

SECURITIES AND EXCHANGE BOARD OF INDIA

IMPOUNDING ORDER

UNDER SECTION 19 READ WITH SECTIONS 11(1), 11(4)(D) AND SECTION 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT,1992 READ WITH REGULATION 10 OF SEBI (PROHIBITION OF INSIDER TRADING) REGULATIONS, 2015

In the matter of Tara Jewels Limited

In respect of –

Sl. No.	Entity Name	PAN No.
1.	Rajeev Vasant Sheth	AAFPS7760Q
2.	Aarti Sheth	AAGPS3762H
3.	Divya Sheth	AAHPS8431L

1. Securities and Exchange Board of India (*SEBI*) conducted an investigation into suspected insider trading activities of certain entities in the scrip of Tara Jewels Limited (*"TJL" or "the Company"*) for the period from October 01, 2017 to December 31, 2017 (*"Investigation Period"*) to ascertain whether the entities had traded in the shares of TJL while in possession of unpublished price sensitive information (*"UPSI"*) in contravention of the provisions of the SEBI Act, 1992 (*"SEBI Act"*) read with the SEBI (Prohibition of Insider Trading) Regulations, 2015 (*"PIT Regulations"*).
2. TJL is a Company registered under the Companies Act, 1956 and its shares are listed on BSE Limited (*"BSE"*) and the National Stock Exchange of India Limited (*"NSE"*). Hon'ble National Company Law Tribunal vide Order No. MA 2630/2019 in CP(IB)1541(MB)/2017 dated July 30, 2019 approved the liquidation of company and has appointed a liquidator for the purpose.

3. The Directors of TJL during the investigation period were as under:

(Source- Annual report of the Company for the FY 2017-18)

Name of the Director	PAN	Category	Date of Appointment	Date of cessation
Rajeev Vasant Sheth	AAFPS7760Q	Chairman and Managing Director	01/10/2015	-
Sanjay Sethi	ABBPS5094E	CFO and Executive Director	20/06/2017	01/05/2018
Fern Mallis	NA (Foreign National)	Independent Director	20/09/2010	-
Rajiv Jain	ACYPJ1455E	Independent Director	01/04/2014	23/02/2018
Alison Lazerwitz	NA (foreign national)	Independent Director	10/02/2017	13/08/2018
Priyanka Agarwal	BVOPA8391Q	Independent Director	29/11/2017	30/05/2018

Note –The company has gone under liquidation with effect from July 30, 2019.

4. The shareholding pattern of TJL for quarters prior to and during the investigation period is as under:

(Source: BSE Website)

Type of shareholder	Quarter ending Sep. 2017		Quarter ending Dec. 2017	
	Number of shares	Shares as a percentage of total number of shares	Number of shares	Shares as a percentage of total number of shares
Promoters (A)	1,47,79,998	60.03	96,56,118	39.22
Public Shareholding(B)	98,42,852	39.97	1,49,66,732	60.78
Non Promoter- Non Public (C)	NIL	NIL	NIL	NIL
Total Share capital (A+B+C)	2,46,22,850	100	2,46,22,850	100

5. The shareholding pattern of the promoters of TJJ for quarters prior to and during the investigation period is as under:

(Source: BSE Website)

Table-3 : Promoters shareholding as on quarter ended				
Name of Promoter	Sep. 2017		Dec. 2017	
	Number of shares	Number of shares	% Shares held	% Shares held
Rajeev Vasant Sheth	1,45,02,893	58.9	96,07,893	39.02
Divya Sheth	1,14,440	0.46	Nil	Nil
Aarti Sheth	1,14,440	0.46	Nil	Nil
Divya Jewels International Pvt. Ltd	33,600	0.14	33,600	0.14
Purnima Sheth	14,625	0.06	14,625	0.06
TOTAL	1,47,79,998	60.03	96,56,118	39.22

6. It can be noted that the promoters holding in the company which was 60.03% of the total paid up capital of the Company as of the quarter ended September 30, 2017 (Q2 FY2018) came down to 39.22% as of quarter ended December 31, 2017 (Q3 FY2018). Out of the total of 147.79 lakh shares held by the promoters Rajeev Vasant Sheth, Divya Sheth and Aarti Sheth at the end of Q2 FY2018, 51.24 lakh shares were sold (net sell) by them during Q3 FY2018. Both Divya Sheth and Aarti Sheth has sold of their entire shareholding in the Company during this quarter; and Rajeev Vasant Sheth shareholding in the company come down from 58.9% to 39.02%. Further, out of the 96,56,118 shares held by Rajeev Vasant Sheth at end of Q3 FY2018, 96,06,300 shares were encumbered/ pledged. Therefore, as on December 31, 2017, Rajeev Vasant Sheth was only holding 1,593 unencumbered shares of the Company.

7. The financial results of the company for quarters prior to and during the investigation period is as under:

(Source: BSE Website)

Description	Quarter Ended			
	Mar. 2017	Jun. 2017	Sep. 2017	Dec. 2017
Net sales	307.85	227.04	70.31	70.77
Other Income	1.42	2.21	2.14	1.42
Total Income	309.27	229.25	72.45	72.19
Profit/loss after tax	-8.93	-6.62	-166.80	-201.18

8. It can be noted that the company had incurred loss of Rs.166.80 crores during the quarter ended September 30, 2017 as compared to a net loss of Rs.6.62 crores during the quarter ended June 30, 2017 i.e. an increase in the net loss by more than 25 times between the two consecutive quarters. Further, on a quarter to quarter basis between June 2017 and September 2017, the net sales of the company fell by 69% from Rs. 227.04 Crores to Rs. 70.31 Crores. The financials for the quarter ended September 30, 2017 were disclosed by the company on the stock exchanges post trading hours on November 29, 2017.
9. The price and volume data for the scrip, just before and after the announcement of the financial results by the company for the quarter ended September 30, 2017, is tabulated below:

Date & Time	Announcement	Market Price/ No. of Shares Traded				Impact on Price/ Volume
November 29, 2017 <i>(Exchange Disseminated Time : 21:18 hrs on NSE)</i>	The company has informed Exchange about the unaudited financial results for September 2017 (standalone) of the company along with the Limited Review	Share price November 29, 2017 (NSE)				On November 30, 2017, the price of scrip decreased by 6.48% from previous day close price (29/11/2017) on NSE.
		Open	High	Low	Close	
		21.80	22.60	21.40	21.60	
		No. of shares traded (NSE & BSE): 2,60,566				
		Share price November 30, 2017 (NSE)				

Report of Statutory Auditors.	Open	High	Low	Close	On November 30, 2017, the total trading volume (<i>combined on NSE and BSE</i>) increased by 181.00% as compared to the previous day (29/11/2017).
	20.10	20.70	18.55	20.20	
No. of shares traded (NSE & BSE): 7,32,200					

10. It can be observed from the table that the announcement of the financial results of Q2FY2018 had a negative impact on the price of the scrip.

Unpublished price sensitive information

11. The term "Unpublished price sensitive information" has been defined in the Regulation 2(1)(n) of the PIT Regulations, which reads as:

“unpublished price sensitive information” means any information, relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following:-

(i) financial results;

12. The definition of the term ‘Unpublished Price Sensitive Information’ under the PIT Regulations includes "financial results" of the company and, therefore, the quarterly financial results of the company for the Quarter ended September 30, 2017, prior to disclosure by the Company on the stock exchanges is being considered UPSI.

Period of existence of the UPSI

13. As noted in para 8, there was a significant increase in the loss incurred by the Company and a substantially fall in the net sales during the quarter ended September 30, 2017. It is noted from the financial statements of the Company that an exceptional item of Rs.124.48 Crores was written down during Q2 FY2018. The exceptional item included writing down of inventories to their net realisable value as estimated by the management, and loss allowances on trade

receivables based on the expected credit loss model of the company. The exceptional item was explained in the company's Annual Report for the financial year ended March 31, 2018 as, *"the company during the year ceased to continue operation in its wholesale business vertical. A significant part of the inventory of this vertical is not earmarked against orders as on date and the company is trying to utilise the same in the international Retail business. In view of above and the slowdown in jewellery market, the Company has on the basis of an internal evaluation provided for write down of inventories and the Company has Provided for expected credit loss on trade receivables. The Company is in the process of actively following up with customers for the recovery. It expects to either realise the balance due or recover the material supplied"*.

14. It is therefore noted that significant increase in the loss recorded in Q2 FY2018 can be attributed to the recognition of the extraordinary item and slowdown in sales.
15. As per the statement of Rajeev Vasant Sheth before SEBI and his replies (letter dated February 14, 2020 submitted vide email dated February 14, 2020 and email dated February 20, 2020), he was looking after the general management, sales, product development, manufacturing technology and other related work in the company. It was stated that he was aware of the fall in revenue of the company during the quarter ended September 30, 2017. Rajeev Vasant Sheth also submitted that all the domestic retail stores of the Company was being closed during this period (last store was closed in quarter ended June 2017) and the company also could not fulfill the international orders due to shortage of working capital. He also stated that the majority of the orders on hand were running late and some of which eventually got cancelled resulting in a drastic fall in revenue during quarter ended September 30, 2017.
16. It is, therefore, noted that Rajeev Vasant Sheth, by virtue of being the Chairman and Managing Director of TJL, was privy to the internal affairs of the Company and would have been aware of the falling revenue, unsold inventory due to cancelled orders, unfulfilled orders due to shortage of working capital and the doubtful trade receivables which had negative impact on the financial results of the company for the quarter ended September 30, 2017.

17. The information mentioned above were some of the key drivers of financial results of the company and such details amount to material information having substantial impact on the price of the scrip.
18. In view of the above, it is alleged that Rajeev Vasant Sheth was in possession of UPSI regarding poor financial results of TJL for the quarter ended September 30, 2017 atleast as of October 02, 2017 (*First Monday post quarter ended September 30, 2017*).
19. The UPSI came into the public domain when TJL disclosed the same to the stock exchanges post trading hours on November 29, 2017 at 21:18 hrs on NSE and 21:21 hrs on BSE via corporate announcement.
20. Therefore, the UPSI Period has been determined as – from October 02, 2017 (First Monday post quarter ended September 30, 2017) to November 29, 2017.

Insiders and Connected Persons:

21. The term "Insider" as defined in Regulation 2 (1) (g) the PIT Regulations is as follows:

“insider” means any person who is:

- (i) a connected person; or*
- (ii) in possession of or having access to unpublished price sensitive information;”*

22. In terms of Regulation 2 (1) (d) of the PIT Regulations, *"connected person"* means:

“(i) any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holds any position including a professional or business relationship between himself and the company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.

(ii) Without prejudice to the generality of the foregoing, the persons falling within the following categories shall be deemed to be connected persons unless the contrary is established, -

- a. an immediate relative of connected persons specified in clause (i);”*

23. As noted in para 18, Rajeev Vasant Sheth was reasonably expected to have access to the UPSI atleast from October 02, 2017. Divya Sheth and Aarti Sheth were employed as Vice-presidents in the company and they are also immediate relatives (daughters) of Rajeev Vasant Sheth. Further, it is also observed that the address of Aarti Sheth and Divya Sheth is same as that of Rajeev Vasant Sheth.
24. In view of the same, Aarti Sheth and Divya Sheth are logically and reasonably expected to be have access to UPSI through Rajeev Vasant Sheth.

Table-6 : List of “Insider” and “Connected persons”			
Sl. No.	Name	PAN	Connection with Company
1	Rajeev Vasant Sheth	AAFPS7760Q	Promoter Chairman and Managing Director
2	Divya Sheth <i>(Daughter of Rajeev Vasant Sheth)</i>	AAHPS8431L	Promoter Vice President – Product Development
3	Aarti Sheth <i>(Daughter of Rajeev Vasant Sheth)</i>	AAGPS3762H	Promoter Vice President – Business Development

Trading pattern of persons associated with UPSI in the shares of TJL

25. The trading history of Rajeev Vasant Sheth, Aarti Sheth and Divya Sheth in the shares of TJL prior to / during / post UPSI Period as obtained from the exchanges is as under,-

Table-7 : Trading history of Rajeev Vasant Sheth, Aarti Sheth and Divya Sheth in the shares of TJL						
Pre UPSI Period (01/07/2017 to 30/09/2017)						
Date	Buy Qty.	Wt. Avg. Buy Price (in Rs.)	Buy Value (in Rs.)	Sell Qty.	Wt. Avg. Sell Price (in Rs.)	Sell Value (in Rs.)
Rajeev Vasant Sheth, Aarti Sheth and Divya Sheth						
NIL						

During UPSI Period (01/10/2017 to 29/11/2017)						
Date	Buy Qty.	Wt. Avg. Buy Price (in Rs.)	Buy Value (in Rs.)	Sell Qty.	Wt. Avg. Sell Price (in Rs.)	Sell Value (in Rs.)
Rajeev Vasant Sheth						
09-Oct-2017	-	-	-	2,40,000	28.99	69,57,406.80
10-Oct-2017	1,12,000	30.49	34,15,331.95	1,36,720	27.73	37,91,228.00
11-Oct-2017	-	-	-	40,000	28.35	11,34,000.00
12-Oct-2017	-	-	-	50,000	28.00	14,00,048.10
16-Oct-2017	-	-	-	50,000	26.85	13,42,500.00
17-Oct-2017	-	-	-	4,19,342	27.02	1,13,28,753.35
24-Oct-2017	-	-	-	5,38,230	25.68	1,38,24,310.55
26-Oct-2017	-	-	-	52,395	23.12	12,11,456.35
30-Oct-2017	-	-	-	7,989	23.00	1,83,747.00
06-Nov-2017	-	-	-	1,10,409	22.66	25,01,894.50
07-Nov-2017	-	-	-	1,270	22.51	28,593.95
14-Nov-2017	-	-	-	98,371	23.46	23,08,242.40
15-Nov-2017	-	-	-	2,21,000	24.25	53,59,502.70
20-Nov-2017	-	-	-	6,11,888	22.08	1,35,13,043.65
21-Nov-2017	-	-	-	6,27,884	21.36	1,34,11,336.90
Total	1,12,000	-	34,15,331.95	32,05,498	-	7,82,96,064.25
Aarti Sheth						
17-Nov-2017	-	-	-	35,000	22.07	7,72,300.00
20-Nov-2017	-	-	-	79,440	22.03	17,50,215.40
Total				1,14,440	-	25,22,515.40
Divya Sheth						
09-Oct-2017	-	-	-	1,14,440	28.61	32,73,748.70
Post UPSI Period (30/11/2017 to 31/03/2018)						
Date	Buy Qty.	Wt. Avg. Buy Price (in Rs.)	Buy Value (in Rs.)	Sell Qty.	Wt. Avg. Sell Price (in Rs.)	Sell Value (in Rs.)
Rajeev Vasant Sheth						

19-Dec-17	-	-	-	4,66,185	19.32	90,06,106.10
20-Dec-17	-	-	-	4,61,931	18.89	87,26,909.15
21-Dec-17	-	-	-	2,51,949	17.10	43,09,408.80
22-Dec-17	-	-	-	4,01,437	16.86	67,67,278.35
26-Dec-17	-	-	-	2,20,000	16.48	36,25,930.30
Total				18,01,502		3,24,35,632.70
Aarti Sheth and Divya Sheth						
NIL						

26. It can be noted that Rajeev Vasant Sheth sold 30,93,498 shares (net sale) of TJL during October 09, 2017 to November 21, 2017 i.e. during the UPSI period. Rajeev Vasant Sheth did not trade in the scrip of TJL during July 01, 2017 to September 30, 2017.

27. Rajeev Vasant Sheth sold 1,36,720 shares and bought 1,12,000 shares on October 10, 2017 presumably to give an appearance of buying in addition to selling shares of TJL during the UPSI period. However, he had net sell position of 24,720 even on October 10, 2017. Further, the gross buy was only 3.49% of the gross sell during the UPSI period.

28. It is alleged that Rajeev Vasant Sheth was aware of the UPSI regarding the company's poor financial performance during quarter ended September 30, 2017, and he had entered into the aforementioned sell transactions during the UPSI Period with a clear intent to avoid future losses.

29. During the UPSI period, Aarti Sheth sold her entire holding of 1,14,440 shares in TJL between November 17 to November 20, 2017 and Divya Sheth sold her entire holding of 1,14,440 shares in TJL on October 09, 2017.

30. Aarti Sheth and Divya Sheth did not trade in the scrip of TJL during pre-UPSI period from July 01, 2017 to September 30, 2017. Since, Aarti Sheth and Divya Sheth were reasonably expected to be aware of the UPSI regarding company's poor financial performance during quarter ended September 30, 2017, they had traded while in possession of the UPSI with a

clear intent to avoid future losses. It is thus alleged that Aarti Sheth and Divya Sheth had sold the shares of TJL while in possession of the UPSI with a view to avoiding the losses.

31. The summary of the trades carried out by the 'insiders' in the shares of TJL during the UPSI Period is given below:

Table-8 : Dealings of Rajeev Vasant Sheth, Divya Sheth and Aarti Sheth in the shares of TJL during the UPSI period				
Entity Name/ PAN	Exchange	Gross Buy	Gross Sell	Net Qty (sell)
Rajeev Vasant Sheth (PAN - AAFPS7760Q)	BSE	12000	11,64,063	(11,52,063)
	NSE	1,00,000	20,41,435	(19,41,435)
Total		1,12,000	32,05,498	(30,93,498)
Aarti Sheth (PAN - AAGPS3762H)	BSE	-	96,500	(96,500)
	NSE		17,940	(17,940)
Total			1,14,440	(1,14,440)
Divya Sheth (PAN - AAHPS8431L)	NSE	-	1,14,440	(1,14,440)

32. In view of the above, I note that it is *prima facie* established that Rajeev Vasant Sheth, Aarti Sheth and Divya Sheth being insiders have violated Section 12A (d) and (e) of the SEBI Act and Regulation 4(1) of the PIT Regulations by trading in the shares of TJL while in possession of UPSI, thereby indulging in insider trading.

Unlawful notional loss avoided by insiders:

33. As mentioned earlier, the investigation observed that the quarterly financial results of TJL for the quarter ended September 30, 2017 were disclosed to the stock exchanges after the trading hours on November 29, 2017. Thus, Rajeev Vasant Sheth, Aarti Sheth and Divya Sheth, having traded while in possession of UPSI during the UPSI period have unlawfully

avoided loss. In this regard, the unlawful notional loss avoided has been computed as per the below mentioned methodology:

$$\text{Unlawful loss avoided} = [\text{No. of shares sold while in possession of UPSI (A)} \times \text{Weighted average sale price (B)}] - [\text{No. of shares sold while in possession of UPSI (A)} \times \text{Closing price on the day of UPSI becoming public or the closing price on the following trading day, depending upon the timing of notification of UPSI to Stock Exchange (C)}]$$

34. Since the UPSI became public after the trading hours on November 29, 2017 on the stock exchanges, the closing prices of the scrip of TJL as on November 30, 2017 *i.e.* Rs. 20.20 on NSE and Rs. 20.25 on BSE have been considered for calculation of unlawful notional loss avoided.

35. Based on the methodology mentioned above, the overall unlawful notional loss avoided by Rajeev Vasant Sheth, Aarti Sheth and Divya Sheth is calculated as under:

Table-9 : Computation of Unlawful Notional Loss avoided by Rajeev Vasant Sheth, Aarti Sheth and Divya Sheth							
Entity Name	Exchange	No. of shares sold (A)	Wt. Avg. Sell Price (in Rs.) (B) = (D/A)	Closing Price on 30/11/2017 (in Rs.) (C)	Total Sell Value (in Rs.) (As per Trade log obtained from exchanges) (D)	Value of Shares as on 30/11/2017 (in Rs.) (E = AxC)	Unlawful Notional loss avoided (in Rs.) (F=D-E)
Rajeev Vasant Sheth (PAN - AAFPS7760Q)	BSE	11,52,063 ¹	24.30	20.25	2,79,91,987.30 ¹	2,33,29,275.75	46,62,711.55
	NSE	19,41,435 ²	24.32	20.20	4,72,13,756.95 ²	3,92,16,987.00	79,96,769.95
Total		30,93,498	-	-	7,52,05,744.25	6,25,46,262.75	1,26,59,481.50

Table-9 : Computation of Unlawful Notional Loss avoided by Rajeev Vasant Sheth, Aarti Sheth and Divya Sheth							
Entity Name	Exc han ge	No. of shares sold (A)	Wt. Avg. Sell Price (in Rs.) (B) = (D/A)	Closin g Price on 30/11/ 2017 (in Rs.) (C)	Total Sell Value (in Rs.) (As per Trade log obtained from exchanges) (D)	Value of Shares as on 30/11/2017 (in Rs.) (E = Ax C)	Unlawful Notional loss avoided (in Rs.) (F=D-E)
Aarti Sheth (PAN - AAGPS3762H)	BSE	17,940	22.15	20.25	3,97,401.50	3,63,285.00	34,116.50
	NSE	96,500	22.02	20.20	21,25,113.90	19,49,300.00	1,75,813.90
Total		1,14,440	-	-	25,22,515.40	23,12,585.00	2,09,930.40
Divya Sheth (PAN - AAHPS8431L)	NSE	1,14,440	28.61	20.20	32,73,748.70	23,11,688.00	9,62,060.70

¹ Rajeev Vasant Sheth has bought 12,000 shares and sold 36,720 shares on BSE on 10/10/2017, thus, net sell sale of 24,720 shares has been taken as no. of shares sold on that day. Accordingly, the sell value of 12,000 shares at Rs. 28.36 (wt. avg. sell price of 10/10/2017) has been reduced from Total Sell Value.

² Rajeev Vasant Sheth has bought 1,00,000 shares and sold 1,00,000 shares on NSE on 10/10/2017, thus, net sell sale of NIL shares has been taken as no. of shares sold on that day. Accordingly, the sell value of 1,00,000 shares at Rs. 27.50 (wt. avg. sell price of 10/10/2017) has been reduced from Total Sell Value.

36. Thus, the overall unlawful notional loss avoided by Rajeev Vasant Sheth, Aarti Sheth and Divya Sheth are Rs. 1,26,59,481.50, Rs. 2,09,930.40 and Rs. 9,62,060.70 respectively

Other Charges

37. Regulation 3(1) of the PIT Regulations prohibits insiders from communicating UPSI expect in furtherance of legitimate purposes. The said regulation reads as under,-

“Communication or procurement of unpublished price sensitive information.

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

38. As noted in prior paragraphs, it is alleged that Rajeev Vasant Sheth communicated/ provided/ allowed access of the UPSI to his daughters Aarti Sheth and Divya Sheth who traded in the shares of TJL while in possession of the UPSI. Thus, Rajeev Vasant Sheth is alleged to have violated Regulation 3(1) of the PIT Regulations.

Code of Conduct Violations

39. As per the code of conduct for prevention of insider trading followed by TJL, *“all Specified Persons who buy or sell any number of shares of the Company shall not enter into an opposite transaction i.e. sell or buy any number of shares during the next six months following the prior transaction”*.

40. The investigation observed that Rajeev Vasant Sheth, who was a specified person, had sold 1,36,720 shares and purchased 1,12,000 shares of TJL on October 10, 2017 i.e. purchase and sale made on the same day. The details of the contra trade of 1,12,000 shares by Rajeev Vasant Sheth is as under:

Exchange	Date of Transaction	No. of shares sold	Wt. Avg. Sell Price (in Rs.)	Total sale value (in Rs.)	No. of shares bought	Wt. Avg. Buy Price (in Rs.)	Total buy value (in Rs.)	Profit/ (Loss) (in Rs.)
NSE	10/10/2017	1,00,000	27.50	27,50,000.00	1,00,000	30.70	30,70,443.20	(3,20,443.20)
BSE	10/10/2017	12,000	28.36	3,40,270.59	12,000	28.74	3,44,888.75	(4,618.16)
TOTAL		1,12,000		30,90,270.59	1,12,000		34,15,331.95	(3,25,061.36)

41. In view of the above, the investigation alleges that Rajeev Vasant Sheth by executing contra trades within 6 months, has violated the provisions of the Code of Conduct for Prevention of Insider Trading formulated by the Company in pursuance of Sub-Regulation (1) and sub-Regulation (2) of Regulation 9 of the PIT Regulations.

42. The code of conduct for prevention of insider trading of TJL, also provided that *“all Specified Persons, who intend to deal in the securities of the Company when the trading window is opened and if the value of the proposed trades is above 50,000 shares or up to Rs. 10 Lakhs (market value) or 1% of total shareholding, whichever is less, should pre-clear the transaction. However, no designated person*

shall be entitled to apply for pre-clearance of any proposed trade if such designated person is in possession of unpublished price sensitive information even if the trading window is not closed and hence he shall not be allowed to trade". The Code provided that "the Directors, connected persons, the insiders, the Designated Employees and the promoters and immediate relatives are collectively referred to as Specified Persons".

43. However, Rajeev Vasant Sheth, Aarti Sheth and Divya Sheth who are Specified Persons as per above, had not obtained pre-clearance for their trades executed by them during the investigation period from the Compliance Officer of TJL. It is therefore alleged that they have violated Clause 6 of Schedule B read with Sub-Regulation (1) and sub-Regulation (2) of Regulation 9 of the PIT Regulations.
44. I, therefore, note that the investigation has clearly brought out the trades done by the Noticees, who were insiders and also promoters of the Company, while in possession of the UPSI to the detriment of the public shareholders of the Company. I also note that the said promoters had virtually offloaded their entire unencumbered holding in the Company during this period. Given that the facts clearly make out a prima facie case of insider trading by the promoters of the Company, I am of the considered view that the Non-interference by the Regulator at this stage would result in irreparable injury to interests of the securities market and the investors. Section 11(4) of the SEBI Act casts an obligation on the Board, in appropriate cases, to impound and retain the proceeds of securities in respect of such transactions either pending investigation nor upon completion of such investigation. The facts in this case compels me to take urgent steps to impound and retain the proceeds of the notional loss avoided allegedly by the aforementioned insiders by invoking the powers under Section 11(4)(d) of the SEBI Act. Considering the facts and circumstances of the case, the balance of convenience lies in favour of SEBI.

45. Accordingly, as an interim measure, an Ad–Interim Ex–Parte Order for impounding such alleged unlawful notional loss avoided under Section 11(1) read with 11(4)(d) and 11B(1) of the SEBI Act read with Regulation 10 of the PIT Regulations needs to be issued against Rajeev Vasant Sheth, Aarti Sheth and Divya Sheth.

ORDER:

46. In view of the foregoing, I, in exercise of the powers conferred upon me in terms of Section 19 read with Section 11(1), 11(4)(d) and 11B(1) of the SEBI Act read with Regulation 10 of the PIT Regulations, hereby issue the following directions:

47. I, hereby, impound from the below mentioned persons the alleged unlawful notional loss avoided, on account of trades carried out during the UPSI Period, as mentioned against their respective names in below table:

Table-11		
Name	PAN Number	Unlawful loss avoided (in Rs.)
Rajeev Vasant Sheth	AAFPS7760Q	1,26,59,481.50
Aarti Sheth	AAGPS3762H	2,09,930.40
Divya Sheth	AAHPS8431L	9,62,060.70

48. The persons mentioned in Table-11 above are also directed that above mentioned individual amount of unlawful loss avoided is to be credited to an interest bearing Escrow Account [“Escrow Account in Compliance with SEBI Order dated September 04, 2020 – A/c (in the name of the respective person)”] created specifically for the purpose in a Nationalized Bank. The Escrow Account(s) shall create a lien in favour of SEBI and the monies kept therein shall not be released without permission from SEBI.

49. Banks are directed that no debits shall be made, without permission of SEBI, in respect of the bank accounts held jointly or severally by the persons mentioned under Table-11, except for the purposes of transfer of funds to the Escrow Account. Further, the Depositories are also directed that no debit shall be made, without permission of SEBI, in respect of the demat accounts held by the aforesaid persons. However, credits, if any, into the accounts maybe allowed. Banks and the Depositories are directed to ensure that all the aforesaid directions are strictly enforced. Further, debits may also be allowed for amounts available in the account in excess of the amount to be impounded. Banks are allowed to debit the accounts for the purpose of complying with this Order.
50. The persons mentioned under Table-11 are directed not to dispose of or alienate any of their assets/properties/securities, till such time the individual amount of unlawful loss avoided is credited to an Escrow Account except with the prior permission of SEBI. Further, on production of proof by the persons mentioned under Table-11 that the individual amount of unlawful loss avoided has been deposited in the Escrow Account, SEBI shall communicate to the Banks and Depositories to defreeze their respective accounts.
51. The persons mentioned under Table-11 are further directed to provide a full inventory of all their assets whether movable or immovable, or any interest or investment or charge in any of such assets, including property, details of all their bank accounts, demat accounts, holdings of shares/securities if held in physical form and mutual fund investments and details of companies in which they hold substantial or controlling interest immediately but not later than 7 working days of this Order.
52. The observations/findings contained in this Order are made on the basis of the Investigation conducted by SEBI in the matter. The findings in this order may be treated as allegations against the respective persons mentioned in Table-11 above for the purpose

of show cause against them. Accordingly, the persons mentioned under Table-11 above are advised to show cause as to why suitable directions, including the following, should not be issued/imposed against them under Sections 11(1), 11(4)(d) and 11B(1) of the SEBI Act for the alleged violations of the provisions of Sections 12A(d) & (e) of the SEBI Act and Regulations 4(1) of the PIT Regulations:

- a) Directing them to disgorge an amount equivalent to the unlawful loss avoided on account of insider trading in the shares of TJL along with interest;
- b) Directing them to refrain from accessing the securities market and prohibiting them from buying, selling or otherwise dealing in securities for an appropriate period.

53. The persons mentioned under Table-11 are also called upon to show cause as to why appropriate directions for imposing penalty under section 11B(2) and 11(4A) read with Section 15G and 15HB of the SEBI Act should not be issued against them for the alleged violations of the aforementioned provisions of SEBI Act and the PIT Regulations.

54. The persons mentioned under Table-11 may file their replies to SEBI within 30 days from the date of receipt of this Order. They may also indicate in their replies whether they wish to avail an opportunity of personal hearing in the matter.

55. This Order shall come into force with immediate effect and shall be in force till further Orders.

56. This Order is without prejudice to any other action that SEBI may initiate under the securities laws, as deemed appropriate, against the persons mentioned under Table-11.

57. This Order shall be served on all Recognized Stock Exchanges, Depositories, Registrar and Transfer Agents and Banks to ensure necessary compliance.

Place: Mumbai
Date: September 04, 2020

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