

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11, 11(4) AND 11B OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992

In respect of –

Sl. No.	Name of the Entity	PAN
1.	Udit Todi	AGIPT6750E
2.	Avani Todi	BLGPB7106N
3.	Sanjeev Bubna	AECPB9459C
4.	Indi Stock Private Limited	AAACI6554J
5.	Akshay Kapoor	BGHPK6431R
6.	Arun Kapoor	AAAPK1476C
7.	Dinero Finance and Investments Private Limited	AAACD0209R
8.	Mohd Mujtaba Ali Khan	BHTPK2898B
9.	Shubham Somani	CMMP50818L
10.	Anju Somani	ADCPS6485Q
11.	SS Corporate Securities Limited	AABCS3726M
12.	Sunder Somani	AAWPS1022L
13.	Suyash Somani	FZGPS1053B
14.	Evermore Stock Brokers Private Limited	AAACP1788K

(The above mentioned entities are individually referred to by their respective names/Entity numbers and collectively referred to as “**Entities**”)

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) received system generated insider trading alerts in the scrip of Lux Industries Limited (hereinafter referred to as “**Lux / Company**”) during the month of May, 2021, when the Company had made its corporate announcement regarding audited financial results for the Quarter and Financial year ending March 31, 2021.
2. Pursuant to the above, SEBI initiated a preliminary examination into the trading in the scrip of Lux to ascertain as to whether certain persons/ entities traded in the said scrip while being in possession of/ on the basis of an Unpublished Price

Sensitive Information (hereinafter referred to as “**UPSI**”) in contravention of the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) read with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as “**PIT Regulations**”).

3. The preliminary examination conducted by SEBI, *prima facie*, revealed as under:
- a) The Company made corporate announcement regarding audited financial results for Quarter and Financial year ending March 31, 2021 on May 25, 2021 after the market hours which was UPSI in terms of regulation 2(1)(n) of the PIT Regulations. The UPSI period for the same was April 20, 2021 to May 25, 2021;
 - b) Mr. Udit Todi (hereinafter referred to as “**Udit/Entity no. 1**”) became Additional Executive Non-Independent Director of the Company with effect from May 25, 2021 and prior to that, Udit was President-Strategy in the Company. He is also the son of Managing Director of Lux. Therefore, it was, *prima facie*, observed that *Entity No. 1* was a ‘connected person’ in terms of regulation 2(1)(d) of the PIT Regulations and consequently an ‘insider’ as per regulation 2(1)(g) of the PIT Regulations;
 - c) Udit was connected to Mrs. Avani Todi (hereinafter referred to as “**Avani/Entity no. 2**”), Mr. Sanjeev Bubna (hereinafter referred to as “**Sanjeev/Entity no. 3**”), Mr. Akshay Kapoor (hereinafter referred to as “**Akshay/Entity no. 5**”) and Mr. Mohd. Mujtaba Ali Khan (hereinafter referred to as “**Mujtaba/Entity no. 8**”). Sanjeev was, in turn, connected to Indi Stock Private Limited (hereinafter referred to as “**ISPL /Entity no. 4**”) and Akshay was connected to Dinero Finance & Investments Private Limited (hereinafter referred to as “**Dinero/Entity no. 7**”) and Shubham Somani (hereinafter referred to as “**Shubham/Entity no. 9**”);
 - d) Further, Akshay had family relationship with Mr. Arun Kapoor (hereinafter referred to as “**Arun/Entity no. 6**”) and Shubham had family relationships with Mrs. Anju Somani (hereinafter referred to as “**Anju/Entity no. 10**”), Mr. Sunder Somani (hereinafter referred to as “**Sunder/Entity no. 12**”) and Mr. Suyash Somani (hereinafter referred to as “**Suyash/Entity no. 13**”). Further, Shubham

was also connected to SS Corporate Securities Limited (hereinafter referred to as “**SSCSL/Entity no 11**”) and Evermore Stock Brokers Limited (hereinafter referred to as “**Evermore/Entity no. 14**”);

- e) During the UPSI period, Sanjeev, Arun and Shubham dealt in the scrip of Lux by executing/ placing orders in the trading accounts of ISPL, Dinero and SSCSL respectively. Further, Shubham also executed orders in the trading account of his mother, i.e., Anju. It was also noted that Akshay, Sunder and Suyash had dealt in the scrip of Lux through their own trading account;
 - f) The preliminary examination revealed that Udit, being an insider and in possession of UPSI, communicated the UPSI to Sanjeev and Mujtaba and Mujtaba, in turn, communicated the UPSI to Akshay. Further, Akshay communicated the UPSI to his father, Arun who dealt in the scrip of Lux through trading account of Dinero. Similarly, on receipt of UPSI from Akshay, Shubham dealt in the scrip of Lux through trading account of Anju and also through the trading account of SSCSL. Shubham also communicated the UPSI to Sunder who further communicated the same to his son, Suyash. Similarly, Evermore (where Shubham was a shareholder, a past director and also director for business development at the time of preliminary examination) executed trades in the scrip of Lux which, *prima facie*, seemed to be based on and influenced by the possession of UPSI, communicated by Shubham.
4. On the basis of the above, SEBI passed an *ad-interim ex-parte* order on January 24, 2022 wherein the following directions were issued against the *Entities*:

“81) Keeping in view of the aforesaid discussions and my observations about the prima facie violations committed by the Entities, pending conclusion of investigation, in order to protect the interests of investors and the integrity of the securities market, I, in exercise of the powers conferred upon me under Sections 11, 11(4) and 11B (1) read with Section 19 of the SEBI Act, 1992 hereby issue by way of this interim ex-parte order, the following directions, which shall be in force until further orders:-

- a) *All the Entities, viz; the Entity nos. 1 to 14 are restrained from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever until further orders.*
- b) *If the Entities 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. The Entities 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.*
- c) *The bank accounts of the Entities are hereby impounded to the extent of their respective liability as indicated against them as under:*
- i. Bank accounts of the Entity nos. 3 and 4 shall be jointly and severally liable for an amount of ₹1,28,68,738.*
 - ii. Bank accounts of the Entity nos. 5 and 10, shall be jointly and severally liable for an amount of ₹1,49,925.*
 - iii. Bank accounts of the Entity nos. 6 and 7 shall be jointly and severally liable for an amount of ₹1,91,038.*
 - iv. Bank accounts of the Entity nos. 9 and 10, shall be jointly and severally liable for an amount of ₹21,86,168.*
 - v. Bank accounts of the Entity nos. 9 and 11, shall be jointly and severally liable for an amount of ₹20,50,796.*
 - vi. Bank accounts of the Entity no. 12 shall be liable for an amount of ₹21,48,303.*
 - vii. Bank accounts of the Entity no. 13 shall be liable for an amount of ₹52,828.*
 - viii. Bank accounts of the Entity no.14 shall be liable for an amount of ₹97,81,605.*
- d) *Further, the Entities whose names have been mentioned at subparagraph (c) above, are directed to open separate escrow account(s) with a Nationalized/ Scheduled Commercial bank jointly and severally, and deposit within 15 days from the date of service of this order, the impounded amounts as mentioned at the respective / corresponding serial*

number. It is further clarified that Entities mentioned at sub-paragraph (c) (ii), (iv) and (v) above, are permitted to open a single Escrow account (instead of multiple Escrow accounts) and deposit an aggregate amount equivalent to ₹43,86,889 jointly and severally in the said escrow account. The aforesaid amounts have been prima facie found to be the proceeds of wrongful profits / gains allegedly generated from the insider trading activity as noted above in this order. Each of the afore-stated escrow account/ s shall be interest-bearing escrow account and shall create a lien in favour of SEBI. Further, the monies kept therein shall not be released without permission from SEBI.

- e) The banks where the Entities are holding bank accounts, jointly or severally, are directed to ensure that till further directions, except for compliance of direction at sub-paragraph (c) and (d) above, no debits shall be made in the bank accounts of the Entities without the permission of SEBI. The banks are directed to ensure that all the above directions are strictly enforced. Only on production of proof of deposit of entire amount mentioned sub-paragraph (c) above (either jointly or severally) in the escrow account, SEBI shall communicate to the banks to defreeze the bank accounts.*
- f) The Entities are directed not to dispose of or alienate any assets, whether movable or immovable, or any interest or investment or charge on any of such assets held in their name, individually or jointly, including money lying in bank accounts except with the prior permission of SEBI until the impounded amount is deposited in the escrow account.*
- g) The Entities are directed to provide a full inventory of assets held in their name, individually or jointly, whether movable or immovable, or any interest or investment or charge on any of such assets, including details of all bank accounts, demat accounts and mutual fund investments, immediately but not later than 5 working days from the date of receipt of this order.”*

5. In furtherance of the above *ad-interim ex-parte* order, pending conclusion of investigation, the *Entities* were granted an opportunity of personal hearing and after considering the replies submitted by the *Entities*, SEBI passed the confirmatory order dated May 27, 2022 and issued the following directions:

“71) In view of the foregoing discussions and my observations on various aspects of the matter, pending conclusion of investigation, I, in exercise of the powers conferred upon me in terms of Section 19 of the SEBI Act, 1992, read with Sections 11, 11(4) and 11B(1) thereof and after taking into account the specific facts and circumstance of the present matter, hereby modify the directions issued vide ex-parte ad-Interim Order dated January 24, 2022, as follows:

- a) The Entities are restrained from buying, selling or dealing in securities of Lux Industries Ltd., either directly or indirectly, in any manner whatsoever until further orders. Accordingly, the directions issued vide paragraph 81 (a) of the Interim Order stand modified to the extent of allowing credit and debit of securities in the accounts of the above Entities except the securities of Lux Industries Ltd.*
- b) It is clarified that restraint related to buying, selling or otherwise dealing in securities in respect of Lux Industries Ltd. would not prohibit the credit of shares to be received on account of stock option, bonus etc. issued by the Company.*

72) It is clarified here that the funds deposited by Entities in an interest bearing escrow account/FDR will remain in the said account with lien in favour of SEBI until further orders.”

6. Pursuant to the conclusion of the investigation in the matter, the following was observed:

- a) The *ad-interim ex-parte* order and confirmatory order observed that Sanjeev traded in the scrip of Lux through ISPL after receiving the UPSI from Udit. In this regard, it was noted during the course of investigation that apart from ISPL, Sanjeev also traded in the scrip of Lux through his other group companies viz.,

Gyan Traders Ltd. (hereinafter referred to as “**Gyan**”) and Lilly Exporters Private Ltd. (hereinafter referred to as “**Lilly**”). During the UPSI period, Sanjeev purchased 10,000 shares and sold 1,10,000 shares (i.e. the net sell of 1,00,000 shares) of Lux cumulatively through ISPL, Gyan and Lilly (hereinafter collectively referred to as “**Group**”). On the date of corporate announcement, 10,000 shares were sold and a day before the said announcement, a total of 1,00,000 shares were sold. As noted in the Interim Order, Sanjeev made a net profit of approximately ₹1.28 crores by selling 10,000 shares in the scrip of Lux through ISPL, after the corporate announcement. However, at a Group level, by selling 1,10,000 shares just before the corporate announcement, it can be surmised that Sanjeev made a notional loss of 11 (eleven) times the profit that could have been otherwise generated. It is logical to assume that a person in possession of UPSI would trade in a manner to maximize his profits. In view of the fact that Sanjeev was a net-seller in the scrip of Lux during the period of UPSI, it is inferred that the trading done by Sanjeev through ISPL, Gyan and Lilly was not based on the UPSI.

- b) With regard to the communication of UPSI from Udit to Mujtaba, it was observed that Udit had made one call to Mujtaba during the UPSI period (on May 14, 2021). Except for the said one call, no other material was found during the investigation, which could establish the communication of UPSI, directly or indirectly, from Udit to Mujtaba and from Mujtaba to any of the remaining entities, i.e., (i) Evermore, (ii) Akshay, (iii) Dinero, (iv) Anju, (v) SSCSL, (vi) Sunder, (vii) Suyash, (viii) Arun and (ix) Shubham. Accordingly, the flow of communication of UPSI could not be established on account of lack of evidence. In the absence of cogent evidence available on record to show as to how the UPSI was communicated, the charges levelled cannot be sustained.

7. In view of the findings, as noted above at Para 6, I am of the view that the directions issued against the *Entities*, vide interim order dated January 24, 2022 which were confirmed (with modifications) vide order dated May 27, 2022, need not be continued.

8. In view of the foregoing, I, in exercise of the powers conferred upon me under Section 19 read with Sections 11, 11(4) and 11B of the SEBI Act, hereby, order the following:
- a) the directions issued vide the interim order dated January 24, 2022, which were confirmed with modifications vide order dated May 27, 2022, against the *Entities* are revoked with immediate effect;
 - b) the amount impounded pursuant to the interim order dated January 24, 2022, read with the order dated May 27, 2022, shall be released, along with interest, if any, accrued on the said amount.
9. A copy of this Order shall be served on the Stock Exchanges, Depositories and the *Entities* for information and necessary action.

DATE: NOVEMBER 6, 2023
PLACE: MUMBAI

Sd/-
AMARJEET SINGH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA