

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: S. K. MOHANTY, WHOLE TIME MEMBER
INTERIM EX PARTE ORDER**

**Under Sections 11(1), 11(4) and 11B (1) of the Securities and Exchange Board of
India Act, 1992
Securities and Exchange Board of India (Prohibition of Insider Trading)
Regulations, 2015**

In respect of:

Sl. No.	Name of the Entity	PAN
1	Abhay Bhutada	AMIPB8540L
2	Saumil Shah	AAGPS6395E
3	Surabhi Kishore Shah	APQPS7611L
4	Amit Agrawal	AEZPA0831J
5	Murlidhar Bagrangelal Agrawal	AAYPEA2130K
6	Rakesh Rajendra Bhojgadhiya	AKRPB5208J
7	Rakesh Rajendra Bhojgadhiya HUF	AARHR3479R
8	Abhijit Pawar	AFPPP7465L

(The aforesaid individuals are hereinafter individually referred to by their respective names/Entity no. and collectively as "Entities", unless the context specifies otherwise)

In the matter of Magma Fincorp Limited (now known as Poonawalla Fincorp Limited)

Background

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") received system generated insider trading alerts in the scrip of Magma Fincorp Limited (hereinafter referred to as "Magma" / "Company") for the month of February 2021, which was around the same time when the corporate announcement was made regarding acquisition of controlling stake in the

Company by Rising Sun Holding Private Limited (hereinafter referred to as “*RSHPL*”), a company controlled by Poonawalla Group and for the said purpose, the *Company* (*Magma*) has made a preferential allotment to *RSHPL* to raise fresh capital of ₹3,456 crores.

2. On the basis of the aforesaid alerts, SEBI conducted a preliminary examination into the trading in the scrip of *Magma* to ascertain as to whether certain persons / entities traded in the said scrip while they were in possession of / on the basis of Unpublished Price Sensitive Information (hereinafter referred to as “*UPSI*”) which could be viewed as contravention of the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “*SEBI Act, 1992*”) read with the SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as “*PIT Regulations, 2015*”).
3. It is noticed that *Magma* is a non-banking finance company (NBFC) engaged mainly in the businesses of financial products including commercial finance, agriculture finance, SME finance, mortgage finance and general insurance. The scrip of the *Company* is listed on both NSE and BSE in cash segment.

Brief findings of SEBI’s Examination

4. During the preliminary examination *prima facie*, following have been observed:
 - a) *Company* made the following corporate announcement on February 10, 2021:

“Acquisition of controlling stake in MAGMA by RSHPL and fresh capital raise of ₹3,456 crores through a preferential allotment.”
 - b) The information relating to acquisition of controlling stake in *Magma* by *RSHPL* through a preferential allotment of ₹3,456 crores (hereinafter referred as “*Acquisition Deal*”) was an *UPSI* in terms of regulation 2(1) (n) of *PIT Regulations, 2015*.
 - c) As per the submissions furnished by the *Company*, the discussions on the proposed *Acquisition Deal* started on January 11, 2021 which means, the

period of UPSI commenced from January 11, 2021 and ended on February 10, 2021 i.e. the day when the said information was announced to public at large.

- d) Mr. Abhay Bhutada (hereinafter referred to as “**Abhay / Entity no. 1**”) was working as Managing Director and CEO of Poonawalla Finance Pvt Ltd (hereinafter referred to as “**PFPL**”), a subsidiary company of RSHPL (wherein RSHPL holds 91% of the share capital as on March 31, 2020). The *Company* and the PFPL have also made a joint statement on February 10, 2021 disclosing that RSHPL would acquire a controlling stake in *Magma*. The discussions on the proposed *Acquisition Deal* started on January 11, 2021 with a call between Kailash Baheti, Chief Financial Officer (CFO) of *Magma* and Abhay (Entity no. 1). Therefore, Entity no. 1 assumes an important role in the then proposed *Acquisition Deal*. Further, as per the terms of agreement between *Magma* and RSHPL, Entity no. 1 shall become Managing Director of the Target company i.e. *Magma* subsequent to the fruition of *Acquisition Deal*. As per the submission of the *Company*, Entity no. 1 became the contact person for the *Acquisition Deal* from the very beginning of the discussion and has been involved in the matter throughout the UPSI period. From the above, it was *prima facie* observed that being the contact person, the Entity no. 1 had access to the material non-public price sensitive information with respect to the acquisition of controlling stake in *Magma* by the RSHPL and hence appears to satisfy the ingredients to be named as an insider in terms of regulation 2(1)(g) of *PIT Regulations, 2015*.
- e) Based on the call data records (hereinafter referred to as “**CDRs**”), financial dealings and bank statements, it is *prima facie* observed that Entity no. 1 is connected to Mr. Saumil Shah (hereinafter referred to as “**Saumil / Entity no. 2**”), Mr. Rakesh Rajendra Bhojgadhiya (hereinafter referred to as “**Rakesh / Entity no. 6**”) and Mr. Abhijit Pawar (hereinafter referred to as “**Abhijeet / Entity no. 8**”). Further, based on the analysis of CDRs and Bank statements, it was also *prima facie* observed that Entity no. 6 is connected to Mr. Amit Agrawal (hereinafter referred to as “**Amit / Entity no. 4**”). Moreover, Entity

no. 2 has family and financial relationship with Mrs. Surabhi Kishore Shah (hereinafter referred to as “**Surabhi / Entity no. 3**”), and Entity no. 4 has family and financial relationship with Mr. Murlidhar Bagranglal Agrawal (hereinafter referred to as “**Murli / Entity no. 5**”).

- f) It is noticed that there were phone calls amongst the Entities during the relevant period and the said phones calls were followed by transfer of funds. Further, it is also noticed that persons enjoying connection through phone calls, fund transfers, etc. have traded in the scrip of *Magma* in advance of the afore-mentioned event i.e. disclosure of the corporate announcement. The phone calls and transfer of funds connecting the Entities are dealt with in detail, in the later part of the order.
- g) **Trading during UPSI:** It is noticed that during the UPSI period, Entity no. 2 (Saumil Shah) has executed trades in the trading account of his mother i.e. Entity no. 3 (Surabhi Kishore Shah) in the scrip of *Magma*. Similarly, Entity no. 6 (Rakesh Rajendra Bhojgadhiya) has executed trades in the scrip of *Magma* in his own trading account as well as in the account of Rakesh Rajendra Bhojgadhiya HUF (hereinafter referred to as “**Rakesh HUF /Entity no. 7**”) of which the Entity no. 6 is the Karta. The examination also reveals that Entity no. 4 (Amit Agrawal) has executed trades in his own trading account and that of his father i.e. Entity no. 5 (Murlidhar Bagranglal Agrawal). Thus the examination reveals that trades in the scrip of the *Magma* in the accounts of Entity no. 3 to Entity no.7 have been executed during the UPSI period *prima facie* on the basis of or while these entities were in possession of the aforesaid UPSI about the *Company*.
- h) It is observed from the trading pattern of the trades executed from the trading accounts of the aforesaid Entities that they have bought significant number of shares of the *Company* prior to the announcement of the USPI and have sold the shares subsequent to the announcement and in the process, these Entities have *prima facie* generated substantial amounts of profit.

- i) Thus, in view of the foregoing observations about the connection of Entity no. 1 with certain other Entities and the manner in which Entity no. 2 to Entity no. 7 have traded in the scrip of *Magma* during the UPSI period, it is *prima facie* observed that Entity no. 1, who was an insider and in possession of the UPSI has communicated the UPSI to Entity nos. 2, 6 and 8 and the Entity no. 6 has in turn communicated the UPSI to Entity no. 4. Further, it is also noticed that after Entity no. 2 has apparently received the UPSI from the Entity no. 1, trades were executed in the shares of *Magma* in the account of Entity no. 3, who is the mother of the Entity no. 2. Similarly, Entity no. 6 subsequent to receipt of UPSI from Entity no 1 traded in the shares of *Magma* from his accounts as well as in the account of Entity no. 7 (i.e. the HUF wherein Entity no. 6 is Karta). In a similar fashion, on acquiring UPSI from Entity no. 6, Entity no. 4 has traded in the shares of *Magma* from his trading account as well as from trading account of his father i.e. Entity no. 5. It is also, *prima facie*, observed from the examination that Entity no. 8 upon receipt of UPSI from *Entity no. 1* has facilitated the trading in the scrip of *Magma* by financing the trades executed in the trading accounts of Entity nos. 6 and 7. Further, the examination shows that Entity nos. 3, 5 and 7 alongwith Entity nos. 2, 4 and 6 respectively have executed trades in the scrip of *Magma* from their trading accounts which *prima facie* seems to be based on or influenced by the possession of UPSI. Therefore, the aforesaid acts of the Entities have *prima facie* resulted into violation of the provisions of the *SEBI Act, 1992* and the *PIT Regulations, 2015*.

Consideration & Prima Facie Findings

5. I note that the aforesaid examination into the trading in the scrip of *Magma* has revealed that the information of *Acquisition Deal* was UPSI in terms of regulation 2(1) (n) of *PIT Regulations, 2015*. In this respect, it will be relevant to visit the definition of “unpublished price sensitive information” as defined under regulation 2(1)(n) of the *PIT Regulations, 2015*. The text of the said regulation is reproduced below:

Regulation 2(1)(n) of PIT Regulations, 2015:

“unpublished price sensitive information” means any information relating to a company or its securities, directly or indirectly, that is not generally available which upon becoming generally available, is likely to materially affect the price of the securities and shall, ordinarily including but not restricted to, information relating to the following: –

- i. ...*
- ii. ...*
- iii. Change in capital structure;*
- iv. mergers, de-mergers, acquisitions, delistings, disposals and expansion of business and such other transactions;*
- v. changes in key managerial personnel*
- ...*

NOTE: It is intended that information relating to a company or securities, that is not generally available would be unpublished price sensitive information if it is likely to materially affect the price upon coming into the public domain. 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.

6. From the aforesaid definition it can be noted that, an “unpublished price sensitive information” means any information which relates directly or indirectly to a company and which is not generally available and which, upon becoming generally available, is likely to materially affect the price of securities of a company. It is observed that the following three essential ingredients appear to be required to qualify an information as an UPSI:

- a) The information must be directly or indirectly related to a company or its securities;
- b) The information must not be generally available;
- c) The information upon becoming generally available, is likely to materially affect the price of the securities.

7. I note that in terms of regulations 2(1)(n)(iii), (iv) and (v) of the *PIT Regulations, 2015* a change in capital structure, acquisition and changes in key managerial personnel of business are those types of matters which fall under the category of UPSI. Therefore, the *Acquisition Deal* falls well within the parameters of definition of UPSI under regulation 2(1)(n) of *PIT Regulations, 2015*. Therefore, the information regarding acquisition of controlling stake in *Magma* by *RSHPL*, pertains directly to *Magma* and hence falls in the category of UPSI under regulation 2(1)(n) of *PIT Regulations, 2015*. With regard to criteria that the information should not be “generally available”, it is pertinent to look at the definition of “generally available information” which has been defined under regulation 2 (1)(e) of *PIT Regulations, 2015*. For the purpose of convenience, same is reproduced below:

“generally available information” means information that is accessible to the public on a non-discriminatory basis;

NOTE: *It is intended to define what constitutes generally available information so that it is easier to crystallize and appreciate what unpublished price sensitive information is. Information published on the website of a stock exchange, would ordinarily be considered generally available.*

8. The aforesaid definition essentially means that the *generally available information* should be equally accessible to the public on a non-selective, non- discriminatory and in a transparent manner. To put it differently, for an information to be held as generally available, the information must be uniformly and universally disseminated. One of the mechanism to ensure that the information is universally available, is to publish it on the website of a stock exchange. In the instant matter, the detailed public announcement about the acquisition of *Magma* by *RSHPL* was made by the *Company* on February 10, 2021 at 19:21 hours, pursuant to the Board meeting which was held on February 10, 2021 to consider and to approve raising of funds of upto ₹3,456 crores by way of preferential allotment. The information having been published on the website of the stock exchanges was uniformly and universally accessible to the public on a non-discriminatory basis only after the

Company made the afore-stated public announcement i.e. on February 10, 2021 at 19:21 hours. Therefore, from the records, it appears that the above information was not generally available until February 10, 2021 (19:21 hours), when it was disseminated for the first time for the consumption of public at large on a non-discriminatory basis.

9. Regarding the criteria of *the information likely to materially affect the price of the securities*, it is pertinent to note that the information relating to change in capital structure, acquisition of control and changes in key managerial personnel of business of a company are those types of price sensitive matters which are likely to materially affect the price of securities of a company upon becoming generally available. It is for this reason that extensive regulations around disclosures of acquisition, change in capital structure, etc. by listed companies have been provided under various regulations of SEBI. In fact, in this case I note that pursuant to the corporate announcement of *Acquisition Deal*, the price of the *Company* started rising from February 10, 2021. The price volume movement in the scrip of *Magma* from February 11, 2021 to February 19, 2021 on BSE and NSE is tabulated below:

Table 1

Date	Previous Close	Open Price	High Price	Low Price	Close Price	Volume BSE and NSE	Close to Close Variation
09-Feb-21	₹70.35	₹77.35	₹77.35	₹73.00	₹77.35	50,80,546	
10-Feb-21	₹77.35	₹82.80	₹85.05	₹77.00	₹85.05	73,19,593	10%
11-Feb-21	₹85.05	₹93.55	₹93.55	₹93.55	₹93.55	3,51,399	10%
12-Feb-21	₹93.55	₹98.20	₹98.20	₹98.20	₹98.20	6,94,959	*5%
15-Feb-21	₹98.20	₹103.10	₹103.10	₹100.00	₹103.10	89,61,565	5%
16-Feb-21	₹103.10	₹108.25	₹108.25	₹108.25	₹108.25	4,45,190	5%
17-Feb-21	₹108.25	₹113.65	₹113.65	₹113.65	₹113.65	76,243	5%
18-Feb-21	₹113.65	₹119.30	₹119.30	₹119.30	₹119.30	7,43,728	5%
19-Feb-21	₹119.30	₹125.25	₹125.25	₹120.00	₹125.25	90,59,418	5%

Source: NSE and BSE websites (Price of NSE)

(*The stock was moved from 10% price band to 5% on 12-Feb-21 by Stock Exchanges)

10. From the table 1 above, I note that pursuant to the aforesaid corporate announcement, the price of the scrip of the *Company* moved from the ₹85.05 on

February 10, 2021 to ₹125.25 on February 19, 2021 after touching a high price of ₹125.25 on February 19, 2021, thereby registering a rise by 47.26%. I also note that the price movement in the scrip of the *Company* subsequent to the corporate announcement also resulted in hitting upper circuit of the price bands for consecutive 7 trading days (from February 11, 2021 to February 19, 2021).

11. The above-mentioned facts demonstrate that all the three ingredients of an information being UPSI in terms of regulation 2(1)(n) of *PIT Regulations, 2015* are *prima facie* met by the information pertaining to the *Acquisition Deal*. Therefore, the information regarding *Acquisition Deal* prior to being announced on February 10, 2021 at 19:21 hours can *prima facie* be considered as an UPSI in terms of regulation 2(1)(n) of *PIT Regulations, 2015*.
12. Moving on to the determination of UPSI period, as already mentioned above, the discussions on the proposed *Acquisition Deal* started on January 11, 2021 which was finally disseminated to the public on February 10, 2021. Presently, there is no material available on record which shows otherwise i.e. *prima facie* there is no material evidencing that the information regarding the acquisition of controlling stake in *Magma* by *RSHPL* and/or the fund raising through preferential allotment were generally available to the public prior to February 10, 2021. From the above, I can *prima facie*, find that the UPSI period can be reasonably held from **January 11, 2021 to February 10, 2021 (19:21 hrs)**, which is the period commencing from the date when the discussion on the *Acquisition Deal* reportedly commenced for the first time till the date when the said information was finally disclosed to the public through corporate announcement.
13. I note that the facts so far revealed during the preliminary examination make out a strong case that all the *Entities* satisfy the essential pre requisites to be termed as 'insiders' in terms of the *PIT Regulations, 2015* and have also executed trades in the scrip of *Magma* in the trading accounts of connected persons while in possession of and on the basis of possession of UPSI and thus have *prima facie* appear to have violated the relevant provisions of the *SEBI Act, 1992* and the *PIT Regulations, 2015*. At this juncture, it is important to refer to the relevant provision

/ definition of a **Connected Person** and an **Insider** as defined in the *PIT Regulations, 2015*:

Regulation 2(1)(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.

(ii)

Regulation 2(1)(g), “Insider” means any person who is:

(i) a connected person; or

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

Entity no. 1

14. As already mentioned above, Entity no. 1 was MD and CEO of PFPL and was understood to be present in all the discussions with the management of the Company with respect to the said *Acquisition Deal*. Further, I also note from the records available before me that as per the terms of agreement between *Magma* and *RSHPL*, Entity no. 1 was proposed to become Managing Director of the Target company i.e. *Magma* subsequent to the consummation of the proposed *Acquisition Deal*. Therefore, the Entity no. 1 assumes an important role in the proposed *Acquisition Deal*. On the basis of the aforesaid facts, it is *prima facie* observed that the Entity no. 1 was undoubtedly in access of and in possession of the UPSI with respect to the acquisition of controlling stake in *Magma* by the *RSHPL*, thereby undoubtedly falling under the category of an ‘insider’ in terms of regulation 2(1)(g) of *PIT Regulations, 2015*.

15. Further, as the examination has revealed, trades in the scrip of the *Company* on the basis of or while in possession of UPSI were executed from the trading account of the following Entities:

A. Trading Account of Entity no. 3

B. Trading Account of Entity nos. 6 and 7

C. Trading Account of Entity nos. 4 and 5

Therefore, for the purpose of convenience of understanding, I am dealing with their trades separately in the subsequent paragraphs.

A. Trades from the account of Entity no. 3

Relationship between Entity nos. 1, 2 and 3

Before dwelling on the trades executed in the account of Entity no. 3 during UPSI period, it is necessary to understand the relationship between Entity nos. 1, 2 and 3 that was noticed during the examination which makes it a *prima facie* case of insider trading carried out based on UPSI. In this regard, I note from the analysis of Call Data Records (CDRs) provided by Telecom Service Providers (hereinafter referred to as “TSPs”) that, Saumil (Entity no. 2) has frequently communicated through phone calls with Abhay (Entity no. 1) during the UPSI period. Details of number of calls and total durations of such calls between Saumil and Abhay are tabulated below:

Table 2

S. No.	Entity (A)	Entity (B)	A to B		B to A		Period
			No of calls	Duration in Seconds	No of calls	Duration in Seconds	
1	Saumil Shah (986XXXX793)	Abhay Bhutada (976XXXX009 and 901XXXX888)	2	87	7	2536	Pre-UPSI period (15-05-20 To 10-01-21)
2	Saumil Shah (986XXXX793)	Abhay Bhutada (976XXXX009 and 901XXXX888)	19	2768	33	4892	During UPSI period (11-01-21 To 10-02-21 19:21 hrs)
3	Saumil Shah (986XXXX793)	Abhay Bhutada (976XXXX009 and 901XXXX888)	4	2283	13	3835	After UPSI period (10-02-21 19:21 hrs To 12-05-21)

16. It can be observed from the table 2 above that, there is a significant increase in numbers and duration of calls between Entity nos. 1 and 2 during the UPSI period from the pre-UPSI period. For instance, during the Pre-UPSI period (approximately 8 months), there were 9 calls cumulating to around 2600 seconds between Entity nos. 1 and 2. However, during the UPSI period of 1 month, there were as many as 52 calls cumulating to 7660 seconds. Therefore, on the basis of the fact that Entity no. 1 was an insider and was having access to UPSI of the *Company*, the afore-stated sudden surge in the frequency as well as in the communicating time between Entity nos. 1 and 2 especially during the UPSI period give rise to a strong preponderance of probability that, Entity no. 2 has received UPSI from Entity no. 1 during the UPSI period and therefore Entity no. 2 being in possession of UPSI was also an 'insider' in terms of regulation 2 (1) (g) of the *PIT Regulations, 2015*.
17. With regard to relationship between Entity nos. 2 and 3, I note from the records available before me that Entity no. 3 is the mother and immediate relative of Entity no. 2. Also, as per the KYC documents of Entity no. 3 available from the trading account with 'Kotak Securities', Entity no. 2 is a nominee in the said trading account. It is also pertinent to note that the bank account (savings bank account 801XXXX966 with Kotak Mahindra Bank) linked with the trading account of Entity no. 3 with Kotak Securities from where the trading in the scrip of *Magma* has been executed, is a joint bank account in the names of the Entity no. 2, 3 and wife of the 2. I further note from the Account Opening Form (hereinafter referred to as "AOF") of the afore-stated trading account that Entity no. 3 does not have any prior experience of investment/trading in securities market. From the AOF of another trading account of Surabhi (Entity no. 3) with *Moneybee Securities Private Limited*, I note that contact details (Phone number: 986XXXX793) and email id (saumXXXX@gmail.com) provided therein actually pertained to Entity no. 2.

18. Based on the above observations regarding the close connection between Entity nos. 2 and 3, it *prima-facie* appears that, Entity no. 2 who apparently came to be in possession of the UPSI through his frequent phone calls with Entity no. 1 during the UPSI period, was also apparently having control over the trading account of his mother, i.e. the Entity no. 3 in which trading in the scrip of *Magma* was carried out during the UPSI period.

Trades executed by Entity nos. 2 and 3

19. As stated earlier, the preliminary examination has, *inter alia*, revealed that the trading in the account of Entity no. 3 in the scrip of the *Company* appears to be significantly influenced by the possession of UPSI by Entity no. 2. In this regard, the buy trades executed from the trading account of Entity no. 3 in the scrip of *Magma* during the UPSI period and sell trades executed in her account post UPSI period along with profit earned out the above mentioned trades are tabulated in the table below:

Table 3

Date	Gross Buy Volume	Gross Sell Volume	Gross Buy Value	Gross Sell Value
01/02/2021	70,456	-	₹31,73,456	₹0
02/02/2021	1,22,645	-	₹63,91,194	₹0
03/02/2021	1,97,700	-	₹1,12,08,429	₹0
Corporate Announcement dated 10-Feb-21				
12/02/2021	-	3,90,801	₹0	₹3,83,76,658
TOTAL	3,90,801	3,90,801	₹2,07,73,079	₹3,83,76,658
Net Profit (Gross Sell Value - Gross Buy Value) =				₹1,76,03,579

20. As may be noted from the aforementioned table 3, during the UPSI period, 390,801 shares were purchased in the scrip of *Magma* from the trading account of Entity no. 3, cumulating to a total buy value of ₹2,07,73,079. I further note that similar number of shares i.e. 390,801 were sold from the trading account of Entity no. 3 at a total sell value of ₹3,83,76,658 on February 12, 2021 i.e. immediately after the UPSI became public (February 10, 2021) and as a result, a profit of ₹1,76,03,579 was generated. It is important to reiterate here that Entity no. 3 had never traded in the scrip of *Magma* in the past nor has she taken any further exposure in the shares of *Company* (except for the above stated trades) afterwards, post the

disclosure of the corporate announcement. It has also been brought to my notice from the records that the average gross buy value of the securities per transaction traded by the Entity no. 3 in her name over the last decade through all her trading accounts stands at only ₹4.80 lakhs whereas in this case, the investment from the trading account of Entity no. 3 in the scrip of *Magma* in a matter of 3 trading days during the UPSI period was unusually, more than ₹2 crores.

21. As already pointed out above, there is a strong connection (through blood relationship) between Entity nos. 2 and 3 and the records *prima facie* suggest that Entity no. 2 was in possession of UPSI through his constant touch with the Entity no. 1 who was undoubtedly in possession of the UPSI. Further from the AOF and other records of the trading account of Entity no. 3, it is observed that Entity no. 2 was seemingly having a control of the trading account of his mother i.e. Entity no. 3. Therefore, the sudden spurt of exuberance on the part of Entity no. 3 as an investor/trader in securities market towards a specific scrip i.e. the scrip of *Magma* and consequently such an abnormal trading in the scrip of the said *Company* during the UPSI period as demonstrated above, preponderantly indicates that the trades executed by Entity nos. 2 and 3 from the trading account of Entity no. 3 were *prima facie* based on or influenced by the possession of UPSI, by both the Entities.

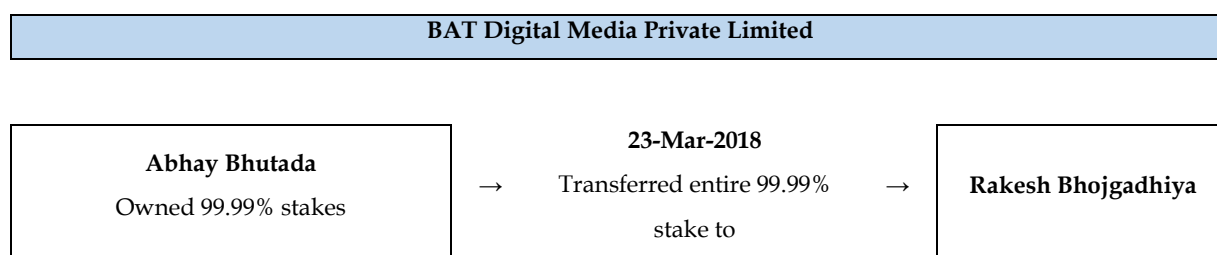
B. Trades from the account of Entity nos. 6 and 7

Relationship between Entity nos. 1, 6 and 7

22. Before moving on to the trades executed from the trading account of Entity nos. 6 and 7 in the scrip of *Magma* during the UPSI period, it is important to first look at the connection between Entity nos. 1, 6 and 7. Regarding connection / relationship between Entity nos. 1 and 6, I note that Entity no. 6 was Additional Director of BAT Digital Media Private Limited (hereinafter referred to as “*BAT*”) during the period March 23, 2018 to November 14, 2019 in which Entity no. 1 was earlier having a stake of 99.99%. Thus the connection between Entity no. 1 and Entity no. 6 can be very well deciphered from the aforesaid fact itself and also

from the records available before me in MGT-7 from MCA portal, as per which, for the year 2017-18 the email ID of the company was bhojgXXXXXX@gmail.com and as per shareholding pattern as on March 31, 2017, Entity no. 1 held 99.99% shares in the said company.

23. I further note that Entity no. 1 transferred his entire 99.99% stake in BAT to Entity no. 6 on March 23, 2018. A pictorial representation of the said transfer is given below:



24. Further, as per available bank statements, it is noticed that one M/s Newgen Fintech Advisors (hereinafter referred to as “**Newgen**”), of which Entity no. 6 is a proprietor, received ₹4.97 crore on 12-Oct-2020 from PFPL (where Entity no. 1 is MD & CEO) and consequently out of the aforesaid amount so received, ₹4.86 crore was transferred to **TAB Capital Pvt Ltd** (where 93.33% of shares were held by Entity no. 1 as on March 31, 2019). Details of the afore-stated funds transactions are tabulated below for reference:

Table 4

Date	From	To	Amt.
12-Oct-20	PFPL	Newgen (HDFC - 502XXXXXXXXX240)	₹4,97,25,000
Total			₹4,97,25,000
Onward transfer of Funds			
12-Oct-20	Newgen (HDFC - 502XXXXXXXXX240)	TAB Capital Pvt Ltd	₹4,86,20,000
Total			₹4,86,20,000

25. Therefore, from the aforementioned business connections and financial dealings, apparently it becomes obvious that Entity no. 1 and 6 have known to each other for many years and both the Entities shared certain commercial relationships over the years.

26. It is noticed from the CDRs received from TSPs that Entity no. 1 has frequently been communicating over phone calls with Entity no. 6 before as well as during the UPSI period. A tabular representation of the CDRs between Entity no. 1 and Entity no. 6 before, during and post UPSI period is placed below:

Table 5

S. No.	Entity (A)	Entity (B)	A to B		B to A		Period
			No of calls	Duration in Seconds	No of calls	Duration in Seconds	
1	Rakesh Rajendra Bhojgadhiya (989XXXX222)	Abhay Bhutada (976XXXX009 and 901XXXX888)	292	33808	585	144316	<u>Pre</u> -UPSI period (01-05-20 To 10-01-21)
2	Rakesh Rajendra Bhojgadhiya (989XXXX222)	Abhay Bhutada (976XXXX009 and 901XXXX888)	37	5334	99	12994	During UPSI period (11-01-21 To 10-02-21 19:21 hrs)
3	Rakesh Rajendra Bhojgadhiya (989XXXX222)	Abhay Bhutada (976XXXX009 and 901XXXX888)	5	609	6	905	After UPSI period (10-02-21 19:21 hrs To 06-05-21)

27. It can be observed from the table above that, there were frequent telephonic communications between Entity nos. 1 and 6.

28. From the afore-stated chain of events starting from the commencement of the UPSI to which Entity no. 1 had direct access as an insider (who was part of the *Acquisition Deal*), and the above narrated close nexus between the Entity nos. 1 and 6 as evident from their business and funds transactions as well as from the frequent phone calls between them during and after the UPSI period, it certainly leads to a strong, bonafide *prima-facie* case of preponderance of probabilities of communication of UPSI from the Entity no. 1 and receipt of the same by the Entity no. 6 during the UPSI period, thereby rendering the Entity no. 6 to be an insider in terms of regulation 2 (1) (g) of the *PIT Regulations, 2015*.

29. I also note from the records that Entity no. 6 is Karta in Entity no. 7 (Rakesh HUF) which further manifests that the decision on behalf of the Entity no. 7 (Rakesh HUF) was in effect being taken and controlled by the Entity no. 6. Therefore, needless to emphasise that any trades in securities in the name of Entity no. 7(Rakesh HUF) are in effect executed on its behalf by the Entity no. 6.

Trades executed by Entity nos. 6 and 7

30. The preliminary examination has, *inter alia*, revealed that the trading done in the accounts of Entity nos. 6 and 7 in the scrip of the *Company* appears to be significantly influenced by the possession of UPSI by Entity no. 6. In this regard, the buy trades executed from the trading account of Entity nos. 6 and 7 in the scrip of *Magma* during the UPSI period and sell trades executed by them post UPSI period along with profit earned out of those trades are tabulated below:

Table 6

Date	Entity Name	Gross Buy Volume	Gross Sell Volume	Gross Buy Value	Gross Sell Value
09/02/2021	Rakesh HUF	2,00,000	-	₹1,53,15,511	
09/02/2021	Rakesh	50,000	-	₹38,62,500	
09/02/2021	Rakesh HUF	4,50,000	-	₹3,47,40,000	
09/02/2021	Rakesh	1,09,306	-	₹83,28,589	
10/02/2021	Rakesh HUF	2,50,000	-	₹2,07,00,000	
10/02/2021	Rakesh	5,61,440	-	₹4,53,37,690	
	Sub-Total	16,20,746		₹12,82,84,290	
Corporate Announcement dated 10-Feb-21 (19:21 hours)					
19/02/2021	Rakesh HUF	73,075	20	₹91,52,604	₹2,505
03/03/2021	Rakesh HUF	-	4,00,000	₹0	₹5,12,65,260
04/03/2021	Rakesh HUF	-	1,83,174	₹0	₹2,35,34,409
04/03/2021	Rakesh	-	50,000	₹0	₹64,34,074
05/03/2021	Rakesh HUF	-	1,91,220	₹0	₹2,41,85,161
08/03/2021	Rakesh HUF	-	1,77,240	₹0	₹2,22,94,002
10/03/2021	Rakesh		6,40,000	0	₹8,66,82,402
	Sub-Total	73,075	16,41,654	₹91,52,604	₹21,43,97,813
Profit Calculation					
Gross Buy during UPSI Period (A)		16,20,746		₹12,82,84,290	
Gross Sell upto 08-Mar-21 (B)			10,01,654		₹12,77,15,411

Date	Entity Name	Gross Buy Volume	Gross Sell Volume	Gross Buy Value	Gross Sell Value
Avg. Sell price of 10-Mar-21 Sale Rs. 8,66,82,402 / 6,40,000 shares = Rs. 135.44 (C)					
Remaining shares D = (A-B)			6,19,092		
Sell Value of remaining shares = C x D					₹8,38,49,820
Total Buy and Sell Value				₹12,82,84,290	₹21,15,65,231
Net Profit (Gross Sell Value - Gross Buy Value) =					₹8,32,80,941

31. From the table above, I note that Rakesh (Entity no. 6) has bought a total of 16,20,746 shares of the *Company* on February 09 and February 10, 2021 in his own as well as in his HUF's (Entity no. 7) trading account wherein he was the Karta. I further note that these 16,20,746 shares were sold from the trading accounts of Entity no. 6 and 7 at a total sell value of ₹21,15,65,231 after the UPSI became public (February 10, 2021) and as a result, a profit of ₹8,32,80,941 was generated. It is important to note that Entity nos. 6 and 7 have never traded in the scrip of *Magma* in the past. In fact, they have not traded in any security or contract in Equity cash or derivatives segment in the last 3 years. Further, the fact that the trading account of Entity no. 6 with HDFC Securities from where the trades in the scrip of *Magma* were executed by Entity no. 6, was opened only on February 08, 2021 i.e. just one day prior to the trading in *Magma*, raises stoutly a *bonafide* suspicion about the abnormal trading pattern followed by these two Entities in the scrip of *Magma*.
32. As already noted above, there is a strong connection between Entity nos. 6 and 7 and the records seemingly suggest that Entity no. 6 was in possession of UPSI through his constant touch with the Entity no. 1 who was undoubtedly in possession of the UPSI. Therefore, the abnormal trading in the scrip of the *Company* during the UPSI period by Entity nos. 6 and 7 as demonstrated above strongly indicates that the trades executed by Entity nos. 6 and 7 were based on or influenced by the possession of UPSI by Entity no. 6 who had apparently received the same from Entity no. 1.

Role of Entity no. 8

33. I note that SEBI's preliminary examination into the trading in the scrip of *Magma* including examination of funds utilised for such trading has led to certain evidences which indicate that the trades executed from the trading accounts of Entity nos. 6 and 7 in the scrip of *Magma* during the UPSI period were funded by Entity no. 8. Before, I delve into the said issue, it is pertinent to first highlight the relationship / connection of Entity no. 8 with Entity nos. 1 and 6.
34. Examination has revealed that Entity no. 8 was connected to and was in constant touch with Entity no. 1. As per the available records, Entity no. 1 has frequently communicated over phone calls with Entity no. 8 during the UPSI period. A tabular representation of the CDRs between Entity no. 1 and Entity no. 8 before, during and post UPSI period is placed below:

Table 7

S. No.	Entity (A)	Entity (B)	A to B		B to A		Period
			No of calls	Duration in Seconds	No of calls	Duration in Seconds	
1	Abhijit Pawar (915XXXX000)	Abhay Bhutada (976XXXX009 and 901XXXX888)	101	36381	47	9867	Pre-UPSI period (15-05-20 To 10-01-21)
2	Abhijit Pawar (915XXXX000)	Abhay Bhutada (976XXXX009 and 901XXXX888)	88	37564	57	20185	During UPSI period (11-01-21 To 10-02-21 19:21 hrs)
3	Abhijit Pawar (915XXXX000)	Abhay Bhutada (976XXXX009 and 901XXXX888)	115	24720	50	9533	After UPSI period (10-02-21 19:21 hrs To 13-05-21)

35. From the table above, I note that there have been several telephonic conversations between Entity nos. 1 and 8 both during the UPSI period and even after the UPSI period. Further, the fact that Entity nos. 1 and 8 were communicating with each other even before the UPSI period indicates that the two Entities shared a strong connection between them. I also note that there has been an increase in the

number of calls and in the call durations of such phone calls between Entity nos. 1 and 8 during the UPSI period. For instance, during the UPSI period of one month, Entity nos. 1 and 8 have made calls to each other 145 times (around 5 calls a day) as compared to 148 times (around 1 call every two days) during the pre-UPSI period of around 8 months.

36. From the bank account statements available before me, I also note that a company, namely Neo Star Infra Projects Pvt Ltd, wherein the Entity no. 8 is the significant beneficial owner (SBO) had transferred a sum of ₹55 crores to the bank account of Entity no. 1 on April 03, 2021. In addition to the above, it is also noted that the mother of Entity no. 8 is one of the Directors in Neo Star Infracorps Pvt Ltd.
37. It is evident from the banking transactions noted in the paragraph above more so from such large amount of funds transfer in favour of Entity no. 1 from a company in which Entity no. 8 is the significant beneficial owner (SBO), that Entity no. 8 is sharing a close relationship with Entity no. 1. Therefore, on the basis of the fact that Entity no. 1 was certainly having access to UPSI as an insider, the afore-stated commercial relationship and sudden increase in the calls between Entity nos. 1 and 8 during and after the UPSI period, make a compelling case of preponderance of probabilities leading to a *prima-facie* observation that, Entity no. 8 had received UPSI from Entity no. 1 during the UPSI period which would undeniably put Entity no. 8 to the status of an insider in terms of regulation 2 (1) (g) of the *PIT Regulations, 2015*.

Funding of trades of Entity nos. 6 and 7 by Entity no. 8

38. As pointed out earlier, the bank statements available before me suggest that significant sums of money were received by proprietorship firm of Entity no. 6 i.e. Newgen from Abhijit (Entity no. 8) and family members of Entity no. 8. Subsequently, such funds were transferred to the bank accounts of Entity no. 6 and his HUF (Entity no. 7), and after pooling those funds into the bank accounts of Entity no. 6 and his HUF (Entity no. 7) they have been utilised for trading in the scrip of *Magma*. The flow of funds between the account of Entity no. 8 (Abhijit

Pawar) & his connected entities (family members) and the accounts of Entity no. 6 & 7 are tabulated as under:

Table 8

Receipt of Funds from Entity no. 8 and related entities for trading in <i>Magma</i>			
Date	From	To	Amt.
01-Feb-21	Opening Balance in Newgen's HDFC A/c- 502XXXXXXXXXX240		₹17,581
06-Feb-21	Abhijit Pawar (HDFC - 005XXXXXXXXX282)	Newgen (HDFC - 502XXXXXXXXX240)	₹10,50,00,000
	Wife of Abhijit Pawar (HDFC - 501XXXXXXXXX299)		₹4,50,00,000
Total			₹15,00,00,000
Onward transfer of Funds			
08-Feb-21	Newgen (HDFC - 502XXXXXXXXX240)	Rakesh Rajendra Bhojgadhiya (HDFC - 591XXXXXXXXX222)	₹7,50,00,000
		Rakesh Rajendra Bhojgadhiya HUF ICICI - 091XXXXXXXX934)	₹7,50,00,000
Total			₹15,00,00,000
Same Day →Transfer of funds to Trading Accounts of the Entities			
08-Feb-21	Rakesh Rajendra Bhojgadhiya (HDFC - 591XXXXXXXXX222)	Transfer to HDFC Securities	₹ 7,50,00,000
	Rakesh Rajendra Bhojgadhiya HUF ICICI - 091XXXXXXXX934)	Transfer to Globe Capital Market Ltd	₹ 7,50,00,000
Total			₹ 15,00,00,000

39. I also note from the records revealed during the examination that though various amounts of funds were transferred by Entity no. 8 and his family members to Entity nos. 6 and 7, for the purpose of alleged trades executed by Entity nos. 6 and 7 during UPSI, only relevant fund transfers (₹15 crores) are being considered at this stage. One can observe from the above tabular illustration that the Entity no. 8, from his own bank account and also through the bank accounts of his family member (wife) has transferred in total a sum of ₹15 crores to the Entity no. 6 through the account of M/s. Newgen (proprietorship firm of Entity no. 6). Such funds were subsequently transferred onward by Newgen to the personal accounts of Entity nos. 6 and 7, which were in turn utilised by Entity nos. 6 and 7 to pay to the brokerage firm to buy the scrip of *Magma* and in this manner, by utilising these funds to trade in the scrip of *Magma* during the UPSI period, profits to the tune of

₹8,32,80,941 (as mentioned at table no. 6 above) were generated by by Entity nos. 6 and 7.

40. From the records available before me, I can further observe that subsequent to the sale of shares of *Magma* purchased by Entity no. 6 and 7 during the UPSI period, the sale proceeds and the profits so generated from the sale were transferred by Entity no. 6 and 7 back to the accounts of Entity no. 8 and his family members' accounts from where the funds were originally received. The reverse flow of funds from the accounts of Entity nos. 6 and 7 back to the accounts of Entity no. 8 and his related entities (family members) is depicted as below:

Table 9

	Return of Funds to Entity no. 8 and related entities after selling of securities		
Date	From	To	Amt.
15-Mar-21	HDFC Securities	Rakesh Rajendra Bhojgadhiya (HDFC - 591XXXXXXXXX222)	₹8,63,36,577
Total			₹8,63,36,577
Part 1 - Onward return of Funds			
16-Mar-21	Rakesh Rajendra Bhojgadhiya (HDFC - 591XXXXXXXXX222)	Wife of Abhijit Pawar (HDFC - 501XXXXXXXXX299)	₹4,50,00,000
16-Mar-21		TAB Capital Pvt Ltd (owned and controlled by Abhay Bhutada)	₹54,00,000
Total			₹5,04,00,000
	Return of Funds to Entity no. 8 and related entities after selling of securities		
Date	From	To	Amt.
10-May-21	HDFC Securities	Rakesh Rajendra Bhojgadhiya (HDFC - 591XXXXXXXXX222)	₹16,70,69,372
11-May-21	Globe Capital Market Ltd	Rakesh Rajendra Bhojgadhiya HUF ICICI - 091XXXXXXXX934)	₹12,46,00,000
Total			₹29,16,69,372
Part - 2(a) Onward return of Funds			
11-May-21	Rakesh Rajendra Bhojgadhiya (HDFC - 591XXXXXXXXX222)	Abhijit Pawar (HDFC - 005XXXXXXXXX282)	₹10,50,00,000
Total			₹10,50,00,000
Onward return of Funds through Newgen			
11-May-21	Rakesh Rajendra Bhojgadhiya HUF ICICI - 091XXXXXXXX934)	Newgen (HDFC - 502XXXXXXXXX240)	₹12,58,00,000

12-May-21	Rakesh Rajendra Bhojgadhiya (HDFC - 591XXXXXXXXX222)		₹1,02,00,000
Total			₹13,60,00,000
Part - 2(b) Onward return of Funds through Newgen			
12-May-21	Newgen (HDFC - 502XXXXXXXXX240)	DCF BFR Consulting Pvt Ltd (Private company of Abhijit Pawar) (ICICI - 098XXXXXXXX830)	₹8,60,00,000
Total			₹8,60,00,000

41. From the table no. 9 above, I note that the amount of ₹15 crores received by Entity nos. 6 & 7 from the accounts of Entity no. 8 (and accounts of his family members) that was utilised for trading in shares of *Magma* during the UPSI period was subsequently returned apparently alongwith the profits generated out of investment of those funds in the scrip of *Magma*, to the accounts of Entity no. 8 (and accounts of his family members) in following 2 parts:

Part I - Principal amount of ₹15 crores received earlier from Entity no. 8 and his family members were returned to Entity no. 8 and his family members in different tranches. For instance, ₹10.5 crores received by Entity no. 6 & 7 through Newgen from Entity no. 8 on February 06, 2021 was returned by Entity no. 6 to Entity no. 8 on May 11, 2021.

Part II - Entity no. 6 transferred ₹8,60,00,000 (an amount almost similar to profits generated from buy trades during the UPSI period) to one '**DCF BFR Consulting Pvt Ltd**'. I note from the records that DCF BFR Consulting Pvt Ltd is controlled by Entity no. 8 and as per list of directors given to ICICI Bank, Entity no. 8 is one of the directors of this company. The shares of this company are entirely held by the Entity no. 8 and his wife. (Additionally, there is transfer of fund from Entity no. 6 to the Entity no. 1 as well, which is dealt in later part of the Order).

42. I further note from the available CDRs that Entity nos. 6 and 8 were engaged in telephonic calls with each other during the UPSI period and also during the post UPSI period, the details of which are tabulated below:

Table 10

S. No.	Entity (A)	Entity (B)	A to B		B to A		Period
			No of calls	Duration in Seconds	No of calls	Duration in Seconds	
1	Abhijit Pawar (915XXXX000)	Rakesh Bhojgadhiya (989XXXX222)	0	0	0	0	<u>Pre-UPSI period</u> (01-05-20 To 10-01-21)
2	Abhijit Pawar (915XXXX000)	Rakesh Bhojgadhiya (989XXXX222)	1	265	0	0	During UPSI period (11-01-21 To 10-02-21 19:21 hrs)
3	Abhijit Pawar (915XXXX000)	Rakesh Bhojgadhiya (989XXXX222)	5	401	2	437	After UPSI period (10-02-21 19:21 hrs To 06-05-21)

43. It can be seen from the table above that there has been absolutely no telephonic communication between Entity nos. 6 and 8 in the past during the pre-UPSI period. However, the first communication between these two Entities started only during the UPSI period and thereafter, 7 other calls were also exchanged between the two Entities post UPSI period, i.e. the period during which the sell transactions in the scrip of *Magma* were executed by the Entity nos. 6 and 7. The aforesaid unusual pattern and timing of the telephonic calls between Entity nos. 6 and 8 i.e. only during the UPSI period when the shares were purchased with the funds provided by Entity no. 8 and his family members and during post UPSI period when those shares were sold and sale proceeds alongwith profits eared therefrom were to be transferred back to the Entity no. 8 and his family members, coupled with the undeniable facts that trades have been executed in the accounts of the Entity nos. 6 and 7 apparently with the help of funds received from the Entity no. 8, lead to a *prima facie* unavoidable observation that the two Entities viz: Entity no. 6 and 7 were in possession of UPSI and the trades executed by them in the scrip of *Magma* were based on or influenced by possession of the UPSI.

C. Trades from the account of Entity nos. 4 and 5

Relationship between Entity nos. 4, 5 and 6

44. I have already observed in the preceding paragraphs that during the UPSI period, the Entity no. 6, by virtue of his close connections with Entity no.1 was *prima facie* an insider in terms of regulation 2 (1) (g) of the *PIT Regulations, 2015*. I note that Entity nos. 4 and 6 have recently incorporated a Limited Liability Partnership (LLP) together on June 09, 2021, called '*Silver Dove Ventures LLP*', which is self-evident of the fact that they share a commercial relationship between them.
45. As per the available call data records received from TSPs, Entity no. 4 has frequently communicated over phone calls with Entity no. 6 before, during as well as after the UPSI period. Details of such calls are tabulated below:

Table 11

S. No.	Entity (A)	Entity (B)	A to B		B to A		Period
			No of calls	Duration in Seconds	No of calls	Duration in Seconds	
1	Rakesh Rajendra Bhojgadhiya (989XXXX222)	Amit Agrawal (985XXXX033)	21	7433	28	17919	Pre-UPSI period (15-05-20 To 10-01-21)
2	Rakesh Rajendra Bhojgadhiya (989XXXX222)	Amit Agrawal (985XXXX033)	26	1754	9	1906	During UPSI period (11-01-21 To 10-02-21 19:21 hrs)
3	Rakesh Rajendra Bhojgadhiya (989XXXX222)	Amit Agrawal (985XXXX033)	21	5966	6	371	After UPSI period (10-02-21 19:21 hrs To 12-05-21 19:21 hrs)

46. It can be observed from the table above that, there was a significant increase in the numbers of calls between Entity nos. 4 and 6 during the UPSI period and post UPSI period as compared with their phone calls during the pre-UPSI period. For instance, during the pre-UPSI period (approximately 8 months), there were 49 calls between Entity nos. 4 and 6. However, during the UPSI period and post UPSI period (around of 4 months), there were 62 calls between Entity nos. 4 and 6. Therefore, on the basis of the facts as stated above that Entity no. 6 was *prima facie*

observed to be an insider and was in possession of UPSI, the afore-stated sudden surge in the number of calls between Entity nos. 4 and 6 followed by their joint venture in commercial activities give rise to a strong preponderance of possibilities that, Entity no. 4 had also received UPSI from Entity no. 6 and consequently Entity no. 4 also apparently falls under the category of an 'insider' in terms of regulation 2 (1) (g) of the *PIT Regulations, 2015*.

47. With regard to relationship between Entity nos. 4 and 5, I note that Entity no. 4 is son of Entity no. 5 and therefore falls in the category of immediate relative.

Trades executed by Entity nos. 4 and 5

48. The preliminary examination conducted by SEBI has, *inter alia*, revealed that the trading in the account of Entity nos. 4 and 5 in the scrip of the *Company* appears to be significantly influenced by the possession of UPSI by Entity no. 4 which has been received by him from Entity no. 6 as explained above. In this regard, the buy trades executed from the trading account of Entity nos. 4 and 5 in the scrip of *Magma* during the UPSI period and sell trades executed by them post UPSI period along with profit earned out the above mentioned trades are tabulated below:

Table 12

Date	Entity Name	Gross Buy Volume	Gross Sell Volume	Gross Buy Value	Gross Sell Value
03/02/2021	Murlidhar Agrawal	19,000	-	₹10,57,516	
04/02/2021	Murlidhar Agrawal	1,71,031	-	₹98,74,137	
05/02/2021	Amit Agrawal	21,895	-	₹12,73,476	
05/02/2021	Amit Agrawal	53,105	-	₹30,88,922	
08/02/2021	Amit Agrawal	1,05,000	-	₹67,57,309	
09/02/2021	Murlidhar Agrawal	62,000	-	₹47,26,571	
09/02/2021	Amit Agrawal	95,500	-	₹73,83,945	
10/02/2021	Amit Agrawal	20,000	-	₹16,98,000	
10/02/2021	Amit Agrawal	1,22,380	-	₹99,39,271	
Announcement dated 10-Feb-21 (after market hours) - <i>Magma announced the Acquisition Deal</i>					

Date	Entity Name	Gross Buy Volume	Gross Sell Volume	Gross Buy Value	Gross Sell Value
19/02/2021	Murlidhar Agrawal	-	20,000	₹0	₹25,05,000
23/02/2021	Amit Agrawal	-	4,593	₹0	₹5,18,550
23/02/2021	Amit Agrawal	-	70,000	₹0	₹80,15,000
24/02/2021	Amit Agrawal	-	10,000	₹0	₹10,73,000
24/02/2021	Amit Agrawal	-	14,528	₹0	₹15,81,136
25/02/2021	Murlidhar Agrawal	-	60,000	₹0	₹67,65,000
25/02/2021	Amit Agrawal	-	20,000	₹0	₹22,55,000
26/02/2021	Murlidhar Agrawal	-	45,000	₹0	₹53,25,750
26/02/2021	Amit Agrawal	-	30,000	₹0	₹35,50,500
01/03/2021	Murlidhar Agrawal	-	95,000	₹0	₹1,16,36,069
01/03/2021	Amit Agrawal	-	1,11,669	₹0	₹1,36,73,628
02/03/2021	Murlidhar Agrawal	-	60,000	₹0	₹75,77,282
02/03/2021	Amit Agrawal	-	46,107	₹0	₹57,99,403
03/03/2021	Murlidhar Agrawal	-	30,000	₹0	₹38,40,772
03/03/2021	Amit Agrawal	-	30,000	₹0	₹38,17,644
05/03/2021	Murlidhar Agrawal	-	27,031	₹0	₹33,60,671
Total		6,69,911	6,73,928	₹4,57,99,145	₹8,12,94,405
Profit Calculation					
Gross Buy during UPSI Period (A)		6,69,911		₹4,57,99,145	
Gross Sell upto 03-Mar-21 (B)			6,46,897		₹7,79,33,734
Avg. Sell price of 05-Mar-21 Sale Rs. 33,60,671 / 27,031 shares = Rs. 124.33 (C)					
Remaining shares (D) = (A-B)			23,014		
Sell Value of remaining shares i.e. C x D					₹28,53,736
Total Buy and Sell Value				₹4,57,99,145	₹8,07,87,470
Net Profit (Gross Sell Value - Gross Buy Value) =					₹3,49,95,920

49. I observe from the trade details that Entity nos. 4 and 5 have cumulatively purchased 6,69,911 shares of *Magma* during the UPSI period aggregating to a total buy value of ₹4,57,99,145 and had subsequently sold all these shares within one

month after the UPSI became public, for a total sell value of ₹8,07,87,470. Through the aforesaid sale of shares of *Magma* purchased during the UPSI period, Entity nos. 4 and 5 have cumulatively generated profits to the tune of ₹3.49 crores (₹3,49,95,920). I also observe from the material available before me that both the Entities viz. Entity nos. 4 and 5 have been noticed to have never traded in the scrip of the *Company* in the past. In fact, Entity no. 4 had not even traded in any security or contract in Equity cash or derivatives segment since 2010. I also note that the trading account with Angel Broking Ltd from where Entity no. 4 has traded in the scrip of the *Company* was opened only on February 04, 2021 i.e. just one day prior to the trading in the scrip of the *Company*.

50. It is also pertinent to note that the average gross buy value per transaction of the securities in the trading account of Entity no. 5 for over the last decade has only been ₹12000. However, in a display of a blatantly unusual move, the Entity no. 5 has invested more than ₹1.5 crore in the scrip of *Magma* during the UPSI period, which certainly points out to a strong abnormal trading pattern on the part of Entity nos. 4 and 5 in the scrip of *Magma* during the UPSI period. As already noted above, the Entity nos. 4 and 5 are immediate blood relatives and the records *prima facie* suggest that Entity no. 4 was in possession of UPSI through constant touch with the Entity no. 6 who was observed to be in possession of the UPSI by virtue of his close connection with Entity no.1. Therefore, the abnormal trading in the scrip of the *Company* as demonstrated above strongly suggest that the trades executed by Entity nos. 4 and 5 were *prima-facie* based on or influenced by the possession of UPSI by these two Entities.

Funding of trades executed by Entity nos. 4 and 5

51. I observe from the documents provided by the State Bank of India, that the funds for the buy trades executed in the scrip of *Magma* by Entity nos. 4 and 5 were sourced from premature withdrawal of Fixed Deposits and taking credit from the Overdraft account by Entity no. 4 and his wife (Komal Agrawal). A table depicting such fund transactions is provided below:

Table 13

Date	From	To	Amt.
01-Feb-21	Opening Balance in Murildhar Agrawal's SBI A/c - 314XXXXX595		₹1,51,383
Receipt of Funds from family members for trading in Magma			
03-Feb-21	Mrs. Komal Amit Agrawal	Murildhar Agrawal	₹10,00,000
04-Feb-21	(SBI - 320XXXXX079)	(SBI - 314XXXXX595)	₹10,00,000
04-Feb-21	Amit Agrawal		₹90,00,000
	(SBI - 612XXXXX081)		
Total			₹1,10,00,000
Same Day → Transfer of funds to Trading Accounts			
04-Feb-21	Murildhar Agrawal	Transfer to Motilal Oswal	₹80,00,000
05-Feb-21	(SBI - 314XXXXX595)	Financial Services (MOFSL)	₹30,00,000
Total			₹1,10,00,000
Murildhar Agrawal sold shares of Magma during 19-Feb-21 to 05-Mar-21			
Receipt of funds from Motilal Oswal Financial Services			
03-Mar-21	Sale proceeds received from	Murildhar Agrawal	₹1,41,64,890
05-Mar-21	MOFSL	(SBI - 314XXXXX595)	₹1,12,65,586
Total			₹2,54,30,476
Next Day → Return of funds to his son Amit Agrawal			
06-Mar-21	Murildhar Agrawal	Amit Agrawal	₹1,37,50,000
19-Mar-21	(SBI - 314XXXXX595)	(SBI - 612XXXXX081)	
		Komal Agrawal	₹1,21,00,000
		(SBI - 320XXXXX079)	
Total			₹2,58,50,000

52. As evident from the above table, funds for trading in the scrip of *Magma* by Entity no. 5 were received from Entity no. 4 and his wife. Subsequent to the realisation of proceeds after selling the securities of *Magma*, such funds were returned back by Entity no. 5 to Entity no. 4 and to wife of Entity no. 4.

53. It is also noted that Entity no. 6 who had frequent telephone calls with Entity no. 4 during the UPSI period, has also part funded the trades of Entity no. 4 for trading in the shares of *Magma* as Entity no. 4 is seen to have partly met his pay-in obligation from the funds received from the Entity no. 6. Details of such transactions are tabulated below:

Table 14

Date	From	To	Amt.
01-Feb-21	Opening Balance in Amit's SBI A/c - 314XXXXX595		-₹848

Date	From	To	Amt.
06-Feb-21	Rakesh Rajendra Bhojgadhiya HUF ICICI - 091XXXXXX934)	Amit Agrawal (SBI - 612XXXXX081)	₹20,00,000
	Rakesh Bhojgadhiya (HDFC - 591XXXXXXXXX222)		₹50,00,000
11-Feb-21	Rakesh Bhojgadhiya (HDFC - 591XXXXXXXXX222)	Amit Agrawal (SBI - 612XXXXX081)	₹18,00,000
Total			₹88,00,000
Transfer of funds to Trading Accounts			
08-Feb-21	Amit Agrawal (SBI - 612XXXXX081)	Angel Broking	₹70,00,000
13-Feb-21			₹8,00,000
Total			₹78,00,000
Return of Funds after receiving sale proceeds from Angel Broking			
09-Mar-21	Amit Agrawal (SBI - 612XXXXX081)	Rakesh Bhojgadhiya (HDFC - 591XXXXXXXXX222)	₹88,00,000
		Total	₹88,00,000

54. I can very well note from the above table that Entity no. 4, while trading in the scrip of *Magma* has utilised the funds received from the Entity no. 6 and subsequent to the sale of shares (which were purchased during the UPSI period) has returned the sale proceeds to Entity no. 6. The above stated chain of transactions involving the purchase of shares of *Magma* during UPSI period and sale of such shares (after the UPSI became public) by Entity nos. 4 and 5 when weighed on the principles of preponderance of probability, *prima-facie* suggest that, Entity no. 4 was evidently in possession of UPSI through communication by the Entity no. 6 who, apart from the communicating the UPSI to Entity no. 4 has also provided funds that were utilised by the Entity nos. 4 and 5 for meeting their paying obligations for their buy trades in the scrip of *Magma*. Thus, given the facts and attending circumstances involving the trades made in the accounts of Entity nos. 4 & 5 in the scrip of *Magma* as described above supported by the funds transfers in bank accounts as well, one can prudently and reasonably believe at this stage that the trades executed by Entity nos. 4 & 5 were *prima facie* based on or influenced by the possession of UPSI.

55. Considering the history of trading in securities by both the Entities (Entity nos. 4 and 5), the abnormal surge in their trading and the unusual pattern of their trading in the scrip of *Magma* during the UPSI period, which was also partly

funded by Entity no. 6 who was noticed to be in possession of UPSI, coupled with the afore-stated observation of mine that the Entity no. 4 was in possession of UPSI and also, looking at their hurried arrangement of funds (by pre-maturely encashing the Fixed Deposits) for executing trades in the scrip of *Magma* during UPSI period, it *prima facie* appears that the trading in the scrip of *Magma* from the trading account of Entity nos. 4 and 5 was executed based on or influenced by the possession of UPSI by these Entities.

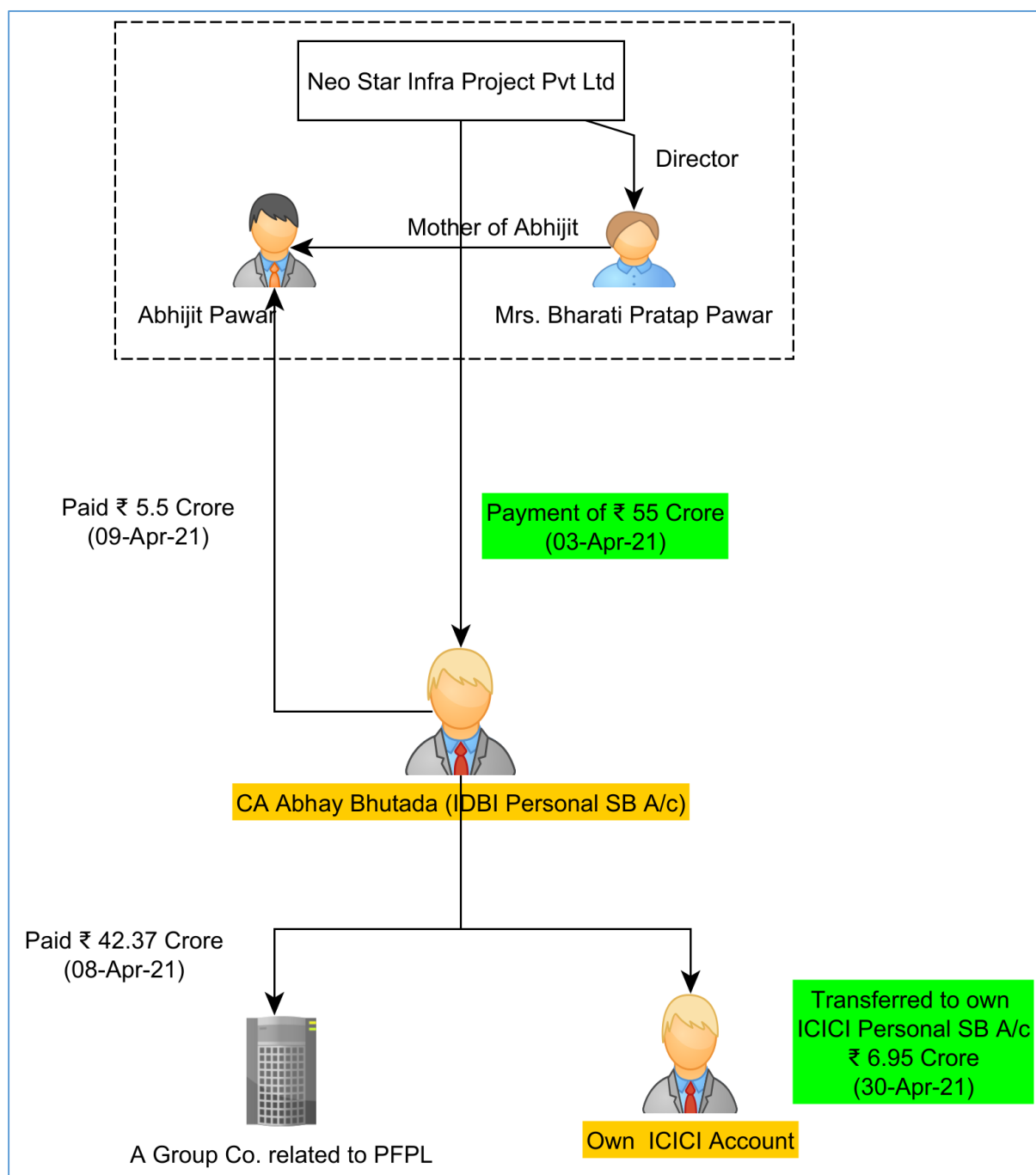
Role of Entity no. 1

56. From the aforesaid discussions pertaining to different Entities and their respective role in trading in the shares of *Magma* during the UPSI period one thing strongly emerges that behind all those suspicious insider trading pattern indulged in by different Entities in the scrip of *Magma*, it is the Entity no. 1, who had direct access to and had first hand knowledge of the development relating to the *Acquisition Deal*, in all probabilities through his close connections with other Entities and frequent phone calls during the UPSI period with them, has transmitted the UPSI to those Entities. The strong connections between the entities involving financial dealings, frequent telephonic calls and other business relations amongst the Entities which have been demonstrated with supporting facts & banking transactions in the preceding paragraphs, go on to constitute a robust set of evidence on the basis of which even a layman can see a reasonably strong probability of Entity no. 1 being the source of UPSI to these entities. The preliminary examination has also gone out a step further to bring out additional *prima facie* evidence to demonstrate as how trades in the shares of *Magma* during the UPSI period have been executed by certain trading Entities with the help of funds provided by certain other Entities and how the trading Entities have also refunded back those funds with profits earned thereon to those fund giving Entities. I have also exhibited earlier in this order through funds transactions in the accounts of Entity no.1 to show as to how the preliminary examination has also strongly indicated receipt of funds by Entity no.1 in the form of *prima facie* monetary benefit gained by him. For instance, as mentioned in the table no. 9

above, a payment of ₹54 lakhs was transferred to TAB Capital Pvt Ltd on March 16, 2021 (where 93.33% of shares were held by Entity no. 1 as on March 31, 2019), by Entity no. 6 subsequent to the realisation of sales proceeds in the accounts of Entity no. 6 and 7.

57. In addition to the above, I have also pointed out that M/s Neo Star Infra Projects Pvt Ltd, wherein the Entity no. 8 is the significant beneficial owner (SBO) has transferred a sum of ₹55 crores to the bank account of Entity no. 1 on April 03, 2021. Out of the said 55 crores received by Entity no. 1, an amount of ₹6.95 crores were transferred by Entity no. 1 to his another personal account in ICICI Bank. This amount of ₹6.95 crores, in the facts & attending circumstances of the matter appears to be his share of the gains made out of those trades executed in the shares of *Magma* in an unscrupulous manner during the UPSI period, *prima facie* based on possession of UPSI that was apparently transmitted by the Entity no. 1 to various other Entities, and such an amount has been paid to him through the account of Entity no. 8 who has already been noticed to have funded the trading of Entity nos. 6 and 7 in the scrip of *Magma*. A pictorial representation of the aforesaid tranche of fund transaction from M/s Neo Star Infra Projects Pvt Ltd to Entity no.1 is placed below:

Figure 1



58. After having examined the acts of various Entities as highlighted in the foregoing paragraphs of this order in connection with trading in the scrip of *Magma* which *prima facie* has been found to be executed while possessing the UPSI pertaining to the corporate announcement of *Acquisition Deal* made on February 10, 2021, I now proceed to examine as to whether any of the provisions of *SEBI Act, 1992* and *PIT*

Regulations, 2015 have been violated by the afore-discussed acts of the Entities and if the answer to this inquest is in the affirmative, then it has to be ascertained as to who all are *prima facie* liable for those violations. However, before I proceed to the subject of contraventions of extant law by the Entities, for the purpose of convenience and better understanding based on the facts and evidence available before me, I deem it appropriate to sum up the factual details pertaining to the acts allegedly committed and roles played by different Entities relating to their dealing in the scrip of *Magma* in the following points:

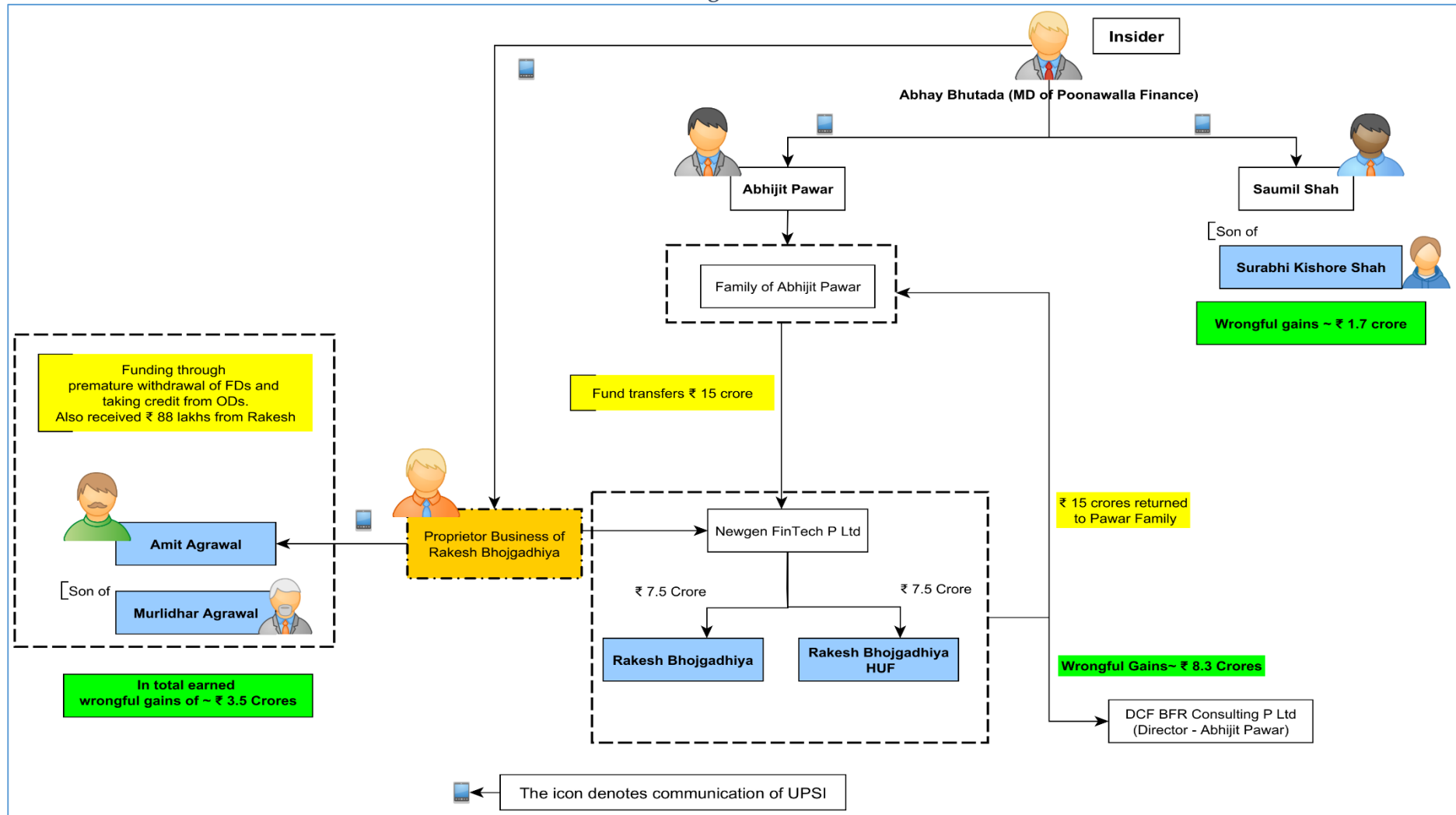
- a) Entity no. 1, was *prima facie* an insider and was in possession of the UPSI. Entity no.1 through his close connections and frequent phone calls with Entity nos. 2, 6 and 8 during the UPSI period as demonstrated earlier in this order, has communicated the said UPSI to Entity nos. 2, 6 and 8. After receiving the UPSI, Entity nos. 2, 6 and 8 have either used the said UPSI themselves or aided and abetted in using the UPSI either by trading or by facilitating/funding the trading by other Entities in the scrip of the *Magma* during the UPSI period, to earn profit.
- b) As has been illustrated earlier, Entity no. 6, subsequent to receipt of UPSI from Entity no. 1 has executed trades in the scrip of *Magma* in his own account as well as in the trading account of his connected entity (Entity no. 7) and has made huge profits. The funds required for executing those trades by Entity no. 6 and 7 were substantially made available by Entity no. 8. Connection observed between Entity nos. 1, 6 and 8 through call records, funds transfers through bank accounts (for executing the trades during UPSI period and thereafter for return of funds after selling of shares post publication of UPSI through corporate announcement) gives rise to a strong unassailable inference on the basis of preponderance of the aforesaid factual details, that Entity no. 8 was already in receipt of UPSI from Entity no. 1 and by providing funds had facilitated insider trading by Entity no. 6 and 7. Also, profits generated out of the impugned transfer of

funds for purchase of shares of *Magma* by Entity no. 6 and 7 during UPSI period were also found to have been shared with Entity no. 1 and 8.

- c) Further, Entity no. 1 communicated UPSI to Entity no. 2, who in turn executed trades in the scrip of *Magma* from the trading account of Entity no. 3 during UPSI period and made huge gains from such trading.
- d) Entity no. 6, who enjoys close connection with Entity no. 1 and has apparently received the UPSI through his long telephonic conversations with the Entity no. 1 during UPSI, also communicated the UPSI and transferred funds to Entity no. 4 on the basis of which trades are seen to have been executed in the account of Entity nos. 4 and 5 during UPSI period and substantial amounts of profits were garnered by them from such trades.
- e) I find that the pictorial representation (Figure 2) given below this paragraph very well illustrates the connections enjoyed and funds transfers made by different Entities amongst themselves as well as the trades executed by certain Entities in the scrip of *Magma* during the UPSI period based on or influenced by possession of UPSI which was *prima facie* transmitted by Entity no. 1 to other Entities. In my view the pictorial illustration provided below is fairly self-speaking and makes a very strong *prima facie* case of insider trading indulged in by the Entities based on preponderance of probabilities emerging out of the factual details about possession as well as communication of UPSI and use thereof for the insider trading in the scrip of *Magma* which have been explained at length in the preceding paragraphs of this order.

Pictorial Representation of the acts committed by the Entities

Figure 2



59. Based on the discussions and factual findings on the connections, phone calls and funds transfers amongst various Entities as well as transmission of UPSI from Entity no. 1 to other Entities as dealt with in detail in preceding paragraphs, it can now be *prima facie* held that the Entities, by pursuing a *modus operandi*, have carried out insider trading activities in the scrip of *Magma*, wherein each Entity has played his / her respective part in pursuance of the said *modus operandi*. Entity no. 1 by communicating UPSI to Entity nos. 2, 6 and 8 enabled them to engage themselves or facilitate other Entities to indulge in insider trading activities, and as is clearly borne out from the activities of Entity nos. 2, 6 and 8, they have quite apparently engaged themselves in insider trading activities. Moreover, it is also borne out of the facts before me that Entity no.1 has also been apparently monetarily benefitted out of such insider trading allegedly indulged in by the aforementioned other Entities based on the UPSI transmitted by him to them. Under the circumstances, it is *prima facie* alleged that Entity no. 1 has violated Section 12 A (d) and (e) of *SEBI Act, 1992* and regulation 3 (1) and 4(1) of *PIT Regulations, 2015*.
60. Following from my observation in the above paragraph alleging Entity no. 1 for violation of Section 12 A (d) and (e) of *SEBI Act, 1992* and regulation 3 (1) of *PIT Regulations, 2015*, I find that Entities nos. 2, 6 and 8 have *prima facie* procured the UPSI in some form or manner directly from Entity no. 1. Similarly, Entity no. 4 has *prima facie* procured the UPSI in some form or manner from Entity no. 6. Also the factual matrix of the matter conspicuously indicates that Entity nos. 3 to 7 have traded in the scrip of *Magma* during the UPSI period apparently based on or influenced by said UPSI received by the Entity nos. 2, 4, 6 and 8 from Entity no. 1. I have also demonstrated the role of Entity nos. 2, 4 and 6 in the trades executed in the scrip of *Magma* from the trading accounts Entity nos. 3, 5 and 7 respectively. Further, Entity no. 8 individually and through his family members is seen to have provided funds for the impugned insider trades executed by Entity nos. 6 and 7 and has also apparently received back the funds with profits earned thereon after those shares of *Magma* were sold by Entity nos. 6 and 7, post publication of the

said UPSI, as is visible from the fund flows noted from his bank account and the bank accounts of his family members. Under the circumstances, Entity nos. 2, 4, 6 and 8 can be stated to have *prima facie* violated the provisions of Sections 12A (d) and (e) of *SEBI Act, 1992* and regulations 3(2) and 4(1) of *PIT Regulations, 2015*. In addition to the above, Entity no. 6 by communicating UPSI to Entity no. 4, has also *prima facie* violated regulation 3 (1) of *PIT Regulations, 2015*.

61. Entity nos. 3, 5 and 7 are the registered owners of the trading accounts from which the trades in the scrip of *Magma* were executed during UPSI period. As the facts on record would preponderantly suggest, Entity nos. 3, 5 and 7 have *prima facie* consciously and in close concert with *Entity no. 2, 4, 6* respectively, permitted the insider trades to be executed from their trading account during the UPSI period which were observed to have been influenced by possession of UPSI. Therefore, I have to hold that Entity nos. 3, 5 and 7 have also actively albeit indirectly, engaged in insider trading activities based on and while in possession of UPSI and thereby have *prima facie* violated Section 12A (d) and (e) of *SEBI Act, 1992* and regulation 4(1) of *PIT Regulations, 2015*.
62. Having convinced myself about the fact that all the Entities as discussed aforesaid have played their respective roles in indulging in the serious offense of insider trading in the scrip of *Magma* during the UPSI period, the issue which now merits discussion is, who amongst the aforesaid Entities, would be *prima facie* liable for the proceeds generated as wrongful gains / profits from those insider trading activities in the scrip of *Magma*. From the detailed factual analysis and discussions made in the foregoing paragraphs of this order, I note that *Entity nos. 1 to 8*, pursuant to a *modus operandi* have *prima facie* engaged directly / indirectly in insider trading activities in the scrip of *Magma*. As can be observed from the aforesaid discussions, each Entity has played its respective part in fruition of the said *modus operandi* to indulge in insider trading in the scrip of *Magma* on the basis of UPSI transmitted by Entity no. 1 who has been acting as a common thread of information amongst all the Entities that have directly or indirectly, traded or financed the trading in shares of *Magma* during the UPSI period. As already held

above, Entity no. 1 has apparently committed violation of violated Section 12 A (d) and (e) of *SEBI Act, 1992* and regulation 3 (1) and 4(1) of the *PIT Regulations, 2015* for communicating of UPSI to Entity nos. 2, 6 and 8 and further facilitating trades in the scrip of *Magma*. I have also demonstrated from the record available from the preliminary examination that financial support for the trades executed from the trading account of Entity nos. 6 and 7 was largely satisfied from the funds received from Entity no. 8 and his relative and subsequent to liquidation of the buy positions post UPSI period, the wrongful gains earned out of the trades were accordingly shared by Entity nos. 6 and 7 with Entity nos. 1 and 8. Therefore, for the purpose of impounding of wrongful gains generated from the trading accounts of Entity nos. 6 and 7 in the scrip of *Magma* during the relevant period, the liability of Entity no. 1 and 8 appears to be co-terminus with the liability of Entity nos. 6 and 7. The Entity wise liability, for the proceeds generated as wrongful gains from their respective insider trading activities to the extent the same are quantified at this stage, are mentioned in the table below:

Table 15

S. No. (A)	Trading Account of Entities in which insider trading executed (B)	Entities liable for insider trading and wrongful gains (C)	Total Wrongful gains (D)
1	Entity no. 6	Entity no. 1 (Abhay Bhutada)	₹8,32,80,941
		Entity no. 6 (Rakesh Rajendra Bhojgadhiya)	
2	Entity no. 7	Entity no. 7 (Rakesh Rajendra Bhojgadhiya HUF)	
		Entity no. 8 (Abhijit Pawar)	
3	Entity no. 4	Entity no. 4 (Amit Agrawal)	₹3,49,95,920
		Entity no. 5 (Murlidhar Bagranglal Agrawal)	
4	Entity no. 5	Entity no. 6 (Rakesh Rajendra Bhojgadhiya)	
5	Entity no. 3	Entity no. 2 (Saumil Shah)	₹1,76,03,579
		Entity no. 3 (Surabhi Kishore Shah)	
Total			₹13,58,80,440 (₹13.58 crores)

63. As the regulator of the capital markets, SEBI has the vowed duty to safeguard the interests of investors and protect the integrity of the securities market. Needless to emphasize that insider trading is considered to be a very serious violation of securities market *inter alia*, for the reason that it creates an unduly advantageous position for a person who is an insider and is connected to a company or for the reason of having an unpublished inside information as compared to the others, who have no connection and thereby are deprived of such inside information. Knowing inside information creates opportunities to take advantage of such information, as the person who is aware of such inside information cannot claim to be enjoying a level playing field vis-à-vis the persons not having any connection with the company. Indulging into trading activities to take advantage of being an insider tantamount to committing fraud upon the other investors of the securities market, who for the reason of not having the inside information, fail to reap similar benefits for themselves. The insider trading activity not only causes notional monetary loss to innocent investors but also has the effect of interfering with the development of securities market, as investors tend to lose faith in the securities market. The same is detrimental to the development of the securities market and hence qualifies as an “irreparable injury”. The objective of SEBI as enshrined in the *SEBI Act, 1992* is not only the protection of investors but also orderly development of securities market.
64. The preliminary examination shows as to how a crucial insider information which was expected to remain confidential and confined to certain persons till its public disclosure, apparently starts flowing from one person to another, who are seen to have been enjoying connection with each other. The flow of funds amongst the connected Entities around the period which were visibly used for trading in shares of the *Company* coupled with unusual pattern of trade noticed during the UPSI period in the scrip of the *Company*, selling of those shares after the dissemination of the UPSI and subsequent reversal of funds to various Entities, a portion of which can even be traced to the bank accounts of the person (Entity no.1) who is noticed be the original source of possession of UPSI , undeniably

strengthens the possibility of preponderances that the above mentioned trades executed through the demat and trading accounts of the *Entities nos. 3, 4, 5, 6 and 7* during the UPSI period are not a co-incidence but have been executed while in possession of and under the influence of the UPSI related to the acquisition of the controlling stake in the *Magma* by the *RSHPL*.

65. The examination also reveals as to how a person (Entity no.1) who was expected to remain above board and maintain utmost secrecy with respect to the UPSI in the interest of the shareholders of the *Company (Magma)* till the said UPSI became public, has seemingly engaged and indulged in such fraudulent activities by way of transmitting the UPSI to multiple connected Entities enabling them to indulge in insider trading activities in concert with their own respective connected Entities. Such fraudulent activities by all the aforementioned Entities by no measure can be considered to be good for the integrity and safety of the securities market. Considering holistically all the facts that have emerged so far from the preliminary examinations, I am convinced that this is a fit case where, pending detailed investigation, effective and expeditious preventive and remedial action is required to be taken by way of *ad interim ex -parte* in order to protect the interests of investors and preserve the safety and integrity of the securities market. Therefore, in order to safeguard the interests of securities market, to prevent such persons/ entities from diverting the proceeds allegedly earned out of the profits/ gains made from these apparently insider trades executed by them in the scrip of the *Company* and further to deter other persons from engaging and indulging in such unlawful malpractices, it becomes necessary for SEBI to take urgent preventive steps for impounding and retaining the proceeds by way of *an interim* measure. Accordingly, as an *interim measure*, an *ad-interim ex-parte* Order for impounding such alleged proceeds of profits under section 11(4)(d) of the *SEBI Act, 1992* needs to be issued against Entities.
66. I further note that for the additional reasons recorded herein below, immediate action is called for against the Entities:

- a) The preventive directions are warranted since Abhay Bhutada (Entity no. 1) has now been elevated to the position of Managing Director of *Magma* and has access to ongoing UPSIs of the *Company*. Further, Rakesh Bhojgadhiya (Entity no. 6), Abhijit Pawar (Entity no. 8) and Saumil Shah (Entity no. 2) are having continuous and an on-going strong relationship with Abhay Bhutada (Entity no. 1) even after the aforesaid event of insider trading. Therefore, there is an impending danger to investors that in future they might continue to trade in similar fashion, while in possession of and on the basis of USPI.
- b) There is a strong possibility that a person, who has been *prima facie* found to have committed a violation and reaped the benefits of such violations, could commit the same or any other violations to the detriment of the integrity of the Indian securities market. Principle of urgency requires stopping of such activities on time and therefore, it is necessary to stop such persons from committing further violations. Considering the afore-discussed alleged *prima facie* actions of the *Entities* in the extant matter, there is a high probability that there is an imminent threat of further insider trading activities. Therefore, urgent preventive steps are required to be taken to prevent them from causing any further harm to the market / loss to investors which will be in the best interest of the general investors and the market. Therefore, there being an impending threat to the interest of the Securities Market and interest of general investors, there is an urgency that these *Entities* should be prevented from further committing breach of securities laws in securities market.
- c) The examination also revealed that *Entities* having meager amount in bank account have made disproportionate investment in the scrip of *Magma*, which further indicates the possibility of diversion of the unlawful gains by such *Entities* with the initiation of quasi-judicial proceedings, which may result in defeating the effective implementation of the direction of disgorgement, if any, to be passed after adjudication on merits. Non-interference by the

Regulator at this stage would therefore result in irreparable injury to the interests of the securities market and the investors. It therefore becomes necessary for SEBI to take urgent steps of impounding and retaining the proceeds (wrongful gains) allegedly made by *Entities* through the aforesaid alleged insider trading, by way of an *interim* measure. Considering the strong facts and circumstances of the case as have been brought to the fore by way of preliminary examination, I am convinced that the balance of convenience lies in favour of SEBI. In this regard, I also note that under Section 11(4)(d) of *SEBI Act, 1992* proceeds of a transaction can be impounded pending investigation. Therefore, as the proceeds which have been generated are intrinsically linked to the *prima facie* violations and offenses committed by the *Entities*, appropriate direction needs to be issued in this regard.

Order

67. In view of the above, pending conclusion of investigation, in order to protect the interests of investors and the integrity of the securities market, I, in exercise of the powers conferred upon me under Sections 11, 11(4) and 11B (1) read with Section 19 of the *SEBI Act, 1992* hereby issue by way of this interim ex-parte order, the following directions, which shall be in force until further orders: -

- a) All the Entities, viz: Entity nos. 1 to 8 are restrained from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever until further orders.
- b) If the Entities have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out / square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. The Entities are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.

- c) The bank accounts of the Entities are hereby impounded to the extent of their respective liability as indicated against them as under: -
- (i) Bank accounts of Entity nos. 1, 6, 7 and 8 shall be jointly and severally liable for an amount of **₹8,32,80,941**.
 - (ii) Bank accounts of Entity nos. 4, 5 and 6 shall be jointly and severally liable for an amount of **₹3,49,95,920**.
 - (iii) Bank accounts of Entity no. 2 and 3 shall be jointly and severally liable for an amount of **₹1,76,03,579**.
- d) Further, each of the 3 group of Entities mentioned at sub-paragraph (c) above, is directed to open an escrow account with a Nationalized / Scheduled Commercial bank jointly and severally, and deposit within 15 days from the date of service of this order, the impounded amount as mentioned at the respective serial number i.e. sub- paragraph (c) (i), (ii) and (iii) above, which has been *prima facie* found to be the proceeds of wrongful profits/gains allegedly generated from the insider trading activity as noted above in this order. Each of the said three escrow account/s shall be interest-bearing escrow account and shall create a lien in favour of SEBI. Further, the monies kept therein shall not be released without permission from SEBI.
- e) The banks where Entities are holding bank accounts, jointly or severally, are directed to ensure that till further directions, except for compliance of direction at sub-paragraph (c) and (d) above, no debits shall be made in the bank accounts of the Entities without the permission of SEBI. The banks are directed to ensure that all the above directions are strictly enforced. Only on production of proof of deposit of entire amount mentioned sub-paragraph (c) above (either jointly or severally) in the escrow account, SEBI shall communicate to the banks to defreeze the bank accounts. It is clarified that the bank accounts of Entity no. 6 shall be de-frozen only after the compliance of both the directions of sub-paragraph (c) (i) and (ii) above.

- f) Entities are directed not to dispose of or alienate any assets, whether movable or immovable, or any interest or investment or charge on any of such assets held in their name, individually or jointly, including money lying in bank accounts except with the prior permission of SEBI until the impounded amount is deposited in the escrow account.
- g) Entities are directed to provide a full inventory of all assets held in their name, individually or jointly, whether movable or immovable, or any interest or investment or charge on any of such assets, including details of all bank accounts, demat accounts and mutual fund investments, immediately but not later than 5 working days from the date of receipt of this order.
68. The foregoing *prima facie* observations contained in this Order, are made on the basis of the material available on record. In this context, Entities may, within 21 days from the date of receipt of this Order, file their reply/objections, if any, to this Order and may also indicate whether they desire to avail an opportunity of personal hearing on a date and time to be fixed on a specific request to be made in that regard.
69. This Order is without prejudice to the right of SEBI to take any other action that may be initiated against Entities in accordance with law.
70. The above directions shall take effect immediately and shall be in force until further orders.
71. A copy of this order shall be served upon Entities, Stock Exchanges, Banks, Registrar and Transfer Agents and Depositories for necessary action and compliance with the above directions.
72. A copy of this order shall also be served upon Magma Fincorp Ltd. and Poonawalla Finance Pvt Ltd. for information and for examination vis-à-vis the Code of Conduct and employment terms.

73. A copy of this order shall also be served upon The Institute of Chartered Accountants of India, for examination vis-à-vis their Rules and Regulations.

-Sd-

Date: September 15, 2021

S. K. MOHANTY

Place: Mumbai

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA