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CORPORATE LAWS

Case Law Update

1. Companies Act, 2013

Meethelaveetil Kaitheri Muralidharan and Ors. (Appellants) vs. Union of India and Anr. (Respondent) - Order of Madras High Court dated 9th October, 2020 (Madras HC)

Facts of the case

- Name of the appellant(s) was included in a list of disqualified directors which was published on the website of ROC.
- DIN of each appellant/Director was consequently deactivated
- Such disqualification and deactivation were challenged in the writ petition
- Common order dated 13.01.2020 was passed by the court wherein writ petitions filed were dismissed
- Aggrieved by the common order dated 13.01.2020, appellants filed this writ appeal in the court
- Appellants challenged disqualification and deactivation on the following grounds:
    - Prior notice was not issued to the appellant concerned calling upon him to show cause as to why he should not be disqualified as a director; and
    - The ROC is not entitled to deactivate DIN of these directors as per the Companies Act, 2013 and the rules framed thereunder

Background

- The disqualifications incurred under Section 164(1) of the Act are directly attributable to the individuals incurring such disqualification
- Section 164(2) of the Act disqualifies a director from being re-appointed in a company for a period of five years, if the company has not filed financial statements or annual returns for any continuous period of three financial years; or so on
- The said disqualified director is disqualified from being re-appointed in defaulting company or for being appointed in any company other than the non-defaulting companies.
- The expression Defaulting Company is used to describe the Company whose default triggers the disqualification u/s 164(2) in contradistinction with

other Companies in which the director of defaulting Company may be a director.

Arguments on behalf of the Petitioner

- 1st Ld. Counsel appearing on behalf of petitioner contended that the requirement of prior notice is implicit in Sec. 164(2)
- In ***Bhagavan Das Dhananjaya Das vs. Union of India***[1], it was held that the principles of natural justice should have been adhered to by issuing a proper notice to all the directors concerned and that this position is fortified by the fact that the default in filing the financial statements or annual returns is a compoundable offence. On that basis, section 164(2)(a) was construed that such disqualification cannot be effected without a prior notice.
- Deactivation of DIN were challenged on the basis that Section 164(2) of CA, 2013 read with Rule 14 of Companies (Appointment and Qualification of Directors) Rules, 2014 (**the AQD Rules**) do not empower the ROC to either release the list of disqualified directors, in this manner, or to deactivate the DIN.
- Ld. Counsel pointed out that
  - o Rule 14(1) of the AQD rules makes it obligatory that every director shall inform the company concerned about his/her disqualification u/s 164(2) by filing DIR-8. Further, as per Rule 14(2), Company is required to file Form DIR-9 with the ROC immediately upon the commission of a default in complying with section 164(2) (a) or (b). If the Company fails to file Form DIR-9 the disqualification u/s 164(2) would become applicable as stipulated in Rule 14(3).
  - o ROC enters into the picture only if there is a default by the Company concerned to file e-form DIR-9. Consequently, the action of the ROC in publishing the list of disqualified directors is without jurisdiction, in this case, because neither the director concerned nor the Company concerned had filed Form DIR-8 or 9, respectively.
  - o He also relied upon the Judgment of Gujrat HC in ***Gaurang Balvantlal Shah***[2] wherein the court concluded that the disqualification under 164(2) would take place automatically on the occurrence of any of the eventualities mentioned therein, but the action of ROC in publishing the list of disqualified directors is not justified and is not in consonance with the provisions of Sec 164(2) of CA, 2013
  - o Further, he referred to Sec. 167(1) of CA, 2013 and referred to the judgement of ***G. Vasudevan***[3] of Madras HC wherein validity of this provision was impugned before court and division bench of Madras High court upheld the validity of Section 167(1) including proviso thereto.
  - o Sec. 167(1) read with proviso makes it abundantly clear that

1. *[2018] 6 MLJ 704.*
2. *Gaurang Balvantlal Shah vs. Union of India, 214 Com. Cas. 199 (2019).*
3. *G. Vasudevan vs. Union of India [2020 (2) CTC 1].*

the director concerned continues to occupy the office of Director of the defaulting Company. The necessity of providing prior notice becomes more important so as to ensure that the defaulting Company remedies the default. Besides, it underscores the necessity to keep the DIN active and not deactivate the same.

- Further stated that deactivation of DIN in the event of disqualification is impermissible under law.
- Rule 11 of AQD rules does not empower the ROC to deactivate DIN in the present circumstances. The deactivation of DIN was considered impermissible by 3 HCs, namely the HC of Delhi, Gujrat, and Karnataka
- Further concluded his submissions by contending that Sec. 167(1)(a) should be read down so as to apply only to disqualification u/s 164(1) and not u/s 164(2).

2nd Ld. Counsel Contended that

- Director concerned Mr. Muralidharan resigned from the Company concerned on 14.05.2011. The Concerned Company has not filed Form-32 of his resignation, Therefore he enclosed copy of his resignation dated 14.05.2011 with a communication dated 04.08.2012 to the ROC.
- Upon receipt of notice of default u/s 164(2)(a) of CA, 2013, in respect of non-filing of financial statements for block of F.Ys. 2011-13 submitted reply on 21.02.2014 stating that he had submitted his resignation and the same is also communicated and taken on records by ROC and therefore his name should be deleted from the list of disqualified directors.
- In spite of knowledge ROC included his name in list of disqualified directors and also proceeded deactivation of DIN. Further disqualified him for period of 6 years from 01.11.2016 to 31.10.2022 instead of statutory period of 5 years
- He further contended that ROC does not have power to deactivate DIN for reasons cited by 1st Ld. Counsel
- Next contention was that the ROC does not have the power either to publish the list or to deactivate the DIN. In support of this contention, he referred to the Companies [Registration Offices and fees] Rules, 2014. Rule 5 deals with power and duties of ROC. However neither under CA, 2013 nor under any rules framed pursuant thereto, registrars are empowered to either publish a list of disqualified directors or to deactivate the DIN.
- Even under Sec. 164(2) read with Sec. 172 only punishment is prescribed for default in compliance with section 167(2).

Arguments on behalf of Respondent

- Respondent's first contention was with regard to constructive notice. In support of the contention regarding **constructive notice**, he **referred to Gower and Davies, Principles of Modern Company Law, Eighth Edition, 2008 (Gower)**, and pointed out as to how Gower had underscored the **importance of filing public documents such as financial statements and annual returns so as to keep stakeholders informed about the affairs of the company.**
- Filing of financial statements and annual returns are of paramount importance

inasmuch as constructive notice of the affairs of the company concerned is thereby provided to all stakeholders by filing and making available these critical documents in the public domain.

- According to him, Section **164(2) was introduced so as to ensure that this obligation is fulfilled by companies in public interest.**
- Second contention was that the grounds of disqualification under Section 164(1) of CA 2013 are personal to the director concerned and may require a verification of material facts and circumstances. By contrast, Section 164(2) does not require such prior verification.
- In response to a question as to whether the attribution of default to particular directors can be decided without prior notice, he submitted that the **ROC would act on the basis of records available with it.** For example, the ROC would disqualify persons who are shown as directors of the Defaulting Company and would, thereafter, extend such disqualification to other companies in which such persons are directors.
- By relying upon the judgment in ***S. Subramania Aiyar vs. United India Life Insurance Co. Ltd.***[4], he contended that **the directors** of a company, who are responsible for filing financial statements and annual returns and **are responsible for the default in doing so, cannot absolve themselves of liability.**
- With reference to the AQD Rules, he pointed out that Rule 11 makes it abundantly clear that a hearing is mandatory only if the DIN is proposed to be cancelled or deactivated on the ground that it was obtained in a wrongful manner or by fraudulent means. This Rule implies that such **prior opportunity of being heard is not necessary if a DIN is cancelled or deactivated on any other ground.**
- His next contention was that several opportunities were provided to defaulting companies and their directors by launching schemes to condone delay and for rectification. He pointed out that defaulting companies and their directors had sufficient opportunity to rectify or cure these defects.
- In these facts and circumstances, the **publication of the list of disqualified directors and, consequently, the deactivation of DIN was fully justified.** On this issue, he emphasized out that the deactivation is automatic or self-operating.
- He concluded his submissions by pointing out that **the expression 'public interest' is used in several provisions of CA 2013 and emphasized that actions taken in public interest, such as the disqualification and deactivation of DIN, should not be interfered with by the Court.**

Held

The question for consideration before high court was **"Whether a prior notice is**

4. *AIR 1928 Mad. 1215.*

required before disqualifying a director under Section 164(2) of CA 2013?"

- Section 164(2) deals with disqualifications that arise on account of default by a company.
- In order to apply and enforce Section 164(2), it is necessary to attribute the default to specific directors. This raises the question as to whether CA 2013 contains the criteria for such attribution of responsibility for default.
- The only guidance that Section 164(2) contains is that such disqualification could apply either to a current or former director of the Defaulting Company as is evident from the phrase **"person who is or has been a director"** in Section 164(2).
- Further if we refer Rule 14(2) of the AQD Rules specifies that the Defaulting Company shall file Form DIR-9 immediately upon the occurrence of default in complying with Section 164(2) with the names and addresses of the directors during the relevant period. Rule 14 (3) specifies that persons defined as officers of the company in Section 2(60) would be the officers in default, and would consequently be liable for disqualification. Section 2(60) of CA 2013 contains a definition of an "officer who is in default" and self-evidently deals with all officers in default and not only directors.
- It is evident that the **application of Section 2(60) of CA 2013 to a set of specific directors, even in the context of Section 164(2), would not be devoid of dispute and contest.**
- When Section 164(2) of CA 2013 is read with Rule 14 of the AQD Rules, it appears that, if Form DIR-9 is filed, the Registrar of Companies could rely on the names and addresses of directors that were provided by the Defaulting Company. **Such reliance may not, however, be bereft of controversy especially when neither statute nor rule sets out the criteria for the preparation of such list.**
- As stated above, on perusal thereof, it is evident that the **statutory prescription is generic except with regard to the MD and WTD and consequently, insufficient to fix responsibility and attribute the default to a specific set of directors. As a corollary, an enquiry would be necessary.**
- In specific, the first question under Section 164(2) would be whether the company concerned has defaulted in fulfilling the obligations specified in Clauses (a) or (b). As regards Section 164(2)(a), the respondent contended that this determination would be fairly straight forward. While this contention has some basis, such determination may not necessarily be devoid of challenge as would be evident from the following.
- As per the proviso to Section 96 (1) of CA 2013, the first AGM may be held by a company within 9 months from the last date of the preceding FY and the subsequent AGM's within six months from the last date of the preceding FY. The time limit for filing the financial statements runs from the date of AGM and Section 137(1) of CA 2013 provides that the same should be filed within 30 days from the date of the AGM and as per Section 92(4) of CA 2013, it is required to be filed within 60 days of the AGM

- Consequently, the prescribed **time limit for filing the financial statements would vary depending on the date of AGM** and, as a corollary, the date of **default in filing the financial statements would also vary**, including with reference to whether it is the first AGM or a subsequent AGM. It could become even more complicated if the AGM is not held as the time limits would run from the last date prescribed for holding the AGM in such situation.
- Section 164(2), the default has to extend across 3 consecutive FY. Therefore, such determination of **default would necessarily have to be preceded by the fixation of the relevant period.**
- The **criteria on which the disqualified list of directors was prepared is unavailable** and even the default period is conspicuously absent in published list of disqualified directors.
- Next question would be as to **who were the directors of the company concerned during the relevant period.** This is a much more complicated issue to determine in the absence of clear statutory stipulation.
- The reasons why this question is complicated should be discussed now, and for this purpose, the same financial years 2014-15 to 2016-17 may be used as the test case.
- Thus, for the financial year 2014- 15, on the assumption that the financial year ends on 31st March, such financial year would run from 01.04.2014 to 31.03.2015; the company concerned is entitled to hold the AGM on or before 30th September 2015 provided it is not the first AGM, and file the financial statements within 30 days from the date of the AGM. The same position would prevail in the financial year 2015-16 and 2016-17.
- In order to decide attribution for the purpose of Section 164(2)(a), a material question would be as to who were the directors during the relevant period. **Some of the plausible criteria on which responsibility may be attributed are as under:**

  (i) All directors who held office **throughout the period from 01.04.2014 to 31.10.2017**;

  (ii) All directors who held office **throughout** the period from **01.04.2014 to 31.03.2017;**

  (iii) All directors who held office at any time **during** the period **01.04.2014 to 31.10.2017;**

  (iv) All directors who held office at any time **during** the period **01.04.2014 to 31.03.2017;**

  (v) All directors who held office on **31.10.2017**; or

  (vi) All directors who held office on **31.03.2017**.

  In each of the above illustrations, the director concerned could set up an arguable and potentially reasonable defence.

  The aforesaid illustrations exemplify as to why a prior enquiry would not be an empty formality and, on the other hand, would be necessary for purposes of enforcing Section 164(2), especially in the context of the non-filing of Form DIR-9, but even otherwise in the absence of unambiguous statutory prescription of criteria.

The publication of list of disqualified director by the ROC and the deactivation of the DIN of the Appellant was quashed. The DIN of the respective directors was ordered to be reactivated within 30 days of the date of order. However, the Court clarified that it was open to the ROC concerned to initiate action with regard to disqualification subject to an enquiry to decide the question of attribution of default to specific directors by taking into account the observations and conclusions herein.

2. SEBI

Ruling of Securities and Exchange Board of India ('SEBI') – Whole Time Member

Name of the Case: In the matter of New Delhi Television Limited ('NDTV')

Facts of the case

1. SEBI conducted an investigation into the suspected insider trading in the scrip of NDTV ("the Company") during the period starting from September 01, 2006 to June 30, 2008 (hereinafter referred to as "Investigation Period"). This investigation was done on a reference from the Company that certain entities were dealing in its equity shares. On Investigation SEBI detected that the Mr Prannoy Roy and Mrs. Radhika Roy ('Noticees') had also carried out insider trading in the scrip of the Company during the Investigation Period. Mr. Prannoy Roy and Mrs. Radhika Roy had together bought 48,35,850 shares of the Company on December 26, 2007 at a price of ₹ 400/- per share. Subsequently, Noticees had sold 24,10,417 and 25,03,259 shares respectively on April 17, 2008 at the rate of ₹ 435.10 per share. This shows that by selling the Company's shares Mr. Prannoy Roy and Mrs. Radhika Roy have together received a gain of ₹ 16,97,38,335 crore for themselves. SEBI found that the Company was planning to do reorganisation of business. SEBI further alleged that discussions pertaining to reorganisation of the Company ('UPSI') started on September 07, 2007 when Checklist for reorganization was received from KPMG. Thereafter, the disclosure was made by the Company to the Stock Exchanges on April 16, 2008. The Stock Exchanges disseminated the disclosure to the public on April 16, 2008 (at 16:13:09 on NSE and at 17:45:31 on BSE). Period commencing from September 07, 2007 to April 16, 2008 was considered as period during which UPSI remained unpublished. SEBI noted that Mr. Prannoy Roy (Promoter, Chairman and Whole Time Director) and Mrs. Radhika Roy (Promoter and Managing Director) are involved in the discussions pertaining to UPSI, which undeniably bring Mr. Prannoy Roy and Mrs. Radhika Roy within the fold of 'insiders' in terms of regulation 2(e) of the PIT Regulations, 1992.

2. SEBI further noted that announcement pertaining to UPSI was published post trading hours on April 16, 2008 at 16:13:09 on National Stock Exchange ('NSE') and at 17:45:31 on Bombay Stock Exchange ('BSE'). However, Mr. Prannoy Roy and Mrs. Radhika Roy sold 24,10,417 and 25,03,259 shares, respectively on April 17, 2007 at 10:26:42. Therefore, Mr. Prannoy Roy and Mrs. Radhika Roy executed the aforesaid sale on April 17, 2008, during the period when the trading window for them was closed, i.e., within 24 hours of the public announcement pertaining to

Unpublished Price Sensitive Information on April 16, 2008.

3. SEBI further noted that Board of Directors of the Company in the meeting held on April 16, 2008 had decided to evaluate options for reorganisation of the Company with the objective of unlocking shareholder value and to promote focused growth. This proposed reorganisation of the Company would include de-merger/split of the Company into News related businesses and investments in 'Beyond News' businesses which are currently held through its subsidiary NDTV Networks Plc. SEBI further stated that the announcement made by the Company of UPSI with the objective of unlocking shareholder value and to promote focused growth was certainly a significant change in the business plans and operations of the Company and, hence, it was a UPSI in terms of regulation 2(ha)(vii) of the SEBI (Prohibition of Insider Trading) Regulations, 1992 ('PIT Regulations, 1992').

Charges levied

Noticees indulged in the act of insider trading by trading in the scrip of the Company while in possession of UPSI. Noticees have violated the Company's Code of Conduct and the provisions of regulation 12(2) read with regulation 12(1) of the PIT Regulations, 1992 by selling shares of the Company during trading window closure period.

Arguments made by Noticees

1. **UPSI cannot be considered as Unpublished under per PIT Regulations, 1992 as it remained long under consideration in the Company and Receipt of checklist cannot be considered as start date of UPSI:** Announcement of intention to restructure by a listed company can at best provide indication of matters considered worthy of evaluation for the Company by its board of directors, subject to legal or commercial advice that it may receive from nominated advisors, and would not qualify as a UPSI within the definition contained in regulation 2(ha) of the PIT Regulations, 1992. The mere receipt of advisory information by the Company cannot bring about the commencement of a UPSI. The effect of tagging the entire duration from September 2007 till April 2008 as period during which UPSI remained unpublished suggests that for a minimum of two if not three board meetings, held during this period the UPSI remained under consideration by the Company but was not announced by the board of directors of the Company. There is a fundamental flaw in asserting that a UPSI can be staggered across over seven months, merely because a proposal for re-organization was announced at the end of seven months following the receipt of an advisory checklist.

2. **Shares were purchased in order to stave off hostile takeover**: The December 2007 Acquisition of 48,35,850 shares (7.73%) constituted an attempt to stave off an imminent (perceived) threat of hostile takeover, where a corporate group was found to be displaying increasingly mounting interest in the Company, which had been rendered apparent through certain purchases by mutual funds who appeared to be engaged in 'creeping acquisition'. Pursuant to the acquisition of shares on December 26, 2007 open offer got triggered and subsequently Noticees had to purchase 1,26,90,257 equity shares

of the Company. Show Cause Notice purports to juxtapose the December 2007 acquisition against the April 2008 sale, which was done in order to raise funds to comply with open offer obligations, in an attempt to conclude that wrongful gain was made by the promoters, these two transactions are incapable of being viewed in isolation.

3. **UPSI must cause positive impact, and resultantly persons in possession of UPSI should purchase shares as against selling shares:** The present case concerns the sale of shares by the promoters in April 2008, allegedly on the basis of UPSI, overlooking that such a contention is utterly illogical, for an insider privy to UPSI is unlikely to sell shares, but rather than to purchase shares where a positive information is announced potentially triggering significant price advantage.

4. **Transactions were executed on taking pre-clearance and requisite disclosures were made to SEBI under SEBI (Substantial Acquisition of Shares and Takeover) 1997 Regulations and PIT Regulations, 1992**: Noticees submitted that the transactions were executed on taking pre-clearance and that they were not in possession of UPSI. They also submitted that the Company and Noticees themselves had made disclosures/public announcement upon acquisition of shares so SEBI and Stock Exchanges were aware of buying and selling of shares.

Arguments made by SEBI

1. **UPSI cannot be considered as Unpublished under per PIT Regulations, 1992 as it remained long under consideration in the Company and Receipt of checklist cannot be considered as start date of UPSI**: The information submitted by the Company *vide* its letter dated October 12, 2015 (date of reference letter to SEBI alleging insider trading by some other insiders), itself clearly identified the period from September 07, 2007 to April 16, 2008 as the period during which UPSI remained unpublished. It cannot be the case of the Noticees that the very same information that was undisputedly price sensitive for one set of insiders was not to be treated as a UPSI for another set of insiders, i.e., the Noticees. SEBI further noted that it is a matter of record that the Company and its management had started work in the direction of fulfilling the purpose of UPSI with effect from at least September 07, 2007 as can be inferred from the email dated September 07, 2007 regarding *"News Re Organization KPMG Checklist - Information requirements" which, inter alia, contained "Checklist from KPMG on reorganisation"*. Management of the Company was mulling over the proposal and discussing about the reorganization of the Company into different entities, atleast since September 07, 2007 and had made an announcement to this effect to the stock exchanges on April 16, 2008. As per the said announcement, the creation of focused entities would also enable in bringing in strategic and financial partners who have been in discussions with the Company from time to time. Having made an announcement to this effect, it can never be the case of the Noticees or of the Company that the said information did not constitute UPSI.

2. **Shares were purchased in order to stave off hostile takeover**: With respect

to this argument, SEBI stated that these submissions by Noticees are sans any merit as the same cannot be a legally tenable defence to act as a shield from serious charges like insider trading. Even assuming purely for the sake of argument that the above submissions are correct, the charges made in the Show Cause Notice get established in the face of the admission made that they had decided to purchase more shares ostensibly to consolidate their holding in the Company and, thereby, ward off hostile takeover attempts. In my considered view, the provisions of insider trading do not envisage any such defence so as to justify insider trading under the pretext of preventing a hostile takeover, more so when the errant Noticees are seen to be off-loading their shareholding substantially within a few months of purchasing huge quantities of shares of their Company while in possession of UPSI. Any acquisition by an insider on the basis of an UPSI cannot be camouflaged as a creeping acquisition for seeking of immunity from such a serious violation. The fact that the insider was privy to an UPSI in the instant case and has acquired shares while in possession of such UPSI, in my opinion, is more than adequate to negate the claims put forth by the Noticees to justify their acquisition of shares. Justifying the sale of shares on April 17, 2008 in order raise funds for open offer is wholly untenable in law. Under no circumstances can an insider be permitted to take such a flawed defense to justify purchasing of shares in large quantities, while in possession of UPSI under the guise of a business compulsion. SEBI further stated that unquestionably the act of insider trading of December 16, 2007 had a direct link with the sale transaction of April 17, 2008 (pursuant to a trigger of open offer under the Takeover Regulations) as those purchases of shares of NDTV made on December 16, 2007, led to the consequent sale of shares on April 17, 2008. Had they not purchase shares on December 16, 2007 there would not have been the necessity to sell them on April 16, 2008.

3. **UPSI must cause positive impact, and resultantly persons in possession of UPSI should purchase shares as against selling shares**: SEBI stated that on perusal of definition of 'unpublished price sensitive information' shows that an information pertaining to a company can be termed as price sensitive, which if published, is likely to materially affect the price of the securities of the company. It is, therefore, not necessary that UPSI on being published, would invariably cause only a positive price impact. It can have a negative impact as well, especially in the case of information containing less than expected or dismal financial results of the Company. Definition of Unpublished Price Sensitive Information does not pre-suppose any certainty about a price rise (or a price fall) to be triggered by such UPSI. However, one can certainly presume that an insider would indulge in insider trading while in possession of an UPSI either for reaping profit or for avoidance of loss. UPSI was indicative of definite and tangible measures proposed by the Company towards changes in its business plan, policies and operation with a view to unlock shareholder value. Whether the said information containing such business plan, after being published by the Company actually impacted the price of its securities or not, becomes

irrelevant for the determination of liability of insider trading. SEBI rejected this contention of the Noticees that as insiders were in possession of the positive UPSI they would not have sold, rather would have only purchased the shares of the Company. The same is wholly misconceived since the Noticees through their trading comprising of both purchase and sale, while in possession of UPSI, have already demonstrated that their insider trading strategy has proved to be rather profitable.

4. **Transactions were executed on taking pre-clearance and requisite disclosures were made to SEBI under SEBI (Substantial Acquisition of Shares and Takeover) 1997 Regulations and PIT Regulations, 1992**: In this regard SEBI stated that Code of Conduct applies to listed companies for the purpose of regulating, monitoring and reporting by the insiders of their dealing in securities as insiders, as specified under the provisions of PIT Regulations. This mechanism only prescribes the mode and manner in which an insider is expected to act while dealing in securities. It cannot be contemplated that the regulatory regime under the PIT Regulations read with the Code of Conduct can envisage of a situation in which the Company can give pre-clearance to anybody to engage in insider trading in violation of the PIT Regulations, 1992. Therefore, compliances relating to disclosure under various regulations and obtaining a pre clearance from the Company before indulging in such activities would not legitimize any insider trades executed in violations of the statutory provisions governing the same. Noticees cannot take shelter under the plea of having obtained pre-clearance for carrying out insider trading. Also disclosures deal exclusively with the abrupt increase in the shareholding of the promoters in the Company. These disclosures did not take into account the unpublished price sensitive information that was in existence at that point in time. The contention of the Noticees that pursuant to their disclosures about enhancement of their shareholding by 7.73% of the share capital of the company, SEBI and the stock exchanges were automatically made aware of their transactions is a totally misplaced argument and a fallacious one.

Held by SEBI

Noticees have violated Regulation 3(i) and regulation 4 of the PIT Regulations, 1992 read with Section 12A(d) and (e) of the SEBI Act, 1992; and the Company's Code of Conduct and regulation 12(2) read with 12(1) of the PIT Regulations, 1992.

Penalty: Disgorgement of entire gain of Rs 16,97,38,335 jointly and severally by the Noticees. Noticees are restrained from accessing the securities market and further prohibited them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of 2 years

Cases referred by Appellant: ***Piramal Enterprises Ltd vs. SEBI, Chintalapati Srinivasa Raju & Ors. vs. SEBI (2018) 7 SCC 443; Mrs. Chandrakala vs. SEBI [SAT Appeal No.209 of 2011 - 31 January 2012])***

Respondent: ***E. Sudhir Reddy vs. SEBI (Appeal no. 138 of 2011 decided on 16/12/2011), V. K. Kaul vs. SEBI (Appeal No. 55/2012 – Date of Decision – 8/10/2012)***

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