

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: SANTOSH KUMAR MOHANTY, WHOLE TIME MEMBER
CONFIRMATORY ORDER**

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

In respect of:

Sl. No.	Name of the Entity	PAN
1	Amit Bhanwarlal Jajoo	ACKPJ6937H
2	Manish Kumar Jajoo	ACJPJ2985J
3	Monika Lakhotia	AATPL4205B
4	Pushpadevi Jajoo	ADGPJ8701N
5	Bhawarlal Ramniwas Jajoo	AABPJ0947J
6	Bhawarlal Jajoo HUF	AAAHB0043A
7	Ritesh Kumar Kamalkishore Jajoo	ACRPJ5219M
8	M/s Successure Partners	ADSFS6666H
9	Yash Anil Jajoo	BECPJ4821F
10	Vimla Somani	ALBPS1701N

(collectively referred to as “Entities”)

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

Background

1. Securities and Exchange Board of India (hereinafter referred to as “SEBI”) conducted a preliminary examination in the scrip of Zee Entertainment Enterprises Ltd. (hereinafter referred to as “ZEEL” / “Company”) to ascertain as to whether certain entities have traded in the said scrip while they were in possession of unpublished price sensitive information pertaining to audited financial results of ZEEL for the quarter ended June 30, 2020, in contravention of the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “SEBI Act”) read with

the SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as “**PIT Regulations**”).

Interim Order

2. Pursuant to SEBI’s preliminary examination, an *Interim Order* dated August 12, 2021 (hereinafter referred to as “**Interim Order**”) was passed by SEBI *inter alia* against the *Entities* wherein the following were noticed:

2.1. Mr. Bijal Shah who was working as Head - Financial Planning & Analysis, Strategy and Investor Relations at ZEEL was *prima facie* observed to have an access to unpublished information pertaining to financial results for the period ended June 30, 2020 (hereinafter referred to as “**UPSI**”) and based on his connection and call records with Mr. Jatin Chawla, it was observed that Mr. Bijal Shah had apparently communicated the said UPSI to Mr. Jatin Chawla, who in turn shared the said UPSI to his connected *Entity*, Mr. Amit B Jajoo (hereinafter referred to as “**Entity No. 1**”) and from him, the said UPSI got further communicated/ shared with his family member, Mr. Manish Jajoo (hereinafter referred to as “**Entity No. 2**”).

2.2. The preliminary investigation also noticed that subsequent to the possession of the UPSI by Mr. Bijal Shah and sharing thereof with other *Entities*, trades were executed from the trading accounts of the connected entities of the *Entities No. 1* and *2*. For the sake of convenience and better understanding and appreciation of the matter in the instant proceedings, based on their connection with each other, the *Entities* have been broadly categorized into two sub groups. The first sub-group is based out of Mumbai and consists of Mr. Amit Jajoo (**Entity No. 1**), his wife, Ms. Monika Jajoo / Monika Lakhota (hereinafter referred to as “**Entity No. 3**”), his mother, Ms. Pushpadevi Jajoo (hereinafter referred to as “**Entity No. 4**”), his father, Mr. Bhawarlal Jajoo (hereinafter referred to as “**Entity No. 5**”) and his HUF, Bhawarlal Jajoo HUF (hereinafter referred to as “**Entity No. 6**”). The second sub-group is based out of Surat consisting of Mr. Manish Jajoo (**Entity No. 2**), his brother, Mr. Ritesh Jajoo (hereinafter referred to as “**Entity No. 7**”), his partnership firm, M/s Successure Partners (hereinafter referred to as “**Entity No. 8**”), his nephew, Mr. Yash Jajoo (hereinafter referred to as “**Entity No. 9**”) and Ms. Vimla Somani {the other partner of *Entity No. 8* (hereinafter referred to as “**Entity No. 10**”)}.}

- 2.3. Based on the totality of the facts and circumstances viz., possession of UPSI by *Entities No. 1 and 2*, timing of the trades, sudden buildup of position (*Delta*) by *Entities* connected to the *Entities No. 1 and 2* respectively, in the scrip of ZEEL prior to the public announcement of UPSI and subsequent closure of the trading positions within a few days after the announcement of UPSI, lack of substantial trading history by these *Entities* in the scrip of ZEEL, more particularly compared to trading in other scrips in terms of traded value prior to the UPSI period and trading concentration in the scrip of ZEEL in terms of trade value vis-à-vis other scrips during UPSI period etc., it was observed that *Entities No. 1 and 2*, while in possession of and on the basis of UPSI, have traded in the scrip of ZEEL.
- 2.4. It was further observed in the *Interim Order* that the *Entities No. 3 to 9* by giving access to their trading accounts to *Entities No. 1 and 2* had ensured the fruition of the *modus operandi* through execution of trades in their names during the relevant period. In view of the aforesaid *prima facie* findings and observations the *Interim Order* records that the acts of the *Entities* appear to be *prima facie* in violations of provisions of securities laws as enumerated in the *Interim Order*.
- 2.5. Based on the information collected during the preliminary examination and findings as recorded in the *Interim Order*, pending further investigation in the matter certain directions were issued against the *Entities* vide the aforesaid *Interim Order* which were *inter alia*, as follows:
- 2.5.1. The *Entities* were restrained from buying, selling or dealing in the securities market, either directly or indirectly, in any manner whatsoever till further directions.
- 2.5.2. The bank accounts of the *Entities* to the extent of proceeds earned out of the alleged insider trading in the scrip of the *Company* 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 therein. The impounded amount was to be deposited within 15 days from the date of service of the Order. The escrow account/s was to be an interest bearing escrow account which would create a lien in favour of SEBI. Further, it was directed that the monies kept therein shall not be released without permission from SEBI.

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

2.5.4. *Entities* 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.

3. Further, vide the aforesaid *Interim Order*, the *Entities* were also advised to submit their replies, if any, within 21 days from the service of the *Interim Order* and to indicate whether they desire to avail an opportunity of hearing in the matter.

Service of Interim Order, reply and hearing

4. It is noted that the *Interim Order* was served on the *Entities* vide emails dated August 12, 2021. Pursuant to the *Interim Order*, *Entities* have in compliance with the directions issued therein opened, escrow accounts and deposited the proceeds as directed in the *Interim Order*. *Entities* have also declared and provided details of their assets to SEBI.
5. *Entities* have also in response to the *Interim Order* filed their written replies in which they have denied the *prima facie* observations made against them in the *Interim Order*. Contentions raised in their written submission are summarised below.

Submissions of Mr. Amit B. Jajoo (Entity No. 1):

6. Vide his letter dated October 6, 2021 he has denied the allegations made in the *Interim Order* and has *inter alia* submitted as follows:
- 6.1. With respect to UPSI, it is submitted that the legislative requirement of such information being capable of materially affecting the prices of the securities upon being generally available or on being published, is a necessary pre-requisite. Further, the impact on the market price when the alleged UPSI became public is a factor that needs to be considered while alleging an information to be UPSI.
- 6.2. It is submitted that on August 19, 2020 the scrip opened weak with a 0.8% fall compared to a closing price of August 18, 2020 and drifted down by 2.7% to reach

a low of Rs. 169.25. After making such a dip, effectively reflecting the reaction to the result, the price remained in the range of the previous day trading and became stable and therefore, did not qualify to be an UPSI as it did not have any positive impact on the prices of ZEE shares upon being published.

- 6.3. Calls between *Entity No. 1* and Mr. Jatin Chawla, who is *Entity's* client, cannot be the basis to infer that *Entity No. 1* had procured the alleged UPSI. Further, the financial transaction between them was in the nature of friendly assistance as Mr. Jatin Chawla had incurred substantial losses in March 2020 due to volatility induced by the COVID-19 pandemic in the share market.
- 6.4. No adverse inference can be drawn based on the calls and financial transactions between *Entities No. 1* and 2 and / or Jajoo Family, as they are cousins and / or connected by family ties.
- 6.5. *Entity No. 1* has submitted instances demonstrating that trades executed from the trading account of his connected entities are different from the trades of mother of Mr. Jatin Chawla in terms of instrument type, contracts, option type, date of trading and concentration in the scrip of ZEEL.
- 6.6. *Entity No. 1* has submitted extracts from the earnings conference call which was called post publication of UPSI and further demonstrated that the financial results for the quarter ending June 2020 was negative in terms of revenue generation and profit figure on Y-o-Y basis. Further, the *Entity* has referred to some research reports published by some of the brokerage firms, post the release of financial results of ZEEL showing the ratings as neutral or underperform, in the scrip of ZEEL.
- 6.7. The actual results for Quarter 1 for the FY 2020-21, were even poorer than the consensus estimated results. On a further comparison, it can be noted that excluding the one-off exceptional losses reported by ZEEL in Quarter 4 for the FY 2019-20, the profit before tax in the Quarter 1 for the FY 2020-21 declined by 80%. Hence, the results of ZEEL for Quarter 1 for the FY 2020-21 were negative, showing that the UPSI was in effect negative.
- 6.8. If the *Entity* had been in possession of UPSI, he would not have been positive on the scrip of ZEEL. Instead, based on the negative UPSI, he would have closed the long positions that he had taken in the scrip of ZEEL. However, he took long positions in the scrip of ZEEL during the UPSI Period, which sufficiently corroborates that

neither the *Entity* had any insider information, nor his trades were based on any alleged UPSI.

- 6.9. The rise in the price of the scrip on August 19, 2020 can be attributed to the favourable decision of the Hon'ble High Court of Bombay pertaining to case between Yes Bank Ltd. and ZEEL that got pronounced at 1:00 PM on the same day and the price and volume of the scrip started to rise only after the above favourable decision announced in favour of ZEEL, as the claim of Yes Bank Ltd. on ZEEL would have substantially impacted the profit of ZEEL. In support of the above, the *Entity* has submitted a tweet of CNBC on August 19, 2020 at 1:05PM and a newspaper article dated August 19, 2020 published in "The Hindu Business Line" about the decision of the Hon'ble High Court of Bombay. The above order had wide media coverage and was reported positively for ZEEL.
- 6.10. As to why conversely speaking the aforesaid High Court Order that was passed in favour of ZEEL (against Yes Bank Ltd.) did not adversely impact the share price of Yes Bank Ltd., it has been submitted that the Bank in its Annual Report for FY 2019-20 has reported that it has repaid more than 70% of the Special Liquidity Facility which was provided to it by the Reserve Bank of India in March 2020. This was a positive news and the scrip of Yes Bank Ltd. was locked-in in an upper circuit of 5 percent on August 18 & 19, 2020.
- 6.11. Further, it is also contended that the disputed amount of Rs. 387.09 Crore in the case between Yes Bank Ltd. and ZEEL was not a large sum from the perspective of Yes Bank Ltd. compared to the repayment of Rs. 35,000 Crore, still an adverse Order against Yes Bank Ltd. did not have any negative impact on its share price and it remained locked in the 5% upper circuit because of the positive sentiment emerging from the news of its repayment of Rs. 35,000 Crore to the Reserve Bank of India.
- 6.12. It is submitted that the negative impact on the price of the shares of ZEEL i.e., the opening price on August 19, 2020 being lower than the closing price on August 18, 2020, is an indicator that when the information regarding profits earned by ZEEL in the Quarter 1 for the FY 2020-21 was communicated, the same was perceived as negative in the market.

- 6.13. Trading in the account of *Entities No. 3 to 6* in August 2020 was based on their technical analysis comprising of the price movement and volumes in the scrip, corporate actions in the *Company* in the previous months, and the relative performance of the scrip to NIFTY and its peer companies.
- 6.14. *Entity* has traded in the scrip of ZEEL several times before and after the UPSI Period which is evident of a fact that the *Entity* is a frequent trader in ZEEL and the trades mentioned in the *Interim Order* are not the solitary trades that got executed because of any alleged possession of any UPSI.
- 6.15. There was a deep discount in the scrip of ZEEL due to the selling of pledged shares of ZEEL by IDBI Trustee and IndusInd Bank. The prices had come down sharply to a low of Rs. 135 on August 3, 2020 from a high of Rs. 180 on July 8, 2020. Post sharing of strategic vision by Mr. Puneet Goenka on August 3, 2020, the price of ZEEL started showing strength and started moving upward. Further, on August 10, 2020, it was reported that Mr. Ashish Sehgal, Chief Growth Officer- ad revenue, ZEEL stated that "*In terms of ad rates/volume/ revenue, August looks much better than the last few months*". Based on this, the *Entity* was of the view that ad revenues would start picking up and there would be recovery for the pandemic hit sector of media during the festival period starting with Onam.
- 6.16. On August 11, 2020, the scrip of ZEEL triggered a technical breakout by crossing its 50-day Exponential Moving Average placed at Rs. 158 – 159 at the relevant time. Further, post the technical price breakout, the traded volume in ZEEL shares on August 11, 2021 was approximately three times the volume it had on August 10, 2020 that was further indicating market-wide participation and the strength in the price to move up. A technical breakout with corresponding high volumes vis-à-vis previous day, is a very strong indicator that the stock price of a particular scrip shall move upwards.
- 6.17. The *Entity* believed that once the stock closes beyond Rs. 158 – Rs. 159, the stock would break the resistance of Rs. 160. *Entity* took long positions on August 11, 2020 because he believed the price to enter into the price range of the 50-day Exponential Moving Average as on August 11, 2020, the OHLC (open-high-low-close chart) was Rs. 152.70, Rs. 160.95, 152.55, and Rs. 159.75 respectively, and it entered into a

price band of Rs. 158-159 which gave confidence to the *Entity* and he decided to be long on the market performance of ZEEL.

6.18. The peers of ZEEL namely, DB Corp Ltd. (released its financial results for Q1 FY 2020-21 on August 13, 2020) and SUN TV (released its financial results for Q1 FY 2020-21 on August 14, 2020) had shown improved performance in terms of revenues. Therefore, the *Entity* moved with the business and operational performance of the peer of ZEEL. Moreover, ZEEL had launched its short video platform 'HiPI' on August 14, 2020 which was a big opportunity for ZEEL to generate revenue from the digital media platform, post a ban on Tiktok.

6.19. *Entity* decided to trade in the futures of ZEEL after a technical and fundamental analysis of ZEEL. Further, the *Entity* moved with the business and operational performance of the peer of ZEEL i.e., Sun TV. Moreover, ZEEL had two major sources of revenue, first, subscription revenues, and the second, advertising revenue. The factors were indicative of a rise in the advertising volumes and thereby an increase in the advertising revenue, hence, *inter alia* after considering these factors, the *Entity* decided to buy the futures of ZEEL.

6.20. The alleged trades are of August 2020 i.e., 12 months before the passing of the Order which indicates that there was no urgency to pass any directions against the *Entity*.

6.21. The Order is based on a low preponderance of probabilities. Hence, the Order is bad in law and must be withdrawn and the proceedings must be dropped. Further, the violation of PIT Regulations cannot be alleged based on mere surmises and conjectures and based on the erroneous interpretation of data, as has been done in the instant case.

Submissions of Amit Jajoo Group (*Entity* Nos. 3 to 6):

7. *Entities* belonging to Amit Jajoo group i.e., *Entities* No. 3 to 6 vide their common letter dated October 16, 2021 have made submissions similar to the submission made by *Entity* No. 1 and have also *inter alia*, made the following additional submissions:

7.1. For passing an ex-parte ad-interim direction, SEBI should have satisfied the following three parameters which are missing in the instant matter:

7.1.1. Existence of a *prime facie* case against the *Entities*;

7.1.2. The balance of convenience lies in SEBI's favour;

- 7.1.3. Non-restrain would cause or is causing an irreparable loss or grave injury to public/investor at large.
- 7.2. Trading of the *Entities* in the scrip of ZEEL was miniscule and if the *Entities* would have had the alleged UPSI, they would have traded in the scrip of ZEEL in more quantum and quantity. In addition, it is submitted that the trading pattern of the *Entities* employed in the scrip of ZEEL is similar in pattern and size including exposure, as that of other scrips and are a part of a regular trading strategy of the *Entities*.
- 7.3. *Entities* had sold shares of ZEEL in future segment and option contracts in ZEEL on August 19, 2020 but the said selling cannot be said to be in consonance with the publication of the UPSI. Upon the perusal of the price and volume movement during the course of August 19, 2020, it can be noted that, though the initial movement was motivated by the publication of results as on August 18, 2020, however the impact of the same was overpowered by the decision of the Hon'ble High Court against Yes Bank Ltd. as disseminated after 1:00 PM.

Submissions of Mr. Manish Jajoo (*Entity No. 2*):

8. Mr. Manish Jajoo vide his letter dated September 23, 2021 has also made submissions identical to the submissions made by aforesaid *Entities* and has *inter alia* made certain additional submissions as well, which are as follows:
- 8.1. *Entity No. 2* has executed trades in the trading account of *Entities No. 7 to 9* based on the Power of Attorney given to him by these account holders.
- 8.2. In the absence of any evidence, the fact of having family relationship with *Entity No. 1* cannot lead to an adverse inference that the trades executed were influenced by the possession of UPSI. Further, it is submitted that the *Entity No. 2* has no connection with Mr. Bijal Shah, Mr. Gopal Ritolia and Mr. Jatin Chawla.
- 8.3. *Entity No. 2* had a bearish view towards the scrip of ZEEL in the month of July 2020 because of reports of protracted and chancy/venturesome litigations against ZEEL, negative observations of the auditors and the anticipated downfall in the advertisement revenues of ZEEL.
- 8.4. *Entity No. 2* could not be made liable for any transaction done through the accounts of *Entities No. 7 to 9*, when he has been given due authority by the account owners themselves.

Submissions of Mr. Ritesh Jajoo (*Entity No. 7*):

9. Mr. Ritesh Jajoo vide his letter dated September 25, 2021 in addition to the submissions made by aforesaid *Entities* and has *inter alia* made the following additional submissions:
- 9.1. The financial transaction between the Jajoo family members are in the nature of friendly loans on which interest has been charged and TDS has been paid on all these transactions.
- 9.2. While the *Entity* had placed the trades for selling the futures after the publication of the UPSI, he had also placed stop loss triggers which clearly contradicts the alleged observation of SEBI that *Entity* was extremely confident about the rise in the price of ZEEL, because if that would have been the case, the *Entity* would not have put stop loss triggers in place.
- 9.3. The pattern in which the *Entity* had bought the shares will make it clear that the same were bought in tranches keeping various trigger levels in mind, taking into consideration the price and volume movement in the scrip. However, the *Entity* in his ordinary course, keeping in mind his risk appetite, took necessary steps to cap his risk by taking opposite position.
- 9.4. *Entity* had bullish view till the date of the results. However, the results were negative which was going to impact his open positions in the futures and options segment. In line with this bearish outlook, the *Entity* took a short position in cash segment and sold 30,000 shares at Rs. 172.5 in the pre-open session at prices lower than the close of August 18, 2020 which was Rs. 173.95. This clearly shows that the *Entity* did not have any UPSI and his trades were executed in reaction to his assessment of the negative results of ZEEL.
- 9.5. Any inference regarding *Entity No. 2* having the alleged UPSI is negated based on the fact that the *Entity* did not square-off any of the open positions on August 19, 2020 i.e. after the alleged UPSI was made public and continued his usual trading. It is submitted that if *Entity No. 2* would have been in possession of the UPSI, then in order to secure profit, *Entity* would have sold or squared off the open positions.
- 9.6. While the fact of squaring off the positions has been considered, the fact of entering into positions for the next month and new long positions taken by the *Entity* in

August 2020, has not been considered in the present case. Hence, the observations in the Order are erroneous.

- 9.7. The trading done by the *Entity* at higher strike prices of Rs. 165 and Rs. 210 has not been considered. In this regard, it is submitted that the trade entered into by the *Entity* on August 12, 2020, i.e., 30,000 shares of put options sold at the strike price of Rs. 165 (bullish trade) was squared off on August 14, 2020, i.e., before the alleged UPSI became public. This signifies that the *Entity* had squared off even his bullish positions just before the alleged UPSI became public. It is submitted that if the *Entity* had the alleged UPSI with him, he would never have squared off his bullish trade that too just before the alleged UPSI was made public.
- 9.8. The observation in the Order is based on “*Delta*”. However, no proof of the inferences taken or method of calculation for deriving the same based on the actual data has been provided. Hence, the *Entity* is at a complete loss to comprehend/understand the same for giving any response in the present matter.
- 9.9. Any analysis on any metric based on the quantity of the securities is not appropriate. The said analysis should necessarily be based on the value at risk which can be arrived as a product of quantity multiplied by the price of the security.
- 9.10. The calculation of the proceeds is totally erroneous. It is submitted that once the alleged UPSI becomes public, the basis for quantification of the benefit is to be based only on the immediate price fluctuation due to the publication of the alleged UPSI and not on the actual price on which the securities are actually sold.

Submissions of M/s Successure Partners (*Entity No. 8*):

10. M/s Successure Partners vide its letter dated September 23, 2021 reiterated the submissions made by the aforesaid *Entities* and has *inter alia* made the following additional submissions:
- 10.1. While the UPSI period was from July 1, 2020 to August 18, 2020, it is submitted that the trading done by the *Entity* belies the observation made in the *Interim Order* that *Entity No. 2* (Mr. Manish Kumar Jajoo) had access to the alleged UPSI. It can be noted from the trading pattern of the *Entity* in the month of July 2020 that it had a bearish overview of ZEEL futures. If *Entity No. 2* was in possession of UPSI and if the UPSI would have been positive, the *Entity No. 8* would have bought ZEEL futures in

the month of July 2020 and then would have sold them in August 2020, to book profit.

Submissions of Ms. Vimla Somani (*Entity No. 10*):

11. Ms. Vimla Somani vide her letter dated September 24, 2021 has also submitted on the same lines of aforesaid submissions of *Entity No. 8* and has further *inter alia* made the following additional submissions:

11.1. It is submitted that it is solely on the basis of the *Entity No. 10* being the partner in M/s Successure Partners that she has been made liable for the alleged insider trading. No other credible piece of evidence/material has been brought on record while imposing such serious charges against her. Therefore, the charge levelled against the *Entity* stands infructuous.

11.2. A mere invocation of Section 27 (1) of the SEBI Act is not in itself sufficient to proceed against the *Entity*. There has to be some basis and materials on record to establish the knowledge and indulgence of the *Entity* to make her liable under the same.

Submissions of Mr. Yash Anil Jajoo (*Entity No. 9*)

12. Mr. Yash Anil Jajoo vide his letter dated October 1, 2021 has reiterated the submissions made by the aforesaid *Entities* and has *inter alia* made the following additional submissions:

12.1. *Entity No. 9* has completed his B Tech in 2019 and is preparing for CFA. He has been a participant in the securities market for a long time.

12.2. On August 19, 2020, the trading pattern of the *Entity* shows that he had created a short position in the cash segment for 1,50,000 shares of ZEEL till 10:46 am while the *Entity* had a long position of 2,25,000 shares of ZEEL in F&O segment, which amounts to 70% (approx.) of his standing long position in F&O segment. This demonstrates that the outlook of the *Entity No. 9* about ZEEL post publication of UPSI was negative.

12.3. The *Entity No. 9* during the course of the day has squared off his previous open position by 75,000 shares in F&O segment though he was holding 1,50,000 shares. This was done when the market had stabilized from the fluctuations arising out of the results declared on the previous day.

13. As noted above, the *Entities* were granted an opportunity of personal hearing on November 29, 2021 and on the said date, the Authorised Representatives (hereinafter referred to as “**ARs**”) of the *Entities* appeared and reiterated the submissions made by the *Entities* in their respective written replies. Further, during the course of the personal hearing, certain queries were raised to which the *Entities* were advised to submit their responses at the earliest. The said queries were sent to the *Entities* vide email dated December 1, 2021.
14. Post hearing, *Entity No. 1* and his connected *Entities* based out of Mumbai, vide a common letter dated December 9, 2021 have submitted further details of financial transactions between them and Mr. Jatin Chawla and / or his connected *Entity* and have *inter alia* made the following additional submissions:
- 14.1. With respect to the publicity of the order passed by the Hon’ble High Court of Bombay in the matter of *Yes Bank Ltd. vs. ZEEL*, *Entities* have submitted extracts of news flash and two tweets, to demonstrate that the news was widely publicised. Further, *Entities* have also submitted particulars of trading activities to show that the trading volume in the scrip of ZEEL was double in the second half of the trading day, evidencing the impact of the aforesaid Order.
- 14.2. According to them, what needs to be considered as a reason for the surge in price and volumes for ZEEL is that, the auditors had considered this issue (whether Letter of Comfort issued by the *Company* to Yes Bank Ltd. provides any guarantee to pay / repay any obligation of Living Entertainment Ltd. which was pending before the Hon’ble High Court of Bombay) and had already qualified the annual financial results of the *Company* based on the said issue on July 24, 2020. However, since the Hon’ble Bombay High Court rejected Yes Bank Ltd.’s plea regarding the Letter of Comfort of ZEEL being considered as a guarantee, the news of the same triggered a positive impact.
- 14.3. *Entities* have also submitted a chronology of events relating to the sale of pledged shares of ZEEL by IDBI Trustee and IndusInd Bank, showing adverse impact on the price of the scrip in July 2020.
- 14.4. A list of scrips in which the *Entities* have taken trading decision based on their perspective of 50 days Exponential Moving Average, during the period from September 1, 2019 to August 31, 2020, has been submitted by them.

- 14.5. With respect to the query on the details of the scrips in which the *Entities* have taken contrary position to each others trade during the period from September 1, 2019 to August 31, 2020, the *Entities* have submitted that no such instances were found by them. However, they have submitted a comparison of the trades amongst the *Entities*.
- 14.6. *Entities* have submitted the details of scrips in which they had taken open position on a day to day basis.
15. *Entity No. 2* and his connected *Entities* based out of Surat, vide a common letter dated December 9, 2021 has also made similar submissions as that of *Entity No. 1* and his connected *Entities* based out of Mumbai.
16. *Entity No. 10* vide her letter dated December 10, 2021 has reiterated her earlier submissions. She has stated that the queries raised at the time of her personal hearing did not pertain to her hence, she has no additional submissions to make in the matter.

Findings & Considerations

17. Before dwelling upon the preliminary observations made and the *prima facie* conclusions drawn as well as the directions issued in the *Interim Order* on the basis of the material available on record and the submissions made by the *Entities* during the present proceedings, it is relevant here to clarify that the present proceedings before me are in the nature of confirmatory or revocation proceedings during which I have very limited remit to the extent of assessing as to whether the *prima facie* observations made in the *Interim Order* stand refuted conclusively by the *Entities* and/or whether they are successful in carving out a case warranting any modification in the directions issued against them in the *Interim Order*. I understand that a detailed investigation into this matter is being conducted by SEBI, the outcome of which will decide further course of action and initiation of further proceedings in the matter as per the law.
18. Having carefully considered the oral and written submissions made by all the *Entities*, I find it appropriate to delineate those facts that insinuated the passing of the instant *Interim Order* and more particularly, those facts which remain undisputed till now. It is noted that the preliminary examination revealed *prima facie* that certain persons / entities traded in the scrip of ZEEL while they were in possession of UPSI about the *Company* and the genesis to the aforesaid observation lies in the fact that one Mr. Bijal

Shah, was holding an important post of Head of Financial Planning & Analysis, Strategy and Investor Relations and was also a designated person of ZEEL. Further, Mr. Bijal Shah was noticed to be dealing with the aspects of financial performance and was part of all important meeting/ discussion pertaining to the financial results of the *Company* and therefore was an insider under the PIT Regulations. Accordingly, Mr. Bijal Shah was found to be an insider to the UPSI pertaining to financial results for the period ended June 30, 2020 with respect to which the UPSI period commenced from July 1, 2020 till August 18, 2020.

19. It was also noticed that Mr. Bijal Shah was connected to Mr. Gopal Ritolia and Mr. Jatin Chawla, based on various factors such as, educational background, employment history, call data records (hereinafter referred to as “**CDRs**”) and financial dealings etc. The *Interim Order* also records that based on CDRs and transactions in bank statements, *Entity No. 1* was found to be connected / associated with Mr. Jatin Chawla. An examination of CDR also showed that *Entity No. 1* was in regular communications with *Entity No. 2* and an examination of the frequency and value of financial transactions between the *Entities* showed that there apparently existed a strong financial relationship amongst the *Entities* / Jajoo Group family members. Further, the *Interim Order* records that the trading pattern of the *Entities* during the UPSI period was marked by abnormal positions in the scrip of ZEEL and all of their trading positions were largely unidirectional during the UPSI period which were noticed to have been squared off substantially after the disclosure of the UPSI. As recorded in the *Interim Order*, significant open positions were built up in the trading accounts of *Entities No. 3 to 9* just prior to the declaration of financial results for the quarter ending June 2020 and the said positions were gradually reduced, post publication of the UPSI. The said trades, when seen along with the trades executed by Mr. Gopal Ritolia and Mr. Jatin Chawla in the trading accounts of their respective mothers, give rise to a strong suspicion of transmission of/ communication of UPSI to these entities (Mr. Gopal Ritolia and Mr. Jatin Chawla and their respective mothers) as the trades executed in their trading accounts appeared to be executed under strong influence of the said UPSI which was at the relevant point of time, not generally available to the investors at large. As per the *Interim Order*, Mr. Gopal Ritolia and Mr. Jatin Chawla were noticed to have started taking bullish position in the scrip of ZEEL from the same

day onwards, i.e., August 11, 2020 and have followed similar trading pattern in the scrip of ZEEL during UPSI period as has been followed by the other *Entities* in the present proceedings.

20. On the strength of the above narrated sequence of events, the close proximities enjoyed and frequent telephonic communications indulged in by the entities, as well as the unusual exuberance displayed by the *Entities* while trading in the scrip of ZEEL especially during the UPSI period, following similar trading pattern depicting similar *Delta* of their trading positions, the *Interim Order*, following the doctrine of preponderance of probabilities *prima facie* observed that Mr. Bijal Shah had apparently communicated the UPSI to Mr. Jatin Chawla, who in turn communicated the said UPSI to *Entity No. 1*, who further communicated it to *Entity No. 2*. It was also *prima facie* observed that the *Entities No. 1* and *2* are cousin brothers thereby enhancing the probabilities of sharing of the said UPSI based on which, trades were executed in the trading accounts of *Entities No. 3* to *9*, wherein consistently bullish position was taken in the scrip of ZEEL. Such bullish positions *prima facie* suggested that the trades in the accounts of *Entities No. 3* to *9* were executed based on and under the influence of the UPSI that was passed on from Mr. Bijal Shah onwards till *Entity No. 2* as narrated above. In view of all the aforesaid chain of events and trading activities in the scrip of ZEEL, the *Entities* were *prima facie* found to be in violation of relevant provisions of SEBI Act and PIT Regulations. Accordingly, certain interim directions as quoted earlier in this Order were passed in respect of the *Entities* for protecting the interest of investors and integrity of the securities market.
21. I also note that in terms of the directions issued in the *Interim Order*, the *Entities* have deposited cumulatively a sum of Rs 14.22 crore in an interest bearing escrow account with a lien in favour of SEBI. Subsequent to such deposit of funds, the bank accounts of *Entities* have been unfrozen and restored to normalcy for all kinds of banking transactions. *Entities* have also furnished details of assets as directed in the *Interim Order* and thus, as on this day, I find there is no direction in operation against the *Entities*, except for the restraint from buying, selling or otherwise dealing in the securities, either directly or indirectly, till further orders.

22. Before moving further, I find it appropriate to segregate certain facts of the case as stated in the *Interim Order* which have also not been disputed by any of the *Entities* so far, and these undisputed facts are highlighted hereunder:
- 22.1. Mr. Jatin Chawla and *Entity No. 1* are known to each other over a long period of time. *Entity No. 1* has not denied the existence of phone calls and financial transactions between him and Mr. Jatin Chawla, as noted in the *Interim Order*.
- 22.2. *Entities No. 1* and *2* are cousins and are having financial transactions with their family members.
- 22.3. *Entities No. 3* to *9* have not denied execution of trades in the scrip of ZEEL from their trading accounts, as mentioned in the *Interim Order*.
- 22.4. Trades were executed by the *Entities No. 1* and *2* in the demat and trading accounts of their respective connected entities.
- 22.5. Trades in the account of *Entities No. 3* to *9* were executed with their knowledge and consent.
23. I note that all the *Entities* have extensively contended that there was no element of insider trading in the present matter. In this regard, for the sake of convenience, the submission of the *Entities* can be broadly classified under the following five major heads:
- 23.1. Alleged UPSI in the present matter is not a material event.
- 23.2. UPSI, if any was never communicated by Mr. Jatin Chawla to *Entity No. 1* and from *Entity No. 1* to *Entity No. 2*.
- 23.3. UPSI was negative in nature.
- 23.4. The rationale for trading in the scrip was based on the technical factors, volume indicators, fundamental analysis of the *Company* and comparison with other listed companies in the media sector.
- 23.5. Calculation of proceeds is erroneous.
24. I now proceed to deal with the submissions of *Entities* following the aforesaid broad heads/items in the light of the scope of the extant proceedings.
25. The *Entities* have submitted that it is a necessary pre-requisite that UPSI upon becoming generally available should materially affect the price of the securities. Further, the impact on the market price when the alleged UPSI becomes public, needs to be considered while calling any information to be UPSI. In this regard, it is noted

that as per the definition of UPSI under regulation 2 (1)(n) of PIT Regulations, there are three ingredients that are essential to qualify an information as an UPSI and those have been discussed at length in the *Interim Order*. The same are not reproduced here for sake of brevity. The submission that the UPSI should necessarily materially affect the price of the securities has no merit, as the definition of UPSI under regulation 2 (1)(n) of PIT Regulations itself emphasizes on **likely impact** (and not actual impact) on the price of the security, once the UPSI becomes generally available. Consequently, the actual impact, if any, on the price of the security need not be considered as a factor for the purpose of classifying any information as UPSI. Be that as it may, it is noted in the instant matter that there was indeed an impact on the price of shares of ZEEL on August 19, 2020, after the UPSI became generally available. The price of the scrip (ZEEL) increased by 13.14% on the next day of announcement of UPSI in comparison to the price on August 18, 2020 on close to close basis. Moreover, the number of shares traded also increased by 143.63%. In any case, the aforesaid submissions of the *Entities* that an UPSI upon becoming generally available has to necessarily impact the price of the scrip is not supported by the regulation, hence is not found to be a tenable proposition at this stage.

26. *Entity No. 1* has submitted that the UPSI was never communicated to him by Mr. Jatin Chawla and the phone calls between them during July - August 2020 was not unusual. Further, the financial transaction between them was in the nature of a friendly financial assistance. Similarly, there is nothing exceptional about the phone calls and financial transactions between the *Entities No. 1* and 2 and / or amongst the family members of the Jajoo Group. Moreover, no evidence has been produced by SEBI to substantiate that the *Entities* were in possession of the UPSI.
27. With respect to the aforesaid submission of *Entity No. 1*, it is pertinent to note that the reliance placed in the *Interim Order* on the phone calls and the financial transactions has been made for the purpose of establishing the strong connection that exist between them. The *Interim Order* nowhere mentions in specific terms or has made any reference to any specific phone calls made on a specific date or time to suggest that through the said particular phone call the UPSI was communicated to the *Entity No. 1*. The *Interim Order* proceeds on the materials available on record including the information about the phone calls and financial transactions, an analysis of which

strongly gives rise to *prima facie* indication of possibility of exchange/sharing of UPSI from Mr. Jatin Chawla to *Entity No. 1* and the said suspicion is again strongly rooted in the unusual trading pattern followed by the *Entities* while dealing in the scrip of ZEEL during the relevant period. I further note that the basic facts and materials available on record, based on which, the *Interim Order* had to be issued in the interest of securities market have not been dispelled or repudiated by any of the *Entities* with the support of any clinching evidence, which can shake or demolish the foundation of those *prima facie* observations on the basis of which the *Interim Order* was issued. Moreover, considering the fact that in today's age of technology with mushrooming applications that enable seamless calls and messages which provide service of end-to-end encryption assuring complete anonymity, it will be a simplistic assumption to state that the *Entities* would have communicated the UPSI with each other through the regular telephone calls only. I do not find the *Interim Order* ever intended to state that the *Entities* communicated UPSI only through the telephone calls as illustrated in the Order. Similarly, the frequency and value of financial transaction cited in the *Interim Order* demonstrate the closeness and strength of bonding amongst the *Entities* and closeness between *Entity No. 1* and Mr. Jatin Chawla. The submission that he had provided friendly financial assistance to Mr. Jatin Chawla would not dilute the inference drawn in the Order pertaining to their close connection and would not impress me to take a view contrary to the view taken in the *Interim Order* more particularly when the investigation is pending and *Entities* have all the opportunities to explain the genuineness and *bona fide* of their financial transaction before the fact finding authority. Thus, looking at the existence of the phone calls and financial transactions between *Entities Nos. 1* and 2 and between *Entities No. 1* and Mr. Jatin Chawla in conjunction with the other attending circumstances enumerated in the *Interim Order*, I see that the *Entities* have not brought any document before me warranting to interfere with the *prima facie* observations about their *inter se* connection and close relationship, made in the *Interim Order*. Therefore, the submission of the *Entities* that no adverse inference about transmission of UPSI can be drawn based on calls and financial transactions does not hold good as the *Interim Order* has not placed reliance solely on them to arrive at the *prima facie* findings.

28. With respect to the submission of the *Entities* that no evidence has been produced by SEBI to substantiate that the *Entities* were in possession of the UPSI, there cannot be a second opinion in insider trading matters particularly those which involves an allegation of communication of UPSI which normally happens within the exclusive privacy of the entities concerned that no direct evidence may be forthcoming / available and it will be almost impossible to extricate direct evidence of such communication/transmission of UPSI which has taken place privately between two individuals. However, the absence of direct evidence cannot be a handicap for the investigating authority to proceed further against the suspected entities, more so when the attending circumstances and corroborating evidences strongly indicate the preponderance of insider trading happening based on trades that are executed in a manner to raise a bona fide belief that such trades have been executed under the influence of possession of UPSI. In this case, based on the facts and attending circumstances, the UPSI is *prima facie* seen to have been received by the *Entities* from Mr. Jatin Chawla, who was further seen to have received it from a person (Mr. Bijal Shah), senior official of ZEEL who was integrally associated with the said price sensitive information of the *Company*. As observed above, even in the absence of any direct evidence, such matters of insider trading allegations are to be tested on the circumstantial evidence including the facts surrounding the conduct of parties and abnormal trading practices adopted by them which defy normal logic and business prudence. What is needed in such matters, is to appreciate from a factual matrix, the preponderance of probabilities of happening of such an event which in my view have been elaborately discussed and brought to record in the *Interim Order* to drive home the point that *Entities* were in all probabilities in possession of UPSI and have traded in the scrip of ZEEL under the influence of such UPSI. Thus, in the extant matter, the circumstantial evidence that need to be considered are the connections amongst the *Entities* and with Mr. Jatin Chawla, Mr. Jatin Chawla's close association with Mr. Bijal Shah over a long period of time, Mr. Bijal Shah having *prima facie* access and being in possession of UPSI of ZEEL, the timing of the trades executed in the scrip of ZEEL by the *Entities*, patterns of their trades, concentration of trades in ZEEL, trading pattern in ZEEL vis-a-vis other scrips, trading history of the *Entities* and commonality/similarity of trading pattern between *Entities* and other entities (Mr.

Gopal Ritolia and Mr. Jatin Chawla) in the scrip of ZEEL etc. I find that all the aforesaid attending facts have been dealt with in detail in the *Interim Order* and all the aforesaid factors together have successfully passed the test of preponderance of probability thereby leading to a strong *prima facie* finding in the *Interim Order* that the trades were executed by *Entities* and / or their connected entities on the basis of UPSI and when the *Entities* were in possession of the said UPSI.

29. It has been contended that the alleged UPSI is negative in nature and therefore, issuance of directions under the *Interim Order* based on conjecture and surmises were unwarranted. In support of the above, *Entities* have advanced the following arguments:
- 29.1. Sharp fall of 35% Y-o-Y in the revenue due to sharp fall of 64% in advertisement revenue. Further, there was a fall in the absolute figure of profit earned and consolidated revenue vis-à-vis the Quarter 1 of FY 2019-20.
- 29.2. Research paper published by brokerage houses (Motilal Oswal Financial Services, BofA) post the release of financial results, had downgraded the rating or showed it as neutral.
- 29.3. Actual results were poorer than the consensus estimated results.
- 29.4. Post publication of results, the price of the scrip opened weak with a fall of 0.8% compared to the closing price on August 18, 2020 and drifted down by 2.7% before making a recovery post decision of the Hon'ble High Court of Bombay order in the matter between ZEEL and Yes Bank Ltd.
30. In this respect, at the outset, I have to reiterate that the scope and ambit of the instant proceedings are limited to examine as whether the *prima facie* view taken while passing the interim directions is *prima facie* based on any evidence and whether in the facts and circumstances of the matter, *Entities* are successful in making out a strong case warranting any modification in the directions issued under the *Interim Order*, pending completion of investigation. It is to be noted that directions under the *Interim Order* have been passed as a preventive measure, when a detailed fact finding exercise is underway. Given this context, I have to observe that the aforesaid financial parameters referred to by the *Entities* are not the only parameters that can be employed to analyse financial results of a company. An undisputed fact that can't be ignored that during the first quarter of FY 2020-21, the economy of the country was

badly impacted by the pandemic during which, almost entire corporate world including ZEEL suffered from severe operational and financial hardships. Despite such unprecedented economic disruptions thrown by the pandemic, ZEEL still made a profit of Rs. 64.27 crore in the quarter ending June 2020 after suffering a loss of Rs. 295.74 crore in the quarter ending March 2020. Moreover, several brokerage firms (viz: J P Morgan, Emkay Research, Citi Research), had released reports showing improvement in metrics in the Balance Sheet (estimates) of ZEEL with lower inventory, lower receivables and higher cash generation. Furthermore, post declaration of financial results, the management had made earnings calls to discuss the *Company's* performance in the Quarter 1 of FY21 and some of the key performance indicators shared by the *Company* in the said call are as follows:

- 30.1. 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.
- 30.2. As far as receivables were concerned, the *Company* has received payment plans from two key distribution partners for clearing their overdue amounts.
- 30.3. 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.
- 30.4. Zee Studios was venturing into production of digital content for third party OTT platforms.
- 30.5. 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 kick starts 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.
- 30.6. The *Company* was already seeing green shoots and the recovery has already started. The advertisers were coming back and consumer spending had started.
- 30.7. There would be improvement in the EBITDA margin compared to Q1 that was declared.

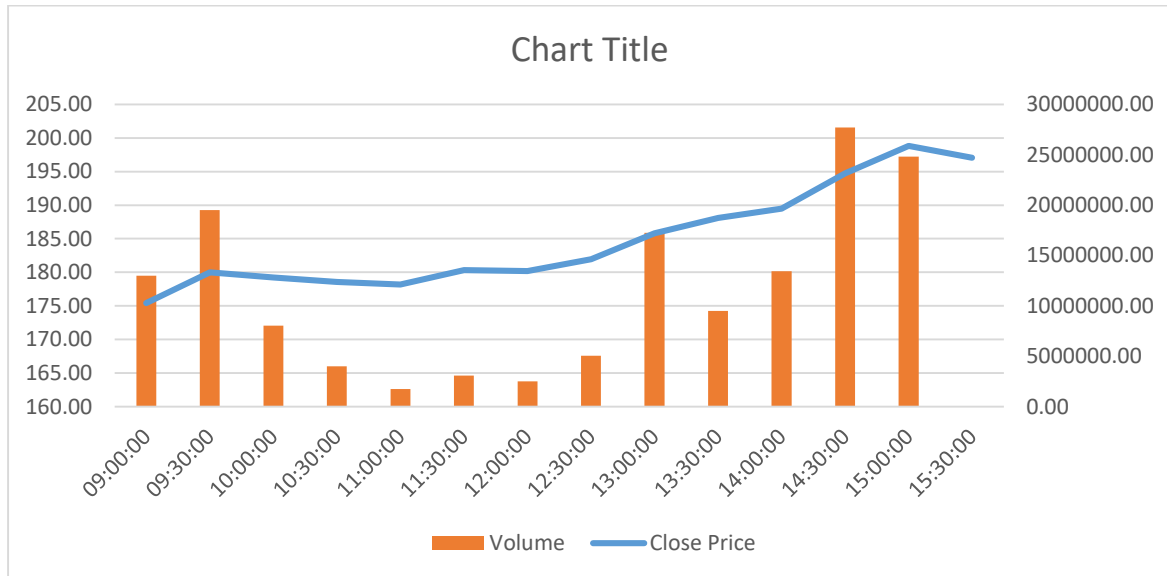
Further, post the afore stated performance guidance given by the management of ZEEL, several brokerages viz., Citi Research Equity, JP Morgan, Emkay Research, CLSA, Macquarie and B&K Securities had re-rated the scrip of ZEEL upwards. Thus,

considering the peculiar circumstance of the economy prevalent at that time when the economy was reeling under the disruptions caused by the pandemic, the financial results of ZEEL for the quarter ending June 2020 showed a significant improvement in cash generation, other metrics in balance sheet (inventory and receivables), ad-revenue recovery and increase in profits from the previous quarter. Therefore, keeping in view the materials on records and the aforesaid factors, key performance indicators shared by the *Company*, research reports and re-ratings etc. one can easily hold *prima facie* that, the information related to UPSI of the *Company* was positive in nature.

31. Regarding the submission of the *Entities* that financial performance for the quarter ending June 2020 was not as per consensus estimates, it is observed that post the guidance given by the management during earning calls, there were several brokerage firms which rerated the scrip of ZEEL higher. Further, the consensus estimates were already available in public domain. Thus, the information pertaining to the consensus estimates was already baked into the price of the scrip of ZEEL prior to the financial announcement, and yet 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. Moreover, the number of shares traded, also increased by 143.63%. In the absence of any corporate announcement(s) from the *Company* around that time, the increase in price and volume in the scrip of ZEEL can definitely 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 during the earning calls, the positive steps taken by the management and improvement in *Company's* financial performance, can't be brushed aside completely by holding that it had no impact on the finances of the *Company*.
32. In order to justify that the trades have been executed without any influence of the UPSI, the *Entities* have contended that post publication of results, there was a fall in the share price by 2.7% on August 19, 2020. 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. *Entities* have submitted three tweets (CNBCTV18 tweet at 12:58 pm, Redbox India tweet at 1:06 pm and tweet

by an ET Journalist at 2:25 pm) and extracts of news flash regarding the same, to substantiate that the said Order of the Hon'ble High Court of Bombay was widely publicized and had an impact on the price of the scrip during the day and the upward movement in the price was primarily on account of the above decision of the Hon'ble High Court and not due to the quarterly financial results.

33. The aforesaid submission of the *Entities* may initially appear to be persuasive on its face, however what I find is that in their attempt to exaggerate the positive impact of the High Court Order, the *Entities* are trying hard to completely deprive the quarterly financial results of its due credit as a positive UPSI, thereby trying to disrobe the *Interim Order* off all its *prima facie* observations so as to claim exoneration for the *Entities* from the restraints imposed under the *Interim Order*. It is observed that the aforesaid submissions of the *Entities* are based on the assumption that the UPSI was negative in nature and hence could not have had any impact on the price of the scrip. However, as has already been noted in preceding paragraphs, that the *Entities* have not been able to prove the UPSI was negative in nature. In my view a concrete factual finding about the nature of the UPSI, whether positive or negative, or to what extent positive/negative can be made only during the investigation which is yet to be completed. As at this stage however, based on the aforesaid assertions made by the *Entities* merely based on social media reporting about the High Court decision, the *prima facie* observations made in the *Interim Order* about the UPSI being positive in nature making its positive impact on the price of the scrip, cannot be ruled out. Further, credence to the positive impact of the UPSI can also be lent from the analysis of the intra-day price movement in the scrip of ZEEL on August 19, 2021 i.e. the day after the declaration of quarterly financial results for quarter ending June 2020. It is observed that the price of the scrip opened at Rs. 171.2 at 9:15:1 hour and reached a price of Rs. 181.40 at 12:58:19 hours i.e. an increase of around 6% even before CNBCTV18 tweet (the earliest tweet) on the verdict by the Hon'ble High Court of Bombay. In fact, it is observed that after opening at a lower price by around 2% in the morning on August 19, 2020, the price of ZEEL continuously kept increasing throughout the day and closed at Rs. 198 at 15:29:59 hours. The details of the price movement in the scrip of ZEEL on August 19, 2021, on a 30 minute interval basis is depicted below:



From the aforesaid facts, *prima facie* one cannot accept the contention of the *Entities* that the alleged UPSI was negative and that the positive price movement in the scrip was impacted solely by the order of the Hon'ble High Court of Bombay. In the stock market, the sentiment behind a particular scrip and the corresponding movement in the price and volume of the scrip depend on the interplay of a number of factors, both internal and external. Assuming even for a moment that the submission of the *Entities* has any merit, the impact of the aforesaid Hon'ble High Court Order on the market price of the scrip on that day would however depend on how widely and how soon the said news about the favorable High Court Order was circulated in the market and became accessible to the public, especially when the said order of the Hon'ble High Court of Bombay was not announced/disseminated on the Exchanges, either by ZEEL or by Yes Bank Ltd. From the timing of the three tweets in social media as referred to by the *Entities* it is observed that the price of the scrip had already increased by 6% before the publication of the first two tweets. With respect to the third tweet and the extracts of news flash brought to my attention, it is noted that the same were published around 14:25 hours by which time the price of the scrip of ZEEL was already ruling in the range of Rs 185-Rs 189. Thus, on the basis of the aforesaid evidence submitted by the *Entities*, they are not successful in showing that it was only the aforesaid news about the Order of the Hon'ble High Court which was the primary or sole reason for the increase in price of ZEEL on August 19, 2021. As noted from the facts pertaining to the trade data during the day, that the price in the scrip of ZEEL

had already picked up an upward trajectory prior to 13:00 hours on August 19, 2020 i.e., much prior to those tweets appeared in social media. Under the circumstances at this stage of the proceedings, the impact of the Hon'ble High Court Order on the price of the scrip, if any, cannot be quantified in an unqualified manner and cannot be used to completely negate the *prima facie* finding made in the *Interim Order* that the UPSI was positive in nature and had positive influence on the price of the scrip as soon as the said UPSI was made generally available to public. Be that as it may, without prejudice to the aforesaid observations, going back to my earlier observation about the definition of UPSI in the PIT Regulations, an UPSI will always remain an UPSI if upon its disclosure, it is likely to impact the price of the share of the company. Hence, whether the UPSI pertaining to the quarterly financial results of ZEEL indeed ultimately impacted the price or not, or to what extent it impacted, will not take away the status of UPSI from said price sensitive information pertaining to the quarterly financial results of ZEEL. Therefore, any dealing with the said scrip in the market during such UPSI period by the insiders or connected persons or persons who were in possession of such UPSI has to be viewed as insider trading.

34. *Entities* have further contended that the auditor had qualified the annual financial results of the *Company* on July 24, 2020 which had an impact on the price and volume of the scrip and once the Hon'ble High Court of Bombay rejected Yes Bank Ltd.'s plea, the stock price of ZEEL reacted positively to the same. In this regard it is noted from the price – volume movement in the scrip of ZEEL that post publication of the above noted qualified annual results, the price and volume in the scrip of ZEEL had declined but had started to recover post August 10, 2020 onwards. Thus, the impact of the aforesaid qualified report, which was in the public domain, had already been absorbed by the market and factored into the price and volume of the scrip and in both the parameters the scrip was showing signs of improvement. Moreover, as already pointed out above, it is not that the price of the scrip of ZEEL was on the decline mode on August 19, 2020 and only after publication of the first tweet about the High Court Order, the price started moving upwards. As noted above, there are multiple factors that impact the price and volume of the scrip in the secondary market. Thus, while the positive impact of the Hon'ble High Court of Bombay Order on the price of the scrip may not be ruled out, one has to also give adequate weightage to the

fact that the qualified financial results were already in the public domain for around two weeks prior to that and the market had already overcome the same which is evident from the fact that the price of the scrip was already on an upward trajectory prior to the publication of the first tweet about the said order.

35. *Entities* have also submitted that the rationale behind their decision for trading in the scrip of ZEEL was based on price movement and volumes, corporate actions, technical analysis and performance of peer companies. In this regard, my observation is that the explanations offered and evidences, if any, produced by the *Entities* to justify their trading in the scrip of ZEEL must grossly outweigh the cumulative effect of the facts and circumstantial evidences that led to the *prima facie* observations about such unusual concentrated trades in the scrip of ZEEL as compared to the normal trading activities of the *Entities* in other scrips during the same relevant period, which culminated in the interim directions issued vide the *Interim Order*. In my considered view, the explanations of the *Entities* should be persuasive enough to leave no room for any other inference that can be drawn in the given facts and circumstances of the case, at this stage pending investigation. I find the explanations and documentary evidence adduced before me by the *Entities* to justify their action of indulging in those trades in the scrip of ZEEL during the UPSI period, do not carry adequate strength to dislodge the factual and circumstantial evidence mustered in the *Interim Order* to make a *prima facie* charge of violations of PIT Regulations against them. In light of the aforesaid, I now proceed to deal with the specific contentions of the *Entities*.
36. There is a submission of the *Entities* that there was a deep discount in the scrip of ZEEL due to selling of pledged shares of ZEEL and the price of the scrip had come down sharply from a trading high of Rs. 180 on July 8, 2020 to Rs. 135 on August 3, 2020, which is also not borne out of facts. In this respect, one can see from the price movement in the scrip of ZEEL in the month of June 2020 that the closing price of the scrip on June 1, 2020 was Rs. 185.90 and its closing price on June 30, 2020 was Rs. 171.10 with a low closing price of Rs. 163.85 on June 16, 2020. Similarly, in the month of July 2020 the closing price of the scrip on July 1, 2020 was Rs. 175.30 and its closing price on July 31, 2020 was Rs. 138.80 which was also the lowest low closing price for the month of July 2020. Thus, it can be stated based on the trading history of the scrip during June - July 2020, that the price of the scrip was already in a gradual decline

mode from June 2020 onwards and there was no sharp decline or deep discount in the price of ZEEL, as erroneously pointed out by the *Entities*. Further, the news about the dismissal of petition of ZEEL by Hon'ble High Court of Delhi to stop the invocation of pledge was already in the public knowledge since July 4, 2020 and by that time the price in the scrip had already declined to a great extent and no sharp fall in the price of the scrip was observed post the decision of the Hon'ble High Court of Delhi. Moreover, the submission of the *Entities* that there was decline in price of the share of ZEEL due to selling of pledged shares (by the lenders) is neither correlated nor quantified by any documentary evidence. It is also noted that there was no abnormal decline in the volume of shares traded during the month of July 2020 (Avg. no. of shares traded: 11,04,955) as compared to June 2020 (Avg. no. of shares traded: 15,00,922).

37. *Entities* have contended that one of the rationales for their trading in the scrip was that the price of the scrip of ZEEL started showing strength after an interview given by Managing Director of ZEEL during which, he had shared the strategic vision for a new ZEEL and the statement of Chief Growth Officer of ZEEL stating that August advertisement revenue of ZEEL looks much better than last few months. In response to such an assertion I would like to go back to my earlier observation that in a secondary market scenario, at no point of a trading day, it is easy to identify with conviction and proof any one single factor so as to hold it singularly responsible for the impact on the price or movement of the price of the scrip during the day. There are always multitude of factors at play which simultaneously and cumulatively together impact the price. Therefore, to say that it was only post the interview of the Managing Director, that the price of ZEEL started showing strength is an explanation which does not take into account a host of other market forces at play. Further, the information pertaining to growth in advertisement revenue was already available in the public domain since July 10, 2020 as TAM AdEx- Television & Digital Advertising Report for Q1 was released on that day which stated that television advertising volumes in June are close to touching normalcy. Hence, the information shared by the Chief Growth Officer of ZEEL was nothing new for the public to know as the possible impact of growth in advertisement revenue would already have been factored by the market into the price of ZEEL prior to his statement on August 10, 2020.

38. The *Entities* have also argued that on August 11, 2020, the scrip of ZEEL triggered a technical breakout by crossing its 50 day Exponential Moving Average with corresponding high volumes which gave confidence to the *Entities* to go long in the scrip of ZEEL. I note that the submission of the *Entities* that their trades were purely based on technical reason and that the same strategy was followed in other scrips as well, is a tall claim which needs further verification and corroboration through technical analysis vis-à-vis the actual trading done by the *Entities* in various scrips apart from the scrip of ZEEL, before arriving at a definite observation. Hence, the same is a subject matter for further investigation that is in progress at SEBI. Under the circumstances, such a claim can't be held to be conclusive evidence at this stage enough to prove their innocence or *bona fide* about the impugned trades in the scrip of ZEEL looking at those allegedly abnormal trades executed by them in the scrip of the *Company* that are presently under investigation. The relevant question that needs to be answered at this stage is whether the substantial jump in the trades in the scrip of ZEEL from July 2020 to August 2020 can be solely explained in terms of 50 day Exponential Moving Average completely ignoring the cumulative effect of a series of circumstantial evidences relied upon in the *Interim Order*. The series of circumstantial evidence are rooted in the timing and trading pattern of the *Entities* vis-à-vis the trades executed by Mr. Gopal Ritolia and Mr. Jatin Chawla in their respective mother's trading account, close association of *Entity No. 1* with Mr. Jatin Chawla who in turn was closely associated with Mr. Bijal Shah, significant build-up of position / *Delta* by the *Entities* in the scrip of ZEEL prior to the announcement of UPSI and subsequent closure of position / *Delta* within a few days after the public announcement of the UPSI and trading concentration in the scrip of ZEEL in terms of trade value vis-à-vis other scrips in the month of August 2020 etc. I find that at this stage when a detailed investigation is pending which may bring out additional facts in the matter, the explanation offered by the *Entities* to justify their trades in the scrip of ZEEL is not substantial and effective enough to assail and nullify the cumulative effect of the circumstantial evidence that have been so strongly highlighted and relied upon in the *Interim Order*. *Entities* are at liberty to submit all such justification with supporting evidence before the fact finding authority so as to justify that the trading behaviour displayed by them in the scrip of ZEEL is normal and similar to the trading strategy

adopted by them in various other scrips and that their trading strategy of 50 day Exponential Moving Average has been followed by them consistently in several other scrips as well. However, at this stage of the proceedings, it will be unreasonable on my part to give any credence to such claims made by the *Entities*, pending thorough examination in the ongoing investigation, to justify their trading actions in the scrip of ZEEL during the UPSI period.

39. The *Entities* have also attempted to justify their trading in the scrip of ZEEL by attributing their decision to the good financial results of certain industry peers of ZEEL (DB Corp Ltd. & Sun TV). However, it is noted that the financial results of the aforesaid peers of ZEEL were released post August 13, 2020 by which time the *Entities* had already built substantial open position / net *Delta* in the scrip of ZEEL, as shown in the table below:

Table No. 2

Name	Net <i>Delta</i> in the scrip of ZEEL as on		
	August 11, 2020	August 12, 2020 (cumulative)	August 13, 2020 (cumulative)
Bhawarlal Jajoo (HUF)	102,960.46	110,091.96	128,100.47
Bhawarlal Jajoo	117,960.46	122,091.96	125,127.12
Monika Lakhotia	180,000.00	189,318.60	498,018.53
Ritesh Jajoo	106,450.16	126,564.04	90,449.53
Pushpa Devi Jajoo	36,000.00	30,000.00	30,000.00
Successure Partners	228,000.00	237,000.00	237,000.00
Yash Jajoo	105,000.00	111,000.00	111,000.00

Given the substantial open position held by the *Entities* in the scrip of ZEEL prior to the announcement of financial results of DB Corp Ltd. & Sun TV, their decision to go long in the scrip of ZEEL cannot be attributed to the financial results of ZEEL's peers. Moreover, even though the *Entities* have stated that the outlook of Broadcasting industry was looking positive which helped them to decide to go long in the scrip of ZEEL, one cannot overlook the fact that the *Entities* had not traded in any other scrip except for the scrip of ZEEL from the said Sector during the relevant period which raises a *prima facie* and *bona fide* suspicion about the intent of the *Entities*, given their background of close connections and financial transactions which deserve further investigation to bring all the facts to the table before one can unconditionally

and absolutely conclude that the trades were indeed executed based on the strategies and outlook of Broadcasting Sector, as claimed by the *Entities*. Further, *Entities* have submitted that similar to the policies adopted by NDTV, such as sharp cut in business expenses, they expected ZEEL also to surprise the markets. However, such a vague contention of the *Entities* has no basis to stand on its feet nor there existed any material in public domain for the *Entities* to harbor such a speculative expectation. Furthermore, the *Entities* have submitted that they had also relied on the launch of 'HiPi' platform by ZEEL on August 14, 2020 to take decision to trade in the scrip of ZEEL. As stated earlier, *Entities* had already built up substantial open position / net *Delta* in the scrip of ZEEL prior to August 14, 2020. Thus, the decision of the *Entities* to go long in the scrip of ZEEL was made much prior to the launch of 'HiPi' platform by ZEEL, hence this claim of the *Entities* also falls flat on ground.

40. *Entities* have vehemently argued that their trades in the scrip of ZEEL were miniscule in quantities which itself belies the allegation of possession of any price sensitive information that was not generally available and have also argued that had they been aware of the alleged UPSI, they would have traded in more quantities. Further, they have bought the shares of ZEEL in tranches at various trigger levels and have also taken opposite position to mitigate their risks.

41. The aforesaid claim of the *Entities* that their trading in the scrip of ZEEL was miniscule is however belied by their own trading data for the month of August 2020 which is reproduced herein below:

Table No. 3

Month	Val % - Gross Traded Value in ZEEL / Other Scrip- Entity No. 3	Val % - Gross Traded Value in ZEEL / Other Scrip- Entity No. 4	Val % - Gross Traded Value in ZEEL / Other Scrip- Entity No. 5	Val % - Gross Traded Value in ZEEL / Other Scrip- Entity No. 6	Val % - Gross Traded Value in ZEEL / Other Scrip- Entity No. 7	Val % - Gross Traded Value in ZEEL / Other Scrip- Entity No. 8	Val % - Gross Traded Value in ZEEL / Other Scrip- Entity No. 9
August 2020	19.11	10.38	14.63	6.65	4.24	11.97	14.87

From the above table, it is observed that in the month of August 2020, the gross traded value of the *Entities* in the scrip of ZEEL compared to their gross traded value in other scrips was in the range of 4.24% to 19.11% which cannot be said to be miniscule in nature. Moreover, it is noted that in August 2020 gross traded value of Jajoo Group

Entities in the scrip of ZEEL was Rs 195 crore. As noted in the *Interim Order*, even by *Entities* own standard, there was a substantial jump in the trades in the scrip of ZEEL from March 2020 to August 2020 which included the UPSI period, except for *Entities* No. 4 and 5 (during different months).

42. *Entities* have also submitted that they had followed similar trading pattern in other scrips. To this effect, *Entities* have presented the details of their open positions in some of the scrips and have made a comparison of trading activities between *Entities* belonging to Mumbai Group and Surat Group. I note from the said trade data provided by the *Entities* that except for the scrip of Reliance Industries Ltd., there are no other scrips in which *Entities* No. 3 to 9 have simultaneously and gradually build up their position before exiting the said positions. Moreover, in the given fact and circumstances of the matter as highlighted in the *Interim Order*, the trading pattern of the aforesaid *Entities* has to be examined along with other attending circumstances viz., commonality of trading pattern with other *Entities* involved in the alleged insider trading, timing of their trades and the close connection amongst all the *Entities* involved in the alleged violations of the PIT Regulations. As I have held earlier, when a detailed investigation is in progress, it will be unfair to rely upon the aforesaid explanation furnished by the *Entities* to undermine the cumulative effect of those factual details and other attending circumstances basis which the *Interim Order* has been passed.
43. The next submission of the *Entities* that they have bought the shares of ZEEL in tranches at various trigger levels which would show that positions were taken keeping in mind price and volume movement in the scrip, is also devoid of merit, for the reason that buying shares in tranches at various trigger levels does not negate the fact that *Entities* had decided to build up substantial open positions apparently in a premeditated manner which glaringly signified the strength of their advance bullish view in the scrip. What is relevant is to see the overall net position across all trades / positions of the *Entities* just prior to the announcement of UPSI which indicates a definiteness in the bullish view taken by the *Entities* before they started building up positions in the scrip of ZEEL with a net long position in the scrip. Apparently the *Entities* were confident about the performance of the scrip during the UPSI period because of which their trading positions ran a high *Delta* as seen in the instant matter.

Therefore, the explanation of taking simultaneous opposite trading positions in the scrip (both long and short positions) will also not come to the aid of the *Entities* as because, to understand the actual directional view taken by the *Entities* in the said scrip, the net *Delta* is taken into account which accounts for all contrary positions taken by the *Entities*. As noted in the *Interim Order*, one of the reasons for executing contra trades can be to camouflage the primary intent of going long in the scrip and with an intent to justify their trading and give them a color of genuine and normal trades when called upon to do so, as has been attempted by the *Entities* before me, but in my view, such defenses taken by the *Entities* get belied by their overall net *Delta* in the scrip of ZEEL during the relevant period.

44. It is also the case of the *Entities* that they are regular traders in the scrip of ZEEL and have also taken more positions in the scrip subsequent to the UPSI period. However, such an explanation is irrelevant since the *Interim Order* does not allege that the *Entities* have never traded in the scrip prior to or post UPSI period and yet had taken long positions in the scrip during UPSI period. What has been alleged is that there was a substantial jump in the trading activity of the *Entities* just prior to the announcement of UPSI as compared to previous months and the *Entities* gradually decreased their position in the scrip of ZEEL subsequent to the publication of UPSI. Thus, the said unusual trading pattern followed by the *Entities* was *prima facie* noticed to be an abnormal trading behavior so far as their trades in the scrip of ZEEL are concerned and when such unusual trading pattern is viewed together with other compelling attending circumstantial evidence as highlighted in the *Interim Order*, it leads to a *prima facie* finding that the trades in the trading account of *Entities No. 3 to 9* were apparently executed on the basis of or under the influence of UPSI or when *Entities No 1 and 2* were in possession of UPSI. Further, the claim that the *Entities* have also taken positions in the scrip of ZEEL post UPSI period, has to be seen in conjunction with the fact that the extant matter involves multiple UPSI periods involving the same set of *Entities* for which, a detailed investigation is in progress. The investigation may bring out, if any, the actual reasons for the *Entities* to trade in the scrip post UPSI period as well, which can be also in variance with the explanation put forth by the *Entities* before me. Therefore, at this stage, it would not be proper to completely

accept the explanation of the *Entities* on its face value to conclude that the position taken by the *Entities* post UPSI period was as per their trading strategy.

45. With respect to the submission of *Entity No. 1* that trades executed from the trading account of *Entities No. 3 to 6* are different from the trades executed from the trading account of Mr. Jatin Chawla's mother, I note that the *prima facie* allegation in the *Interim Order* is not that the trades of the aforesaid entities are mirror image of each other. What has been *prima facie* alleged in the *Interim Order* is that the timing of their trades i.e., the day from which they started building up their position was the same, that there was substantial jump in the positions taken by them in the scrip of ZEEL from their position in the previous months, that their trading concentration in the scrip of ZEEL in the month of August 2020 vis-à-vis other scrips and the options and futures bought by them were similar in nature signifying substantial net long positions in the scrip of ZEEL which strongly indicated their bullish outlook for the scrip.
46. I note that the *Entities* have argued that the calculation of proceeds of their alleged trades is erroneous. In this regard, I note that at this stage the proceeds generated by the impugned trades have been impounded and have been kept in an interest bearing escrow account. The said proceeds have not been disgorged. Disgorgement of proceeds, if any, will be determined after completion of the on-going investigation and upon final adjudication in the matter. The investigation is still going on which may bring out if there were any other additional trades as well which were executed by the *Entities* which were also not in consonance or compliance with the PIT Regulations and other securities laws. Therefore, at this stage the request of the *Entities* either for grant of exoneration from the allegation of insider trading or interference with the computation of the proceeds of the alleged insider trades does not deserve consideration.
47. *Entities* have argued that there was no urgency for passing the *Interim Order* after 12 months of the impugned trades. I note that the reasons for passing of the *Interim Order* have been discussed at length in the said *Interim Order* and I do not find any fault / reason to differ from the same.
48. *Entities* have also contended that the *Interim Order* is low on probabilities and the *Interim Order* is based on surmises and conjectures. The said submission of the

Entities is also untenable as, a bare perusal of the *Interim Order* would unequivocally show that for arriving at the *prima facie* findings about the alleged violations of PIT Regulations by the *Entities*, reliance has been placed on a multitude of circumstantial evidence surrounding to the unusual trading activity of the *Entities* in the scrip of ZEEL, which are also rooted in undisputable facts of close connections and financial transactions amongst the *Entities*. It would be grossly fallacious to state that in a case of alleged insider trading, the absence of a direct evidence is an evidence of absence of violation in itself, even though the attendant facts and circumstances do not rule out such violations. In the cases like the instant matter, having absolute proof at this stage, when investigation is in progress may not be plausible, nor the same is the requirement under the law of the land. However, at the same time, the gravitas of the allegation cannot be ignored simpliciter. In the given facts and circumstances of the matter, the inferences have to be drawn based on the cumulative effect of all attending circumstantial evidence on the basis of a strong preponderance of probability and that is what has led to the *prima facie* findings in the *Interim Order*. Thus, at this stage there is no plausible reason to drop the proceedings against the *Entities*.

49. Apart from the common submissions made by the *Entities* that have been discussed in detail in the foregoing paragraphs, I find some of the *Entities* have made certain additional submissions in their defense which are dealt with in the following paragraphs as follows:

49.1. *Entity No. 2* has submitted that he cannot be held liable for the trades executed from the trading account of *Entities No. 7 to 9* as he has executed the said trades based on the Power of Attorney given to him. I note that existence of a Power of Attorney does not *ipso facto* mean that the trades were executed based upon the instructions of the account holders. The aforesaid *Entities* have not submitted any details with respect to the mode and manner of placing of the instructions to him by the account holders to trade in their accounts. Be that as it may, as noted in the *Interim Order*, the mobile number of *Entity No. 2* was linked with the trading account of *Entity No. 7* who is one of the partners of *Entity No. 8*. No explanation has been furnished by either *Entity No. 2* or *Entity No. 7*, as to why the account holder's own mobile number is not linked to his trading account. Further, *Entity No. 9* has submitted his turnover for the last three financial years (FY 2018-21) and his demat

account statement as on August 15, 2021. It is noted from the Power of Attorney submitted by *Entity No. 9* that it is dated February 11, 2019. The turnover data submitted by *Entity No. 9* prior to the execution of Power of Attorney is only for the FY 2018-19. Even from the said data of FY 2018-19, *Entity's* turnover post February 11, 2019, cannot be ascertained. Thus, the data pertaining to turnover is inconclusive. Moreover, the demat statement shows only one scrip without any information about its date of purchase. Hence, the same is also inconclusive. Thus, *Entity No. 9* who is a student, has not demonstrated prior to execution of the said Power of Attorney in favour of *Entity No. 2* that he had the requisite expertise to execute trades worth crores of rupees in the derivative segment of the market while on the other hand it was *Entity No. 2* who is a Dealer at Edelweiss Broking Ltd can be said to have the necessary expertise to execute such trades in derivatives. Thus, at this stage when investigation is in progress which will bring out in detail the exact role played by the respective *Entities*, I find that the explanation given by the aforesaid *Entity* has not been able to successfully assail the *prima facie* findings made in the *Interim Order* with respect to such *Entity*.

49.2. *Entity No. 7* has contended that analysis based on the quantity of securities traded is not appropriate. It has to necessarily be based on the value at risk. In this regard, I note that with evolving dynamics of securities market and different sophisticated modus operandi followed by market manipulators as well as large scale adoption of modern technology, there are several metrics that can be employed to generate alerts by the Regulator to keep the market under watch. In the instant case the metric under watch is that of net *Delta* of trades which is an effective tool to see the overall directional view taken by an entity out of all its trade positions and to gauge as to whether the net trade position at a given point of time of an entity shows a bullish outlook or bearish. The net *Delta* then has to be read with other corroborating evidence in the matter to arrive at a particular *prima facie* finding about the trading pattern and trading behavior of that entity, which is what has been attempted to find out in the *Interim Order*. To suggest that the trade analysis to find out the net market outlook of an entity on a specific scrip should have been based on value at risk method is an incorrect suggestion in the given facts and circumstances of the case, as the analysis made in the instant case does not attempt

to deal with or compare trading in two scrips. In insider trading matters, one of the parameters which is relevant to consider is whether the insider is expecting the price of the share to go up or down based on the possession of UPSI and to that effect, entity's overall net trading position in the particular scrip has to be analyzed which has been effectively captured by analyzing entity's net *Delta* in the scrip. Thus, the aforesaid contention of the *Entity No. 7* is devoid of merit.

49.3. *Entity No. 8* has submitted that as per the *Interim Order*, UPSI period is from July 2020 to August 2020. Thus, if *Entity No. 2* was in possession of UPSI then the *Entity* would have bought ZEEL futures in July 2020 itself and sold it in August 2020, to book profit. On this point, there is no denying the fact that as per the *Interim Order* the UPSI period is from July 2020 to August 2020. However, that would not necessarily mean that the UPSI in question got crystallized and came into existence on the very first day of the UPSI period. One cannot lose sight of the fact that preparation of financial results is a long drawn process which starts with collection of information from various sources/ branches etc. and after being finalized with the support of auditors and finance staff, ends with the deliberations by the Board members in the board meeting prior to disclosing it to the public. In the beginning of the UPSI period, the information could be imprecise in nature, bereft of specific details. With each progressing day, the information gets crystallized and firms up to take higher and higher degree of concrete shape. In the instant matter, it can be said with a reasonable amount of certainty that on August 10, 2020, the information related to the financial results for the quarter ended June 2020 had reached a high degree of crystallization and concreteness as on that day as the *Company* informed the Exchange about the Board meeting to be held on August 18, 2020 wherein the financial results would be discussed. In my view, while it cannot be said with 100% certainty as to in what shape or stage was the UPSI accessed by the insiders or connected persons before the public announcement was actually made, in the same vein, it also cannot be said that the price sensitive information which ultimately got published, existed in the same form throughout the UPSI period from beginning till end of this period. Therefore, the argument advanced by the *Entity* that had it been aware of the UPSI, it could have taken bullish position in the month of July 2020 itself, lacks merit and is devoid of logical thinking as it overlooks the process of

crystallization of information / UPSI more so when the *Interim Order* does not record any specific date of communication with respect to the exact date or stage at which the UPSI was communicated. Therefore, pending the fact finding exercise during the ongoing investigation, the above submission of the *Entity* has no merit and is rejected accordingly.

49.4. *Entity No. 10* has submitted that mere invocation of Section 27(1) of SEBI Act is not in itself sufficient to proceed against her. It is observed from the records that *Entity No. 10* is one of the partners of *Entity No. 8*. She has not claimed to be a sleeping partner of the partnership firm i.e., *Entity No. 8*. As stated in the *Interim Order*, both the partners of the firm, were authorised to operate the trading and demat account, jointly and severally. The same shows that *Entity No. 10* was also equally in charge of and responsible to the firm for the operation of the trading account of the firm. Moreover, she has not denied that she had no knowledge about the Power of Attorney given to *Entity No. 2*. I note that Section 27(1) of SEBI Act creates a deeming fiction which makes the person in charge and responsible to the firm, liable for the offence committed by the firm. The proviso to the said Section, which is in the nature of an exception, states that a person who is liable under sub-section (1) shall not be punished if he/she proves that the offence was committed without his/her knowledge or that he/she had exercised all due diligence to prevent the commission of such offence. Thus, once the initial burden of proof is established to show that a particular person was in charge and responsible to the firm, which has been done in the instant case, the onus to satisfy the requirements so as to take benefit of the proviso, shifts upon the said person. In the instant matter, *Entity No. 10* has not satisfied the requirements of the proviso to Section 27(1) of SEBI Act. Therefore, the submission of *Entity No. 10* pertaining to Section 27(1) of SEBI Act, does not hold good. Moreover, the *Interim Order* does not proceed to establish her culpability conclusively but proceeds against her on the basis of *prima facie* observations and in order to prevent further misuse of the trading account of *Entity No. 8*. Therefore, pending completion of the ongoing investigation, it may not be appropriate to canvass an argument, which even fails in shaking the basic premise/foundation that led to the passing of *Interim Order*.

50. After carefully considering all the facts and evidence so far brought on records both during the interim and the instant confirmatory proceedings, and after considering all the explanations offered and arguments advanced by all the *Entities* in totality in their efforts to dispel the *prima facie* observations recorded in the *Interim Order*, I am of the view that the *Entities* have not made out a convincing case warranting any modification in the directions issued under the *Interim Order*. The explanations offered by the *Entities* have not been able to make any effective inroads into the facts and circumstantial evidence that have been so succinctly brought out in the *Interim Order*. The undisputable crucial facts of Mr. Bijal Shah having access to UPSI of ZEEL, close association existing amongst Mr. Bijal Shah, Mr. Jatin Chawla, *Entities No. 1* and *2*, the timing of trades indulged in by the *Entities* in the scrip of ZEEL, the suspected pattern of their trades in the scrip of ZEEL, their trading concentration in the scrip of ZEEL and the uncanny commonality of trading pattern noticed amongst the **Entities** *inter se* as well as with other entities involved in the matter etc., all together have led to a compelling situation of a high degree of preponderance of probability leaving no other option but to draw a *prima facie* and glaring inference that the impugned trades of the *Entities* were insider trades.

51. As noted earlier, the *Entities* have made submissions that they are regular traders of securities market and considering their total turnover of trades, the exposure in the scrip of ZEEL was miniscule. It has further been pleaded that the *Entities* had pursued their own independent trading strategy and based on the movement of market, price of a scrip and news in public domain, they decide their investment and they have been following such a strategy over a long period on a number of occasions, hence, their trades in ZEEL should not be viewed as a single instance of trade. Having already dealt with this submission in the preceding paragraphs, I note that the *Entities* though have long association with the market with sufficient exposure, have not been able to make out a strong case with the support of any irrefutable evidence that can make me ponder over the basis of the *prima facie* findings made in the *Interim Order* or such evidence being so incontrovertible that exoneration of the *Entities* from the restraints imposed vide the *Interim Order* at this stage even pending completion of investigation would have been a compelling necessity on sheer merit of such evidence.

52. At this stage it has been brought to my attention that in this case, another set of five entities namely Mr. Bijal Shah, Mr. Gopal Ritolia, Mr. Jatin Chawla, Ms. Gomti Devi Ritolia and Ms. Daljit Gurucharan Chawla, against whom similar directions were issued under the same *Interim Order* dated August 12, 2021, had filed appeals against the said *Interim Order* before the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT/ Tribunal**"). The Hon'ble Tribunal vide its order dated September 3, 2021, without interfering with the order passed by SEBI, had disposed of the appeals by directing the appellant to file reply before the WTM for an appropriate order to be passed.
53. In compliance with the above order, the Ld. WTM after having heard the aforesaid five entities passed an order dated September 27, 2021 in which she found no reason to deviate from the directions already issued under the *Interim Order*. However, being aggrieved with the above order dated September 27, 2021, the said five entities again preferred appeals before the Hon'ble SAT which were disposed of by Hon'ble SAT vide order dated November 9, 2021 by passing the following order; "*The order of the learned WTM restraining the appellants from dealing in the securities market, in any manner, as detailed in the impugned order is hereby set aside. The order of the learned WTM as regards impounding of the amount as detailed in the impugned order shall continue subject to the final order to be passed by the WTM*".
54. Relying on the aforesaid order of the Hon'ble SAT qua the aforesaid five entities, the *Entities* herein have sought similar relaxation from the restraints imposed through the *Interim Order* dated August 12, 2021 and have contended that they stand at a footing even better than the five appellants in the aforesaid order of November 9, 2021. It has been submitted that the *Interim Order* proceeds on the premise that Mr. Amit B Jajoo (*Entity No. 1*) had *prima facie* access to the UPSI by receiving the said information from Mr. Jatin Chawla which finds its origination and communication from Mr. Bijal Shah. Since those entities which includes Mr. Bijal Shah who originally had access to UPSI and then observed to have transmitted the same onwards to others, have got relief from the Hon'ble SAT, the *Entities* herein are also entitled to at least similar relaxation from the restraints imposed upon them vide the *Interim Order*.

55. The aforesaid submissions and contentions of the *Entities* have been carefully considered and the order of the Hon'ble SAT have been perused. In my considered view, the *Entities* herein are not placed on a similar footing as that of the above stated five appellants. I find that out of the five appellants who preferred an appeal before the Hon'ble SAT, the alleged insider trading was indulged in by two entities and the other three entities have been *prima facie* found to be involved in communicating the UPSI to other entities, which was misused for pecuniary benefit of two trading account holders namely, Ms. Gomti Devi Ritolia (mother of Mr. Gopal Ritolia) and Ms. Daljit G Chawla (mother of Mr. Jatin Chawla). However, as far as the *Entities* herein are concerned, I find from the factual details pertaining to their trading activities that they are all regular and habitual traders in the securities market and the UPSI which was received by the two cousin brothers namely, Mr. Amit B Jajoo and Mr. Manish K Jajoo, have been immediately put to use for monetary gain in as many as seven trading accounts, all belonging to their family members, which glaringly exposes the propensity and illicit intent of the *Entities* to commit violations of securities law for achieving personal gain. Moreover, the facts and circumstances in which these *Entities* have indulged in trading in the scrip of the *Company* during the UPSI period and keeping in view my strong observations on the conduct of the *Entities* as has been alluded to at length in the preceding paragraphs, the restrictions that have been imposed on these *Entities* vide the *Interim Order* deserves to be continued. I also find that not being convinced by the order of the Hon'ble SAT dated November 9, 2021 which have been passed *qua* the aforesaid five entities by granting them relief from the *interim* restraint from the securities market, SEBI has preferred to challenge the said order before the Hon'ble Supreme Court of India. Nevertheless, without any prejudice to what I have discussed, observed and held above with respect to the *Entities* in the foregoing paragraphs of this Order and without prejudice to my views that no modification to the interim directions is called for at this stage *qua* the *Entities*, keeping in view the pendency of an appeal on this subject matter before the Hon'ble Supreme Court of India and pending completion of investigation in the matter and with a view to remain in compliance with the order of the SAT issued in the case of the aforesaid five entities, I am inclined to grant similar interim reliefs to the *Entities*

herein from the restraint imposed on them vide directions no. 106.1 and 106.4 at paragraph 106 of the *Interim Order*.

Order

56. Accordingly, I, in exercise of the powers conferred upon me in terms of Section 19 of the SEBI Act read with Sections 11, 11(4) and 11B(1) of the SEBI Act thereof, hereby lift the restrictions imposed on the *Entities* vide the *Interim Order*. However, the directions given in this *Confirmatory Order* would be subject to the outcome of the aforesaid appeal proceedings filed by SEBI against the order of SAT dated November 9, 2021, before the Hon'ble Supreme Court of India. In other words, the outcome of the said appeal proceedings shall *ipso facto* be applicable to *Entities* in this instant matter in the similar way and effect as the outcome of the appeal would be applicable to those five entities.

57. It is however clarified here that the funds deposited by the *Entities* in an interest bearing escrow account will remain in the said account with lien in favour of SEBI until further orders.

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

59. This Order is without prejudice to any other action that SEBI may initiate under the securities laws, as deemed appropriate, against the abovementioned *Entities*.

60. A copy of this Order shall be forwarded to the *Entities*, Stock Exchanges, Depositories, Registrar and Share Transfer Agents and Banks to ensure necessary compliance.

DATE: February 18, 2022

PLACE: MUMBAI

S. K. MOHANTY

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA