METROPOLITAN STOCK EXCHANGE

Department: Investigation	Segment: All
Circular No: MSE/ID/16703/2025	Date: February 01, 2025

Subject: SEBI Order in the matter of Insider Trading Activities of Certain Entities in the Scrip of Infosys Limited.

To All Members,

SEBI vide order no. WTM/AN/IVD-1/ID16/31148/2024-25 dated January 31, 2025 wherein, SEBI has restrained following Noticees 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, or a period of one year, from the date of SEBI order.

Noticee Nos	Name of Entity	PAN
1.	Keyur Maniar	AEHPM2560E
2.	Ramit Chaudhri	ADXPC7706P

Further, SEBI has directed the above Noticees restrained/prohibited by SEBI Order, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of SEBI Order, are allowed to be discharged irrespective of the restraint/ prohibition imposed by this Order. Further, all open positions, if any, of the Noticees, restrained/prohibited in the present Order in the F & O segment of the recognised stock exchange(s), are permitted to be squared off, irrespective of the restraint/ prohibition imposed by SEBI Order.

This order shall come into force with immediate effect.

Members of the Exchange are advised to take note of the full text of the order available on SEBI's website [www.sebi.gov.in] and ensure compliance.

For and on behalf of

Metropolitan Stock Exchange of India Limited

Vipul Vaishnav
Assistant Vice President

WTM/AN/IVD-1/ID16/31148/2024-25

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

Under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) of the Securities and Exchange Board of India Act, 1992

In respect of:

Noticee No.	Noticee Name	PAN
1.	Keyur Maniar	AEHPM2560E
2.	Ramit Chaudhri	ADXPC7706P

(The aforesaid entities are hereinafter referred to by their respective names / noticee numbers or collectively as "the Noticees")

In the matter of Insider Trading activities of Certain Entities in the scrip of Infosys Limited

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Table of Contents

A. Background 2

B. Inspection, Reply and Hearing 5

C. Issues for Consideration 22

PART I – PRELIMINARY OBJECTIONS 23

Whether Noticee No. 2 was granted inspection of documents in the subject matter? 23

Whether there has been inordinate/ unjustifiable delay in the proceedings which has vitiated the proceedings? 26

PART II- UNPUBLISHED PRICE SENSITIVE INFORMATION 28
Whether the announcement of INFY-Vanguard Deal is Price Sensitive Information (PSI) in terms of PIT Regulations? If yes, whether the PSI was unpublished? 28
What was the period of UPSI? 42
PART III - ROLE OF NOTICEES 48
Whether Noticee No. 2 (Ramit) was an insider? 48
Whether Noticee No. 1 (Keyur) was an insider? Whether Noticee No. 2 communicated UPSI to Noticee No. 1 and whether Noticee No. 1 engaged in insider trading? 57
Peculiarity Timing of Call between the Noticees and Placement of trades by Noticee No. 1, and the Noticees' explanation 65
Peculiarity of Trading Pattern of Noticee No. 1 in the scrip of Infosys in July 2020 68
Key Defences and Merits thereof: 80
D. CONCLUSION 85
PART IV - COMPUTATION OF ILLEGAL GAINS 86
Whether the computation of illegal gains as proposed in the SCN must be differed with? 86
E. COMPUTATION OF PENALTY 89
F. DIRECTIONS 90

A. Background

1. The surveillance system of Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") generated alerts indicating potential insider trading in the scrip of Infosys Limited (hereinafter referred to as "**INFY"/ "Company"/** "**Infosys"**). The

alerts coincided with the corporate announcement about "*the strategic partnership of Infosys with Vanguard*" made to BSE and NSE by Infosys on July 14, 2020. On the basis of the said alerts, SEBI conducted a preliminary examination in the scrip of INFY to ascertain whether certain persons / entities traded in the said scrip while they were in possession of / on the basis of unpublished price sensitive information (**"UPSI"**) in contravention of the provisions of the Securities and Exchange Board of India Act, 1992 (**"SEBI Act"**) read with the SEBI (Prohibition of Insider Trading) Regulations, 2015 (**"PIT Regulations"**).

2. Pursuant to the said examination, SEBI passed an Interim Ex Parte Order dated September 27, 2021 (hereinafter referred to as "**Interim Order**") under Sections 11(1), 11(4), 11B(1) and 11D of the SEBI Act against Keyur Maniar (hereinafter referred to as "**Keyur**"/ "**Noticee No. 1**") and Ramit Chaudhri (hereinafter referred to as "**Ramit**"/ "**Noticee No. 2**") for the *prima facie* violation of the provisions of the SEBI Act and PIT Regulations by carrying out insider trading activities in the scrip of Infosys. Vide the said Interim Order, Noticees were *inter alia* restrained from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever until further orders, for engaging in insider trading activity. Further, an amount of INR 2,62,30,620, *prima facie* found to be proceeds generated from the insider trading activity carried out by the Noticees, was directed to be impounded on a joint and several liability basis from the Noticees and deposited in an escrow account.

3. Noticees filed appeals before the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**Hon'ble SAT**") against the Interim Order. The Hon'ble SAT, vide its order dated October 27, 2021, disposed of the appeal directing SEBI to pass the confirmatory order after granting an opportunity of hearing to the said Noticees. Accordingly, Confirmatory Order was passed by SEBI in respect of Noticees on

December 13, 2021 confirming the directions issued by Interim Order with certain modifications. Thereafter, Noticees challenged the said Confirmatory Order before the Hon'ble SAT, and the Hon'ble SAT vide order dated March 30, 2022 set aside the directions given in Interim and Confirmatory Order while permitting the direction to deposit the alleged unlawful gain in an escrow account till the final order is passed by SEBI. The aforesaid alleged unlawful gains have been deposited by Noticee No. 1 in an escrow account ("**Escrow Account**"). It is relevant to mention that in the said Order dated March 30, 2022, Hon'ble SAT observed that it was *satisfied that, prima facie, observation given by the WTM is correct and does not require any interference*. However, it set aside the directions observing that *'Interest of the securities market is protected by deposit of the alleged unlawful gains. We do not find that the present situation warrants the respondent to take the extreme steps to debar before the trial.'*

4. Pursuant to passing of Interim and Confirmatory Orders, SEBI conducted an investigation to ascertain whether the Noticees i.e. Mr. Ramit Chaudhri and Mr. Keyur Maniar have violated any of the provisions of the SEBI Act and PIT Regulations, while trading in the scrip of Infosys Limited, during the period from June 29, 2020 to September 27, 2021 (hereinafter referred to as "**Investigation Period**"). However, wherever deemed necessary, reference has been made to facts outside this period.

5. Subsequently, a Show Cause Notice dated August 03, 2023 (hereinafter referred to as "**SCN"**) was issued to the Noticees alleging violation of Section 12A (d) & (e) of the SEBI Act and Regulations 3(1), 3(2) and 4(1) of PIT Regulations, 2015. The SCN called upon the Noticees to show cause as to why suitable direction(s) under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) read with Section 15G of SEBI Act should not be issued against them including directions for debarment from

securities market for a specified period, imposition of monetary penalty and directions for disgorgement of unlawful gains should not be issued against them.

B. Inspection, Reply and Hearing

6. The SCN was duly served upon the Noticees. The Noticees undertook inspection of documents and filed their replies to SCN and attended the hearings as mentioned below:

Table – 1

Noticee No.	Names of Noticees	Date(s) of Inspection	Date(s) of receipt of replies/ additional submissions	Date(s) of Hearing
1	Keyur Maniar	September 26, 2023	October 27, 2023 April 05, 2024 September 17, 2024	February 26, 2024
2	Ramit Chaudhri	September 27, 2023	May 07, 2024 September 25, 2024	May 08, 2024

7. The submissions made by the Noticees in reply to the SCN are summarized in the following paragraphs.

8. Submissions of Noticee No. 1

   8.1 The impugned trades were bonafide trades predicated on *fundamental analysis and strong market research – to capitalize on the black swan opportunity that Covid-19 created for investing in IT stocks*. Stock prices were significantly depressed but as the first quarter post the onset of Covid-19 ended, the Noticee recognized that there would be immense growth and increased profitability in the IT services sector due to the rapid digital

acceleration by all enterprises and due to the seamless move to 'Working from home' that reduced significant costs.

8.2 Noticee was also influenced by the bullish report on INFY by Goldman Sachs that the media covered on July 07, 2020 coupled with the announcement date of the INFY results for the first quarter post the onset of Covid-19 pandemic – which, the Noticee had assessed, would be favourable due to Covid-19.

8.3 There has been no financial transaction between Noticees ever.

8.4 The material on record does not explicitly indicate that the alleged UPSI was communicated to or procured by the Noticee.

8.5 SEBI has failed to appreciate the impact of Covid-19 on the IT Industry. The increase in price of shares on July 15, 2020 (post announcement of INFY-Vanguard deal) was not limited to INFY but extended to other IT industry companies also. SEBI has incorrectly sought to compare the rise in INFY price with BSE Sensex or NSE Nifty and as such, the price of INFY stock ought to be compared against the NIFTY IT index. Wipro, which was the main contender in the INFY-Vanguard deal and had lost out to INFY, gained almost 3 times NIFTY IT's gain % and almost 2.5 times the gain of INFY on July 15, 2020.

8.6 SEBI has failed to discharge the burden of proof as ought to be done for a charge of insider trading as perusal of material available on record demonstrates that it cannot be presumed from the telephonic conversation between Noticees that Noticee No. 2 had communicated UPSI to the Noticee.

8.7 SEBI has erred in calculation of the alleged UPSI period as it can be reasonably inferred from statements on record that alleged UPSI period should have begun sometime between April 23, 2020 and April 29, 2020.

8.8 SEBI has failed to consider the statements of INFY personnel which would clearly demonstrate that Vanguard deal was not the biggest for INFY and that it was in ordinary course of business.

8.9 SEBI has failed to consider that the deal value would not even satisfy the test of materiality for it to be classified as price sensitive information.

8.10 SEBI has ignored that Vanguard was a prior client of INFY and that INFY had significant presence servicing other Defined Contribution Record keeping clients.

8.11 SCN is silent on steps taken by SEBI to ascertain how widely available was the deal information given that at least 1595 employees had information on deal value and announcement date for a prolonged period of almost three months.

8.12 SCN mistakenly relies on delta analysis as the same is relevant in cases where there are contra trades. In the instant matter, the positions taken by the Noticee were unidirectional.

8.13 Pursuant to report of a Committee on Fair Market Conduct, SEBI, vide an amendment to PIT Regulations (w.e.f. April 01, 2019), removed 'material events in accordance with the listing agreement' from the illustrative list of UPSI given in Regulation 2(1)(n) of PIT Regulations. It appears that SEBI has classified the information about INFY-Vanguard deal as UPSI only in hindsight as SEBI has used the present cases as an illustration in its Consultation Paper dated May 18, 2023 where it has admitted that pursuant to the 2019 amendment, listed entities failed to categorise information/ event as UPSI which should have been categorized as such.

8.14 There has been a delay of almost two years in completion of SEBI's investigation.

8.15 SEBI cannot premise its case that Noticee is an insider in terms of 2(1)(g)(i) and (ii) of PIT Regulations to drive home the charge of insider trading. SEBI has wrongly interpreted the definitions of 'insider' and 'connected person' under the PIT Regulations. The test for being an insider is distinct from that for being a connected person in that, in the latter, there must be (i)

association, and (ii) such association must lead to a reasonable expectation that it would allow access to UPSI, whereas to be an insider, a person must be established to be either (i) a connected person, or (ii) in possession of or having access to UPSI. As such, even logically, one cannot be 'reasonably expected to have access to UPSI' while also being 'in possession of/having access to UPSI'. It is clear that the tests laid down in Regulation 2(1)(g)(i) read with Regulation 2(1)(d) and Regulation 2(1)(g)(ii) are in alternative to each other and cannot co-exist in the same factual scenario.

8.16 It is a well-settled position of law that the term 'reasonably expected' as used in the context of the term 'connected person' cannot be a mere *ipse dixit* – there must be material to show that such person can reasonably be expected to have access to UPSI. The mere fact that Noticee is known to a person connected with INFY and there is a singular phone call between Noticees cannot be relied upon by SEBI as a foundational fact from which an inference of such person, directly or indirectly, being allowed access to UPSI or being 'reasonably expected' to allow such access of UPSI can be formed.

8.17 In arguendo, SCN fails to recognise that the "frequent communication" test is relevant to the concept of "connected person" as referred to under Regulation 2(1)(g)(i) of the PIT Regulations, read with Regulation 2(1)(d) of the PIT Regulations, which test is distinct from the test for establishing "possession of or having access to" UPSI.

8.18 Noticees never communicated frequently and one singular call during UPSI period and five calls over the previous six months do not meet the test of frequency for connected persons. In a separate order dated September 15, 2021, SEBI has observed that a higher concentration of phone calls leads to a higher preponderance of probabilities to establish that a person is "connected person" within the meaning of the PIT Regulations. The findings

of Hon'ble Supreme Court in Balram Garg v. SEBI[1] with regard to frequent communication are pertinent.

8.19 The call between Noticees on July 08, 2020 was to discuss Noticee No. 2's mother-in-law's cancer surgery and to secure a second opinion from Noticee's wife who is a well-known senior doctor. The said fact of the cancer surgery is evidenced by the documents submitted by Noticee No. 2 to SEBI.

8.20 The burden of proof is upon to SEBI to demonstrate that he was indeed in possession of the alleged UPSI or, at the very least, that he would be reasonably expected to have access to the same via Noticee No. 2. In the instant matter, there is no material whatsoever to indicate that there was ever any flow of the alleged UPSI to the Noticee. As such, it cannot be presumed upon conjecture alone that the Noticee would be expected to have access to such information.

8.21 Noticee No. 2 was seven levels below the INFY CEO and provided support in a limited area for the INFY-Vanguard deal. It is assumed that even if the information about the said deal was UPSI, the same would not percolate to an employee at such level within INFY.

8.22 SEBI has wrongly alleged that the 'strategic partnership' between INFY and Vanguard, publication of which, according to SEBI, was likely to materially impact the price of the INFY securities, was price sensitive information.

8.23 INFY itself has not considered the purported UPSI as price sensitive information in accordance with its policy. Also, INFY in its March 2021 Letter, has clearly specified that the Vanguard deal itself was not finalized till the morning of July 14, 2020, as the final terms and conditions were still being worked on. It is submitted that this information cannot be deemed to be crystallized so as to be considered UPSI.

[1] (2022) 9 SCC 425

8.24 SCN wrongly considers the INFY-Vanguard deal to be expansion of business when INFY already provided services to half of the top 20 retirement service firms in the USA at the time of entering into the INFY-Vanguard deal.

8.25 SEBI laid down the quantitative test for determination of materiality of information for disclosure vide the recent amendment to LODR Regulations and even if the said threshold were applied to the present case, the INFY-Vanguard deal was significantly below this limit as already demonstrated above and hence, it was not material to be even disclosed.

8.26 Under the PIT Regulations, one of the criteria for classification of any information as UPSI is that it should be "likely" to materially affect the price of the securities. However, SEBI has disregarded the definition to instead place reliance on the actual price movement in INFY securities following the announcement on July 14, 2020.

8.27 The prices of the call options as on July 14, 2020 had almost tripled from July 1, 2020 (near the start of the alleged UPSI Period) and had increased by 50% from July 8, 2020 (date when the Noticee started to build his positions). SCN has failed to appreciate that if indeed the Noticee were to have UPSI as alleged, he would have built up the entirety of his positions on July 8, 2020 itself as compared to a paltry 3% on July 08, 2020 and another 6% on July 09, 2020.

8.28 It is essential to analyse the Noticee's trades and trading pattern in INFY looking forward from the onset of the Covid-19 pandemic since looking back before the onset of Covid-19, there was no similar Black Swan event and attendant opportunity to execute such trades. The first quarterly results post a full-fledged impact of Covid-19 were announced in July 2020 and therefore it is submitted that the Noticee's trading pattern in INFY be seen from this timeline. Noticee had a similar trading pattern and concentration in INFY in the subsequent quarters till January 2021.

8.29 SEBI appears to have failed to appreciate that the Noticee's first three trades on July 15, 2020 within 3 to 18 minutes post the market opening at 9.15 am were 'Buy' trades in INFY call options. As such, it was only when the IT index and the prices of scrips of the Tier 1 players in IT sector started increasing significantly, that the Noticee realized that the prices were increasing rapidly and therefore decided to hedge his risk and accordingly unwound his position partially. It is pertinent to note that, the Noticee unwound only 40% of the open position on July 15, 2020 and he waited for the quarterly results to be announced and only then squared off the remaining majority (60%) of his positions, in line with his original strategy.

8.30 SEBI has sought to penalize 'informed trading' by viewing it as 'insider trading'.

8.31 SEBI appears to have incorrectly observed that the weightage of the Noticee's trades was higher in July 2020 than in the subsequent quarters, and it has incorrectly tried to correlate this to the Noticee allegedly having UPSI. The INFY price during the July 2020 F&O series, prior to the Q1 results, was at a significantly lower trailing Price to Earnings Ratio (P/E) of 19 and hence the risk-reward payoff was high. Pertinently, post these results, the INFY stock price increased significantly and the P/E increased to 29.2; hence, the Noticee, while continuing to be bullish, took an equivalent exposure through a judicious balance across Futures and Options in the October 2020 series. While the Noticee did trade in INFY post November 2020, the exposure was not comparable because the INFY price and P/E multiple has increased and the risk-reward payoff was not attractive as it had been in the preceding months.

8.32 Noticee has placed reliance on SEBI Revocation Order dated November 06, 2023 in the matter of Lux Industries Limited to contend that despite evidence pointing towards proximity in the call and the timing of trades by entities

involved in the said matter, SEBI refused to rely on merely one singular phone call, made during the UPSI period, to give a finding against the concerned entities.

8.33 Noticee has placed reliance on SEBI Order dated September 09, 2024 passed in the matter of Infosys Ltd. to contend that it is difficult to ascertain the contents or the subject matter of telephonic conversations and that the same cannot constitute as reasonable evidence to alleged insider trading.

8.34 It is humbly submitted that the present case is not a fit case for disgorgement/ imposition of monetary penalty.

9. Submissions of Noticee No. 2

9.1 I have not been given a full, fair and effective opportunity of inspection of all material that has reasonably influence the mind of the author of SCN.

9.2 Keyur was my ex-colleague and we worked together at Wipro from 2012-2015. I have remained in touch with Keyur in capacity of ex-colleague and being professionals in the same industry.

9.3 There has been inordinate delay in the conduct of investigation by SEBI.

9.4 Vanguard contract is essentially another outsourcing deal for INFY and forms part of INFY's core business offering. The deal is in INFY's ordinary course of business and cannot be considered as UPSI.

9.5 The average annual contract value of Vanguard Contract represented just 1.72% of annual revenue of INFY for FY 2019-20. Also, Vanguard Contract's contribution to financial services segment of INFY was insignificant and INFY's revenues from North America (where Vanguard is based) declined in quarter ended September 2020 pointing to lack of significance the Vanguard contract had to INFY's business.

9.6 As per INFY's materiality policy, a deal was classified as 'material' if it

exceeded 5% of its annual revenue. Vanguard contract did not qualify as 'material' even under INFY's materiality policy. Even under recently amended LODR Regulations, Vanguard contract would not even qualify for disclosure on the grounds that it is deemed material.

9.7 The fundamental concept of UPSI - both under PIT Regulations, 1992 and PIT Regulations, 2015 – remains unchanged i.e. information in order to qualify as UPSI must be of nature that is likely to 'materially' affect the price. Explanation to Regulation 2(ha) of PIT, 1992 deemed certain information as price sensitive. SEBI has consciously dropped the word 'deemed to be price sensitive information' in the PIT Regulations, 2015. Under PIT Regulations, 2015, instead of certain types of information being deemed as price sensitive without reference to the test of materiality, an illustrative list of the types of information that would "ordinarily" be regarded as UPSI, has been provided. The "NOTE" appended to the definition makes it clear that "The types of matters that would ordinarily give rise to unpublished price sensitive information have been listed above to give illustrative guidance of unpublished price sensitive information". Therefore, far from the PIT Regulations, 2015 treating all expansion plans as UPSI as the SCN erroneously claims, an expansion plan would not constitute UPSI unless it meets the test of it having a reasonable likelihood of materially affecting the price of the securities, if published. The Report of the High-Level Committee to Review the SEBI (Prohibition of Insider Trading) Regulations, 1992 headed by Justice (Retd.) N.K Sodhi ("Sodhi Committee Report") explicitly alluded to the rationale for the change. Accordingly, every outsourcing contract bagged by INFY cannot *ipso-facto* be regarded as expansion of business.

9.8 There is no nexus between the price movement of INFY and Vanguard announcement. SCN has failed to analyse the prize movement in entire month and the general upward movement of the price in calendar year 2020.

Even though Wipro lost out to Infosys in Vanguard contract, its shares on July 15, 2020 did not witness a decline and instead it witnessed an intra-day gain. SEBI has ignored that INFY announced its quarterly results on July 15, 2020 and it is not uncommon for shares to move in anticipation of good or bad quarterly results. The onus is on SEBI to establish that a piece of information is UPSI and existence of other material information cannot be discounted in a cursory manner by SEBI.

9.9 SEBI has wrongly determined the UPSI period to have commenced on June 29, 2020. If the standard the SCN has adopted to decide when the UPSI came into existence i.e. important terms and conditions of MSA being finalised then it is clear that UPSI period commenced on July 14, 2020 as important terms and conditions were still being worked on. There was no definitive date on when the deal would be announced.

9.10 As an employee of Infosys BPM and not INFY, Noticee was 7 levels below the CEO of INFY and was one of the 1500 employees associated with Vanguard Contract.

9.11 SCN claims that I was an 'insider' and in the same breath claims that I am a 'connected person'. The two are distinct and cannot be conflated.

9.12 Keyur knew that Infosys would bag the Vanguard contract and did not need tip from me to know about Infosys' prospects with Vanguard contract.

9.13 In order to establish that there was a relationship of 'connected person', SEBI would have to show frequency of communication that can reasonably be said to afford access to UPSI. It is obvious that the frequency of communication is at its highest during the UPSI Period. However, in the instant matter, barring one call on July 8, 2020 (which was to discuss my mother-in-law's surgery), no calls were made at all in the UPSI Period that spanned three weeks.

9.14 Judicial precedents in India and abroad all point to the fact that mere fact that

there is communication between acquaintances followed by trading by the alleged tippee, cannot become the basis to infer that there was communication of price sensitive information.

9.15 There is no material on record to suggest that I had any sort of financial/ business/ other engagements with Keyur or to suggest any sort of cooperation in financial/ investment/ trading matters. There is no material on record suggesting that I received any alleged benefit from the trades executed by Keyur.

9.16 SCN has sought to sustain a case of insider trading disregarding the probative value of the evidence.

9.17 SCN wrongly makes Noticee jointly and severally liable along with Keyur for Keyur's trades, despite identifying that the gains were made by him and have admittedly not been diverted or shared with Noticee. This approach is contrary to the SEBI Act and several decisions of the Hon'ble SAT wherein it has held that SEBI cannot invoke the principle of joint and several liability, where gains have been computed and attributed to an individual, as each individual is liable for the extent of his own wrongful act and not beyond.

9.18 Noticee has placed reliance on SEBI Revocation Order dated November 06, 2023 in the matter of Lux Industries Limited and SEBI Order dated September 09, 2024 passed in the matter of Infosys Ltd. to contend that the lone phone call cannot become the basis to infer that he communicated the alleged UPSI to Keyur as phone calls between them exist outside of alleged UPSI period, there is absence of family ties, no financial transactions between them and no gains made by Keyur were shared with him.

10. The provisions of SEBI Act, 1992 and PIT Regulations, 2015 relevant to the allegations made in the SCN are reproduced below for reference:

Relevant extracts of the provisions of SEBI Act, 1992:

Functions of Board.

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.

.....

Power to issue directions and levy penalty

***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.

(2) 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.

....

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

12A. *No person shall directly or indirectly—*

.....

(d) engage in insider trading;

(e) deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a

manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder;

.....

Penalty for insider trading.

***15G.** If any insider who,—*

(i) either on his own behalf or on behalf of any other person, deals in securities of a body corporate listed on any stock exchange on the basis of any unpublished price-sensitive information; or

(ii) communicates any unpublished price-sensitive information to any person, with or without his request for such information except as required in the ordinary course of business or under any law; or

(iii) counsels, or procures for any other person to deal in any securities of any body corporate on the basis of unpublished price-sensitive information,

shall be liable to a penalty which shall not be less than ten lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of insider trading, whichever is higher.

Relevant extracts of the provisions of PIT Regulations, 2015

Definitions.

2.(1) In these regulations, unless the context otherwise requires, the following words, expressions and derivations therefrom shall have the meanings assigned to them as under:–

....

(d)"connected person" means,-

(i) any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director,

officer or an employee of the company or holds any position including a professional or business relationship between himself and the company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.

....

g)"insider" means any person who is:

i) a connected person; or

ii) in possession of or having access to unpublished price sensitive information;

NOTE: *Since "generally available information" is defined, it is intended that anyone in possession of or having access to unpublished price sensitive information should be considered an "insider" regardless of how one came in possession of or had access to such information. Various circumstances are provided for such a person to demonstrate that he has not indulged in insider trading. Therefore, this definition is intended to bring within its reach any person who is in receipt of or has access to unpublished price sensitive information. The onus of showing that a certain person was in possession of or had access to unpublished price sensitive information at the time of trading would, therefore, be on the person leveling the charge after which the person who has traded when in possession of or having access to unpublished price sensitive information may demonstrate that he was not in such possession or that he has not traded or or he could not access or that his trading when in possession of such information was squarely covered by the exonerating circumstances.*

…..

Communication or procurement of unpublished price sensitive information.

3.(1) No insider shall communicate, provide, or allow access to any unpublished

price sensitive information, relating to a company or securities listed or proposed to be listed, to any person including other insiders except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

NOTE: This provision is intended to cast an obligation on all insiders who are essentially persons in possession of unpublished price sensitive information to handle such information with care and to deal with the information with them when transacting their business strictly on a need-to-know basis. It is also intended to lead to organisations developing practices based on need-to-know principles for treatment of information in their possession.

(2) No person shall procure from or cause the communication by any insider of unpublished price sensitive information, relating to a company or securities listed or proposed to be listed, except in furtherance of legitimate purposes, performance of duties or discharge of legal obligations.

NOTE: This provision is intended to impose a prohibition on unlawfully procuring possession of unpublished price sensitive information. Inducement and procurement of unpublished price sensitive information not in furtherance of one's legitimate duties and discharge of obligations would be illegal under this provision.

Trading when in possession of unpublished price sensitive information.

4.(1) No insider shall trade in securities that are listed or proposed to be listed on a stock exchange when in possession of unpublished price sensitive information:"

C. Issues for Consideration

11. After considering the SCN and the replies filed by Noticees, the following issues arise for consideration:

Part I - Preliminary Objections

(a) Whether Noticee No. 2 was granted inspection of documents in the subject matter?

(b) Whether there has been inordinate/ unjustifiable delay in the proceedings which has vitiated the proceedings?

Part II - Unpublished Price Sensitive Information

(a) Whether the announcement of INFY-Vanguard Deal is PSI in terms of PIT Regulations? If yes, whether the PSI was unpublished?

(b) What was the period of UPSI?

Part III - Role of Noticees

(a) Whether Noticee No. 2 was an insider?

(b) Whether Noticee No. 1 was an insider? Whether Noticee No. 2 communicated UPSI to Noticee No. 1 and whether Noticee No. 1 engaged in insider trading?

Part IV - Computation of Illegal Gains

(a) Whether the computation of illegal gains as proposed in the SCN must be differed with?

PART I – PRELIMINARY OBJECTIONS

12. **Whether Noticee No. 2 was granted inspection of documents in the subject matter?**

12.1 Noticee No. 2 has submitted that he was not granted a full, fair and effective opportunity of inspection of all material that has reasonably influenced the mind of the author of the SCN. Noticee No. 2 has submitted that a redacted Investigation Report was provided to him and statements of three employees of INFY has not been provided to him on the ground that they do not pertain to him or it contains sensitive information relating to third parties. Noticee No. 2 has contended that such denial of information is contrary to the explicit law laid down by the Hon'ble Supreme Court in T. Takano v. SEBI[2]. Noticee No. 2 had also made submissions on the same during the hearing held on May 08, 2024.

12.2 Before proceeding with the preliminary objection of the Noticee, the relevant extracts of the judgment of Hon'ble Supreme Court in T. Takano are reproduced below:

"*50 …………… However, while directing that there should be a disclosure of the investigation report to the appellant, <u>it needs to be clarified that this would not permit the appellant to demand roving inspection of the investigation report which may contain sensitive information as regards unrelated entities and transactions.</u>*

D. Conclusion

51 The conclusions are summarized below:

(i) The appellant has a right to disclosure of the material relevant to the proceedings initiated against him. A deviation from the general rule of disclosure of relevant information was made in Natwar Singh (supra) based on the stage of the proceedings. <u>It is sufficient to disclose the materials relied on if it is for the purpose of issuing a show cause notice for deciding whether to initiate an inquiry. However, all information that is relevant to the proceedings must be disclosed in adjudication proceedings</u>;

(ii) The Board under Regulation 10 considers the investigation report submitted by the Investigating Authority under Regulation 9, and if it is satisfied with

[2] Judgment dated February 18, 2022 in T. Takano v. SEBI & Anr. (C.A. Nos. 487-488 of 2022)

the allegations, it could issue punitive measures under Regulations 11 and 12. Therefore, the investigation report is not merely an internal document. In any event, the language of Regulation 10 makes it clear that the Board forms an opinion regarding the violation of Regulations after considering the investigation report prepared under Regulation 9;

(iii) The disclosure of material serves a three- fold purpose of decreasing the error in the verdict, protecting the fairness of the proceedings, and enhancing the transparency of the investigatory bodies and judicial institutions;

(iv) A focus on the institutional impact of suppression of material prioritises the process as opposed to the outcome. The direction of the Constitution Bench of this Court in Karunakar (supra) that the non-disclosure of relevant information would render the order of punishment void only if the aggrieved person is able to prove that prejudice has been caused to him due to non-disclosure is founded both on the outcome and the process;

(v) The right to disclosure is not absolute. The disclosure of information may affect other third-party interests and the stability and orderly functioning of the securities market. The respondent should prima facie establish that the disclosure of the report would affect third-party rights and the stability and orderly functioning of the securities market. The onus then shifts to the appellant to prove that the information is necessary to defend his case appropriately; and

(vi) Where some portions of the enquiry report involve information on third parties or confidential information on the securities market, the respondent cannot for that reason assert a privilege against disclosing any part of the report. The respondents can withhold disclosure of those sections of the report which deal with third-party personal information ***and*** *strategic information bearing upon the stable and orderly functioning of the securities market.*

52 The Board shall be duty-bound to provide copies of such parts of the report which concern the specific allegations which have been levelled against the appellant in the notice to show cause. However, this does not entitle the appellant to receive sensitive information regarding third parties and unrelated transactions that may form part of the investigation report." (emphasis supplied)

12.3 I note that the Hon'ble Supreme Court in T. Takano has held that an entity has a right to disclosure of all information that is relevant to the proceedings and SEBI is duty bound to provide copies of such parts of the investigation report which concern the specific allegations levelled against the entity. However, it has further been held that such right to disclosure is not absolute, entity is not permitted to demand roving inspection of the investigation report and that SEBI can withhold disclosure of those sections of the investigation report which deal with third-party personal information and strategic information bearing upon the stable and orderly function of the securities market or unrelated transactions that may form part of the investigation report.

12.4 I have perused the redacted portions of the Investigation Report which have not been provided to Noticee No. 2. As per the material available on record, Noticee No. 2 has been provided with the relevant material pertaining to the allegation made against him in the SCN including the submissions of INFY employees with respect to Noticee No. 2.

12.5 As part of the Investigation carried out by SEBI, a separate Show Cause Notice was issued to Infosys for the violation of PIT Regulations which related to their internal processes and did not deal with the trades impugned in the instant proceedings. I note that the redacted portions of investigation report deal with the submissions of Infosys on the allegations against it viz. not identifying Vanguard deal as price sensitive information, details provided by INFY on the internal processes followed by them under PIT Regulations, its Structured Digital Database ('**SDD**'), statements of its employees, confidential information pertaining to deals won by INFY and SEBI's findings on the role of INFY and its authorised persons for allegations made against them. I note that these redacted portions are not relevant to the specific allegations made against Noticee No. 2. Even though it is part of the same investigation, these portions pertain to allegations against INFY for which a separate and independent SCN

had been issued to them and the same cannot be shared with any person not party to the proceedings against Infosys. From the submissions of the Noticee, it appears that the desire to inspect redacted potions of the IR is to ascertain INFY's response to the allegation of it not treating Vanguard deal as a price sensitive information. As will be discussed later in this Order, INFY's defence does not change the nature of the allegation against the Noticees. Infact, INFY's own defence during investigation was not accepted which is what led to an SCN being issued against it. Also, in response to specific request of Noticee No. 2 for providing non-redacted version of IR during hearing held on May 08, 2024, SEBI, vide its e-mail dated May 21, 2024, had elaborated its reasons for not being able to provide the redacted portions *inter-alia* indicating the broad content of redacted portions and why this was confidential to INFY. The redacted portions of the IR sought by the Noticees are with respect to INFY and its confidential information which are not relevant to the SCN issued against Noticee No. 2. In compliance with the T. Takano judgment, the same has not been provided to Noticee No. 2. The decision of SEBI was also communicated to Noticee No. 2 pursuant to hearing held on May 08, 2024, vide e-mail dated May 21, 2024.

12.6 Therefore, I find that all the relevant information pertaining to the allegations made against Noticee No. 2 in the SCN has been provided to him and the preliminary objection of the Noticee is rejected.

13. **Whether there has been inordinate/ unjustifiable delay in the proceedings which has vitiated the proceedings?**

13.1 Noticees have submitted that there has been an inordinate delay in the investigation conducted by SEBI which has caused prejudice to them.

13.2 Pursuant to the passing of Interim Order on September 27, 2021, the

matter was taken up by SEBI for detailed investigation to ascertain whether Noticees have violated the provisions of SEBI Act and PIT Regulations while trading in the scrip of Infosys. Also, SEBI sought to ascertain whether there have been any lapses on the part of Infosys in maintaining an SDD and other internal control systems required under PIT Regulations during the investigation period.

13.3 I note that as a common investigation was undertaken by SEBI against Noticees and INFY, summons were issued to Noticees as well as INFY and its authorized persons. During the course of investigation, statements of Noticees as well as authorized persons of INFY were taken by SEBI. The investigation involved examination of trading of Noticees and their immediate relatives, delta analysis of trades of Noticee No. 1, analysis of Call Data Records of Noticees, their bank statements, examination of SDD maintained by INFY, etc.

13.4 Pursuant to the completion of Investigation and approval of enforcement action, SCN was issued to the Noticees on August 03, 2023. Subsequently, Noticees were provided multiple opportunities of inspection wherein adjournments were also sought by Noticees.

13.5 Noticee No. 1 completed inspection of documents on September 26, 2023 and filed his reply on October 27, 2023. He availed of the opportunity of hearing on February 26, 2024 after earlier seeking an adjournment. During the course of hearing, certain queries were raised with Noticee No. 1 and Noticee submitted that he will provide his response and additional submissions at the earliest. After a reminder was sent to the Noticee, his reply was filed on April 05, 2024. Further, Noticee made additional submissions on September 17, 2024.

13.6 With respect to Noticee No. 2, I note that Noticee No. 2 had filed a settlement application dated September 27, 2023. The Noticee sought multiple adjournments of the Internal Committee meeting. After attending Internal Committee meeting held on February 07, 2024, Noticee No. 2 withdrew his

settlement application on February 15, 2024. After he withdrew the settlement application, Noticee No. 2 requested for certain documents which was responded to. Noticee No. 2 filed his reply on May 07, 2024 and an opportunity of personal hearing on May 08, 2024 was availed of by Noticee No. 2. Later Noticee No. 2 made additional submissions on September 25, 2024.

13.7 I note that SEBI has conducted its proceedings in compliance with principles of natural justice wherein documents related to the proceedings were provided and opportunities were granted to all entities and their submissions have been considered. Considering all of the above, I am of the view that the proceedings cannot be said to have been unjustifiably/ unduly delayed or that the delay, if any, has vitiated the quasi-judicial proceedings.

PART II- UNPUBLISHED PRICE SENSITIVE INFORMATION

14. Whether the announcement of INFY-Vanguard Deal is Price Sensitive Information (PSI) in terms of PIT Regulations? If yes, whether the PSI was unpublished?

14.1 Infosys is a company listed on both NSE and BSE. On July 14, 2020, after market hours, INFY had issued a press release announcing strategic partnership between Infosys and Vanguard which would advance digital transformation of Vanguard's defined contribution recordkeeping business. The SCN dated August 03, 2023 has alleged the said announcement to be a PSI by SEBI.

14.2 Noticees have submitted that the said partnership was not UPSI due to the following reasons:

14.2.1 It was in INFY's ordinary course of business with no major contribution to INFY's revenues;

14.2.2 INFY did not regard the said partnership as UPSI and it was not a material information as per INFY's materiality policy;

14.2.3 INFY had signed other deals of far larger value.

14.2.4 Even under LODR Regulations, Vanguard contract would not qualify for a disclosure on the grounds that it is deemed material.

14.2.5 SCN errs in claiming that Vanguard contract would constitute 'expansion of business' as INFY was not new to retirement services space. INFY had made three corporate announcements regarding acquisitions in October 2020 wherein it only considered one acquisition to be UPSI and SEBI appears to have not deemed the other two acquisitions as PSI despite acquisitions being listed along with 'expansion of business' under Regulation 2(1)(n)(iv) of PIT Regulations.

14.2.6 The types of information which were "deemed to be price sensitive" under the 1992 PIT Regulations has been explicitly and consciously changed and such information would "ordinarily" be regarded as UPSI under the current PIT Regulations. Further, in terms of PIT Regulations, 2015, every expansion of business by a listed company would not be "deemed to be price sensitive", unless it satisfies the test of likelihood of materially affecting the price. In this regard, reliance is placed on Sodhi Committee Report and Hon'ble SAT's decision in Anil Harish v. SEBI[3].

14.2.7 There was no nexus between price movement and Vanguard announcement.

14.2.8 Information pertaining to Vanguard contract being awarded to Infosys was already in public domain.

14.3 The relevant extracts of the press release announcing partnership

[3] SAT Order dated June 22, 2012 in SAT Appeal No. 217 of 2011

between INFY and Vanguard are reproduced below:

“VANGUARD AND INFOSYS ANNOUNCE STRATEGIC PARTNERSHIP

Partnership will advance digital transformation of Vanguard’s defined contribution recordkeeping business

.... This strategic partnership will deliver a technology-driven approach to plan administration and fundamentally reshape the corporate retirement plan experience for its sponsors and participants.

......

Through the partnership, Infosys will assume day-to-day operations supporting Vanguard’s DC recordkeeping business, including software platforms, administration, and associated processes. Plan sponsors will continue to be served by Vanguard’s relationship management teams, strategic plan design, and communication experts. Additionally, Vanguard will oversee all aspects of its investment management and guidance for both sponsors and participants, including ongoing development of its accessible, holistic, and personal advice services. Participant phone calls will be serviced by both Vanguard and Infosys.

Together with Infosys, Vanguard will provide a cloud-based recordkeeping platform, enabling greater insights and unprecedented personalization to help deliver better outcomes for nearly five million participants and 1,500 sponsors......

....

Approximately 1,300 Vanguard roles currently supporting the full-service recordkeeping client administration, operations, and technology functions

will transition to Infosys. All Vanguard employees currently performing these roles will be offered comparable positions at Infosys......"

14.4 As noted above, one of the submissions of the Noticees is that the Vanguard deal did not qualify to be 'material' as per INFY's materiality policy formulated under Regulation 30 of LODR Regulations. I note that Regulation 30 of LODR Regulations requires listed entities to disclose material information to stock exchanges and provides for criteria to be considered for determining materiality of events. In compliance with the same, listed companies prepare their materiality policy which pertains to disclosures of events or information, which in the opinion of the Board of a listed entity, are material. The purpose of the regulatory framework under LODR Regulations is to provide adequate and timely disclosure of material events by the listed entities to the investors. On the other hand, the objectives of the PIT Regulations include preventing dealing in securities based on asymmetrical access to unpublished information, which when published is likely to impact the scrip's price, to identify such unpublished information within the company, and to put in place internal controls to prevent its unauthorized use. While the Company may form its own materiality policy, not including some event/ activity within the scope of the said policy, cannot render such event/ activity 'immaterial' for the purpose of the PIT Regulations.

14.5 The allegation is that the announcement of Vanguard deal was unpublished price sensitive information. Regulation 2(1)(n) of PIT Regulations defines 'Unpublished Price Sensitive Information' (UPSI) along with providing an illustrative list of matters that can be regarded as UPSI. Noticees have contended that INFY has not considered this partnership (the Vanguard deal) as PSI and therefore, it is a matter of record that Infosys in fact did not treat the information as PSI for which separate enforcement proceedings were initiated against it. I note that for an information to be price sensitive information, it has

to satisfy the criteria provided under Regulation 2(1)(n) of the PIT Regulations. The said criteria does not provide that an information will be considered as UPSI only upon declaration of the same by the company. The contention of Noticees, suggests that discretion to disregard an information as being 'price sensitive' even when the criteria under Regulation 2(1)(n) is otherwise satisfied, should solely be placed in the hands of the company. This proposition if accepted would result in the insider trading prevention measures being rendered ineffective. Also, it could enable persons in control of or managing a listed company to avoid being implicated in an insider trading allegation by leveraging the company's discretion to not treat the information as 'price sensitive' in the first place. This is why categorization of an information as being 'price sensitive' or not is <u>not</u> left to the sole discretion of the company, under PIT Regulations.

14.6 Any information may be regarded as UPSI under Regulation 2(1)(n) of PIT Regulations if it satisfies the following three ingredients:

(i) It relates to the company or its securities, directly or indirectly,

(ii) It is not generally available and

(iii) When it becomes generally available, it is likely to materially affect the price of the securities.

Also, as noted earlier, illustrative list of such information are also listed in Regulation 2(1)(n) which by themselves constitute price sensitive information.

14.6.1 As noted in earlier paragraphs, the announcement of strategic partnership was related to Infosys. Therefore, the <u>first ingredient of Regulation 2(1)(n) of PIT Regulations is satisfied</u>.

14.6.2 The Noticees have submitted that information about Vanguard deal was generally available as Infosys was the only company left after Wipro had been informed that it was not in the race. Regulation 2(1)(e) of PIT Regulations defines generally available information as "*information that*

is accessible to public on a non-discriminatory basis." In this regard, I note that the alleged PSI in this case is the actual 'announcement' confirming the strategic partnership between Infosys and Vanguard and not just the prospect and possibility of a strategic partnership between them. The date of announcement was not known to the public on a non-discriminatory basis; nor was it certain that such a deal would indeed be concluded, and if so, at what terms. Finalisation of the terms and contours of the deal may have continued till its announcement, but on June 29, evidently, it was clear internally within INFY that the deal would be announced on and around July 14 and that all concerned officers would have to be geared towards that announcement and its implementation. The timing of the announcement is central to the allegation. In fact, it was specifically asked by senior officials of INFY to be kept confidential as noted from internal e-mail on July 07, 2020, summary of which is recorded in Table – 6 later in this Order. Accordingly, the second ingredient of Regulation 2(1)(n) of PIT Regulations is also satisfied.

14.6.3 The third ingredient is whether the announcement of such information was likely to materially affect the price of the securities. In this regard, the following passages will make it clear that (i) in terms of Total Contract Value (or TCV), the Vanguard deal was the single largest ever deal closed by Infosys till that date (ii) the TCV of the Vanguard alone was singly larger than the TCV of all fresh deal wins in each of the previous three quarters (iii) on the strength of the Vanguard deal, the TCV of all fresh wins in the July 2020 to September 2020 quarter was set to cross a new record for Infosys.

14.6.4 Statements by INFY Management - During its earnings call on July 15, 2020, the senior management of INFY repeatedly highlighted the

importance of Vanguard deal as mentioned below:

(i) Salil Parekh, INFY CEO, stated that

"*We also saw yesterday a very significant announcement from Vanguard. Digital transformation work, we will partner with them.*"

"…. that yesterday we announced a landmark Digital Transformation engagement with Vanguard. We will partner with Vanguard to drive Digital Transformation of the record-keeping services on to a Cloud based platform. Coupled with our strong Q1 results this gives us a powerful foundation for the rest of the year."

"…. yesterday when Vanguard announced the strong partnership with Infosys for the digital transformation of a critical component of their business."

(ii) U B Pravin Rao, Chief Operating Officer and Whole-time Director, has stated that,

"Large deal wins were healthy at $1.74 bn for Q1. This excludes <u>the largest ever deal signed in Infosys' history that we have closed in Q2</u>."

"In early Q2 we signed the largest ever deal in Infosys' history in this vertical."

In response to a query from SEBI, INFY, vide e-mail dated July 28, 2021, confirmed that the <u>largest deal referred to in UB Pravin Rao's statement is INFY-Vanguard deal</u>.

On perusal of the aforesaid statements of CEO and COO of INFY, I note that they are aware of the significance of this deal for INFY for them to repeatedly highlight the same. Further, with respect to the

Noticees' claim that it was largest deal in financial services 'vertical' and not across the organization, I note that the aforementioned statement was prefixed by Mr. Rao's categorical statement that it was the largest deal ever signed in Infosys' history. Upon perusal of the earnings call, I note that the reference to vertical in second statement was made as Mr. Rao was discussing about INFY's performance in individual verticals such as financial services, retail segment, etc. and accordingly made reference to the 'vertical'. Moreover, INFY has itself admitted vide e-mail dated July 28, 2021, that the largest deal in its history referred to by UB Pravin Rao at the time of earnings call on July 15, 2020 was the INFY-Vanguard deal.

14.6.5 I note that Vanguard, vide e-mail dated July 23, 2021, informed SEBI that INFY-Vanguard deal was projected to generate fees of approximately USD 2.057 billion over a period of ten years. The Noticees have seized on this expectation of fee generation over a period of 10 years, to claim the size/ impact of the new business must be measured based on its yearly revenue and not the total size. Upon perusal of the transcripts of INFY earnings calls available in public domain, it is observed that INFY has been disclosing the Total Contract Value ('TCV') of its large deals but does not state the annual revenue potential of deals. The 'large deals TCV' as mentioned in the aforesaid earnings calls is provided below:

Table – 2

Quarter	**Large Deals TCV**	**Number of Large Deals each Quarter as per earnings call**
Q1 (2019-20)	USD 2.7 Billion	13

Q2 (2019-20)	USD 2.8 Billion	13
Q3 (2019-20)	USD 1.8 Billion	14
Q4 (2019-20)	USD 1.65 Billion	12
Q1 (2020-21)	USD 1.7 Billion	15
Q2 (2020-21 i.e. period when Vanguard deal was signed)	USD 3.15 Billion (including about USD 2 Billion for Vanguard)	16

14.6.6 The extracts from the aforesaid earnings calls make it clear that INFY had always been disclosing TCV of the deals. In fact, it is observed that it did not disclose individual TCVs of each of the deals and only provided cumulative TCV of all its deals in each quarter. As can be seen, <u>the TCV of Vanguard deal alone was higher than the TCV of all new deals in each of the previous three quarters</u>. Even for Q2 of FY 2020-21, TCV of Vanguard deal is more than 65% of the TCVs of deals signed in the said quarter. The Company itself assessed the importance of the deals basis its TCV. When earnings call also record the TCV instead of yearly accruals, the intended messaging about the company's progress appears to be on the strength of such TCVs. Moreover, it would be simplistic to consider that revenue would be equally distributed over the deal period when in fact there may be less revenue initially which may build up gradually over time. This is also supported by the statement of COO of INFY during the earnings call for Q2 FY 2021 dated October 14, 2020, wherein he said that *"…Q2 revenues included only a marginal*

contribution from the Vanguard deal, which should start ramping up from Q3 onwards.”. Therefore, in view of the above discussion and the facts and circumstances of the instant case, I am of the view that the INFY-Vanguard deal satisfies all three ingredients to be classified as a UPSI under Regulation 2(1)(n) of PIT Regulations.

14.7 It is relevant to note here that requirement in law is not actual effect on the price of securities but whether it is of such a nature that it is **likely** to materially affect the price. In the matter of ICICI Bank Ltd. v. SEBI[4], the Hon’ble SAT held as under:

> *"What is relevant for disclosure is the materiality and the ex-ante possibility of impacting prices of the securities, which may not come true ex-post due to several other factors affecting the company concerned or/and the securities market in general"*

Further, in the matter of B. Renganathan v. SEBI[5], the Hon’ble SAT observed as follows:

> *“………A disclosure-based regulatory regime is founded on timely and adequate disclosure of all events material to a company or to its securities in any manner. Further hair-splitting will result in confusion; so the best way to deal with the event is to disclose without doing further analysis. Disputes regarding actual price sensitiveness is irrelevant ……….. What is relevant is whether the event in question is likely to have a material effect irrespective of whether it actually impacts or not….”*

Noticee No. 1 in his reply dated October 27, 2023 has also agreed that what is relevant is the likelihood of the impact and not the actual impact

[4] SAT Order dated July 8, 2020 in SAT Appeal No. 583 of 2019
[5] SAT Order dated March 24, 2021 in SAT Appeal No. 272 of 2020

on the scrip's price. While the law doesn't necessitate an examination of whether the information caused movement in the price of the scrip, the trends in the scrip and index were nonetheless examined during the course of investigation.

14.7.1 Notwithstanding the above, in the instant matter, the price movement in INFY was apparent post the announcement of the Vanguard deal. I note that there was an upward movement in the price of Infosys on July 15, 2020, pursuant to the corporate announcement of the Vanguard deal on July 14, 2020, aftermarket hours. The details of INFY price movement on NSE is as under:

Table – 3

Date	**Open (Rs.)**	**High (Rs.)**	**Low (Rs.)**	**Close (Rs.)**
14/07/2020	792.95	806.4	781.35	783.25
Vanguard deal announced on July 14, 2020, after market hours				
15/07/2020	799	848.45	794.8	830.95

(Source: NSE)

From the above table, on the NSE trading platform, the price of the scrip was observed to have moved from a closing price of Rs. 783.25 on July 14, 2020 (the day of the corporate announcement post market hours), to a close price of Rs. 830.95 on July 15, 2020, i.e. a price rise of around **6.1%** in one trading day. A similar trend in price movement was observed on the BSE trading platform. Corresponding increase in Nifty Index and Sensex (both of which has INFY as a component) was only 0.10% and 0.05%. These were recorded in the Interim Order and the SCN as well. Noticees have submitted that the relevant index to be considered was Nifty IT Index which had a substantial jump. In this regard, I note that there was an increase of around 5.2% in the Nifty IT Index on closing of July 15, 2020

vis-à-vis closing on July 14, 2020 (i.e. after announcement of the Vanguard deal). Since Infosys's weightage in the Nifty IT Index was substantially high (as on July 15, 2020, Infosys constituted around 27% of Nifty IT Index), its price movement would have naturally contributed to the significant upward movement of the IT index as well. In fact, while the share price of IT major WIPRO, where Keyur was employed and which had a relatively small share of 10% in the Nifty IT Index, went up by around 16.8% on July 15, 2020, on the back of sterling results announced by that company, the other IT companies that comprised the NIFTY IT index rose much less than Infosys did; so TCS prices rose by around 2.9%, HCL by around 4.0%, and Tech Mahindra by around 2.8%. Therefore, on July 15, 2020, following the announcement of the Vanguard deal win, the share price of Infosys did outperform comparable peer stocks in the Nifty IT Index as well. Thus, while demonstrating actual price impact is not a necessary requirement under the regulations, the actual price impact in this case only further buttresses the conclusion reached earlier, that the INFY-Vanguard deal satisfies all three ingredients to be classified as a UPSI under Regulation 2(1)(n) of PIT Regulations.

14.8 Since all three criteria listed in the preliminary portion of Regulation 2(1)(n) stands satisfied, it is clear that the impugned information was Unpublished Price Sensitive information. Without prejudice to the same, I note that the said Regulation also lists certain events/ activities which are presumed, in ordinary course, to be price sensitive information. One such activity listed is 'expansion of business'. The SCN alleges that the Vanguard deal is UPSI since, among other things, did constitute "expansion of business". The Noticees have sought to rebut this allegation. I note that in general terms, purpose of any business expansion is to increase customer base, enter new geographies, increase in

revenue, profits, etc. Expansion represents company's efforts to expand the scope of the market it caters to, by identifying potential areas where business and revenue opportunities remain untapped, etc. Even entry of the services/ products offered by that company into an area or space where it previously had no footprint or if it had such a footprint, it was ancillary to the area or space may be considered as 'expansion of business'. Noticee No. 1 has suggested that Vanguard was prior client of INFY suggesting there was nothing new about impugned announcement. I note that Vanguard may have been a former client but what is important is the specifics and size of the impugned deal and not the client itself. In the instant matter, INFY in its own presentation has identified a potential business and revenue opportunity for itself in this particular space and winning the Vanguard deal was its way to gain an early foothold. INFY has even gone ahead to state in the presentation that this deal provides an opportunity for "Service offering for Retirement services clients globally – Entry into Retirement services clients globally." In the Order of Hon'ble SAT in the Anil Harish (*supra*), I note that Hon'ble SAT has observed therein that whether a transaction is in the normal course of business or not will depend on the facts and circumstances of each case. To assess this, I have looked at the following aspects:

(i) Deal Announcement

(ii) Presentations made by Infosys

(iii) Statements made by INFY Management (as already discussed in Para 14.6.5 of this Order)

14.8.1 Deal Announcement - The relevant extracts of the major points of the announcement made on July 14, 2020 as highlighted by INFY and Vanguard are as follows:

(i) The deal was titled as a *"strategic partnership between Infosys and Vanguard"* that would advance digital transformation of Vanguard's

defined contribution recordkeeping business.

(ii) Vanguard, as part of its ongoing strategy to enhance and evolve its full-service Defined Contribution (DC) business, has entered into this strategic partnership with INFY, which will deliver a technology-driven approach to plan administration and fundamentally reshape the corporate retirement plan experience for its sponsors and participants.

(iii) Vanguard has been identified as the largest DC asset manager in the U.S. and has been recognized by trade organizations and research firms for its retirement services and thought leadership.

(iv) INFY will assume day-to-day operations supporting Vanguard's DC recordkeeping business, including software platforms, administration, and associated processes. Together with Infosys, Vanguard will provide a cloud-based recordkeeping platform, enabling greater insights and unprecedented personalization to help deliver better outcomes for nearly five million participants and 1,500 sponsors. Approximately 1,300 Vanguard roles currently supporting the full-service recordkeeping client administration, operations and technology functions will transition to INFY.

14.8.2 Presentations made by Infosys

(i) I note that as per the presentations made to the CEO of Infosys and Deal Review Committee on the Vanguard Deal in November-December 2019, Infosys estimated the Total Contract Value ('**TCV**') to be USD 1.89 billion over a period of 10 years.

(ii) In the said presentations, it was admitted that Infosys does not have any current engagement with Vanguard and that this deal would provide an opportunity for INFY in the Defined Contribution Space along with their entry into retirement services clients globally

and provide direct access to a market of 110 million participants in US. In the same presentations, INFY has not cited its experience in Defined Contribution or retirement services as one of the positives while simultaneously acknowledging the strength of its competitors in Retirement Services. Infact, it has cited absence of mid to large scale retirement service domain and operations as one of its areas of weakness apart from its lack of Vanguard experience.

(iii) Such an internal presentation to management is expected to present a true and fair picture of its prospects so that the issues raised could be improved/ resolved upon by the Company while pitching for the deal. This in fact highlights the importance attached to the Vanguard deal by Infosys as a new area of challenge and opportunity. Even if it is accepted that INFY was providing services to many of the retirement services firms, the nature of the deal it was entering into appears to have been different from the services it was already providing and it saw this as an opportunity to capture a new market, basis its own internal assessment.

14.8.3 Summary: While we have already established that the announcement of the Vanguard deal was indeed a UPSI, the argument made by the noticees that this deal did not represent an 'expansion of business' does not pass muster.

15. What was the period of UPSI?

15.1 The SCN treats the period of impugned UPSI as having existed between June 29, 2020 and July 14, 2020.

15.2 Notice No. 1 has submitted that the alleged UPSI period should have commenced from April 2020 as the alleged UPSI was crystallised in April 2020.

15.3 Noticee No. 2 has submitted that SEBI has wrongly determined the UPSI period. According to him, the important terms and conditions of Master Service Agreement ('**MSA**') were not finalised till morning of July 14, 2020. Further, it is submitted that the dates for signing of MSA underwent repeated changes and there was no finality in the date of announcement of the deal.

15.4 In other words, while Noticee No. 1 believes that UPSI period was longer (having commenced much earlier), Noticee No. 2 believes the UPSI period to be much shorter (less than a day). As noted earlier, the unpublished price sensitive information in this case, is not just the Vanguard deal, but crucially, the specific date of its announcement as well. Therefore, knowledge of the date when this information would be announced is critical to the allegation of insider trading. Communication between potential insiders after this date would be decisive in determining whether UPSI was communicated. Obviously, the announcement of a deal of this size would not have been a spur-of-the-moment decision. Its determination would have been made at least a few days before. Therefore, I find the argument that the UPSI crystallised on the day of its announcement to be not tenable.

15.5 During the course of SEBI's investigation, authorized persons (viz. CEO-MD, CFO and GC & CCO) and Company Secretary of INFY were asked when the date of signing of Vanguard deal was arrived at. In response to the same, vide two separate e-mails dated September 11, 2022, they conveyed that to their understanding the date of signing of MSA and announcement (i.e. July 14, 2020) was fixed between April 23-29, 2020. However, no material was provided to substantiate this submission as to how they were given to understand this viz. whether any communication was made or whether any document recording the same exists. As already mentioned above, the date of signing of the MSA between INFY and Vanguard, which would lead to the corporate announcement is an important component of the UPSI. While this date was reportedly fixed

between April 23-29, 2020, as per INFY's submissions, INFY failed to substantiate this submission with any documentary evidence. As can be noted from Table - 4 below, certain important aspects of the deal were still being worked upon even after April 29, 2020, viz. COO of INFY had granted approval for best and final offer on May 01, 2020, letter of intent was signed between INFY and Vanguard on May 29, 2020, etc. A Letter of Intent is generally understood to be a document declaring the preliminary commitment of one party to do business with another and outlining the major terms of a prospective deal. Letter of Intent signifies the seriousness of parties to move forward and demonstrates their willingness to continue negotiations in the hope of reaching a formal agreement. Therefore, since such events were taking place well past April 29, 2020, and since INFY failed to provide any documentary evidence to show that the date of announcement was fixed between April 23-29, 2020, I cannot accept these dates as UPSI commencement date(s). Accordingly, this submission of INFY and reliance thereon by the Noticees cannot be accepted.

15.6 Chronology of events as extracted from INFY's e-mail dated September 11, 2022 are reproduced below:

Table – 4

S. No.	**Date**	**Event**
1.	Nov 3, 2019	Potential opportunity of a deal with Vanguard Group Plc. ("Client") considered by Company
2.	Nov 13, 2019	Initial meeting of the members of the deal review committee ("DRC") to discuss the opportunity

3.	Dec 18, 2019	Communication to DRC for approval on key legal terms of the deal
4.	Jan 22 - Feb 3, 2020	Client evaluation and due diligence exercise was undertaken
		Client visits
		Meeting of INFY CEO with Client
5.	Feb 10 - 14, 2020	Contract negotiations to discuss the terms and conditions of the proposed master services agreement (MSA)
6.	Feb 24 - 28, 2020	Contract negotiations to discuss the terms and conditions of the proposed MSA
7.	Mar 6, 2020	Client informed Company that it has moved to single track with the Company
8.	March 10, 2020	Command center planning for transition activities
9.	Mar 16 - Jun 01, 2020	Contract negotiations to finalize the terms and conditions of the proposed MSA
10.	May 01, 2020	Approval from COO for the proposed best and final offer
11.	May 08, 2020	Draft Letter of intent received from Client
12.	May 29, 2020	Letter of Intent was signed between the Company and Client
13.	Jun 25, 2020	Specific set of employees of INFY informed that an INFY Go-To-Market (GTM) command centre would be set up to start working with Vanguard immediately after the announcement
14.	Jun 29, 2020	Presentation on GTM command centre shared with specific employees wherein duration of GTM activity mentioned to run from Jul 14-Jul 31, 2020

15.	July 1, 2020 July 2. 2020 July 5, 2020 July 6, 2020 July 7, 2020	As described later, on these days, Noticee 2 is part of email chains relating to the Vanguard deal, including with presentations identifying the specific date of signing of the MSA as on or around July 14, 2020.
16.	Jul 9, 2020	Meeting to prepare for Company to support the Client, in providing clarifications to their end-clients i.e., Go-To-Market (GTM)-Client meetings orientation
17.	Jul 14, 2020	MSA signed and corporate announcement made by Company

15.7 As per Interim Order, INFY had provided copies of email correspondences and attachments therein with respect to the "GTM (Go-To-Market)" meeting held prior to the corporate announcement of the Vanguard deal. It is observed that vide email dated June 25, 2020, it was informed to a specific set of employees of INFY that an Infosys GTM command center would be set up to start working with Vanguard immediately after the announcement. Further, vide email dated June 29, 2020, a presentation on GTM command center was shared with the specific set of employees of INFY. In said presentation, the duration and timing of GTM command center activity was mentioned as ***"2.5 weeks from announcement date (from 7/14 to 7/31)"***. This further establishes that announcement date was clear as on June 29, 2020.

15.8 As can be seen from the Table above, vide e-mail dated June 25, 2020, INFY had informed a specific set of employees that it is *'in the process of setting up the Indigo GTM Command Center to start working with Nile immediately after the announcement'*. Subsequently, a presentation for GTM command centre was shared with the employees of INFY wherein it was informed that the duration of Command Centre would be '*2.5 weeks from announcement date (from 7/14 to 7/31)*'. Therefore, it is clear from the said presentation that announcement date of around July 14, 2020 was finalised. Based on the

material available on record, it appears that the GTM strategy was an action plan for launching/ smooth transition in a service and accelerate its adoption in the marketplace while setting out a clear plan and direction for all the verticals involved. In the instant matter, as per the information provided by INFY vide its letter dated June 20, 2021, the role of GTM command centre '*was to provide support to their counterparts at Customer 'command centre', to help answer any questions received from Customer clients or media, after the Corporate Announcement*.' The GTM Command Center presentation sent vide e-mail dated June 29, 2020 *inter alia* discusses the following:

15.8.1 Objectives of GTM Command Center i.e. to provide support to client facing teams, define processes, track & anticipate market feedback and provide comprehensive data for fact-based decision making.

15.8.2 Duration of Command Centre - 2.5 weeks from announcement date (14/7 to 31/7).

15.8.3 Mode of Communication between Nile (Vanguard as per INFY letter dated June 20, 2021) and Indigo (Infosys as per INFY letter dated June 20, 2021) would be e-mail.

15.9 From the aforesaid discussions, I note that the date of announcement was finalised by INFY to be on or around July 14, 2020. INFY had demarcated specific roles for its employees during a period of 2.5 weeks after the announcement on July 14, 2020, division of functions between Infosys & Vanguard command centres, etc. so that they could start working immediately after the announcement. Therefore, I find that UPSI period in fact started on June 29, 2020, upon receipt of the e-mail having presentation pertaining to GTM command centre.

15.10 Crucially, Noticee No. 2 was the recipient of several internal emails between July 1, 2020, and July 7, 2020, specifically identifying the date of the planned MSA signing as on or around July 14, 2020.,

15.11 Noticee No. 2 has contended that the deal was finalised only on the morning of July 14, 2020, and that therefore, UPSI period commenced on July 14, 2020, i.e. the day on which the deal was announced. As noted earlier, the deal announcement, particularly of one this size, could not have been made at short notice. In fact, as highlighted earlier, Noticee No.2 was the recipient of several internal emails between July 1, 2020, and July 7, 2020, identifying the date of signing of the MSA as on or around July 14, 2020. I am of the view that even though deal was signed on July 14, 2020, it is relevant to look at the circumstances around the signing of the deal to determine the relevant period when it could be said that the conclusion of deal had attained a fair degree of certainty. I find that the material available on record shows that INFY had taken steps for implementation of the deal by establishing the GTM command centre and already started apportioning responsibility through GTM command centre so that immediately upon signing of the deal, INFY can commence its activities as per the terms of the deal. This has already been elaborated in preceding paragraphs of this Order.

15.12 Therefore, in the specific context of this case, I find no reason to alter the UPSI period of June 29,2020, to July 14, 2020 identified in the SCN.

PART III - ROLE OF NOTICEES

16. Whether Noticee No. 2 (Ramit) was an insider?

16.1 Regulation 2(1)(g) of PIT Regulations defines 'insider' to mean any person who is a 'connected person' or 'in possession of or having access to unpublished price sensitive information'. Regulation 2(1)(d) of PIT Regulations defines 'connected person' as follows:

> *"(i) any person who is or has during the six months prior to the concerned*

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

16.2 SEBI had sought information from INFY about the list of employees (of INFY as well as INFY BPM) who were directly/ indirectly associated with the Vanguard deal along with details of employees who were likely to be aware of the size and potential date of the announcement of Vanguard deal. Vide e-mail dated June 21, 2021, INFY *inter alia* provided details of employees of Infosys BPM who were associated with Vanguard deal. Further, vide e-mail dated October 27, 2022, INFY provided consolidated list of employees who were associated with the Vanguard deal along with list of employees aware of the deal value as well as date of announcement. As per the said data, it was observed that around 1,093 employees were aware of the deal value, while 885 employees were aware of the date of announcement. Further, 1,595 unique employees were aware of the deal value and the date of announcement. Noticee No. 2 was one of the employees who was not only associated with Vanguard deal but was also aware of the deal value and potential date of announcement and had been in communication with Noticee No. 1 (Keyur – the alleged inside trader). The details of Noticee No. 2, as provided by INFY, are as follows:

Table - 5

Employee Name	Designation	Mobile Number for official purpose
Ramit Chaudhri	Solution Design Head	74******03

16.3 At the time of joining INFY, Ramit had signed a Confidentiality Agreement which stated that during the course of his employment with INFY, he may come into possession of confidential information related to clients and contracts and transactions with clients that are not a matter of public record and that he shall not disclose such confidential information to any person, during his employment and subsequently as well. Therefore, aside from the legal obligations under PIT Regulations, Ramit was bound by his employment contract to not divulge details of confidential/ unpublished price sensitive information to anyone.

16.4 With respect to the role of Ramit in INFY-Vanguard deal, the following was submitted by INFY vide e-mail dated September 11, 2022:

16.4.1 Ramit joined INFY on December 23, 2014, as a Principal Consultant - Solution Design. Thereafter, effective from July 1, 2019, his designation was changed to Solution Design Head. He continued to hold such designation until April 28, 2021, which was his last working day at Infosys.

16.4.2 The offering to Vanguard was a multi-service line solution and Business Process Management was a subset of it. The CEO of BPM reported to the Deputy COO of the Company, who in turn reported to the COO. The COO reported to the CEO. Ramit was a part of the Solutions Design Team for the BPM service line and reported to the 'Senior Solution

Designs Head', who was three levels below the BPM CEO. In this role, he was involved in the orchestration of the design solution and coordinating the activities pertaining to consistency of the solution across various components.

16.4.3 He was involved in the solution workshops, coordination and anchoring of customer visits, transition planning coordination and validating of solution assumptions during due diligence. After the final offer submission on May 1, 2020, he had a very limited role as the focus of the transaction moved to finalizing the contractual terms and conditions, 'Go-to-market' support for the customer.

16.5 I note that Ramit was marked a copy of a presentation for initial discussion of Vanguard deal which was circulated to Deal Review Committee vide e-mail dated November 13, 2019. The said presentation had the following details:

16.5.1 Deal duration and Total Contract Value (USD 1.89 billion),

16.5.2 Positives of INFY, its weaknesses, including not being present in the Defined Contribution space of retirement services, and strengths of its competitors,

16.5.3 Importance of deal to INFY, the potential business and revenue opportunity identified by INFY in the Defined Contribution space, ability to enter the Defined Contribution space of retirement services at a global level, etc.

16.6 The e-mails that Ramit received close to the announcement of the Vanguard deal were listed in Table and recorded in the SCN/ Investigation Report. Extracts of the same and my observations are recorded in the Table below:

Table – 6

S. No.	Date and Time	Email from	Content	Observation
1	July 01, 2020, at 4:43 PM	Email from Kanika Mahendru to Binod Choudhary and John Thottungal with copy to Sanjay, Muthukrishnan and Ramit among others	Email has a presentation which is essentially a tracker for deals in the Financial Services vertical along with the closure month. From the trail mails, it is observed that this tracker is sent on a monthly basis to Binod Chaudhary and John Thottungal, who are senior management in INFY BPM. The tracker is meant for them to keep track of various deals that INFY BPM is involved in. It is observed that against Project Nile ('strategic partnership between Infosys and -Vanguard deal as clarified by INFY letter dated June 20, 2021), it is mentioned that the revenue is USD 1.9 billion over 10 years. It is seen that Project Nile was entered in this MIS from December 2019 onwards and the revenue has remained the same.	This e-mail is in continuation of earlier e-mails received by Ramit in context of Project Nile (Vanguard deal)
2	July 2, 2020, at 11:43 PM	Email from Madhav Shanbhag to several	As per INFY reply dated June 10, 2021, Madhav is part of the employees who were involved in the	As on July 2, 2020, Ramit is aware that the

S. No.	Date and Time	Email from	Content	Observation
		employees, including, Sanjay, Muthukrishnan and Ramit	deal-process, during the period 1 January 2020 to 14 July 2020, leading up to the announcement. The email has a presentation titled Project Ganga/ Nile. In one of the slides, the date for the sign-off of the Master Services Agreement (MSA) between Vanguard and INFY is mentioned as July 13, 2020.	MSA will be signed around July 13, 2020.
3	July 5, 2020, at 8 PM	Email from Sanjeev Krishna to Ramit and one other employee	As per INFY reply dated June 10, 2021, Sanjeev is part of the employees who were involved in the deal-process, during the period 1 January 2020 to 14 July 2020, leading up to the announcement. The email has a presentation which has a slide which documents the journey in the Nile program. The Announcement/ Transition Start date is mentioned as July 13, 2020. The next slide mentions July 13, 2020, as the date when the Master Services Agreement (MSA) will be	As on July 5, 2020, Ramit is aware that the announcement of the deal will be made around July 13, 2020.

S. No.	Date and Time	Email from	Content	Observation
			signed between Vanguard and INFY.	
4	July 6, 2020, at 11:04 AM	Email from Sudeep Patta to a group ID. Email has been directly received by Ramit	The email contains a presentation on review of industry solutions practice. On one slide titled "IS Solution Design Pipeline", the Vanguard deal is mentioned as one of the top 7 deals with revenue of around USD 1 billion. It is also mentioned that the MSA sign date is July 14, 2020. (emphasis supplied)	**As on July 6, 2020, Ramit is aware that the announcement of the deal will be made around July 14, 2020.**
5	July 7, 2020, at 6:09 PM	Sanjay Nayak (Strategic Business Practice Head – Industry Solutions) to a group ID. Email has been directly received by Ramit	*"Thanks for all the efforts in this deal in past several months.* *Please ensure that you are not sharing or uploading any of Nile material with anyone. Extremely important that we keep complete confidentiality around the data, deal details, solution etc. We are in the last phase and need to be extremely careful." Emphasis supplied*	**The group email ID is named as "BPM.Nile.Core" and Ramit is a part of this group email ID. As per statement of Ramit recorded on March 11, 2022, he indirectly reported to Sanjay Nayak and for the Vanguard deal, he worked directly with Sanjay Nayak. The text of the email suggests that all the recipients of the email, including Ramit, are already aware of the deal details and that the**

S. No.	Date and Time	Email from	Content	Observation
				project is in the last phase. Clear instructions have been given in the e-mail to ensure confidentiality, thereby suggesting that announcement of the deal was imminent.

16.7 Upon perusal of the e-mail communications of Ramit during UPSI period, I note that he was aware of the value of deal, its importance to INFY, the specific date of its announcement and the need to maintain "complete confidentiality".

16.8 With respect to Ramit's contention that there was no certainty on when the deal would be announced as e-mail dated July 01, 2020 suggested that the deal would be announced in September 2020, I note that the tracker mentioned in e-mail dated July 01, 2020 specifies the months by which the various projects, being pursued, were expected to be closed without mentioning anything about date of signing of MSA. These are not the dates when the agreement(s) for these projects will be signed. The month when the project will achieve closure can be different from the date when the agreement for the project is signed as certain work related to the project can be carried out even after the agreement is signed and announcement is made. As can be seen from the subsequent e-mails referred to in Table - 6 above, the e-mails/ their attachments specifically referred to MSA sign off date and not the agreement closure date. In view of the same, it is clear that MSA sign off date was never mentioned as September 2020 in the e-mail communication discussed at Table - 6.

16.9 Ramit has not disputed that he has received the aforesaid e-mails and their attachments. The contention of Noticee that his involvement was only till February 07, 2020, and that he continued to be marked on mass e-mails that would be of little relevance, is not tenable based on the following analysis of his submissions:

16.9.1 Apart from e-mail dated July 01, 2020 (which provided fortnightly updates on various projects) and July 06, 2020 (which dealt with monthly review of Industry Solutions Practice), the rest of the e-mails mentioned in Table - 6 were dealing only with Vanguard deal (mentioned as Project Nile in the e-mails) and marked only to persons concerned with Vanguard deal for having discussions on the same.

16.9.2 In fact, the e-mail dated July 05, 2020, was marked directly to Ramit for his inputs.

16.9.3 The e-mail dated July 06, 2020, is marked to a group named 'BPM.SDHeads' which appears to be pertaining to INFY BPM Solution Design Heads (Ramit being one of the Solution Design Head) and their comments are sought on the existing projects.

16.9.4 The e-mail dated July 07, 2020, was sent to selected employees of INFY BPM who were part of Vanguard deal wherein it was emphasized that they had to maintain confidentiality around the details as they INFY was in last phase. If Ramit was just being marked in mass e-mails and he had no role to play after February 07, 2020, he would not have been made part of a confidential e-mail in July 2020 during the last phase of Vanguard deal.

16.10 In view of the above, I find that Ramit was involved in the deal and was aware of the benefits and potential of the deal to INFY. Ramit's contention that many employees of INFY were part of the Vanguard deal does not take away

the fact that he was aware of the alleged price sensitive information by virtue of his role and receipt of emails about the project.

16.11 In view of all of the above, I find that during the UPSI period between June 29, 2020 and July 14, 2020, Ramit was privy to the UPSI, viz., the nature of the transaction with Vanguard, the potential business and revenue opportunities identified by INFY, TCV of the deal, revenue implications for INFY, date of signing of the MSA and the date of announcement of the deal.

16.12 Accordingly, I find that Ramit was an insider with respect to Vanguard deal in terms of Regulation 2(1)(g) of PIT Regulations being in direct possession of UPSI in addition to being a connected person by being an employee of INFY having access to UPSI.

17. **Whether Noticee No. 1 (Keyur) was an insider? Whether Noticee No. 2 communicated UPSI to Noticee No. 1 and whether Noticee No. 1 engaged in insider trading?**

17.1 *Preliminary Discussion*

17.1.1 In the SCN, Noticee No. 1 is alleged to be a connected person and therefore, insider under Regulation 2(1)(g)(i) of PIT Regulations. Further, Noticee is also alleged to be in possession of or having access to UPSI and therefore, insider under Regulation 2(1)(g)(ii) of PIT Regulations.

17.1.2 Noticee has contended that test for being an insider is distinct from that for being a connected person and these are in alternative to each other and cannot co-exist in the same factual scenario. I do not agree with this contention. As can be seen in the case of Ramit Chaudhri, it is

possible for a person to be connected to a listed company, by virtue of his direct or indirect association with the company and also have access to or possession of price sensitive information.

17.1.3 On the scope of 'connected person', the Sodhi Committee Report made the following observations:

> *"18. The Committee was conscious that merely because a person does not hold any official position with a listed company but is otherwise completely involved with its operations and is an insider to decision-making should not escape the scope and reach of the definition. Consequently, it was felt that even those persons who are in frequent communication with the officers of the company would also be connected persons. This would necessarily be a question of fact and when evidence is brought to bear to demonstrate such close contact, it should not be required to shut one's eyes to his being an insider, and have to look for a smoking gun i.e. demonstrate an actual communication of UPSI.*
>
> *19. Whether or not a person is a connected person will always and necessarily be a mixed question of fact and law to be answered from the facts and circumstances of the case. Whether the association of a person with a company would put him in a position of accessing UPSI would also be a mixed question of fact and law. The Committee was conscious that if it were not possible to have direct evidence of actual access to UPSI, the test to be applied would be to consider whether the person in question is reasonably expected to have such access as a reasonable inference that a reasonable man would draw from the facts and circumstances of the case." (Emphasis supplied)*

17.1.4 Pursuant to the Sodhi Committee Report, the PIT Regulations, 1992

were repealed and PIT Regulations, 2015 were enacted wherein the following is observed:

(i) It requires demonstration of a person having direct or indirect association with the company;

(ii) This direct or indirect association can be through any manner including by reason of frequent communication with its officers;

(iii) This direct or indirect association must allow or is reasonably expected to allow such person access to unpublished price sensitive information.

17.1.5 The words 'indirect association' with a company suggests that the association can be through officials of the company as well. An indicative manner through which persons may be directly or indirectly associated with the company is provided in the aforesaid definition, namely - frequent communication with its officers, being director / officer of company, contractual / fiduciary relationship, etc. The most important aspect of this definition is that the direct or indirect association is of such nature that it could be reasonably inferred that the person would have access to unpublished price sensitive information of the company. The determination would have to be made on a case-by-case basis and stand the test of being a reasonable inference that a reasonable person would draw from the facts and circumstances of the case.

17.2 *Personal and Professional Relationship between Ramit and Keyur*

17.2.1 In the statement made before SEBI on March 11, 2022, Keyur *inter alia* stated the following:

(i) Ramit directly reported to him in Wipro from 2012 to 2014.

(ii) Post Ramit's resignation from Wipro, they have been in touch.

Conversations were mostly about family matters, career issues, each other's' well-being, etc.

(iii) When Ramit was reporting to him directly, there were, roughly, 13-15 direct reportees, including Ramit, while the entire team size would have been around 7000 odd employees.

17.2.2 Further, investigation revealed that Keyur had given a recommendation to Ramit on his LinkedIn page on December 28, 2015 i.e. much after Ramit had quit Wipro.

17.3 *Statements of Noticees*

17.3.1 Ramit, in his statement to SEBI on March 11, 2022, accepted that he had been in touch with Keyur after he quit Wipro, and that they were "*more in touch with each other since Covid started i.e., April 2020 onwards*". Further, he admitted that post Interim Order, they have communicated through WhatsApp calls.

17.3.2 Keyur, in his statement to SEBI on March 11, 2022, also accepted that he had been in touch with Ramit. When asked if he had been in touch with other employees, just as he has remained in touch with Ramit, Keyur has stated he would probably be in touch with 2-3 other employees from that team and with respect to his relationship, he stated that did not share such a relationship with all his ex-colleagues.

17.4 *Common knowledge of Vanguard Deal*

17.4.1 I have already concluded earlier that Noticee 2 Ramit was aware of and an insider on the Vanguard UPSI.

17.4.2 Noticee 1, Keyur, was Senior Vice President (Capital Markets) in Wipro during the relevant time i.e. when Wipro and INFY were vying for Vanguard deal. INFY and Wipro were the final contenders for the

Vanguard deal. Accordingly, the information regarding Vanguard deal was sought from Wipro during investigation and from the details provided by Wipro, the following is observed:

(i) Keyur had an important role to play in the discussions held between Wipro and Vanguard between September 2019 and March 09, 2020. Keyur was part of the team that attended the detailed Q&A on the requirements of Vanguard held on November 13, 2019.

(ii) He was part of the team that presented the solution to Vanguard on December 19, 2019, and also attended the due diligence workshops held with Vanguard from Jan 13-24, 2020.

(iii) He was also part of the team that made the final presentation on the solution and final commercial value proposition to Vanguard.

(iv) Keyur had, vide email dated March 09, 2020, informed the senior management of Wipro about Vanguard's decision to not proceed with Wipro on the deal.

(v) Even though Vanguard did not inform who the other contenders were, Keyur admitted to be aware, through his sales teams, that INFY was part of the discussions with Vanguard.

17.4.3 As Wipro, along with INFY, had reached the final round in Vanguard deal and Keyur was representing Wipro in negotiations with Vanguard where the contract details, product and solution pricing, etc., would have been discussed threadbare, it is reasonable to conclude that Keyur had knowledge of the potential implications of winning the Vanguard deal on the business and revenue of the winner. Also, as a trader in the securities market, he was aware of the positive impact such a deal may have on the scrip of the company as and when the same is disclosed.

17.5 *Calls between Keyur and Ramit*

17.5.1 As per the information received from NSDL Database Management Ltd., Wipro and UCC database of the exchanges, the following mobile numbers were being used by the Noticees as detailed below:

Table - 7

Noticee Name	Mobile Numbers
Keyur Maniar	99******80
	81******63
Ramit Chaudhri	74******03
	98******68
	98******53

17.5.2 During the investigation, it was observed that Ramit had used 74******03 and 98******68 to communicate with Keyur on 99******80.

17.5.3 As per the Call Data Records of Noticees, during the period from January 01, 2020 to September 18, 2020, Ramit and Keyur made calls between themselves as detailed in the table below:

Table – 8

Date	Time	Calling Person	Called Person	Dur(s) (in seconds)
08/01/2020	14:45:54	Keyur	Ramit	766
05/04/2020	17:12:13	Keyur	Ramit	1725
05/04/2020	17:41:24	Keyur	Ramit	909
13/04/2020	21:22:07	Keyur	Ramit	637
14/05/2020	11:37:26	Ramit	Keyur	302
08/07/2020	10:54:02	Ramit	Keyur	1343
04/09/2020	18:08:46	Keyur	Ramit	1288

17.5.4 Noticee No. 1 has argued that five calls over the previous six months do not meet the test of frequency for connected persons. Further, Noticee No. 1 has argued that '*In fact, this itself would demonstrate that*

the Noticee and Noticee No. 2 never communicated frequently…….there is nothing unnatural or suspicious about former colleagues remaining in touch and, in any event, the same cannot lead to the conclusion that there was ever any flow of the alleged UPSI between them.'

17.5.5 As can be seen from the Table above, I note that the Noticees were in fact in communication with each other *even* through several phone calls. The first six calls referred to in the Table above relate to the period of six months prior to the concerned act (*which is the touchstone for the definition of 'connected person' under Regulation 2(1)(d)(i) of PIT Regulations*). The phone calls were initiated by both Noticees on different occasions and each call was of significant duration as well. In fact, as can be seen in the Table above, two consecutive calls on April 05, 2020, together lasted approx. 45 minutes. These calls are significant, particularly considering the admitted pre-existing personal and professional relationship between the Noticees. Given their pre-existing professional relationship and the fact that both Keyur and Ramit were involved in the Vanguard deals in their respective companies i.e. Wipro and Infosys respectively, it is reasonable to infer that their conversations would have involved discussions about their professional activities as well.

17.6 All the above demonstrate that Ramit and Keyur had a long standing personal and professional relationship having been in the same industry, were former colleagues, and both were in touch with each other. Both Ramit and Keyur were associated with and aware of their respective company's pitches to win the prized Vanguard deal. The phone calls made between Ramit and Keyur during the investigation period must be viewed in this context. Regulation

2(1)(d)(i) of the PIT Regulations, inter alia, defines a connected person as "*Any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communications with its officers… that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access*" (emphasis supplied). Therefore, given the particular and unique context of this case, a reasonable inference can be drawn by preponderance of probability that Keyur should be categorized as a 'connected person' of Infosys as defined under Regulation 2(1)(d)(i) of the PIT Regulations. Since it has been established that he was a 'connected person' under Regulation 2(1)(d)(i) of the PIT Regulations, he becomes 'insider' under Regulation 2(1)(g)(i) of the PIT Regulations. The SCN also alleges that Keyur was an insider under Regulation 2(1)(g)(ii) as well in addition to Regulation 2(1)(g)(i) of the PIT Regulations. Noticees were heard on both the issues and their submissions were considered. However, once Keyur is established to be a connected person, thereby becoming an insider for the purposes of the PIT Regulations, it is not vital to delve into whether Keyur was also an insider under Regulation 2(1)(g)(ii) of the PIT Regulations as well.

18. The next issue to determine is whether Keyur had in fact possession of UPSI and whether he traded while in possession of UPSI. In order to address this question, it is important to look into the following aspects:

(i) Peculiarity of Timing of Calls between the Noticees and placement of trades by Noticee No. 1 (Keyur)

(ii) Peculiarity of Trading Pattern of Noticee No. 1

(iii) Keyur's defences and merits thereof

18.1 **Peculiarity Timing of Call between the Noticees and Placement of trades by Noticee No. 1, and the Noticees' explanation**

18.1.1 During the UPSI period, Ramit made a long duration call to Keyur at 10:54:02 AM on July 08, 2020, i.e., around the time when Ramit was privy to one of the important components of the UPSI i.e., the timing of the announcement of the deal. The call lasted for 1343 seconds i.e., the call end time was 11:16:25 AM. Subsequent to the said call, on July 08, 2020, Keyur immediately, i.e., after a gap of 7 minutes of the call ending, placed his first order in the scrip of INFY in INFY20JULFUT contract at 11:23:43 AM and the same was re-entered, post deletion of first order, at 11:26:12 AM. This said "re-entered" order got executed at 11:32:31 AM. As per material available on record, there was no other call between them during the UPSI period. It is observed that before this conversation between Noticees, Keyur had not placed any trades in INFY during the UPSI period and he had last traded in INFY on April 21, 2020, when he had sold 1200 Put Options for INR 24,900 which he had purchased on April 13, 2020 for INR 35,700. As discussed above, by July 8, 2020, Ramit was in direct possession of important aspects of the UPSI viz., the implications of the Vanguard deal towards the expansion of the business of INFY and the timing of the signing of the MSA, post which the announcement of the deal would be made to the market. The unusual nature of high risk on Infosys scrip taken on by Noticee No. 1 between the period July 8, 2020, and July 14, 2020, will be further discussed below. While the Noticees claim (*as will be discussed later*) that they did not discuss Infosys results or the UPSI at all on this particular call, this claim is improbable, particularly since the impugned call took place minutes before Keyur commenced taking on his highest ever risk in Infosys or any other scrip, and at a time when

Ramit was fully aware of this crucial UPSI.

18.1.2 Noticees have cited that the call made on July 08 was only in the context of the health of Noticee 2's mother-in-law. To support this claim Noticee No. 2 (Ramit) submitted medical documents to the Investigating Authority. I have perused the medical documents submitted by Ramit that suggest that his mother-in-law was diagnosed with cancer and that she had undergone surgery on July 06, 2020. The said reports list the investigations (tests) carried out on her which commenced on May 26, 2020. Other test dates listed therein are June 13, 2020, June 27, 2020, July 01, 2020. As per his own reply dated August 24, 2022, Ramit has confirmed that his mother-in-law was diagnosed with cancer on July 01, 2020. She was admitted in hospital on July 05, surgery was performed on July 06, and she was discharged on July 08, 2020.

18.1.3 Both Ramit and Keyur, in their statements (shared with the Noticees as part of Annexures to the SCN) recorded before the Investigating Authority (*both on March 11, 2022*), have admitted that they used to communicate with each other only using voice calls over the telephone and not through other means such as whatsapp. In the same statement, in the context of the surgery of his mother-in-law, Ramit also claimed that he "*had called Keyur on July 8, 2020,* ***to inform him about the same as I had earlier sought his opinion on doctors***." (emphasis supplied). Ramit's reply to the SCN, at para 93 thereof read as follows: "*I had called to speak to him of this, since* ***I had earlier sought his opinion on the doctors to be consulted for the surgery***." (emphasis supplied). Curiously, the CDRs noted in Table - 8 above do not indicate any calls between Keyur and Ramit from the time Ramit's mother-in-law was diagnosed with cancer on July 01, 2020 (*as per Ramit's own reply dated 24th August, 2022*). The discharge

summary report submitted by Ramit record PET scan and MRI tests that have happened in June and July of 2020. No calls exist correspondingly with Keyur, as per the aforesaid CDRs. Keyur and Ramit claim that the call on July 08, 2020 was with the objective of taking a "*second opinion*" from Keyur's wife, who was a *"well known senior doctor practicing as an Anesthetist"*. In the factual matrix described above, this argument put forth by Ramit and Keyur does not seem probable. As noted above, their claims of having been in touch with each other only telephonically is contradicted by the absence of any calls as per CDRs during the relevant time. Their claim that Ramit's call to Keyur on July 08, 2020 was to inform about the surgery and take second opinion from Keyur's wife, is equally improbable because by then the surgery pursuant to the diagnosis had already been completed as per their own statements. The call could not have been in continuation of previous calls post the diagnosis, since as noted earlier there were no calls as per CDRs after the diagnosis of cancer. Keyur's claim that the call was because his wife "*could provide her inputs on future course of action and access to the right specialist doctors*" is also questionable considering that referrals to other doctors is generally <u>more likely</u> immediately post the diagnosis and not after completion of the surgery. The noticees have also not submitted any evidence of copies of medical reports having been shared by Ramit to Keyur or his wife, or details of any referrals given to Ramit, that would have supported their claim that the discussion on July 08, 2020, was ***only*** with respect to Ramit's mother-in-law's health. Therefore, I am of the view that the Noticees's claims in this regard are an afterthought. On a preponderance of probability, I find these claims to be without merit and in fact only further strengthen the allegation that UPSI was

communicated by Ramit to Keyur on July 08, 2020, particularly considering Keyur's orders in Infosys immediately after disconnecting the call *(which purportedly was about Ramit's mother-in-law).* Given the long-standing relationship between Ramit & Keyur, the professional background behind the said relationship, the fact that Keyur (who worked in Wipro) and Ramit (who worked in Infosys) both were party to the ongoing finalization of the Vanguard deal, having worked in the two companies competing for the same deal, it is very unlikely to expect that just minutes before Keyur started to build his largest ever positions in INFY (*details of which will be elaborated in subsequent paragraphs*), he would have a call for 13 minutes with Keyur, and not discuss INFY at all.

18.2 **<u>Peculiarity of Trading Pattern of Noticee No. 1 in the scrip of Infosys in July 2020</u>**

Noticee No.1's trading pattern and extent during the impugned period i.e. July 2020, is compared with the pattern and extent prior to and post the said period. His arguments justifying the said trading pattern are also considered. The observations and conclusions thereof are discussed under the said heads and sub-heads as follows:

(A) Prior to and during July 2020

(a) Preference for trading in higher risk and highly leveraged Options vis-à-vis lesser risk and leverage Cash / Futures

(b) Trading risk assumed by Keyur in July 2020 significantly higher than ever taken before.

(c) Intensive purchase of INFY risk just before publication of UPSI in July 2020, and squaring off position after the UPSI was published.

(d) High risk nature of option contracts traded by Keyur in July 2020

(e) High contribution to Open Interest in INFY options

(f) No trades in other IT companies around quarterly financial results despite claims of 'black swan event'

(B) Post – July 2020

(a) TCV of Vanguard deal finally incorporated into total new TCV during Q2 FY21 (July-September) results announced in October 2021.

(b) Relative to July 2020, conservative approach in option trading

(c) Across Options, Futures, and Cash, low delta in INFY in October 2020 compared to July 2020

(d) Open Interest in October INFY options – lesser than July 2020

(e) Summary

(A) Prior to and During July 2020

(a) <u>Preference for trading in higher risk and leverage Options vis-à-vis lesser risk and leverage Cash / Futures</u>

(i) In general, dealing in equity Options can involve far more leverage and risk than dealing in Futures or in Cash markets.

(ii) If all capital is deployed in Cash markets, the return on capital deployed would typically be linked to the movement in the underlying scrip. So if INR 1 crore is deployed in cash markets, and the underlying scrip moves by 10%, the investor would book a gain or loss of INR 10 lakhs.

(iii) If all capital is deployed as margin to trade in Futures, and if the margin requirement is 20%, the return to the investor could be as high as say 5 times the return on the underlying scrip. So if INR 1 crore is deployed as 20% margin for trading in futures, and the underlying scrip moves by 10%, the investor could book a gain or loss of Rs 50 lakhs. This represents

a leverage of five times over Cash markets.

(iv) Compared to cash and futures, if all capital is instead deployed to purchase options on the underlying scrip, the leverage can be even higher. Depending on the strike price of options purchased, if INR 1 crore is deployed to buy options, even with just a 10% move in the underlying Cash markets, the investor could gain as much as INR 3 crores, while his maximum loss would be restricted to the INR 1 crore deployed. Taking appropriate bets in the options markets, therefore, can offer the maximum leverage and risk to the investor; in this illustration, a potential gain of 30 times the Cash market, and 6 times the Futures market. Since there is no such thing as a free lunch, the risk of downside would be the highest in such options strategies as well, with the entire capital deployed at risk.

(b) <u>Trading risk assumed by Keyur in July 2020 significantly higher than ever taken before</u>

(i) With this background, Table-9 below traces the total option premium traded by Keyur both across INFY and all other scrips, by expiry month, between July 2019 and January 2021. Prior to July 2020, this table clearly shows that Keyur had only undertaken relatively small trading positions in options in INFY and other scrips.

Table – 9

(Source: NSE)

Expiry Day	Gross traded Value in INFY Options (Rs. Lakh)	Gross traded Value in Options across All scrips (Rs. Lakh)	% in INFY to Overall activity
25-07-2019	-	-	-
29-08-2019	-	-	-
26-09-2019	-	-	-
31-10-2019	-	3.1	0%
28-11-2019	1.3	3.9	34%
26-12-2019	0.2	0.2	100%
09-01-2020	-	0.1	0%
27-02-2020	-	-	-
26-03-2020	-	4.0	0%
16-04-2020	-	0.0	0%
30-04-2020	0.6	1.3	47%
28-05-2020	-	1.3	0%
25-06-2020	-	14.9	0%
30-07-2020	417.7	444.7	94%
27-08-2020	-	5.0	0%
24-09-2020	-	1.6	0%
29-10-2020	83.7	83.8	99%
26-11-2020	-	-	-
31-12-2020	0.7	0.7	100%
28-01-2021	1.3	1.9	66%

(ii) Specifically, note that the highest trading volumes of Noticee 1 in Options across scrips in a single expiry, prior to July 2020, was INR 14.9 lakhs in June 2020. In contrast, at INR 444.7 lakhs, his trading volumes in Options in July 2020 was almost 30 times higher than the previous maximum. 94% of this significantly higher and out-of-character July 2020 Option volumes was attributable to his trading in INFY options.

(c) Intensive purchase of INFY risk just before publication of UPSI in July 2020, and squaring off position after the UPSI was published

(i) Upon perusal of the trades undertaken by Keyur, it is observed that he started taking effective "buy" positions in INFY from July 8, 2020, onwards,

largely through purchase of call options on INFY. Recall that the first trade on July 8, 2020, was dealt just minutes after his long call with Ramit. As the date of announcement of Vanguard deal i.e. July 14, 2020 approached closer, his volume in INFY has increased. In this regard, the following table depicts the increase in trading volume by Keyur in INFY:

Table – 10

(Source: Trade log)

S. No.	Date	Gross Buy on date (Through purchse of INFY Call Options)	Premium paid by Keyur for purchase of Call Options in INFY (INR)	Cumulative premium paid for purchase of Call Options of INFY (INR)
1	Jul 8, 2020	12,000	2,15,400	2,15,400
2	Jul 9, 2020	21,600	4,48,320	6,63,720
3	Jul 10, 2020	43,200	9,18,120	15,81,840
4	Jul 13, 2020	226,800	24,66,900	40,48,740
5	Jul 14, 2020	358,800	37,45,980	77,94,720

(ii) From the above Table, I note that Keyur had shown increased interest in the scrip of INFY between July 8, 2020, and July 14, 2020. As can be seen from the Table above, on July 13 & 14, 2020 (i.e. just before the announcement of Vanguard deal), he had taken substantial positions, i.e. 80% of the overall option premium paid by him in July 2020.

(iii) Further, even though Keyur claims to have traded on the basis of quarterly financial results of INFY (declared after-market hours on July 15, 2020), he squared off more than 50% of his positions on July 15, 2020, itself i.e. before the results were announce and after the announcement of Vanguard deal (announced after market hours on July 14, 2020). Noticee No. 1 (Keyur) has claimed in his submission that he only sold 40% of his positions in INFY after announcement of Vanguard deal but sold 60% of his positions after announcement of financial results. I have perused the data and find this submission to be factually incorrect. In any case, the point that a substantial portion of the risk had been reduced by Keyur after

the announcement of the Vanguard deal but before the announcement of INFY results is not contested.

(d) High risk nature of option contracts traded by Keyur in July 2020

(i) It is also worth noting, that a substantial portion of the INFY call options purchased by Keyur, particularly on July 13 and 14, 2020, were quite out-of-the-money. Thus, at a time when the spot price ranged between INR 780 and INR 805, Keyur was purchasing the right to buy INFY scrip at strike prices ranging from INR 840 to INR 900. The premium that he paid to purchase such options was naturally quite low, given that the strike prices were much higher than the scrip price. In fact, out of the total of INR 62.1 lakhs of premium that he paid during July 13 and 14, 2020, as much as INR 20 lakhs was for purchasing contracts where the option premium was less than even INR 10 per contract.

(ii) As discussed earlier, buying such out of the money option contracts with a concomitantly low expected probability of being exercised, comes with the risk of losing the entire premium paid, unless there is a substantial and unexpected move up in the price of the underlying INFY scrip. But if one is certain of an impending sharp move up, this otherwise risky strategy can pay immense dividends. After the Vanguard deal became public and after the INFY results were announced, the prices of INFY did move up sharply on July 15 and 16, 2020 and crossed the INR 900 mark. The out-of-the-money options that Keyur had purchased were now in-the-money, and against the INR 20 lakhs of premium paid, Keyur was able to liquidate these originally very out-of-the money positions at a premium of INR 1.7 crores, netting a handsome profit of nearly INR 1.5 crores.

(iii) Overall, against the INR 77.94 lakhs of option premium paid to buy INFY options, Keyur made total profits of INR 2.6 crores. The unusually

high leverage and high risk taken by Keyur hence allowed him to book a profit of over 3 times the amount deployed, whereas the underlying script itself only moved by around 12 to 13%.

(e) <u>High contribution to Open Interest in INFY options in July 2020</u>

(i) A summary of daily contribution to Market Open Interest by Keyur in INFY Call Option contracts expiring on July 30, 2020 is provided below

Table – 11

(Source: NSE)

	Day Date (For July 2020 Expiry)							
Strike Price and Option type	**8/07/2020**	**9/07/2020**	**10/07/2020**	**13/07/2020**	**14/07/2020**	**Vanguard deal post market hours of July 14,2020**	**15/07/2020**	**16/07/2020**
750CE	0.34%	0.34%	0.34%	0.36%	0.36%			
760CE	0.07%	0.14%	0.14%	0.14%	0.15%			
770CE	0.79%	1.16%	3.72%	4.15%	4.27%			
780CE	0.15%	1.28%	3.09%	4.42%	4.29%			
790CE		2.04%	5.35%	8.02%	5.03%			
800CE	0.09%	0.09%	0.08%	1.00%	3.16%		2.06%	
810CE				3.33%	8.01%			
820CE				9.09%	8.93%			
830CE				2.42%	7.03%		2.04%	
840CE				5.46%	8.70%		5.45%	
850CE	1.54%	2.58%	4.84%	10.58%	9.83%		4.53%	
860CE					14.60%		6.45%	
880CE				14.98%	16.90%		7.22%	
900CE				7.60%	6.21%		4.21%	1.38%
Underlying Close Price	**774.70**	**781.70**	**781.85**	**797.05**	**783.25**		**830.95**	**911.00**

(ii) While the price of INFY remained in the range of INR 775-797 during July 8-14, 2020, Keyur created substantial open interest in Call Options of INFY that were Deep Out of the Money (OTM) i.e. these calls had strike prices that were very far away from the price of the underlying.

(iii) On July 13, 2020, INFY closed at INR 797.05 on NSE, with the day's high being INR 805.3. On this date Keyur contributed 9.09% of the open interest in INFY Call having strike of 820, 10.58% of open interest in call option with strike of 850, 14.98% OI in call option having strike of 880,

etc.

(iv) On July 14, 2020, INFY closed at INR 783.25 on NSE i.e., lower than the previous day, with the day's high being INR 806.4. Even then, Keyur increased his contribution to the open interest in call options having strikes of 810, 830, 840, 860 and 880.

(v) In most of the OTM call option contracts, Keyur had created the highest positions just prior to the INFY-Vanguard deal announcement made on July 14, 2020 and had made a significant contribution to total market Open Interest. However, he squared off most of these long positions on the next day, even before announcement of financial results.

(f) <u>No trades in other IT companies around quarterly financial results despite claims of 'black swan event'</u>

(i) Keyur has submitted that the impact of COVID-19 created a once in a lifetime trading opportunity particularly with respect to the IT industry given the expectation for rapid digital acceleration by all enterprises. I note that the said black swan event was applicable for other IT companies like TCS and HCL. However, he chose not to trade in any of the other IT companies during that period despite having the opportunity to take advantage of the said black swan event.

(ii) I have examined his trades in other IT companies during the said quarter and around the period when quarterly results were announced for the said quarter. During the said period I note that Keyur had traded only in three scrips other than Infosys, namely - CIGNITITEC, NEWGEN and FSL. In all these scrips his trades were only one-way i.e. either buy or sell. Also, these trades were only in cash segment and not in risky options. This pattern stands in contrast to his claim that the trades in INFY during the impugned period were natural/normal and in furtherance

of his belief in the “black-swan-event” opportunities.

(B) Post - July 2020

Noticee 1 Keyur does not deny that his trading patterns and nature of high risk assumed during July 2020 were in stark contrast when compared to the past. However, he has argued that his subsequent trading during September-October 2020 was more comparable his trading in July 2020. We now examine this contention.

(a) First, the actual TCV for all the new deals won during the July-September 2020 quarter, including the Vanguard deal, was due to be announced during the quarterly results for this quarter in October 2020. Indeed, as discussed earlier, the TCV announced in the results of this quarter was an all-time high. To that extent, it can be argued that the full impact of the Vanguard deal would only become fully public in October 2020.

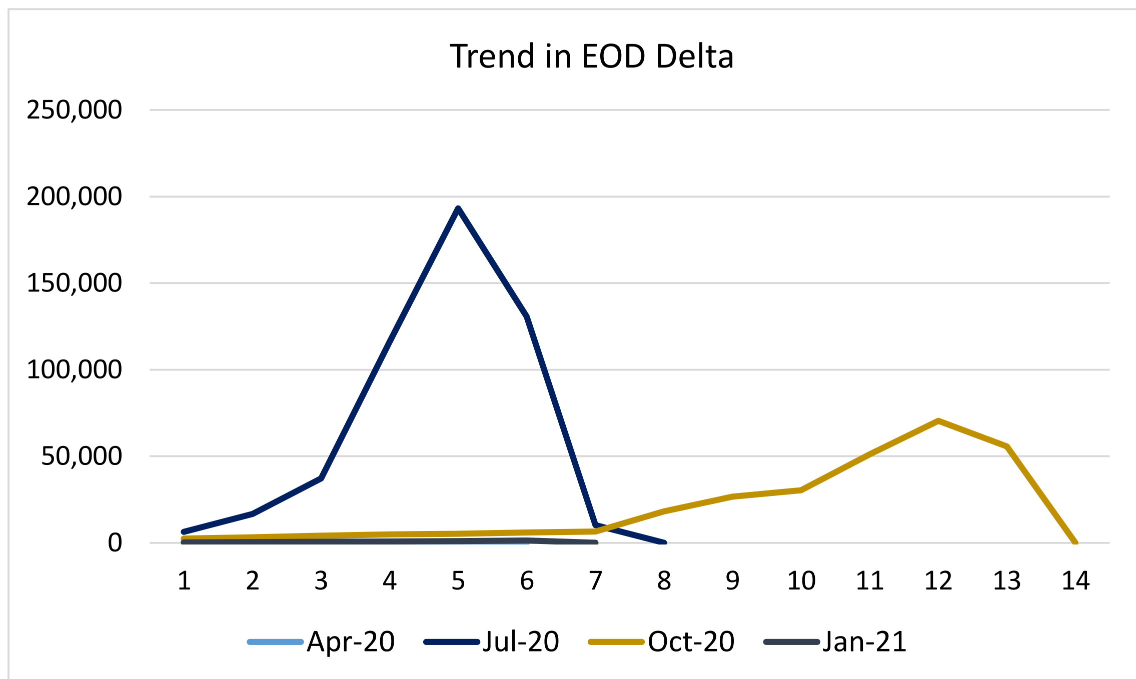
(b) Minimum F&O trades and Conservative approach in option trading - Percentage of GTV:

The data shows that the nature of risk assumed by Keyur during September-October was certainly not as risky as the positions taken in July 2020. During September-October 2020, Keyur paid premium of INR 46.85 lakhs to purchase INFY options, against INR 77.94 lakhs paid during July 2020. Pertinently, the amount paid during September-October 2020 to buy deep out of the money options (with less than INR 10 premium per contract) was only INR 4 lakhs, compared to INR 20 lakhs during July 2020.

(c) <u>Across Options, Futures, Cash, Low delta in October 2020 compared to July 2020</u>

(i) Delta analysis provides the directional view that a trader will have at a particular point in time based on all his trades, across Futures, Options, and Cash markets. It is a measure of how much approximate profit the insider stands to make if his directional view based on the UPSI turns out to be right and equally, how much loss insider stands to make if his directional view turns out to be wrong. Since Keyur argued that trades around declaration of financial results was a regular practice he had adopted, the delta analysis for trades of Keyur in the scrip of INFY during the periods April 13-21, 2020, July 8-17, 2020, Sept 16-Oct 15, 2020, and Dec 28, 2020-Jan 27, 2021 was carried out and the following was observed:

<u>Image – 1</u>



(ii) In the aforesaid graph, X-axis represents the number of days of trading done by Keyur around each of the quarterly financial results and Y-axis represents delta value of the positions taken by Keyur. As can be seen from the aforesaid Image, Keyur had an unusually high and sharp Delta position in July 2020, rising to nearly INR 2 lakhs per Rupee of move in Infosys scrip. In contrast, there were hardly any positions in the quarters prior to June 2020. Even in respect of the subsequent July-September 2020 results announced in October 2020, the delta position at the peak was only about a third of the delta in July 2020, and built up gradually over a larger number of days.

(d) Open Interest in October INFY options – lesser than July 2020:

(i) A summary of daily contribution to Market Open Interest by Keyur in INFY Call Option contracts expiring on October 29, 2020 is provided below:

Table – 12

(Source: NSE)

Percentage to OI	**Strike Price**								
Day Date	**1050 CE**	**1100 CE**	**1150 CE**	**1200 CE**	**1220 CE**	**1240 CE**	**1260 CE**	**1300 CE**	**Underlying Close Price**
21/09/2020	0.51%	0.29%							**1009.90**
22/09/2020	0.38%	0.26%							**1007.50**
23/09/2020	0.32%	0.20%							**1019.75**
24/09/2020	0.22%	0.15%							**975.40**
25/09/2020	0.21%	0.14%							**1011.45**
28/09/2020	0.18%	0.22%	0.35%						**1010.40**
29/09/2020	0.17%	0.23%	0.34%						**1009.00**
30/09/2020	0.34%	0.22%	0.34%						**1008.25**
01/10/2020	0.37%	0.20%	0.23%						**1017.65**
05/10/2020	0.29%	0.21%	0.14%	0.25%					**1048.70**
06/10/2020	0.26%	0.17%	0.12%	0.52%					**1055.75**
07/10/2020	0.28%	0.37%	2.20%	2.22%					**1066.55**
08/10/2020	0.43%	0.29%	1.77%	1.86%					**1093.70**
09/10/2020			1.68%	2.52%					**1106.80**
12/10/2020				2.62%	4.08%	1.58%		0.83%	**1132.10**
13/10/2020				2.11%	3.65%	1.69%	1.58%	1.38%	**1157.80**
14/10/2020				1.74%	2.24%	1.16%	2.00%	1.43%	**1137.00**
15/10/2020				1.29%	2.95%	1.67%	2.01%	0.60%	**1108.25**

(ii) In comparison to July 2020, Keyur's contribution to open interest in OTM call options in October 2020 is much less. I note that he has taken significantly high risk in July 2020 in INFY and his trading constituted substantial portion of open interest in market, with most of them above 5% on July 13 & 14, 2020 and even reaching almost 17% of market in Call options of Strike Price 880 on July 14, 2020. Compared to that, his trading in October 2020 shows that he had taken lower risk and his concentration of the market never even touched 5% and hovered mostly around 2% or less. Even the buildup in October 2020 expiry is gradual over a period of almost one month whereas in July 2020, Keyur had built up his position in a week. The financial results of INFY for quarter ended September 30, 2020, were better than those of quarter ended July 30, 2020. However, trading value and the pattern in which the long positions were taken by Keyur during the month of July 2020 were substantially higher than those taken in October 2020.

(e) In summary, looking at the nature of option trading, the overall delta, the contract concentrations, substantial and very unusual exposure to INFY largely through risky options during July 2020, the Noticee No. 1's contention that his trading pattern and risk size in October was comparable to the risk he took in July 2020 is also incorrect. In any case, the extremely unusual nature of trading and risk taken on by Keyur in July 2020 when compared to the past is not in question. In fact, given the extraordinary profits made by him in July 2020, some risk taking in October does not look out of the ordinary. Finally, given that the full disclosure of the TCV of the Vanguard deal was only due from Infosys in October 2020, even the relatively smaller and safer risk taken on by Noticee No. 1 in October 2020 could be thought of as an extension of his hugely successful July trade.

18.3 **Key Defences and Merits thereof:**

18.3.1 Keyur claims that he was motivated to take very large positions in INFY from July 08, 2020 onwards, on account of two reasons– (i) the bullish report by Goldman Sachs on INFY as recorded in a web (media) article on July 7, 2020 and (ii) announcement on July 07, 2020 that the INFY quarterly results would be released on July 15, 2020. In addition, he says that the Price/ Earnings ratio in the IT sector was very low in July 2020, prompting him to assume the large risk.

18.3.2 None of the above reasons appear convincing to me. In his statement to the IA, Keyur notes that "*On July 7, 2020 Goldman Sachs released a very bullish report on Infosys…*" Keyur's reply dated October 27, 2023 submitted post the show cause notice refers to the "*bullish report on INFY by a widely respected institution like Goldman Sachs that the media covered on July 07, 2020*". The report that he referred to is not enclosed in the said reply and instead he has enclosed an article published on the Business Today website which in turn refers to a Goldman Sachs report about Infosys. One would assume that before taking on substantial risk that is completely out of character with his past, Keyur would base his high value trading decisions on multiple analytical reports or at the very least on the actual research report published by Goldman Sachs providing details of their analysis. Instead Keyur's claim is that his motivation to take very large positions in INFY over a very short period of time, was influenced by one public media article referring to the Goldman report. His claim in this regard, on a preponderance of probability, does not appear tenable.

18.3.3 Similarly, the argument that low Price/ Earnings ratio of the IT industry

in July 2020 spurred him to take on extraordinary and unusual risk does not appear credible. For someone who had hitherto never paid option premia of more than INR 3.28 lakh, to pay over INR 79 lakhs in July to purchase call options in INFY alone would surely not have been based merely by looking at a number or report that everyone else has seen as well. Given the overall context of the case, the preponderance of probability suggests that the unusual risk was assumed on the basis of knowledge of UPSI.

18.3.4 His other claim is of being motivated to trade from July 08, 2020 onwards on account of the announcement on July 07, 2020 that quarterly results would be published on July 15, 2020. I do not disagree that the commencement of positions could have been influenced by the announcement of the actual date of publication of quarterly results. However, clearly, for the reasons elaborated in this Order, the knowledge of the UPSI i.e. Vanguard deal's date of announcement which was bound to have a significant impact on INFYs price appears to have been decisive when seen along with the quarterly results. In addition, it is difficult to accept that Keyur had been spurred by the July 7, 2020 announcement, commenced building his largest ever position in INFY on July 8, 2020, and yet during his long call with Ramit on July 8, 2020 just before he commenced building such positions, the topic of Infosys did not arise at all.

18.3.5 I also note that Keyur took more than 80% of his substantial, aggressive, and unusual INFY options positions (in premium terms) on July 13-14, 2020. In addition, Keyur squared off a significant portion his INFY positions after announcement of Vanguard deal which on July

15, 2020, before the declaration of financial results. These facts do not corroborate Keyur's claims that his trades were solely motivated by the announcement on July 07, 2020 that quarterly results would be published on July 15, 2020. On the contrary, this would be the ideal trading pattern of someone expecting a positive announcement on July 14, 2020 after-market hours, one day before the announcement of the Infosys quarterly results. Building positions close to the time of the UPSI becoming public would allow such a trader to bet solely on the impact of the UPSI, rather than be open to the vagaries of the market and other unexpected events by positioning well in advance of the expected announcement.

18.3.6 Noticee No. 2 has cited the decision of Hon'ble Supreme Court in the matter of Balram Garg (*supra*) to contend that cogent evidence is required to prove communication of UPSI and communication cannot be deemed to have happened by mere proximity between the parties. In this regard, I note that in the matter of Balram Garg (*supra*), the Hon'ble Court observed that foundational facts were not proved which could raise the alleged presumption. However, the Hon'ble Court does not differ on the nature of evidence (direct or circumstantial) required to prove a particular fact and only holds that there should be some foundational facts to draw an inference. In the instant case, in view of the relationship between the Noticees, frequent communication between them and timing of trade immediately after a long duration call between Noticees during UPSI period, it can be inferred that UPSI was communicated by Ramit to Keyur both of whom are now established as connected person of Infosys.

18.3.7 Noticee No. 1 has placed reliance on the decision of Hon'ble Supreme Court in Balram Garg (*supra*) to contend that trading pattern cannot be the circumstantial evidence to prove communication of UPSI. In this regard, I note that in the matter of Balram Garg there was no evidence of communication between the entities and reliance on trading pattern to show communication was based on the peculiar facts of that case. However, in the instant matter, the fact that the tipper and tippee were in communication with each other has not been disputed and the existence of several calls between the two of them are matter of record. The unusual trading pattern (which has been already elaborated upon) served to bind the different facets of this case leading to the conclusion on a preponderance of probability that UPSI had in fact been communicated on July 8, minutes before the tippee began to take positions in violation of Regulation 4(1) of PIT Regulations.

18.3.8 Noticees have cited the decisions of SEBI in the matter of Infosys (SEBI Order dated September 09, 2024) and Lux Industries Ltd. (SEBI Order dated November 06, 2023) to contend that mere existence of calls between two persons is not sufficient to infer communication of UPSI. I have perused the said Orders passed by SEBI and I am of the view that the said Orders can be distinguished from the instant case as discussed below:

(a) In the matter of Lux Industries Ltd., I note that Udit Todi was observed to be the insider during the UPSI period April 20, 2021 – May 25, 2021. Udit was alleged to have communicated the UPSI to Mujtaba and Mujtaba, in turn, communicated the UPSI to Akshay who allegedly traded in the scrip of Lux while being in possession of UPSI. In this regard, for communication of UPSI, it was shown

that on May 14, 2021 i.e. 10 days later, there was a message from Akshay to Mujtaba. Subsequently, on the same day, there was a call from Mujtaba to Udit which lasted for more than 17 minutes wherein Udit had allegedly transmitted UPSI to Mujtaba. Also, two hours later on the same day, Mujtaba called Akshay to allegedly pass on UPSI to him. It was alleged that on May 24, 2021, Akshay traded while in possession of UPSI. In the said matter, there were no trades by Mujtaba (the first recipient of UPSI) in Lux and the trades were placed by Akshay **10 days** after his call with Mujtaba. Unlike the Lux matter, in the instant matter, Keyur had traded in INFY and had immediately started taking positions in INFY after disconnecting the call with Ramit on July 08, 2020.

(b) In the matter of Infosys, Pranshu (an employee of INFY) was alleged to have received UPSI from Sunil, an insider (whose name was in SDD of INFY), and frequent calls between them were relied on to show passing of UPSI. However, it was observed by SEBI that some of the calls between Pranshu and Sunil were well before the UPSI was crystallised. Further, for the calls made between them after crystallization of UPSI, Pranshu had provided e-mails which supported the submission of Pranshu that calls were made for official dealings. As Pranshu had shown cogent evidence on the context of such calls, it was held that it could not be inferred that Sunil had communicated UPSI to Pranshu. However, in the instant case, as discussed in preceding paragraphs, Noticees have failed to provide any cogent evidence to show that the call was related to Noticee No. 2's mother-in-law's medical condition.

18.3.9 Ramit has argued that many employees of INFY were part of the

Vanguard deal. Ramit's contention appears to suggest that many others who also had access to the UPSI (by virtue of their involvement in the Vanguard deal) could also have passed on UPSI. Consequently, he seems to suggest that there is no reason to squarely accuse him with passing on of the UPSI. I agree with Ramit's assertion that many others in Infosys also had access to the impugned subject matter UPSI. But of these many others, the question is who was most likely to have passed on this information to Keyur which could explain the oddity of Keyur's high risk positions in Infosys, that were suggestive of insider trading. This question is answered by identifying who out of these 'many others' had a close relationship with Keyur and who were, as per material available on record, in communication with Keyur at the point in time proximate to the time Keyur engaged in taking buy positions. Ramit and Keyur admittedly had been in touch for years together, been in the same profession/ industry and were working in two companies competing for the same deal. Coupled with this, was the long duration call during UPSI period with Keyur who placed trades in the scrip of INFY within a period of 7 minutes after disconnecting the call. For all of the aforesaid reasons, on the preponderance of probability, I am led to the conclusion that it was Noticee No. 2 (Ramit) who had communicated the UPSI to Noticee No. 1 (Keyur) in violation of Section 12A(e) of SEBI Act and Regulation 3(1) of PIT Regulations.

D. CONCLUSION

19. The evidence shows that Noticee No. 2 (Ramit) was an insider with access to UPSI relating to the Vanguard deal. Noticee No.1 (Keyur) had a long-standing close personal and professional relationship with Notice No. 2. Both Noticee No. 1 and Noticee No. 2 were aware of the Vanguard deal from the vantage point of

their respective organizations. Seen against this specific background, Noticee No. 1 was in frequent communication with Noticee No. 2, by way of long telephonic calls during the six months prior to the impugned trades. Tellingly, immediately after a long call on July 8, 2020, at a time when Noticee No. 2 was fully aware of the UPSI and the criticality and the sensitivity of the information, Noticee No. 1 proceeded to build an exceptionally unusual, risky, and concentrated bet on INFY scrip at a hitherto unprecedented scale. On July 15, 2020, the very first trading session after the UPSI became public, Noticee No. 1 started to substantially liquidate these positions at significant profit. In the specific context of the totality of all of the above, by preponderance of probability, I conclude that Noticee No. 1 was a connected person under 2(1)(d)(i) of PIT Regulations, that that Noticee No.2 communicated the UPSI to Noticee No. 1, and that hence Noticee No.1 was an insider trading in listed securities when in possession of UPSI. The weak explanations provided by the Noticees around the telephone calls and the extremely unusual trading pattern of Noticee No. 1 do not alter my conclusion. Accordingly, based on the facts and circumstances narrated above, I find the preponderance of probability to be that –

(i) Noticee No.2 has violated Section 12A(e) of the SEBI Act and Regulation 3(1) of PIT Regulations; and

(ii) Noticee No. 1 has violated Section 12A(d) & (e) of the SEBI Act and Regulation 3(2) and 4(1) of PIT Regulations

PART IV - COMPUTATION OF ILLEGAL GAINS

20. **Whether the computation of illegal gains as proposed in the SCN must be differed with?**

20.1 The cumulative unlawful gains calculated during investigation are as below:

Table – 13

		A	B	C	
Sr. No.	Product	Quantity bought / sold while in possession of UPSI and subsequently squared off	Weighted Avg. Buy Price of the product (Rs.)	Weighted Avg. Sell Price of the product (Rs.)	Unlawful gains generated from insider trading (In Rs.) = A*(C-B)
1	INFY20JULFUT	2,400	783.55	825.50	1,00,680
2	INFY20JUL750CE	1,200	40.00	65.00	3,0000
3	INFY20JUL760CE	2,400	33.98	60.00	62,448
4	INFY20JUL770CE	10,800	29.71	65.83	3,90,096
5	INFY20JUL780CE	36,000	27.29	58.42	11,20,680
6	INFY20JUL790CE	18,000	21.81	53.21	5,65,200
7	INFY20JUL800CE	66,000	22.29	86.26	42,22,020
8	INFY20JUL810CE	42,000	18.52	40.72	9,32,400
9	INFY20JUL820CE	72,000	15.28	35.69	14,69,520
10	INFY20JUL830CE	48,000	10.97	58.03	22,58,880
11	INFY20JUL840CE	90,000	8.83	61.62	47,51,100
12	INFY20JUL850CE	96,000	6.60	49.35	41,04,000
13	INFY20JUL860CE	48,000	5.15	47.33	20,24,640
14	INFY20JUL880CE	72,000	3.53	37.61	24,53,760
15	INFY20JUL900CE	60,000	2.86	29.28	15,85,200
Total (In Rs.)					**2,60,70,624***

*The aforesaid amount is different from the amount calculated in Interim

Order (Rs. 2,62,30,620/-) as Interim Order relied on data from NSE whereas now it has been calculated on the basis of figures from DWBIS.

20.2 It has been alleged in the SCN that Ramit is equally liable for the unlawful gains that have been generated from the insider trading done by Keyur in the scrip of INFY as Ramit and Keyur have played their respective parts in fruition of the modus operandi.

20.3 I note that Regulation 4(1) of the PIT Regulations prohibits 'insiders' from trading in securities when in possession of UPSI. Similarly, Regulation 3(1) prohibits insiders from communicating or allowing access to UPSI. The two are separately identified violations under PIT Regulations, unlike fraudulent scheme under PFUTP Regulations, where many persons can participate in the larger scheme, albeit by playing different roles thereby being jointly liable for the perpetration of the fraudulent scheme. I have reviewed previous orders of SEBI and SAT in this regard and it appears that this approach has been taken in overwhelming number of matters. For instance, in the matter of PC Jeweller Limited[6], even though both 'tipper' and 'tippee' were Noticees, liability for disgorgement of illegal gains was fastened only on tippee who traded in securities while in possession of UPSI. Similarly, in the matter of Tara Jewels Limited[7], Noticee was separately held liable for the profits made by them while trading. In the present matter, pursuant to a detailed investigation, SEBI has neither concluded that trades were entered into by Ramit during the UPSI period nor that Ramit received any proceeds generated from Insider Trading. Therefore, I am of the view that Ramit cannot be made jointly and severally liable for the unlawful gains made by Keyur in the instant matter for violation of

[6] SEBI Order dated May 11, 2021
[7] SEBI Order dated May 24, 2021 in Investigation in the matter of disclosure violation and insider trading by certain entities in the scrip of Tara Jewels Limited

PIT Regulations.

E. COMPUTATION OF PENALTY

21. Having considered all the material available on record including the submissions made by the Noticees, and keeping in view my findings as recorded in this Order, Noticee nos. 1 & 2 are liable for monetary penalty under Section 15G of the SEBI Act, 1992.

22. I note that in terms of Section 15J of the SEBI Act, 1992, while determining the quantum of penalty under Section 15J of SEBI Act, 1992, Board is required to have due regard to the following factors, namely: -
    (i) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
    (ii) the amount of loss caused to an investor or group of investors as a result of the default;
    (iii) the repetitive nature of the default.

23. I note that material available on record does not bring out any loss caused to any specific investor or a group of investors, as a result of violations committed by Noticees with respect to UPSI. I note that there is no material available on record to indicate that the violations committed by Noticees are repetitive in nature.

24. With respect to the quantum of penalty to be imposed against the Noticees, I note that while Noticee No. 2 is not liable for insider trading, he committed the egregious violation of conveying the unpublished price sensitive information pertaining to his company's announcement of the Vanguard deal which resulted in the violation of the provisions of PIT Regulations, 2015 and the penalty to be imposed on him

should be commensurate with his violations.

25. I also find that for the unlawful gains made by Noticee no. 1, for his impugned trades during UPSI Period, appropriate directions of disgorgement of unlawful gains made along with interest are required to be issued. The illegal gains made by the Noticee have already been impounded by SEBI in terms of Interim Order dated September 27, 2021 and the alleged unlawful gain have been deposited in an escrow account.

F. DIRECTIONS

26. In view of the above, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) read with Section 15G of SEBI Act, 1992 read with Section 19 of the SEBI Act, 1992 and SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, hereby direct as under:

    i. Noticee Nos. 1 and 2 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 a period of one year, from the date of this order;

    ii. The Noticee No. 1 shall disgorge the amount of illegal gains of Rs. 2,60,70,624/- (Two Crore Sixty Lakh Seventy Thousand Six Hundred Twenty Four Rupees Only) as mentioned in Table - 13 above along with simple interest @ 12% per annum from July 17, 2020 (*i.e. the date on which last sale of positions took place as discussed in this Order*) till the date of deposit into the Escrow Account. The said amount shall be remitted to the Investor Protection and Education Fund (IPEF) as referred to in Section 11(5) of the SEBI Act, 1992, within 45 (forty five) days from the date of this Order and intimation may

be forwarded to "The Division Chief, Investigation Division 16 (ID-16), Investigation Department, Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai-400051";

iii. The particulars of SEBI Account for making e-payment are as under:

Name of the Bank	Branch Name	RTGS Code	Beneficiary Name	Beneficiary Account No.
Bank of India	Bandra Kurla Complex	BKID0000122	Securities and Exchange Board of India	012210210000008

In case of e-payments, the Noticees are advised to forward the details and confirmation of the payments so made to the Investigation Department of SEBI for their records as per the format provided in Annexure A of Press Release No. 131/2016 dated August 09, 2016 which is reproduced as under:

Case Name:	
Name of the payee:	
Date of payment:	
Amount paid:	
Transaction No.:	
Bank Details in which payment is made	
Payment is made for (disgorgement amount long with order details)	

iv. A penalty of Rs. 30,00,000/- (Rupees Thirty Lakhs Only) each, is hereby imposed on Noticee Nos. 1 and 2 under Section 15G of the SEBI Act, 1992, and are directed to pay their respective penalties within a period of forty-five (45) days, from the date of receipt of this order.

v. The Noticees shall remit / pay the said amount of penalties through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of Chairman/ Members -> PAY NOW. In case of any difficulties in online payment of penalties, the said Noticees may contact the support at portalhelp@sebi.gov.in.

27. The obligation of the Noticees restrained/prohibited by this Order, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of this Order, are allowed to be discharged irrespective of the restraint/ prohibition imposed by this Order. Further, all open positions, if any, of the Noticees, restrained/ prohibited in the present Order in the F & O segment of the recognised stock exchange(s), are permitted to be squared off, irrespective of the restraint/ prohibition imposed by this Order.

28. The illegal gains, made by Noticee No. 1 deposited in the Escrow Account in compliance with the Interim and Confirmatory Orders shall only be utilized for the purpose of compliance with orders for disgorgement stated at para 26(ii) above.

29. This order comes into force with immediate effect.

30. A copy of this Order shall be served on the Noticees, recognized Stock Exchanges,

Depositories, Registrar and Share Transfer Agents of Mutual Funds to ensure compliance with the above directions.

Sd/-

Place: Mumbai **ANANTH NARAYAN G.**

Date: January 31, 2025 **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA