National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/69458	Date: August 1, 2025
Circular Ref. No: 500/2025	

To All NSE Members,

Sub: **SEBI Order in matter of Decipher Labs Ltd.**

This has reference to SEBI Order No. QJA/SS/IVD-2/ID18/31578/2025-26 dated July 31, 2025, wherein SEBI has restrained below mentioned entities from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities (including units of mutual funds), directly or indirectly, or being associated with the securities market in any manner, whatsoever, for the following period, from the date of SEBI's order.

Sr. No.	Name	PAN	Period of Debarment
1	Janakiram Ajjarapu	ACAPA0374P	3 Year
2	Sushant Mohan Lal	AKXPM8796N	3 Year
3	Decipher Labs Ltd	AAACC8372L	1 Year

SEBI vide above order has also directed that all open positions, if any, of above entities in any exchange traded derivative contracts, as on the date of the order pursuant to any valid transaction, they can close out /square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. These entities are permitted to settle the pay-in and pay-out obligations in respect of any valid transaction transactions, if any, which have taken place before the close of trading on the date of this order.

The detailed order is available on SEBI website - http://www.sebi.gov.in.

Further, the consolidated list of such entities is available on the Exchange website http://www.nseindia.com home page at the below mentioned link:

https://www.nseindia.com/regulations/member-sebi-debarred-entities

National Stock Exchange of India

Members are advised to take note of the above and ensure compliance.

In case of any further queries, members are requested to email us at dl-invsg-all@nse.co.in

For and on behalf of
National Stock Exchange of India Limited

Sandesh Sawant
Senior Manager

Annexure: SEBI Order in matter of Decipher Labs Ltd.

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Sections 11(1), 11(4), 11(4A), 11B (1) and 11B (2) read with Section 15HA and 15HB of the Securities and Exchange Board of India Act, 1992.

In respect of:

Sr. No.	Name	PAN
1	Janakiram Ajjarapu	ACAPA0374P
2	Sushant Mohan Lal	AKXPM8796N
3	Decipher Labs Ltd	AAACC8372L
4	Kumar Raghavan	ABMPR9770M

The abovementioned persons are hereinafter individually referred to by their respective names or Noticee number and collectively as "the Noticees")

In the matter of Decipher Labs Ltd.

Background

1. Decipher Labs Limited (hereinafter also referred to as 'the Company') is a public company having its shares listed on Bombay Stock Exchange Limited ('BSE') since 1995. It was initially engaged in the manufacture and marketing of pharmaceuticals and allied products and services but later it diversified into providing services and key solutions in information technology industry.

2. Securities and Exchange Board of India ('SEBI') conducted an investigation in the scrip of the Company to look into possible violations of the provisions of the Securities and Exchange Board of India Act,1992 ('SEBI Act') and regulations framed thereunder including SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ('PFUTP Regulations'), SEBI (Prohibition of Insider Trading) Regulations, 2015 ('PIT Regulations'), and SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 ('LODR Regulations') by certain entities during the period from November 12, 2021 to January 11, 2022 ('Investigation Period/ IP'). The Investigation Report submitted pursuant to said investigation pointed out that:

   (a) In the year 2017, Janakiram Ajjarapu acquired the Company after making an open offer in terms of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011. The Company, in May 2018 formed a wholly owned subsidiary, namely, ICP Solutions Pvt Ltd to deal exclusively in the information technology industry.

   (b) To increase its presence in the information technology segment, the Company in December 2019 took over Decipher Software Solutions LLC in USA which is specializing in Enterprise Resource Planning ('ERP') implementation, mobile and cloud solutions, product development and offshore services.

(c) In the year 2020, name of the Company was changed from Combat Drugs Ltd. to Decipher Labs Ltd. The management of the Company during the investigation period comprised of the following:

Table-1- Management of the Company during Investigation Period

Sr. No.	Name	Designation
1	Janaki Ram Ajjarapu	Director
2	Sushant Mohan Lal	Director
3	Ms. Vemuri Shilpa	Independent Director
4	Mr. Bhupendralal Waghray	Independent Director
5	Mr. Kumar Raghavan	Company Secretary
6	Ms. Sonam Jalan	CFO(KMP)

(d) During the period from September 30, 2021 to December 31, 2021, the promoter shareholding in the Company had reduced from 45.94% to 39.01% and the number of public shareholders increased from 12,795 to 39,274. The shareholding pattern of the Company for all quarters during the IP was as under:

Table-2 – Shareholding pattern of the Company during IP

Particular	30-June-2021			30-Sept-2021		
	No of share-holders	No of shares	%	No of share-holders	No of shares	%
Promoter Holding	1	46,39,927	45.94	1	46,39,927	45.94
Non-Promoter Holding	12,633	54,60,073	54.06	12,795	54,60,073	54.06
Total	**12,634**	1,01,00,000	**100**	**12,796**	1,01,00,000	**100**
	December 31, 2021			**March 31, 2022**		
	No of share-holders	No of shares	%	No of share-holders	No of shares	%
Promoter Holding	1	39,39,927	39.01	1	34,52,868	34.19
Non-Promoter Holding	39,274	61,60,073	60.99	42,672	66,47,132	65.81
Total	39,275	1,01,00,000	100	42,673	1,01,00,000	100

(e) The profit of the Company increased from Rs. 66.40 lakhs in June 2021 to Rs. 727.90 lakhs in December 2021. However, the results for the December Quarter was announced on February

14, 2022 which is after the IP. The Financial Results of the Company during the IP were as under:

Table-3 – Financial Results of the Company during IP

Particulars	Jun 2021	Sep 2021	Dec 2021	Mar 2022
Revenue from Operations	1339.60	1492.60	1371.20	2388.80
Other Income	11.10	9.7	730.40	16.30
Total Income	1350.70	1502.30	2101.60	2345.00
Profit After Tax	66.40	149.20	727.90	230.60

(f) The price volume data of the Company during the IP was as under:

Table-4 – Price Volume data of the Company during IP

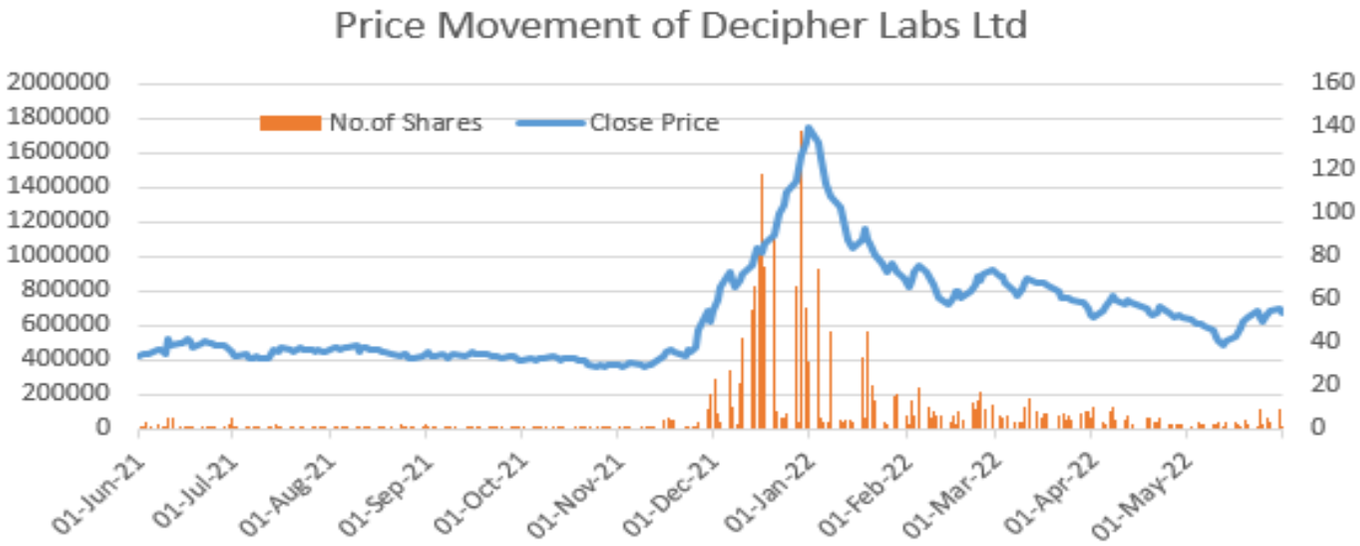
Period	Dates		Opening Price (volume) on first day of the period (Rs)	Closing price (volume) on last day of the period (Rs.)	Low price (volume) during the period (Rs.)	High Price(volume) during the period (Rs.)	Avg Daily Vol
Before IP	Oct 01, 2021 to Nov 11, 2021	**Price**	33.90	29.50	27.00	33.90	5,162
		Date	Oct 01,2021	Nov 11,2021	Nov 02,2021	Oct 01,2021	
		Vol	3,731	2,272	363	19,174	
		Date	Oct 01,2021	Nov 11,2021	Oct 29,2021	Oct 22,2021	
During IP	Nov 12, 2021 to Jan 11, 2022	**Price**	30.70	97.75	29.50	145.70	3,38,647
		Date	Nov 12, 2021	Jan 11, 2022	Nov 12,2021	Jan 03,2022	
		Vol	4,266	47,195	4,266	17,35,879	
		Date	Nov 12, 2021	Jan 11, 2022	Nov 12,2021	Dec 29,2021	
After the IP	Jan 12, 2022 to March 31, 2022	**Price**	92.90	52.95	52.95	96.40	1,13,478
		Date	Jan 12,2022	Mar 31,2022	Mar 31,2022	Jan 19,2022	
		Vol	56,536	71,165	24,489	5,68,460	

		Date	Jan 12,2022	Mar 31,2022	Feb 16,2022	Jan 19,2022	

(g) From the price volume chart of the scrip of the Company, it was observed that the price of the scrip of the Company opened at Rs.30.50 on November 12, 2021, touched a high of Rs.145.70 on January 03, 2022 and closed at Rs.97.75 on January 11, 2022. The price volume chart of the Company during the IP was noted as under:

Chart-1

Price movement in the scrip of Decipher Labs Ltd during IP



(h) On analysis of the net sellers of the scrip of the Company during the IP, promoter-cum-director, Janakiram Ajjarapu (Noticee No. 1) sold 10,00,000 (i.e. 9.90% of total shareholdings of the company) during the December 29, 2021 and December 30, 2021 and the Director, Sushant Mohan Lal (Noticee No. 2) on December 29, 2021 sold 2,99,000 shares (6.49% of the total shareholdings of the company) respectively.

(i) There was no price/ volume manipulation in the scrip of the Company through Last Traded Price ('LTP') contribution, synchronized trades or reversal trade.

(j) On December 01, 2021, during market hours, the Company made a corporate announcement in compliance with LODR Regulations, 2015, *inter alia*, stating that the Board of Directors of the Company have been aggressively working towards the expansion goals of the Company and have considered various proposals for expansion of the business of the Company. This includes opening of new branch office in Indore which was to be fully operational with effect from December 2021 and acquisitions of businesses in the pharma and information technology sectors. Further, the Company also made announcement regarding their plan for expanding their presence further in the Information Technology Sector including the fact of the Company having identified and initiated talks with a US based company for the development and

marketing of the combination of multiple elements of technology, including Virtual Reality, Augmented Reality and videos where users live within the digital universe.

(k) Following the said corporate announcement, the promoter-cum-director of the Company, Janakiram Ajjarapu gave a YouTube interview on December 03, 2021, wherein he stated, *inter alia*, the Company's plan of acquisition based on the said announcement.

(l) Based on the corporate announcement and the interview of Janakiram Ajjarapu, several other YouTube videos were circulated, leading to the price of the scrip of the Company being increased from Rs.49.55 on November 30, 2021 to Rs.54.50 on December 01, 2021 and subsequently, to Rs.59.95 and Rs.65.90 on December 02, 2021 and December 03, 2021 respectively.

(m) Apart from the email trails wherein Janakiram Ajjarapu was in discussion with few entities, the Company could not produce any official correspondence or detailed document related to OnDemand Agility Solutions Inc.

(n) The Company did not provide an update with respect to the development regarding the said corporate announcement, despite making a disclosure that it will update the exact nature and terms of arrangement. The Company is in the business of manpower management for various IT companies in USA and made exaggerated claims in the said corporate announcement with respect to expansion into Artificial Intelligence, Virtual Reality and Augmented Reality Space.

(o) In the corporate announcement dated December 01, 2021, the Company also stated that the exact nature and terms of arrangement regarding the acquisition will be updated to the public subsequent to the due diligence and feasibility and viability reports. However, it neither prepared feasibility/ viability reports nor provided update under regulation 30(7) of the LODR Regulations regarding the corporate announcement dated December 01, 2021.

(p) No announcements/ updates were made by the Company in respect to any acquisitions in its annual report for the year 2021-22. After December 16, 2021, no communication was made with respect to the acquisition of OnDemand Agility Solutions Inc. The draft Letter of Intent (LoI) was dated December 15, 2021, after which no visible progress with respect to acquisition was found, clearly indicating that the Company did not carry forward the plan of acquisition. However, the same was not updated/ informed to the investors under regulation 30(7) of the LODR Regulations.

(q) On an analysis of the unique PAN of entities traded in the scrip during the period from November 01, 2021 to March 2022, it was observed that the said corporate announcement dated December 01, 2021 had influenced more investors, causing huge jump in the number of Unique PANs traded from November 2021 to December 2021 as follows:

Table – 5 – Number of unique PANs traded from November 2021 to December 2021

S. No	Period	Number of unique PANs traded
1	November 2021	1,380
2	December 2021	39,744
3	January 2022	25,833
4	February 2022	14,251
5	March 2022	10,990

(r) During the period of price movement, no event or announcement was made by the Company that could cause/ create such positive sentiments in the securities market resulting in a price surge other than the corporate announcement dated December 01, 2021.

(s) Janakiram Ajjarapu (Noticee No. 1) sold 10,00,000 (i.e. 9.90% of total shareholdings of the Company) during December 29, 2021 and December 30, 2021 and the Director, Sushant Mohan Lal (Noticee No. 2) on December 29, 2021 sold 2,99,000 shares (6.49% of the total shareholdings of the Company) respectively making an alleged profit as under:

Table - 6 - Janakiram Ajjarapu's alleged gains

Date	Buy/ Sell	Total Quantity (A)	Weighted Average Price (B) (Rs.)	Price on November 30, 2021 (C) (Rs.)	Price Difference D=B-C (Rs.)	Gain (A*D)(Rs.)
29/12/2021	Sell	7,00,000	126.75	49.55	77.20	5,40,40,000
30/12/2021	Sell	3,00,000	133.05	49.55	83.50	2,50,50,000
Total						7,90,90,000

Table – 7 Sushant Mohan Lal's alleged gains

Date	Buy/ Sell	Total Quantity (A)	Weighted Average Price (B) (Rs.)	Price on November 30, 2021 (C) (Rs.)	Price Difference D=B-C (Rs.)	Gain (A*D)(Rs.)
29/12/2021	Sell	2,99,000	126.75	49.55	77.20	2,30,82,800
Total						2,30,82,800

(t) The market witnessed fall in the number of investors who traded in the scrip of the Company since the first week of January 2022 after promoter and directors of the Company offloaded their holdings.

(u) The Company in its response to SEBI dated October 27, 2023, submitted that Janakiram Ajjarapu and Sushant Mohan Lal were the only persons involved in the process of the said corporate announcement. Janakiram Ajjarapu and Sushant Mohan Lal were the Whole Time Directors and Executive Director of the Company, respectively and were responsible for the corporate announcement dated December 01, 2021. The other directors in the board of the Company are independent directors and were not involved in the day-to-day affairs of the Company.

(v) Janakiram Ajjarapu and Sushant Mohan Lal being designated persons sought for pre-clearance of trades from the Company on December 23, 2021 and December 27, 2021 for selling their holdings which was not provided by the compliance officer citing that the same was not made in the format prescribed. Due to oversight and communication gap, the designated persons have sold their holdings without obtaining pre-clearance of trades in violation of the Company's code of conduct under PIT Regulations read with SEBI Circular No. SEBI/HO/ISD/CIR/P/2020/135 dated July 23, 2020.

(w) On January 2022, the board of the Company imposed a penalty of Rs. 5,00,000 and Rs. 2,00,000 on Janakiram Ajjarapu and Sushant Mohan Lal, respectively. The same was paid by the entities and deposited with SEBI- Investor Protection and Education Fund (IPEF). However, no explanation was given as to under which provision the said penalties were levied and how the same were determined. This was done when BSE started examination in the matter.

(x) Though the Company submitted that the pre-clearance of trades was not provided to the said entities because of inconsistency in the prescribed format, no email/ letter communications with respect to intimation of the same to the designated persons were provided by the Company in this regard. The inconsistency in the prescribed format was nowhere mentioned in any of the official documents including the report submitted by the Company with respect to violation of code of conduct under PIT Regulations.

(y) No format was prescribed by SEBI for seeking pre-clearance of trades. However, the Company in their submission to SEBI dated May 20, 2023 has mentioned that the letter seeking pre-clearance was inconsistent with the format prescribed by SEBI.

(z) Sushant Mohan Lal had submitted that he was not aware of the requirement to obtain the pre-clearance of trades in the prescribed format. However, the format for pre-clearance of trades and affidavit to be submitted along with request for pre-clearance of trades were clearly

mentioned in the Company's code of conduct which was approved by its board of directors which includes Sushant Mohan Lal himself.

(aa) The designated persons were aware about the spread of false and misleading information about the Company in YouTube platform. Though the Company had notified YouTube about the spread of this information on December 23, 2021, the investors/ public were not informed about the spread of false and misleading information in market, without informing the public about the same, had capitalized on the information asymmetry that existed in market and sold major part of their holding and profited substantially out of price rise.

(bb) Sushant Mohan Lal visited the Mumbai office of Choice Equity Broking Pvt. Ltd. ('CEBPL') to open NRO- Trading account for Janakiram Ajjarapu. He received the signed Account Opening Form (AOF) from Janakiram Ajjarapu through courier and personally delivered those documents to CEBPL for opening the account. He also stayed at the office of CEBPL for 3-4 hours for opening the trading accounts. The trading account was opened on December 28, 2021 and Janakiram Ajjarapu sold his holdings the next day. The account for Janakiram Ajjarapu was opened in haste and the trades were executed to capitalize on the price rise.

(cc) During investigation, Sushant Mohan Lal stated that he had sold his holdings because of medical and financial emergencies. However, he was found to have re-invested Rs. 50 Lakhs to his trading account and has invested Rs. 40 Lakhs in Mutual Funds, showing that there was no medical/ financial emergency but capitalized on the price rise.

3. In view of the above, SEBI issued a Show Cause Notice ('the first SCN') bearing no. SEBI/HO/IVD2/ID18/OW/P/2024/38597/1 dated December 16, 2024 upon the Noticees.

4. In the SCN, it has been alleged that:

(a) The Company contravened the provisions of section 12A(a), (b), (c) of SEBI Act, 1992 read with regulations 3(a), (b), (c), (d), 4(1), 4(2)(e), (f), (k), (r) PFUTP Regulations and regulations 4(1)(c), (e), (h), (i) and 30(7) of the LODR Regulations.

(b) Janakiram Ajjarapu and Sushant Mohan Lal contravened the provisions of section 12A(a),(b),(c) of the SEBI Act, 1992 read with regulations 3(a), (b), (c), (d), 4(1), 4(2)(e), (f), (k) and (r) of the PFUTP Regulations and clause 6 of schedule B read with regulation 9(1) of the PIT Regulations.

(c) Kumar Raghavan failed to comply with the provisions of regulations 6(2)(a) and (c) of LODR Regulations.

5. The Noticees availed of an opportunity of inspection of documents on March 05, 2025 wherein they inspected all the relevant and relied upon documents including the Investigation Report of SEBI. Noticee no. 4 filed his reply to the SCN on April 29, 2025 whereas Noticee nos. 1, 2 and 3 filed their common reply to the SCN on April 30, 2025. The Noticees also availed opportunity of personal hearing on May 14, 2025 wherein Sushant Mohan Lal and Mr. S.S. Marthi, appeared on behalf of Noticee nos. 1, 2 and 3 whereas Mr. S.S. Marthi, appeared on behalf of Noticee no. 4. They reiterated the submissions made by them in their replies. During the hearing the Noticees submitted daily share price data of the Company from November 01, 2021 to February 04, 2021 contending that the price of the scrip was increasing even before investigation period (November 12, 2021 – January 11, 2022) and also contended to have paid the penalty imposed upon Noticee nos. 1 and 2 by the board of the Company for failure to obtain pre-clearance before selling their holdings. The Noticees filed common additional submissions on May 21, 2025. The submissions made by Noticees are dealt in the following relevant paragraphs where each issue is considered to determine whether Noticees violated the alleged provisions of Act or regulations as alleged.

6. I have carefully considered the allegations made in the SCN, the investigation report, replies and submissions of the Noticees and the documents relied upon in the matter. I deem it appropriate to first deal with the technical objections raised by the Noticee nos. 1, 2 and 3 with respect to the proceedings.

SCN contradicting the findings of the Investigation Report

7. The Noticees have contended that the SCN is contradictory to the findings of the Investigation Report and also contains findings which are contradictory to itself due to the following reasons:

   (a) Para 3.1 of the SCN notes the Company's continued expansion drive since 2018. However, in para 7.3, 7.4 and 10.6 of the SCN it has been contradictorily stated that the members were unaware of the Company's expansion plans.

   (b) Para 10.3 to 10.6 of the SCN refers to an email whose trail clearly indicates there were phone calls between Noticee no. 1 and the concerned person from OnDemand Agility Solutions Inc and they also planned to meet in person both before and after December 01, 2021. As such both the parties had discussed several times, before and after exchanging emails, in pursuit of finalizing a mutually beneficial deal in the near future. This was not considered by SEBI.

8. I note that the in Para 3.1 of the SCN, based on the Annual Report of the Company for the FY 2021-22 (available on the website of BSE), observation have been made about background of the Company, its business, acquisition of its control its by Noticee no. 1, its taking over the acquisition of Decipher Software Solutions LLC in USA in 2019 and change of its name in the year 2020. There is no quarrel about these facts in the SCN. Point 3 in Table 4 of paras 7 of the SCN (as contended 7.3) makes observation about failure of the Company to explain the details with

reference to the declaration made on the corporate announcement dated December 01, 2021 and not about its previous operations and plans. The observation in point 4 of table 4 in para 7 that "*The company's corporate announcement related to the business expansion plan was not placed before the board of directors before the aforesaid announcement"* has been made based on admission of the Company in that regard.

9. Similarly, the observation in point 3 of Table 7 in para 10 of the SCN that '*DLL was still in discussion with the Target Company and no official documents/ correspondence were available with the company when the announcement was made.'* has been made based on response of Noticee no. 2 in May 2024 that at the time of making the corporate announcement the promoters had initiated discussion with the OnDemand Agility Solutions Inc. and "*was on the verge of signing a letter of intent offering to purchase the target company.'* Similarly, observation in point 4 of Table 7 in para 10 of the SCN that the draft LoI submitted to SEBI was dated December 15, 2021, i.e. after the date of corporate announcement by the Company is again based on admission of Noticee no. 2 that except said LoI, the Company did not have any *further correspondence with respect to the said announcement.* The observation in point 5 of Table 7 in para 10 of the SCN about absence of any communication from the Company regarding impugned taking over of the OnDemand Agility Solutions Inc. is also based on statement of Noticee no. 2 that "*there may be verbal discussions/ update on the developments vide calls.".* The observation in point 6 of Table 7 in para 10 of the SCN is that "*The board was never apprised of the company's plan of venturing into the advanced IT fields like Artificial Intelligence, Virtual Reality, Augmented Reality and Metaverse. It is also pertinent to note that the company's core work involves Manpower Management for various IT companies in USA (as stated by Mr. Sushant Mohan Lal during the statement recording)".* I note that this observation has to be seen in totality of the facts and circumstances of the case. There is no dispute about the fact as mentioned in Table 3 of this order that revenue from operations of the Company had decreased from Rs. 1492.60 lakhs in June 2021 to Rs. 1371.20 lakhs in December 2021. Further, its profit after tax had increased from Rs. 66.40 lakhs in June 2021 to Rs. 727.90 lakhs in December 2021. However, the results for the December Quarter was announced on February 14, 2022 which is after the impugned corporate announcement and its additional disclosure was made on December 01,2021. The fact remains, as inferred from statement of Noticee no. 2, "*I do not recollect placing an agenda pertaining to the said announcement before any of the announcement before any of the Board Meetings'* that no event was disclosed or announcement was made by the Company on stock exchange at relevant time.

10. In order to determine the charge in this case the facts and circumstances as alleged need to be examined holistically and contextually rather than in picking statements in piece meal manner as sought to be contended by the Noticee nos. 1, 2 and 3. I, therefore find no merit in the contentions of the Noticee nos. 1, 2 and 3 that the SCN contains contradictory statements and should be withdrawn.

11. In the facts and circumstances as described in the SCN, following aspects of the allegations become pertinent to examine the validity of charge taking into account the submissions of the Noticees:

    a. Whether, the Company (Noticee no. 3) in its corporate announcement dated December 01, 2021 made exaggerated and misleading claims with respect to the expansion of the Company and non-disclosures by the Company that it could not proceed with disclosed plan of acquisition is in violation of the provisions of regulation 30(7) of LODR Regulation, 2015?

    b. Whether above exaggerated and misleading disclosures and omission to make material disclosures is also a misrepresentation, active concealment of material fact, promise without intent to perform and was a device, plan or artifice so as to hold that the Company has violated the provisions of PFUTP Regulations, SEBI Act, LODR Regulations as alleged in the SCN?

    c. Whether the corporate announcement dated December 01, 2021 being misleading impacted the price of the scrip of the Company?

    d. Whether Noticee nos. 1 and 2 misused the price rise in the scrip of the Company to make undue and unlawful profits by selling their holding in the Company and violated the provisions of SEBI Act and PFUTP Regulations as charged in the SCN?

    e. Whether Noticee nos. 1 and 2 sold their shares in the Company without obtaining requisite pre -clearance of trades and violated provisions of clause 6 of schedule B read with regulation 9(1) of the PIT Regulations.

    f. Whether Kumar Rahgavan (Noticee no. 4) being the compliance officer of the Company failed to ensure that correct procedures are followed by the Company that would result in the correctness, authenticity and comprehensiveness of the information, statements and reports filed by the listed entity and violated the provisions of regulations 6(2)(a) and (c) of LODR Regulations.

Exaggerated claims in Corporate announcement dated December 01, 2021 and failure in disclosures of material developments.

12. On December 01, 2021, the compliance officer (Noticee No. 4) of the Company made corporate announcement on BSE as under :-

    "The Board of Directors of the Company have been aggressively working toward the expansion goals and have considered various proposals for expansion of the business of the company

including the options of acquisition of Businesses in the Pharma and Information Technology Sectors.

With a view to expand its presence further in the Information Technology Sector, the company, through its subsidiary is looking to foray into the Artificial Intelligence, Virtual Reality and Augmented Reality Space (which is currently in news as Metaverse Space). The company has identified and initiated talks with a US Based company for development and marketing of the combination of multiple elements of technology, including Virtual Reality, Augmented Reality and videos where users live within the digital universe.

The process is in the nascent stage of development and the company will update the exact nature and terms of arrangements as and when the same are finalized subsequent to Due Diligence and the Feasibility and Viability reports.

This is for your information as we kindly request you to take the above on record in compliance with the applicable Regulations including the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015."

13. Subsequent to above corporate announcement another disclosure was made on December 01, 2021 by Noticee no.4 on BSE regarding the opening of branch office in Indore as under:

    "In continuation to the previous declaration by the company and in line with the expansion goals, this is to inform you that the company, through its subsidiary, has opened a Branch Office in Indore with the idea to tap identified specialist talents across states to further its expansion plans in the field of Information Technology Industry"

14. The first allegation in the SCN is that the Company in its corporate announcement dated December 01, 2021, made exaggerated claims with respect to expansion into Artificial Intelligence, Virtual Reality and Augmented Reality Space even before the plan of acquisition was finalized and the same was misrepresented / misleading and made without any basis and it also failed to make requisite disclosures with respect to updating/ informing investors that the Company did not proceed with the said plan of acquisition as mandated under the provisions of regulation 30(7) of the LODR Regulations which provides as under:-

    "30. (7) *The listed entity shall, with respect to disclosures referred to in this regulation, make disclosures updating material developments on a regular basis, till such time the event is resolved/ closed, with relevant explanations'*.

15. The Noticee nos. 1, 2 and 3 have vehemently denied the allegation in this regard and have contended that the SCN has selectively chosen only on disclosure about expansion plans of the Company and has admittedly not considered the additional disclosures about opening a new office at Indore and

disclosure dated November 13, 2021, announcing the quarterly results of the Company. I note that the disclosure on December 01, 2021 into opening of a branch office in Indore was made after the initial disclosure stating the expansion of the Company into advanced IT fields such as Artificial Intelligence, Virtual Reality and Augmented Reality Space was made on December 01, 2021. Admittedly, this disclosure was in furtherance and continuation of the earlier disclosure into the expansion plans of the Company. Thus, it admittedly shows an instance into the steps proposed by the Company into furtherance of its claimed expansion goals and is connected with initial disclosure of the same date. I, therefore, do not agree with contentions of the Noticee nos. 1, 2 and 3 in this regard.

16. They have also submitted that the said corporate announcement was made on December 01, 2021 in response to BSE's query on November 30, 2021 regarding the price rise of 105.25% into the scrip. In response to BSE query the company made corporate announcement dated December 01, 2021, informing the public about its possible future plans and the areas of talent pools where it intended to find support for the expansion. The intention of the Company was to provide transparency and to make the public aware about the developments. According to them the idea of such expansion had been in contemplation and deliberation since April 02, 2021 when its Board of Directors authorized Noticee no. 1, being the majority stakeholder, promoter and the Executive Director of the Company to look for efficient collaborations for the expansion of the business of the Company and the scope of its operations. In the same meeting, Noticee no. 1 was authorised to initiate discussions and negotiations with the interest parties for participation/ investment in the Company's expansion program. The resolution authorized Noticee no. 1 but stipulates that his offers must be subsequently approved by the Board. He engaged many companies and business persons for the company's expansion plans, and since these were initial engagements and discussions, Noticee no. 1 engaged the parties in his name under the belief that the company can be brought in to the picture once the terms are settled and a broad understanding reached between the company and the parties.

17. It is admitted position that price of the scrip of the Company was on rise prior to the impugned corporate announcement was made by the compliance officer of the Company. It is also a matter of record that the price of the scrip of the Company moved from Rs. 33.90 on October 1, 2021, to Rs. 28.70 on November 1, 2021 to Rs. 29.50, closing on Rs. 30.50 on November 12, 2021. The price opened at Rs.30.50 as on November 12, 2021 reached to a high of Rs. 60.55 on November 30, 2021 Admittedly, this prompted a query from BSE on November 30, 2021 regarding the price rise of 105.25% in the scrip of the Company. The Company responded on same day to BSE saying that - '*the movement of share price of the company is purely due to the market conditions and absolutely market driven and the Management of the company is in no way connected with any such variations in price'*. Thus, the claim that the said corporate announcement was made on December 01, 2021 in response to BSE query is false. If at all the Noticee nos. 1, 2 and 3 were to plead reason of their claimed expansion plan for the price rise, the same ought to have been stated in their response of November 30, 2021 itself. It is far from imagination as to how a disclosure of

material information on December 01,2021 will be reason for past price increase. In my view, the contention is just an eye wash and not a cogent one and hence rejected.

18. Having already made a response to the query of BSE on November 30, 2021, that the increase in the price of the scrip of the Company was purely due to market conditions, the Noticees have now taken a different stand to contend that the impugned disclosure was made in response to BSE query. Further, on one hand the Noticees have submitted that the impugned corporate announcement was made so as to give the factual position and to make sure that the public at large will clearly understand that the Company has just started taking steps to expand the scope of the business which is at preliminary stage. I find this to be in stark contrast to their submissions that the said information with relevant details were already in the public domain as per the Annual Report of the Company for the Financial Year 2020-2021 published on September 03, 2021 on BSE website.

19. Further, on the one hand, these Noticees claim that the corporate announcement was made on December 01, 2021 in response to BSE query dated November 30, 2021 which, in itself, is false, on the other hand they claim that they made the said disclosure about claimed expansion plan; that was contemplated in April 2021 and according to them it was being planned and negotiated even since March 2020 (*Ref: claimed that due diligence from M/s Hiremath & Co. was conducted from 05.04.2020 to 27.04.2020 and letter of intent was dated March 17, 2020 to purchase 80% shareholding of M/s TransSys Solutions); to make the* public aware as a matter of transparency. I further find that the Company made the corporate announcement dated December 01, 2021 titled as *"Business Update"* in comparison to the disclosure dated November 30, 2021 in response to BSE query which is titled as "*Clarification*". Both these disclosures are clearly distinguished one and were made for different purposes.

20. The submission that the Noticees made the said disclosures on December 01, 2021 for informing the public about possible future plans of the Company and the areas of talent pools where it intended to find support for the expansion as a matter of transparency is also misplaced. It is curious to note that if at all this was the plan of the Noticee nos. 1, 2 and 3 since April 02, 2021 but was not felt material for disclosure then, how it became material for disclosure suddenly for no reasons on December 01,2021 if the plans and negotiations remained at *nascent stage* even on the date; when sudden need was felt by the Company to be transparent that too only when the price of its scrip had increased to a new high on November 30, 2021? The Noticees have failed to offer any plausible explanation for making the corporate announcements on December 01, 2021 but never updated the material developments as undertaken therein. I, therefore, do not agree with claims of the Noticees for this reason also.

21. I note that the Noticees have been taking shifting and contradictory stands. It is settled position that the Noticee cannot be permitted to approbate and reprobate on the same facts and take inconsistent shifting stands. I want to make it clear that quasi-judicial proceeding is not a game of chess and the Noticees cannot prevaricate and take inconsistent positions. Taking inconsistent pleas by the

Noticee in this case makes its conduct far from satisfactory. Also, the evasive submission has been made by the Noticees in order to mislead the authorities. I am constrained to say that more often than not quasi-judicial process is being used by such Noticees as a convenient lever to drag the process by making irrelevant and evasive submissions.

22. Further, although the Noticee nos. 1 and 2 have owned the said corporate announcements and public disclosures of material information, the Noticees have failed to demonstrate the authority of Noticee no 4 to make above significant and material corporate disclosures to public. When query was raised during hearing about authority of such important decision by a compliance officer, Sushant Mohan Lal submitted that the oral approval was given by Noticee nos. 1 and 2 to Noticee no. 4 to make above said corporate announcements/ disclosures. It is intriguing to note that Noticee no. 1 was not in India and how such a crucial decision was orally allowed by Noticee no. 2 while he was present in India and is Executive Director of the Company.

23. It is also noted that Noticee no. 1 was involved in the planning of the expansion plans of the Company as per LoI dated March 17, 2020 to purchase 80% shareholding of M/s TransSys Solutions more than one year before any sort of approval from the Board of Directors of the Company on April 02, 2021. Noticee no. 1 was still in discussion with OnDemand Agility Solutions Inc. and no final documents / correspondence were available with the Company when the announcement was made on December 01, 2021. Noticee no. 1 was communicating about the acquisition with some entities from his personal email ID and there was no official communication which was sent / received from the Company. It is also pertinent to note that the Company's core work involves manpower management for various IT companies in USA. Such an important and material expansion plan of venturing into the advanced IT fields like Artificial Intelligence, Virtual Reality, Augmented Reality and Metaverse was not even informed to the Board of Directors of the Company when the impugned corporate announcement was made. In fact, regulation 30(1) of the LODR Regulations, which provides that '*Every listed entity shall make disclosures of any event or information which, in the opinion of the board of directors of the company is material'*, mandates opinion/ decision of the Board of Directors. Admittedly, for making the disclosures in corporate announcement on December 01,2021, the opinion/decision of Board of Directors of the Company was not obtained as required under the provisions of said regulation 30(1) and it was only on February 14, 2022 that the Board of Directors of the Company was informed subsequently.

24. The Noticees nos. 1, 2 and 3 have claimed that the disclosures in said corporate announcement were not untrue, false or an unfair disclosure, as the matter was still in early stages and the board of the Company had previously discussed its business plans board approval was deemed unnecessary, since the discussions with other companies did not materialize into an actual plan of expansion no update was given as they were under *bona fide* belief that update after the announcement/ disclosure would arise only after a specific development. They have submitted that the Company has diversified into and is involved in providing services and key solutions in the information technology industry particularly in the western world. Noticee no. 1 was in discussion with

following companies for expansion and it would have probably led to the growth of the Company with respect to its core work area of providing services and key solutions in the IT sector: -

(a) Noticee no. 1 engaged in discussions with various companies on behalf of Decipher Labs Ltd. in furtherance of its expansion plans into advanced IT fields like Artificial Intelligence, Virtual Reality and Augmented Reality.

(b) Noticee no. 1 negotiated with Crown Solutions India Private Limited, a Company involved into global IT solutions and services which provides technology consulting services, talent resourcing and Human resource management solutions. A due diligence of the said Company was also conducted by M/s Hiremath & Co, Chartered Accountants at the request of the Company.

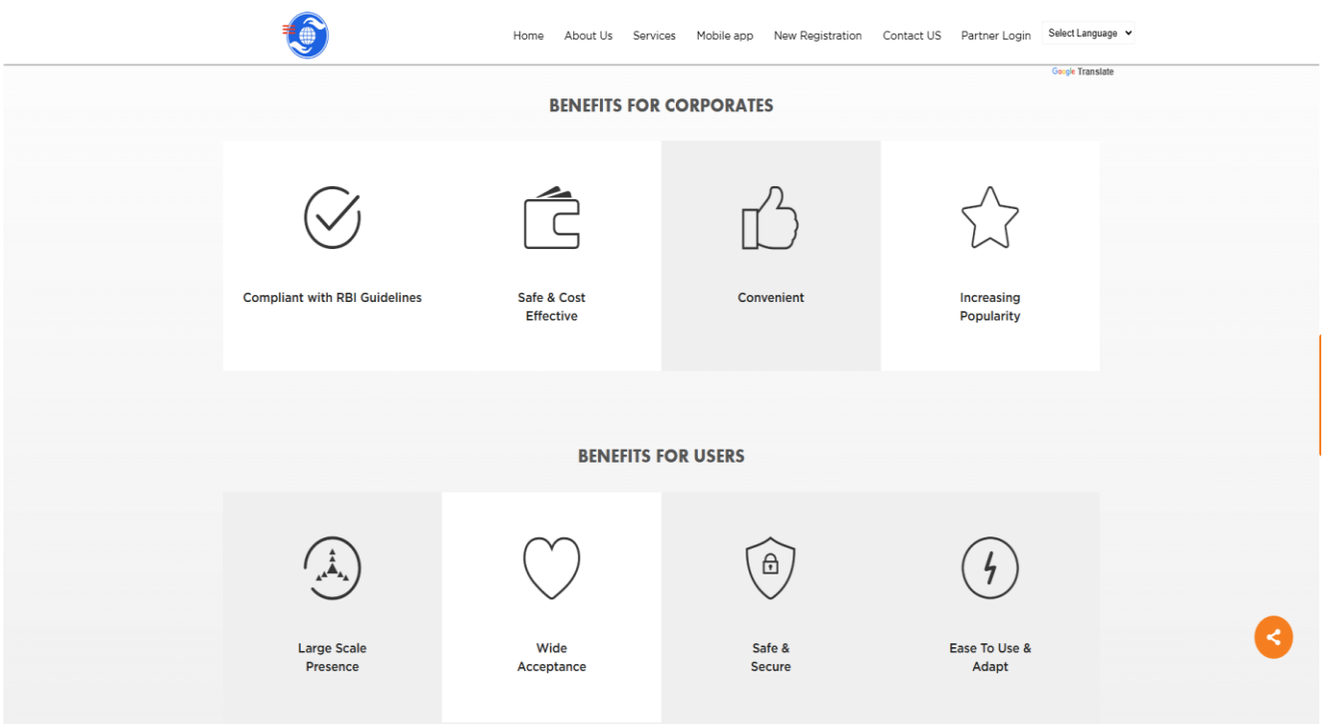
(c) Noticee no. 1 negotiated with M/s Digital India Payments Limited, for one hundred percent acquisition. The Noticees have submitted a LoI dated February 15, 2021 under the signature of Noticee no. 1 stating that the M/s Digital India Payments Limited backed out as it was not satisfied by the terms of the Company.

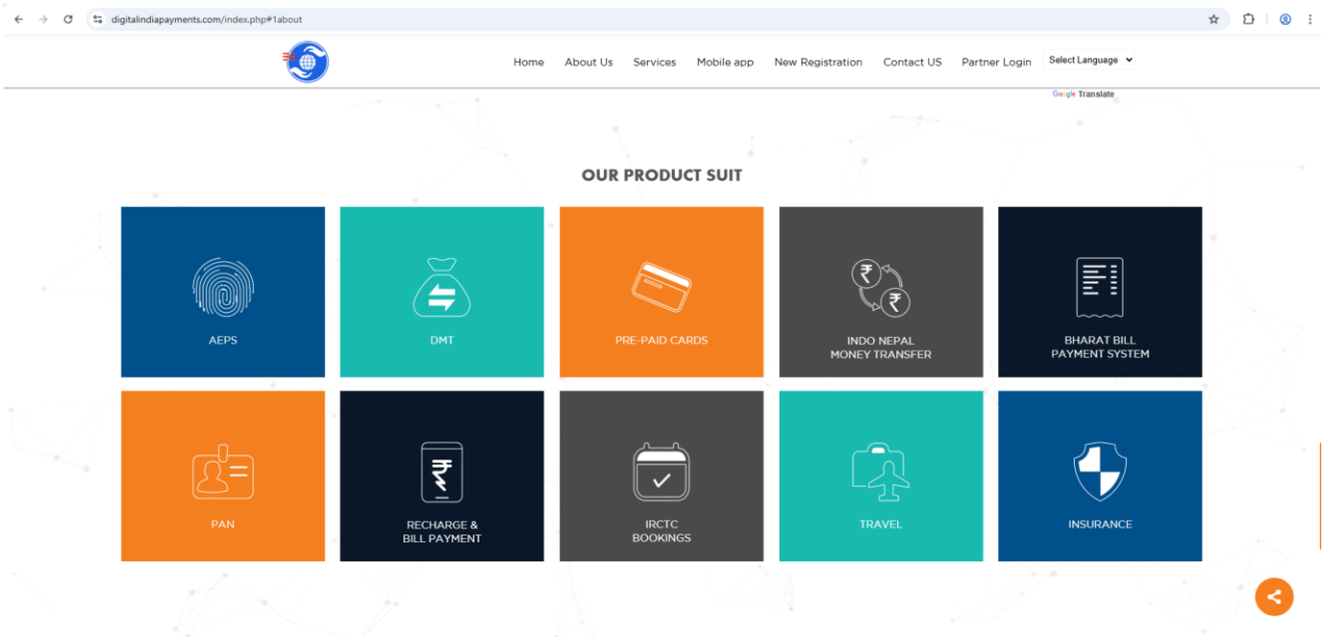
(d) Noticee no. 1 negotiated with M/s TransSys Solutions, to purchase 80% of all outstanding shares of the TransSys Solutions Group of Companies. The Noticees have submitted a confidentially agreement and an unsigned LoI dated March 17, 2020.

25. I note from purported due diligence report prepared by M/s Hiremath & Co. that it is undated and states that '*the review was conducted from 05.04.2020 to 27.04.2020 Bangalore as per the request specific request received from M/s Decipher Labs Limited.'*. The report further states that Crown Solutions is involved in providing following services (i) Human Capital Solutions (ii) Contract staffing (iii) Permanent staffing (iv) Global resourcing (v) Executive Search (vi) recruitment process outsourcing (vii)Managed vendor services (viii) Payroll Services and (ix) Statutory Services. Apparently, Crown Solutions is not engaged in providing Artificial Intelligence or any activities as disclosed in the impugned corporate announcement. Thus, the claim of the Noticees falls foul being an afterthought.

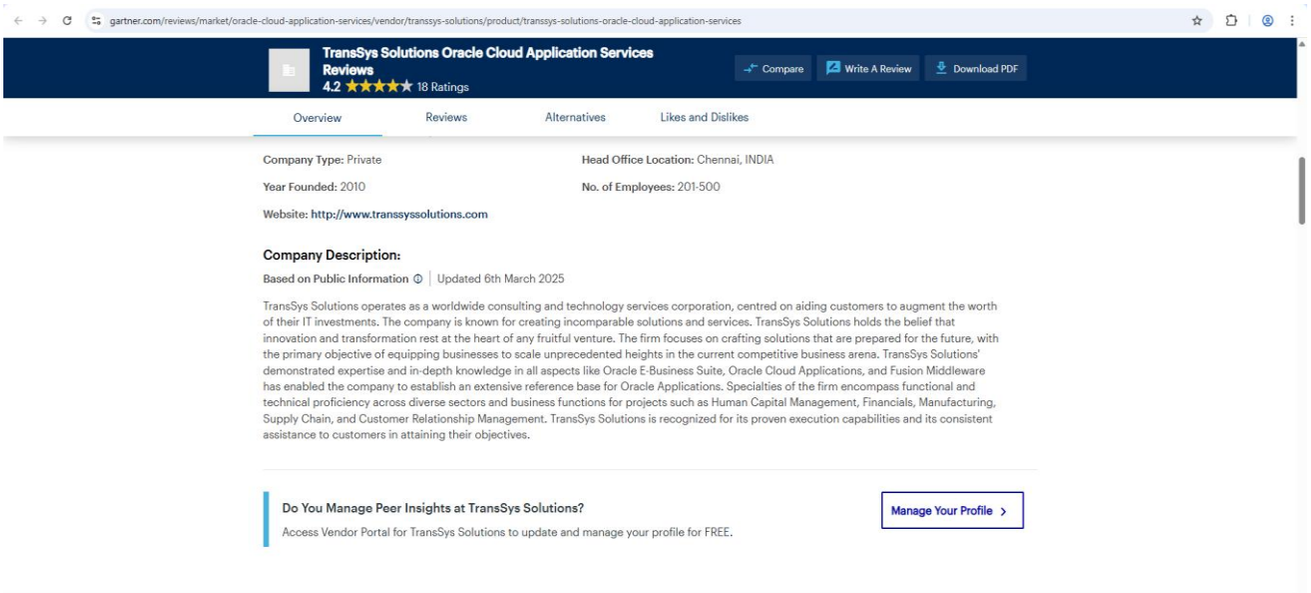
26. On perusal of the copy of LoI dated February 13, 2021 to purchase 100% shareholding of M/s Digital India Payments Limited as submitted by the Noticee nos. 1, 2 and 3, it is noted that it does not indicate the services/ products of the Company at all. On a search into the Corporate Identification Number (CIN) of Digital India Payments Limited, it is noted that its website is *digitalindiapayments.com*. From said website, I note that Digital India Payments Limited is involved in providing solutions with respect to transactions involving Banking, E – Commerce, ATM, Healthcare, Travel and other such areas. The screenshots of the '*About us*' section of the said website is noted as following:

digitalindiapayments.com/index.php#1about
Home
About Us
Services
Mobile app
New Registration
Contact US
Partner Login
Select Language
WE ARE DIGITAL INDIA PAYMENTS LIMITED
Digital India Payments Limited is a team of leaders with a vision to reach people from every walk of life by easy transaction solutions in banking and e-commerce, with the end goal of becoming a leading transaction service provider for all financial requirements across India.
We bring to the table ample opportunities for people in the form of employment and entrepreneurship. Our solution touches people from urban to rural, tailor made specific for that region so that transactions involving Banking, Mobile, E-Commerce, ATM, Healthcare, Travel and other such, are made with ease and efficiency. We want to assist Indian villages in the quest to reignite and rediscover their potential by recreating manufacturing hubs too.


Home
About Us
Services
Mobile app
New Registration
Contact US
Partner Login
Select Language
Google Translate
BENEFITS FOR CORPORATES
Compliant with RBI Guidelines
Safe & Cost Effective
Convenient
Increasing Popularity
BENEFITS FOR USERS
Large Scale Presence
Wide Acceptance
Safe & Secure
Ease To Use & Adapt

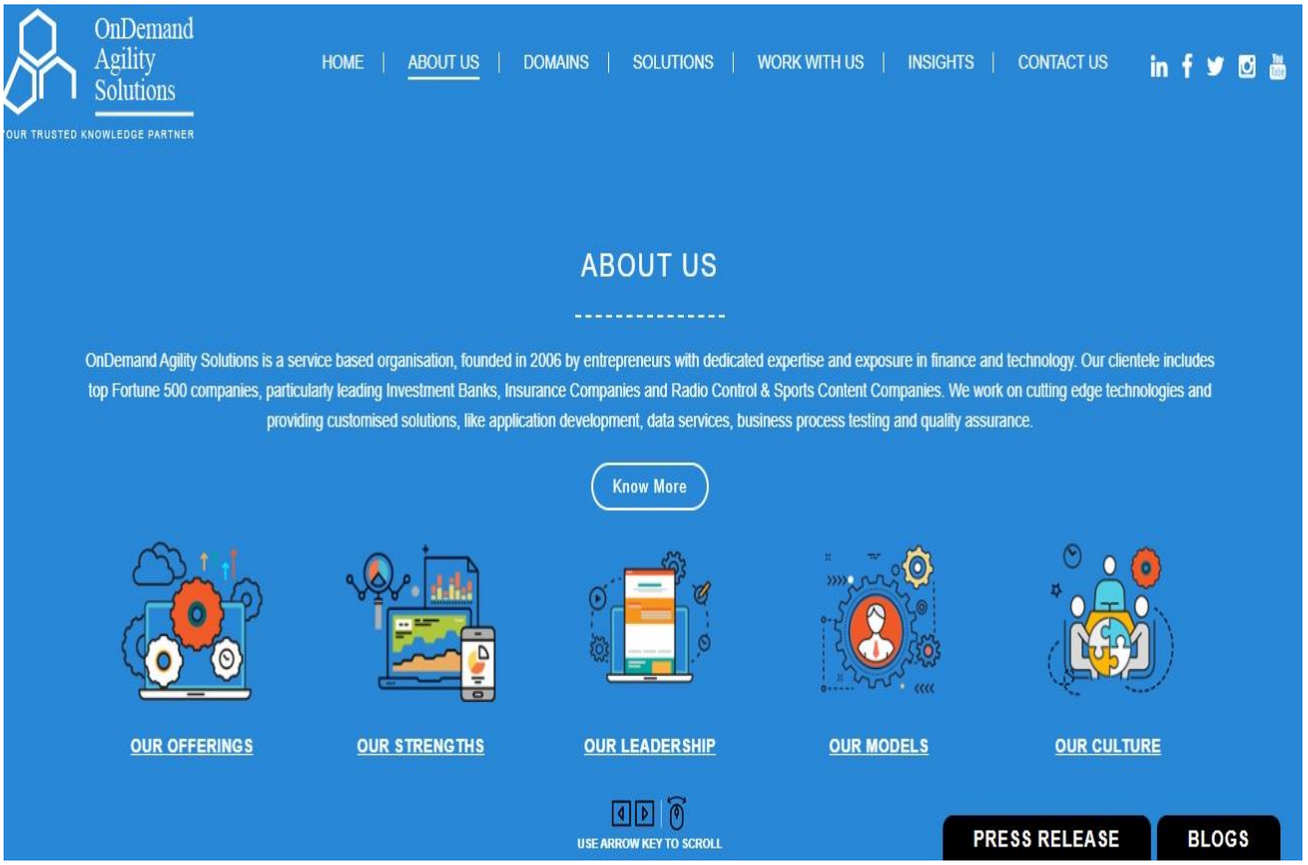


27. On perusal of the copy of LoI dated March 17, 2020 to purchase 80% shareholding of M/s TransSys Solutions as submitted by the Noticee nos. 1, 2 and 3, it is noted that it also does not indicate the services/ products of the Company. Further the website (*transsyssolutions.com*) of said M/s TransSys Solutions is suspended. On carrying out a search into M/s TransSys Solutions on *gartner.com*, an American research and advisory firm focusing on business and technology topics, I note that TransSys Solutions has expertise in '*Oracle E-Business Suite, Oracle Cloud Applications and Fusion Middleware.*' and '*Specialities of the firm encompass functional and technical proficiency across diverse sectors and business functions for projects such as Human Capital Management, Financials, Manufacturing, Supply Chain, and Customer Relationship Management.*' The screenshot as observed in the website gartner.com is as under:



28. Apart from the above negotiations mentioned by the Noticees, the SCN also mentions one unsigned LoI dated December 15, 2021, regarding purchase of 80% of all outstanding shares of OnDemand

Agility Solutions Inc. Annexure 15 of the SCN is the screenshot of website of OnDemand Agility solutions which is as follows:



29. As stated by Noticee no. 2 on May 16, 2024 during investigation, the above company is in the business of manpower management for various IT companies in USA. However, on perusal of the website of the said company it is noted OnDemand Agility Solutions is a service based organisation, founded in 2006 by entrepreneurs with dedicated expertise and exposure in finance and technology. Its clientele includes top Fortune 500 companies, particularly leading investment Banks, Insurance Companies and Radio Control and Sports Content Companies. It works on cutting edge technologies and providing customised solutions, like application development, data services, business process testing and quality assurance. However, there is no mention with respect to Artificial Intelligence, Virtual Reality and Augmented Reality Space or anything related to Metaverse Space. The Company has neither provided any documents with respect to the US Based Company nor it could establish that the US Company referred to in the corporate announcement dated December 01, 2021 was into the business as claimed therein.

30. In view of above, I find none of these companies as claimed by Noticee nos. 1, 2 and 3 are involved in Artificial Intelligence, Virtual Reality and Augmented Reality Space as claimed by the Company in its corporate announcement dated December 01, 2021. As stated by the Noticee nos. 1, 2 and 3, the Company has diversified into and is involved in providing services and key solutions in the information technology industry particularly in the western world. There is nothing to suggest that

the claimed discussion for expansion would have led to the Company foraying into advanced IT fields like Artificial Intelligence, Virtual Reality and Augmented Reality. I, therefore, find the disclosure dated December 01, 2021 was certainly exaggerated and misleading one with making hifalutin claims and without adequate basis and to have tall claims with respect to expansion of the Company into the said advanced IT fields.

31. I note that in the Annual Report of the Company for the Financial Year 2020-2021 there is a mention that '*company continues to scout for expansions through acquisitions and investments in new areas which will help us grow faster and also take our products and solutions across various verticals*'. This statement in the Annual Report does not disclose that the Company is planning to venture into advanced IT fields of Artificial Intelligence, Virtual Reality and Augmented Reality. I, accordingly, find the contention of the Noticees in this respect is without merit and is an afterthought.

32. The Noticee nos. 1, 2 and 3 have contended that the Company was under belief that the update after the announcement would arise after a specific development. It is pertinent to note that on the same date the Company made additional disclosure "*In continuation to the previous declaration by the company and in line with the expansion goals"* that the Company, *through its subsidiary, has opened a Branch Office in Indore.* This fact was though considered material for sudden disclosure as was done in the case of expansion of process that was in the *nascent stage of development* and the Company was to update the exact nature and terms of arrangements as and when the same are finalized subsequent to Due Diligence and the Feasibility and Viability reports. Admittedly, the disclosures with respect to expansion goals of the Company was made in the context of continuous increase in the price of the scrip of the Company. Again, this was done, as claimed, to give a clear picture into the possible future plans of the Company and the areas of talent pools where it intended to find support for the expansion and to provide transparency and to make the public aware about the developments. Thus, the expansion goals of the Company, *inter alia*, to foray into advanced IT fields such as Artificial Intelligence, Virtual Reality and Augmented Reality Space was considered as a material development in the opinion of the management/ board of the Company having bearing on the price of the scrip by the Company, and hence the impugned disclosure was made. In my view, the change in situation after the corporate announcement was a material development which had the potential to result in significant market reaction if the said omission came to light at a later date under regulation 30(4)(i)(b) of the LODR Regulations.

33. The Company in its disclosure dated December 01, 2021, has stated it will update the exact nature and terms of arrangements as and when the same are finalized subsequent to Due Diligence and the Feasibility and Viability reports which it never did. The disclosures in the impugned corporate announcement were certainly price sensitive as demonstrated in the SCN. If at all the deal or discussions of the Company as claimed by it were for disclosed purposes and did not materialise, it was incumbent and obligatory for the Company to make prompt disclosures in that respect to public which it has failed to do. As per regulation 30(4)(i)(b) of the LODR Regulations, the listed

entity shall, *inter alia*, consider the following criteria for determination of materiality of events/ information '*the omission of an event or information is likely to result in significant market reaction if the said omission came to light at a later date;'*. The disclosure dated December 01, 2021 led to a significant increase in the price and trading activity into the scrip of the Company, on the basis of exaggerated disclosures made by the Company. An update from the Company that the negotiations into expansion plans of the Company has failed could also be reasonably expected to be a material development which had the potential to result in significant market reaction having a bearing on the price of the scrip of the Company. I, therefore, hold the omission of the Company to provide a disclosure into the failure of its stated expansion plan is in contravention of Regulation 30(7) of the LODR Regulations.

Misrepresentation, active concealment of material fact, promise without intent to perform etc. and charge of PFUTP Regulations in that regard.

34. The second allegation is that the Company in its corporate announcement dated December 01, 2021, had made exaggerated claims with respect to expansion into Artificial Intelligence, Virtual Reality and Augmented Reality Space even before the plan of acquisition was finalized and the same was misrepresented / misleading and made without any basis. Further, it failed to make requisite disclosures as mandated under the provisions of LODR Regulations with respect to updating informing investors that the Company did not proceed with the said plan of acquisition. Therefore, it is alleged that:

    (a) the Company has violated the provisions of regulations 3(a), (b), (c), (d), 4(1), 4(2)(e), (f), (k) and (r) of the PFUTP Regulations, 2003 read with section 12A(a), (b),(c) of SEBI Act, 1992 and Regulations 4(1)(c), (e), (h), (i) of LODR Regulations; and

    (b) Noticee no. 4 failed to ensure that correct procedures are followed by the company that would result in the correctness, authenticity and comprehensiveness of the information, statements and reports filed by the listed entity, thereby violating the provisions of regulations 6(2)(a) and (c) of the LODR Regulations,

35. Before examining the contentions of the Noticee nos. 1, 2 and 3 in this connection, it would be apposite to examine the scope of '*fraud'* and '*fraudulent, unfair and manipulative'* practices as envisaged for prohibitions under section 12A of the SEBI Act and the PFUTP Regulations. The words '*fraud*" and '*fraudulent'* have been defined under regulation 2(1)(c) of the PFUTP Regulations 2003 as follows: -

Definition of 'fraud" – Regulation 2(1)(c).

(c)"fraud" includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

(1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;

(2) a suggestion as to a fact which is not true by one who does not believe it to be true;

(3) an active concealment of a fact by a person having knowledge or belief of the fact;

(4) a promise made without any intention of performing it;

(5) a representation made in a reckless and careless manner whether it be true or false;

(6) any such act or omission as any other law specifically declares to be fraudulent;

(7) deceptive behaviour by a person depriving another of informed consent or full participation;

(8) a false statement made without reasonable ground for believing it to be true;

(9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

And "fraudulent" shall be construed accordingly;"

36. The antifraud provisions of the security laws are not coextensive with common-law doctrines of fraud as common-law fraud doctrines are too restrictive to deal with the complexities involved in the security market, which is also portrayed in the above definitions of the words "*fraud*" and '*fraudulent'*. The definition of '*fraud'* under clause (c) of regulation 2 has two parts; first part may be termed as catch all provision while the second part includes specific instances which are also included as part and parcel of term '*fraud'*. Unfair trade practice has not been defined under the regulation. A clear cut generalized definition of the 'unfair trade practice' may not be possible to be culled out from the aforesaid definitions. Broadly trade practice is unfair if the conduct undermines the ethical standards and good faith dealings between parties engaged in business transactions. It is to be noted that unfair trade practices are not subject to a single definition; rather it requires adjudication on case to case basis. Whether an act or practice is unfair is to be determined by all the facts and circumstances surrounding the transaction. In the context of this regulation a trade practice may be unfair, if the conduct undermines the good faith dealings involved in the

transaction. Moreover, the concept of '*unfairness'* is broader than and includes the concept of '*deception'* or '*fraud'*.

37. As a matter of principle, while interpreting this regulation, I must weigh against an interpretation which will protect unjust claims over just, fraud over legality and expediency over principle. The fraudulent dealings in securities market are not limited to trading and manipulations only as contended by the Noticees nos. 1, 2 and 3. The scope of fraudulent dealings in securities is wide within the scope of the SEBI Act and PFUTP Regulations. The concepts of "*manipulative practices"* and '*unfairnesses'* are even broader than and includes the concept of '*deception'* or '*fraud'*. I, therefore, do not agree with contention that when the finding of the investigating officer has clearly stated that Noticee no. 1 and Noticee no. 2, did not create any artificial volumes or engage in market manipulation, the SCN, is contrary to the findings of the investigation report and is bad, biased, predetermined and suffers from legal infirmities and inconsistencies.

38. Hon'ble Supreme Court in its the judgement dated September 20, 2017 in ***SEBI V. Shri Kanaiyalal Baldevbhai Patel***[1] gave a liberal interpretation to the definition of *fraud* under regulation 2(c) of PFUTP Regulations stating as follows:

    '*5. If Regulation 2(c) of the 2003 was to be dissected and analyzed it is clear that any act, expression, omission or concealment committed, whether in a deceitful manner or not, by any person while dealing in securities to induce another person to deal in securities would amount to a fraudulent act. The emphasis in the definition in Regulation 2(c) of the 2003 Regulations is not, therefore, of whether the act, expression, omission or concealment has been committed in a deceitful manner but whether such act, expression, omission or concealment has/had the effect of inducing another person to deal in securities.*

    6. The definition of 'fraud', which is an inclusive definition and, therefore, has to be understood to be broad and expansive, contemplates even an action or omission, as may be committed, even without any deceit if such act or omission has the effect of inducing another person to deal in securities. Certainly, the definition expands beyond what can be normally understood to be a 'fraudulent act' or a conduct amounting to 'fraud'. The emphasis is on the act of inducement and the scrutiny must, therefore, be on the meaning that must be attributed to the word "induce".'

39. Section 12A(a), (b), (c) of SEBI Act, regulations 3(a), (b), (c), (d), 4(1), 4(2)(e), (f), (k) and (r) of PFUTP Regulations and regulations 4(1)(c), (e), (h), (i) of LODR Regulations as charged in this case provide as under:

[1] *Civil Appeal No. 2595 of 2013 before the Hon'ble Supreme Court*

SEBI Act:

12A. Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

No person shall directly or indirectly—

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognized stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognized stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

PFUTP Regulations:

Regulation 3. Prohibition of certain dealings in securities

"No person shall directly or indirectly

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

Regulation 4. Prohibition of manipulative, fraudulent and unfair trade practices.

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities markets.

(e) Explanation.– For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market."

(2) Dealing in securities shall be deemed to be a manipulative, fraudulent or an unfair trade practice if it involves any of the following, namely: —

……

(e) any act or omission amounting to manipulation of the price of a security, including, influencing or manipulating the reference price or bench mark price of any securities;

(f) knowingly publishing or causing to publish or reporting or causing to report by a person dealing in securities any information 14[relating to securities, including financial results, financial statements, mergers and acquisitions, regulatory approvals, which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

…

(k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading in a reckless or careless manner and which is designed to, or likely to influence the decision of investors dealing in securities;

…

(r) knowingly planting false or misleading news which may induce sale or purchase of securities.

LODR Regulations:

Regulation 4: Principles governing disclosures and obligations.

(1) The listed entity which has listed securities shall make disclosures and abide by its obligations under these regulations, in accordance with the following principles:

(c) The listed entity shall refrain from misrepresentation and ensure that the information provided to recognized stock exchange(s) and investors is not misleading.

(e) The listed entity shall ensure that disseminations made under provisions of these regulations and circulars made thereunder, are adequate, accurate, explicit, timely and presented in a simple language.

(h) The listed entity shall make the specified disclosures and follow its obligations in letter and spirit taking into consideration the interest of all stakeholders.

(i) Filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.'

40. Regulation 3(a) of the PFUTP Regulations prohibits buying, selling or otherwise dealing in securities in a fraudulent manner, directly or indirectly. The aspect of the charge against Noticee nos. 1, 2 and 3 i.e. issuing misleading corporate announcement, misrepresentation, false promise, etc and actively concealing the material development thereto is not covered in this sub-regulation(a) of Regulation 3. It is noted that section 12A (a) and (b) of the SEBI Act and regulation 3(b) and (c) of the PFUTP Regulations prohibit employment of any '*device'*, '*scheme'* or '*artifice'* to defraud '*in connection with dealing in securities'*; and engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person *'in connection with dealing in securities'*. Section 12A (c) of the SEBI Act and regulation 3 (d) of the PFUTP Regulations prohibit engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities in contravention of the provisions of this Act or the rules or the regulations made thereunder.

41. The words '*device'*, '*scheme'* or '*artifice'* have not been defined in the SEBI Act or in the PFUTP Regulations. According to the Black's Law Dictionary, -

    i. *"device"* means

        (a) an invention or contrivance; any result of design;

        (b) a scheme to trick or deceive; a stratagem or artifice, as in the law relating to fraud.

    ii. *"scheme"* means

        (a) a systemic plan; a connected or orderly arrangement, especially of related concepts;

        (b) an artful plot or plan, usually to deceive others, a scheme to defraud creditors

    iii. *"artifice"* means a clever plan or idea, especially one intended to deceive.

42. The expression *'in connection with dealing in securities'* in section 12A (a) and (b) of the SEBI Act and regulation 3(b) and (c) of the PFUTP Regulations are of much significance and they include employing the device, etc. and engaging in act, practice, etc. other than by way of buying or selling securities. Any scheme, device or artifice which operates a fraud or deceit on investors in securities would be covered within said prohibitions of section 12A and Regulation 3. In my view, any fraudulent or deceptive device, scheme, act, practice which has the potential to induce sale or purchase of securities of the Company and to influence the investment decisions of the investors would be covered in the prohibitions of section 12A (a), (b) and (c) of the SEBI Act and regulation 3(b) (c) and (d) of the PFUTP Regulations.

43. Regulation 4 (1) of the PFUTP Regulations is widely worded as it prohibits indulgence in fraudulent and unfair trade practices in securities. Publishing or causing to publish untrue information, issuing advertisements containing information in an exaggerated manner to mislead the investors are declared fraudulent and unfair trade practices under regulation 4(2) (f), (k) and (r),

respectively. In regulation 4(1) or in regulation 4(2) (f) (k) and (r) also do not envisage actual buy or sell of securities. Issuance of misleading/false announcements or advertisements that contain distorted information would be covered by the prohibitions of regulation 4(2), if they '<u>may</u>' influence the decision of investors or induce sale or purchase of securities. In this regard, the Hon'ble Securities Appellate Tribunal (Hon'ble SAT) in its Order dated June 29, 2011 *(Appeal No.104 of 2011-V. Natarajan vs. SEBI)* has held that fraudulent or unfair trade practice in securities includes publishing any information which is not true or that is misleading or contains information in a distorted manner which may influence the decision of the investors. The following observations of the Hon'ble Securities Appellate Tribunal in this case are worth mentioning:

> *" … we are satisfied that the provisions of Regulations 3 and 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 were violated. These regulations, among others, prohibit any person from employing any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on an exchange. They also prohibit persons from engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities that are listed on stock exchanges. <u>These regulations also prohibit persons from indulging in a fraudulent or unfair trade practice in securities which includes publishing any information which is not true or which he does not believe to be true. Any advertisement that is misleading or contains information in a distorted manner which may influence the decision of the investors is also an unfair trade practice in securities which is prohibited. The regulations also make it clear that planting false or misleading news which may induce the public for selling or purchasing securities would also come within the ambit of unfair trade practice in securities.</u> …….."* (Emphasis added)

44. Apart from above prohibitions under section 12A of the SEBI Act and regulations 3 and 4 of the PFUTP Regulations, regulation 4 of the LODR Regulations lays down following broad principles and bright line test for disclosures and corporate governance by listed entities for the compliance of its requirements outlined in the LODR Regulations: -

    (a) refrain from misrepresentation;
    (b) the information disclosed to investors should not be misleading;
    (c) the disclosures should be adequate, accurate, explicit, timely and presented in a simple language;
    (d) disclosures and compliance of obligations should be in letter and spirit taking into consideration the interest of all stakeholders;
    (e) Filings, reports, statements, documents and information which are event based or are filed periodically shall contain relevant information.

45. In view of the above cardinal principles and bright line tests for compliance obligations under

LODR Regulations coupled with the prohibitions in section 12A of the SEBI Act and regulations 3 and 4 of the PFUTP Regulations, the Company and its management must always act diligently and in the interests of its stakeholders.

46. As discussed hereinabove, regulation 30(7) of the LODR Regulations obligated a listed entity to make disclosures updating material developments on a regular basis, till such time the event is resolved/ closed, with relevant explanations. In terms of regulation 30(4)(i)(a) of the LODR Regulations, the listed entity shall consider whether the omission of an event or information, which is likely to result in discontinuity or alteration of an event or information already available publicly is a material event/ information. In this case, as found above, the corporate announcement dated December 01, 2021 was misleading and made misrepresentation of fact as basis claimed by Noticee nos. 1, 2 and 3 has been found incorrect, false and untrue. The deliberate false/misleading statements, misrepresentations of the material facts and active suppression and concealment of material facts as found in this case amount to *'suppressio veri* and '*suggestio falsi'* which a facet of *'fraud'* as defined in regulation 2(1)(c) of the PFUTP Regulations. Representation were made in a reckless and careless manner in the impugned corporate announcement suggesting a fact which was not true and Noticees did not believe them to be to be true. The conduct of not disclosing the updated status of plans if initial disclosures were made on December 01,2021 is clearly an active concealment. Knowing misrepresentation of the truth about claims made in the impugned corporate announcement, active concealment of material fact if expansion plans of the Company had failed as claimed squarely fall within scope of "*fraud'* within the wide contours of regulation 2(1)(c).

47. When the corporate announcement was made on December 01, 2021 making tall claims as found hereinabove, any reasonable and prudent person would make prompt disclosures about material developments after making such corporate announcement to investors. The Company in its disclosure dated December 01, 2021, has stated it will update the exact nature and terms of arrangements as and when the same are finalized subsequent to Due Diligence and the Feasibility and Viability reports which it never did. No disclosures / updates were made by them in respect of any claimed acquisitions even in Company's Annual Report for the year 2021-22 and after December 16, 2021 and their claims about the acquisitions, draft LoIs, etc. has been found without any basis to be connected with disclosures made in the said corporate announcement. Thus, it is evident that the Company deliberately, made promises without intention to perform, made misrepresentation of fact and actively concealed the truth.

48. I further find that false/ misleading disclosures, misrepresentations and active concealments apart from themselves being fraudulent are also used as unfair and fraudulent devices, schemes, plans or artifice that are prohibited under section 12A of the SEBI Act and fall within the inclusive prohibitions under regulation 3 and 4 of PFUTP particularly regulation 4(1) which is clothed with negative command to prohibit all fraudulent and "*unfair'* trade practices.

49. In my view, the act, omissions, conduct and practice adopted in issuing false, misleading corporate

announcement, making misrepresentation, promises without intent to perform coupled with active concealment of material developments about the Company as observed above, are covered within the scope of the expressions "*device*" or "*artifice*" or "*scheme*" as prohibited in section 12A of the SEBI Act and regulations 3 and 4 of the PFUTP Regulations as found hereinabove.

Price impact on scrip of the Company due to misleading corporate announcement dated December 01, 2021

50. Coming to the veracity of the claims about *bona fide* of the Company as claimed with regard to this allegation, I note that in this case admittedly the charge is not price/ volume manipulation in the scrip of the Company through Last LTP contribution, synchronized trades, circular trades or reversal trades. No adverse inference is drawn by SEBI on analysing the trades in the scrip of the Company with respect to price and volume manipulation. Be that as it may, the price can be cattily influenced by announcement of any material information about the listed entity. And the allegation in this case is in that context.

51. In this case, the allegation is of twofold:
    (a) The corporate announcement dated December 01, 2021 led to a huge increase in the price of the scrip of the Company; and
    (b) had favourably influenced investors, trading in the scrip from November 2021 to December 2021.

52. The Noticee Nos. 1 and 2 have claimed that the Company's quarterly results on November 13, 2021 had already caused the price of the scrip to rise from Rs. 29.50 on November 12, 2021, to Rs. 60.55 on November 30, 2021 and this had prompted a query from BSE regarding the price rise of 105.25%. Similarly, many facts and considerations promoted the rise in the price of the company's scrip under the subject such as the opening of a branch office in Indore (informed vide corporate announcement dated December 01, 2021) or the declaration of said financial results of the quarter ended September 30, 2021 which was not considered by SEBI.

53. It is admitted position that price of the scrip of the Company was on rise prior to the impugned corporate announcement was made by the compliance officer of the Company. It is also a matter of record that the price of the scrip of the Company moved from Rs. 33.90 on October 1, 2021, to Rs. 28.70 on November 1, 2021 to Rs. 29.50, closing on Rs. 30.50 on November 12, 2021. The price opened at Rs.30.50 as on November 12, 2021 reached to a high of Rs. 60.55 on November 30, 2021 and touched a high of Rs.145.70 on January 03, 2022 and closed at Rs. 97.75 on January 11, 2022. However, the following day-wise opening and closing price and the Increase/ Decrease in the price of the scrip of the Company suggest otherwise than as claimed: -

Table 10 - Day-wise Increase/ Decrease in the price of the scrip of the Company

Date	Opening Price	Closing Price	Increase/ Decrease of the closing price from previous trading day (in %)
12/11/2021	30.70	30.50	3.38%
15/11/2021	32.50	33.45	9.67%
16/11/2021	33.55	36	7.62%
17/11/2021	38.50	36.60	1.6%
18/11/2021	38.65	35.65	-2.59%
22/11/2021	37.70	34.30	-3.78%
23/11/2021	37.45	36.35	5.97%
24/11/2021	36.95	37.08	2%
25/11/2021	34.50	38.25	3%
26/11/2021	40	45.90	20%
29/11/2021	50.40	55.05	19%
30/11/2021	58.50	49.55	-9%
01/12/2021	49	54.50	9.9%
02/12/2021	58.95	59.95	10%
03/12/2021	65.90	65.90	9%
06/12/2021	72.45	72.45	9.93%
07/12/2021	76.05	68.85	-4.96%
08/12/2021	65.45	65.45	-4.93%

54. On an analysis into the day wise increase/ decrease in the closing price of the scrip of the Company from November 12, 2021 to December 11, 2021, I find that the closing price of the scrip of the Company increased from Rs. 49.55 on November 30, 2021 to Rs. 72.55 on December 06, 2021, i.e. a 46% increase in closing price of the scrip of the Company in four sessions. Whereas the price of the scrip of the Company did not witness such huge increase after the announcement of the quarterly results of the Company was published on BSE web site on November 13, 2021 as it increased from a closing price of Rs. 30.50 on November 12, 2021 to Rs. 35.65 on November 18, 2021, i.e. a 16% increase in closing price of the scrip of the Company in four sessions which is far less in comparison to price increase during the period when the impugned corporate announcement was made.

55. There is no dispute about the fact that revenue from operations of the Company had decreased from Rs. 1492.60 lakhs in June 2021 to Rs. 1371.20 lakhs in December 2021. Further, its profit after tax had increased from Rs. 66.40 lakhs in June 2021 to Rs. 727.90 lakhs in December 2021. However, the results for the December Quarter was announced on February 14, 2022 which is after the impugned corporate announcement. During the period of price movement, no event or announcement was made by the Company that could cause/ create such positive sentiments in the securities market resulting in a price surge other than the corporate announcement dated December 01, 2021. In light of these observations, I find that the two disclosures made on December 01, 2021

to have a significant impact on the price of the scrip compared to the disclosure made on November 13, 2021 disclosing the quarterly results of the Company. Thus, I do not find merit to the contention of the Noticees that the increase in the price of the scrip of the Company was mainly on account of disclosure of favourable quarterly results on November 13, 2021.

56. As mentioned above, the disclosure into opening of a branch office in Indore was in continuation of the earlier disclosure into the expansion plans of the Company. It admittedly was an instance into the steps taken by the Company into furtherance of its expansion goals of the claimed expansion of the Company into advanced IT fields such as Artificial Intelligence, Virtual Reality and Augmented Reality Space. Neither the steps taken, if any, towards acting on that disclosure, nor its failure was disclosed to the public /investors. I do not find any evidence of this disclosure suggesting a valid and genuine impact on the price as claimed by Noticee nos. 1 and 2. Absence of evidence does not suggest evidence of absence, unless right questions that arise in this case are or cogently answered. In this case, the Noticees have failed to demonstrate any genuine reasons for their act and conduct. I, therefore, do not agree with claims of these Noticees in this regard.

57. Companies dealing with these advanced IT fields of Artificial Intelligence, Virtual Reality and Augmented Reality Space command higher valuation due to investor interest and their potential for exponential growth in every major securities market. Merely making a positive disclosure that the Company is foraying into any of these advanced IT fields of Artificial Intelligence, Virtual Reality and Augmented Reality Space has potential to impact the price of the scrip of the Company as occurred in this case. I, therefore, find that there was huge surge in the price of the scrip of the Company because of the said corporate announcement. Considering the fact that the said corporate announcement was misrepresented / misleading having been made without any basis, it interfered with the normal mechanism of price discovery and integrity of securities markets by creating a positive sentiment with respect to the scrip of the Company.

58. The Noticees have also contended that the business expansion plans of the Company were already mentioned in the Annual Report of the Company for the Financial Year 2020-2021 which was disclosed to BSE on September 03, 2021. The Annual Report did not disclose that the Company is planning to venture into advanced IT fields of Artificial Intelligence, Virtual Reality and Augmented Reality. On perusal of the day wise increase/ decrease in the closing price of the scrip of the Company from September 01, 2021 to September 30, 2021, I find that the closing price of the Company remained in the range of Rs. 32 to Rs. 35 and did not witness such huge increase as witnessed after the disclosure made on December 01, 2021. This corroborates with the aforesaid finding that the increase in the scrip of the price of the Company was due to the misleading disclosure made by the Company on December 01, 2021 and not due to other factors as claimed.

59. The second aspect of the allegation in this respect is that the said corporate announcement induced investors' trading in the scrip during the relevant period. Based on unique PANs, it is noted that the

number investors trading in the scrip of the Company exponentially increased from 1,380 in November 2021 to 39,744 in December 2021. It is further alleged that there was a significant decrease in the number of unique PANs/ Investors trading in the scrip of the Company in the first week of January 2022, i.e. after the Noticee nos. 1 and 2 offloaded a significant portion of their holdings in the Company. I, therefore, find that the said corporate announcement dated December 01, 2021 had favourably influenced investors trading behaviour and induced them to deal in the scrip of the Company, leading to a huge increase in the price of the scrip and in the number of Unique PANs trading in the price of scrip from November 2021 to December 2021.

60. I also note that it is settled position that the act of fraud may even be without any deceit being shown on part of the persons if there is an inducement to deal in securities. Further, the Hon'ble Supreme Court in the matter of ***SEBI vs. Rakhi Trading Pvt. Ltd. and other connected appeals decided on February 8, 2018*** held that *"36. ... If the factum of manipulation is established, it will necessarily follow that the investors in the market have been induced to buy or sell and that no further proof in this regard is required."* It is pertinent to note that Hon'ble Supreme Court in ***SEBI Vs. Kaniyalal Baldev Bhai Patel (MANU/SC/1223/2017; [2017]143SCL124(SC)***, while dealing with the definition of "*fraud*" as provided under PFUTP Regulations observed as under:

> *"……The difference between inducement in criminal law and the wider meaning thereof as in the present case, is that to make inducement an offence the intention behind the representation or misrepresentation of facts must be dishonest whereas in the latter category of cases like the present the element of dishonesty need not be present or proved and established to be present. <u>In the latter category of cases, a mere inference, rather than proof, that the person induced would not have acted in the manner that he did but for the inducement is sufficient.</u> No element of dishonesty or bad faith in the making of the inducement would be required……."*

61. In this case, it is established that the Noticee nos. 1, 2 and 3 made misleading disclosures, misrepresented the fact, made promise without intent to perform and actively concealed the material fact which impacted which induced the investors to deal in the scrip of the Company and impacted the price of the scrip of the Company. I find that spreading misleading and false information about the Company and omitting to give necessary updates and making the scrip of the Company artificially attractive was a device to favourably manipulate the price of the scrip of the Company and it amounts to fraud, manipulation and unfair trade practice and is a violation of provisions of PFUTP Regulations and SEBI Act as alleged in the SCN.

62. I, therefore, find that by its acts, omissions, conduct and practices as found hereinabove, the Noticee nos. 1 and 2 have violated the provisions of regulations 3(a), (b), (c), (d), 4(1), 4(2)(e), (f), (k) and (r) of PFUTP Regulations read with section 12A(a), (b), (c) of SEBI Act and also the provisions of regulations 4(1)(c), (e), (h), (i) and 30(7) of the LODR Regulations as alleged. Whereas Noticee no. 3 has violated the provisions of regulations 3(b), (c), (d), 4(1), 4(2)(e), (f), (k) and (r) of PFUTP

Regulations read with section 12A(a), (b), (c) of SEBI Act and also the provisions of regulations 30(7) read with regulation 4(1)(c), (e), (h), (i) of the LODR Regulations.

Share offloaded by the company's Promoter and Director(Notices nos. 1 and 2):

63. As held above, the misleading disclosures dated December 01, 2021, caused a significant rise in the price and trading activity into the scrip of the Company. It has been alleged in the SCN that:
    (a) Designated Persons (Noticee nos. 1 and 2) did not intimate the public/ investors regarding the spread of misleading information and made use of the price rise in the scrip of the Company pursuant to dissemination of misleading information to make undue profits by selling their holding in the Company;
    (b) Exigency was shown in opening the trading account and selling of holdings by Noticee nos. 1 and 2 before December 31, 2021 in order to capitalize on the rise of price of scrip of the company'
    (c) Because of exigency in selling of holdings by Noticee nos. 1 and 2, no pre-clearance was obtained from the compliance officer'.

64. As mentioned above, the corporate announcement dated December 01, 2021, was a material declaration which led to a significant increase in the price and trading activity into the scrip of the Company and was an exaggerated claim into the expansion of the Company into advanced IT fields like Artificial Intelligence, Virtual Reality and Augmented Reality Space.

65. Admittedly, pursuant to the declaration in the corporate announcement dated December 01, 2021 , Noticee no. 1 on December 03, 2021, gave an interview on YouTube, wherein he, *inter alia*, stated the Company's plan of acquisition based on the said announcement. Based on the said interview, several other YouTube videos which made an analysis into the scrip of the Company were also circulated, allegedly creating an impact on the price of the scrip. It has been alleged that no intimation was given by the Company with respect to the circulation of such misleading videos to the public/ investors. The Noticee nos. 1, 2 and 3 have vehemently denied the said allegation and have stated as follows:

    (a) They were not aware of the other YouTube videos that were in circulation.
    (b) On becoming aware of such videos the Company has promptly complained to delete the videos.

66. I note that the Company has furnished its email dated December 23, 2021 to YouTube and Company's email dated May 17, 2024 to SEBI. From the email dated December 23, 2021, I note that Noticee no. 4 submitted to the legal support of YouTube that they have received numerous calls and enquiries after publishing of numerous videos by unknown persons. Out of these numerous videos, the Company found two videos which talk about the Company being associated with Facebook and Tata Group and talk about huge investments made by them in the Company. He clarified on behalf of Company to the YouTube legal support that there was no truth to the aforesaid

and were pure speculation by unknown individuals and requested to do the needful to stop the spread of such videos. This email is intriguing, since as per Noticee no. 4 he was in sunshine hospital between December 18, 2021 to December 24, 2021, due to vision loss and other health problems and was unable to work. The same is corroborated with the documents submitted as annexures to his reply to the SCN. Thus, how being in hospital and so incapacitated as claimed, he could performing the duties as a compliance officer only for sending the said email that too when Noticee no. 2 was holding office in the Company.

67. I find that on December 23, 2021, the Noticees were aware of the significant increase in the price and trading activity into the scrip of the Company and that misleading videos which, *inter alia*, talked about the Company receiving huge investments from Facebook and Tata Group, were being created and circulated by certain individual in an attempt to increase positive sentiment into the price of the scrip of the Company. As per regulation 30(4)(i)(a) of the LODR Regulations the listed entity shall consider whether the omission of an event or information, which is likely to result in discontinuity or alteration of event or information already available publicly is a material event/ information.

68. Considering the above, I find the same to be a material event needing adequate disclosure. This was admittedly not done by the Company/ its management and Noticee no. 1 instead made and application for pre-clearance of trade to Noticee no. 4, the Company Secretary and Compliance Officer of the Company. From his email dated December 23, 2021 to Noticeee No. 4, the Compliance Officer of the Company it is noted that he had already decided to sell his shares to make use of this price rise and sell his shares without clarifying the investors / public about the spread of false and misleading information in the market.

69. It is an admitted fact that Noticee nos. 1 and 2 sold 10,00,000 shares (Ten Lakh share; 9.9% of the total shareholding of the Company) and 2,99,000 shares (Two lakh and ninety-nine thousand shares; 2.49% of the total shareholding of the Company) on December 29 and 30, 2021 and December 29, 2021 respectively. From the submissions of these Noticees, I note that contradictory submissions have been made as in their reply they have stated the percentage of shares sold to be very low compared to the individual's holding and in their additional submissions they have stated that the rise of the price of the scrip of the Company was restricted by the adverse news of sale of shares by Noticee nos. 1 and 2. They have further contended that the rise in the price of the scrip had factored the fact that the promoter and the Director have sold their shares and consequentially the price stopped going up.

70. It is a matter of record that the closing price of the scrip of the Company significantly decreased from Rs. 133.05 on December 30, 2021 to Rs. 83.90 on January 14, 2022, i.e. a decrease of 36% over 11 trading sessions, further the number of unique PANs traded in the scrip of the Company

significantly decreased from 39,744 in December 2021 to 25, 833 in January 2022. There were no material events that may have led to such undue decrease in the price of the scrip of the Company apart from the news of the promoters of the Company (Noticee nos. 1 and 2) having offloaded a part of their shareholding in the Company. I therefore find the percentage of shares sold by Noticee nos. 1 and 2 to be a significant amount leading to a significant decrease in the price and trading activity into the scrip of the Company and do not agree that the percentage of shares sold was low.

71. These Noticees have contended that there was no exigency on their part in selling the shares of the Company as they have been shareholders of the Company since 2017 and 2006 and this was the first instance of sale of shares by them in the market. Instead they seized favourable market opportunities to release part of the shareholding held by them for many years. Had they shown exigency, they would have disposed of the shares within 48 hours of the corporate announcement or followed up with multiple other announcements before the sale of shares but there is a sufficiently long passage of time between the disclosure on December 01, 2021 and the selling of shareholding by Noticee nos. 1 and 2 on December 29 and 30, 2021, respectively.

72. In order to demonstrate act and conduct of Noticee nos. 1 and 2 with regard to this allegation, I deem it appropriate to enumerate the following important facts pertaining to this issue: -

(a) No further communication was made with respect to the acquisition of OnDemand Agility Solutions Inc. after December 16, 2021. Further, the draft LoI submitted by the Company was also dated December 15, 2021 after which no visible progress with respect to the aforesaid acquisition is observed. This clearly indicates that the company did not proceed with the plan of acquisition. However, the same was not updated / informed to the investors.

(b) Noticee nos. 1 and 2 were aware of the spread of false and misleading information about the Company through YouTube videos as the Company had notified YouTube about the same on December 23, 2021. However, the investors / public were not informed about the aforesaid spread of false and misleading information.

(c) Price of the scrip had substantially increased because of the false and misleading corporate announcements, YouTube interview of Noticee no. 1 and misleading YouTube videos during December 01, 2021 to December 23, 2021.

(d) On December 23, 2021, Noticee no. 4 sent an email on behalf of the Company and made a request to YouTube to remove two such misleading videos. This email was likely sent by the management of the Company in the name of Noticee no. 4 as he was in hospital getting treatment at the relevant time.

(e) Admittedly, Noticee nos. 1 and 2 were designated persons also referred to so under the Code of Conduct of the Company formulated under the PIT Regulations.

(f) On December 23, 2021 Noticee no.1 had already decided to sell his 10,00,000 shares of the Company and sought for pre-clearance of trades from the Company giving 7 days' time;

(g) On December 27, 2021, Noticee no 2 sought for pre-clearance of trades from the Company for selling his 2,99,000 shares of the Company and gave 2 days time;

(h) The pre clearance of trades as required under PIT Regulations was to be provided by the Compliance Officer.

(i) Kumar Rahavan (Noticee no. 4), the Complaince Officer was in sunshine hospital between December 18, 2021 to December 24, 2021 due to vision loss and other health problems. He has been suffering from severe neurological problems and the Company and its management were well aware of the same. It is intriguing again that email was sent by him to YouTube on behalf of the Company on December 23, 2021 while the said Compliance officer was incapacitated to work. Noticee no. 1 was in USA and Noticee no. 4 was in hospital. It was Noticee no.2 who was in charge of management and compliance work of the Company. As per Noticee no. 4, Noticee nos. 1 and 2 did not give adequate time to examine their request for the sale of shares despite being well aware of his health issues and hospitalization.

(j) Noticee no. 4 had nowhere mentioned about the inconsistency in the prescribed format including the report submitted by him with respect to violation of code of conduct under PIT Regulations.

(k) If the pre-clearance of trades was not given to the Noticee nos. 1 and 2, because of inconsistency in the prescribed format, no email/ letter communications with respect to the intimation of the same were sent by the Company in this regard to the these Noticees.

(l) No format is prescribed by SEBI for seeking pre-clearance of trades. In fact, format for pre-clearance is clearly specified in the Company's Code of Conduct wherein, the format for pre-clearance and affidavit to be submitted along with request for pre-clearance were clearly mentioned. The Company's Code of Conduct (Annexure-14 to the SCN) was approved by the board of directors of the Company which includes Sushant Mohan Lal (Noticee No. 2). However, he has pleaded ignorance that he was not aware of the requirement to obtain pre-clearance of trades in the prescribed format.

(m) On December 27, 2021, that is the day when Noticee No. 2 sought pre- clearance of trades, he visited Mumbai office of Choice Equity Broking Pvt Ltd ("CEBPL") for reactivation of trading account of Noticee no. 1. He received the signed Account Opening Form from Noticee no. 1

through courier from USA and personally delivered those documents to CEBPL for opening the account. Also, Noticee no. 2 stayed at the office of CEBPL for 3-4 hours for opening the aforesaid trading account. The trading account of Noticee no. 1 was opened on December 28, 2021 and the holdings were sold the next day.

(n) By offloading their holdings at a higher price during the investigation period , the Noticee nos. 1 and 2 made unlawful gains of Rs. 7,90,90,000/- and Rs.2,30,82,800/-, respectively.

(o) Noticee no. 4 imposed a penalty of Rs. 5,00,000 on Noticee no. 1 and Rs. 2,00,000 on Noticee no. 2 and intimated the same to SEBI to ensure transparency. The said penalty was imposed considering the facts on record, Company status, its financial position, turnover, profit, size and life of the Company, it was the first default of Noticee nos. 1 and 2 other factors. However, no explanation was given as to under which provision the said penalties were levied and how the same were determined.

(p) Noticee no.2 has stated that he sold his holdings because of medical and financial emergencies. However, it is noted that he re-invested Rs. 50 Lakhs to his trading account and has invested Rs. 40 Lakhs in Mutual Funds, showing that there was no medical/ financial emergency but capitalization on the inflated price.

73. The above facts and circumstances clearly demonstrate that Noticee nos. 1 and 2, being aware about the spread of false and misleading information with respect to the Company, made unlawful gains capitalizing on the price rise in the scrip of the Company pursuant to dissemination of misleading information with respect to the company and sold major part of their holdings.

74. Noticee nos. 1 and 2 were the only persons involved in the process of the said corporate announcement and were the only beneficiaries of the price increase impacted by the said corporate announcement. As per the Annual Report of the Company they were the Whole Time Director and Executive Director of the Company, respectively, and were involved in the day-to-day management of the Company during the investigation period. Being so, they were involved and responsible for making the misleading corporate announcement dated December 01, 2021 in violation of provisions of the PFUTP Regulations and SEBI Act as found hereinabove and by making such an announcement, created an artificial rise in the price of the scrip of the scrip

75. In view of the same, I find that Noticee nos. 1 and 2 have violated the provisions of section 12A(a),(b),(c) of the SEBI Act and regulations 3(a), (b), (c), (d), 4(1), 4(2)(e), (f), (k) and (r) of the PFUTP Regulations as alleged in the SCN.

Trading without pre-clearance

76. Regulation 9(1) of PIT Regulations as applicable during the IP, *inter alia*, casts an obligation upon the Board of Directors of every listed company to ensure that the Chief Executive Officer or Managing Director of the company shall formulate a Code of Conduct to regulate, monitor and report trading by its designated personals and immediate relatives of designated persons. Further, clause 6 of schedule B of the said Regulations, *inter alia*, provides that trading by such designated persons shall be subject to pre-clearance by the compliance officer. Regulation 9(1) and clause 6 of Schedule B of PIT Regulations, reads as under:

"9. Code of Conduct

(1) The board of directors of every listed company and the board of directors or head(s) of the organization of every intermediary shall ensure that the chief executive officer or managing director shall formulate a code of conduct with their approval to regulate, monitor and report trading by its designated persons and immediate relatives of designated persons towards achieving compliance with these regulations, adopting the minimum standards set out in Schedule B in case of a listed company and Schedule C (in case of an intermediary)] to these regulations without diluting the provisions of these regulations in any manner".

Clause 6 of Schedule B:

(2) "When the trading window is open, trading by designated persons shall be subject to pre-clearance by the compliance officer, if the value of the proposed trades is above such thresholds as the board of directors may stipulate."

77. Noticee nos. 1 and 2 have contended that since the compliance officer did not respond with any dispute or rejection of the intimation for pre-clearance, it was presumed that the compliance officer agreed to the sale of the shares of the Company. As per them it was the first time they were selling the shares of the Company and were not aware of the requirement of applying for pre-clearance as per the code of conduct of the Company. It is a well settled principle of law and a legal maxim '*Ignorantia Juris Non Excusat*' which means ignorance of law cannot be an excuse to avoid liability of an illegal act. The rationale of the said doctrine is that if ignorance were an excuse, a person charged with any criminal or civil offence would merely claim that one was unaware of the law in question to avoid liability. Moreover, being Whole Time Directors and Executive Directors and Noticees no. 2 being part of decision to approve Code of Conduct of the Company and acting as representative of Noticee no.1 for opening his trading account etc., cannot be allowed to plead such ignorance. Further, on the one hand these Noticees have claimed that the compliance officer was incapacitated on the other hand they have claimed that he did not respond to their application for pre-clearance. Such shifting stands are far from being satisfactory.

78. Noticee no. 1 is, admittedly, a serial investor involved in investing and acquiring several businesses (and selling them for investment purposes) whereas Noticee no. 2 himself is a signatory to the Code of conduct of the Company. Such contrived ignorance on the part of these two Noticees cannot become the basis of exculpation. Therefore, the claim that they were not aware of the requirement of obtaining pre-clearance of trades cannot be accepted.

79. They have further contended that since Noticee no. 4, the compliance officer neither rejected nor queried the request for pre-clearance, it was understood that approval was effectively granted as they complied with the requirements to be without any merit as they were well aware of the various health issues being undergone by Noticee no. 4 including his hospitalisation. In my view these contentions are just an eye wash and a dishonest and fraudulent act on the part of Noticee nos. 1 and 2. They sent request for pre-clearance without giving adequate window for due-diligence into the same and then subsequently assuming that approval was effectively granted, despite being aware that Noticee no. 4 was not in a position to look into their request and provide his comments/ objections to the same.

80. I agree that exigency was shown by these Noticees in opening trading account and selling of significant shareholding of the Company before December 31, 2021 in order to capitalize on the unduly inflated price of scrip of the Company and because of such exigency in selling of holdings, no pre-clearance was obtained from Noticee no. 4. Noticee nos. 1 and 2 have also contended that since they have paid the penalty imposed upon by the Company the procedural lapse is not relevant. Further, the payment of penalty and the procedural lapse have no nexus, either directly or indirectly, with the alleged market manipulation. I do not agree with the said contention of the Noticees. The Noticees made an exaggerated and deceitful disclosure in an attempt to induce investors into dealing into the scrip of the Company. Despite being aware of the fact of significant increase in the trading activity and price of the scrip of the Company due to the deceitful disclosure, they omitted to provide an update into failure of the acquisition plans of the Company and circulation of misleading YouTube videos. They showed exigency in selling shares of the Company.

81. In light of the exigency shown by the Noticee nos. 1 and 2, I find no merit to the contention that Noticee nos. 1 and 2 sold their shareholding in the company after passage of a sufficiently long period of time as the disclosure was made on December 01, 2021 but Noticee nos. 1 and 2 sold their significant shareholding in the Company on December 29 and 30, 2021 respectively. The Noticee nos. 1 and 2 using Noticee no. 4 made an exaggerated and deceitful disclosure in an attempt to induce investors into dealing into the scrip of the Company and on being aware of misleading YouTube videos offloaded their shareholding in haste to capitalize on the price rise and increased trading activity in the scrip of the Company.

82. I find that Noticee no. 1 had deliberately used his communication in this regard to the Company on December 23, 2021 when the compliance office was in hospital and admittedly incapacitated to

perform his duties. The communication of Noticee nos. 1 and 2 were incomplete and not as per Company's own Code of Conduct. Despite not having pre-clearance of trades from the compliance officer as required under aforesaid Regulations, they went ahead to sell their shares as above and made unlawful gains. The entire gamut of facts and circumstances as discussed hereinabove show that non receipt of pre clearance of trades and sale of shares in haste manner show ulterior motive and design of the Noticee nos. 1 and 2. The entire device was deployed by them as a ruse to camouflage their real design.

83. In January 2022, the Board of the Company imposed a penalty of Rs.5,00,000 and Rs.2,00,000 on Noticee nos. 1 and 2 respectively. It has been alleged that to conceal the intentions of Noticee nos. 1 and 2, and to mitigate any regulatory actions against the said Noticees, the said monetary penalties were imposed on the said Noticees and the penalty amount was deposited in SEBI Investor Protection and Education Fund. It is matter of fact that all executive and administrative decisions were taken by Noticees no.1 and 2 by creating touch-me-not distancing using Noticee no. 4 as pawn and culminating in the final denouement wherein they with all their manipulative assemblage came to the fore setting a seal on their machinations of fraudulent and deceptive dealings. When seen in light of the larger context and scheme employed in this case, I find that the meagre penalties of Rs. 5,00,000 (on Noticee no. 1) and Rs. 2,00,000 (on Noticee no. 2) levied and paid as a smokescreen to cover-up and obfuscate the illegality committed by Noticee nos. 1 and 2. It was designed to distract from the larger consequences. The whole picture on the canvass suggests tell-tale strands of how Noticee nos. 1 and 2, at various sequences in the chain of activities, catalysed the increase the price of scrip of the Company, induced the investors and offloaded their shareholding and then covered up their deeds by imposing make believe penalties upon themselves.

84. Since, in the present case, it is an admitted fact that no pre-clearance was obtained by the said two Noticees, I find that Noticee no. 1 and Noticee nos. 2 to have violated the provisions of clause 6 of schedule B read with regulation 9(1) of the PIT Regulations.

Liability of Noticee No. 3, Company as alleged in this case:

85. As observed in para 9.5 of the Investigation Report, apart from Noticees nos. 1 and 2, the other directors in the Board of the Company are Independent Directors and were not involved in the day-to-day affairs of the Company. Thus, no violation has been attributed to them and no action is proposed against them. It is admitted position in Investigation Report as well in submissions of Noticee no.1 and 2 that these Noticees decided everything about impugned disclosures and trading. Under LODR Regulations, it is liability of the Company to comply with its obligations. In terms of section 27 of the SEBI Act, where liability is fastened on a company it is its primary liability and directors and persons who, at the time of the occurrence of liability, were in charge of and were responsible to the company for conduct of the business of the company as well as the company shall be "*deemed'* to be guilty and shall be liable. The directors are the mind of the Company and vicariously liable for its action alongwith it. Noticee nos. 1 and 2 are primarily liable for their

fraudulent and manipulative acts and the Company and also for the acts of the Company. The doctrine of attribution and imputation of the acts of person or group of persons that guide the business of the company being the *'alter ego'* of the company need to be applied to Noticee nos. 1 and 2 also in this regard. While for fastening the liability on Noticee no.3 for charges of violation of provisions of regulations 3 (b), (c), (d), 4(1), 4(2)(e), (f), (k) and (r) of the PFUTP Regulations the said basis is in addition to the trading etc. of Noticee nos. 1 and 2 are also the basis for making charge against them for violation of provisions of regulations 3(a), (b), (c), (d), 4(1), 4(2)(e), (f), (k) and (r) of the PFUTP Regulations.

86. In peculiar fact and circumstances of this case, the Noticee no. 3 being a separate legal entity is responsible for issuing misleading corporate announcement and then concealing material information. In view of the above findings, I am of the view that Noticee no. 3 has contravened the provisions of section 12A(a),(b),(c) of the SEBI Act and regulations 3 (b), (c), (d), 4(1), 4(2)(e), (f), (k) and (r) of the PFUTP Regulations and regulation 30(7) read with regulation 4(1)(c), (e), (h), (i) of LODR Regulations.

Noticee no. 4 failed to ensure that correct procedures are followed by the Company

87. It has been alleged the Noticee no. 4 has violated the provisions of regulations 6(2)(a) and (c) of the LODR Regulations. Regulation 6(2) (a) and (c) of the LODR Regulations provides for obligations of the Compliance Officer as under:-

    " *6.(2) The compliance officer of the listed entity shall be responsible for:*

    (a) ensuring conformity with the regulatory provisions applicable to the listed entity in letter and spirit.

    (b) ……

    (c) ensuring that the correct procedures have been followed that would result in the correctness, authenticity and comprehensiveness of the information, statements and reports filed by the listed entity under these regulations.

88. The basis of allegation against Noticee no. 4 in the SCN is that he failed to ensure that correct procedures are followed by the Company that would result in the correctness, authenticity and comprehensiveness of the information, statements and reports filed by the Company,

89. Noticee no. 4 has submitted that being the compliance officer he has no role in the day-to-day affairs of the Company and the announcement dated December 01, 2021, was done with the approval and instructions of Noticee no.1, who was abroad at the relevant time and accordingly Noticee No.4 could not take written approval. The declaration and the announcement dated December 01, 2024 were the statements of Noticee no.1. However, during personal hearing, when a specific question was asked to Noticee no. 2, as to how Noticee no. 4 could act in such manner and issue corporate announcement he submitted that Noticee no. 4 is innocent and he issued the corporate announcement on December 01, 2021 as directed by Noticee no. 2.

90. In this regard, the scheme of regulation 6 of the LODR Regulations, have to understood with reference to obligations Key Managerial Personnel (KMP) under regulation 5 which key managerial personnel, directors, promoters or any other person dealing with the listed entity to comply, complies with responsibilities or obligations, if any, assigned to them under LODR Regulations and shall disclose to the listed entity all information that is relevant and necessary for the listed entity to ensure compliance with the applicable laws. Admittedly, Noticee nos. 1 and 2 were Whole Time Director (WTD) and Executive Director (ED) of the Company, respectively and were involved in the day-to-day management of the Company. It was, thus, primarily they were responsible for compliances by the Company. Regulation 6 additionally casts secondary responsibility on the Company Secretary/Compliance Officer. Regulation 6 of the LODR Regulations, declares the Company secretary/Compliance Officer as a KMP. Noticee no. 4, as Company Secretary, being an employee had no primary role at all in issuance of the Corporate Announcement. However, he did so. Thus, in strict legal sense he violated the provisions of regulation 6(2) (a) and (c) when he issued misleading corporate announcement.

91. It is pertinent to mention that in context of penalising Compliance Officer/ Company Secretary for allegation of knowingly and recklessly signing the public announcement in the matter of *Deccan Chronicle Holdings Ltd.* (*V. Shankar Vs SEBI*), Hon'ble SAT, vide its order dated November 01, 2022 set aside the order dated March 22,2022 passed by SEBI imposing a penalty of Rs. 10 lakhs on the Company Secretary and held that primary and fiduciary obligations in signing and approving the balance sheet and profit and loss account is of the Board of Directors and Company Secretary has no role to disapprove except that he has to comply with decisions and sign alongwith the two directors. In appeal filed by SEBI against said order by Hon'ble SAT, Hon'ble Supreme Court vide its order dated February 08, 2023 remanded back the matter vide to Hon'ble SAT on technical ground. Hon'ble SAT after reconsideration of the matter passed its order dated May 05, 2025. It noted that SEBI itself held that the *".. Company and its Directors have eloquently concealed the revenue liabilities from the investors…"* and that law fasten the duty on the Company Secretary to authenticate on behalf of the Board of Directors but in next breath SEBI said that the Company Secretary was not merely required to attest but *".. ought to have verified ……."* In the facts and circumstances of that case, Hon'ble SAT held that according to SEBI order, the Company Secretary was required to sit in appeal over decision of directors of the Company and this allegation does not sustain. It held that it is not the duty of the Company Secretary or the Compliance Officer to read, understood and re-audit the certified accounts as approved by the Board of Directors.

92. In this case, though the specific allegation is the correctness, authenticity and comprehensiveness of the information, statements in the Corporate announcement should have been ensured by the Noticee no. 4. It was incumbent on Noticee no. 4 to ask right questions from Noticee nos. 1 and 2 and ensure that the said public announcement was placed for approval of Board of directors. However, he blindly followed the instructions of Noticee nos. 1 and 2.

93. Considering all the facts and circumstances of the case I find that :

(a) Noticee nos. 1 and 2 have violated the provisions of section 12A(a),(b),(c) of the SEBI Act, 1992 read with regulations 3(a), (b), (c), (d), 4(1), 4(2)(e), (f), (k) and (r) of PFUTP Regulations and clause 6 of schedule B read with regulation 9(1) of PIT Regulations.

(b) Noticee no. 3 has violated the provisions of regulations 3(b), (c), (d), 4(1), 4(2)(e), (f), (k) and (r) of PFUTP Regulations read with section 12A(a), (b), (c) of SEBI Act and also the provisions of regulations 30(7) read with 4(1)(c), (e), (h), (i) of the LODR Regulations.

(c) Noticee no. 4 failed to comply with provisions of regulations 6(2)(a) and (c) of the LODR Regulations.

Assessment of directions and adjudication of monetary penalty

94. The SCN contemplates appropriate directions against Noticee nos. 1 and 2 under sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of SEBI Act including directions for debarment, disgorgement of the alleged wrongful gains made and imposing monetary penalty under section 15HA and 15HB of the SEBI Act. It is reasonably inferred that directions against Noticee nos. 1 and 2 under sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of SEBI Act including directions for debarment, disgorgement of the alleged wrongful gains made and imposing monetary penalty under section 15HA has been contemplated for violation of provisions of section 12A(a),(b),(c) of the SEBI Act, 1992 read with regulations 3(a), (b), (c), (d), 4(1), 4(2)(e), (f), (k) and (r) of PFUTP Regulations and monetary penalty against them has been contemplated for violation of clause 6 of schedule B read with regulation 9(1) of PIT Regulations. Further, the SCN contemplates appropriate directions against Noticee nos. 3 under section 11(1), 11(4) and 11B (1) of SEBI Act. The directions are in respect of violation of provisions of section 12A (a), (b), (c) of SEBI Act read with regulations 3 (b), (c), (d), 4(1), 4(2)(e), (f), (k), (r) PFUTP Regulations and 30(7) read with Regulations 4(1)(c), (e), (h), (i)of LODR Regulations as found in this case.

95. The relevant provisions of sections 11(1), 11(4), 11(4A), 11B (1), 11B(2), 15HA and 15HB of the SEBI Act are reproduced as following:

"11. (1) Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.

(4) Without prejudice to the provisions contained in sub-sections (1), (2), (2A) and (3) and section 11B, the Board may, by an order, for reasons to be recorded in writing, in the interests of investors or securities market, take any of the following measures, either pending investigation or inquiry or on completion of such investigation or inquiry, namely:—

(a) suspend the trading of any security in a recognised stock exchange;

(b) restrain persons from accessing the securities market and prohibit any person associated with securities market to buy, sell or deal in securities;
(c) suspend any office-bearer of any stock exchange or self-regulatory organisation from holding such position;
(d) impound and retain the proceeds or securities in respect of any transaction which is under investigation;
(e) attach, for a period not exceeding ninety days, bank accounts or other property of any intermediary or any person associated with the securities market in any manner involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder:

Provided that the Board shall, within ninety days of the said attachment, obtain confirmation of the said attachment from the Special Court, established under section 26A, having jurisdiction and on such confirmation, such attachment shall continue during the pendency of the aforesaid proceedings and on conclusion of the said proceedings, the provisions of section 28A shall apply:

Provided further that only property, bank account or accounts or any transaction entered therein, so far as it relates to the proceeds actually involved in violation of any of the provisions of this Act, or the rules or the regulations made thereunder shall be allowed to be attached;

(f) direct any intermediary or any person associated with the securities market in any manner not to dispose of or alienate an asset forming part of any transaction which is under investigation:

Provided that the Board may, without prejudice to the provisions contained in sub-section (2) or sub-section (2A), take any of the measures specified in clause (d) or clause (e) or clause (f), in respect of any listed public company or a public company (not being intermediaries referred to in section 12) which intends to get its securities listed on any recognised stock exchange where the Board has reasonable grounds to believe that such company has been indulging in insider trading or fraudulent and unfair trade practices relating to securities market :

Provided further that the Board shall, either before or after passing such orders, give an opportunity of hearing to such intermediaries or persons concerned.]

(4A) Without prejudice to the provisions contained in sub-sections (1), (2), (2A), (3) and (4), section 11B and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

11B. (1) Save as otherwise provided in section 11, if after making or causing to be made an enquiry, the Board is satisfied that it is necessary, —

(i) in the interest of investors, or orderly development of securities market; or
(ii) to prevent the affairs of any intermediary or other persons referred to in section 12 being conducted in a manner detrimental to the interest of investors or securities market; or
(iii) to secure the proper management of any such intermediary or person, it may issue such directions, —
(a) to any person or class of persons referred to in section 12, or associated with the securities market; or

(b) to any company in respect of matters specified in section 11A, as may be appropriate in the interests of investors in securities and the securities market.

Explanation. —For the removal of doubts, it is hereby declared that the power to issue directions under this section shall include and always be deemed to have been included the power to direct any person, who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of this Act or regulations made thereunder, to disgorge an amount equivalent to the wrongful gain made or loss averted by such contravention.

(c) Without prejudice to the provisions contained in sub-section (1), sub-section (4A) of section 11 and section 15-I, the Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.

Penalty for fraudulent and unfair trade practices.
15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

Penalty for contravention where no separate penalty has been provided.
15HB. Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees."

Noticees Nos.1 and 2

96. Considering the contumacious conduct, false representation misrepresentations and active concealment by Noticee no. 1 and 2 as device to make unlawful gain and inducing investors using deceptive or manipulative tactics as *found* herein, this case deserves stern actions of not only

directions but also for inflicting monetary penalty under section 15HA by exercising power under sections 11(4A) and 11B (2) of the SEBI Act upon them. I am also of the view that these Noticees cannot be permitted to have unjust enrichment out of their illegal act. Therefore, I deem it appropriate to issue directions to the Noticee nos. 1 and 2 under section 11B (1), 11(4) read with section 11(1) of the SEBI Act apart from the disgorgement of unlawful gains as contemplated in the SCN.

97. In this case, as found hereinabove, Noticee no. 1 has made illegal profit of Rs. 7,90,90,000/- and Noticee no. 2 has made illegal profit of Rs. 2,30,82,800/-. Although these Noticees have been found to be acting in league and concert, I note that in similar matters the concerned Noticees were directed to disgorge their respective unlawful gains individually. As a matter of consistency, I deem it appropriate to direct accordingly.

98. I also note that the power under section 11B is *pari materia* the power under section 11(4A). In fact, the power under the both sections are nothing but a replica of each other in two different sections. This power is not intended for inflicting same monetary penalty twice under the charging sections referred in section 11(4A) and replicated under section 11B (2).

99. Having considered the above facts and circumstances, while adjudging the quantum of penalty under against Noticees no. 1 and 2 above section 15HA and 15HB, I have also given due regard to the factors provided in section 15J of the SEBI Act which provides as follows:

Factors to be taken into account while adjudging quantum of penalty.
15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.

Explanation. — For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section."

100. In this case, the Noticee nos. 1 and 2 have made unlawful gains which has been duly quantified for the purpose of disgorgement as found hereinabove. The amount of loss caused to investors has not been brought on record by investigation. This is a case where persons with fraudulent tactics induced those who could be naïve, vulnerable or easily persuaded, to trade in the scrip likely to

result in financial losses when the perpetrators sell their holding to them at inflated prices. It is also a case where persons holding managerial positions have misused their position and power not only in complete disregard of and deviance from statutory obligations but have indulged in fraudulent, manipulative and unfair practices relating to securitised market. They have completely shown impenitence and obduracy towards cardinal principles of trust, values of integrity and unrelenting pursuit of corporate governance ideals.

Noticees No. 3

101. When, in the facts and circumstances of this case the allegation is made, it is also incumbent, while contemplating direction against a listed company, to consider what kind of direction should be issued to it. For non-compliance of provisions of regulation 30(7) read with regulations 4(1)(c), (e), (h), (i) and of the LODR Regulations, no proceedings for monetary penalty, as normally done in such cases, has been contemplated in the SCN. However, in similar facts and circumstances, for violation LODR Regulations by Noticee no. 4, directions and monetary penalty both have been contemplated in the SCN. Such dichotomy is itself is a mitigating factor.

102. The Company has not been able to explain any *bona fide*. Conversely, the violations as found in this case are not merely based on lethargic indifference but are part of a design and motive. I, therefore, deem it appropriate to issue directions to Noticee no. 3 under section 11(1), 11(4) and 11B (1) of SEBI Act. A charge like fraud and unfair practice cannot be allowed to go scot free merely because only individuals have made unlawful gain. In this case, no direction for any refund of money can be issued to Noticee no.3 for violations as found against the Company. Further, the SCN does not bring out specific role of Noticee no. 3 in fraudulent act of trading of Noticee nos. 1 and 2 and is made liable merely because of acts of Noticee nos. 1 and 2 in respect of issuance of misleading corporate announcement and concealing of material fact from public investors. The liability of the Company, in the facts and circumstances of this case in *stricto sensu* could be met by monetary penalty which has not been contemplated. Hence, complete debarment and restraint of the Noticee no. 3 from accessing securities market will not be commensurate with allegations.

Noticee No. 4.

103. The SCN contemplates appropriate directions against Noticee no. 4 under section 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of SEBI Act including directions imposing debarment and monetary penalty under section 15HB of the SEBI Act. It is fact, the SCN does not allege collusion or connivance of Noticee no. 4 in the fraudulent acts and omissions of Noticee nos. 1 and 2. It is established that the Noticee nos. 1 and 2 were involved in fraudulent, manipulative and unfair trade practices using Noticee no. 4 as pawn as found hereinabove. The charge against the Noticee no. 4 is minor and secondary. It is admitted position that Noticee no. 4 acted as per oral instructions of Noticee nos. 1 and 2. It is to be kept in mind that the Company is run and managed by its Board of Directors. The Noticee nos. 1 and 2 being WTD and ED, respectively, were admittedly running

all the show in the Company. In this case, Noticee no. 4 acted under influence of Noticee nos. 1 and 2. At the same time, he is faced with precarious situation as to how to defy instructions of directors (WTD and ED) and sit over their judgements. Normally, an employee one level below the directors need utmost guts and courage to refuse to comply with or overrule the directions/decisions of WTD/ED. He had also refused pre clearance of trades of Noticee nos. 1 and 2.

104. On perusal of the hospital records submitted by him, I find that he was undergoing serious health complications during the relevant period in question. He was effectively incapacitated and was acting only on instructions of Noticee nos. 1 and 2. Considering his mental health conditions and other attendant facts and circumstances of this peculiar case, I do not deem this case fit for imposition of debarment and monetary penalty both. Taking into account the inclusive factors under section 15J of the SEBI Act, facts and circumstances of this case and principles expressed in above order of Hon'ble SAT in the matter of *V. Shankar Vs SEBI*, I deem this case fit for issuance of warning to Noticee no.4.

ORDER AND DIRECTIONS.

105. In view of the foregoing, I, in exercise of the powers conferred upon me under sections 11(1), 11(4), 11(4A), 11B (1) and 11B (2) of the SEBI Act, read with section 19 of the SEBI Act and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules,1995 do hereby issue the directions and impose monetary penalty as follows :

(a) The Company, namely Decipher Labs Ltd. Is restrained from buying, selling or otherwise dealing in securities (including units of mutual funds), directly or indirectly for period of one year;

(b) The following Noticees are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities (including units of mutual funds), directly or indirectly, or being associated with the securities market in any manner, whatsoever, for the following period, from the date of this order:

Noticee No.	**Name of Noticee**	**PAN**	**Period of Debarment**
1.	Janakiram Ajjarapu	ACAPA0374P	3 years
2.	Sushant Mohan Lal	AKXPM8796N	3 years

(c) If the above Noticees have any open position in any exchange traded derivative contracts, as on the date of the order pursuant to any valid transaction, they can close out /square off such open positions within 3 months from the date of order or at the expiry of such contracts,

whichever is earlier. These Noticees are permitted to settle the pay-in and pay-out obligations in respect of any valid transaction transactions, if any, which have taken place before the close of trading on the date of this order.

(d) Noticees 1 and 2 are directed to disgorge the unlawful gains within 45 days from the date of this order and the same shall be credited into the IPEF referred to in section 11(5) of the SEBI Act, within 45 days from the date of this order. The amount shall be disgorged in the following manner:

S. No.	**Noticee/s liable to disgorge the wrongful gain**	**Amount of unlawful gain to be disgorged (in Rs.)**
1.	Janakiram Ajjarapu	Rs. 7,90,90,000/-
2.	Sushant Mohan Lal	Rs. 2,30,82,800/-

(e) Noticee nos. 1 and 2 are prohibited from selling their assets, properties including mutual funds/shares/securities held by them in demat and physical form except for the purpose of effecting disgorgement as directed in point (d) above or payment of penalty in terms of this order.

(f) Further, the banks are directed to allow debit from the bank accounts of the Noticee nos. 1 and 2, only for the purpose mentioned in point (d) above and/or for payment of penalty as ordered hereinafter. This direction shall cease to operate upon the payment of respective disgorgement and penalty amount in terms of this order.

106. In light of the facts and circumstances of this case as discussed above, the factors listed in section 15J of the SEBI Act and in exercise of powers conferred upon me under sections 11(4A) read with 11B(2), I hereby impose the following monetary penalty on the following Noticees for the violations of the provisions of the PPFUTP Regulations and PIT Regulations:

Noticee No.	**Name of the Noticee**	**Provision of SEBI Act under which penalty is levied**	**Amount (in Rs.)**
1.	Janakiram Ajjarapu	Section 15HA of the SEBI Act for violating regulations 3(a), (b), (c), (d), 4(1), 4(2)(e), (f), (k) and (r) of the PFUTP Regulations.	50,00,000/- (Fifty Lakh rupees)
		Section 15HB of the SEBI Act for violating clause 6 of schedule B read with regulation 9(1) of PIT Regulations.	10,00,000/- (ten Lakh rupees)

2.	Sushant Mohan Lal	Section 15HA of the SEBI Act for violating regulations 3(a), (b), (c), (d), 4(1), 4(2)(e), (f), (k) and (r) of the PFUTP Regulations.	30,00,000/- (Thirty Lakh rupees)
		Section 15HB of the SEBI Act for violating clause 6 of schedule B read with regulation 9(1) of PIT Regulations.	5,00,000/- (Five Lakh rupees)

107. In the event of failure to pay the disgorgement amount and said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties of Noticee nos. 1 and 2.

108. Noticee no.1 and Noticee no.2 shall remit/ pay the amounts of penalties mentioned against their names in the table above, within 45 days of receipt of this Order through online payment facility available on the website of SEBI i.e. SEBI i.e www.sebi.gov.in on the following path, by clicking on the payment link www.sebi.gov.in/ENFORCEMENT -> Orders -> Orders of EDs/CGMs -> PAY NOW. In case of any difficulty in online payment of penalty, the Noticee(s) may contact the support of portalhelp@sebi.gov.in.

109. Noticee no.1 and Noticee no.2 shall forward the details of online payment made in compliance with the directions contained in this Order to the "*The Division Chief, IVD-ID-18, Securities and Exchange Board of India, SEBI Bhavan – II, Plot No. C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400051"* and also to email id: tad@sebi.gov.in in the format as given in the table below:

Case Name	
Name of Payee	
Date of Payment	
Amount Paid	
Transaction No.	
Payment is made for: Penalty or Disgorgement	

110. It is hereby clarified that if Noticee no.1 and Noticee no.2 have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out /square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier.

111. Noticee no.1 and Noticee no.2 are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.

112. Noticee No.4 is warned to be careful in future and comply with provisions of law in letter and spirit and desist from falling prey to unscrupulous expectations of the persons in charge of affairs of the Company.

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

114. This order shall be served on all the Noticees, recognized Stock Exchanges, Banks, Depositories and Registrar and Share Transfer Agents to ensure necessary compliance.

Date: July 31, 2025
Place: Mumbai

SANTOSH SHUKLA
QUASI JUDICIAL AUTHORITY
SECURITIES AND EXCHANGE BOARD OF INDIA