

IN THE SECURITIES APPELLATE TRIBUNAL
AT MUMBAI

DATED THIS THE 2ND DAY OF JULY, 2025

**CORAM: Justice P.S. Dinesh Kumar, Presiding Officer
Ms. Meera Swarup, Technical Member**

Appeal No.712 of 2024

[Along with Misc. Application No.188 &
406 of 2025]

Mr. Maneesh Kumar Jain

D 184, Ashok Vihar, Phase 1,

Delhi – 110052.

.....Appellant

(By Mr. Kunal Katariya, Advocate with Mr. Pratham Darad, Mr. Suyash Bhandari and Ms. Akanksha Dutta, Advocates i/b. IC Universal Legal for the Appellant.)

Securities and Exchange Board of India

Plot No.C4-A, 'G' Block,

Bandra- Kurla Complex, Bandra (East),

Mumbai – 400 051, Maharashtra.

...Respondent

(By Mr. Suraj Chaudhary, Advocate i/b. Mansukhlal Hiralal & Co. for the Respondent.)

With

Appeal No.713 of 2024

[Along with Misc. Application No.407 of
2025]

Mr. S.V. Subha Rao

C-2/12, Lawrence Road,

Near NDPL Office,

Keshav Puram, Delhi-110035.

.....Appellant

(By Mr. Kunal Katariya, Advocate with Mr. Pratham Darad, Mr. Suyash Bhandari and Ms. Akanksha Dutta, Advocates i/b. IC Universal Legal for the Appellant.)

Securities and Exchange Board of India
Plot No.C-4A, 'G' Block,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051, Maharashtra.

...Respondent

(By Mr. Suraj Chaudhary, Advocate i/b. Mansukhlal Hiralal & Co. for the Respondent.)

THESE APPEALS ARE FILED UNDER SECTION 15T OF SEBI ACT, 1992 TO SET ASIDE ORDERS DATED NOVEMBER 22, 2024 (Ex-A) PASSED BY CGM, SEBI.

THESE APPEALS HAVING BEEN HEARD AND RESERVED FOR ORDERS ON MAY 06, 2025, COMING ON FOR PRONOUNCEMENT OF ORDER THIS DAY, THE TRIBUNAL MADE THE FOLLOWING:

ORDER

Per: Justice P.S. Dinesh Kumar, Presiding Officer

These two appeals are directed against order dated November 22, 2024 passed by the CGM¹, SEBI², restraining the appellants from accessing the securities

¹ Chief General Manager

² Securities and Exchange Board of India

market for a period of one year, to disgorge a sum of Rs.31.39 Lakhs and to pay the penalty mentioned therein.

2. We have heard Mr. Kunal Katariya, learned Advocate for the appellant and Mr. Suraj Chaudhary, learned Advocate for the respondent.

3. Brief facts of the case are, NSE³ conducted an analysis to identify the trading pattern in the scrip of Jagsonpal Pharmaceuticals Ltd. ('JPL' for short). Based on its analysis, SEBI shortlisted the first appellant, Mr. Maneesh Kumar Jain (hereinafter referred to as 'Mr. Jain') as a suspected entity. SEBI's investigation revealed that JPL had made an announcement vide press release dated February 21, 2022 about an open offer made at Rs.235 per share by an acquirer for a total consideration of Rs.160.69 Crores. The said news had impacted the JPL scrip which registered a raise of 20%. On February 22, 2022, the share price had hit a new high of Rs.246.45. According to the SEBI, Mr. Jain had

³ National Stock Exchange of India Ltd

traded in the JPL scrip based on his frequent communications with appellant No.2, Mr. S.V. Subha Rao (hereinafter referred to as Mr. Rao), who was the CFO⁴ of JPL during the relevant period. Mr. Rao had communicated the UPSI⁵ to Mr. Jain.

4. A Show Cause Notice was issued alleging that Mr. Rao, an insider, was in possession of UPSI and had communicated it to Mr. Jain in violation of Regulation 3(1) of the PFUTP Regulations and Section 12A(e) of SEBI Act, 1992. Mr. Jain was alleged to have made a profit of Rs.31.39 Lakhs and he had violated provisions of Regulation 4(1) of the PIT Regulations⁶ and Section 12A(d) and 12A(e) of the SEBI Act, 1992⁷. Mr. Jain submitted his reply contending *inter alia* that he was an active trader, trading on the basis of his own research and technical analysis of various companies. He had adopted a sector agnostic approach for trading and the average shares sold by him during F.Y.2019-20 and

⁴ Chief Finance Officer

⁵ Unpublished Price Sensitive Information

⁶ Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015

⁷ Securities and Exchange Board of India Act, 1992

F.Y.2023-24 were about Rs.123 Crores. His trading in JPL scrip formed only 2% of the total shares sold by him. Mr. Rao had retired as the CFO of JPL after completion of an unblemished career of 31 years with no disciplinary actions or any regulatory proceedings against him. The appellants got to know about each other in and around December, 2021 and they met in January, 2022 to discuss the marriage proposal of their children.

5. With regard to the scrip of JPL, Mr. Jain replied stating that on February 18, 2022 there was an increase of 544% in the number of trades in the scrip. It was also identified as the biggest mover in the market and hence he had found it to be a good investment opportunity.

6. After adjudication, the SEBI has passed the impugned order.

7. Shri Kunal Katariya, learned Advocate for the appellant submitted that Mr. Jain is a trader in stocks

and earns his livelihood from it. He has sold securities worth Rs.123 Crores during F.Y.2019-2024. Adverting to the WhatsApp communications from January 13, 2022 to April 3, 2022 produced as Exhibit A to the rejoinder, he argued that the entire conversation is with regard to the marriage of their children. The SEBI has built its case on surmises and on 'one' telephone call between the appellants on February 20, 2022. He submitted that appellant had purchased 10,000 shares⁸ of JPL much prior to February 20, 2022. Adverting to the scrip movement charts of moneycontrol.com and screener.in, Shri Katariya submitted that on February 18, 2022 there was a sudden raise in the number of trades and deliveries of shares by 544% vis-à-vis the previous day. Further, the said scrip was also identified as the biggest mover in the market by various national news portals.

8. In substance, Shri Katariya submitted that the alleged telephone call between the appellants on

⁸ (2000 shares on 10.2.2022; 8000 shares on 11.2.2022)

February 20, 2022 is wholly irrelevant as Mr. Jain's relation with Mr. Rao was limited only to the matrimonial alliance between their children.

9. Opposing the appeal, Shri Choudhary for the SEBI submitted that Mr. Rao became the CFO of JPL in February, 2022. It is an admitted fact that appellants had exchanged a call for 530 seconds on February 20, 2022. On the very next date, namely, February 21, 2022, Mr. Jain has purchased 92,000 shares. Mr. Jain did not normally deal in the pharmaceuticals sector. But he has purchased large quantity of shares of JPL of which Mr. Rao was the CFO which strongly probabalises that Mr. Jain had purchased the shares based on the UPSI received from Mr. Rao. Adverting to paragraph Nos.10 and 15 in *V.K. Kaul vs. AO, SEBI*⁹, he submitted that in a similar circumstances, this Tribunal has held that the trading was based on the UPSI. He contended that the authority in *Balram*

⁹ Appeal No.55 of 2012 decided on 8.10.2012

*Garg*¹⁰ cited by Shri Katariya has no application because in that case the family members were estranged whereas in the case on hand the two families have come closer with the marriage of their children.

10. We have carefully considered the rival contentions and perused the records. In the light of above facts, the point that arises for our consideration is ***‘whether the purchase of shares by Mr. Jain on February 21, 2022 was based on the UPSI given by Mr. Rao?’***

11. At the outset, we have carefully analysed the WhatsApp communication between the appellants from January 13, 2022 to April 3, 2022. The entire conversation which runs to three pages does not give a slightest indication that the appellants were adverting to any other subject other than the meeting, dinner, appointment etc., in connection with the marriage of their children. SEBI’s specific allegation is with regard to the telephone conversation preceded by a WhatsApp

¹⁰ (2022) SCC Online SC 472

message on February 20, 2022. That message is sent by

Mr. Jain and it reads as follows:

20 Feb 2022

“Good morning Sir! Haven’t talked or met for a long time.”

12. We may record that the immediate previous exchange of messages between the appellants was on February 6, 2022. Initially, appellants have exchanged a photograph containing their children on January 13, 2022. The next two conversations are with regard to a lunch appointment on January 14 and 15, 2022. The next conversation is only on February 6, 2022 and thereafter the message in question was sent on February 20, 2022. It was submitted by Mr. Katariya that Mr. Jain’s daughter got married to Mr. Rao’s son. Therefore, it is not probable that the UPSI may have been passed on to enable Mr. Jain to earn profit as a part of dowry.

13. We are of the view that the entire WhatsApp messages are nothing more than formal exchange of messages between the parents of a bride and a groom.

14. With regard to purchase of 92,000 shares of JPL by Mr. Jain, the argument advanced by Shri Katariya is that Mr. Jain was sector agnostic and all that mattered to him was a profit in any scrip. Adverting to paragraph No.38 of the impugned order he submitted that Mr. Jain has traded in scrips of various sectors. In the impugned order the list of scrips traded by Mr. Jain is found in table No.8 which reads as follows:

SCRIP	Sum of Buy Quantity	Sum of Buy Value
CANFINHOME	69,500.00	4,23,46,637.45
COALINDIA	2,32,000.00	3,73,15,794.10
SCI	1,90,000.00	2,47,11,855.10
JAGSNPHARM	1,02,000.00	2,14,89,931.45
EXPLEOSOL	11,000.00	1,74,21,621.110
BHARTIARTL	20,000.00	1,43,24,500.00
TEJASNET	25,000.00	1,03,91,752.30
CANBK	30,000.00	79,79,500.00
UNIONBANK	1,65,000.00	74,70,700.00
NCLINDIA	1,00,000.00	67,93,245.00
VEDL	20,000.00	64,99,395.45
SAIL	55,000.00	53,61,900.00
DEEPAKNTR	2,000.00	44,55,000.00
JUBLINGREA	7,000.00	39,73,592.35
MOL	30,000.00	35,16,332.40
ITC	11,000.00	23,33,300.00
BAJAJHIND	1,00,000.00	17,15,000.00

LYKALABS	10,000.00	16,76,500.00
KELLTONTEC	15,000.00	16,65,330.00
LEMONTREE	30,000.00	15,14,500.00
COFFEEDAY	25,000.00	14,88,600.00
RPOWER	1,00,000.00	14,85,000.00
TANLA	792.00	13,11,776.55
CHENNPETRO	10,000.00	10,43,613.50
WEBELSOLAR	4,000.00	5,75,715.95
NXTDIGITAL	1,000.00	4,50,000.00
ZEEL	1,000.00	2,89,300.00
TCS	50.00	1,87,398.60
HINDCOPPER	1,000.00	1,23,500.00
HINDUNILVR	50.00	1,18,167.50
PIONEEREMB	1,000.00	67,500.00
Grand Total	13,68,392.00	23,00,96,958.80

15. We have perused the above table. Shri Katariya is right in contending that Mr. Jain has traded in various sectors. Canfin Home, Can Bank, Union Bank are the banking sectors. Coal India, Hind Copper are mining sectors. SCI is shipping sector. ITC is hotel sector. ZEEL is entertainment sector. The buy value of Canfin Home is Rs.4.23 Crores, the buy value of Coal India is Rs.3.73 Crores, the buy value of SCI shares is Rs.2.47 Crores and the buy value of the scrip in question i.e. Jagsonpal Pharmaceuticals is Rs.2.14 Crores. It is noted in para No.38 of the impugned order that all trades in

table 8 extracted above are in the UPSI period i.e. December 20, 2021 and February 21, 2022. But, the above table shows that Mr. Jain was investing in different sectors and the highest value of shares that he has purchased during the period in question is Rs.4.23 Crores. This leads to an inference that the purchase of 91,000 JPL shares for Rs.2.14 Crores was not an isolated or a strange investment.

16. Now the question that remains is, whether any UPSI was conveyed by Mr. Rao to Mr. Jain. It is relevant to note that the WhatsApp message stating that they had not talked or met for a long time was sent by the Mr. Jain on February 20, 2022 at 9.44 a.m. The telephonic conversation between the appellants took place at 9:45:59 a.m. for 530 seconds. It is SEBI's case that on the very next day Mr. Jain has purchased 92,000 shares which probabalises that the purchase is based on the UPSI. In our view, the explanation by Mr. Jain (that he was a sector agnostic trader by profession and he had

invested huge money in various sectors during the UPSI period), coupled with exchange of normal and formal WhatsApp messages (between the parents of a bride and a groom), leads us to an irresistible inference that Mr. Jain's investment in JPL is in the normal course of his business.

17. It was argued by SEBI that such cases have to be decided on the basis of preponderance of probabilities and not proof beyond doubt. Learned Advocate for SEBI is right in this contention but, we hasten to add that the inference will have to be drawn keeping in view the facts of each case in mind. In the facts of this case, we are of the view that the solitary telephone call is not sufficient to hold that Mr. Jain's purchase of shares was based on the UPSI. In addition, appellants' uncontroverted contention that Mr. Rao has retired after serving for 31 years with an unblemished record of any regulatory proceedings against him also fortifies

appellants' case. In the result, these appeals merits consideration. Hence, the following:

ORDER

1. Appeals Nos.712 and 713 of 2024 are *allowed.*
2. Order dated November 22, 2024 passed by the CGM, SEBI is set aside.
3. Pending interlocutory applications, if any, stand disposed of.
4. No costs.

Justice P.S. Dinesh Kumar
Presiding Officer

Ms. Meera Swarup
Technical Member

02.07.2025

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