

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER
CONFIRMATORY ORDER**

**Under Sections 11(1), 11(4), 11B(1) and 11D of the Securities and Exchange
Board of India Act, 1992**

**In Re: Securities and Exchange Board of India (Prohibition of Insider Trading)
Regulations, 2015**

In respect of:

Sl. No.	Name of the Entity	PAN
1	Bijal Shah	ASJPS7964A
2	Gopal Ritolia	ACDPR2237H
3	Jatin Chawla	ADWPC6578N
4	Gomati Devi Ritolia	ACGPR9008K
5	Daljit Gurucharan Chawla	ABCP8988J

(collectively referred to as “Noticees”)

**In the matter of insider trading in the shares of Zee Entertainment Enterprises
Ltd.**

Background

1. Securities and Exchange Board of India (“SEBI”) alert system had generated insider trading alerts for the scrip of Zee Entertainment Enterprises Ltd. (“ZEEL” / “Company”) for the month of August 2020 around the corporate announcement of audited financial results of ZEEL for the quarter ended June 30, 2020 made to BSE and NSE.
2. Thereafter, based on the aforesaid alert, SEBI conducted a preliminary examination in the scrip of ZEEL to ascertain whether certain persons / entities traded in the said scrip while they were in possession of unpublished price sensitive information in contravention of the provisions of the Securities and Exchange Board of India Act, 1992 (“SEBI Act”) read with the SEBI (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations”).

SEBI's Examination

3. SEBI's preliminary examination brought out the following:

- 3.1. Mr. Bijal Shah ("**Noticee No. 1**") was working as Head - Financial Planning & Analysis, Strategy and Investor Relations ZEEL from September 2016 onwards. Based on his role in organization it was observed that he had access to material non-public information related to the financial results of the company and the launch of Zee Plex.
- 3.2. Based on educational background, employment history, call data records ("**CDRs**") and financial dealings, it was observed that Noticee No. 1 was connected to Mr. Gopal Ritolia ("**Noticee No. 2**") and Mr. Jatin Chawla ("**Noticee No. 3**"). Further, on an analysis of KYC details, social media posts, bank statements and CDRs, it was observed that Noticee No. 3 was connected to Mr. Amit B Jajoo ("**Noticee No. 4**"). Further, Noticee No. 4 had family and financial relationship with Mr. Manish Jajoo ("**Noticee No. 5**").
- 3.3. It was observed that Noticee No. 1 had communicated UPSIs to Noticees No. 2 and 3, Noticee No. 3 had communicated UPSI to Noticee No. 4 and Noticee No. 4 had communicated UPSI to Noticee No. 5. The same had led to the violation of respective provisions of SEBI Act and PIT Regulations.
- 3.4. Trades were executed from the trading accounts of the connected entities of the Noticees No. 2 to 5. From the trading pattern of the trades executed from the trading accounts of the connected entities of the Noticees No. 2 to 5, it was noted that they had bought significant number of shares and / or taken long positions in the scrip of ZEEL prior to the announcement(s) and had sold the shares and / or squared off their open position in the scrip, subsequent to the announcement. In the said process, Noticees had generated substantial proceeds.
- 3.5. It was observed that Noticees No. 2 to 5 pursuant to a *modus operandi* have executed trades in the trading accounts of their connected entities while in possession of and on the basis of unpublished price sensitive information ("**UPSI**") resulting in violation of the provision of SEBI Act and PIT Regulations. The connected entities of

the Noticees No. 2 to 5 by giving access to their accounts to Noticees No. 2 to 5, had engaged in insider trading and thus had violated SEBI Act.

Interim Order

4. In light of the aforesaid findings of the examination, an interim order dated August 12, 2021 (“**Interim Order**”) was passed by SEBI *inter alia* against the Noticees. The interim order against the Noticees was passed taking into account the facts and circumstances described therein, which are, *inter alia*, summarised as under:

4.1. Noticee No. 1’s role as Head - Financial Planning & Analysis, Strategy and Investor Relations ZEEL entailed him to deal with numbers concerning the performance of the company on an ongoing basis. Further, Noticee No. 1 was a participant in ZEEL earning conference calls for discussing the quarter ended result for the quarters which are the subject matter of the order. Aforesaid when seen along with the fact that Noticee No. 1 is one of the Designated Person of ZEEL in terms of PIT Regulations, led to a *prima facie* view that Noticee No. 1 had access to the information related to the financial results for the quarter ended, June 2020, September 2020 and September 2019. Moreover, it was observed based on CDRs that he was in regular touch with the key employees of ZEEL and Zee Studios Ltd. who were involved in the launch of Zee Plex. Given his role in ZEEL, it was *prima facie* observed that the discussions / communications during the period July-August, 2020 would have included the budgeting and likely impact of launch of Zee Plex on the financial health of ZEEL. Therefore, on a preponderance of probability basis it was *prima facie* held that Noticee No. 1 had access to the information related to the launch of Zee Plex.

4.2. It was observed that the financial results for the quarter ended, June 2020, September 2020 and September 2019 were UPSI as the aforesaid information which was pertaining to ZEEL was not generally available to the public before they were announced by the company and upon becoming generally available, the aforesaid information were likely to materially affect the price of the securities of ZEEL. Moreover, *per se* under regulation 2(1)(n)(i) of PIT Regulations, also it was *prima facie* held that the information related to the financial results of ZEEL were UPSI. Furthermore, Zee Plex was a pay per view

service which *prima facie* had a direct bearing on the revenues of the company. Therefore, the information of launch of Zee Plex, upon becoming generally available, was *prima facie* likely to materially affect the price of the securities. Hence, the information related to the launch of 'Cinema 2 Home' service 'Zee Plex' was also an UPSI. It was noted that *per se* under regulation 2(1)(n)(iv) of PIT Regulations (expansion of business), also the aforesaid information was *prima facie* UPSI.

4.3. Following is the period of UPSI, for the multiple UPSIs mentioned in the preceding paragraphs:

Table No. 1

Sl. No.	UPSI	UPSI Period	Evidence
1.	Information relating to Financial Results for the period ended June 30, 2020, Announcement dated August 18, 2020	July 1 - August 18, 2020	Extract of the Structured Digital Database related to the financial results, intimation to the Exchanges regarding Board meeting and publication of UPSI on the websites of Exchanges.
2.	Information relating to Launch of Cinema 2 Home Service, Zee Plex Announcement dated September 1, 2020	August 20 - September 1, 2020	Chronology of events provided by the company and press release by the company.
3.	Information relating to Financial Results for the period ended September 30, 2020, Announcement dated November 2, 2020	October 1 – November 2, 2020	Extract of the Structured Digital Database related to the financial results, intimation to the Exchanges regarding Board meeting and publication of UPSI on the websites of Exchanges.
4.	Information relating to Financial Results for the period ended September 30, 2019, Announcement dated October 17, 2019	October 7-17, 2019	Intimation to the Exchanges regarding Board meeting and publication of UPSI on the websites of Exchanges.

4.4. As Mr. Bijal Shah was *prima facie* a connected person and *prima facie* he was in possession of UPSI, he was *prima facie* an insider as per regulations 2(1)(g)(i) and (ii) of PIT Regulations. Further, based on the connection among Noticees No. 1 to 3, frequency of call, timing of the trades, pattern of trades in the scrip of ZEEL by the connected entities of Noticees No. 2 and 3, trading history of the connected entities and commonality of trading pattern between connected entities of Noticees No. 2 and 3, it was *prima facie* held that Noticees No. 2 and 3 were in possession of UPSI and hence they are *prima facie* insiders in terms of regulation 2(1)(g)(ii) of PIT Regulations. Similarly, based on the factors mentioned above and the connection between Noticees No. 3 and 4, it was held that Noticee No. 4

and Noticee No. 5 who is the cousin brother of Noticee No. 4, it was *prima facie* held that Noticees No. 4 and 5 were insiders in terms of regulation 2(1)(g)(ii) of PIT Regulations.

- 4.5. Based on family connection, KYC documents and education qualification / work experience, it was *prima facie* held that Noticee No. 2 had access to the trading account of his mother, Ms. Gomati Devi Ritolia ("**Noticee No. 6**"), Noticee No. 3 had access to the trading account of his mother, Ms. Daljit Chawla ("**Noticee No. 7**"), Noticee No. 4 had access to the trading accounts of his spouse, Ms. Monika Jajoo / Ms. Monika Lakholia ("**Noticee No. 8**"), his mother, Ms. Pushpadevi Jajoo ("**Noticee No. 9**"), his father, Mr. Bhawarlal Jajoo ("**Noticee No. 10**") and Bhawarlal Jajoo HUF ("**Noticee No. 11**") and Noticee No. 5 had access to the trading accounts of his brother, Mr. Ritesh Jajoo ("**Noticee No. 12**"), partnership firm, Successure Partners ("**Noticee No. 13**") and his nephew, Mr. Yash Jajoo ("**Noticee No. 14**").
- 4.6. It was *prima facie* held based on the cumulative effect of the circumstances viz., possession of UPSI by Noticees No. 2 to 5, timing of the trades, sudden buildup of position / delta by Noticees in the scrip of ZEEL prior to the announcement of UPSI and subsequent closure of position / delta within few days after the announcement of UPSI, lack of substantial trading done by Noticees in the scrip of ZEEL compared to other scrips in terms of traded value prior to UPSI and trading concentration in the scrip of ZEEL in terms of trade value vis-à-vis other scrips, that Noticees No. 2 to 5, while in possession of and on the basis of UPSI, had traded in the scrip of ZEEL
- 4.7. The impugned trades were *prima facie* executed pursuant to a broad *modus operandi* employed by the Noticees wherein Noticee No. 1 used to communicate the UPSI, to Noticees No. 2 and 3. Noticee No. 3 upon receiving the UPSI, used to communicate it to Noticee No. 4 who in turn use to communicate it to Noticee No. 5. Noticees No. 2 to 5 then use their connected entities trading accounts to place orders in the scrip of ZEEL. Substantial orders in cash segment of the market and / or positions (long or short taken depending on the UPSI) were taken in the derivative segment of the market by Noticees No. 2 to 5 from their connected entities trading accounts. *Delta* in the scrip is built up significantly during the

UPSI period and reaches maximum, just prior to the announcement of UPSI. Post announcement of UPSI, the positions were squared off immediately or gradually over a few days.

4.8. Noticees No. 6 to 14 are the registered owners of the trading accounts which were used for executing the *prima facie* impugned trades. It was observed that Noticees No. 6 to 14 by giving *prima facie* access of their trading accounts to Noticees No. 2 to 5 had enabled the fruition of the *modus operandi*. It was noted that shares / options in ZEEL were credited to the demat / trading account of Noticees No. 6 to 14 and proceeds had accrued in their account. Therefore, it was *prima facie* held that Noticees No. 6 to 14 by their act and / or omission have indirectly engaged in insider trading activities and have indirectly dealt in securities while in possession of material non-public information.

4.9. In view of the aforesaid, it was *prima facie* held that Noticees have violated the following provisions of securities laws:

Table No. 2

Sl. No.	Noticees	Provisions of securities laws
1.	Noticees No. 1, 3 and 4	Section 12 A (e) of SEBI Act and regulation 3 (1) of PIT Regulations.
2.	Noticees No. 2 to 5	Sections 12A (d) and (e) of SEBI Act and regulations 3(2) and 4(1) of PIT Regulations.
3.	Noticees No. 6 to 15	Sections 12A (d) and 12A (e) of SEBI Act.

4.10. Based on the aforesaid findings, certain directions were issued against the Noticees vide the interim order which *inter alia* were as follows:

4.10.1. The Noticees were restrained from buying, selling or dealing in the securities market, either directly or indirectly, in any manner whatsoever till further directions.

4.10.2. The bank accounts of the Noticees to the extent of proceeds made by them was impounded. The said entities were directed to open an escrow account with a nationalised bank, jointly and/or severally and deposit the impounded amount. The impounded amount has to be deposited within 15 days from the date of service of the Order. The escrow account/s shall be an interest bearing

escrow account and shall create a lien in favour of SEBI. Further, the monies kept therein shall not be released without permission from SEBI.

4.10.3. Noticees were directed not to dispose of or alienate any assets, whether movable or immovable, or any interest or investment or charge on any of such assets held in their name, individually or jointly, including money lying in bank accounts except with the prior permission of SEBI until the impounded amount is deposited in the escrow account.

4.10.4. Noticees were directed to provide a full inventory of all assets held in their name, individually or jointly, whether movable or immovable, or any interest or investment or charge on any of such assets, including details of all bank accounts, demat accounts and mutual fund investments, immediately but not later than 5 working days from the date of receipt of this order.

5. Vide the aforesaid interim order, the Noticees were advised to submit their replies, if any, within 21 days from the service of the interim order and they were also advised to indicate whether they desire to avail an opportunity of hearing on a date and time to be fixed on a specific request to be made in that regard.

Service of interim order, reply and hearing

6. The interim order was served on the Noticees vide emails dated August 12, 2021. Pursuant to the interim order, the following Noticees namely Mr. Bijal Shah, Mr. Gopal Ritolia, Mr. Jatin Chawla, Ms. Gomati Devi Ritolia and Ms. Daljit Gurucharan Chawla, had opened escrow accounts and deposited the *prima facie* proceeds generated from the insider trading trades as directed in the interim order. Further, Noticees have declared their assets to SEBI.
7. In the meantime, the aforesaid Noticees had approached Hon'ble Securities Appellate Tribunal ("**SAT**") against the interim order passed against them. Hon'ble SAT vide its order dated September 3, 2021, without going into the merits of the case, directed as follows:

"In this regard, the appellants may file their reply / objection on or before September 10, 2021. The WTM will conduct the hearing and give them an opportunity on September 15, 2021 and the WTM will pass the appropriate order on or before September 25, 2021. Appeals are accordingly disposed of at this stage."

8. Pursuant to the order of Hon'ble SAT, Noticees vide their email dated September 9, 2021 submitted their response to the interim order. The same are as follows:

8.1. Mr. Bijal Shah while denying the allegations made in the interim order *inter alia* submitted as follows:

8.1.1. The Noticee states and submits unequivocally that he has never ever communicated any unpublished price sensitive information to Noticee No. 2 / Noticee No. 3 or any other person during his entire career. The Order does not attempt to specify as to when and how did the Noticee communicate the UPSI and the Order merely seeks to rely on the CDR data to allege "calls" with Noticee No. 2 and Noticee No. 3. It is respectfully submitted that the assumption that calls between individuals (which have been ongoing since more than a decade) cannot be said to be the basis to allege communication of UPSI.

8.1.2. As the head of financial planning, Noticee No. 1 admits that he had access to UPSI-1, UPSI-3 and UPSI-4. In so far as UPSI-2 is concerned, it is disputed and denied that the Noticee had access to the same or that the said information was UPSI, as alleged or at all.

8.1.3. It is not even alleged that the Noticee or any of his family members have traded in the scrip during the UPSI periods as stated hereinabove. It is not alleged that there is any *quid pro quo* arrangement between the Noticee and other parties to the Order. The entire allegation is based on surmises and conjectures and only the sole basis that there were "calls" between Noticee No. 1 and Noticee No. 2 and Noticee No. 3.

8.1.4. Noticee wishes to state that the assumption of UPSI 1 being positive in nature is completely absurd for the following reasons:

8.1.4.1. While the Order seeks to rely on the financial results, it curiously omits to analyse the result to actually try and see if the results were positive or negative.

8.1.4.2. Generally, whether a result is positive or not is based on three factors:

i. YoY analysis (i.e. comparison with the same quarter in the previous year);

- ii. Comparison with peers to understand if the company has been outperforming the industry or underperforming;
 - iii. Comparison with consensus estimates to analyse how the market (analysts) expected the results to be and what the actual result turned out to be;
- 8.1.4.3. ZEEL's revenues fell by 34.4% and profits fell by 94.5% as compared to June 2019 quarter. The profits were also below analysts and market's expectations (by about 90%) and multiple news channels criticized Zee's performance vis-a-vis the market expectations. The UPSI was therefore completely negative and no prudent person would ever term the UPSI as positive news.
- 8.1.4.4. In fact, ZEEL's performance was worse than two competitors, Sun TV and TV 18.
- 8.1.5. The allegation by SEBI that other Noticees were bullish in their positions despite such a negative UPSI in itself is a proof of the fact that these trades could never have been on the basis of UPSI – 1.
- 8.1.6. Even ZEEL never thought that the launch of a mere service of "pay per view movie" was any material information and even ZEEL did not believe the same to be PSI. ZEEL never made any disclosure of the said information under regulation 51 or any other regulation of the LODR. Therefore, it cannot be alleged that UPSI 2 was actually any price sensitive information.
- 8.1.7. The launch of Cinema 2 Home service, Zee Plex was unlikely to contribute materially to revenues of the company. Its contribution if any is not even 1% of the revenue base and hence the launch does not have any material impact on revenues or financials of ZEEL.
- 8.1.8. On perusal of the order, it seems SEBI has asked Zee to list the name of the people involved in or having knowledge of launch of Zee Plex. It is clear that the list sent by the company did not have name of Noticee No. 1. This again clearly establishes that the Noticee was not aware of launch of Zee Plex.
- 8.1.9. It is hereby submitted that Zee Plex had no mention in the budget that was prepared for FY21 as well as FY22 as it is a peripheral service and unlikely to have any meaningful contribution to financials of the company. It is

further submitted that no budget for Zee Plex was prepared during the time of launch or around that period. The Order seeks to go on the basis of assumptions and presumptions of phone calls to establish that the calls 'may' have been for the purpose of discussing the budgets. The order states that calls were during July and August could be regarding Zee Plex. However, the same order also states that the discussion regarding launch of Zee Plex began only on 20 August. Therefore, the Order itself is contradictory and contains allegations that are mutually self-destructive.

8.1.10. Noticee has submitted explanations with respect to his communication with the various employees of ZEEL who were involved in the launch of Zee Plex. In short, he has submitted that the communication was to track day to day business activities which were in no way connected to the launch of ZEE Plex.

8.1.11. Regarding UPSIs – 3 and 4, it is submitted that the CDRs stated in the Order do not show any calls between Noticee No. 1 and Noticee No. 2 at the said time. It is further reiterated that UPSI-3 and UPSI-4 allegations have been made in a reverse engineered manner and neither of the elements which were relied upon to allege UPSIs-1 and 2 have been made out in UPSIs-3 and 4.

8.1.12. The Noticee does not dispute that he was an insider. However, it is submitted that the Order fails to show in any manner that Noticee No. 2 or Noticee No. 3 are insiders. There is no proof whatsoever of Noticee No. 1 having communicated the UPSI to Noticee No. 2 and 3. In the absence of showing that Noticee No. 2 and 3 had possession of or access to UPSI, the charge against Noticee No. 1 must automatically fail. The mere fact of calls between Noticees (which have existed before, during and after the UPSI periods) cannot be the basis to assume and presume that Noticee No. 1 communicated the UPSI. For the charge of communication (Regulation 3), there is no deeming fiction and it is incumbent on the investigation to show actual communication of UPSI.

8.1.13. It is denied that there was any increased calling activity between Noticee No. 1 and No. 2 and Noticee No. 1 and No. 3, as alleged or at all. An analysis

of CDR from January 1, 2020 to January 31, 2021 would show that calls between Noticee No. 1 and Noticee No. 3 and Noticee No. 1 and Noticee No. 2 are well within the range of calls seen between them in several months before and after the month of August 2020.

8.1.14. The *prima facie* case against the Noticee is erroneous and the balance of convenience is also in favour of the Noticee. Hence the directions issued against the Noticee should be revoked.

8.2. Mr. Gopal Ritolia and Ms. Gomati Devi Ritolia while denying the allegations made in the interim order *inter alia* submitted as follows:

8.2.1. Noticee No. 6's trading account has been the only active trading account in the Ritolia family and all of the trades of the Ritolia family from 2015-2020 were done in the account Noticee No. 6. Noticee No. 6 has had substantial volumes and turnover in the securities market

8.2.2. The Noticees submit that if SEBI calls for the entire CDR for the past 15 years and even peruses the existing CDR available with them, SEBI would realise that the frequency of the calls between Noticee No. 2 and Mr. Bijal Shah has been constant. The comparison of calls between July and August 2020 is completely misplaced and does not give a true and correct picture.

8.2.3. It is not in dispute and the Noticees admit that they had a bullish view on the scrip and had long positions at the relevant time. The long position taken by the Noticees was on account of the following:

8.2.3.1. Several major consumer companies (such as Asian Paints, McDonalds India, Havells), posted their June quarter results and began talking about a swift recovery post the lockdown imposed due to Covid-19. Since consumer companies account for majority of the advertising revenues for television broadcasters, Noticees recognised this to be good news for broadcasting companies like ZEEL. It is also pertinent to note that ZEEL is one of the few listed companies in its space and does not have too many peers. Even underlying TV ad volumes had started improving with a pickup in volumes every month from April to July 2020. In fact, in June 2020 advertisement volumes were higher than in June 2019.

- 8.2.3.2. The Noticees submit that on their analysis, ZEEL's Earning Per Share estimates varied between Rs. 10 to 12 for Financial Year 2021. Further, Noticees on the basis their study of ZEEL's scrip concluded that ZEEL's appropriate price to earnings (P/E) multiple should be 18-20x FY 21 EPS estimates. This presented a 20 - 50% potential profit with limited risk.
- 8.2.3.3. It was in view of the aforesaid that the Noticees decided to build their positions in ZEEL, and await the recovery in advertising revenues. In line with the Noticees' analysis, ZEEL's stock price started increasing from the first week of August. The Noticees bought ZEEL on August 11, 2020 and then again on August 18, 2020. Just between August 3 to August 18, 2020, before the quarter results were made public, ZEEL had already moved up 29%, in comparison to only a 5% increase in Nifty, and in general, ZEEL appeared to be on an upward momentum trend.
- 8.2.4. A perusal of the actual result would show that the results were actually negative and as against the bullish positions built by the Noticees, ZEEL had in fact posted extremely poor results (both as compared to previous year same quarter as well as compared to consensus estimates as available on Bloomberg). Even the financial media that covers the market was of the opinion that the results of the said quarter were missing estimates by a large margin.
- 8.2.5. Even though ZEEL opened lower on August 19, 2020, (there was a fall in the share price of -2.7%) which would be in line with the weak quarterly results declared, the Noticees continued to maintain and retain their long position. ZEEL then saw a sudden spike at around 12.30 pm to 2.30 pm, which the Noticees believe was caused because an order had been passed in favour of ZEEL in the case filed by Yes Bank Ltd. before the Hon'ble Bombay High Court, which had been widely reported by the media. It is also pertinent to note that the fact that the judgement would be pronounced on the said date was information available in the public domain and the increase in price of ZEEL's shares is attributable to the expected outcome /

actual outcome of the High Court proceedings and definitely not on the basis of the financial results.

- 8.2.6. Had the Noticees had knowledge that the financial result was to be lower than expected, the Noticees would not have continued to retain their long position (let alone create the long positions), thereby in clear contravention to the delta indicators basis which SEBI has decided that there has been a violation of the PIT Regulations.
- 8.2.7. A person who is trading on the basis of UPSI is highly unlikely to hold the position for such a long period of time after the UPSI has become public since he has no other directional view. Typically, traders who trade UPSI buy the stock just before the event and sell it immediately after the event thereby avoiding any sort of market risk. The Noticees held the position for a month during which the stock has also declined more than 10% from the peak. The Noticees were therefore not trading on a UPSI but had taken a directional view on the stock based on the analysis detailed above.
- 8.2.8. A person holding a stock position despite a mark-to-market loss of Rs. 2.2cr from the highest post the publication of the UPSI has to have another driver for his strong directional view. If UPSI were to be basis of the directional view, the stock would have been sold much earlier.
- 8.2.9. As alleged, the Noticees had a bullish view and therefore the negative UPSI could not be said to be the basis on which the Noticees traded. Given the fact that the SCN does not have any proof of communication from Mr. Bijal Shah to Noticee No. 2, on preponderance of probabilities any reasonable man after analysing the facts would come to a conclusion that Noticee No. 2 was not in possession of UPSI while the trades were executed in the account of Noticee No. 6.
- 8.2.10. Noticees submitted the same rationale for why UPSI -2 is not a price sensitive information. Further, the Noticees submitted that during the UPSI – 2 period, the Noticees reduced their existing position by 2.25 lakh shares when the alleged UPSI was of positive nature. The delta of the Noticee during UPSI – 2 period would show that the Noticee was in fact a

net seller and not a net buyer and therefore it can never be alleged that the Noticees were aware of UPSI – 2.

8.2.11. As per SEBI's own allegation, the price of the scrip moved substantially during both UPSI -3 and UPSI – 4 periods. However, the profit made by the Noticees is alleged to be a fraction of the said price movement. For e.g. the price difference of trade during UPSI 3 period is 8 paisa whereas the price movement on declaration of the result was approximately Rs. 2.30. Similarly, during UPSI-4 period, the price difference of the trade was 7 paisa and the price movement on declaration of the result was approximately Rs.16.15. Therefore, if the Noticees were trading on the basis of any UPSI, they would have made much larger profits and not the paltry sum of Rs. 21,000/-. The quantum of profit itself belies SEBI's contention that Mr. Bijal Shah communicated the UPSI to Noticee No. 2 or that the said trades were on the basis of UPSI.

8.2.12. It is also pertinent to note that the entire basis that was used to make allegation of trading during UPSIs-1 and 2 has been given a complete go-by while making allegations for UPSIs -3 and 4. Neither is SEBI alleging increase in call volumes or increase in trade volumes and yet seeks to suggest that the trades during UPSIs-3 and 4 were while in possession of UPSI. It clearly is a case of placing a finding on the basis of surmise and conjecture.

8.2.13. It is curious that the order seeks to rely upon KYC documents given in 2010 for making allegations in 2021. The said account with IIFL is currently dormant/inactive and there have been no trades that have been carried out in the said account for more than 7 years. All the impugned trades have been carried out from the account with Kotak Securities Ltd. which was opened in 2016. It is submitted that the income declaration made by Noticee No. 6 in the year 2010 was accurate as at the relevant time her income was Rs. 6,90,000. Since financial year 2014-15, Noticee No. 6 has had substantial income. A perusal of the entire evidence available on record would show that the account of Noticee No. 6 was the only active trading account in the Ritolia family. The allegation that Noticee No. 6 has

disproportionately traded during the UPSI period is therefore completely unsustainable and lacks merit.

8.2.14. The trades of the Noticees were also in line with their regular trading strategy and concentration. Running a concentrated portfolio is a feature of the Noticees trading strategy for a very long time. Not only is concentration part of Noticees' regular trading strategy, large size is a frequent feature as well. Larger and similar sized trades compared to the ZEEL trades in August and September 2020 have been undertaken both before and after the period.

8.2.15. The order commits a fatal error by only calculating ZEEL as a percentage of trades in the previous month. The SCN does not consider that in most of the previous months, the Noticees had substantial concentration in some or the other instrument. Therefore, the analysis creates a fallacy and does not consider the trading strategy but just the trades in ZEEL as a percentage of trading. At para 53.3 of the order, it has been alleged that before the said date, there is hardly any concentration while trading in ZEEL. Yet, for UPSI-4, it has been alleged that the Noticees were in possession of the same. The order is therefore contradictory and mutually self-destructive. The allegation that "*sudden substantial interest shown in the scrip of ZEEL corresponded with Noticee No. 2 having prima facie possession of material non-public information in the scrip of ZEEL*" itself belies the allegation that trades during UPSI-4 period were while in possession of UPSI.

8.2.16. It has been alleged that the Noticees were suddenly creating large size positions. Short duration trading with large sized position is a regular trading strategy for the Noticees. Multiple larger sized positions have been built up and squared off faster than the ZEEL position during UPSI-1 period and have been held for a much shorter period of time. It therefore cannot become an obvious conclusion that the trades were on the basis of any UPSI.

8.2.17. Noticee No. 2 and Mr. Jatin Chawla have known each other for a long period of time and frequently discuss a lot of things including trade ideas. There are numerous occasions on which they agree on the merits of a trade idea.

The ZEEL trades were just one of such instances. The other potential common trades both before and after the ZEEL trades have been submitted along with the reply.

8.2.18. It is erroneous to suggest that the cash market purchase of 6.5 Lakh shares done on August 11, 2020 which were sold after September 1, 2020 have any bearing on UPSI-2. The same is made with the intent to confuse the issue at hand.

8.2.19. Noticees have placed reliance upon *Nirmal Kotecha* order passed by SEBI and have stated that SEBI has failed to apply its own formula as set out in the aforesaid matter. Further, since the said formula requires consideration of the prices just before and just after the disclosure / publication, the net effect of the price changes was in fact negative as aforesaid. Therefore, on this count also there could have been no order of impounding.

8.3. Mr. Jatin Chawla and Ms. Daljit Chawla made similar submissions as that of Noticees No. 2 and 6. They while denying the allegations made in the interim order *inter alia* submitted as follows:

8.3.1. Regarding UPSI -2, Noticees have submitted that there is no fresh buying that has been created in the alleged UPSI-2 period. In fact, the net position has continuously reduced in this period.

8.3.2. 2.91 Lakh shares position shown as created for UPSI-2 is not a fresh position but a rollover from the August series derivative positions to the September series derivative positions. Since the August series was expiring on 27-Aug, those positions were rolled over to the September series based on our strong directional positive view on the stock. Had the Noticees been trading on the basis of UPSI, they would have sold their position after alleged UPSI-1 and then taken a fresh position just before the alleged UPSI-2 and not held such a large position for two weeks. The conviction to hold the position comes from their underlying positive view on revival in advertising spends by consumer companies and not from some alleged UPSI.

- 8.3.3. The SCN conveniently ignores the fact that there has been no communication between Noticee No. 3 and Noticee No. 4 during the UPSI periods. While making allegation against Noticee No. 3, SEBI has relied on CDRs to allege that these calls were the way through which the UPSI was communicated. It is therefore SEBI's own case that in order to allege communication, it is necessary for the investigation to reveal how the said information was communicated. The SCN does not bring out a single instance of any calls by Noticee No. 3 to Noticee No. 4.
- 8.3.4. Noticees have had financial dealings with the Amit Jajoo group for the past several years and not just the UPSI period. The Noticees had incurred substantial losses in the month of March 2020 due to the COVID 19 pandemic induced volatility in the markets. In order to meet the payout obligations from these losses, the Noticees borrowed the sums which were repaid. In any event, the said borrowing and lending of monies from the Amit Jajoo group is not proof of communication of any UPSI as the Noticees themselves have no UPSI in their possession.
- 8.3.5. The Amit Jajoo group has been trading in the securities market for a long time and since the Noticees have placed their trades through the Amit Jajoo group, the Noticees' trades might have been mirrored or followed by Amit Jajoo group at their own discretion. The Noticees never advised them for any trades.
- 8.3.6. As an equity analyst, Noticee No. 3 has closely followed the Autos, Media, Consumer and Telecom sectors for almost 15 years and more than 75% of the Noticees' gross trading turnover in the last few years has been concentrated in these four sectors only.
9. Vide emails dated September 9, 2021, Noticees were granted an opportunity of hearing in the matter on September 15, 2021 at 5:00 pm via Webex. On the day of scheduled hearing, the Authorised Representatives ("**ARs**") of the Noticees reiterated their submissions and *inter alia* made the following submissions:
- 9.1. Mr. Gopal Ritolia has traded in the account of Ms. Gomti Devi Ritolia.
- 9.2. Ms. Gomti Devi Ritolia's source of funding is the trading done by her. However, initially she was funded by Mr. Gopal Ritolia.

- 9.3. Mr. Jatin Chawla has traded in the account of Ms. Daljit Chawla.
- 9.4. Mr. Bijal Shah was informed about the launch of Zee Plex, post the press release.
- 9.5. The ARs were advised to submit the following information on or before September 17, 2021:
 - 9.5.1. How much was the price rise before the order of Hon'ble High Court of Bombay was passed in the case filed by Yes Bank Ltd. against ZEEL?
 - 9.5.2. How widely the aforesaid news was circulated?
 - 9.5.3. With respect to the trading pattern, Noticees were advised to submit their open positions which they have carried on day to day basis.
 - 9.5.4. Noticees were asked to provide their comments on the documents provided by UBS and First Voyager Advisors Pvt. Ltd. to SEBI.
 - 9.5.5. If the Noticees are claiming that their mothers have traded, then they have to provide their mothers source of income, her qualification and her experience of trading in the market.
10. Post hearing, Noticee No. 2 vide his letter dated September 17, 2021 reiterated his submissions and *inter alia* submitted as follows:
 - 10.1. Noticee could not find any guidance issued by the company along with the results or otherwise.
 - 10.2. The question of violation of the UBS Global Code of Conduct (which is contractual in nature and not statutory) is not a subject matter of the present proceedings and have no bearing on the same. We wish to reiterate that the trades in the account of Noticee No. 6 were not to camouflage any trades but it was a general practice within the Ritolia family to have all trades executed through that account even before Noticee No. 2 joined UBS.
11. Noticee No. 3 also made his post hearing submissions on similar lines as that of Noticee No. 2. He further stated that he has never violated either PIT Regulations or First Voyager's Insider Trading Policy either directly or through any family members including Noticee No. 7. As mentioned in the documentation which SEBI has received from First Voyager Advisors Pvt. Ltd., Noticee No. 3's last day with First Voyager Advisors Pvt. Ltd. was January 31, 2021 and hence the information mentioned in the

interim order that Noticee No. 3 was working with First Voyager Advisors Pvt. Ltd. on the date of the order is incorrect.

Findings & Considerations

12. I have considered the allegations levelled against the Noticees in the interim order, oral submissions, their replies/written submissions and other material available on record. I note that in the instant case, the directions issued against the Noticees are interim in nature and have been issued on the basis of *prima facie* findings. SEBI had issued directions vide interim order in the matter in order to protect the interests of investors and the securities market. Detailed investigation in the matter is still in progress. Thus, the following issue needs to be considered at this stage:

Whether in light of the findings of the interim order, the facts and circumstances of the case and the submission of the Noticees in response to the interim order, the directions issued against the Noticees vide the interim order need to be confirmed, revoked or modified in any manner, during the pendency of investigation in the matter?

13. Before I proceed to deal with the Noticees replies/written and oral submissions, it will be appropriate to reproduce the text of *prima facie* applicable provisions in the matter which is regulations Sections 12A (d) and (e) of SEBI Act, regulations 3 (1), 3(2) and 4(1) of PIT Regulations. The same reads as follows:

SEBI Act:

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

Section: 12A. No person shall directly or indirectly

a) ...

...

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:

Communication or procurement of unpublished price sensitive information.

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

(2) No person shall procure from or cause the communication by any insider of unpublished price sensitive information, relating to a company or securities listed or proposed to be listed, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

Trading when in possession of unpublished price sensitive information

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

14. It was *prima facie* noted that Noticee No. 1 who is a senior key employee and a designated person of ZEEL, has a long and close relationship with Noticees No. 2 and 3. Pursuant to a *prima facie* *modus operandi*, Noticee No. 1 after becoming privy to the UPSIs, used to communicate the same to Noticees No. 2 and 3. Noticees No. 2 and 3, then used their connected entities (Noticees No. 6 and 7) trading accounts to place orders in the scrip of ZEEL. *Delta* in the scrip was built up significantly during the UPSI period and reached maximum, just prior to the announcement of UPSI. Post announcement of UPSI, the positions were squared off immediately over a few days. The aforesaid *prima facie* *modus operandi* enabled the Noticees to generate substantial proceeds due to the information asymmetry. The specific contentions raised by the Noticees have been considered and dealt as follows:

14.1. Noticee No. 1 has submitted that alleged “calls” with Noticees No. 2 and 3 which have been ongoing since more than a decade, cannot be said to be the basis to alleged communication of UPSIs. Similar submissions have also been made by other Noticees. In this regard, it is observed that the reliance placed on the calls among the three Noticees has been for the purpose of establishing a connection amongst them and showing the frequency with which they talk to each other. Moreover, in this day and age, where there are various applications for calls and messages which provide service of end-to-end encryption, where no one outside the call or chat, can listen or read them, it would be simplistic to assume

that the Noticees would have communicated with each other through telephone calls only. Further, in insider trading cases particularly, which involves communication of UPSI, no direct evidence may be forthcoming / available. Such matters are to be tested on the circumstantial evidences including the conduct of parties and abnormality of practices which defy normal logic. What is needed, is to prove that in a factual matrix, preponderance of probabilities indicates communication of UPSI. Thus the calls amongst the Noticees establishing their connection has to be seen cumulatively along with other factors such as Noticee No. 1 having *prima facie* access and being in possession of UPSIs, timing of the trades, pattern of trades in the scrip of ZEEL, concentration of trades in ZEEL, trading pattern in ZEEL vis-a-vis other scrips, trading history of the Noticees No. 2 and 3 and / or their connected entities and commonality of trading pattern between Noticees No. 2 and 3 and / or their connected entities in the scrip of ZEEL. All the aforesaid factors when seen together, on a preponderance of probability basis, leads to a *prima facie* finding that the trades were executed by Noticees No. 2 and 3 and / or their connected entities on the basis of UPSI and when the Noticees were in possession of UPSI. Furthermore, on the basis of *prima facie* finding that Noticee No. 1 was in possession of UPSIs which was also admitted by him (except the UPSI 2) and the admission that he had long and close relationship with Noticees No. 2 and 3, it is held that *prima facie*, he communicated the UPSIs to Noticees No. 2 and 3.

- 14.2. Noticees have contended that there was no unusual spike in the calls during the UPSI period. It is noted that there has been increase in the calls among Noticees No. 1, 2 and 3 from July, 2020 to the period August 3, 2020 to September 2, 2020. This period is material compared to other periods as this is the period when *prima facie* Noticee No. 1 had become privy to UPSIs 1 and 2. The aforesaid has to be also seen in conjunction with the fact that several calls were exchanged between the Noticees No. 1, 2 and 3 on August 10, 2020 when ZEEL intimated Exchanges regarding Board meeting on August 18, 2020 to consider and approval of financial result of the company for the quarter ended June 30, 2020. Subsequently, on August 11, 2021, Noticees No. 2 and 3 had started

building their position in the scrip of ZEEL. Thus, reliance is placed on the increase in number of calls to not only show that Noticees are in regular touch with each other but also to show that there was an increased communication / chatter among the aforesaid Noticees during UPSI 1 and 2 periods vis-a-vis previous few months. It may be noted that even if there was no increase in phone calls among the Noticees, Noticee No. 1 being Head - Financial Planning & Analysis, Strategy and Investor Relations ZEEL and being present in the earning conference calls, was uniquely positioned to *prima facie* have access to and being in possession of UPSI. This material factor has to be seen in light of the other attending circumstances which *prima facie* shows that Noticees No. 2 and 3 were taking the correct directional view depending on the nature of the corporate announcement. Thus, as stated earlier, whether or not there is increased communication among the Noticees during the period of UPSI, it does not outweigh the cumulative effect of the other circumstances (timing of the trades, Noticee No. 1 being in possession of UPSIs, sudden buildup of position / delta by Noticee, lack of substantial trading done by Noticees in the scrip of ZEEL compared to other scrips in terms of traded value prior to UPSI period and trading concentration in the scrip of ZEEL in terms of trade value vis-à-vis other scrips during UPSI period.).

- 14.3. Noticee No 1. has submitted that it is not even alleged that the Noticee No. 1 or any of his family members have traded in the scrip during the UPSI periods or there is any *quid pro quo* arrangement between the Noticees. It is observed that Noticee No. 1 being a designated person could not have traded during the UPSI periods (UPSIs - 1, 3 & 4) in the scrip of ZEEL as the trading window would have been closed. Further, to establish a charge of insider trading, *quid pro quo* among the Noticees is not a relevant parameter. The parameter that has to be seen is whether the person who has traded had access to or was in possession of UPSI or not. Moreover, at this stage when detailed investigation is ongoing, it may bring out, *quid pro quo*, if any among the Noticees whether in cash (layered financial transaction) or kind (material non-public information exchange / swapping).

14.4. Noticee No. 2 has submitted that Noticee No. 6's trading account is the only active trading account in the family and all the trades in the Ritolia family during the period 2015-2020, have been done in the account of Noticee No. 6. Further, Noticee No. 2 has contended that Noticee No. 6's income had substantially improved since 2014-15 as compared to 2010. Thus, the allegation that Noticee No. 6 has disproportionately traded during the UPSI period is therefore completely unsustainable and lacks merit. In this regard, it has already been admitted by the Noticee No. 2 at the time of hearing that he was trading in the account of Noticee No. 6. In other words, though the registered owner of the trading account is Noticee No. 6, the impugned trades were executed by Noticee No. 2. At the time of hearing the Noticee No. 2 was specifically asked to provide the qualification and source of income of Noticee No. 6. Noticees have failed to submit the same in their post hearing reply. However, at the time of hearing, Noticee No. 2 had admitted that initially he had funded Noticee No. 6. Since in his post hearing reply, Noticee No. 2 has failed to submit any documentary evidence to establish qualification / experience in trading in securities of his mother and her independent source of income, it can be inferred that her original source of income is only that of Noticee No. 2 which in turn may have generated proceeds. Noticee No. 2 has also not categorically stated that Noticee No. 6 can independently execute trades in the market. Admittedly, there is only one active trading account in the family. Thus, the aforesaid leads to an inference that Noticee No. 2 is the only person in the Ritolia family who has the expertise and resources to trade in the securities market. Therefore, to keep only one trading account active in Ritolia family is by design. One of the effect of having only one active trading account in the family which is used by more than one individual, is that it camouflages the trades of individual(s) who is not the registered owner of the trading account. In any case, in the given matter Noticee No. 2 has admitted to executing the impugned trades in the scrip of ZEEL. Moreover, it is observed from UBS Global policy on personal investment that Noticee No. 2 was prohibited from purchasing single name instruments and needed to request and receive pre-approval from his line manager and pre-clearance from Compliance via the

Group Trade Preclearance System (GTPS) before selling any existing positions. However, the said policy came into effect from March 24, 2021. The investigation in the matter is ongoing. It may bring out similar policy which UBS had in place prior to March 24, 2021. At this stage, reliance will not be placed on the March 24, 2021 policy and submission of Noticee No. 2 that he has not violated UBS Global Policy for the impugned trades is accepted. However, that does not in any way detract from the finding that *prima facie* Noticee No. 2 was operating the trading account. Therefore, submission of the Noticees with respect to having one active trading account in the family and Noticee No. 6's trading activity, is unacceptable even at this stage.

14.5. Noticee No. 3 has submitted that for tax planning purposes and for operational convenience Noticee No. 7's trading account was the only account in the family where F&O trading was done till February 2021. In this regard, it has already been admitted by the Noticee No. 3 at the time of hearing that for the impugned trades, he was trading in the account of Noticee No. 7. In other words, though the registered owner of the trading account is Noticee No. 7, the impugned trades were executed by Noticee No. 3. Further, the submission of the Noticee No. 3 is untenable as during the period July 2020 to November 2020, Noticee No. 3 was employed at First Voyager Advisors Pvt. Ltd. wherein as per the said company's Code of Ethics, he was prohibited to invest/divest in or acquire/sell or otherwise deal in shares or securities of any company without obtaining a prior approval/consent in writing from the Compliance Officer. Thus, he could not have traded directly in his name in the securities market without seeking prior permission from his employer. In this regard, it is also *prima facie*, observed from Noticee No. 3's resignation letter dated January 31, 2021 that Noticee No. 3 has given a false undertaking to his ex-employees' by stating that he has never traded through his family members in the securities market. Noticee was given an opportunity to make submissions on this aspect but he has stated that he has not violated First Voyager's Insider Trading Policy, which as noted above, is *prima facie* unacceptable.

14.6. Noticees have contended that information related to UPSI -1 was not positive in nature as the results for quarter ending June 2020 was negative when

compared YoY and with peers and also on the basis of consensus estimates. In this regard, it is observed that the parameters referred to by the Noticees are not the only parameters employed to analyse financial results of a company. It has to be noted that during the first quarter of FY 2020-21, the economy was impacted by the pandemic which had effected the ZEEL from an operational and financial perspective. Given the said situation, ZEEL still made a profit of Rs. 64.27 crore in quarter ending June 2020 from a loss of Rs. 295.74 crore in the quarter ending March 2020. Moreover, several brokerage firms (J P Morgan, Emkay Research, Citi Research), had released reports showing improvement in metrics in the Balance Sheet (estimates) with lower inventory, lower receivables and higher cash generation. Furthermore, post declaration of financial result, the management had earnings call to discuss the company's performance in Q1FY21 and some of the key guidance given in the said call are as follows:

- 14.6.1. Movie buying was set to significantly moderate starting that year. Accordingly, FY21 would see a decline in working capital tied in content, i.e. inventory plus content advances.
- 14.6.2. As far as receivables were concerned, the company has received payment plans from two key distribution partners for clearing their overdue amounts.
- 14.6.3. The company had launched the beta version of HiPi, their short video platform, which aims to capture the fast-growing consumer base for short video content.
- 14.6.4. Zee Studios was venturing into production of digital content for third party OTT platforms.
- 14.6.5. There was a sequential improvement in ad revenues every month after the relaxation of lockdown guidelines and resumption of fresh content on the network. As the festive season kickstarts towards the end of the month, ZEEL was expecting the recovery to accelerate. The target was to grow ad revenues of both the third and fourth quarter of the year.

14.6.6. The company was already seeing green shoots and the recovery has already started. The advertisers were coming back and consumer spending had started.

14.6.7. There would be improvement in the EBITDA margin compared to Q1 that was declared.

Post the guidance given by the management of ZEEL, several brokerages viz., Citi Research Equity, JP Morgan, Emkay Research, CLSA, Macquarie and B&K Securities had reiterated the scrip of ZEEL upwards. Thus, considering the peculiar circumstance of the economy prevalent at that time where the economy was reeling under the effect of pandemic, the financial results of ZEEL for the quarter ending June 2020 showed significant improvement in cash generation, other metrics in balance sheet (inventory and receivables), ad revenue recovery and increased in profits from the previous quarter. The same leads to an inference that information related to UPSI-1 was positive in nature. Noticees have submitted that they could not find the guidance given by the management. It is noted that the guidance given by the management can be found at the following link: <https://www.zee.com/investors/investor-financials/>.

The Noticees submitted that the performance of ZEEL was worse amongst its competitors, is not entirely correct. As noted from the guidance given by the company post announcement of financial results, company had addressed a host of issues plaguing its performance. For e.g., movie acquisition was going to significantly moderate starting from that year, thus there will not be a significant increase in inventory. On the corporate governance front, the company had committed to add 2-3 members to the Board who would be independent and experts in their respective fields. The company also had announced policy on treasury policy, investments and related party transactions, which were approved by the Board. Thus, it could be seen that ZEEL had announced taking steps for sustainable improvement.

It may be noted that the company had disclosed on the Exchange website in the afternoon (12:11 hours) on August 18, 2020 that a conference call has been scheduled later in the day at 6:00 pm to discuss company's performance during Q1FY2021 after its approval by the Board. Thus, the information related to UPSI

-1 has to be seen along with the earning conference call as it is the medium vide which the company relay's information / guidance to its investors. Earning calls among other things provide information with respect to financial data of the company, product updates, key management policy decisions and future expectations of the company. It provides an opportunity to the investor to receive a lot of material information ranging from financial health of the company to the growth prospects over time to the management's outlook and guidance on the future of the company. Thus, earnings call is one of the primary source for any investor who wants to make an informed decision. Therefore, information related to UPSI pertaining to the quarterly results have to be read together with the earning conference call to have a holistic picture on the direction which the company is taking. In the instant matter, it has been *prima facie* noted from the Q1FY2021 ZEEL's earning conference call dated August 18, 2020 that Noticee No. 1 was part of it and was also answering the questions raised by analyst / investors during the said call. It *prima facie* shows not only that he was in possession of UPSI-1 but he was aware and had knowledge of the financials of the company and its products / content.

Regarding the submission of the Noticees that financial performance for the quarter ending June 2020 was not as per consensus estimates, it is observed that post the guidance by the management, there were several brokerage firms which rerated the scrip of ZEEL higher. Further, the consensus estimates were already in public domain. Thus, the said information was already baked into the price of the scrip of ZEEL prior to the financial announcement. Still when the financial results for the quarter ended June 2020 were declared, the next day the price of the scrip increased by 13.14% from its previous closing price. Nifty during that time had increased only marginally by 0.20% points. Moreover, the number of shares traded also increased by 143.63%. In the absence of any corporate announcement(s), the increase in price and volume in the scrip of ZEEL, can only be attributed to the financial results. Therefore, even if the financial results of ZEEL for quarter ending June 2020 were not as per the consensus estimates, post the guidance given by the management, positive steps taken by the management

and improvement in company's financial performance, cumulatively had a positive effect on the market price of the scrip.

14.7. Noticees have contended that the result of the company was not as per the expectation and therefore when the markets opened on August 19, 2020, there was a fall in the share price by 2.7%. The price then remained in the same trading range as the previous day until the Hon'ble High Court of Bombay ruled in favour of ZEEL in the case filed against them by Yes Bank Ltd. Noticees have submitted a tweet of CNBCTV18 at 12:58 pm regarding the same. It is observed that at the time of hearing the Noticees were asked to submit the increase in the price of the scrip of ZEEL prior to Hon'ble High Court of Bombay order and how widely the news was circulated. It is noted that the aforesaid information has not been submitted by the Noticees in their post hearing submissions. On an analysis of the intra-day price movement in the scrip of ZEEL, it is observed that the price of the scrip opened at Rs 171.2/- at 9:15:1 hours and reached a price of Rs 181.40/- at 12:58:19 hours i.e. an increase of around 6% even before CNBCTV18 tweet on the verdict by the Hon'ble High Court of Bombay. In fact, it is observed that post opening lower by around 2% on August 19, 2020, the price of ZEEL continuously kept increasing throughout the day and closed at Rs 198/- at 15:29:59 hours. Further, price in the scrip of ZEEL had increased by around 13.28% on August 19, 2020 while price in the scrip of Yes Bank Ltd. had increased by around 4.99% on BSE on August 19, 2020. If the market would have considered the Hon'ble High Court of Bombay order in favour of ZEEL so positively then it should have considered the same news negatively for Yes Bank Ltd. However, the same does not appear to be the case. Moreover, it is observed that the order of Hon'ble High Court of Bombay was not announced/disseminated on the Exchanges, either by ZEEL or by Yes Bank Ltd. Hence, the reliance placed by the Noticees on the aforesaid news is also not tenable.

14.8. Noticees have submitted that the reason that they traded in the scrip of ZEEL during UPSI – 1 period was that the advertising volumes had started improving. Compared to TV18 Broadcast Ltd., ZEEL had underperformed and as per their analysis of P/E multiple, there was a potential to make 20-50% profit with

limited risk. In view of the aforesaid, Noticees decided to build their position and await recovery in advertising revenue. It is observed that all the aforesaid information including pick up in volume of advertising, slow recovery in price of the scrip of ZEEL from Covid-19 market low compared to TV18 Broadcast Ltd. and the data for P/E multiple estimates, were in the public domain prior to the announcement of financial results and even before Noticees had started building their position in the scrip of ZEEL, still the Noticees decided to build up their long position only from August 11, 2020 onwards. It has been brought out in the interim order that in the months prior to August 2020, Noticees did not have substantial stake in the scrip of ZEEL compared to other scrips in their portfolio. Thus, the reason given by the Noticee to justify their trading in the scrip of ZEEL does not explain their absence in the scrip in the months leading up to August 2020, even though Noticees had access to all the information prior to August 2020 especially the data on ad volume which as per Noticees own submission, was close to touching normalcy in June 2020. Further, the submission of the Noticees that they decided to build their position and await recovery in advertising revenue is also untenable, as Noticees squared off their position within a few days of their buying. Any recovery takes time and even as per the guidance given by the management, it was informed that the management is expecting the recovery in ad revenues with the onset of festive season i.e., third and fourth quarter of the year. Therefore, squaring of the trades within few days shows that the trades were not executed based on the fundamentals / expected growth in ad revenue of the company.

- 14.9. With respect to launch of Zee Plex, Noticees have stated that it is not an UPSI and even ZEEL did not consider it so and therefore, there was no disclosure by ZEEL under LODR Regulations. Further, Zee Plex had no mention in the budget that was prepared for FY21 as well as FY22 as it is a peripheral service and unlikely to have any meaningful contribution to financials of the company. The reasons for considering launch of Zee Plex as UPSI has been covered in the interim order. The obligation imposed by the PIT Regulations is on all the insiders who have to apply the parameters of UPSI before conducting their trades or communications. Therefore, whether a particular piece of information

is price sensitive information / material information or not is to be determined only on the basis of the parameters mentioned in the PIT Regulation and not on the basis of whether the company has classified the same as price sensitive information / material information.

The submission of the Noticee that since ZEEL did not disclose it under LODR Regulations makes that information as non-material information is unacceptable. Failure on the part of the ZEEL in not considering it as material does not mean that the said information was not price sensitive information / material information. As noted from the earnings conference call for Q2FY21 and Q3FY21 multiple films were released by ZEEL on its new platform which had received enthusiastic response from the audiences. Considering the Covid pandemic which ensured that the cinemas continued to be shut down, the launch of Zee Plex would not only provide a platform for ZEEL to launch movies which it has aggressively acquired over the years but it will also enable ZEEL to attract new viewers to its platform and it will also aid in increasing its ad revenue. In view of the same, the submission of the Noticees that the launch of Zee Plex is unlikely to have any meaningful contribution to the financials of the company is also unacceptable. Moreover, post the press release pertaining to the information related to launch of Zee Plex, the price in the scrip increased by 8.10% as compared to previous day's closing price. The fact whether any budget was prepared during the time of launch of Zee Plex is not relevant in the present matter. The issue that needs to be answered is whether the information related to launch of Zee Plex is an UPSI or not. The same has been *prima facie* established in the extant matter. Detailed investigation is ongoing in the matter. It may bring out other attending circumstances related to the launch of Zee Plex which would throw additional light on its materiality, if any.

- 14.10. Noticee No. 1 has submitted that the contribution of Zee Plex, if any, is not even 1% of the revenue base and hence the launch does not have any material impact on revenues of ZEEL. In this regard, it is observed that the aforesaid statement of the Noticee is not supported by any documentary evidence. Moreover, as noted in the preceding paragraph, considering the Covid pandemic situation prevailing at that point in time, launch of Zee Plex gave a

platform to ZEEL to release new movies on television and OTT, thereby giving an impetus to its viewership and to its ad revenue.

- 14.11. Noticee No. 1 has submitted that as per the list submitted by ZEEL, his name is not on it as the person involved in or having knowledge of launch of Zee Plex. Further, he submitted that the order states that calls made during July and August could be regarding Zee Plex. However, the same order also states that the discussion regarding launch of Zee Plex began only on August 20, 2020. Therefore, the Order itself is contradictory in nature. Moreover, his communication with individuals who as per the company were privy to the information related to the launch of Zee Plex, was to track day to day business activities.

It is observed that the list provided by ZEEL is the version of the company. The argument that his name was not on the list of the employees dealing with the Zee Plex does not take his case any further as in this instance, the company itself has not considered launch of Zee Plex as price sensitive information / material information. To put it differently, the information related to launch of Zee Plex was not treated as a material non-public information by ZEEL and therefore the company never maintained a list of people who had access to or were privy to the said information. Moreover, whether an information is material or not depends on the facts and circumstances of the case. In the instant case, it has been determined *prima facie* that information related to launch of Zee Plex is a material information. Furthermore, there are situations where inspite of company taking precautions, there is no certainty that an information will not reach / access by an unintended recipient particularly someone like Noticee No. 1 who is a key employee (Head- Financial Planning & analysis, Strategy and Investor Relations) and was in constant communication with officials who were privy to the information related to the launch of Zee Plex. Hence, the submission of the Noticee that he has not be named on the list provide by ZEEL, is unacceptable as *prima facie* circumstantial evidence shows otherwise.

The submission of the Noticee that the interim order is contradictory in nature, is an incorrect reading of the interim order. The interim order has not *prima facie* stated that the discussion regarding launch of Zee Plex began only on

August 20, 2020. Based on the chronology of events provided by ZEEL, interim order has *prima facie* noted that as the discussions regarding press release started on August 20, 2020, work / discussions on Zee Plex, would have started earlier than the date of discussions regarding press release. The CDRs showed that during the period July-August 2020, Noticee No. 1 was in regular touch with individuals who had access to information related to UPSI-2. As per Noticee No. 1's own submission his communication during the period July-August 2020 with Mr. Shariq Patel who heads the movie production business at Zee Entertainment and with Mr. Nilesh Deorah (Head Finance – Movie Business), was to understand the evolving scenario in the movie production business which received the maximum impact due to the lockdown. Thus, it is reasonable to *prima facie*, infer that information related to Zee Plex which is a new content consumption medium for consumers and film distribution model for Producers Partners and is related to movie business, on a preponderance of probability basis was discussed between them. Similarly, his discussion with Mr. Akshay Kejriwal (part of MD's Office) with respect to movie purchase for digital and domestic broadcast businesses during FY21, on a preponderance of probability basis can have given him access to information related to launch of Zee Plex. It has been noted in preceding paragraphs, that multiple films were released by ZEEL on Zee Plex in Q2FY21 and Q3FY21. Thus, based on a preponderance of probability basis, it can be inferred that during the course of tracking day to day business activities, Noticee No. 1 *prima facie* had access to information related to UPSI-2 as Zee Plex was related to movie releases and movie release was impacted due to lockdown. Moreover, a detailed investigation is ongoing in the matter which may bring out additional role, if any, of Noticee No. 1 with respect to information related to launch of Zee Plex.

- 14.12. Noticees have submitted that *Delta* analysis during UPSI- 2 period would show that Noticees were net seller and not net buyers and therefore it can never be alleged that the Noticees were aware of UPSI – 2. On analysis of the trades executed from the trading account of Noticee No. 6 after the announcement of UPSI-1 and prior to announcement of UPSI-2, it is observed that the long

positions in Futures in the scrip of ZEEL for 6,00,000 shares expiring on August 27, 2020 were squared off prior to the expiry on August 27, 2020 (i.e., between August 26, 2020 and August 27, 2020) and some profit was booked after publication of UPSI- 1. Thereafter fresh long positions for 3,75,000 shares in Futures was taken in the scrip of ZEEL for September 2020 expiry, between August 27, 2020 and August 31, 2020 and the same were squared off post announcement of UPSI-2. The contention of the Noticee that the *Delta* was negative during the period before the announcement of UPSI-2 is not tenable as it is the *Delta* built up to just prior to the date of the announcement which is to be considered to determine if an entity is having bullish or bearish position in the scrip. The Noticee had squared off the long positions of Futures in the scrip of ZEEL expiring during August 2020 in order to book profit in the said positions and had thereafter taken long positions in the scrip again for the September 2020 expiry on August 27 and 31, 2020. The fact that the entity had taken positions for a smaller quantity in the scrip from one expiry to the next does not imply negative *Delta*. It shows decrease in open position and *Delta* which is not equivalent to negative *Delta*. In the instant matter, 6,50,000 shares which were bought in the cash segment of the market on August 11, 2020 were yet to be squared off. The same shows a combined *Delta* of 10,25,000 (3,75,000 + 6,50,000) for Noticee No. 2 / 6, in the scrip on September 1, 2020 through the open positions signifying the strength of bullish view. What is relevant is to see overall net position across all trades / positions of the Noticee just prior to the announcement. If the Noticee is confident, he will run a high *Delta*. Fluctuation in *Delta* position in between is not a relevant parameter.

Similarly, Noticee No. 7 had also squared off its long positions in the scrip prior to the August 2020 expiry, between August 19, 2020 and August 27, 2020, which included both futures and option positions in the scrip in order to book profits in the said positions. Thereafter, the Noticee took fresh long positions via futures only, in the scrip for the September 2020 expiry, between August 20, 2020 and August 27, 2020. The fact that the *Delta* of the Noticee had declined from around 4,60,110.20 as on August 18, 2020 (i.e., just prior to UPSI-1) to around 2,91,000 on September 1, 2020 (i.e., just prior to UPSI-2) does not imply

that the Noticee had negative view in the scrip. The *Delta* position of the Noticee was significantly high just prior to UPSI-2 which implies that the Noticee continued to have bullish view in the scrip. Even after squaring off the positions for the August 2020 expiry and booking profit, Noticee opened fresh long positions for the September 2020 expiry indicating that Noticee was still bullish on the stock.

Considering the above, the argument of the Noticees that they had negative *Delta* / were net sellers, in the scrip during the period post announcement of UPSI-1 and just prior to the announcement of UPSI-2, is false and therefore, untenable.

- 14.13. It has been submitted by the Noticees that a person who is trading on the basis of UPSI is highly unlikely to hold the position for a long period of time after the UPSI has become public since he has no other directional view. The Noticees held the position for a month during which the stock has also declined more than 10% from the peak. A person holding a stock position despite a mark-to-market loss of Rs. 2.2 crore from the highs post the publication of the UPSI has to have another driver for his strong directional view.

In this regard, it has been observed in preceding paragraphs that Noticees trading in the scrip is not based on the fundamentals of the scrip as the combined buying and selling pattern is not consistent with a long term fundamental view. The reason for them holding the scrip for a month was because of the UPSI periods being very close to each other and therefore instead of exiting the scrip fully, they had partially closed their open positions, booked profit and had opened fresh positions, which they exited completely post publication of UPSI -2. The submission of the Noticees that they were holding the stock even when it had declined more than 10% from the peak, is without any merit. When Noticee No. 2 had started building his position in the scrip on August 11, 2021, the weighted average price on that day was Rs. 158.88/- and when he completely exited the scrip on September 10, 2020, the weighted average price on that day was Rs. 224.51/-. Similarly, for Noticee No. 3, when Noticee No. 3 had started building his position in the scrip on August 11, 2021, the weighted average price on that day was Rs. 158.88/- and when he

completely exited the scrip on September 23, 2020, the weighted average price on that day was Rs. 189.62/-. Thus, it can be seen that post publication of UPSIs, the price in the scrip was on an upward trend though it was not a straight climb. The price still did not go below August 11, 2020 level. Though Noticees were not able to exit the scrip when it was at its highest during the said period, still it does not take away the fact that the trading behaviour exhibited by the Noticees in the scrip wherein they had started building their positions just few days prior to the publication of UPSI, was not of a long term investor who invests based on the fundamentals of the company and has a longer investment horizon. The fact that the Noticees have not exited at the peak price only indicates that the Noticees were expecting a further rise which is consistent with their bullish outlook due to next UPSI. It has been noted in the interim order that Noticees have made substantial proceeds by exiting their positions, within a few days, post publication of UPSIs.

The submission of the Noticees with respect to mark-to-market loss is also untenable. Mark-to-market losses is the difference in cost of acquisition of the scrip with the prevailing price of the scrip at any point of time. In the given matter, though the price in the scrip of ZEEL was on the rise but it was not steadily going only in one direction i.e., only upward without any fluctuations. So if the Noticees did not exit the scrip at the highest price of the scrip, then there will be a notional loss to them and as noted in the preceding paragraphs they did not exit the scrip as they were expecting a further rise in the price of the scrip upon publication of UPSI – 2. However, to determine the directional view of the Noticees, the relevant consideration is the net open position that the Noticees have just prior to the announcement of UPSIs. In the given matter, the Noticees had significant open position signifying bullish view which when seen along with other attending circumstances, as noted in the interim order, Noticees shows the bullish view, the Noticees had, *prima facie* on account of possession of UPSIs.

- 14.14. Regarding UPSIs 3 and 4, the Noticees have submitted that the entire basis (increase in call volumes or increase in trade volumes) that was used to make allegation of trading during UPSIs - 1 and 2 has been given a complete go-by

while making allegations for UPSIs - 3 and 4. In this regard, it may be noted that circumstances surrounding each UPSI will differ from each other depending on the facts surrounding that particular UPSI. In the instant matter, as noted in the preceding paragraphs, reliance has been placed on CDRs to establish that Noticees are connected with each other and are in regular communication with each other. Once that has been established, the same need not be shown in every instance when the same set of Noticees are involved. Furthermore, trading history of the Noticee has been taken into consideration in UPSI – 3 period while the same has not been relied upon in UPSI – 4 period, as weightage was given to the commonality with trades executed by Noticee No. 2 in other UPSI periods. It was done to *prima facie* show a repeated pattern in the trades of Noticee No. 2 vis-à-vis timing of the trades and positions taken in the derivative segment of the market which is *prima facie* in line with the corporate announcement. Moreover, by not referring to one of the circumstances which has been referred to in other UPSIs, does not outweigh the cumulative effect of other attending circumstances mentioned in UPSI-4 period.

- 14.15. Noticee No. 2 has contended that during UPSI - 3 and 4 periods, the quantum of profit itself belies SEBI's contention that Noticee No. 1 communicated the UPSI to Noticee No. 2 or that the said trades were on the basis of UPSI. It is observed that quantum of profit made is not a criterion to determine whether the impugned trades were on the basis of UPSI. In the given matter the factors that have been considered to form a *prima facie* opinion that the impugned trades executed by Noticee No. 2 were on the basis of UPSI and when he was in possession of UPSI, have been mentioned in the interim order. Further, the impugned trades executed by Noticee No. 2 during UPSI 3 and 4 periods *prima facie* shows a pattern that Noticee No. 2 is able to take a correct directional view depending on the financial results of ZEEL. The aforesaid when seen with other UPSI periods *prima facie* leads to an inference that Noticee No. 2 has a habit of taking the correct directional view in the scrip of ZEEL, just prior to a corporate announcement and that cannot be a coincidence but is by design.
- 14.16. Noticees have submitted that the impugned trades were in line with their regular trading strategy and concentration. Running a concentrated portfolio is

a feature of the Noticees trading strategy for a very long time. Short duration trading with large sized position is a regular trading strategy for the Noticees. To this effect, Noticees have submitted their “position size” in some of the scrips. At the time of hearing, when the Noticees were asked to explain what they meant by “position size”, it was informed that it shows their both buy and sell positions taken together. In this regard, the Noticees were informed at the time of the hearing to show their open positions in the said scrips on a day to day basis. The reason being that like in the scrip of ZEEL wherein the Noticees were gradually building their position and had substantial net open position just prior to the announcement signifying their bullish view, the said build up could not be determined from the data submitted by the Noticees. However, it is noted from the post hearing submissions of the Noticees that they have reiterated their earlier submissions without making any additional submissions. Therefore, an independent examination of the *Delta* / open positions in various scrips (excluding benchmark indices) traded in the account of Noticee No. 6 and Noticee No. 7 was done for the period between January 1, 2020 to May 31, 2021. The said analysis has not taken into account intra-day trades undertaken by the aforesaid Noticees since such trades do not result in any net open position at the end of the day. (It may be noted that this does not mean that intra-day trades cannot be insider trading trades; however, in the facts and circumstances of the current case, they are not relevant.). From the analysis, following observations can be drawn:

- 14.16.1. Noticee No. 6 had the highest cumulative delta position in the scrip of Idea, to the extent of 40,18,000 as on February 17, 2020. The next highest cumulative delta position of the Noticee is in the scrip of ZEEL to the extent of 12,50,000 on August 18, 2020, just prior to the announcement of the Q1FY21 financial results (UPSI-1) for the company. The cumulative *Delta* positions of the Noticee in other scrips traded during the aforesaid period is significantly lower, with the next highest cumulative delta position in the scrip of SBI to the extent of 4,50,000 on May 21, 2021.
- 14.16.2. Noticee No. 7 had the highest *Delta* position in the scrip of Idea to the extent of 69,90,000 on January 28, 2020. The next highest *Delta*

position of the Noticee is in the scrip of ZEEL to the extent of 4,60,110 on August 18, 2020 i.e., just prior to the announcement of the Q1FY21 financial results of the company (UPSI-1). The *Delta* positions in other scrips traded by the Noticee during the aforesaid period is significantly lower with the next highest delta position of only 2,00,000 in the scrip of Future Consumer Ltd on June 2, 2020.

It is to be noted here that *Delta* measures the change in the price of the derivative position for a Re.1 change in the price of the underlying. The scrip price of Idea as on January 27, 2020 was Rs. 5.20. Hence, a Re. 1 change in the underlying price of Idea would entail almost 20% change in the scrip price. Therefore, the *Delta* position in the scrip of Idea cannot be compared to the *Delta* position of other high priced scrips like ZEEL. An example to illustrate the same is given in the table below:

Table No. 3

Scrip Name: IDEA, Underlying Price as on Jan 27, 2020: Rs 5.2				Scrip Name: ZEEL, Underlying Price as on Jan 27, 2020: Rs 173.90			
Price Movem ent of Underl ying (% terms)	Price Movem ent of Underl ying (Absol ute terms)	Delta	Profit (Rs)	Price Movem ent of Underl ying (% terms)	Price Moveme nt of Underlyi ng (Absolut e terms)	Delta	Profit (Rs)
10%	0.52	69,90,000	36,34,800	10%	17.40	4,60,110	80,03,616
20%	1.04	69,90,000	72,69,600	20%	34.79	4,60,110	1,60,07,233
30%	1.56	69,90,000	1,09,04,400	30%	52.19	4,60,110	2,40,10,850

Profit= Delta Price Movement of Underlying in Absolute terms*

It can be seen from the above table that for a 10% move in the underlying price of Idea, the net profit generated will be around Rs. 36.35 lakh. However, for the same price movement in the scrip of ZEEL, the profit generated will be around Rs. 80.03 lakh. Therefore, even though the *Delta* in the scrip of Idea is significantly higher than the *Delta* in the scrip of ZEEL, yet it is generating lower profits for the same price movement in the 2 scrips (in % terms).

Considering the above, it can be *prima facie* inferred that the Noticees inspite of claiming that they deploy concentrated positions, the same does not hold for like to like comparisons.

- 14.17. Noticees by placing reliance upon *Nirmal Kotecha* order passed by SEBI, have stated that SEBI has failed to apply its own formula. It is observed that the facts of both the matters are different. The extant matter does not deal with disgorgement. At this stage when the investigation is still ongoing, it is only the proceeds generated from the impugned transactions by the Noticees that have been impounded. Disgorgement of amount, if any will be determined after completion of the investigation and upon final adjudication in the matter. Therefore, at this stage the submission of the Noticees cannot be entertained.
- 14.18. Noticees No. 2 and 3 have claimed that they have known each other for a long period of time and frequently discuss a lot of things including trade ideas. The ZEEL trades were just one of such instances. It is observed that the circumstances in the matter viz., close and long connection with Noticee No. 1 who was *prima facie* in possession of UPSIs, timing of the trades, significant buildup of position / *Delta* by Noticees just prior to the announcement, no substantial trading done by Noticees in the scrip of ZEEL compared to other scrips in terms of traded value prior to the announcement (except UPSI -4) and concentrated trading in the scrip of ZEEL in terms of trade value vis-à-vis other scrips during the UPSI period (except UPSI -4) on a preponderance of probability basis shows that Noticees 2 and 3 were *prima facie* in possession of UPSIs. Therefore, the submission of the Noticees that their trade in the scrip of ZEEL was pursuant to mere discussion, is unacceptable.
- 14.19. Noticee No. 3 has submitted that borrowing and lending of monies from the Amit Jajoo group is not proof of communication of any UPSI. It is observed that the same is also not the case of SEBI. The financial transactions have been shown only to establish connection among the Noticees.
- 14.20. Noticee No. 3 has also submitted that since the Noticees have placed their trades through Edelweiss where Mr. Amit Jajoo is an Authorised Person, the Noticees' trades might have been mirrored or followed by Amit Jajoo Group at their own discretion. It has been noted in the interim order that commonality

between Noticee No. 3 and Amit Jajoo Group does not end with the trading in the scrip of ZEEL but it extends to other circumstances such as timing of trades, significant *Delta* position etc. which *prima facie* shows exchange of UPSI between them. Thus, the submission of Noticee No. 3 is untenable.

14.21. The submission of Noticee No. 3 that he was not working with First Voyager Advisors Pvt. Ltd. on the date of the order is correct. The order was passed on August 12, 2021 whereas Noticee No. 3 had resigned from First Voyager Advisors Pvt. Ltd. on January 31, 2021. However, he was employed by First Voyager Advisors Pvt. Ltd. when the impugned trades were executed by him.

14.22. Noticees have submitted that since they have deposited the impounding proceeds and the fact that Noticee No. 1 is no longer in employment of ZEEL, there is no more apprehension of insider trading. Further, this is the only time that any regulatory action has been taken against them. Therefore, Noticees request to discontinue the directions given in the interim order. In this regard, it is observed that Noticees bank accounts have been unfrozen pursuant to them opening an escrow account and depositing the impounding amount. With respect to Noticees submission, it is observed that the *prima facie* insider trading activities have happened over multiple UPSI periods. Thus, it can be seen that *prima facie* it is not a one off incident. It has also been *prima facie* observed that Noticee No. 3 being an employee of First Voyager Advisors Pvt. Ltd. was contractually barred from trading in the securities market, directly or indirectly without the prior permission of his employer (Compliance Officer) but he was trading through his mother's account. The aforesaid *prima facie* shows that the Noticees have *prima facie*, not adhered to regulations / contractual obligations in other respects also. This when seen along with the fact that the Noticees have been associated with securities market for 15-17 years by virtue of their work (Noticees have worked with some of the leading firms, BRICS, UBS, Credit Suisse etc.) and educational background (Chartered Accountant and Alumni of IIM Lucknow) enabling them to have a large and wide spread social and corporate connection / network (LinkedIn Profile- Noticee No. 1: 363 connections, Noticee No. 2: 161 connections, Noticee No. 3: 417 connections) with equally high placed officials in other companies / firms

related to securities market. As noted in the extant matter, the Noticees have *prima facie* pursuant to a *modus operandi* indulged in insider trading activities on multiple instances, it is reasonable to infer that they may continue to indulge in the said activities as and when the opportunity would arise in future by virtue of their social and corporate connection / network. Thus, balance of convenience lies in favour of preserving the integrity of the market and trust of the investors in the market as there is a reasonable probability that Noticees can have access to material non-public information of companies other than ZEEL. Here, it is relevant to note that considering the nature of information which is time sensitive, to take advantage of the same the Noticees would have to have control over, when and how much has to be invested in that particular scrip including control over the timing to square off the position at a particular price. In other words, a person who is in possession of a UPSI, will have to act fast and deploy his resources to build a position, prior to the publication of UPSI. This element of 'control' over when and how much has to be invested including when to exit the position which is essential to take advantage of information asymmetry, would not be there, if the Noticees are purchasing the units of the Mutual Funds. The reason being that the Fund Manager will have its own investment strategy of when and where to invest including the time period of investment. Thus, even if the Noticees are in possession of a UPSI, they will not be able to influence the investment strategy of the Fund Manager so as to take the advantage of the UPSI. Therefore, to that extent, in the instant matter, Noticees can be permitted to invest in units of Mutual Funds. Thus, the direction in the interim order to that extent has to be modified.

15. I, therefore, find that the submissions / explanations submitted by Mr. Bijal Shah, Mr. Gopal Ritolia, Mr. Jatin Chawla, Ms. Gomti Devi Ritolia and Ms. Daljit Chawla cannot be accepted because of the reasons as discussed in preceding paragraphs. Thus, the *prima facie* findings in the interim order dated August 12, 2021, that Mr. Bijal Shah and Mr. Jatin Chawla *prima facie* pursuant to a *modus operandi* communicated the UPSI in the scrip of ZEEL resulting in *prima facie* violation of Section 12 A (e) of SEBI Act and regulation 3 (1) of PIT Regulations., stand confirmed. Further, the *prima facie* findings in the interim order dated August 12, 2021, that Mr. Gopal Ritolia, Mr. Jatin

Chawla have *prima facie* pursuant to a *modus operandi* traded in the scrip of ZEEL while in possession of and on the basis of the UPSI., resulting in the *prima facie* contravention of the provisions of Sections 12A (d) and (e) of SEBI Act and regulations 3(2) and 4(1) of PIT Regulations, stand confirmed. Furthermore, the *prima facie* findings in the interim order dated August 12, 2021, that Ms. Gomti Devi Ritolia and Ms. Daljit Chawla have *prima facie* indirectly engaged in insider trading activities and have also *prima facie* indirectly dealt in securities while in possession of material non-public information resulting in *prima facie* violation of Sections 12A (d) and 12A (e) of SEBI Act, stand confirmed.

Order

16. Considering the material on record, reply of Mr. Bijal Shah, Mr. Gopal Ritolia, Mr. Jatin Chawla, Ms. Gomti Devi Ritolia and Ms. Daljit Chawla and findings thereupon mentioned in the preceding paragraphs, pending investigation, I, in exercise of the power conferred upon me under Sections 11(1), 11(4) and 11B(1) read with Section 19 of the Securities and Exchange Board of India Act, 1992 and in the facts and circumstances of the case, hereby confirm the directions of the interim order dated, August 12, 2021, qua the entities covered in this order, subject to the following modifications, with effect from the date of this order:
- 16.1. Mr. Bijal Shah, Mr. Gopal Ritolia, Mr. Jatin Chawla, Ms. Gomti Devi Ritolia and Ms. Daljit Chawla are restrained from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever until further orders. However, the Noticees are permitted to buy and sell / redeem units of Mutual Funds.
- 16.2. The Depositories are directed to ensure, that till further directions, credits and debits of only mutual fund units, if any are made in the demat accounts of the Noticees, held individually or jointly.
- 16.3. The Registrar and Transfer Agents are also directed to ensure that till further directions only credits and transfer / redemption of mutual fund units are permitted in the name of the Noticees, jointly or severally.
17. I note that a detailed investigation in the matter is in progress which may bring out additional roles of omission or commission, of the Noticees, if any, in detail, depending

on the material and after considering the facts and veracity of their submissions. The findings in the extant order are *prima facie* findings in a matter under investigation.

18. SEBI shall pass a separate order after giving an opportunity of hearing to the other entities who are not covered in the interim order but against whom the interim order has been passed.
19. A copy of this order shall be served on all the Noticees, recognized stock exchanges, depositories and registrar and share transfer agents to ensure compliance with the above directions.

-Sd-

DATE: September 27, 2021

PLACE: MUMBAI

MADHABI PURI BUCH

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA