

SECURITIES AND EXCHANGE BOARD OF INDIA

CONFIRMATORY ORDER

UNDER SECTION 11(1), 11(4) AND 11B(1) OF SECURITIES AND EXCHANGE
BOARD OF INDIA ACT, 1992

In respect of:

Sr. No.	Name of the Entity	PAN
1	Mr. Pranshu Bhutra	AJGPB4087R
2	Mr. Amit Bhutra	ADTPB1150A
3	Mr. Bharath C. Jain	AFTPJ6299J
4	Capital One Partners	AANFC3427C
5	Tesora Capital	AAMFT3003A
6	Mr. Manish C Jain	AGDPJ5605M
7	Mr. Ankush Bhutra	ASIPB1460F
8	Mr. Venkata Subramaniam V. V	AAKPV6612K

IN THE MATTER OF INSIDER TRADING IN THE SCRIP OF INFOSYS LIMITED

1. Infosys Limited (hereinafter referred to as '**Infosys**'/ '**Company**') is a company listed on the National Stock Exchange of India Limited (hereinafter referred to as '**NSE**') and the BSE Limited (hereinafter referred to as '**BSE**') and the above mentioned two stock exchanges are hereinafter collectively referred to as '**the exchanges**'. The scrip of the *Company* is also traded in Futures and Options segment (hereinafter referred to as '**F&O Segment**') of both BSE & NSE and is a part of main indices of both these exchanges viz. BSE SENSEX and NIFTY50 index.
2. The *Company* had disclosed its audited financial results for the quarter ended June 30, 2020 to BSE and NSE on July 15, 2020. On the basis on internal alerts, the

Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an examination in respect of trading activities of two partnership firms namely Capital One Partners (hereinafter referred to as '**Capital One**'/'*Entity no. 4*) and Tesora Capital (hereinafter referred to as '**Tesora**'/'*Entity no. 5*) in the scrip of the *Company* for the period hovering around the corporate announcement of the aforementioned audited financial results of the *Company*. The said quarterly financial results were *prima-facie* satisfying the ingredients of Unpublished Price Sensitive Information (hereinafter referred to as '**UPSI**') in terms of provisions of Regulation 2(1)(n)(i) of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as '**PIT Regulations, 2015**'). Based on the extracts of Structured Digital Database as provided by Infosys (hereinafter referred to as '**SD Database**'), it was *prima-facie* found that the UPSI pertaining the quarter ended June 30, 2020, came into existence on June 29, 2020 and it was finally disclosed to the exchanges on July 15, 2020 at 16.21 hours i.e. after market hours. Therefore, it was *prima-facie* held that the UPSI related to the quarterly financial results for quarter ended on June 30, 2020 was in existence from June 29, 2020 to July 15, 2020 (hereinafter referred to as '**UPSI Period**').

3. It was observed during the course of examination that one Mr. Amit Bhutra (hereinafter referred to as '**Amit**'/'*Entity no. 2*) and one Mr. Bharath C. Jain (hereinafter referred to as '**Bharath**'/'*Entity no. 3*) are working partners of Capital One. Amit is also working partner of Tesora along with two other partners viz. Mr. Ankush Bhutra (hereinafter referred to as '**Ankush**'/'*Entity no. 6*) and Mr. Manish C Jain (hereinafter referred to as '**Manish**'/'*Entity no. 7*'). For the sake of convenience, *Entities no. 2 to 7* have also been referred to as '**Traders**' in this order.
4. It was observed during the course of examination that one Mr. Pranshu Bhutra (hereinafter referred to as '**Pranshu**'/'*Entity no. 1*) is the Senior Corporate Counsel of Infosys. It was also observed during examination that one Mr. Venkata Subramaniam V. V (hereinafter referred to as '**Venkata**'/'*Entity no. 8*) is holding the position of Senior Principal in Corporate Accounting Group

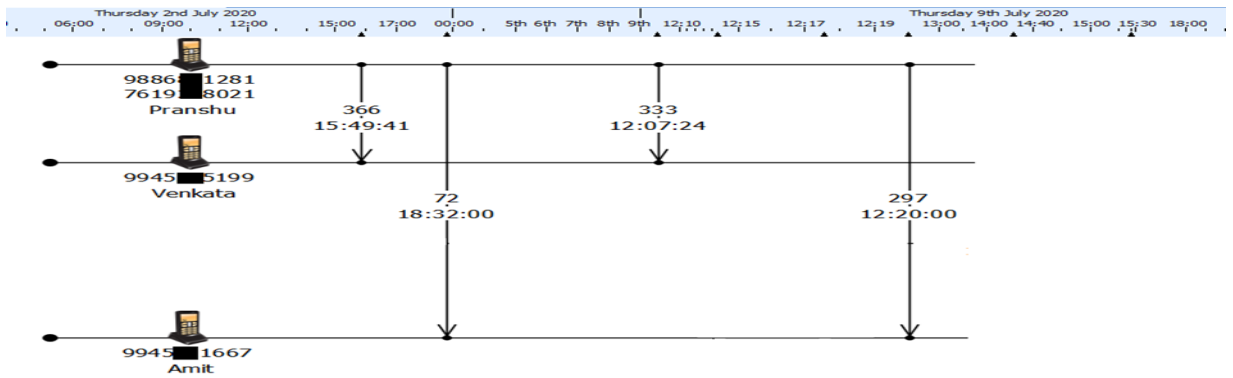
of Infosys and was identified as a 'Designated Person' by Infosys during the said UPSI period. By virtue of being a Designated Person, Venkata was reasonably expected to have an access to and be in possession of the UPSI. It was found during examination that Venkata, apart from being a colleague of Pranshu, was also in frequent communication with Pranshu through telephonic communication during the UPSI period, which give rise to a strong preponderance of probability that Pranshu was also *prima-facie* having reasonable access to the UPSI through Venkata, hence, was a connected person as well, as far as the UPSI is concerned.

5. It was also found during examination that Amit was in frequent telephonic communication with Pranshu during the UPSI period. Further, Pranshu had a fund transaction with a company named Mahrishi Alloys Private Limited (hereinafter referred to as '**MAPL**') and soon thereafter MAPL had fund transaction with one Ms. Shyama Devi Bhutra, who is the Mother of Amit. It was also found that the father of Pranshu, Mr. Ram Bilas Bhutra and Amit are both on the Board of Directors of MAPL. In view of all the above connections, it was held on *prima-facie* level that Amit is a connected person and is reasonably expected to have an access to the UPSI. Therefore, it was *prima-facie* held on preponderance of probability basis that Amit was an insider and was in possession of the UPSI procured from Pranshu.
6. It was also noticed that Amit and Bharath were constantly in connection with each other by way of frequent telephonic communication. Thus, it was *prima-facie* held that Bharath was a connected person and was reasonably expected to have access to the UPSI through Amit.
7. It is relevant here to refer to the details of telephonic conversations that had taken place amongst Venkata, Pranshu, Amit and Bharath during the UPSI period on the basis of which, it was *prima-facie* held that the above-mentioned *Entities* had possession of UPSI:

7.1. Pranshu had a call with Venkata on July 02, 2020 at 15:49:41 hours which lasted for 366 second. Thereafter, on the same day at 18:32:00 hours, Pranshu spoke to Amit for 72 second.

7.2. Similarly, on July 09, 2020, Pranshu had another long duration call with Venkata at 12:07:24 hours which lasted for 333 seconds. Immediately after the said call, at 12:20:00 hours, Pranshu spoke to Amit for 297 seconds. The same is depicted in below mentioned figure:

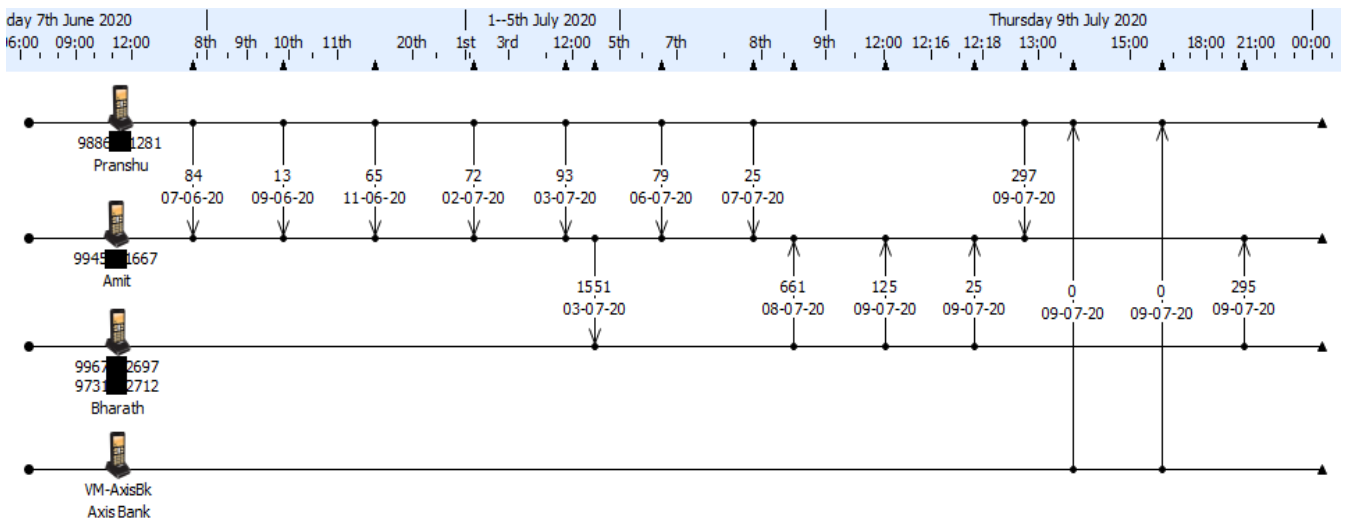
Figure no. 1



7.3. During the period from July 01, 2020 to July 31, 2020, Pranshu and Amit have made several calls between themselves.

7.4. On July 08, 2020 and July 09, 2020, there were long duration calls of 661 seconds and 295 seconds respectively, between Amit and Bharath. The same is illustrated in below mentioned figure:

Figure no. 2



8. It was observed from the trading details of Capital One that it had traded in the scrip of Infosys in the F&O segment just prior to the announcement of financial results for the quarter ended June 30, 2020 and soon after the announcement, subsequently offloaded/squared off its positions in such a manner that the net position became zero. The orders on behalf of Capital One were placed by both Amit and Bharath. The trading details of Capital One shows that it had entered into the following trades during and after the UPSI period:

Table no. 1

Date	Trading Member	Sec Name/ Contract	Gr Buy Vol	Gr Sell Vol	Net Trd Vol
10/07/2020	MOTILAL	INFY20JULFUT	12,000	0	12,000
10/07/2020	IIFL	INFY20JULFUT	24,000	0	24,000
13/07/2020	MOTILAL	INFY20JULFUT	36,000	0	36,000
13/07/2020	IIFL	INFY20JULFUT	1,20,000	0	1,20,000
14/07/2020	MOTILAL	INFY20JULFUT	36,000	0	36,000
14/07/2020	IIFL	INFY20JUL740PE	0	27,600	-27,600
14/07/2020	IIFL	INFY20JUL750PE	0	36,000	-36,000
14/07/2020	IIFL	INFY20JULFUT	48,000	0	48,000
15/07/2020	MOTILAL	INFY20JULFUT	0	12,000	-12,000
15/07/2020	IIFL	INFY20JUL760PE	0	60,000	-60,000
15/07/2020	IIFL	INFY20JULFUT	0	72,000	-72,000
16/07/2020	MOTILAL	INFY20JULFUT	0	72,000	-72,000
16/07/2020	IIFL	INFY20JULFUT	0	1,20,000	-1,20,000
20/07/2020	IIFL	INFY20JUL740PE	7,200	0	7,200
20/07/2020	IIFL	INFY20JUL750PE	36,000	0	36,000
20/07/2020	IIFL	INFY20JUL760PE	60,000	0	60,000
21/07/2020	IIFL	INFY20JUL740PE	20,400	0	20,400

The aforementioned trade details show that Capital One was purchasing Infosys Future (having expiry on July 30, 2020) till July 14, 2020 and thereafter started selling it so that by July 16, 2020, it had squared off its position in the said future contract. Similarly, it was selling Put Options of different strike prices viz. INR 740, INR 750 and INR 760 (all of which have expiry on July 30, 2020) till July 15, 2020 and thereafter, it started purchasing Put Options of same expiry in such a way that by July 21, 2020, it had completely squared off its positions in the said Options Contracts.

9. As a result of taking such positions in F&O Segment, as mentioned in the Table-1 above, Capital One has earned a cumulative net profit of INR 279.51 lakhs (squared off difference). The details of calculation of the said profit are as under:

Table no. 2

Sr. No.	Product	Quantity bought / sold while in possession of UPSI and subsequently squared off	Weighted Avg Sell Price of the product (In INR)	Weighted Avg Buy Price of the product (In INR)	Proceeds from insider trading (In INR) = A*(B-C)
1	INFY20JULFUT	2,76,000	893.15	794.67	2,71,80,480
2	INFY20JUL740PE	27,600	7.56	0.74	1,88,232
3	INFY20JUL750PE	36,000	10.07	1.05	3,24,720
4	INFY20JUL760PE	60,000	5.23	0.93	2,58,000
Total (In Rs.)					2,79,51,432

10. Similarly, it is observed that Tesora had entered into the following trades during and after UPSI period for which orders were placed by Amit:

Table no. 3

Date	Trading Member	Sec Name/ Contract	Gr Buy Vol	Gr Sell Vol	Net Trd Vol
13/07/2020	KOTAK	INFY20JULFUT	9,600	0	9,600
14/07/2020	KOTAK	INFY20JULFUT	2,400	0	2,400
14/07/2020	MOTILAL	INFY20JULFUT	18,000	0	18,000
15/07/2020	KOTAK	INFY20JUL780PE	0	12,000	-12,000
15/07/2020	KOTAK	INFY20JUL800PE	0	6,000	-6,000
15/07/2020	KOTAK	INFY20JULFUT	1,200	12,000	-10,800
15/07/2020	MOTILAL	INFY20JULFUT	12,000	12,000	0
16/07/2020	KOTAK	INFY20JULFUT	0	1,200	-1,200
16/07/2020	MOTILAL	INFY20JULFUT	0	18,000	-18,000
20/07/2020	KOTAK	INFY20JUL780PE	12,000	0	12,000
20/07/2020	KOTAK	INFY20JUL800PE	6,000	0	6,000

This aforesaid trade details show that Tesora was purchasing Infosys Future (having expiry on July 30, 2020) till July 14, 2020 and thereafter started selling it on net level so that by July 16, 2020, it had squared off its position in the said future contract. Similarly, it sold Put Options of different strike prices viz. INR 780 and INR 800 (both of which have expiry on July 30, 2020) on July 15, 2020 and thereafter, it purchased off-setting Put Options contracts of same expiry on

July 20, 2020 in such a way that it had completely squared off its positions in the said Options Contracts.

11. As a result of taking such positions in F&O Segment, as mentioned in the Table-3 above, Tesora has earned a cumulative net profit of INR 26.82 lakhs (squared off difference). The details of calculation of the said profit are as under:

Table no. 4

Sr. No.	Product	Quantity bought / sold while in possession of UPSI and subsequently squared off	Weighted Avg Sell Price of the product (In Rs.)	Weighted Avg Buy Price of the product (In Rs.)	Proceeds from insider trading (In Rs.) = A*(B-C)
1	INFY20JULFUT	43,200	866.00	807.57	25,24,176
2	INFY20JUL780PE	12,000	8.52	1.25	87,240
3	INFY20JUL800PE	6,000	13.70	1.95	70,500
Total (In Rs.)					26,81,916

12. In view of the above noted information unearthed during the course of examination of the trading activities indulged in by the *Entities no. 4 & 5* in the scrip of Infosys during the examination period, an *ex-parte ad-Interim* Order dated May 31, 2021 (hereinafter referred to as '*Interim Order*') was passed in respect to all the aforementioned *Entities* wherein it was observed that said *Entities* have *prima-facie* acted in violation of the following provisions of law:

Name of the <i>Entity</i>	<i>Prima-facie</i> violation
Pranshu Bhutra	Section 12A(e) of SEBI Act and Regulation 3(1) & 3(2) of PIT Regulations, 2015
Amit Bhutra	Section 12A(d) & (e) of SEBI Act and Regulation 3(1), 3(2) & 4(1) of PIT Regulations, 2015
Bharath C Jain	Section 12A(d) & (e) of SEBI Act and Regulation 3(2) & 4(1) of PIT Regulations, 2015
Capital One Partners	Section 12A(d) & (e) of SEBI Act and Regulation 4(1) of PIT Regulations, 2015

Tesora Capital	Section 12A(d) & (e) of SEBI Act and Regulation 4(1) of PIT Regulations, 2015
Venkata Subramaniam V V	Section 12A(e) of SEBI Act and Regulation 3(1) of PIT Regulations, 2015

Apart from the aforesaid observations with respect to the violations of provisions of SEBI Act and PIT Regulations, 2015, being working partners of Tesora, *Entities no. 6 and 7* viz. Manish and Ankush were also held to be jointly and severally liable to the extent of the profit earned by their partnership firm by way of its *prima-facie* insider trading.

13. In the light of the aforesaid *prima-facie* observations and looking at the urgency of the matter so as to protect the interest of the investors and to protect the integrity of securities market, *vide Interim Order*, pending the completion of detailed enquiry/examination, the following directions were issued *inter alia*, restraining the *Entities* in the following manner:

13.1. *Mr. Pranshu Bhutra, Mr. Amit Bhutra, Mr. Bharath C Jain, Capital One Partner, Tesora Capital and Mr. Venkata Subramaniam V. V are restrained from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever until further orders;*

13.2. *Mr. Manish C Jain and Mr. Ankush Bhutra are restrained from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever until the compliance of direction mentioned at paragraph 71.5 below;*

13.3. *If Mr. Pranshu Bhutra, Mr. Amit Bhutra, Mr. Bharath C Jain, Capital One Partner, Tesora Capital, Mr. Venkata Subramaniam V. V, Mr. Manish C Jain and Mr. Ankush Bhutra 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 said 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;*

13.4. *The bank accounts of Capital One Partners, Mr. Amit Bhutra and Mr. Bharath C Jain to the extent of amount mentioned in table no. 13 at paragraph 58 above is impounded. Further, Capital One Partners, Mr. Amit Bhutra and Mr. Bharath C Jain are directed to open an escrow account with a*

nationalized bank, jointly and severally and deposit the impounded amount mentioned therein which has been prima facie found to be proceeds generated from the prima facie insider trading, in this Order, within 15 days from the date of service of this order. The escrow account/s shall be an 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;

- 13.5. *The bank accounts of Tesora Capital, Mr. Amit Bhutra, Mr. Manish C Jain and Mr. Ankush Bhutra to the extent of amount mentioned in table no. 13 at paragraph 58 above is impounded. Further, Tesora Capital, Mr. Amit Bhutra, Mr. Manish C Jain and Mr. Ankush Bhutra are directed to open an escrow account with a nationalized bank, jointly and severally and deposit the impounded amount mentioned therein which has been prima facie found to be proceeds generated from the prima facie insider trading, in this Order, within 15 days from the date of service of this order. The escrow account/s shall be an 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;*
- 13.6. *Mr. Amit Bhutra, Mr. Bharath C Jain, Capital One Partner, Tesora Capital, Mr. Manish C Jain and Mr. Ankush Bhutra 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, jointly or severally, including money lying in bank accounts except with the prior permission of SEBI until the impounded amount is deposited in the escrow account.*
- 13.7. *Mr. Amit Bhutra, Mr. Bharath C Jain, Capital One Partner, Tesora Capital, Mr. Manish C Jain and Mr. Ankush Bhutra are directed to provide a full inventory of all assets held in their name, jointly or severally, 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;*
- 13.8. *The banks where Capital One Partners, Tesora Capital, Mr. Amit Bhutra, Mr. Bharath C Jain, Mr. Manish C Jain and Mr. Ankush Bhutra are holding bank accounts, jointly or severally, are directed to ensure that till further directions, except for compliance of direction at paragraph 71.4 & 71.5, no debits are made in the said bank accounts without the permission of SEBI. The banks are directed to ensure that all the above directions are strictly enforced. On production of proof of deposit of entire amount mentioned in column 4 of table no. 13 in respect of serial No.1 entities by any of the entities mentioned in column 2 corresponding to serial No.1 of table no. 13, in the escrow account, SEBI shall communicate to the banks to defreeze the accounts corresponding to all the entities mentioned in the column No. 2 of*

table no. 13 corresponding to serial No.1. Similarly on production of proof of deposit of entire amount mentioned in column 4 of table no. 13 in respect of serial No.2 entities by any of the entities mentioned in column 2 corresponding to serial No.2 of table no. 13, in the escrow account, SEBI shall communicate to the banks to defreeze the accounts corresponding to all the entities mentioned in the column No. 2 of table no. 13 corresponding to serial No.2. However, in case of entities who are falling in both serial no.1 and 2 and full deposit of amount mentioned in column no.4 of serial no.1 and 2 has not been made, such persons bank account shall remain frozen till the entire amount mentioned in column no.4 of serial no.1 and 2 are deposited.

13.9. The Depositories are directed to ensure, that till further directions, no credits are made in the demat accounts of the Noticee No. 1 to 8, held individually or jointly. The depositories are further directed to ensure that till further direction except for compliance of direction mentioned at paragraphs 71.3, 71.4 and 71.5, no debits are made in the demat accounts of the said Noticees, held individually or jointly.

13.10. The Registrar and Transfer Agents are also directed to ensure that till further directions, no credits are permitted and that except for compliance of direction at paragraph 71.4 and 71.5 the securities / mutual funds units held in the name of the Noticee No. 1 to 8, jointly or severally, are not transferred / redeemed.

14. Along with the abovementioned directions, the *Entities* were also provided with 21 days' time to submit their respective replies/objections, if any, to SEBI with respect to various allegations and observations made in the *Interim Order*.

15. The *inter-se* connections amongst *Entities no. 1 to 7* with one another as well as with other connected entities have been elaborately illustrated in details in the *Interim Order* with the help of diagram and a Table at para no. 22 on pages no. 18-19 therein. The same are not being reproduced in the present order for the sake of brevity.

16. It is noted that the *Interim Order* was served upon all the *Entities vide* separate emails dated June 01, 2021 and being aggrieved by the said *Interim Order*, the *Entities no. 2 to 5* had approached the Hon'ble Securities Appellate Tribunal (hereinafter referred to as '**SAT**') by way of Appeal no. 422 of 2021 in which the Hon'ble SAT, while disposing of the above mentioned appeal, *vide* order dated June 22, 2021, passed the following directions:

“4. Be that as it may. We are of the opinion that before this Tribunal deals with the issues that has been raised by the appellant with regard to the urgency or otherwise in passing of the impugned order and in issuing the directions, it would be appropriate for the appellant to file their reply along with an application for vacating the directions so issued by the WTM.

5. In view of the aforesaid, we dispose of the appeal at this stage directing the appellant to file an appropriate reply along with the stay vacating application within a week from today. If that is done, the WTM will give an opportunity of hearing and thereafter pass an appropriate order within three weeks.”

17. In this regard, I note that *Entity no. 1/Pranshu* in his reply to the *Interim Order* vide letter dated July 16, 2021 has made the following submissions: -

17.1. He is presently employed as a Senior Corporate Counsel of Infosys and serves as the Employment Law Practice Head for the Asia-Pacific region since November 2019. At the time of UPSI, he was designated as the ‘Corporate Counsel’ of Infosys. His role is to advise the *Company* and its subsidiaries on issues related to employment law such as termination of employees, social security contributions, secondment and deputation to countries in the APAC region, employment contracts and policies, employment litigation, amongst others.

17.2. As per his scope of work, he is not required to interact with any team involved in the formulation of, or tracking of financial results, such that he would be reasonably expected to have access to any UPSI related to financial results, including the aforesaid UPSI during June-July, 2020. Therefore, there was no way he could be reasonably expected to have access to such UPSI during the UPSI Period as a Corporate Counsel, which is a level 6B job in the hierarchy of designations in the *Company*.

17.3. While he may interact with certain teams from the Finance Department, such interaction is limited to issues concerning employment law, such as provident fund contribution, etc. In support of such contention, he has relied upon the Structured Digital Database extracts provided by the *Company*, wherein his name doesn’t appear amongst the persons who have either shared or received the above noted UPSI.

- 17.4. Pranshu has fairly admitted that he and Amit are related to each other as second cousins as their fathers are cousins, and they frequently communicate with each other, at least once a week, on varied topics regarding personal life, common interests and work-related conversations, none of which has anything to do with any sensitive information pertaining to Infosys, or the trading done by Amit in shares of any listed company.
- 17.5. In support of such contention that they are in frequent communication with each other, Pranshu has stated that the Call Data Record (hereinafter referred to as 'CDR') show that he and Amit have spoken to each other more than 100 times over a period of 37 weeks i.e., for an average of 2-3 times a week. Further, between June 01, 2020 and July 31, 2020, they have spoken to each other as many as 35 times, which include 7 times during the UPSI period and they have spoken to each other around 25 times even after the UPSI Period, i.e. during July 19, 2020 to September 16, 2020. Therefore, as per the submission of Pranshu, the telephone calls between them were neither an one-off or an unusual event.
- 17.6. Pranshu has denied having knowledge of any trades done by Amit in Infosys or any other company. He has also denied that the calls between him and Amit on July 02 and 09, 2020 pertained to communication of any UPSI, as alleged in the *Interim Order*.
- 17.7. Pranshu has attempted to explain his transaction with MAPL by stating that his father, Mr. Ram Bilas Bhutra is part of the promoter group in MAPL and was a director in MAPL until November, 2019. Based on the advice received from his father, Pranshu had advanced certain amount as loan to MAPL, which was lying in his bank accounts and Fixed Deposit, in order to earn a higher rate of interest, on which he has duly paid the applicable taxes.
- 17.8. Pranshu has further submitted that, as a part of restructuring of loans amongst promoter groups, payment of INR 1,01,25,529/- was made by MAPL to Amit's mother. He has also stated that his transaction with MAPL was an independent transaction that had no connection with any trades that may have been undertaken by any person in Infosys or any other scrip.

- 17.9. Pranshu has strongly denied having any connection with the trades undertaken by Amit on behalf of Capital One or Tesora. He has also denied any connection with *Entities no. 3* and *6* so much so that, prior to the issuance of the *Interim Order*, he was not even aware of the existence of either of *Entities no. 3* or *6*.
- 17.10. Pranshu has attempted to explain the transactions of the Traders in the scrip of the *Company* by stating that there were several news articles and stock analysis reports in the public domain during the UPSI Period, which demonstrated a positive expectation about the performance of the scrip of the *Company* and has cited some of those news items/reports in his reply.
- 17.11. Pranshu has argued that many seasoned traders trade in the F&O segment of listed entities close to the declaration of quarterly and annual financial results in order to maximise their profits. On the similar lines, F&O trades in the scrip of Infosys were reportedly gaining momentum prior to the publication of the financial results on July 15, 2020.
- 17.12. Pranshu has also argued that, in terms of observations made in the *Interim Order* itself, the *Entities no. 4* and *5* had the same repetitive trading pattern not just in the quarter ended June 30, 2020, but also in other quarters such as December 2019, March 2020, June 2020 and September 2020, which shows that the said trades during the UPSI period were not unusual.
- 17.13. Pranshu has submitted that Venkata's work is limited to that of looking into life insurance and health insurance policies of the group, and issues related to provident fund contributions, contribution towards employees' state insurance corporation, payments to contractual workmen engaged by the *Company*, payments under the Payment of Bonus Act, etc., and does not require him to interact with any team involved in the formulation of, or tracking of financial results, such that he is expected to have access to UPSI. As neither him nor Venkata was amongst the senior management personnel of the *Company*, there is no way they could have had access to financial data.
- 17.14. Referring to the SD Database extract, he has drawn attention to the fact that his name does not appear amongst the persons who had shared or received

UPSI in the month of June 2020. He has submitted that there is no way in which he could have received any UPSI from Venkata, when the latter himself did not have any access to UPSI as per the SD Database extract.

- 17.15. Pranshu has submitted that his interactions with Venkata were strictly work-based and limited to discussion on employment-related issues and the same had started since October 2019 after he took over as Employment Law Practice Head. They had also communicated in the months of February, March, April and November 2020, as and when it was required of them on a professional basis. Therefore, the calls between them on July 02 and 09, 2020 were neither one-off event, nor in relation to communication of UPSI, contrary to what has been alleged in the *Interim Order*.
- 17.16. In support of such contention, Pranshu has stated that the call on July 09, 2020 at 12.07 PM was regarding a proposal to restrict maternity benefits at the cost of the *Company* only to those employees who are not eligible to receive maternity benefits from Employees' State Insurance Corporation. Immediately after the said call, at 12.13 PM, Pranshu sent an email to Venkata which was replied by Venkata within 15 minutes saying that, "Thanks Pranshu. Dear Vidya, we can have this implemented from Prospective date".
- 17.17. Pranshu has submitted that he is not aware of the exact details of the call on July 02, 2020, however, to the best of his memory, the discussion may have been related to restriction of the provident fund contribution to INR 15,000/- or related to delayed payment of gratuity by one of the contractors hired by the *Company* to its workmen. However, Pranshu has strongly submitted that in all certainty, the call on July 02, 2020 pertained to a discussion on issues related to employment law.
- 17.18. Pranshu has also argued that the trading pattern of *Entities no. 4 and 5* should show possession of UPSI. In this regard, as per the allegations of SEBI, he first communicated with Amit as early as July 02, 2020 (during the UPSI Period), however, the trading of Capital One and Tesora in the scrip of the *Company* started only on July 10, 2020, i.e. after more than a week since the

first instance of communication between him and Amit. During this period, the volume weighted average price (“VWAP”) of the share of the *Company* went from INR 756.33 per share on July 02 to INR 782.38 per share on July 10. Further, from a perusal of the trades executed by *Entities no. 4* and *5* in the scrip of the *Company*, it can be seen that only a marginal number of trades were carried out on the day of July 10, and that majority of the trading in the scrip was done between July 13 and July 15, 2020. On the day of July 13, the VWAP of a share of the *Company* was as high as INR 797.65 per share. Using these data, Pranshu has endeavored to submit that if the first instance of communication of UPSI was taken as July 02, 2020, it would be counter-intuitive for any seasoned trader like Capital One or Tesora to forego potential profits of as much as INR 41.32 per share by failing to trade when the price of the scrip was relatively low and a rise in price was anticipated on the basis of the positive UPSI. Given the volume of the trades carried out by the *Entities no. 4* and *5*, this would have translated to foregoing lakhs of rupees in potential profits.

17.19. Pranshu has also brought attention to paragraph 68.1 of the *Interim Order* wherein it is stated that he continues to be employed with Infosys and has access to ongoing UPSIs, and as *Entities no. 4* and *5* have had a repetitive trading pattern in the scrip of the *Company* for quarters ending December 31, 2019, March 31, 2020, June 30, 2020 and September 30, 2020, there is an impending danger to investors that *Entities no. 4* and *5* might continue to trade in a similar fashion, while in possession of and on the basis of UPSI received/procured. In this regard, he has submitted that even though the investigation in the matter has been carried out for more than a year, no such evidence has been adduced that *Entities no. 4* and *5* had traded in the scrip while in possession of UPSI in other quarters, or that Pranshu had communicated any such information in the nature of UPSI to such *Entities* at the time of such trades in other quarters.

17.20. In the end, Pranshu has submitted that he is a reputed legal professional having been associated with several listed entities over last 10 years wherein

he has had a spotless track record. As a reputed legal professional, he is aware of his duties and responsibilities and would never involve in an act as alleged in the *Interim Order*. He is conscious not to mention any information about the *Company* in front of his family or friends. However, due to the *Interim Order*, his reputation has suffered irreparable damage consequent to the highlight gathered by the *Interim Order* in media. His bank accounts have been blocked and he had to face an internal investigation by the *Company*.

18. In terms of the abovementioned directions of the Hon'ble SAT, Capital One and its partners viz. Amit and Bharath have submitted a common reply to the *Interim Order vide* letter dated June 29, 2021. Similarly, Tesora and its partners have submitted a common reply to the *Interim Order vide* letter dated June 29, 2021. Further, *Entities no. 2 to 7* also made common submissions *vide* their email dated September 01, 2021 subsequent to personal hearing granted to them. I find that all these replies are on similar lines and, therefore, their submissions are summarized together as below: -

18.1. Capital One is a partnership firm involved in the business of investments and securities trading for more than 3 years. Amit and Bharath are the working partners of Capital One wherein Amit has had experience in the investments/trading for more than 15 years and Bharath has an experience of around 7.5 years in in the field of investment & private equity (India and Singapore). Additionally, Bharath also has been involved in investments / trading in both equity and Futures and Options ("F&O") segments for more than 10 years now. Similarly, Tesora has been involved in the business of investment and trading for more than 4 years wherein Amit is the working partner and the other two parters viz. *Entities no. 6* and *7* are not actively involved in the decision making of the investment strategies. There has never been any regulatory intervention of whatsoever nature, till date against any one of them.

18.2. The Traders have attempted to explain the rationale behind their trades in the scrip of the *Company* during UPSI period by stating that there was a massive boom in the IT sector (which includes companies like Infosys, TCS

and Wipro etc.) post the lockdown caused by the advent of the Covid-19 pandemic in the beginning of the FY 2020-21. Information on the positive outlook of Infosys and improving business scenario was widely available to the general public through interviews of Infosys' management/board members, performance of peer IT companies, management commentaries of peers, and reports by various analysts, media houses and brokerage houses.

- 18.3. It is explained by the Traders that they deploy varied trading strategies backed by robust research and analysis while taking their trade decisions. Accordingly, while trading in the F&O segment, both Capital One and Tesora employ a balancing strategy for minimizing their losses. Investments in F&O segment are preferred in high quality names in different sectors including IT, banking, financial services, and insurance ("BFSI"), fast moving consumer goods ("FMCG"), etc.
- 18.4. The lockdown resulting from the Covid-19 pandemic caused a major thrust in the digital sector, which in turn had a positive impact on technology companies, globally. The market reacted positively to this development and to the major US and Indian software/technology companies alike during the relevant period. At the same time, the management of the *Company* was continuously making positive commentary regarding their business in the media and in their annual general meeting ("AGM"), conducted on June 27, 2020. This was also supported by bullish commentary by various brokerage houses.
- 18.5. At the same time, all the IT services companies, which reported their financials and earnings for the QE June 2020 before Infosys, provided strong commentary on business outlook and on their margins which confirmed the Traders' view that IT services companies and, especially, Infosys are on a strong path of recovery and sustainable growth in the near to medium term. The Traders' strongly believed that the trend demonstrated by the peer companies of Infosys would also apply to Infosys as well.

- 18.6. The key objective of the Traders trading in the futures segment is to take directional calls with focus on regular trading to reduce cost. The traders have listed out key data points relied upon by them to form a view on any company/scrip as below:
- Post earnings management commentary (of the intended investee company as well as its peers).
 - Analysts' research notes, which includes management meetings notes, initiating coverage reports, sector / company update notes, result preview notes and result review notes.
 - Reports and/or views of independent sector consultants.
 - Media articles, which includes management interviews, sector/company analysis; and
 - Trading calls of technical analysts, etc.
- 18.7. The traders have stated that the key objective of their option trading strategy is to benefit from time decay ("theta") and reduction in implied volatility ("IV"). Hence, majority of their option trades are call/put writing. The idea of options trading was such that the Traders would benefit from IV reduction and theta and this would provide some cushion against the adverse price movement of the underlying stock. The Traders have contended that traditionally, the IV of at the money options of Infosys reaches its peak on the date of the Quarterly result declaration or just 1-2 days before that and then it declines after such results. Therefore, as a strategy, the Traders focus on option writing to benefit from IV reduction and time decay. Delta of most of these option positions are extremely low. Therefore, delta has never been a significant factor while making the option trade decisions.
- 18.8. The Traders have stated that they are neither the employees of Infosys nor are connected to Infosys in any manner including by way of any business dealings. They have been regularly trading in the derivatives of the *Company* as early as since 2018 through Capital One, while SEBI has focused on trades

and positions just before the publication of quarterly financial results of Infosys on July 15, 2020.

- 18.9. The Traders have submitted that Pranshu and Venkata's employment with Infosys, or even the quarterly financial results of Infosys were of no relevance to their trade decisions, particularly, since there were overwhelming factors present in the public domain that were indicating positive outlook of Infosys. In fact, the *Interim Order* doesn't explain as to how Pranshu (who is not even a part of the financial accounting) was reasonably expected to have access to such UPSI. The Traders have also submitted that they have been regularly trading in the scrip of Infosys across all quarters, even prior to Pranshu joining Infosys.
- 18.10. The traders have contended that the *Interim Order* is silent on the exact urgency that necessitated the passing of the Exparte Order and imposing drastic measures against them, other than generically mentioning "principles of urgency", for averting "loss of investors' trust" and "interfere with the development of securities market" especially in light of the fact that the said *Interim Order* was passed almost one year after the trades.
- 18.11. The Traders have further contended that the *Interim Order* is in effect an attachment order before judgment as there is a direction passed to deposit the alleged 'unlawful gains' with SEBI. Such a direction is wholly illegal and without jurisdiction as Section 11(4)(e) of the SEBI Act, 1992 permits SEBI to attach the bank account(s) only after securing the permission of a Judicial Magistrate and the period of attachment cannot exceed one month. Moreover, only the bank account or accounts involved in the alleged violation is liable to an attachment. Not only the permission of a Judicial Magistrate has not been taken but all bank accounts including those not involved in the impugned transaction were attached. Indeed, even their demat accounts were attached.
- 18.12. The Traders have fairly submitted that they have already created an escrow account in favour of SEBI and have deposited the alleged ill-gotten gains aggregating to a sum of INR 2,79,51,432/- into the said escrow account.

Therefore, there remains no reason to continue with the restrictions imposed upon them in the *Interim Order*.

- 18.13. The Traders have contended that the *Interim Order* has considered just 1 (one) week's data to arrive at trading concentration percentages. Since at any point in time, Capital One and Tesora would not have more than 2 (two) or 3 (three) meaningful positions, the computation of trading concentration during the very period would obviously represent a distorted result.
- 18.14. Amit and Bharath have admitted to have known each other for a long time and have stated that they share close association with each other. They have also admitted that they discuss about the firms' operational matters and personal matters on a regular basis. Therefore, it is natural that Amit and Bharath have also had conversations during the UPSI period and there is nothing amiss regarding the same.
- 18.15. The Traders have submitted that SEBI is precluded from making allegations based on call data records, without specifying or even mentioning the content which was discussed as it is incorrect and against the principles of natural justice.
19. The *Entity no. 8/Venkata* has also submitted his reply to the allegations and observations made in the *Interim Order vide* letter dated June 22, 2021 wherein he has made the following submissions:
 - 19.1. Venkata has submitted that he had graduated in 1984 with a B.Com. degree from Bangalore University. He joined Infosys in 1998 as a Senior Officer-Accounts, and has been working with Infosys for a period of almost 23 years. He has stated that he is working as the Senior Principal, Corporate Accounting Group now and deals with employee insurances, compliance and related matters. In such a role, he is in charge of managing the asset and employee insurances of Infosys, administration of 10 exempted trusts such as provident fund, gratuity, superannuation, employee welfare, benefits, etc. and also ensuring compliances in connection with social security, remunerations, and employment for Infosys and its Indian subsidiaries - Infosys BPM Ltd. and Edgeverve Systems Ltd.

- 19.2. Venkata has further submitted that in such a role, he is required to regularly interact with various teams within Infosys in discharge of his duties which *inter-alia* includes legal team for the purpose of seeking legal advice on various statutory matters like leave, bonus, minimum wages, ESIC benefits, implications of Wage Code 2020, responding to notices from statutory authorities, requesting for opinions on certain interpretations and legal positions to safeguard the interest of Infosys.
- 19.3. Venkata has vehemently denied having possession of UPSI or any of the information described in the *Interim Order* either prior to, during, or post the announcement of the financial results for the quarter ended June 30, 2020 as neither he nor any of his team members in the Corporate Accounting Group has any role in the preparation of the financial results, except for occasionally reporting the liabilities/expenditures, which do not constitute price-sensitive information. Furthermore, he sits in a different building from the Corporate Finance Team which physically limits any access that he may have potentially had to UPSI.
- 19.4. In the light of the above, Venkata has submitted that his designation as a "Designated Person" cannot be determinative for concluding that he had access to UPSI during the UPSI Period. He has also contended that, as per the extant Insider Trading Policy of the *Company*, Pranshu, by virtue of being an employee of the legal department, could also have had independent access to UPSI during the UPSI Period.
- 19.5. Venkata has further contended that, pursuant to the analysis of SD Database, the *Company* has confirmed that he did not have access to any of the General Ledger -Codes relating to profit and loss or revenue information. Also, around the quarter-end period and during the preparation of financial results, Designated Persons are expected to independently declare as to when they accessed UPSI and who they shared it with/received it from etc. which are also captured by SD Database. Based on such UPSI logs, the Infosys Corporate Secretarial team has confirmed that Venkata had neither received nor shared any UPSI, particularly during the UPSI Period. Venkata

submitted that he was not required to file any Self Declaration as he did not have access to any UPSI during the UPSI Period.

- 19.6. Venkata has further submitted that his interaction with Pranshu was purely *bona fide* and professional, to discuss certain issues with Pranshu in his capacity as a Senior Corporate Counsel, Corporate Legal Team at Infosys.
- 19.7. In this regard, he has submitted that generally such interactions used to occur via email were followed up with a personal meeting or telephonic conversation, if necessary. However, due to COVID-19 pandemic and Work from Home, the frequency of telephone discussions increased, since physical meetings or discussions were no longer possible. During this period, certain employee related issues, as elaborated in his reply, required Venkata to engage frequently with several members of the Corporate Legal Team including Pranshu on policy wordings, declarations, system readiness, etc.
- 19.8. As to the telephonic conversations on 02.07.2020 and 09.07.2020, Venkata has fairly admitted that it is difficult to recall the exact contents of the conversation due to passing of time. However, based on contemporaneous emails exchanged by him with Pranshu at the time, Venkata stated the following:
- Call on 02.07.2020 -Between 30.06.2020 and 06.07.2020, there were internal discussions within Infosys to widen the definition of "partner" for the purpose of health insurance policies. The purpose of the call on 02.07.2020 between him and Pranshu was to discuss the modalities of this process for inclusion of live-in partners in the health insurance.
 - Call on 09.07.2020 - Between 02.07.2020 and 09.07.2020, teams within Infosys were engaged in discussions on directing maternity leave benefits through ESIC rather than through Infosys. The purpose of the call on 09.07.2020 was to finalise the process documents on maternity leave benefits.

Venkata has also brought my attention to the fact that all the telephonic conversations between him and Pranshu took place only over their official

Infosys phone numbers, while Pranshu has been noticed to have used a different mobile number to speak to other *Entities*. Venkata has vehemently denied having any kind of relationship or contact with *Entities no. 2 to 7*.

20. Pursuant to the receipt of the afore-stated written submissions made by the *the Entities*, an opportunity of personal hearing was granted to all the *Entities* on August 25, 2021 during which, *Entities no. 2 to 7* appeared through a common Authorized Representative (**AR**) and *Entity no. 8* appeared through his AR. The ARs reiterated the submissions already made by *Entities no. 2-7* in their written replies and *Entity no. 8* also presented through his AR similar arguments as already made in his written submissions and all the entities have also reiterated their prayers for withdrawal of the interim directions. At the same time, the AR of the *Entity no. 1* requested for a short adjournment on account of personal difficulty. Considering the same, another opportunity of personal hearing was granted to *Entity no. 1* on August 30, 2021 and on the said date, the AR of *Entity no. 1* appeared before me and reiterated his submissions as already highlighted above, and requested for withdrawal of the interim directions.

CONSIDERATION OF ISSUES AND SUBMISSIONS

21. Before dwelling upon the *Interim Order* on the basis of the material available on record and the submissions made by the *Entities*, it is relevant here to set the facts straight by observing that the present proceedings are in the nature of confirmatory or revocation proceeding and the domain of the proceedings before me is very limited to the extent of assessing whether the *prima-facie* allegations of insider trading made in the *Interim Order* are refuted conclusively by the *Entities* and/or whether any relief is required to be granted to the *Entities* from the directions already issued against them in the *Interim Order* based on the facts of the case and the additional evidence made available on record. I understand that a thorough investigation in this matter is being conducted by the relevant department of SEBI, the outcome of which will decide further course of action and initiation of further proceedings in the matter as per the law.

22. I have considered the oral and written submissions made by all the *Entities*. It is noted from the *Interim Order* records that the trades executed by the *Entities no. 4* and *5* during the UPSI period were entered into just prior to the disclosure of UPSI and were squared off completely after the disclosure of UPSI. The *Interim Order* further records certain phone calls between the *Entities no. 1 and 8* followed by calls between *Entities no. 1 and 2*. The *Entities no. 1 and 8* are no doubt employed with the *Company*. As recorded in the *Interim Order*, the trading pattern of the *Entities no. 4* and *5* did not appear to be above board completely during the *prima-facie* examination of the trading in the scrip of Infosys during the UPSI period. Further examination of the CDR of the partners of *Entities no. 4* and *5* showed that Amit, who is a working partner in both *Entities no. 4* and *5*, was in constant contact with *Entity no. 1* who is working at a senior position in the legal team of the *Company*. An examination of CDR of *Entity no. 1* also showed that, during the UPSI period, he was in touch with *Entity no. 8*, who works in the Corporate Finance department at the *Company* and was a 'Designated Person' of the *Company* during the UPSI period. There were two long duration calls between *Entities no. 1* and *8* during the UPSI period which were immediately followed up by two long duration calls between *Entity no. 1* and Amit. The said calls appeared to be more suspicious in light of the fact that on the same day Amit had a long duration call with Bharath following which *Entity no. 4*, the partnership firm of Amit and Bharath, started trading in the scrip of the *Company* the very next day of the second call wherein it consistently took bullish position in both future and options segments without any kind of hedging or risk management strategy in place. Similar position was also taken by *Entity no. 5* closer to date of disclosure of UPSI and both these *Entities* squared off their positions in F&O Segment just after the UPSI disclosures. In view of the above narrated sequence of events, the *Interim Order* was passed in which, based on strong preponderance of probabilities, it was *prima-facie* observed that *Entity no. 8* had communicated the UPSI to *Entity no. 1* who is also an employee of the *Company* and who further communicated the said UPSI to *Entity no. 2* who procured it and further communicated it to *Entity no. 3*. It was also *prima-facie* observed that, using the said UPSI, trades were executed in the accounts of the *Entities no. 4* and *5*, which

consistently took bullish position in the scrip of the *Company* without any kind of hedging or risk management strategy, which *prima-facie* suggested that the trades in the accounts of *Entities no. 4* and *5* were executed based on the internal information regarding the UPSI. In view of all the above chain of events and trading activities in the scrip of the *Company*, the *Entities* were *prima-facie* found to be in violation of relevant provisions of PIT Regulations, 2015. Accordingly, certain interim directions quoted earlier in this order were passed in respect of the *Entities*, which I am not reproducing here for the sake of brevity.

23. I also note from the material available on record that the *Entities no. 2 to 7*, in terms of the directions given in the *Interim Order*, have deposited a sum of INR 3,06,33,348 in an interest bearing escrow account with a lien in favour of SEBI. Subsequent to such deposit of funds, the bank accounts of *Entities no. 2 to 7* have been unfrozen and restored to normalcy for all kind of transactions. In view of this, as on this day, I find there is no direction in operation against *Entities no. 6* and *7*. In respect of the rest of the *Entities*, I note that apart from directing them to deposit the above stated amount in an escrow account, which they have complied with, they have also been restrained from buying, selling or otherwise dealing in the securities, either directly or indirectly, till further orders.

24. Before moving further, I find it appropriate to segregate certain facts of the case as stated in the *Interim Order* which have also not been disputed by any of the *Entities*, and these undisputed facts are highlighted hereunder:

24.1. That the *Entities no. 1* and *8* are employees of the *Company* and *Entity no. 8* was a Designated Person of the *Company* during the UPSI period. Further, the *Entities no. 1* and *8* are still employed in the *Company* and meanwhile the *Entity no. 1* has admittedly been promoted by the *Company*.

24.2. That the *Entities* have not denied the phone calls amongst each other as reported in the *Interim Order*.

24.3. That the *Entities no. 1* and *2* are second cousins and are regularly in contact with each other.

- 24.4. That the *Entities no. 4 and 5* have not denied having executed trades in the scrip of the *Company*, as mentioned in the *Interim Order*.
25. I note that all the *Entities* have extensively contended that there was no element of Insider Trading in the present matter. In this regard, for the sake of convenience, I note that the *Entity no. 8* has mainly raised the following points:
- 25.1. That, in his role as the Senior Principal, Corporate Accounting Group, he was dealing primarily with employee insurances, compliance and related matters, such as administration of 10 exempted trusts governing the provident fund, gratuity, superannuation, employee welfare, benefits, etc. and was also ensuring compliances in connection with social security, remunerations, and employment welfare etc. for the *Company* and two of its Indian subsidiaries.
- 25.2. That he was not involved in the preparation of financial results of the *Company*, therefore, had no access to such UPSI. The same has also been noticed from SD Database submitted by the *Company*.
- 25.3. That given the fact that *Entity no. 1* was involved in the Employment Law practice in the *Company*, his interactions with *Entity no. 1* were purely *bonafide* and for official purposes.
- 25.4. That the reason for increased call frequency with *Entity no. 1* in June-July 2020 was to settle matters pertaining to bonus payment, maternity leave benefits, reduction in the Provident Fund contribution to INR 15,000, and insurance renewal with added benefits for live-in partners. *Entity no. 8* has submitted copies of emails exchanged by him with *Entity no. 1* on and around the dates of the said two long duration calls, in support of such contention.
- 25.5. That he doesn't know *Entities no. 2 to 7* and had no knowledge of relations of *Entity no. 1* with them.
26. Similarly, *Entity no. 1* has contended that he was never in possession of UPSI and, as a corollary to that, he never communicated any UPSI to *Entity no. 2*. In support of such contentions, he has raised the following points:

- 26.1. That he was designated as the ‘Corporate Counsel’ of the *Company* during the UPSI period and was working on issues related to employment law with the *Company* and its subsidiaries. Further, he is one of those 115 lawyers working in the *Company* wherein his position was quite low in rank at the *Company* and could not be reasonably expected to have access to UPSI by virtue of his position in the *Company*.
- 26.2. That he had no role in respect of the financial results and therefore, had no access to the said UPSI. The said submission could also be confirmed from the SD database submitted by the *Company*.
- 26.3. That his interactions with *Entity no. 8* started only from October 2019 and that too limited to the matters of employment law such as provident fund contribution etc. In this regard, the *Entities no. 1* and *8* have also communicated some other times regarding professional issues. Therefore, the interactions in July 2020 were not a one-off event, but were part of the ongoing professional interactions on the above specific issues only.
- 26.4. That the call on July 09, 2020 at 12.07 PM with *Entity no. 8* was most probably related to maternity benefits issue for the employees of the *Company*. Similarly, the call on July 02, 2020 was most probably related to either restriction of the provident fund contribution of the *Company* to INR 15,000/- per month or regarding delayed payment of gratuity by a contractor to its workmen.
- 26.5. That he and *Entity no. 2* are second cousins and frequently communicate with each other. In support of such contention, *Entity no. 1* has provided their call details history for a long period of time comprising of periods prior to and subsequent to the UPSI period so as to impress upon the fact that the conversations between them were made in the normal course.
- 26.6. That he had no knowledge about the trades of *Entity no. 2* in the scrip of the *Company* as they don’t discuss such issues. Further, prior to *Interim Order*, he was not even aware about *Entity no. 3*.

26.7. That several news articles and other reports were available in the market and public domain even prior to the UPSI period indicating that the market was bullish on the results of the *Company* as well as other IT sector related companies in the light of changing work culture due to COVID-19.

27. *Entities no. 2 to 7*, vide their separate but similar replies, have contended that they were never in possession of UPSI and the trading pattern noticed in the scrip of the *Company* during the UPSI period was part of their normal trading behavior as they are professional traders and they have followed the same trading pattern in the scrip of the *Company* in other quarters also. The *Entities no. 2 to 7* have attempted to explain in detail their trading strategy in the scrip of Infosys across various quarters and have contended that the trading pattern followed by them during the UPSI period was also in line with the said trading strategy. In support of such contentions, *Entities no. 2 to 7* have raised the following points:

27.1. That *Entities no. 2 and 3*, who were allegedly in possession of UPSI, are in fact experienced traders having an experience of 10-15 years.

27.2. That due to a massive boom in the IT sector triggered by the worldwide lockdown imposed due to COVID-19, the investment and trading community as a whole was bullish on IT sector companies. In this regard, the *Entities no. 2 and 3* found the scrip of Infosys to be most rewarding due to its attractive valuation and lack of movement in line with its peers prior to financial disclosures. At the same time, the management of the *Company* was continuously making positive commentary regarding its business.

27.3. That the *Entities no. 4 and 5* were trading in the derivatives of Infosys across all quarters since 2018, even prior to Pranshu joining the *Company*. However, this fact was not taken into consideration while passing the *Interim Order*.

27.4. That they follow elaborate trading strategy in option segment wherein they write options to get benefit from time decay ('theta') and reduction in implied volatility ('IV'). *Entities no. 4 and 5* have also denied having any role of delta in their trading strategy, as delta of most of the positions taken by them was extremely low.

28. On the basis of the allegations and observations made against the *Entities* in the *Interim Order*, I find that a large part of case against the *Entities* rests on the fact that *Entity no. 8* has been listed as a ‘Designated Person’ and his job profile at a senior position in Corporate Finance department which makes a *prima-facie* case for him to be a connected person who can be expected to have reasonable access to the UPSI of the *Company*. This *prima-facie* observation coupled with series of phone calls from *Entity no. 1* to *Entity no. 8* and, thereafter from *Entity no. 1* to his cousin *Entity no. 2* prior to the trades executed by the *Entities no. 4* and *5* in the scrip of the *Company*, were bound to give rise to a bonafide *prima-facie* suspicion of insider trading based on the sheer preponderance of probabilities caused by the above noted chain of connections and activities involving various entities.
29. I find it relevant to recall here that a listed company is required to frame a Code of Conduct to Regulate, Monitor and Report Trading by Designated Persons in terms of Schedule B of PIT Regulations, 2015 as part of which, the *Company* is required to classify all those persons who have access to or are reasonably expected to have access to UPSI as its Designated Persons. The said list is presumed to include all those persons, who by virtue of their function or their position in the company may have reasonable access to the UPSI, either directly or indirectly.
30. It is noted that in terms of recommendations made in the Report dated August 08, 2018 of Committee on Fair Market Conduct, Regulation 3(5) of PIT Regulations, 2015 was substituted with a new provision; thereby mandating all the listed companies to maintain a SD Database containing details of all the persons with whom the UPSI is exchanged along with the date and time stamp and proper verifiable audit trail. I find that the said database is required to contain the list of all the persons who have handled the UPSI in any manner in the course of their duties in the company. However, I find from the structure of the SD Database that it captures details of only those Designated Persons who have had direct access to the UPSI and such SD Database would not be of any help to indicate the names of those persons who might have indirect access to the UPSI.

This indirect access to UPSI is in fact a greater menace, which is difficult to capture and track both for the listed companies as well as for SEBI as a regulator.

31. The *Entity no. 8* has admitted that though he was a 'Designated Person', he was one of 600 odd employees so classified by the *Company*. He has contended that such classification as 'Designated Person' in itself doesn't *per se* mean that he was *ipso-facto* in possession of UPSI. He has further contended that his roles and responsibility at the *Company* are so that he was not required to get access to the Financial Information. He has also submitted that the *Entity no. 1* was also qualified to be classified as 'Designated Person' of the *Company*. However, I note from the list of 'Designated Persons' submitted by the *Company* that *Entity no. 1* was not classified as a 'Designated Person' by the *Company*.
32. I note that the SD Database doesn't show the name of either *Entities no. 1* or *8*, thereby *prima-facie* creating a case that *Entities no. 1* and *8* apparently did not have direct access to UPSI. Further, both *Entities no. 1* and *8* have submitted the extracts of certain emails exchanged between them contemporaneous with the two long duration telephone calls between them to make out a case that they were in-fact discussing some official matters regarding their respective domains of responsibility at the *Company*. Thus, absence of evidence at this juncture, of any direct access to UPSI as adduced from the SD Database coupled with the contents of email correspondences indulged in to by these two entities during the relevant period when they have also made those long duration calls, advances the case in the favour of *Entities no. 1* and *8* to a great extent until a contrary evidence is observed during the detailed investigation being carried out by SEBI.
33. However, at the same time, I cannot lose sight of the fact that the objective of classification of a person as a 'Designated Person' by a company, in terms of the Regulatory mandate, is to keep track of all those persons who can directly or indirectly have access to the UPSI of the *Company*. It is relevant to note that both *Entities no. 1* and *8* are employed with the *Company* and *Entity no. 8* was a 'Designated Person' of the *Company*; meaning thereby *Entity no. 8* was reasonably expected and was capable of accessing UPSI directly or indirectly during the UPSI Period. Hence, it would not be proper to completely rule out the possibility

of either of *Entities no. 8* or *1* having access to the UPSI, albeit indirectly, only on the basis of the aforesaid evidence of SD Database or email exchanges at this stage, when a detailed investigation is going on in respect to the allegations and observations, made in the *Interim Order*, more particularly, when the *Company* in response to an email seeking details of the persons who had access to UPSI directly or indirectly, had specifically listed out *Entity no. 8* as one of such persons and forwarded the said list *vide* their email dated December 29, 2020 addressed to NSE.

34. I further note that *Entity no. 2* has vehemently argued that neither MAPL nor the fund transactions mentioned in the *Interim Order* has anything to do with the trading done by either of *Entities no. 4* or *5*. I find that there is no allegation in the *Interim Order* against any of the *Entities* regarding funding the trades executed by *Entities no. 4* or *5* and the said fund transactions with MAPL by *Entity no. 1* have been mentioned in the *Interim Order* mainly for the purpose of demonstrating close connections between *Entities no. 1* and *2*. In view of the already admitted position by the *Entities no. 1* and *2* that they are cousins and have been constantly in touch with each other, the said indirect connection existing between them on account of their involvement in MAPL and fund transactions with MAPL go on to further substantiate the close relationship shared by *Entity no. 1* with *Entity no. 2*, a fact which has not been denied by either of these two entities.
35. As stated earlier, the *Entities no. 2 to 7* have submitted the details of their trades in the scrip of the *Company* for other quarters and explained their trading strategy behind indulging in such trades wherein they were selling options and taking future positions. Further, *Entities no. 2 to 7* have also submitted before me compilations of various research reports of different institutions and certain news articles published during the period prior to the publication of quarterly results by the *Company* to justify the trade positions taken by them during UPSI period and after publication of the quarterly results. *Entities no. 2 to 7* have also submitted details of positions taken by them in the *Company* in the year 2018, a period prior to *Entity no. 1* joining the *Company* to bring home the point that they

have been trading in the scrip of the *Company* in due course of their trading activities by following similar trading pattern since 2018.

36. As stated above, the scope and ambit of the present proceedings are limited to examine whether in the facts and circumstances of the matter, the directions issued vide the *Interim Order* deserve to remain in operation or the same require to be withdrawn or modified in any manner after considering the explanations offered and evidences, if any, produced by the *Entities*. While analysing the compelling facts and circumstances which led to the issuance of directions under the *Interim Order*, I have noted that there are certain crucial facts based on which, the *prima facie* allegations of insider trading were made in the *Interim Order*, have till date not been disputed by the *Entities*. The facts that *Entity no. 1 and 2* are closely related and had a series of phone calls between them that were preceded by the phone calls between the *Entity no. 1 and 8* have remained unassailed till date as they are matter of record and cannot be denied. The fact that the *Entity no. 8* was a 'Designated Person' of the *Company* in terms of the Code of Conduct framed by the *Company* in pursuance of the PIT Regulations, 2015 and the *Entity no. 1 and 8*, being employees of the *Company*, fall in the category of connected persons in terms of regulation 2(1)(d) of the PIT Regulations, 2015 has also remain undisputed. The reply of the *Company* providing details of persons having direct and indirect access to the UPSI in response to a specific query put to it by NSE vide its email dated December 23, 2020 incorporating therein the name of the *Entity no. 8* as 'Designated Person', also strongly enhances the probability of *Entity no. 8* having, either directly or indirectly, access to UPSI. The manner of trades executed by the *Entities no. 4 and 5* and the peculiarities attached to those trades which again have been noticed to remain concentrated towards the closing of respective quarters during the existence of UPSI pertaining to quarterly results of the *Company* coupled with the fact that *Entities no. 1 and 2* who are related as second cousins to each other and have constantly in contact with each other, are also seen to be providing sufficient *prima facie* ground to proceed in the matter.
37. I note that the *Entities no. 1 and 2* have argued that since they were in constant telephonic contact with each other, such calls between them even during the

UPSI period are not to be considered as abnormal. However, one can very well argue that such frequent calls only show that the *Entities no. 1* and *2* were regularly talking to each other; hence, the possibility of communication of the UPSI during such frequent calls cannot be ruled out conclusively at this stage. These frequent telephonic conversations between them as evidenced from the call record, in fact, tilts the balance of preponderance of probabilities in favour of communication of any UPSI, more particularly while the examination reveals telephonic calls between *Entities no. 1* and *8* and thereafter, between *Entities no. 1* and *2* on the same day. In such circumstances, the burden of proof lies upon *Entities no. 1* and *2* to prove that there was indeed no communication of UPSI during their frequent conversations.

38. It is noteworthy that, although the *Entities no. 2 to 7* have attempted to justify their trading in the scrip of the *Company* attributing their decision to the massive boom in the IT sector, witnessed during pandemic times, however, apart from Infosys, they have traded in the scrip of only one IT company i.e. TCS which was miniscule as compared to the trading in the scrip of Infosys during the relevant period which gives rise to a *prima facie* suspicion about the true intent of the aforesaid trader entities deserve further investigation to bring all the complete facts to the table before one can conclude that the trades were indeed executed based on the strategies and outlook of IT Sector, as claimed by the *Entities no. 2 to 7*. I also note from the *Interim Order* that the trading of the *Entities no. 4* and *5* during the week prior to the announcement of the quarterly result witnessed a relatively very high concertation which dissipated after the announcement of the said quarterly results. The submissions that their trades were based on ‘theta’ and/or ‘IV’ of the option contracts of the *Company* and the same strategies have been followed in other scrips as well, can’t be held to be conclusive evidence at this stage, to prove their innocence about the UPSI when the allegedly abnormal trades executed by them in the scrip of the *Company* are under investigation.
39. As noted above, the *Interim Order* raises strong *prime facie* suspicion about insider trading in the scrip of the *Company* based upon irrefutable trade data, call data

and evidence of connections which link one entity to the other through a sequence of events that cannot rule out accessing and transmitting the UPSI and also trading in the scrip of the *Company* by the *Traders* while in possession of the UPSI, hence, the *Interim Order* cannot be held to be contrary to the material and facts available on record at that point of time. The narration of different strategies from delta to theta to IV are the innovation of modern technology. It may not be possible to describe and limit the use of ingenious mind so as to fix the possible violations of securities laws under a straight jacket formula. It may not be right to accept the absence of a direct evidence is an evidence of absence of violation in itself more particularly in cases involving insider trading where the attendant circumstances do not rule out such violations. There would always a be a new and smarter breed of investors who, either by using their innovative mind or through the use of technology, would try to take advantage of extant regulatory framework under the guise of non-conventional strategies. As a regulator, it is the bounden duty of SEBI to keep evolving with the times so as to truly give meaning and import to the preamble and object of the SEBI Act, 1992. In cases like the instant matter, having absolute proof at this stage, when investigation is in progress, may not be practically plausible, however, at the same time, the gravitas of the allegation cannot be ignored simpliciter.

40. As noted above, it has to be acknowledged that the SD Database doesn't show any evidence of direct access by *Entities no. 8* and *1* to the UPSI and the contents of the emails exchanged between them around the same time when both of them had engaged in two long duration calls also give an indication that they were interacting with each other on issues concerning their respective jobs. However, at the same time, it cannot be completely ruled at this stage that there was no Insider Trading in the scrip of the *Company* especially in light of the admitted position of *Entities no. 1* and *2* that they were in constant touch with each other read with the fact that *Entity no. 8*, by virtue of his senior position in the *Company* and his functional profile was a 'Designated Person' of the *Company* while *Entity no. 1* was also a senior official of the *Company* and had interactions with *Entity no. 8* including having two long duration calls with him during the UPSI period. Therefore, the bonafide suspicion about *Entities no. 8* and *1* having reasonable

access to UPSI, either directly or indirectly, and *Entity no. 1* transmitting the UPSI to *Entity no. 2* as articulated in the *Interim Order* cannot be conclusively put to rest at this stage. Of course, I would not like to overlook at the same time, the evidence furnished by *Entities no. 2 to 7* in support of the submissions to contend that trades were executed by them based on the strategies and information available in public domain. In this regard, I also take note that *Entities no. 4 and 5* have submitted before the Hon'ble SAT that they are professional traders and the *Interim Order* has in effect put a stay on their whole business on the basis of relatively insufficient evidence in the *Interim Order*. Therefore, they have prayed before the Hon'ble SAT that, in case of existence of an apprehension at this stage that they have indulged in Insider Trading in the scrip of Infosys, they may at best be restrained from taking any position in the scrip of Infosys and they should be allowed to take position in other scrips to continue their business till the investigation is completed in the matter. I also note that the AR of *Entities no. 2 to 7* has also reiterated the same during the course of personal hearing before me as well.

41. After carefully considering the evidence so far placed on records and the contentions of all the *Entities* in totality and having considered the facts and circumstances of the matter and the arguments offered by the *Entities* to dispel the *prima facie* observations recorded in the *Interim Order*, I am of the view that the *Entities* are to some extent successful in so far as making out a case warranting a modification in the directions issued under the *Interim Order* by demonstrating that continuation of restraints on them may not be in the interest of justice and equity. I, at the same time, cannot be oblivious of the fact that *Entities no. 1 and 8* are working at senior positions of the *Company* and were expected to have reasonable access to UPSI, directly or indirectly and added to the same, the close connection of *Entities no. 1 and 2* as well as the frequent telephonic calls between them during the UPSI period is a matter of record. In the light of the fact that the procurement and communication of UPSI has not been completely ruled out at this stage, complete lifting of all the restrictions on *Entities no. 1 to 5 and 8* would not be appropriate and this is a call which will be apt for a stage subsequent to completion of a thorough investigation into the matter.

ORDER

42. In view of the foregoing paragraphs, pending conclusion of investigation, I, in exercise of the powers conferred upon me in terms of Section 19 of the SEBI Act, 1992, read with Sections 11, 11(4) and 11B(1) thereof, hereby confirm the directions issued *vide ex-parte ad-Interim Order* dated May 31, 2021 subject to following modifications after taking into account the specific facts and circumstance of the present matter:

42.1. The *Entities no. 1, 2, 3, 4, 5 and 8* are restrained from buying, selling or dealing in securities of Infosys, either directly or indirectly, in any manner whatsoever until further orders; and

42.2. The directions issued vide para 71.9 and 71.10 of the *Interim Order* stands modified to the extent of allowing credit and debit of securities in the accounts of the *Entities no. 1, 2, 3, 4, 5 and 8*.

43. It is further clarified here that the funds deposited by *Entities no. 2 to 7* in an interest bearing escrow account will remain in the said account with lien in favour of SEBI until further orders.

44. This Order shall come into force with immediate effect.

45. This Order is without prejudice to any other action that SEBI may initiate under the securities laws, as deemed appropriate, against the above-mentioned *Entities*.

46. A copy of this Order shall be forwarded to the *Entities*, Stock Exchanges, Depositories, Registrar and Share Transfer Agents and Banks to ensure necessary compliance.

Sd/-

Date: September 15, 2021

S. K. Mohanty

Place: Mumbai

Whole Time Member