purchase orders for shares of KLG placed by Hemant Patel (HUF), Mrs. Priyanka Singhvi and Mrs. Anita Ravichandran were placed around the same time when APPL first placed orders for purchasing the shares of KLG on February 22, 2008 as part of its acquisition.
- Hemant Patel (HUF), Mrs. Priyanka Singhvi and Mrs. Anita Ravichandran had taken loans from SEPL, a group company of SKIL and APPL, which were used

for buying shares of KLG by all three of them around the same time.

13. I note that although the Noticees have claimed otherwise and have submitted that there was no definite information about the acquisition of shares by APPL, I find that that the abovementioned evidences against the Noticees (i.e. the recorded statements of the Noticees themselves and the evidence adduced through Shri Girish Dev and Shri Amit Singh, the signing of the MoU dated February 08, 2008 with NSBI by Mr. Praveen Mohnot on behalf of APPL, the details mentioned in the account opening form of APPL with NSBL, the due diligence review report of KLG addressed to Mr. Hemant Patel, the Noticees' mobile call records, the relationship among the Noticees, the timing of their purchase in the scrip of KLG, arrangement of funding from SEPL etc.) are substantial and overwhelming which clearly point towards the Noticees having definite information about the impending purchase of shares of KLG by APPL, which was unpublished till February 28, 2008. From the above, it is also clearly established that the Noticees were in possession of the UPSI and had dealt in the shares of UPSI based on the same.
14. Further, while the SCN has clearly established the relationship between APPL and SKIL, the abovementioned evidences cumulatively leave no doubt regarding the involvement of Hemant Patel, Praveen Mohnot and Mr. N. Ravichandran in the acquisition of KLG by APPL, which was a group company of SKIL where the said three Noticees worked.
15. Now, it is to be seen whether the Noticees were insiders while they had executed trades in the scrip of KLG prior to the UPSI becoming public on February 28, 2008. I note that under Regulation 2(e) of the PIT Regulations, the term 'insider' is defined as: *"insider" means any person who, is or was connected with the company or is deemed to have been connected with the company, and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company, or who has received or has had access to such unpublished price sensitive information.*
16. I note that the Noticees have repeatedly contended that they do not fall within the definition of insiders, as given under Regulation 2(e) since they were not connected to KLG, whose shares were acquired by the Noticees. According to the Noticees, only a connected person can be an insider. However, I find that under Regulation 2(e) of the PIT Regulations, two categories of persons can qualify as an insider. They are: (a) *any person who,*

is or was connected with the company or is deemed to have been connected with the company, and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company; or (b) who has received or has had access to such unpublished price sensitive information. In my opinion, for any person to be qualified as insider, it is sufficient if just one of the two conditions stated above is met. Thus, in this case, whether the Noticees were “connected” or “deemed to be connected” to KLG or APPL is immaterial for deciding whether they were insiders or not, as long as they had received or had access to the UPSI. I find that mere access to UPSI pertaining to KLG was sufficient to render them insiders of KLG. In this regard, it is pertinent to refer to the judgment of the Hon'ble SAT in the matter of *Dr. Anjali Beke Vs. SEBI* (Appeal no. 148 of 2005, Date of Decision: 26.10.2006) wherein it was held that when a person receives UPSI, he becomes an insider, even when he is not connected to the company to which the UPSI pertains.

17. Further, I find that the evidences listed under para 12 above, especially the role played by Hemant Patel, Praveen Mohnot and Shri N. Ravichandran in the acquisition of shares by APPL, clearly indicate that they, though directly employed with SKIL, were also indirectly connected to APPL (SKIL and APPL being part of the same group) and were reasonably expected to have access to the UPSI. I note that the Noticees have repeatedly contended that for them to qualify as insiders, they ought to be connected to KLG whose shares were traded. However, I find that the Noticees need not be connected to KLG and their connection with APPL is sufficient. In this regard, it is relevant to refer to the judgement of the Hon'ble SAT in the matter of *V.K. Kaul Vs. Securities and Exchange Board of India* (Appeal No. 55 of 2012, Date of Decision: 08.10.2012) wherein it has been held that: *“It is not obligatory under the regulations that the UPSI must be in possession or knowledge of ‘a company’ in whose securities an insider of ‘the company’ deals. As long as, as insider of ‘the company’ deals in the securities of ‘a company’ listed on any exchange while in possession of UPSI relating to that company, the provisions of Regulation 3(i) of the regulations will get attracted.”*
18. In view of the above, since the three Noticees, namely Mr. Hemant Patel, Mr. Praveen Mohnot and Mr. N. Ravichandran, had access to unpublished price sensitive information, as established above, they automatically qualify as insiders. Further, since Mrs. Priyanka Singhvi and Mrs. Anita Ravichandran are close relatives of Mr. Parveen Mohnot and Mr. N. Ravichandran, being the daughter and the wife respectively, they are deemed to be

connected persons having access to the UPSI, thereby qualifying as insiders.

19. Section 12A(d) and (e) of the SEBI Act, 1992 and Regulations 3(i) and (ii) and 4 of the PIT Regulations, as they existed then, read as under:

SEBI Act, 1992:

Section 12A: No person shall directly or indirectly –

- (a) ...
- (b) ...
- (c) ...
- (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;*

PIT Regulations:

3. No insider shall-

- (i) either on his own behalf or on behalf of any other person, deal in securities of a company listed on any stock exchange when in possession of any unpublished price sensitive information; or*
- (ii) communicate counsel or procure directly or indirectly any unpublished price sensitive information to any person who while in possession of such unpublished price sensitive information shall not deal in securities;*

... ..

4. Any insider who deals in securities in contravention of the provisions of regulation 3 or 3A shall be guilty of insider trading.

20. Considering all the above, I find that by passing on UPSI to other persons who executed trades on the basis of such UPSI, Mr. Praveen Mohnot and Mr. N. Ravichandran have indulged in insider trading and have violated the provisions of the Section 12A(d) & (e) of the SEBI Act and Regulations 3(i) & (ii) and 4 of the PIT Regulations. Further, the Noticees, namely Mrs. Priyanka Singhvi and Mrs. Anita Ramchandran, by executing trades while in possession of the UPSI, have indulged in insider trading and have violated the provisions of the Section 12A(d) & (e) of the SEBI Act and Regulations 3(i) & (ii) and 4 of the PIT Regulations.
21. As regards Mr. Hemant Patel, I note that he has filed an application before SEBI for settlement under the SEBI (Settlement Proceedings) Regulations, 2018 in the instant

matter and the said application is currently pending. Consequently, in terms of the provisions of the said Regulations, pending the disposal of the settlement application, final order against Hemant Patel cannot be passed at this moment. Accordingly, I refrain from drawing any inference regarding the alleged violations by Mr. Hemant R. Patel.

22. Once it is established that the Noticees, namely Mrs. Priyanka Singhvi and Mrs. Anita Ravichandran, were insiders and have indulged in insider trading, it becomes imperative to determine whether and how much illegal gains were made by them in the entire process, since any illegal gains made by the Noticees have to be disgorged from them. I note from the records that the following is a summary of the trades executed by them in the scrip of KLG during such time when APPL also traded in KLG:

TABLE - A

		Ms. Priyanka Singhvi	Ms. Anita Ravichandran	APPL
Purchases	Order quantity (date)	80,000 (22/02/2008) 30,000 (27/02/2008)	80,000 (22/02/2008)	1,80,000 (22/02/2008) 1,50,000 (25/02/2008) 17,11,287 (27/02/2008)
	First Trade Time (date)	15:02:57 (22/02/2008) 10:21:10 (27/02/2008)	15:05:43 (22/02/2008)	15:22:44 (22/02/2008) 09:55:09(25/02/2008) 10:36:39 (27/02/2008)
	Buy Price (₹) (date)	32.70 (22/02/2008) 37.00 (27/02/2008)	32.70 (22/02/2008)	33.00 (22/02/2008)* 34.30 (25/02/2008)* 37.00 (27/02/2008)*
	No. of shares bought (date)	80,000 (22/02/2008) 30,000 (27/02/2008)	80,000 (22/02/2008)	95,015 (22/02/2008) 1,29,773 (25/02/2008) 17,11,287 (27/02/2008)
	Purchase amount (₹)	37,25,950	26,16,000	7,09,83,153
Sales	No. of shares sold	81,327	80,000	
	Date of sale	11/6/08, 16/6/08, 17/6/08, 19/6/08, 20/6/08, 05/6/09, 08/6/09, 03/06/2008, 09/6/09, 10/6/09, 04/06/2008, 11/6/09, 05/06/2008, 04/11/10, 08/11/10	29/05/2008, 30/05/2008, 02/06/2008, 03/06/2008, 04/06/2008, 05/06/2008	
	Sale amount (₹)	1,01,38,847	80,77,127	

Unjust enrichment (₹)		73,84,117	54,61,127	
		28,034 (unrealized)#		
Funds provided by Starwort Engineers P. Ltd.(SEPL), associate of Horizon Infrastructure Ltd. (HIL)	Cheque no. (date)	71191 (25/02/2008)	71189 (23/02/2008)	
	Cheque Amount (₹)	26,30,000	26,50,000	
	Fund Transfer	11,20,000		

* First buy price of APPL

Calculation based on the closing price of the shares of KLG as on June 08, 2012 for the residual 28,673 shares

23. From the above table, I note that Mrs. Priyanka Singhvi and Mrs. Anita Ravichandran had purchased shares of KLG during February 22, 2008 to February 27, 2008 (while in possession of the UPSI) and had sold shares during May 29, 2008 to November 08, 2010 (after the publication of UPSI on February 28, 2008). I find that the investigation has arrived at the illegal gains made by them by taking into account the overall acquisition price paid by them and the overall sale proceeds realised by them by their sales on different dates. By this method, it has been calculated that Mrs. Priyanka Singhvi and Mrs. Anita Ravichandran have made illegal gains of Rs.73,84,117/- and Rs.54,61,127/- respectively. However, I find that this method of calculation of the illegal gains is not proper and reasonable. I am of the opinion that since all the said Noticees only made purchases during the period of UPSI and have sold shares only after UPSI became public, ideally, in that scenario the gains have to be calculated by taking into account the closing price of the scrip on the exchange on the day when the UPSI became public and not by taking into account the sale proceeds realised after several days of publication of the UPSI. What is to be taken into reckoning is the impact of the publication of the UPSI on the price of the scrip on the day when it becomes public and not the price which the scrip commands after several days of publication of UPSI, since the price which the scrip commands at a much later stage may also be due to various other factors not related directly or indirectly to the UPSI. Thus, in my view, for the purpose of determination of the illegal gains, the notional gains ought to be calculated by taking into account the closing price of the scrip on day the UPSI became public, even if the shares have not been sold by the said Noticees on the day the UPSI becomes public. In this regard, I note from the records available on BSE website that corporate announcements by KLG regarding the abovementioned acquisition of

shares by KLG were made on February 28, 2008 at 15:58:59, 17:02:31 and 18:06:44, which is effectively after the closure of the trading hours on that day. Consequently, the next trading date (i.e. February 29, 2008) ought to be taken as the date when the UPSI effectively became public and the closing price of the scrip on that day has to be taken into account.

24. Taking into consideration the abovementioned method of calculation of illegal gains, I arrive at the figures of illegal gains, as mentioned in the Table-B below:

TABLE-B

	Priyanka Singhvi	Anita Ravichandran
Total no. of shares purchased while in possession of UPSI (i.e. before February 28, 2008)	1,10,000	80,000
Total acquisition price (A)	Rs.37,25,950/-	Rs.26,16,000/-
Closing price of the scrip on BSE on February 29, 2008 i.e. the day UPSI was effectively published	Rs.37.85/-	
Notional sale value of Noticees' shares on the day UPSI effectively became public (B) i.e. February 29, 2008	1,10,000 * Rs.37.85 = Rs.41,63,500/-	80,000 * Rs.37.85 = Rs.30,28,000/-
Notional Profit made	(B) – (A) = Rs.4,37,550/-	(B) – (A) = Rs.4,12,000/-

25. Any act of insider trading is clearly detrimental to the interests of the securities market as such practices threaten the market integrity and orderly development of the market and call for regulatory intervention to protect the interest of investors. Thus, it is in the fitness of things that entities indulging in insider trading are not allowed to participate in the market and unjustly enrich themselves at the cost of investors. Accordingly, I find that it is a fit case for issuance of suitable directions in the interest of the securities market.

ORDER:

26. I, in exercise of the powers conferred upon me under Section 19, read with Sections 11, 11(4) and 11B of the SEBI Act, 1992 read with Regulation 11 of the PIT Regulations,

hereby issue the following directions:

- (a) Mr. Praveen Mohnot, Mr. N. Ravichandran, Mrs. Priyanka Singhvi and Mrs. Anita Ravichandran shall not buy, sell or deal in the securities market in any manner whatsoever, or access the securities market, directly or indirectly for a period of five years from the date of this order.
- (b) Mr. Praveen Mohnot and Mr. N. Ravichandran, shall not hold position of Director in the Board of Directors of any listed company for a period of five years from the date of this order.
- (c) Ms. Priyanka Singhvi shall disgorge the unlawful gain of **₹Rs.4,37,550/-** along with simple interest at the rate of 12% per annum, calculated from February 29, 2008 till the date of this order;
- (d) Ms. Anita Ravichandran shall disgorge the unlawful gain of **₹4,12,000/-** along with simple interest at the rate of 12% per annum, calculated from February 29, 2008 till the date of this order;
- (e) The above named Noticees shall pay the amounts, as directed above, within 45 (forty five) days from the date of this order by way of crossed demand draft drawn in favour of 'Securities and Exchange Board of India', payable at Mumbai.
- (f) In case the aforesaid directions for disgorgement and payment of interest is not complied within the stipulated time, Ms. Priyanka Singhvi and Ms. Anita Ravichandran shall be restrained from accessing or buying, selling or otherwise dealing in the securities market in any manner whatsoever, for a further period of 5 years, over and above that mentioned at sub-paragraph (a) above, without prejudice to any action for recovery of such amounts that may be initiated by SEBI against them.

27. This Order shall come into force with immediate effect.

28. This Order shall be served on all recognized stock exchanges and depositories to ensure necessary compliance.

DATE: November 05, 2019
PLACE: MUMBAI

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