

**SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI
CORAM: M. S. SAHOO, WHOLE TIME MEMBER**

IN THE MATTER OF KLG CAPITAL SERVICES LIMITED – DEALINGS BY MR. HEMANT R. PATEL, MR. PRAVEEN MOHNOT, MR. N. RAVICHANDRAN, MS. PRIYANKA SINGHVI, AND MS. ANITA RAVICHANDRAN.

Date of Hearing: June 10, 2009

Appearances:

For Noticees: Mr. Dinesh Purandare, Counsel
Mr. Sanjay Asher, Advocate, M/s. Crawford Bayley & Co.
Ms. Manik Joshi, Advocate, M/s. Crawford Bayley & Co.
Mr. Hemant R. Patel, President, SKIL Infrastructure Limited
Mr. Praveen Mohnot, Executive Director, SKIL Infrastructure Limited, and
Mr. N. Ravichandran, Director, SKIL Infrastructure Limited

For SEBI: Mr. Jai Sebastian, Legal Officer, (Presenting Officer)
Mr. S. Ramann, Officer on Special Duty
Mr. Praveen Trivedi, Joint Legal Advisor
Mr. Rajesh Kumar Dangeti, Deputy General Manager
Mr. Ashish Kumar, Assistant General Manager
Mr. Ashish Kumar, Manager, and
Mrs. Kshama Wagherkar, Legal Officer

ORDER

UNDER SECTIONS 11, 11B AND 11(4) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, READ WITH REGULATION 11 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF INSIDER TRADING) REGULATIONS, 1992

1. 'Awaita Properties Pvt. Ltd.' (APPL) acquired 17,11,287 equity shares of KLG Capital Services Limited (KLG) through market transactions during February 22-27, 2008. This acquisition increased its shareholding in KLG to 60.46%. KLG disclosed this acquisition to Bombay Stock Exchange Limited (BSE) on February 28, 2008. Accordingly, APPL made a public offer on March 4, 2008 to acquire another 20% shares of KLG. According to the show cause notices (SCNs) dated December 02, 2008 and December 18, 2008, Mr. Hemant R. Patel, Mr. Praveen Mohnot and Mr. N. Ravichandran, who are executives of SKIL Infrastructure Limited (SKIL), and their relatives, namely, Ms. Priyanka Singhvi, daughter of Mr. Praveen Mohnot, and Ms. Anita Ravichandran, wife of Mr. N. Ravichandran (hereinafter collectively referred to as 'noticees'), communicated the unpublished price sensitive information (UPSI) and / or dealt in the shares of KLG during February 22-27, 2008 while in possession of the UPSI.

Therefore, the noticees violated various provisions of the SEBI Act, 1992 and the SEBI (Prohibition of Insider Trading) Regulations, 1992 (PIT Regulations). The SCNs called upon them to show cause as to why suitable directions under sections 11, 11B and 11(4) of the SEBI Act, 1992 read with regulations 11 of PIT Regulations should not be issued to them.

2. The specific allegations against the noticees made in the SCNs are as under:

Noticee No.	Name	Nature of Connection	Charge in respective SCNs
1	Mr. Hemant R. Patel / Hemant R. Patel, HUF	President, SKIL	Dealt in the shares of KLG while in possession of UPSI Communicated UPSI to noticees 2 & 3
2	Mr. Praveen Mohnot	Executive Director, SKIL	Communicated UPSI to noticee 4
3	Mr. N. Ravichandran	Director, SKIL	Communicated UPSI to noticee 5
4	Ms. Priyanka Singhvi	Daughter of noticee 2	Dealt in the shares of KLG while in possession of UPSI
5	Ms. Anita Ravichandran	Wife of noticee 3	Dealt in the shares of KLG while in possession of UPSI

3. The details of trades undertaken by the noticees, as alleged in the SCNs, are as under:

Particulars	Noticee 1	Noticee 4	Noticee 5	APPL
Purchases				
Order Quantity	80,000 (22.02.08)	80,000 (22.02.08) 30,000 (27.02.08)	80,000 (22.02.08)	1,80,000 (22.02.08) 1,50,000 (25.02.08) 17,11,287 (27.02.08)
First Trade Time (Date)	15:02:57 (22.02.08)	15:07:14 (22.02.08) 10:21:10 (27.02.08)	15:05:43 (22.02.08)	15:22:44 (22.02.08) 09:55:09 (25.02.08) 10:36:39 (27.02.08)
Buy Price (Rs.) (Date)	32.70 (22.02.08)	32.70 (22.02.08) 37.00 (27.02.08)	32.70 (22.02.08)	33.00 (22.02.08) ⁴ 34.30 (25.02.08) ⁴ 37.00 (27.02.08) ⁴
No. of Shares Bought (Date)	49,444 (22.02.08)	80,000 (22.02.08) 30,000 (27.02.08)	80,000 (22.02.08)	95,015 (22.02.08) 1,29,773 (25.02.08) 17,11,287 (27.02.08)
Purchase Value (Rs.)	16,16,819	37,25,950	26,16,000	7,09,83,153
Sales				
No. of Shares Sold	49,444	31,827	80,000	-
Dates of Sale	06.06.08 09-11.06.08	11, 16, 17, 19 & 20.06.08	29-30.05.08 02-05.06.08	-
Sale Value (Rs.)	58,74,936	34,31,587	80,77,127	-
Unjust enrichment				
Unjust Enrichment (Rs.)	42,58,117	23,53,888 4,10,42,993 (unrealized) [‡]	54,61,127	-
Funds provided by SEPL, an associate company of Horizon Infrastructure Limited (HIL)				
Cheque No. and Date	71190 / 23.02.08	71191 / 25.02.08	71189 / 23.02.08	-
Cheque Amount (Rs.)	16,50,000	26,30,000	26,50,000	-
Fund transfer	-	11,20,000	-	-

Time indicated in hh:mm:ss format.

⁴First buy price of APPL.

[‡] Calculation based on the closing price of shares of KLG on September 11, 2008 for the residual 78,173 shares.

4. The noticees 1, 2 and 3 are executives of SKIL. They had the information about and / or were associated with the impending acquisition of shares of KLG by APPL. Thus, they had the UPSI before the said information was made public on February 28, 2008. They passed on the

UPSI to noticees 4 and 5, who are relatives of noticees 2 and 3 respectively. The noticees 1, 4 and 5 dealt in the shares of KLG while in possession of the UPSI before February 28, 2008. They placed and revised orders in tandem and in sync with that of APPL. They got finance from the same source, Starwort Enterprises Pvt. Ltd. (SEPL).

5. The SCNs adduce the following evidences in support of the allegations that the noticees (a) had knowledge of the impending acquisition of KLG by APPL, (b) facilitated transactions for the acquisition by APPL, and (c) undertook transactions while in possession of the UPSI:

i. There were many and frequent telephone calls between the noticees and Networth Stock Broking Limited (NSBL), which served as the merchant banker and the broker to APPL, and between the noticees and the promoters of KLG before, during and after the relevant period.

ii. Noticee 1, in his deposition dated August 13, 2008, has stated: *"I have spoken to Shri K L Garg (erstwhile promoter of KLG) prior to the acquisition of KLG Capital Services Ltd. by APPL. Shri Garg told me that he is looking for some investor for his stake in KLG Capital Services Ltd. In this way I got the information regarding stake sale in KLG Capital Services Ltd. from Shri Garg and based on this information I, together with Praveen Mohnot and N Ravichandran, made purchases in KLG Capital Services Ltd."* He also stated: *"I am the karta of Hemant Patel HUF. As indicated earlier, I had information about impending sale of KLG and on that information I along with N Ravichandran and Praveen Mohnot took the decision to buy shares of KLG."*

iii. The report "The Financial Due Diligence Review of KLG Capital Services Limited" dated January 31, 2008 by M/s. Batra Sapra & Company was addressed to noticee 1.

iv. NSBL has stated: *"The mandate for client APPL came to us through Shri Praveen Mohnot (Noticee 2). Shri Mohnot was known to our Chairman, Shri S.P. Jain, from his earlier days. Shri Mohnot was in touch with us for this particular mandate in the sense that it was he who brought the deal to us from APPL/SKIL side."*

v. The MoU for the open offer was signed by noticee 2 on behalf of APPL, after it was signed by NSBL on February 8, 2008. The copy of the MoU bearing the signatures of both the parties was received back by NSBL before February 18, 2008.

vi. Noticee 3 has stated: *"I was not aware of the impending takeover of KLG by APPL. However some casual discussions were going on during lunch with the senior executives of SKIL group that the company KLG was an NBFC with all compliances in order. Shri Hemant Patel and Shri Praveen Mohnot were also party to this discussion. I don't remember the exact time/date of discussion since the discussion was casual but it probably may have been in January/February 2008."*

vii. The order books of exchanges and demat and bank statements of the noticees support all the transactions carried out by them, as indicated in the table under Para 3.

6. The following facts support the connection between the noticees and the relevant entities:

i. The noticees are connected to one another in the following manner:

- **Noticee 1**

- a. He is President of SKIL, a promoter group company of APPL.
- b. The KYC records of APPL with NSBL carry his mobile number (9820286203) and e-mail address (hemantpatel@skilgroup.co.in).
- c. He interacted with NSBL for opening account of APPL for acquisition of shares of KLG.
- d. He spoke to the promoters of KLG, the target company and found out that the promoters were looking for buyers for their stake in KLG.
- e. He became a director of KLG after its acquisition.

- **Noticee 2**

- a. He is Executive Director of SKIL, a promoter group company of APPL.
- b. He brought the open offer deal to NSBL from APPL.
- c. On behalf of APPL, he signed the assignment mandate with NSBL to serve merchant banker for the open offer.
- d. He became a director of KLG after its acquisition.

- **Noticee 3**

- a. He is Director of SKIL, a promoter group company of APPL.
- b. He was party to lunch room discussion about the acquisition of KLG by APPL.

- **Noticees 4 and 5**

They are relatives of noticees 2 and 3 respectively.

ii. The trading behaviour of the noticees 1, 4 and 5 has striking similarity and is in sync with that of APPL.

iii. The noticees 1, 4 and 5 financed their transactions from the same source, namely SEPL, an associate company of HIL.

iv. APPL and SKIL are promoter group companies of HIL. SEPL is an associate company of HIL.

The positions held by the noticees 1, 2 and 3 in the promoter group company and their role in the acquisition indicate that they were closely linked to the acquirer, APPL, the erstwhile promoters of KLG with regard to their plans to find an acquirer, and NSBL for effecting the acquisition, and, therefore, had access to the UPSI. They communicated the UPSI to their relatives, namely, noticees 4 and 5. While in possession of the UPSI, the noticees 1, 4 and 5 undertook the transactions in the shares of KLG.

7. The noticees sought extension of time several times to file the reply. Vide letters dated January 22, 2009, February 25, 2009 and February 14, 2009, noticee 1, noticees 2 and 4, and noticees 3 and 5 filed their replies to the SCN respectively. An opportunity of hearing before me was granted to them on March 24, 2009. However, acceding to their request vide letter dated March 6, 2009, the hearing was rescheduled to April 1, 2009. Due to administrative reasons, the hearing was postponed to May 13, 2009. The noticees again sought a fresh date of hearing. Acceding to the request, a final opportunity of hearing was granted to the noticees on June 10, 2009. Along with their Counsel, they appeared before me and made submissions.

8. The noticees do not have dispute about the transactions. Nor do they have any dispute about their knowledge of the information about the impending takeover of KLG by APPL, their role in takeover, communication and use of the said information and their connection with various entities, as elaborated in Para 5 and 6 above. They have, however, made the following submissions:

a. The term 'insider' presupposes the existence of a connection, or deemed connection of the person with the target company, and not the acquiring company. They do not fall within the definition of connected person under Regulation 2(c) or deemed to be connected persons under Regulation 2(h). Hence, they are not insiders. If they were insiders, they would have sold the shares as soon as the UPSI became public. They did not do so.

b. The information that KLG was being taken over by APPL was disclosed to the BSE on February 28, 2008. The disclosure did not materially affect the price. Therefore, this information can't be deemed to be price sensitive. Further, the fact that the promoters of KLG were actively scouting around for potential buyers was well known and hence it was not unpublished. Who exactly takes over the company does not have much bearing on the price of its shares.

c. They had the option to buy shares on February 29, 2008 after the UPSI was made public on February 28, 2008. Any gain thereafter can't be considered unjust enrichment. The gains accrued up to that time can at best be considered unjust enrichment.

d. They have not been provided with the entire investigation report and statements of other persons involved in the matter.

e. They are evaluating the consent process and after the hearing is over, they might initiate appropriate proceedings for settlement of the matter through a consent order.

9. I have carefully considered the SCNs and the submissions – written and oral - of the noticees. I have examined the three relevant issues in this regard in Paragraphs 10 to 12.

10. Are the noticees insiders in terms of the Regulations?

10.1 The Regulation 2(e) of PIT Regulations defines ‘insider’ as -

“Insider” means any person who, is or was connected with the company or is deemed to have been connected with the company, and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company, or who has received or has had access to such unpublished price sensitive information”.

10.2 The SCNs and the noticees have brought up two different perspectives to the above definition:

Perspective I:

“Insider” means any person:

- a. who, is or was connected with the company or is deemed to have been connected with the company, and who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company, or*
- b. who has received or has had access to such unpublished price sensitive information”.*

Perspective II:

“Insider” means any person who, is or was connected with the company or is deemed to have been connected with the company, and

- a. who is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company, or*
- b. who has received or has had access to such unpublished price sensitive information”.*

10.3 Perspective I envisages two sets of persons as insiders, namely: (a) a person who is connected or deemed to be connected with the company and is reasonably expected to have access to UPSI in respect of securities of a company; and (b) a person who has received or has had access to such UPSI. Therefore, a connected person or deemed to be connected person is an insider if he is reasonably expected to have access to UPSI; reasonable expectation of access is sufficient to be an insider and actual receipt or access is not necessary. However, for a person, who is not connected or not deemed to be connected, actual receipt of or access to information is necessary for such a person to be an insider. Reasonable expectation of access is not sufficient for such person. Thus, a person is an insider even though he is not connected or deemed to be connected with the company if it is proved that such person has received or has access to UPSI.

10.4 Perspective II envisages that only that set of persons who are connected or deemed to be connected with the company can be insiders. They can be so only in two circumstances: when

they are reasonably expected to have access to UPSI or when they have actually received UPSI. This means that a person who is not connected or not deemed to be connected with a company can never be an insider even if he actually has received or has access to UPSI.

10.5 While the SCNs rely on the first perspective, the noticees rely on the second perspective. The noticees argue that they are not persons connected or deemed to be connected with the target company and hence, are not insiders. The SCNs do not claim that the noticees are persons connected or deemed to be connected with the company. These claim that the noticees have access to UPSI and hence, are insiders. I find that though the second perspective ostensibly provides for two circumstances, namely, (a) reasonable expectation of access and (b) actual access, it actually provides for only one circumstance because circumstance (b) is a sub set of circumstance (a). The law does not provide for two situations where one situation is included in the other. Therefore, the perspective II is not in order. If Perspective II is allowed, it would severely restrict the scope of the term ‘insider’ and the persons not connected or not deemed to be connected with the company, but in possession of the UPSI, would deal in shares of the company with impunity. Similarly, any third party could receive UPSI from connected persons, and would merrily deal in securities based on such UPSI and escape the prohibition on insider trading. No person associated with an acquirer or acting in concert with others would ever be held liable for trading on inside information. Therefore, I can’t agree with the contention of the noticees.

10.6 In support of the above view, I rely on the observations made by the Hon’ble Securities Appellate Tribunal (SAT) in the case of Rajiv B. Gandhi, Sandhya R. Gandhi, Amishi B. Gandhi Vs. Securities and Exchange Board of India (Appeal Number 50 of 2007):

“....Insider is a person who is or was connected with the company and who is reasonably expected to have access by virtue of such connection to unpublished price sensitive information in respect of securities of the company. A person who has received such information or has had access to such information is also an insider.”

I also rely on the observations of the Hon’ble SAT in the matter of Dr. Anjali Beke Vs. SEBI (Appeal No. 148 of 2005):

“... when a person has received unpublished price sensitive information or who has had access to such information, he becomes an insider. He need not be a person connected with the company.”

10.7 This gets further credence from section 12A of the SEBI Act, 1992. This reads as under:

“12A. No person shall directly or indirectly –

(a) ...

(b) ...

(c) ...

(d) engage in insider trading;

(e) deal in securities while in possession of material or non-public information...;

(f) ... ”

This provision clearly prohibits trading by any person while in possession of material or non-public information even if he is not connected or not deemed to be connected with the company.

10.8 In the instant case, since the noticees had access to the UPSI, they are insiders. The timing of reverse transaction does not alter this position.

11. Is the information (takeover of KLG by APPL) UPSI before February 28, 2008?

11.1 The Regulation 2 (ha) of PIT Regulations reads as under:

“Price sensitive information” means any information which relates directly and indirectly to a company and which if published is likely to materially affect the price of securities of company.

Explanation,- The following shall be deemed to be price sensitive information: -

(i) ...

(ii) ...

(iii) ...

(iv) ...

(v) amalgamation, mergers or takeovers;

(vi) ...

(vii) ...”

The above definition makes it clear that information relating to amalgamation, mergers and takeover is deemed to be price sensitive.

11.2 The noticees have argued that the information regarding amalgamation, mergers or takeovers is only a deeming provision and not all instances of takeovers would be construed as price sensitive information per se. I find that information is price sensitive if it is likely to materially affect the price. It is not that the information must affect the price. It is so because various factors, including takeover, affect the price. There are many factors which affect the price as much as the takeover does. It is not always possible to decipher whether a particular information did materially affect the price. Thus, what is relevant is whether the information is directly or indirectly related to the company and whether the information, if published, is likely to materially affect the price of securities of a company. If these two tests are met, the information would be construed to be price sensitive irrespective of actual price witnessed post

disclosure of that information. This follows from the observations made by the Hon'ble SAT in the case of Rajiv B. Gandhi, Sandhya R. Gandhi, Amishi B. Gandhi Vs. Securities and Exchange Board of India (Appeal Number 50 of 2007):

“Unpublished price sensitive information has been defined in the regulations to mean any information which relates to any of the matters referred to in sub clauses (i) to (viii) of regulation 2(k) [of the then Regulations] and is not generally known or published by the company for general information but which, if published or known, is likely to materially affect the price of the securities of the company in the market. In other words, any information which is not known but, if known, could either way affect the price of the scrip of the company would be unpublished price sensitive information. This includes, among others, financial results of the company, intended declaration of dividends – both interim and final, amalgamations, mergers and takeovers.”

11.3 Nevertheless, I have examined the price movement in the aftermath of the disclosure. From the table under this Para, I find that after the date of public announcement, the price witnessed a continuous and significant upward trend. The KLG share touched the maximum permissible upper ceiling of 5% on each day for 16 consecutive days immediately after announcement of its acquisition on February 28, 2008. During the same period, while the Sensex (market) declined by 9.75%, the KLG witnessed a rise of 106%. This repudiates the claim of the noticees that the information relating to takeover of KLG by APPL was not price sensitive.

Date	Close price (Rs.) of KLG	% change over previous close	% change in Sensex over previous close	Trading volume (No. of shares)
1	2	3	4	5
22 Feb, 08	32.95	-	-	348172
25 Feb, 08	34.55	4.86	1.74	129773
26 Feb, 08	35.25	2.03	0.88	29310
27 Feb, 08	37.00	4.96	0.11	1830118
28 Feb, 08	36.05	-2.57	-0.01	10265
29 Feb, 08	37.85	4.99	-1.38	12254
3 March, 08	39.70	4.89	-5.12	15326
4 March, 08	41.65	4.91	-2.03	1120
5 March, 08	43.70	4.92	1.24	1040
7 March, 08	45.85	4.92	-3.42	5768
10 March, 08	48.10	4.91	-0.32	3986
11 March, 08	50.50	4.99	1.25	7930
12 March, 08	53.00	4.95	0.03	1736
13 March, 08	55.65	5.00	-4.78	77332
14 March, 08	58.40	4.94	2.63	102284
17 March, 08	61.30	4.97	-6.03	10439
18 March, 08	64.35	4.98	0.16	2780
19 March, 08	67.55	4.97	1.09	1412
24 March, 08	70.90	4.96	1.96	52777
25 March, 08	74.40	4.94	6.07	1875
26 March, 08	78.10	4.97	-0.81	1150

11.4 I find it difficult to believe that what is material is that a company is being taken over and not who is taking it over. I consider the latter far more important than the former. The value of the company changes depending on the quality of buyer as that would determine its future. If I believe the noticees, the promoters of KLG were looking for sale of their stake. This itself could not be price sensitive. It becomes price sensitive if there are people willing to buy the stake. It becomes very price sensitive once the buyer is identified. As long as the buyer is not known in the market, the information is unpublished. Therefore, the information of impending takeover of KLG by APPL is unpublished.

12. Is the amount of unjust enrichment, as mentioned in the SCNs, appropriate?

12.1 This issue is not relevant to establish the charge alleged in the SCNs. The charge is already established with the fact that the noticees dealt in the shares of KLG while in possession of UPSI. This is also not relevant even for the purposes of regulation 11(f) of PIT Regulations which require transfer of an amount equivalent to the cost price or market price of securities, whichever is higher, to IPF of a recognized stock exchange. It is relevant only if the noticees were required to disgorge the unlawful gain made by them from the impugned transactions. From that perspective, the actual gain made in respect of the shares sold and the unrealized gain based on the price prevailing on September 11, 2008, when the investigation was concluded, have been taken into account.

12.2 The noticees have contended that they had the option to buy the shares immediately after the UPSI became public and hence gain till the public announcement can be considered as the unjust enrichment. I find it difficult to consider a part of the gain from illegal activity as unjust enrichment and the balance part of the gain from that illegal activity as just enrichment. Further, there is no guarantee that the noticees could have bought these many shares after the public announcement. As evident from the column 5 of table under Para 11.3, the noticees could not have bought these many shares even over a month. The noticees bought 2,09,444 shares only on one day (22.02.2008), while the total volume over February 28 – March 26, 2008 was only 3,09,474 shares. Since the prices were hitting the circuit on every day after the UPSI became public, probably they would not have been able to buy these many shares, particularly when they did not have funds of their own. Thus, I do not find any merit in the argument of the noticees and there is no infirmity with regard to the manner of calculation of illegal profits made by them.

13. I find that the noticees have attempted to mislead the proceedings.

13.1 To a query to noticee 1, *“Have you spoken to Shri Ganesh Hadvale of NSBL prior to the*

acquisition of KLG Capital Services Ltd. by APPL? If yes, then in what context?” he stated: “I do not remember speaking to Shri Ganesh Hadvale prior to 27 February 2008 and I also do not remember the context in which I might have spoken to him. I know Shri Hadvale only for the purpose of acquisition of KLG by APPL. However, I have spoken to him after 27 February 2008. I didn’t know about NSBL before 27 February 2008.” Contrary to this, the investigation reveals that noticee 1 was in constant touch with Mr. Ganesh Hadvale since February 06, 2008. There were at least 132 telephone calls between noticee 1 and Manager, Investment Banking Division of NSBL during January 15, 2008 - June 15, 2008. This included 33 calls before February 27, 2008 of which 27 calls were initiated by noticee 1. He was also in constant touch with the Assistant Vice President of the broking arm of NSBL, both prior to and post acquisition of shares of KLG by APPL.

13.2 The MoU between APPL and NSBL for the open offer relating to acquisition of KLG by APPL was signed by noticee 2 on behalf of APPL. NSBL has stated that the mandate for client APPL came to them through noticee 2, who was known to the Chairman of NSBL from his earlier days. However, noticee 2 denied during his deposition, of any knowledge of the acquisition or its process. Now that this is included in the SCN, he has responded that the signing of MoU between APPL and NSBL by him has not been put to him. I, however, note that he has not denied it.

13.3 Noticee 2 in his reply stated: *“I say that my daughter is married and at the time of this incident had been staying in Jodhpur for over two years and is involved in her husband’s family business of jewellery showroom, she has amply clarified that the discussions for the purchase of these shares had begun between her husband from January 2008. The decision for making a long term investment was taken by her in consultation with her family viz. her husband’s family and its only after the decision was taken I was consulted as regards what I thought of the scrip. As has further been stated by her, the decision for purchase, sale and holding on to of the shares was a decision of her family and she has acted in terms of that decision.”* However during the deposition dated August 13, 2008, noticee 4 stated: *“I was with my parents in Mumbai while placing buy orders of KLG. The sell orders for KLG shares were also placed by me when I was in Mumbai. It was a family decision to sell a part of holding. I had placed the order with the broker for sale of KLG shares. I was in Mumbai from November 2007 to March 2008 and again I came back to Mumbai in the month of June 2008 for business dealings, during which I sold the shares”.* This makes it clear that at the least, either of the noticees is not telling the truth.

13.4 The noticees have contended that they have not been provided with the entire investigation report. I find that the relevant extracts of the investigation report has been

provided to them as annexures to the SCN. They have also been provided all other relevant material or documents that were relied upon for the charges. In any case, the noticees have no dispute about the facts.

14. From the above, it is evident that noticees 1 and 2, by virtue of their positions in relation to APPL and SKIL, their interaction or dealings with the erstwhile promoter of KLG and NSBL, and their role in the acquisition had access to the UPSI that KLG was being taken over by APPL. The fact that they were subsequently designated as directors on the Board of KLG further strengthens the inference that they were key figures in the acquisition process and, therefore, in possession of the UPSI. Noticee 1 dealt in the shares of KLG while in possession of the UPSI and communicated the same to others. Noticee 2, who had the UPSI, passed on the same to his daughter (noticee 4) who dealt in the shares of KLG while in possession of the UPSI. Noticee 3, by virtue of his position in SKIL and APPL, was a party to the lunch room discussions about the acquisition of KLG by APPL and had access to the UPSI. He communicated the UPSI to his wife (noticee 5) who, while in possession of UPSI, dealt in the shares of KLG. Thus, the noticees had access to the UPSI, communicated the same to others and dealt in the shares of KLG while in possession of the UPSI. In particular,

- a. Noticee 1, being an insider dealt in securities of KLG while in possession of the UPSI and communicated the UPSI to others and thereby violated regulation 3 (i) and (ii) of PIT Regulations, 1992 and also Section 12A (d) and (e) of the SEBI Act, 1992;
- b. Noticee 2, being an insider and having played a very active role in acquisition of KLG, communicated the UPSI and counseled his relative and thereby violated regulation 3 (ii) of PIT Regulations, 1992 and also Section 12A (e) of the SEBI Act, 1992;
- c. Noticee 3, being an insider, communicated the UPSI to his relative and thereby violated regulation 3 (ii) of PIT Regulations, 1992 and also Section 12A (e) of the SEBI Act, 1992; and
- d. Noticees 4 and 5 dealt in the shares of KLG while in possession of the UPSI and thereby violated regulation 3 (i) of PIT Regulations, 1992 and also Section 12A (d) of the SEBI Act, 1992.

15. I find that the interest of the market and of the investors requires that such persons are not allowed to participate in the market and unjustly enrich themselves at the cost of investors. Such heinous acts threaten the market integrity and orderly development of the market and call for regulatory intervention to protect the interest of investors. While they are at liberty to seek settlement of the matter through consent, as claimed by them, the proceedings can't be kept in abeyance indefinitely. Accordingly, in exercise of the powers conferred upon me under Section 19, read with Sections 11, 11 (4) and 11B of the SEBI Act, 1992, read with Regulation 11 of

SEBI (Prohibition of Insider Trading) Regulations, 1992, I hereby issue the following directions:

- a) The noticees, namely, Mr. Hemant Patel, (PAN AAAHH2660D and DIN 01947509) and Mr. Praveen Mohnot (PAN AAFPM3430K and DIN 01895171) shall not:
- (i) buy, sell or deal in the securities market in any manner whatsoever, or access the securities market, directly or indirectly,
 - (ii) hold position of Director in the Board of Directors of any listed company for a period 5 years from the date of this order.
- b) The noticee, namely, Mr. N. Ravichandran (PAN AABPN7069H and DIN 00081026) shall not:
- (i) buy, sell or deal in the securities market in any manner whatsoever, or access the securities market, directly or indirectly,
 - (ii) hold position of Director in the Board of Directors of any listed company for a period 2 years from the date of this order.
- c) The noticees, namely, Mrs. Priyanka Singhvi, (PAN AJPPM7139N) and Mrs. Anita Ravichandran (PAN AAHPR0973N) shall not buy, sell or deal in the securities market in any manner whatsoever, or access the securities market, directly or indirectly, for a period 5 years from the date of this order.
- d) The following noticees shall disgorge the unjust enrichment, as justified in Para 12 above, and the interest thereon at 12% for one year, as indicated in the table below against them:

Noticee No.	Name	Disgorgement (Rs.)	Interest (Rs.)	Total (Rs.)
1	Mr. Hemat Patel	42,58,153	5,10,978	47,69,131
4	Mrs. Priyanka Singhvi	Realised: 23,53,888 Unrealised: 4,10,42,993	2,82,467 -----	4,36,79,348
5	Mrs. Anita Ravichandran	54,61,000	6,55,320	61,16,320

- e) The noticees shall pay the above amounts within 45 (forty five) days from the date of this order by way of crossed demand draft drawn in favour of “Securities and Exchange Board of India”, payable at Mumbai.
- f) In case the aforesaid amounts are not paid within the time specified above, the said noticees shall suffer the prohibition at (a) and (c) above, as the case may be, for a further period of 7 years without prejudice to SEBI’s right to enforce disgorgement and interest thereon.

16. The disgorgement amount along with the interest thereon shall be remitted to Consolidated Fund of India.

17. This order shall be served on all recognized stock exchanges and depositories to ensure that the noticees are not allowed to undertake transactions as prohibited in Para 15 above.

18. This order shall come into force with immediate effect.

Place: Mumbai

Date: September 22, 2009

**M. S. SAHOO
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**

SECURITIES AND EXCHANGE BOARD OF INDIA

ADDENDUM

IN THE MATTER OF KLG CAPITAL SERVICES LIMITED

1. Securities and Exchange Board of India (SEBI) had passed an order dated November 05, 2019, bearing reference number WTM/GM/EFD/DRA-I/43/2019-20 read with Addendums dated February 14, 2020 (bearing reference number WTM/GM/EFD/DRA-I/43A/2019-20) and July 24, 2020 (bearing number WTM/GM/EFD/DRA-I/43C/2020-21) (hereinafter collectively referred to as "*the Order*") in the matter of KLG Capital Services Limited, whereby *inter alia* Anita Ravichandran and Priyanka Singhvi (together referred to as "*the Applicants*") were restrained / prohibited from buying, selling or dealing in or accessing the securities market for a period of five years from the date of the Order and were directed to disgorge ill-gotten gains of Rs.4,12,000 and Rs.4,37,550 made by them respectively, along with interest thereon, calculated @12% per annum for the period from February 29, 2008 to the date of the Order. Pursuant to the Order, while Anita Ravichandran has disgorged the ill-gotten gains of Rs.4,12,000 vide Demand Draft bearing number 038788 dated December 17, 2019, Priyanka Singhvi has failed to the disgorge the ill-gotten gains of Rs.4,37,550 till date. Further, the Applicants have also failed to pay the above-mentioned interests on their respective ill-

gotten gains as directed in the Order and the same remain unpaid to SEBI as on date.

2. SEBI is in receipt of a letter dated July 30, 2020 from the Applicants whereby they have *inter alia* requested SEBI to permit them to sell the securities held by them to disgorge the amounts which remain unpaid to SEBI, in terms of the directions contained in the Order. After due consideration of their request, I hereby grant the following limited relaxation to the Applicants:

- (a) The Applicants are permitted to sell/liquidate the securities held by them as on the date of the Order, for the limited and sole purpose of utilizing the sale proceeds thereof for disgorging the abovementioned ill-gotten gains and / or the interest amount(s) which still remain unpaid to SEBI, in terms of the directions contained in the Order. The value of securities sold / liquidated for the above purposes by the Applicants shall not exceed the respective amounts remaining unpaid on their individual part in terms of the directions in the Order.

- (b) The sale / liquidation of securities as permitted at sub-para (a) above shall be completed and the amounts realized by the Applicants therefrom shall be remitted to SEBI within one month of the date of this order.

- (c) In case the Applicants fail to disgorge the respective amounts remaining unpaid, wholly or partially, in terms of the directions in the Order, within the time limit as specified under sub-para (b) above, the interest at the rate

of 12% per annum on their respective amounts of ill-gotten gains shall be payable from February 29, 2008 till the date of actual payment of such dues.

- (d) In the event of the Applicants effecting payment of the abovementioned due amounts, within the time as specified in sub-para (b) above, the direction for additional period of restraint / prohibition of 5 years, as contained in Para 26 (f) of the Order, shall not be given effect to. In case of failure to effect such payments within the prescribed time, the Applicants shall remain restrained / prohibited till the date of full and final payment of such dues or till the date of expiry of the period of restraint / prohibition, as directed under Para 26 (a) of the Order, whichever is later. Further, in case of such failure, the Applicants shall also be liable for recovery proceedings.
- (e) Further, the period of restraint / prohibition in respect of buying, selling or dealing in the securities market in any manner whatsoever, or accessing the securities market, directly or indirectly, already undergone by the Applicants under the directions issued vide SEBI orders dated September 22, 2009 and July 24, 2014, before these SEBI orders were set aside by the Hon'ble SAT vide its orders dated October 21, 2010 and February 05, 2015 respectively (i.e. the respective periods during which the said SEBI orders remained in force before being set aside by the Hon'ble SAT), shall be set off against the period of restraint / prohibition directed under Para 26(a) of the Order.

(f) The above mentioned directions shall be read along with the other directions contained in the Order.

3. This order shall come into force with immediate effect.
4. The depositories, the exchanges and the RTAs are directed to take note of the limited relaxations granted above and take necessary action for giving effect to the same.
5. A copy of this order shall be served upon the depositories, the exchanges and the RTAs.

Place: Mumbai
Date: August 13, 2020

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