
2015 SCC OnLine SEBI 157

Before the Securities and Exchange Board of India

(BEFORE RAJEEV KUMAR AGARWAL, WHOLE TIME MEMBER)

Under sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 in
the matter of Satyam Computer Services Ltd.

In respect of

1. Mr. Anjiraju Chintalapati (since deceased)
Order No.: 108/2015
2. Ms. B. Appalanarasamma
Order No.: 109/2015
3. Ms. B. Jhansi Rani
PAN: AGSPB2233J
Order No.: 110/2015
4. Mr. B. Rama Raju Jr.
Order No.: 111/2015
5. Mr. B. Suryanarayana Raju
PAN: ACEPB2811N
Order No.: 112/2015
6. Mr. B. Teja Raju
PAN: AFSPB9531Q
Order No.: 113/2015
7. Chintalapati Holdings Pvt. Ltd
PAN: AABCC5085D
Order No.: 114/2015
8. Mr. Chintalapati Srinivasa Raju
PAN: ACPPC2768Q
Order No.: 115/2015
9. SRSR Holdings Private Limited
Order No.: 116/2015
10. IL & FS Engineering and Construction Company Limited (formerly: known as Maytas
Infra Limited)
Order No.: 117/2015
WTM/RKA/EFD-SRO/108-117/2015
Decided on September 10, 2015

ORDER

1. Securities and Exchange Board of India (SEBI) received an email dated January 7, 2009 from Mr. B. Ramalinga Raju, Ex-Chairman, Satyam Computer Services Limited (hereinafter referred to as "Satyam Computers"/"the company"), now known as Tech Mahindra Limited, admitting and confessing the following:

"I would like to bring the following facts to your notice:

1. The Balance Sheet carries as of September 30, 2008
 - a. Inflated (non-existent) cash and bank balances of 50.40 billion rupees (\$1.04 billion) (as against 53.61 billion reflected in the books).
 - b. An accrued interest of 3.76 billion rupees which is non-existent.
 - c. An understated liability of 12.30 billion rupees on account of funds arranged by me.
 - d. An overstated debtors position of 4.90 billion rupees (as against 26.51 billion reflected in the books)

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2. For the September quarter (Q2) we reported a revenue of 27.00 billion rupees and an operating margin of 6.49 billion rupees (24 pct of revenues) as against the actual revenues of 21.12 billion rupees and an actual operating margin of 610 million rupees (3 percent of revenues). This has resulted in artificial cash and bank balances going up by 5.88 billion rupees in Q2 alone.

The gap in the Balance Sheet has arisen purely on account of inflated profits over a period of last several years (limited only to Satyam standalone, books of subsidiaries reflecting true performance). What started as a marginal gap between actual operating profit and the one reflected in the books of accounts continued to grow over the years. It has attained unmanageable proportions as the size of company operations grew significantly (annualized revenue run rate of 112.76 billion rupees in the September quarter, 2008, and official reserves of 83.92 billion rupees). The differential in the real profits and the one reflected in the books was further accentuated by the fact that the company had to carry additional resources and assets to justify higher level of operations — thereby significantly increasing the costs.

Every attempt made to eliminate the gap failed. As the promoters held a small percentage of equity, the concern was that poor performance would result in a take-over, thereby exposing the gap. It was like riding a tiger, not knowing how to get off without being eaten.

The aborted Maytas acquisition deal was the last attempt to fill the fictitious assets with real ones. Maytas' investors were convinced that this is a good divestment opportunity and a strategic fit. Once Satyam's problem was solved, it was hoped that Maytas' payments can be delayed. But that was not to be. What followed in the last several days is common knowledge. I would like the Board to know:

1. That neither myself, nor the Managing Director (including our spouses) sold any shares in the last eight years — excepting for a small proportion declared and sold for philanthropic purposes.
2. That in the last two years a net amount of 12.30 billion rupees was arranged to Satyam (not reflected in the books of Satyam) to keep the operations going by resorting to pledging all the promoter shares and raising funds from known sources by giving all kinds of assurances (Statement enclosed, only to the members of the board). Significant dividend payments, acquisitions, capital expenditure to provide for growth did not help matters. Every attempt was made to keep the wheel moving and to ensure prompt payment of salaries to the associates. The last straw was the selling of most of the pledged share by the lenders on account of margin triggers.
3. That neither me, nor the Managing Director took even one rupee/dollar from the company and have not benefitted in financial terms on account of the inflated results.
4. None of the board members, past or present, had any knowledge of the situation in which the company is placed. Even business leaders and senior executives in the company, such as, Ram Mynampati, Subu D, T.R. Anand, Keshab Panda, Virender Agarwal, A.S. Murthy, Hari T, S.V. Krishnan, Vijay Prasad, Manish Mehta, Murali V, Sriram Papani, Kiran Kavale, Joe Lagiola, Ravindra Penumetsa; Jayaraman and Prabhakar Gupta are unaware of the real situation as against the books of accounts. None of my or Managing Director's immediate or extended family members has any idea about these issues.

Having put these facts before you, I leave it to the wisdom of the board to take the matters forward. However, I am also taking the liberty to recommend the following steps:

1. A Task Force has been formed in the last few days to address the situation arising out of the failed Maytas acquisition attempt. This consists of some of the most accomplished leaders of Satyam, Subu D, T.R. Anand, Keshab Panda and Virender Agarwal, representing business functions, and A.S. Murthy, Hari T and Murali V representing support functions. I suggest that Ram Mynampati be made the Chairman of this Task Force to immediately address some of the operational matters on hand. Ram can also act as an interim CEO reporting to the board.
 2. Merrill Lynch can be entrusted with the task of quickly exploring some Merger opportunities.
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3. You may have a restatement of accounts' prepared by the auditors in light of the facts that I have placed before you.

I have promoted and have been associated with Satyam for well over twenty years now. I have seen it grow from few people to 53,000 people, with 185 Fortune 500 companies as customers and operations in 66 countries. Satyam has established an excellent leadership and competency base at all levels. I sincerely apologize to all Satyamites and stakeholders, who have made Satyam a special organization, for the current situation. I am confident they will stand by the company in this hour of crisis.

In light of the above, I fervently appeal to the board to hold together to take some important steps. Mr. T.R. Prasad is well placed to mobilize support from the government at this crucial time. With the hope that members of the Task Force and the financial advisor, Merrill Lynch (now Bank of America) will stand by the company at this crucial hour, I am marking copies of this statement to them as well.

Under the circumstances, I am tendering my resignation as the chairman of Satyam and shall continue in this position only till such time the current board is expanded. My continuance is just to ensure enhancement of the board over the next several days or as early as possible.

I am now prepared to subject myself to the laws of the land and face consequences thereof."

2. In view of the above, SEBI carried out investigation into the affairs of Satyam Computers to ascertain, particularly, whether the provisions of the Securities and Exchange Board of India Act, 1992 (SEBI Act) and Rules and Regulations framed thereunder have been violated. SEBI also carried out inspection of the available books of account of Satyam Computers. As the subject matter of the investigation pertained to financial statements of Satyam Computers, SEBI also inspected the documents available with the auditors of Satyam Computers i.e. Price Waterhouse (hereinafter referred to as "PW/the auditors").

3. The investigation revealed that directors and employees of Satyam Computers, namely; Mr. B Ramalinga Raju (Ex-Chairman), Mr. B Rama Raju (Ex-Managing Director), Mr. Vadlamani Srinivasa (Ex-Chief Financial Officer), Mr. G Ramakrishna (Ex-Vice President, Finance) and Mr. V.S. Prabhakara Gupta (Ex-Head 'Internal Audit') had, since January, 2001, connived and collaborated in overstatements, fabrication, falsification and misrepresentation of books of account and financial statements of Satyam Computers. They presented a rosy picture about the financials of Satyam Computers before its investors in order to mislead them and ultimately to defraud them.

4. It was observed that Mr. B. Ramalinga Raju, Mr. B. Rama Raju, Mr. Vadlamani Srinivasa, Mr. G. Ramakrishna and Mr. V.S. Prabhakara Gupta individually as well as acting in concert falsified the books of account and misstated financials of Satyam Computers and thus portrayed a false picture in its published quarterly/annual results. They had colluded and connived with each other in actively inflating the revenues and understating the liabilities of Satyam Computers by manipulation and fabrication of the books of account and financial statements and falsification of the information presented in the same. The financial statements prepared or caused to be prepared by them did not contain true and fair disclosures of the financial position of Satyam Computers. They had, thus, deliberately projected a grossly false picture of the financials of Satyam Computers to millions of investors. They also provided false CEO/CFO certification, made various announcements and issued advertisements/press releases on the basis of falsified and misstated financial position of the company. Their acts and omissions were observed to be in violation of provisions of section 12A(a)(b)(c) of the SEBI Act and regulation 3 (b)(c) and (d) and regulation 4(1) and 4(2), (a), (e), (f), (k), and (r) read with regulation 2(1)

(c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (PFUTP Regulations).

5. It was also observed that the published financial results of Satyam Computers were manipulated and were presenting a rosy picture about the financials of the company, contrary to the actual state of financials of the company. This information as to that published the actual state of financials of the company, which was otherwise gloomy, and about which the common investor was unaware, was 'unpublished price sensitive information' (UPSI) during the period January, 2001 to December, 2008 (hereinafter referred to as 'the relevant period'). On January

7, 2009 i.e. the day when the news of overstatements, fabrication, falsification and misrepresentation in financial statements of Satyam Computers became public, the price of shares of the company declined to the level of Rs. 41 from the previous day's close of Rs. 178.95. This also shows that the information about the adverse financial position of Satyam Computers and the fudged financial numbers was price sensitive. The investigation revealed that various promoter group entities namely, Mr. B Ramalinga Raju, Mr. B Rama Raju, Mr. Anjiraju Chintalapati, Ms. B. Appalanasamma, Ms. B. Jhansi Rani, Mr. B. Rama Raju (Jr.), Mr. B. Suryanarayana Raju, Mr. B. Teja Raju, Chintalapati Holdings Pvt. Ltd., Mr. Chintalapati Srinivasa Raju, SRSR Holdings Private Limited and Maytas Infra Ltd. had sold shares in the market or made off-market transfers to other entities during the period January, 2001 to December, 2008 when in possession of unpublished price sensitive information about the adverse financial position of the company. The details of shares sold/delivered in the market or transferred by these entities are given in the following table:

Table 1- Details of shares sold/delivered/transferred in the market by promoter group entities

Sl. No	Name	Quantity Shares Sold/Transferred	of	Time period	of transactions
1.	Anjiraju Chintalapati	2,50,000		December 18, 2002 to December 15, 2008	
2.	B Appalanasamma	2,25,500*		December 12, 2003 to December 15, 2003	
3.	B. Jhansi Rani	2,04,000*		January 22, 2001 to February 5, 2001	
4.	B Pritam Teja	2,71,125		August 11, 2005 to August 30, 2005	
5.	B Rama Raju	6,00,000		September, 2006	
6.	B Rama Raju Jr.	9,34,250		August 23, 2005 to September 2, 2005	
7.	B Ramalinga Raju	6,00,000		September, 2006	
8.	B Suryanarayana Raju	27,89,000*		February 5, 2001 to November 19, 2004	
9.	B Teja Raju	6,71,125		August 26, 2005 to September 12, 2005	
10.	Chintalapati Holdings Pvt. Ltd.	8,00,000		January 4, 2001 to April 12, 2001	
11.	Chintalapati Srinivasa Raju	65,55,152		February 22, 2001 to December 15, 2008	
12.	Maytas Infra Ltd.	18,52,000*		February 5, 2001 to November 18, 2004	

* off-market transfers

6. SRSR Holdings Private Limited had pledged 6,28,83,317 shares of Satyam Computers during the period from October 11, 2007 to November 19, 2008.

7. All the aforesaid entities were found to be related/connected amongst themselves and with Satyam Computers on the basis of the following:

Table 2- Basis of relation/connection amongst promoter group entities

Sl. no.	Name	Relation/connection
1.	Mr. B. Ramalinga Raju	Chairman, Satyam Computers
2.	Mr. B. Rama Raju	Managing Director, Satyam Computers and brother of Mr. B Ramalinga Raju and Mr. B Suryanarayana Raju
3.	Mr. B. Suryanarayana Raju	Brother of Mr. B. Ramalinga Raju and Mr. B Rama Raju
4.	Ms. B. Appalanasamma	Mother of Mr. B. Ramalinga Raju, Mr. B Rama Raju and Mr. B Suryanarayana Raju.

5.	Ms. B. Jhansi Rani	Wife of Mr. B Suryanarayana Raju
6.	Mr. B Teja Raju/Mr. B Pritam Teja	Son of Mr. B Ramalinga Raju
7.	Mr. B. Rama Raju (Jr.)	Son of Mr. B Ramalinga Raju
8.	Mr. Chintalapati Srinivasa Raju	Director of Satyam Computers
9.	Chintalapati Holdings Pvt. Ltd.	Mr. Chintalapati Srinivasa Raju was one of its directors and shareholder
10.	Mr. Anjiraju Chintalapati	Father of Mr. Chintalapati Srinivasa Raju
11.	Maytas Infra Ltd. (MIL)	Company promoted <i>inter-alia</i> by Mr. Ramalinga Raju, Mr. B. Rama Raju (Jr.) and Mr. Teja Raju, who was also Vice Chairman
12.	SRSR Holdings Pvt. Ltd.	Company controlled by Mr. B. Ramalinga Raju and Mr. B. Rama Raju and Mr. Suryanarayana Raju - these three related persons were only directors in this company.

8. Mr. Anjiraju Chintalapati, Ms. B. Appalanasamma, Ms. B. Jhansi Rani, Mr. B. Rama Raju (Jr.), Mr. B. Suryanarayana Raju, Mr. B. Teja Raju, Chintalapati Holdings Pvt. Ltd., Mr. Chintalapati Srinivasa Raju, SRSR Holdings Private Limited and Maytas Infra Ltd. traded in shares of Satyam Computers when Mr. B. Ramalinga Raju, Mr. B. Rama Raju and others were deliberately and fraudulently engaged in misstatement of accounts of Satyam Computers during the period January, 2001 to December, 2008 and misleading investors. Being promoters/promoter group entities of the company, they were fully aware that the books of account of the company were being manipulated over the years. The promoters/promoter group entities of Satyam Computers by virtue of their being closely related with the Chairman and Managing director of the company are connected/deemed to be connected with the company and hence are insiders and are reasonably expected to have access to the 'unpublished price sensitive information'.

9. As mentioned in above Table 1, Mr. Anjiraju Chintalapati, Mr. B Rama Raju Jr. Mr. B Teja Raju/Mr. B Pritam Teja, Mr. Chintalapati Srinivasa Raju and Chintalapati Holdings Limited had sold shares in the market. It was observed that Smt. B. Appalanasamma, Smt. B. Jhansi Rani, Mr. B Suryanarayana Raju and MIL had transferred their entire shareholding of 50.70 lac shares in Satyam Computers, through off-market transfers, to three entities namely, Elem Investments Pvt. Ltd. [16,84,188 shares], Fincity Investments Pvt. Ltd. [16,87,500 shares] and Highgrace Investments Pvt. Ltd. [16,98,812 shares]. These entities had then sold those shares in the market.

10. SRSR Holdings Pvt. Ltd. was formed by Mr. Ramalinga Raju, Mr. Rama Raju and their respective spouses viz; Smt. Nandini Raju and Smt. Radha Raju. These four persons had transferred almost their entire shareholdings in Satyam Computers to SRSR Holdings Pvt. Ltd. in September, 2006. From the details submitted by Satyam Computers to the stock exchanges, it was observed that as on September 30, 2008, out of 8.6% of the total shares of Satyam Computers held by its promoter and promoter group, 8.27% (i.e. more than 96% of their shareholding) was held by SRSR Holdings Pvt. Ltd. in its demat account number-IN303028 52491182. SRSR Holdings Pvt. Ltd. pledged these shares for the loans taken by various promoter group entities from several lenders as detailed below:

Table 3- Details of Pledge of shares by SRSR Holdings Pvt. Ltd

Name of the borrower	Nature of Instrument issued or loan taken by the borrower	Name of the lender	Shares of Satyam Computers Pledged by SRSR Holdings Pvt. Ltd. with the entities	Date of Agreement between lender and borrower (Closing price of the day of BSE)	Amount of NCD/loan	Total No. of Satyam Computers shares pledged at different points of time (No. of shares Invoked by
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lenders)

Amaravati Greenlands Pvt. Ltd	Non-convertible debenture	DSP Merrill Lynch Ltd. - assigned to DSP Blackrock Mutual Fund	IL&FS Trust Company Ltd.	October 11, 2007 (Rs. 446.50)	Rs. crore 90	8078871 (8078871)
Amaravati Greenlands Pvt. Ltd	Non-convertible debenture	HDFC Mutual Fund		December 19, 2007 (Rs. 405.00)	Rs. crore 77.5	6956996 (5178629)
Bangar Agro Farms Pvt. Ltd.	Non-convertible debenture	Deutsche Mutual Fund		January 25, 2008 (Rs. 408.00)	Rs. crore 50	4488332 (4488332)
Narayandri Greenfields Pvt. Ltd.	Non-convertible debenture	IL & FS Financial Services Ltd.		May 12, 2008 (Rs. 495.50)	Rs. crore 20	87400 (87400)
Harangi Agro Farms Pvt. Ltd.	Non-convertible debenture	IL & FS Financial Services Ltd.		May 12, 2008 (Rs. 495.50)	Rs. crore 80	349800 (349800)
Bangar Agro Farms Pvt. Ltd.	Non-convertible debenture	Deutsche Mutual Fund		June 20, 2008 (Rs. 460.00)	Rs. crore 60	3326845 (971345)
Bangar Agro Farms Pvt. Ltd.	Non-convertible debenture	DSP Merrill Lynch Ltd.		September 12, 2008 (Rs. 407.15)	Rs. crore 75	6058252 (5089252)
Narayandri Greenfields Pvt. Ltd.	Term Loan	IL & FS Financial Services Ltd.		September 19, 2008 (Rs. 372.70)	Rs. crore 50	4836929 (4836929)
Harangi Agro Farms Pvt. Ltd.	Non-convertible debenture	IL & FS Investmart Financial Services Ltd.		July 18, 2008 (Rs. 383.55)	Rs. crore 45	196900 (0)
Harangi Agro Farms Pvt. Ltd.	Non-convertible debenture	IL & FS Financial Services Ltd.		July 18, 2008 (Rs. 383.55)	Rs. crore 24.5	107209 (107209)
Harangi Agro Farms Pvt. Ltd.	Non-convertible debenture	IL & FS Financial Services Ltd.		July 18, 2008 (Rs. 383.55)	Rs. crore 75.5	330300 (330300)
Elem Investments Pvt. Ltd.	Loan	IFCI Ltd.		IFCI Ltd.	November 19, 2008 (Rs. 233.20)	Rs. crore 50
Fincity Investments Pvt. Ltd.	Loan	IFCI Ltd.	IFCI Ltd.	November 11, 2008 (Rs. 265.50)	Rs. crore 50	485000 (485000)

Vyaya Farms Ltd.	Agro Pvt.	Loan	Deutsche India Investment Pvt. Ltd.	IDBI Trusteeship Company Ltd.	August 29, 2008 (Rs. 419.80)	Rs. 109.5 crore	6109625 (6109625)
Samudra Greenfields Pvt. Ltd.		Loan	Deutsche India Investment Pvt. Ltd.		August 29, 2008 (Rs. 419.80)	Rs. 109.5 crore	4743105 (4743105)
Pavitravati Greenfields Pvt. Ltd.		Loan	SICOM Ltd.	SICOM Ltd.	June 19, 2008 (Rs. 473.00)	Rs. 48.00 crore	3800500 (3200500)
Vamadevi Greenfield Pvt. Ltd.		Loan	GE Capital Services India Ltd.	GE Capital Services India Ltd.	August 08, 2007 (Rs. 479.75)	Rs. 115 crore	6825555 (6199028)
Pavitravati Greenfields Pvt. Ltd.		Loan	GE Capital Services India Ltd.		August 11, 2007 (Rs. 479.65)	Rs. 70 crore	4162332 (2863055)
Vamadevi Greenfield Pvt. Ltd.		Loan	GE Capital Services India Ltd.		September 26, 2008 (Rs. 322.2)	Rs. 38.33 crore	485871 (485871)
Pavitravati Greenfields Pvt. Ltd.		Loan	GE Capital Services India Ltd.		September 26, 2008 (Rs. 322.2)	Rs. 6.05 crore	77385 (77385)
Vamadevi Greenfield Pvt. Ltd.		Loan	GE Money Financial Services India Ltd.	GE Money Financial Services India Ltd.	October 23, 2007 (Rs. 461.1)	Rs. 15 crore	891110 (815312)
Total						Rs. 1258.88 crore	62883317 (54981939)

Note: The loans were in US \$ term and have been converted into rupees at the then prevailing exchange rate on the respective date of loan agreement.

11. The lenders/the trustees invoked pledges on several occasions since December 23, 2008 on account of shortfall in margin, which the aforesaid promoter group entities were required to maintain in accordance with terms of loan. Altogether approximately 6.29 crore shares of Satyam Computers were pledged by SRSR Holdings Pvt. Ltd for the loans taken by these promoter group entities with the lenders out of which the lenders/trustees had invoked pledge with regard to approximately 5.50 shares and ultimately sold approximately 5.06 crore shares during the period December 23, 2008 to January 07, 2009 on account of margin shortfall.

12. SRSR Holdings Pvt. Ltd. had pledged shares of Satyam Computers in order to obtain funds in the names of related/connected entities of the promoter group, when it had the full knowledge that the financials of the company were being manipulated for several years. The entire scheme was carried out for personal benefit of the promoters/directors and entities connected/related to them. This act was manipulative and deceptive in nature devised to defraud unsuspecting investors.

13. The shares of Satyam Computers were pledged at a weighted average rate of around Rs. 402.80. Considering the fact that as per terms of loans, on most of the occasions they were required to maintain margin of such number of equity shares as is equivalent to 2.25 times of the value of the borrowing amount, the value at which shares of Satyam Computers were pledged works out to around Rs. 179.00 (Rs. 402.80/2.25). Taking into account the fact that the price of the scrip closed at a low of Rs. 41.05 on January 07, 2009 from Rs. 178.95 on the previous day closing price on NSE, after the news regarding financial irregularities in the company was made public, it was observed that the promoter group of Satyam Computers including SRSR Holdings Pvt. Ltd. and its aforesaid four shareholders earned substantial benefit out of the pledge transactions entered into by them.

14. On account of aforesaid trading through sale/pledge/transfer of shares in Satyam Computers, by/through aforesaid related/connected entities, while in possession of the 'unpublished price sensitive information' with regard to the adverse financial position of the company, Mr. Ramalinga Raju and Mr. Rama Raju had benefited at the cost of other investors by sale or transfer of shares of Rs. 543.93 crore and borrowings of Rs. 1258.88 crore. Further, Mr. Vadlamani Srinivasa, Mr. G Ramakrishna and Mr. V.S. Prabhakara Gupta had also sold shares held by them in Satyam Computers while in possession of the said 'unpublished price sensitive information' and had earned profits of Rs. 29.5 crore, Rs. 11.5 crore and Rs. 5.12 crore, respectively.

15. Pursuant to the above findings/observations of the investigation, SEBI issued Show Cause Notices (SCNs) on different dates to inter-alia to various persons as described in the following table:—

Table No. 4 – Details of SCNs issued

Sl no.	Name of person	Date of SCNs	Date of 1 st supplementary SCNs	Date of 2 nd supplementary SCN
1.	Mr. B Ramalinga Raju	9/3/2009	2/6/2009	22-Mar-10
2.	Mr. B Rama Raju	9/3/2009	2/6/2009	22-Mar-10
3.	Mr. Vadlamani Srinivasa	9/3/2009	2/6/2009	22-Mar-10
4.	Mr. G Ramakrishna	28/04/2009	1/7/2009	22-Mar-10
5.	Mr. V.S. Prabhakara Gupta	28/04/2009	1/7/2009	22-Mar-10
6.	Mr. Anjiraju Chintalapati	19/06/2009	-	-
7.	Ms. B. Appalarasamma	19/06/2009	-	-
8.	Ms. B. Jhansi Rani	19/06/2009	-	-
9.	Mr. B. Rama Raju Jr.	15/09/2009	-	-
10.	Mr. B. Suryanarayana Raju	19/06/2009	-	-
11.	Mr. B. Teja Raju	19/06/2009	-	-
12.	Chintalapati Holdings Pvt. Ltd	19/06/2009	-	-
13.	Mr. Chintalapati Srinivasa Raju	19/06/2009	-	-
14.	SRSR Holdings Private Limited	19/06/2009	-	-
15.	Maytas Infra Limited (presently known as IL & FS Engineering and Construction Company Limited)	19/06/2009	-	-

16. While the SCNs issued to Mr. B. Ramalinga Raju, Mr. B. Rama Raju, Mr. Vadlamani Srinivasa, Mr. G Ramakrishna and Mr. V.S. Prabhakara Gupta have been disposed off vide order dated July 15, 2014 and they have been directed *inter-alia* to disgorge the aforesaid amounts stated in paragraph 14 above, the SCNs dated June 19, 2009 and September 15, 2009 issued to 10 other entities viz; Mr. Anjiraju Chintalapati, Ms. B. Appalarasamma, Ms. B. Jhansi Rani, Mr. B. Suryanarayana Raju, Mr. B. Teja Raju/Mr. B Pritam Teja, Chintalapati Holdings Pvt. Ltd., Mr. Chintalapati Srinivasa Raju, SRSR Holdings Private Limited and Maytas Infra Limited (*presently known as IL & FS Engineering and Construction Company Limited - IECCL*), and Mr. B. Rama Raju (Jr) (hereinafter collectively referred to as "the noticees" and individually by their respective names) are the subject matter of present proceedings.

17. It is noted that the SCNs dated June 19, 2009 and September 15, 2009 have alleged that:

- (a) While the noticees were in possession of 'unpublished price sensitive information', which was not in public domain, they along with the Chairman and Managing Director of Satyam Computers sold shares of the company at high prices or made off market transfers/pledged shares and benefited substantially at the cost of unsuspecting investors in the market.

(b) The damage done by their act of insider trading is akin to a fraud and deception on investors.

18. In view of the above, it has been alleged in these SCNs that the noticees had violated the provisions of regulation 3(c) and 3(d) of PFUTP Regulations, regulation 3(i) of SEBI (Prohibition of Insider Trading) Regulations, 1992 (PIT Regulations) and section 12A (b), (c), (d) and (e) of the Securities and Exchange Board of India Act, 1992 (SEBI Act). The SCNs had called upon the noticee to show cause as to why appropriate directions, including directions to disgorge the unlawful gain made by them on account of the sale/transfer/pledge of shares of Satyam Computers, in terms of sections 11, 11(4) and 11B of the SEBI Act, regulation 11 of the PFUTP Regulations and regulation 11 of the PIT Regulations should not be issued against them.

19. The noticees made submissions vide their respective replies to the SCNs issued to them, whereby they denied all the allegations made against them. The noticees were afforded opportunities of hearing on March 13, 2013, May 28, 2013 and March 11, 2014. However, all of them sought adjournment citing various reasons. Another opportunity of hearing was provided to them on June 26, 2014 when Mr. Rohit Kapadia, Senior Advocate, Mr. P.N. Modi, Senior Advocate and others on behalf of IECCL, and Mr. Kumar Desai, Advocate, Mr. Vinay Chauhan, Advocate and Mr. K.C. Jacob, Advocate on behalf of SRSR Holdings Pvt. Limited, appeared and made their submissions. Ms. B. Appalarasamma, Ms. B Jhansi Rani, Mr. B. Teja Raju, Mr. B Rama Raju (Jr) and Mr. B. Suryanarayana Raju requested for further adjournment of hearing. Their request was acceded to and they were granted opportunity of hearing on July 11, 2014. On the scheduled date, Mr. Shyam Mehta, Senior Advocate, Mr. Vinay Chauhan, Advocate and Mr. K.C. Jacob, Advocate appeared and made their submissions on behalf of them. Mr. Chintalapati Srinivasa Raju and M/s Chintalapati Holdings Pvt. Limited did not appear on June 26, 2014 and requested for further information and inspection of certain documents. An opportunity of inspection of documents was granted to them on October 17, 2014. Subsequent to the inspection, an opportunity of hearing was granted to them on January 20, 2015 to Mr. Chintalapati Srinivasa Raju and M/s Chintalapati Holdings Pvt. Limited, when Mr. Chintalapati Srinivasa Raju, Mr. Pesi Modi, Senior Advocate and others appeared and made submissions on their behalf. Noticees were also given opportunity to make written submissions pursuant to the hearings. Maytas Infra Ltd. made written submissions vide letter dated August 22, 2013, SRSR Holdings Pvt. Ltd. made written submissions vide letter dated July 9, 2014, Mr. B Rama Raju (Jr.) made written submission vide letter dated July 17, 2014, Ms. B Appalarasamma, Ms. B Jhansi Rani, Mr. B Sutyannarayana Raju and Mr. B Teja Raju made written submissions vide letter dated July 18, 2014, Mr. Chintalapati Srinivasa Raju and Chintalapati Holdings Pvt. Ltd. made written submissions vide letters dated January 29, 2015 and May 26, 2015.

20. Replies/submissions of the noticees are as follows:

- (i) **Mr. Anjiraju Chintalapati:** Mr. Chintalapati Srinivasa Raju, S/o of Mr. Anjiraju Chintalapati, vide his letter dated July 10, 2009 submitted that his father, Mr. Anjiraju Chintalapati died on December 3, 2007. He also submitted a copy of the death certificate to support his submissions. In case SEBI decides that the present proceedings do not abate upon his death and have to be perused, the reply of Mr. Chintalapati Srinivasa Raju may be treated as the reply submitted by Mr. Anjiraju Chintalapati as well.
- (ii) **Ms. B. Appalarasamma** vide her letters dated August 28, 2009, August 21, 2013 and July 18, 2014 made *inter alia* following submissions in the matter:
 - a. There is no clarity in the SCN as to who are the promoters of Satyam Computers. The allegations contained in the SCN are vague, ambiguous and unclear.
 - b. She was not part of the promoter group of Satyam Computers. She was neither a director of the company nor did she hold any position in it ever.
 - c. She sold shares only on December 12, 2003 and December 15, 2003 for philanthropic purposes and personal need.
 - d. She did not have access to any information about the books of account of Satyam Computers and she was not having any knowledge of 'unpublished price sensitive information' at the time of sale.
 - e. Merely because she is related to Mr. B. Ramalinga Raju and Mr. B Rama Raju cannot result in automatic finding that their knowledge is the knowledge of other related

entities as well.

- f. The enormity of the time gap between the date of transfer (in December, 2003) and the date of alleged 'unpublished price sensitive information' becoming public (January, 2009) itself rules out any possibility of insider trading.
- (iii) **Ms. B. Jhansi Rani** vide her letters dated September 28, 2009, August 21, 2013 and July 18, 2014, made *inter alia* the following submissions in the matter:
- There is no clarity in the SCN as to who are the promoters of Satyam Computers. The allegations contained in the SCN are vague, ambiguous and unclear.
 - She did not belong to the promoter group of Satyam Computers and was never a director of the company nor held any position in it. She was not associated with the management of Satyam Computers.
 - She sold shares on January 22, 2001 and February 5, 2001 for personal needs as opposed to being made on a single day, which is usually the case when a person is in possession of negative 'unpublished price sensitive information'.
 - Merely because she is related to Mr. B. Ramalinga Raju and Mr. B Rama Raju cannot result in automatic finding that their knowledge is the knowledge of other related parties.
- e. The enormity of time gap between the date of transfer (in January — February, 2001) and the date of alleged 'unpublished price sensitive information' becoming public (January, 2009) itself rules out any possibility of insider trading.
- (iv) **Mr. B Rama Raju Jr.** vide his letters dated October 8, 2009, March 11, 2013, August 21, 2013 and July 17, 2014 made *inter alia* following submissions in the matter:
- There is no clarity in the SCN as to who are the promoters of Satyam Computers. The allegations in the SCN are vague and ambiguous.
 - He was not involved in the affairs of SRSR Holdings Pvt. Ltd.
 - It cannot be assumed that the knowledge of Mr. B. Ramalinga Raju about mis-statement and manipulation of the books of Satyam Computers was his knowledge just because he was related to Mr. B Ramalinga Raju.
 - He was not having any role to play in the management or affairs of Satyam Computers, therefore, it could not be deemed that he was in possession of or having access to 'unpublished price sensitive information'.
 - If he along with other persons is deemed to be connected persons, then the SCN has to show as to how he can be reasonably expected to have access to 'unpublished price sensitive information'.
- f. If the noticees were connected or deemed be connected persons and in possession of alleged 'unpublished price sensitive information' then why there are different type of transactions ranging over a period of several years.
- g. The enormity of time gap between the date of transfer (in January — February, 2001) and the date of alleged 'unpublished price sensitive information' becoming public (January, 2009) itself rules out any possibility of insider trading.
- h. His transactions in the shares of Satyam Computers during August-September, 2005 were based on his own personal and business needs and uninfluenced by other members of the family. The transactions in shares of Satyam Computers were not based on any 'unpublished price sensitive information'.
- i. Selling of shares in the ordinary course cannot be treated as fraud and deception on investors.
- (v) **Mr. B Suryanarayana Raju** vide his letters dated September 28, 2009, August 21, 2013 and July 18, 2014 made *inter alia* following submissions in the matter:
- There is no clarity in the SCN as to who are the promoters of Satyam Computers. It has been contended that the allegations in the SCN are vague and ambiguous.
 - He was not the promoter or part of the promoter group of Satyam Computers. He was not a director or officer or employee of Satyam Computers and he was not having any role to play in the management or affairs of Satyam Computers. Therefore, it could not be deemed that he was in possession of or having access to 'unpublished price sensitive

information'.

- c. Knowledge of Mr. B Ramalinga Raju and B Rama Raju about mis-statement and manipulation of the books of Satyam Computers cannot be imputed to him just because he is related to them.
 - d. The enormity of time gap between the date of transfer (between February 5, 2001 and November 18, 2004) and the date of alleged 'unpublished price sensitive information' becoming public (January, 2009) itself rules out any possibility of insider trading.
 - e. The transfer or sale of shares was in the ordinary course and was not based on 'unpublished price sensitive information'.
- (vi) **Mr. B. Teja Raju** vide his letters dated August 18, 2009, August 21, 2013 and July 18, 2014 made *inter alia* following submissions in the matter:
- a. B. Pritam Teja was his earlier name which has been changed to B. Teja Raju since August 4, 2003.
 - b. There is no clarity in the SCN as to who are the promoters of Satyam Computers. It has been contended that the allegations in the SCN are vague and ambiguous.
 - c. Knowledge of Mr. B. Ramalinga Raju and B. Rama Raju about mis-statement and manipulation of the books of Satyam Computers cannot be imputed to him just because he is related to them.
 - d. He was not having any role to play in the management or affairs of Satyam Computers, therefore, it could not be deemed that he was in possession of or having access to 'unpublished price sensitive information'.
 - e. The shares of Satyam Computers were given to him as gift by his grandfather in the year 2000. He sold these shares between August, 2005 and September, 2005 for his own business needs and the decision to sell was not based on any 'unpublished price sensitive information'.
 - f. Selling of shares in the ordinary course cannot be treated as fraud and deception on investors;
 - g. He has not transferred his shares to SRSR Holdings Pvt. Ltd.
- (vii) **SRSR Holdings Pvt. Limited** vide its letters dated August 21, 2013 and July 9, 2014 made *inter alia* following submissions in the matter:
- a. It is an independent legal entity. It bought around 2.78 crore shares of Satyam Computers from Mr. B. Ramalinga Raju, Mr. B. Rama Raju and their spouses on September 18, 2006 at the then prevailing market price of about Rs. 815/- per share by way of bulk deal in open market transactions for a consideration of Rs. 2,266 Crore.
 - b. Though, in the year 2006 Mr. B. Ramalinga Raju and Mr. B. Rama Raju were directors of SRSR Holdings Pvt. Ltd., their personal knowledge and acts cannot be attributed to the company. It has not indulged in any manipulative and fraudulent activity relating to the securities.
 - c. It was not an 'insider' within the meaning of the PIT Regulations.
 - d. It was not in possession of 'unpublished price sensitive information'. It has been ignored that if it were privy to the alleged 'unpublished price sensitive information', then there was no need for it to pledge shares that too as facilitation to the borrowings of certain other entities and expose it to the risk of pledge being invoked at distress price.
 - e. The definition of "dealing in securities" under regulation 2(d) of the PIT Regulations does not include pledging of shares, therefore, it has not dealt in shares of Satyam Computers on its own behalf or on behalf of any other person.
 - f. The SCN is vague, unspecific and ambiguous. Further, in a scenario where shares pledged have been liquidated at distress prices by the lenders, it is incomprehensible as to how the company has gained in any manner.
- (viii) **Mr. Chintalapati Srinivasa Raju and Chintalapati Holdings Pvt. Ltd.** vide their letters dated July 17, 2009, November 13, 2014, January 29, 2015 and May 26, 2015 made *inter alia* following common submissions in the matter:
- a) The SCN alleges that the 'unpublished price sensitive information' came into existence

on March 31, 2001. However, the last sale of shares by Chintalapati Holdings Pvt. Ltd. was on March 14, 2001. Therefore, there is no question of any violation by Chintalapati Holdings Pvt. Ltd.

- b) Further, Mr. Chintalapati Srinivasa Raju had in August, 2000 publicly announced his intention to leave his full time job in Satyam Computers so as to take up his own independent projects and the same was even reported in newspapers. He continued in Satyam Computers as non-executive Director only till other directors could be appointed. He retired from this position in 2002, which was accepted by Satyam Computers on January 23, 2003. Further, while he was a non-executive director he neither had any role in respect of the manipulation and overstatement of books of accounts of Satyam Computers, nor had access to bank statements, Fixed Deposit Receipts (FDRs), invoices etc. which are alleged to have been manipulated.
 - c) They did not have any knowledge that the books of account of Satyam Computers were being manipulated and did not have access to the alleged 'unpublished price sensitive information' at any time.
 - d) Mr. Chintalapati Srinivasa Raju is not a relative of Mr. B. Ramalinga Raju in terms of regulation 2(i) of SEBI (PIT) regulations and section 6 of the Companies Act, 1956.
 - e) After detailed investigation, the Serious Frauds Investigation Office (SFIO), the Central Bureau of Investigation (CBI) and the Directorate of Enforcement (ED) have concluded that Mr. Ramalinga Raju and his core group had hidden the manipulation exercise from and deceived the rest of the Board of Directors. CBI did not find any cause to frame any charge against Mr. Chintalapati Srinivasa Raju in the charge sheets filed by them before ACMM cum Special Sessions Court at Hyderabad.
 - f) They were neither promoters of Satyam Computers nor were insiders. The fact that they were not promoters of Satyam Computers has been confirmed after extensive investigations conducted by three investigating agencies of the Central Government namely; the SFIO, the CBI and the ED. Further, Satyam Computers had not informed them about including their shareholding in promoter's category before or after getting it published on BSE website.
 - g) They had no connection or transactions whatsoever with SRSR Holdings Pvt. Ltd. or other companies that were setup by the actual promoters of Satyam Computers to divert the sale proceeds arising out of the pledge/sale of their shares.
 - h) The SCN does not discharge the high evidentiary standard required to establish a charge as serious as insider trading and fraud on the market.
 - i) They acquired shares of Satyam Computers pursuant to a scheme of amalgamation of Satyam Computers and Satyam Enterprise Solutions Pvt. Ltd. approved by the Hon'ble High Court of Andhra Pradesh vide its order dated August 27, 1999 and in order to meet the needs of his business, sold shares over a period of seven years i.e. between January, 2001 and December, 2008. Their trading pattern is diametrically opposite to the modus operandi of the promoters of Satyam Computers.
- (ix) **Maytas Infra Limited** (now IL & FS Engineering and Construction Company Limited) vide its letter dated August 18, 2009 made *inter alia* following submissions in the matter:
- a) Maytas Infra Limited (MIL) denied all the allegations.
 - b) It did not participate nor could be deemed to have participated in any misstatement of the accounts of Satyam Computers.
 - c) Its affairs have been conducted independent of Satyam Computers.
 - d) It was not aware of the inflated financial statements or about the financial health of Satyam Computers and was never in possession of any 'unpublished price sensitive information' as alleged.
 - e) It is unaware as to the circumstances in which other noticees like Ms. Appalarasamma, Ms. B Jhansi Rani and Shri Suryanarayana Raju transferred their holding to various entities in off-market.
 - f) No scheme was carried out for the personal benefit of the promoters or was there any act to manipulate, deceive or defraud the investors.
- (x) IL & FS Engineering and Construction Company Limited (hereinafter referred to as

'IECCL') vide its letters dated May 24, 2013 and August 22, 2013 made *inter alia* following submissions in the matter:

- a) The present management became aware of the proceedings against IECCL only after SEBI sent a letter granting hearing to it. IECCL requested for a copy of the SCN.
- b) MIL became a deemed public limited company with effect from July 1, 1993 and was promoted by Mr. B. Teja Raju (son of Mr. Ramalinga Raju, the erstwhile CMD of Satyam Computers), SNR Investments Private Ltd. and Veeyes Investments Private Ltd. After the fraud at Satyam Computers was revealed the business operations and reputation of MIL was adversely affected. The Central Government filed a petition under various provisions of the Companies Act, 1956 before the Hon'ble Company Law Board (CLB) and orders were passed by the CLB. As a result of the operation of the order of the CLB dated August 31, 2009, MIL was taken over by Infrastructure Leasing and Financial Services Limited (IL & FS) in August, 2009 and after the completion of the open offer process 'Maytas Infra Limited' was renamed as 'IL & FS Engineering and Construction Company Limited' with effect from January 7, 2011. The appointment of IL & FS as the new promoter of the company was also approved by the CLB vide their aforesaid order dated August 31, 2009 and thereafter MIL/IECCL is under the management and control of IL & FS. Mr. B. Teja Raju and other directors relating to the previous management of MIL were asked to resign by the CLB and accordingly they stepped down from their positions in MIL in September, 2009.
- c) IL & FS infused around Rs. 55 crore into MIL/IECCL and revived it after taking control over the management.
- d) The CLB granted immunity to the nominee directors of MIL from the acts and commissions and omissions of the erstwhile promoters and directors of the company.
- e) Any penalty imposed on IECCL would be inequitable and unfair to the shareholders and its present management since they did not have anything to do with the trades of Satyam Computers executed by the erstwhile MIL.
- f) Without prejudice to the above contentions, MIL has also submitted that it first became a shareholder in Satyam Computers when it was allotted 5,00,000 equity shares of Rs. 10 each in the IPO of Satyam Computers in the year 1992-93. Subsequently, MIL had also undertaken few purchase and sale transactions of Satyam Computers' shares during 1995 to 1998. After a split of Equity Shares of Satyam Computers from Rs. 10 each into equity shares of Rs. 2 each in 2001-2002 MIL had a balance of 18,52,000 equity shares of Rs. 2 each of Satyam Computers in its name. MIL had sold these 18,52,000 equity shares of Satyam Computers held by them in two tranches viz. 1,00,000 shares in May, 2001 for a consideration of Rs. 1,94,65,980/- and the remaining 17,52,000 shares between April to November, 2004 for a total consideration of Rs. 55,01,86,338/-. All transactions related to purchase and sale of Satyam Computers shares by MIL have been appropriately reflected in its books of accounts and since these were long term investments, Long Term Capital Gains Tax was also paid by MIL on these gains. Mr. Teja Raju was appointed on the Board of Directors of the company in July, 2001. The shares were sold to Company's erstwhile promoter group companies, namely, Elem Investments Pvt. Ltd., Fincity Investments Pvt. Ltd. and High Grace Investments Pvt. Ltd. in off-market transactions at agreed prices which more or less corresponds to the market price during the relevant time. After completion of this sale, MIL neither purchased nor held any shares of Satyam Computers.
- g) It is incorrect to deem MIL as promoter or promoter group of Satyam Computers on the basis of family relationship between Rajus. It does not fall within the definition of "insider" in relation to Satyam Computers. It has been also contended that even if it is assumed that one erstwhile promoter of the company had access to or knowledge of 'unpublished price sensitive information' regarding Satyam Computers, such knowledge of a promoter of a company cannot be attributed to MIL. The shares were not sold on the basis of any unpublished price sensitive information.
- h) There is no statement or representation attributable to MIL in the SCN which can be construed as fraudulent or deceptive.

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- i) Even if it is assumed that erstwhile promoters and directors of MIL had knowledge of manipulation of Satyam Computers' financial statements, such knowledge cannot be attributed to MIL and its shareholders should not be made to suffer for a fraud perpetrated by erstwhile promoters/directors.
 - j) Alleged fraud of a director cannot be attributed to the company and for this they have relied on the judgment given in *In re Hampshire Land Co.*, (1896) 2 Ch. 743. Further, the knowledge or information received by a promoter or director of MIL in his personal capacity and not as director of MIL cannot be attributed to MIL as he was not obliged to account for such information to MIL. They have relied on the judgment of *In re David Payne & Co. Ltd.*, (1904) 2 Ch. 608) in this regard.

21. I have considered the SCNs issued to the noticees, their replies, written submissions and material available on record. I note that the SCNs have been issued to the noticees on the basis of the same set of facts and the allegations made therein are also same. I, therefore, deem it appropriate to deal with the SCNs issued to the noticees herein by way of this common order. Before dealing with the allegations in the SCNs in respect to the noticees herein, it is deemed appropriate to refer to provisions of the SEBI Act, PFUTP Regulations, and PIT Regulations alleged to be violated by the noticees. These provisions as applicable at the relevant period are reproduced hereafter:—

SEBI Act

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

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

- (a)
- (b) *employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;*
- (c) *engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made there under;*
- (d) *engage in insider trading;*
- (e) *deal in securities while in possession of material or non-public information or communicate such material or non-public information to any other person, in a manner which is in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

PFUTP Regulations

Prohibition of certain dealings in securities.

Regulation 3. *No person shall directly or indirectly—*

- (a)
- (b)
- (c) *employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (d) *engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under."*

PIT Regulations, 1992

Prohibition on dealing, communicating or counselling on matters relating to insider trading.

3. No insider shall—

- (i) *either on his own behalf or on behalf of any other person, deal in securities of a company listed on any stock exchange when in possession of any unpublished price sensitive information; or*

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Violation of provisions relating to insider trading.

4. Any insider who deals in securities in contravention of the provisions of regulation 3 or 3A shall be guilty of insider trading.

22. I note that Mr. B. Teja Raju was earlier called by name Mr. B. Pritam Teja and, thus, the transactions described in the SCN against the name Mr. B Pritam Teja are the transactions of Mr. B Teja Raju. In view of this, the sale of 2,71,125 shares mentioned against Mr. B. Pritam Teja and sale of 6,71,125 shares mentioned against Mr. B Teja Raju in Table I above were the sale transactions of Mr. B Teja Raju. Thus, the SCN issued against both these names is to be dealt accordingly.

23. From the charge against the noticees as mentioned in the SCN, it is noted that there is no allegation in the SCNs that the noticees had any role in the fraudulent and manipulative activities relating to misstatement of books of account and fudging of the financials of the company by Mr. Ramalinga Raju, Mr. B. Rama Raju, Mr. Vadlamani Srinivasa, Mr. G Ramakrishna and Mr. V.S. Prabhakara Gupta as found in the order dated July 15, 2014.

24. It is noted from the SCNs that the charge of violation of section 12(A)(d) and (e) of the SEBI Act, 1992 and regulation 3(i) of the PIT Regulations against the noticees in the instant proceedings is based on the following basis—

(a) That the promoters of Satyam Computers, by virtue of their being closely related with the Chairman and Managing Director are connected/deemed to be connected with the company and hence are 'insiders' and are reasonably expected to have access to the unpublished price sensitive information of the misstatements and fabrication of financial statements of company; and

(b) That those entities, including Mr. Ramalinga Raju and Mr. Rama Raju had sold shares in the market or made off-market transfers to other entities during the period January, 2001 to December, 2008 (as detailed in the above mentioned Table No. 1) when in possession of unpublished price sensitive information about the adverse financial position of the company.

25. It is relevant to mention here that the aforesaid transactions as detailed in Table No. 1 and 3 were the subject matter of charge of 'insider trading' and contravention of the provisions of section 12(A)(d) and (e) of the SEBI Act, 1992 and regulation 3 and 4 of the PIT Regulations by Mr. Ramalinga Raju and Mr. Rama Raju, as alleged in the SCN dated June 02, 2009 and March 22, 2010 issued to them. This charge against Mr. Ramalinga Raju and Mr. Rama Raju was on the same basis as in this case that they and the noticees herein, who were connected/related to them sold shares and/or transferred shares (off market/pledge) of Satyam Computers as stated in Table 1 and 3 above on the basis of unpublished price sensitive information. The said transactions were alleged to be part of manipulative and deceptive scheme employed for the personal benefit of Mr. Ramalinga Raju and Mr. Rama Raju to defraud unsuspecting investors. Thus, the entire unlawful gain of Rs. 543.93 crore towards sale of shares and benefits as a result of borrowings to the extent of Rs. 1258.88 cores on the basis of unpublished price sensitive information were unlawful gains of Mr. Ramalinga Raju and Mr. Rama Raju. These allegations against them have been confirmed in the order dated July 15, 2014 and they were inter alia directed to disgorge these unlawful gains with simple interest @12% p.a. from January 07, 2009 till the date of payment. The SCNs dated June 19, 2009 and September 15, 2009 in the instant case also, inter alia contemplate impounding and retaining the aforesaid unlawful gain of Rs. 543.93 crore and Rs. 1258.88 crore or transfer of profit to investor protection fund individually from each of the noticees. This aspect is being dealt with separately in the later part of this order.

26. Before dealing with the merits of the case, I deem it necessary to deal with the technical objection raised by SRSR Holdings Pvt. Limited that the definition of "dealing in securities" under regulation 2(d) of the PIT Regulations does not include pledging of shares. I note that regulation 2(d) of the PIT Regulations defines the expression 'dealing in securities' as an act of subscribing, buying, selling or agreeing to subscribe, buy, sell or deal in any securities by any person either as principal or agent;". From the plain reading of this definition it is clear that the phrase 'dealing in securities' would include all commercial dealings in related to the securities

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which involve transfer of securities or any rights or interests therein or issuance of securities.
Mode of transfer is immaterial for the dealings to fall within the ambit of this definition.

27. The noticees have also raised the objection that the SCN is vague, ambiguous and unclear as it does not describe as to who were the promoters of Satyam Computers and thus the basis of the charge does not sustain. In this regard, as mentioned above, it is noted that the SCN states that the promoters/promoter group entities had sold/transferred shares of Satyam Computers while being in cognizance of the fact that the books of account and financial statements of the company were being grossly manipulated. The SCN further alleges that as promoters of the company, the noticees were fully aware that the books of account of the company were being manipulated over the years. Thus, the SCN, with reasonable certainty, refers the entities mentioned in the above Tables 1 and 2 as promoters/promoter group entities.

28. It is further inferred from the SCN that it alleges that the promoters (i.e. entities mentioned in aforementioned Table 1) were, by virtue of their being closely related with the Chairman and Managing director of the company, connected/deemed to be connected with the company and hence were 'insiders' and were reasonably expected to have access to the 'unpublished price sensitive information' of the misstatement and fabrication of financial statements of Satyam Computers. It is further alleged that while in possession of the 'unpublished price sensitive information' which was not in public domain they sold shares at high prices or made off market transfers and made unlawful gains and benefited at the cost of other investors.

29. I note that the noticees have not disputed the relationships/connections amongst themselves and with Mr. Ramalinga Raju and Mr. Rama Raju as alleged in the SCNs. Further, the respective noticees have admitted their alleged sale, pledge and transfer in the shares of Satyam Computers during the relevant period as described in the SCN. Denying that the noticees were promoter/promoter group entities, they have contended that the SCN is unclear as to who are the promoters of Satyam Computers during the relevant period. They have also submitted that they do not fall under the definition of 'insider' and that just because of their connection/relationship it cannot be presumed that they were in possession of 'unpublished price sensitive information' or that their trades/dealings were on the basis of the 'unpublished price sensitive information'. I note that though the SCNs allege that the noticees are promoter/promoter group entities, it does not limit the basis of charge to this allegation. As noted above, the SCN states that the noticees by virtue of their being closely related with the Chairman and Managing director of the company are connected/deemed to be connected with the company and hence are 'insiders' and are reasonably expected to have access to the 'unpublished price sensitive information'. On careful reading of the provisions of regulation 3(i) of the PIT Regulations, as applicable during relevant period, it is noted that in order to prove the charge of insider trading under regulation 3(i) one must establish that the (a) the person is an 'insider', (b) he is in possession of 'unpublished price sensitive information' and (c) he deals in securities of the company while in possession of 'unpublished price sensitive information' either on his own behalf or on behalf of any other person.

30. In order to determine whether the noticees are "insider" on the basis of aforesaid factors as described in the SCN it is relevant to refer to the definition of the term 'insiders' as defined under the regulation 2(e) of the PIT Regulations. The regulation 2(e) reads as follows:

- (e) "insider" means any person who,
 - (i) is or was connected with the company or is deemed to have been connected with the company and is reasonably expected to have access to unpublished price sensitive information in respect of securities of a company, or
 - (ii) has received or has had access to such unpublished price sensitive information;"

31. From the above definition it is clear that to be an 'insider' it is immaterial whether a person is a promoter/promoter group entity or not. The definition of 'insider' is wide enough to include any person in the ambit of 'insider' if such person is or was actually 'connected' with the company or 'deemed to have been connected' with the company. The terms 'connected person' and 'persons deemed to be connected person' has been defined in the regulation 2(c) and 2(h), of the PIT Regulations respectively, as follows:

- (c) "connected person" means any person who—

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- (i) is a director, as defined in clause (13) of section 2 of the Companies Act, 1956 (1 of 1956), of a company, or is deemed to be a director of that company by virtue of sub-clause (10) of section 307 of that Act or
 - (ii) occupies the position as an officer or an employee of the company or holds a position involving a professional or business relationship between himself and the company [whether temporary or permanent] and who may reasonably be expected to have an access to unpublished price sensitive information in relation to that company.
 - (h) "person is deemed to be a connected person", if such person—
 - (i) is a company under the same management or group, or any subsidiary company thereof within the meaning of sub-section (1B) of section 370, or sub-section (11) of section 372, of the Companies Act, 1956 (1 of 1956) or sub-clause (g) of section 2 of the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969) as the case may be; or

.....
(viii) relatives of the connected person
....."

32. The term "connected person" has been defined in regulation 2(c) and includes any person who is a "director" of a company, as defined in clause (13) of section 2 of the Companies Act, 1956. There is no dispute as to fact that Mr. Chintalapati Srinivasa Raju was a director of Satyam Computers till January, 2003 (executive director up to 31.08.2000 and non-executive director till January, 2003) and during this period he had sold the shares of the company. He has contended that as a non-executive director his role was limited to attending board meetings scheduled by Satyam Computers and he was not part of management of day-to-day business of Satyam Computers. I note that whether the person is executive director or non-executive director is immaterial for the purpose of a director to be called as 'connected person' under regulation 2(c). I therefore, find that being a directly 'connected person', Mr. Chintalapati Srinivasa Raju was an 'insider' during the relevant period when he sold his shares of Satyam Computers. Other noticees are not directly 'connected persons' within the meaning of the expression under regulation 2(c) of the PIT Regulations.

33. In the instant case, admittedly, SRSR Holdings Private Limited, was incorporated in June, 2006 and Mr. B. Ramalinga Raju, Mr. B. Rama Raju and Mr. B. Suryanarayana Raju were its directors during the relevant period. Mr. Teja Raju along with SNR Investments Private Limited and Veeyes Investments Private Limited were the promoters of MIL. Mr. Ramalinga Raju was part of the promoter group of MIL. Mr. B. Teja Raju son of Mr. Ramalinga Raju was one of the directors of MIL and he and promoter group entities of Satyam Computers held substantial stake in MIL. It is an admitted fact that Mr. B. Teja Raju, was also the Vice Chairman of MIL. Further, he and various related entities of Satyam Computers held a substantial stake in MIL. Thus, by virtue of such connection of these companies with Mr. B. Ramalinga Raju (Chairman of Satyam Computers) and B. Rama Raju (Managing Director of Satyam Computers) as directors/promoters or persons having control over respective companies, Satyam Computers, MIL and SRSR Holdings Private Limited were companies under the same management or group. Accordingly, MIL and SRSR Holdings Private Limited were 'persons deemed to be connected persons' under regulation 2(h)(i) of the PIT Regulations during the relevant period.

34. Admittedly, Chintalapati Holdings Private Limited is a family owned company of Mr. Chintalapati Srinivasa Raju. He was a promoter and one of the two directors of Chintalapati Holdings Private Limited during the relevant period. Further, along with Mr. B Ramalinga Raju and Mr. B Rama Raju, Mr. Chintalapati Srinivasa Raju was also one of the directors of Satyam Computers. In my view, by virtue of such connection with Satyam Computers and relation/connection of Mr. Chintalapati Srinivasa Raju with Mr. Ramalinga Raju and Mr. B. Rama Raju, Chintalapati Holdings Private Limited was also a 'person deemed to be connected' as defined under regulation 2(h)(i) of the PIT Regulations.

35. It has been established that being Chairman and Managing Director, respectively of Satyam Computers during the relevant period, Mr. B. Ramalinga Raju, Mr. B. Rama Raju were directly 'connected persons' and thus 'insiders. Further, they were indeed in possession of the 'unpublished price sensitive information' in this case because they were actively involved in the _____

manipulation and misrepresentation of the financial results of Satyam Computers which were presenting a rosy picture about the financials of the company. Mr. Chintalapati Srinivasa Raju was also a directly 'connected person' during the relevant period. In terms of regulation 2(h) (viii) of the PIT Regulations, 'relatives' of the 'connected person' are 'deemed to be connected persons'. I note that the noticees have been alleged to be related/connected to Mr. B. Ramalinga Raju, Mr. B. Rama Raju and Mr. Chintalapati Srinivasa Raju. Regulation 2(i) of PIT Regulations says that a 'relative' means a person as defined under section 6 of the Companies Act, 1956 which reads as follows:

Section 6. Meaning of "relative"

A person shall be deemed to be a relative of another, if, and only if,

(a) they are members of a Hindu undivided family; or

(b) they are husband and wife; or

(c) the one is related to the other in the manner indicated in Schedule IA.

SCHEDULE IA

See section 6(c)

LIST OF RELATIVES

1. Father.	12. Son's daughter.
2. Mother (including step-mother).	13. Son's daughter's husband.
3. Son (including step-son).	14. Daughter's husband.
4. Son's wife.	15. Daughter's son.
5. Daughter (including step-daughter).	16. Daughter's son's wife.
6. Father's father.	17. Daughter's daughter.
7. Father's mother.	18. Daughter's daughter's husband.
8. Mother's mother.	19. Brother (including step-brothers).
9. Mother's father.	20. Brother's wife.
10. Son's son.	21. Sister (including step-sister).
11. Son's son's wife.	22. Sister's husband.

36. I find that Ms. B. Appalarasamma, Mr. B. Suryanarayana Raju, Ms. B. Jhansi Rani, Mr. B. Teja Raju and Mr. B. Rama Raju (Jr) are 'relatives' of Mr. B. Ramalinga Raju or/and Mr. B. Rama Raju as per definition of the term under section 6 of the Companies Act, 1956 as detailed hereinafter:

Table 5 Relationship of the noticees with connected persons as per section 6 of the Companies Act, 1956

Sl. no.	Name of entities	Relation with 'connected persons' namely, Mr. B. Ramalinga Raju or/and Mr. B. Rama Raju	Relationship per section 6 of Companies Act
1.	Mr. B. Suryanarayana Raju	Brother of Mr. Ramalinga Raju and Mr. B. Rama Raju	Brother
2.	Ms. B. Appalarasamma	Mother of Mr. B. Ramalinga Raju, Mr. B. Rama Raju and Mr. B. Suryanarayana Raju	Mother
3.	Ms. B. Jhansi Rani	Wife of Mr. B. Suryanarayana Raju who is brother of Mr. Ramalinga Raju and Mr. B. Rama Raju	Brother's wife
4.	Mr. B. Teja Raju	Son of Mr. B. Ramalinga Raju	Son
5.	Mr. B. Rama Raju (Jr)	Son of Mr. B. Ramalinga Raju	Son
6.	Mr. Anjiraju Chintalapati	Father of Mr. Chintalapati Srinivasa Raju	Father

37. In view of aforesaid relationship, I find that Mr. B. Suryanarayana Raju, Ms. B. Appalarasamma, Ms. B. Jhansi Rani, Mr. B. Teja Raju, Mr. B. Rama Raju (Jr.) and Mr. Anjiraju Chintalapati were 'deemed to be a connected persons' under regulation 2(h)(viii) of the PIT Regulations.

38. The second limb of the definition is that, by virtue of such connection, the person is reasonably expected to have access to 'unpublished price sensitive information'. Before examining these aspects of the definition, it is necessary to determine what was 'unpublished price sensitive information' in this case. Prior to February 20, 2002, regulation 2(k) of the PIT Regulations defined 'unpublished price sensitive information' as under—

"(k) Unpublished price sensitive information means any information which related to the following matters or is of concern, directly or indirectly, to a company, and is not generally known or published by such company" for general information, but which if published or known, is likely to materially affect the price of securities of that company in the market—

(i) financial results (both half-yearly and annual) of the company;

.....;

(vii) such other information as may affect the earnings of the company."

39. With effect from February 20, 2002 the words 'price sensitive information' and 'unpublished' have been defined in regulation 2(ha) and 2(k) respectively, which are reproduced as follows:

"(ha) price sensitive information" means any information which relates directly or indirectly to a company and which if published is likely to materially affect the price of securities of company.

Explanation.—the following shall be deemed to be price sensitive information:—

(i) - periodical financial results of the company;.....;"

....."

"(k) "unpublished" means information which is not published by the company or its agents and is not specific in nature.

Explanation.—Speculative reports in print or electronic media shall not be considered as published information."

40. From the above definitions, it is noted that, any information which relates directly or indirectly to a company and which is not generally known or published but if published or known, it is likely to materially affect the price of securities of the company, is an 'unpublished price sensitive information'. The periodical financial result of the company are squarely covered under the scope of 'price sensitive information' in terms of the aforesaid definitions. In this regard, it is noted that the Hon'ble Securities Appellate Tribunal (SAT), in its order dated November 18, 2011 in the matter of Gujarat NRE Mineral Resources Ltd., has held as under:

".....Regulation 3 of the regulations would stand violated only if the unpublished information was price sensitive in nature. A reading of the definition of "price sensitive information" ... would make it clear that the information which relates to a company and which when published is likely to materially affect the price of its securities would be price sensitive....."

41. In this case, the periodical financial results of Satyam Computers were definitely 'price sensitive information' under the aforesaid definitions under regulation 2(k) and 2(ha) of the PIT Regulations. The actual financial results and the fact that the books of accounts of Satyam Computer were fabricated/manipulated since January, 2001 remained within the knowledge and possession of 'insiders' who were reasonably expected to have access to them and/or had received or accessed to the same. In this case, the published financial results and the actual financial results were different inasmuch that the published financial results were manipulated. The published financial results of Satyam Computers were manipulated and were presenting a rosy picture about the financials of the company, contrary to the actual state of financials of the company. The actual financial results remained within knowledge and possession of the 'insiders' and the false and misleading financial results were published. Further, the manipulated and fabricated financial statements in this case had also affected the earnings of the company. These facts came into public domain only on January 07, 2009 when Mr. B. Ramalinga Raju made confessions in his email of the same date. Thus, these price sensitive information about periodical financial results of Satyam Computers remained 'unpublished' till January 07, 2009. In this case, the fact that the price of the scrip closed at a low of Rs. 41.05 on January 09, 2009 from Rs. 178.95 on the previous day's closing price on NSE after the news regarding financial irregularities in Satyam Computers was made public, further substantiates

these findings.

42. Coming to the issue as to whether the noticees being "*connected person*" and "*deemed to be connected persons*", were reasonably expected to have access to '*unpublished price-sensitive information*' in this case, I am of the view that this issue can be ascertained taking into account the facts and circumstances of the case including connection/relation, trading pattern and ultimate beneficiaries of the alleged transactions, etc. It is established fact that Mr. B. Ramalinga Raju, Mr. B. Rama Raju, Mr. Vadlamani Srinivasa, Mr. G. Ramakrishna and Mr. V.S. Prabhakara Gupta who were in charge of affairs of Satyam Computers inter alia with regard to its financial information during the relevant period, colluded and connived with each other in actively inflating the revenues and understating the liabilities of Satyam Computers by manipulation and fabrication of the books of account and financial statements and falsification of the information presented in the same. The financial statements prepared or caused to be prepared by them did not contain true and fair disclosures of the financial position of Satyam Computers. They also deliberately projected a grossly false picture of the financials of Satyam Computers to millions of investors. The advertisements carrying the quarterly financial results of Satyam Computers were also misleading and they contained spurious information. Such publications of false and misleading financial results created artificial demand in the scrip of Satyam Computers and also led to false and misleading price discovery of its securities in the stock market. Undoubtedly, these persons were in possession of the '*unpublished price sensitive information*' in this case during the relevant period.

43. It is noted that the SCN has further alleged that the noticees including Mr. Chintalapati Srinivasa Raju was fully aware that the books of account of the company were being manipulated over the years. Mr. Chintalapati Srinivasa Raju has contended that SFIO, CBI and ED have given finding that Mr. Ramalinga Raju and his core group, which were involved in the manipulation of accounts of Satyam Computers, had hidden the same from and deceived the rest of the Board of Directors. I note that these investigating agencies have not investigated involvement of the noticee with respect to the violation of the provisions of insider trading laws. I am of the view that SEBI's investigation is independent and separate from that of other investigating agencies. I further note that the charge in the SCN against Mr. Chintalapati Srinivasa Raju is to be established mainly on the fact that he, being a connected person, had reasonable access to the '*unpublished price sensitive information*' and sold shares of Satyam Computers when he was in possession of the same. The proof adduced in support of the allegations made in the SCN has already been provided to the noticees along with the SCN. I, therefore, find that the submissions of Mr. Chintalapati Srinivasa Raju in this regard cannot be accepted. It is further noted that on the same set of facts and circumstances as alleged in the instant case SEBI has also filed criminal complaint before the Special Sessions Judge for Economic Offences, Hyderabad against Mr. Chintalapati Srinivasa Raju amongst other entities for indulging in insider trading. I, therefore, am not inclined to accept such contentions of Mr. Chintalapati Srinivasa Raju.

44. Admittedly, Mr. Chintalapati Srinivasa Raju was part of the board of directors of Satyam Computers along with Mr. B. Ramalinga Raju and Mr. B. Rama Raju till January, 2003 and during this period he had been participating in the board meetings of Satyam Computers. I note that over a considerable period of time after January, 2003 when Mr. Chintalapati Srinivasa Raju had ceased to be a director of Satyam Computers, he was declared as '*promoter*' in the periodical disclosures filed by Satyam Computers with stock exchanges. Admittedly, he had not disputed such disclosure and held out to be disclosed as promoter and only on December 18, 2008, i.e. just few days before the fraud in the matter was confessed by Mr. Ramalinga Raju vide his email dated January 7, 2009, he had sought explanation in that regard from Mr. Ramalinga Raju. If at all he was wrongly disclosed as '*promoter*' by Satyam Computers as claimed by him, he should have represented to the Company and should have informed the stock exchange about the same. However, it is noted that he had never done so and instead had sought explanation from the Chairman of Satyam Computers belatedly i.e. just few days before the fraud in this case was brought in public domain on January 07, 2009 by the Chairman of Satyam Computers. Such late communication with Mr. Ramalinga Raju seems to be an excuse to the fact that he was aware of the fraud being perpetrated by Mr. Ramalinga Raju. Mr. Chintalapati Srinivasa Raju is related to Mr. Ramalinga Raju, as husband of his wife's sister and

being closely connected with Satyam Computers and its Chairman, he could have in all probabilities known about affairs of Satyam Computers including the claimed wrong disclosure of him being promoter. This apart, it is relevant to note that he had not bought even a single share of Satyam Computers during the relevant period and had only sold/transferred (off-market) 65,55,152 shares of the Satyam Computers. These facts and circumstances suggest that Mr. Chintalapati Srinivasa Raju was reasonably expected to have access to the 'unpublished price sensitive information' in this case and that at the time he sold his shares in Satyam Computers he was in possession of the said 'unpublished price-sensitive information'. These facts and circumstances further indicate strong probability that Mr. B. Ramalinga Raju and Mr. B. Rama Raju had complicity in the trades of Mr. Chintalapati Srinivasa Raju and there was information flow amongst them.

45. I note the fact that Ms. B Appalarasamma, Ms. B. Jhansi Rani, Mr. B Suryanarayana Raju, Mr. B. Teja Raju and Mr. B Rama Raju (Jr.) are close relatives of Mr. B. Ramalinga Raju and Mr. B. Rama Raju. Further, Mr. Anjiraju Chintalapati (since deceased) and Mr. Chintalapati Srinivasa Raju, a 'connected person, were related as father-son. Mr. Chintalapati Srinivasa Raju had access to the 'unpublished price sensitive information' during relevant period as found hereinabove. By virtue of such close relations itself it can be safely inferred that these noticees were also reasonably expected to have access to the 'unpublished price-sensitive information'. Admittedly, during the relevant period they had sold/transferred (off-market) 2,25,500 shares, 2,04,000 shares, 27,89,000 shares, 9,42,250 shares and 9,34,250 shares of the Satyam Computers, respectively. I also note that during the relevant period these noticees had not bought even a single share of Satyam Computers.

46. Mr. Chintalapati Srinivasa Raju is a promoter and director of Chintalapati Holdings Pvt. Ltd. The facts and circumstances such as, Mr. Chintalapati Srinivasa Raju had access to the 'unpublished price sensitive information', Chintalapati Holdings Pvt. Ltd was his family owned private company wherein he was one of the only two directors during the relevant period, strongly suggest that the decision to sell shares of Satyam Computers was taken in Chintalapati Holdings Pvt. Ltd. by him or with his active role and involvement when he was in possession of the 'unpublished price sensitive information'. Thus, it is found that Chintalapati Holdings Pvt. Ltd. as well was reasonably expected to have access to the 'unpublished price sensitive information'. Further, Chintalapati Holdings Pvt. Ltd., had sold 8,00,000 shares of Satyam Computers and had not bought even a single shares during January 4, 2001 to April 12, 2001 (i.e. during the period when Mr. Chintalapati Srinivasa Raju was one of the directors of Satyam Computers alongwith Mr. B. Ramalinga Raju and B. Mr. Rama Raju). Considering these facts and circumstances, I find that while selling the shares of Satyam Computers, Chintalapati Holdings Pvt. Ltd. was in possession of the said 'unpublished price-sensitive information'.

47. Over a period from August, 2007 to November, 2008 various promoter group entities had taken loans and SRSR Holdings Pvt. Ltd. had pledged the shares of Satyam Computers on their behalf as security for those loans. Thus, SRSR Holdings Pvt. Ltd. only served as a front to obtain funds through the pledge of shares of Satyam Computers. It had pledged shares of Satyam Computers in order to obtain funds in the names of related/connected entities, when Mr. Ramalinga Raju and Mr. Rama Raju were involved in and had full knowledge that the financials of Satyam Computers were being manipulated by them for several years. During the relevant period when SRSR Holdings Pvt. Ltd. had pledged those shares, Mr. Ramalinga Raju, Mr. Rama Raju and Mr. Suryanarayana Raju were the only directors of SRSR Holdings Pvt. Ltd. It is established that inter alia Mr. B. Ramalinga Raju and B. Mr. Rama Raju were privy to the 'unpublished price-sensitive information' in this case. I find that such pledge will not be possible without their active involvement and the direct or indirect connivance/collusion of Mr. Ramalinga Raju, Mr. Rama Raju who were in possession of the 'unpublished price-sensitive information'. Thus, it is established that SRSR Holdings Pvt. Ltd. was in possession of 'unpublished price-sensitive information' when it had pledged the shares of Satyam Computers.

48. Admittedly, MIL was promoted inter-alia by Mr. B. Ramalinga Raju and his son Mr. Teja Raju. Further, Mr. Ramalinga Raju, Mr. Teja Raju and various related entities/promoter group entities of Satyam Computers, held a substantial stake in MIL. Further, Mr. B. Teja Raju, son of Mr. B. Ramalinga Raju was director and Vice Chairman of MIL during the relevant period. It is established position that Mr. B. Ramalinga Raju, Chairman of Satyam Computers was the

kingpin of whole fraud and was privy to the 'unpublished price-sensitive information'. As found hereinabove Mr. B. Teja Raju, an insider, was also in possession of the 'unpublished price sensitive information'. In this case, admittedly, I note that during the relevant period MIL had transferred shares of Satyam Computers, off -market, to its promoters/promoter group entities, namely, Elem Investments Pvt. Ltd., Fincity Investments Pvt. Ltd. and Highrace Investments Pvt. Ltd. These three companies are promoted by Mr. B. Ramalinga Raju and Elem Investments Pvt. Ltd. and Fincity Investments Pvt. Ltd. were promoter group entities of Satyam Computers. These three entities subsequently sold those shares in market.

49. It is noted that most of the said off-market transfers by MIL happened only after Mr. Teja Raju became its director. Further, after sale of entire shareholding of Satyam Computers in 2004, MIL did not purchase even a single share of Satyam Computers. In my view, such transfer/sale of shares held by MIL will not be possible without active involvement and the direct or indirect connivance/collusion of Mr. Teja Raju, son of Mr. B. Ramalinga Raju, who was in charge of affairs of MIL and in possession of the 'unpublished price-sensitive information' in this case. Considering these facts and circumstances, I find that while transferring shares of Satyam Computers for onward sale in the market, MIL was in possession of the said 'unpublished price-sensitive information' and that the shares of Satyam Computers were transferred and sold as described in the SCN on the basis of 'unpublished price-sensitive information'.

50. As found in the previous paragraphs, the noticees had sold, pledged (in the garb of loan transaction) and transferred the shares of Satyam Computers while in possession of 'unpublished price sensitive information'. The facts and circumstances discussed hereinabove, more particularly the facts that all the noticees were insiders and were related/connected amongst each other and with Mr. Ramalinga Raju and Mr. B. Rama Raju and that the noticees only sold/transferred shares of Satyam Computers during the relevant period strongly suggest that the sale/pledge/transfer of shares by them as described in the SCNs was on the basis of the 'unpublished price sensitive information'. The facts and circumstances as discussed hereinabove, indicate strong probability that Mr. B. Ramalinga Raju and Mr. B. Rama Raju had complicity and involvement in the trades of Mr. Chintalapati Srinivasa Raju and there was information flow amongst them and the noticees.

51. The noticees have contended that enormity of the time gap between the date of transfer and the date of alleged 'unpublished price-sensitive information' becoming public rules out any possibility of insider trading in the matter. In this case, the 'price sensitive information' continued to be in existence and remained unpublished during the entire span of the relevant period. I am of the view that when the period of existence of 'unpublished price-sensitive information' is so long, each insider may choose different timing to deal in the shares. I, therefore, am of the view that when it is proved that the insiders were in possession of 'unpublished price-sensitive information' while they dealt in the securities of the company, it is immaterial when they dealt in securities. Any trading by insiders by way of sale/transfer/pledge while the 'unpublished price-sensitive information' was in existence and in possession of the insiders as in this case is squarely covered in the prohibition of regulation 3(i) of the PIT Regulations.

52. In this regard, it is relevant to mention following judgement of Hon'ble Securities Appellate Tribunal (SAT) in the matter of Rajiv B. Gandhi v. SEBI (Appeal No. 50 of 2007):

"On a plain reading of Regulation 3 it appears to us that the prohibition contained therein shall apply only when an insider trades or deals in securities on the basis of any unpublished price sensitive information and not otherwise. The words "on the basis of" are significant and mean that the trades executed should be motivated by the information in possession of the insider. To put it differently, the information in possession of the "insider" should be the factor or circumstance that should induce him to trade in the scrip of the company. It is then that he will be said to have dealt with or traded "on the basis of" that information. We are of the considered opinion that if an insider trades or deals in securities of a listed company, it would be presumed that he traded on the basis of the unpublished price sensitive information in his possession unless he establishes to the contrary. Facts necessary to establish the contrary being especially within the knowledge of the insider, the burden of proving those facts is upon him. The presumption that arises is rebuttable and the onus would be on the insider to show that he did not trade on the basis of the unpublished price sensitive

information and that he traded on some other basis. He shall have to furnish some reasonable or plausible explanation of the basis on which he traded.

53. In another case, *Chandrakala v. SEBI*, SAT (209 of 2011) the Hon'ble SAT has observed that:

"The prohibition contained in regulation 3 of the regulations apply only when an insider trades or deals in securities on the basis of any unpublished price sensitive information and not otherwise. It means that the trades executed should be motivated by the information in the possession of the insider. If an insider trades or deals in securities of a listed company, it may be presumed that he/she traded on the basis of unpublished price sensitive information in his/her possession unless contrary to the same is established. The burden of proving a situation contrary to the presumption mentioned above lies on the insider."

54. In view of the above findings I do not agree with the contention of the noticees on the merit of the case and hold that they have contravened the provisions of section 12A(d) and (e) of the SEBI Act and regulation 3(i) of the PIT Regulations.

55. It is noted that the charge of violation of the provisions of section 12(A)(b) and (c) of the SEBI Act and regulations 3(c) and (d) of the PFUTP Regulations against the noticees is based on the charge of alleged insider trading by them to deceive or defraud the unsuspecting investors. As already noted above, there is no allegation of noticees having role in the fraud committed by Mr. B. Ramalinga Raju, Mr. B. Rama Raju, Mr. Vadlamani Srinivasa, Mr. G. Ramakrishna and Mr. VS Prabhakara Gupta as found in the order dated July 15, 2014. The SCN is silent with regard to the material which may establish the preponderance of probability of violations of these provisions relating to fraudulent or manipulative acts in connection with dealings in securities. I, therefore, find that this charge has not been made out in the SCN clearly. I also do not find any material on record to suggest that the noticees have contravened the provisions of section 12 (A)(b) and (c) of the SEBI Act and regulations 3(c) and (d) of the PFUTP Regulations as alleged in this case.

56. In my view the prohibitions provided in PIT Regulations are *inter alia* intended to ensure that the insiders do not breach their fiduciary duty towards the investors and other stakeholders. Further, the spirit behind prohibition of insider trading is that the insiders must disclose or abstain. They should not take the position adverse to the interest of the general investors and should not place their interest or the interests of those to whom they communicate the 'unpublished price sensitive information'. The prohibitions provided in the Act and the Regulations have specific purpose as mentioned above and the penalty provisions for enforcing the regulations need to be given effect to safeguard the interest of investors and integrity of the securities market. It has to be kept in mind that in respect of contraventions of relating to the insider trading the violator should face the consequences otherwise the objects of the regulations and also of the regulatory jurisdiction would get defeated. In my view, the enforcement actions for such violations as found in this case should have effective deterrence.

57. Coming to the appropriate direction that can be issued under the fact and circumstances of the present case. I note that Mr. Chintalapati Srinivasa Raju, S/o of Mr. Anjiraju Chintalapati, vide his letter dated July 10, 2009 submitted that his father, Mr. Anjiraju Chintalapati died on December 3, 2007 i.e. before the SCN in the matter was issued to him. He also submitted a copy of the death certificate to support his submissions. I, therefore, find that the proceedings against him in so far as they relate to the possible directions of restraint/debarment against him were not required and accordingly they abate. However, the unlawful gains made on account of insider trading by Mr. Anjiraju Chintalapati (since deceased) and inherited by legal heir/s who have inherited his estate including such unlawful gains cannot be allowed to be retained by them, as it would amount to unjust/unlawful enrichment. Admittedly, Mr. Chintalapati Srinivasa Raju is the sole heir of Mr. Anjiraju Chintalapati (since deceased). Replying on behalf of his deceased father, Mr. Chintalapati Srinivasa Raju has adopted his own reply with regard to the insider trading of Mr. Anjiraju Chintalapati (since deceased). I have already dealt with those replies in above paragraphs and do not deem it necessary to repeat the same.

58. With regard to proceedings commenced by the SCN dated June 19, 2009 against MIL it is noted that pursuant to an order of the Company Law Board (the "CLB") dated August 31, 2009 in Company Petition No. 03 of 2009 in the matter of Union of India v. Maytas Infra Limited (hereinafter referred to as "CLB Order"), IL & FS was inducted as new promoter of MIL. The

relevant portions of the CLB order are as follows:

- (i) "...The Board of the company took into confidence all the major stakeholders of the company, like IL & FS, ICICI Bank, State Bank of India and IDBI regarding the affairs of the Company. Presently, a consensus has emerged among these stakeholders that there should be a change in the existing promoter so as to restore the credibility of the company and to bring in necessary funds. IL & FS which currently holds 14.5% shares in the company and which has also got 22.6% shares as pledge, has evinced interest to take over the control and management of the company subject to certain terms and conditions. Other stakeholders support the offer of IL & FS. The offer of IL & FS was considered by the board of the company on 31.8.2009 and the board of the company has come to a conclusion that in the interest of the company and all its stakeholders, the offer of IL & FS should be recommended to this Board for consideration..."
- (ii) "...The Central Government, ICICI Bank, IDBI Bank, the nominees of the present promoters and IL & Fs were represented. All have supported the recommendation of the Board of the company for induction of IL & FS as the new promoter..."
- (iii) "...a stage has come to give momentum to the efforts of the nominee directors and that the proposal of IL & FS recommended by the board of the company has also been supported by all the major stakeholders, I approve the induction IL & FS as the new promoters of the company..."
- (iv) "All the governmental agencies, including the banks, shall cooperate with the new management in carrying on the affairs of the company smoothly, more particularly, in implementing the various infrastructural projects that the company has undertaken to implement..."

59. I further note that the aforesaid Company petition no. 3 of 2009 was filed before the CLB by the Union of India under sections 388B, 397, 398, 408 of the Companies Act, 1956 alleging oppression and mismanagement in the affairs of MIL by its erstwhile management including Mr. Teja Raju. The petition was filed in the interest of MIL and all its stakeholders. IL & FS, which was at that time holding 14.5% shares in MIL and 22.6% shares of MIL as pledgee, was allowed to take over the control and management of the company. In terms of the said order of CLB, the IL & FS became the new promoter of MIL subject to condition, inter alia, that it shall foreclose its rights on 22.6% pledge shares and make a public announcement in terms of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. Accordingly, IL & FS took over the management and control of MIL and infused money into it and also made public announcement under the Takeover Regulations. Further, by the aforesaid order, CLB directed Mr. Teja Raju and Mr. B. Narasimha Rao to submit their resignation as directors and cease to be directors of MIL.

60. In this case, the charge is against MIL on account of its insider trading while being in possession of the 'unpublished price sensitive information' due to insiders viz., Mr. B. Ramalinga Raju being its promoter and Mr. B. Teja Raju. Under the facts and circumstances of this case, I am of the view that the charge against MIL is personal for which its directors/insiders including Mr. B. Teja Raju could be held vicariously responsible. However, in the instant case the SCN has not been issued to them with regard to the insider trading of MIL though for his own insider trading the instant proceedings have been initiated against Mr. B. Teja Raju and for the insider trading of Mr. B. Ramalinga Raju the order dated July 15, 2014 has been passed. IL & FS was neither an insider in Satyam Computers and MIL nor did it have access to the 'unpublished price sensitive information'. In fact it did not have any role or involvement in the insider trading of MIL. It had stepped in as a promoter of MIL under special circumstances much after the impugned insider trading by MIL. Considering the special facts and circumstances as of the present matter, I am of the view that any direction by way of restraint/debarment against IECCL at this stage is not necessary. However, the unlawful gains made on account of insider trading by MIL and lying with IECCL cannot be allowed to be retained by it as it would amount to unjust/unlawful enrichment.

61. Considering the above, I, in order to protect the interest of investors and the integrity of the securities market, in exercise of the powers conferred upon me under section 19 of the SEBI Act, 1992 read with section 11 and 11B of the SEBI Act, and regulation 11 of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003,

and regulation 11 of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 hereby restrain the following persons as mentioned in Table below from accessing the securities market and further prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of 07 years:—

Table 6: Details of debarment of the noticees

Sr. No.	Name of the noticees
1.	Ms. B. Appalanarasamma
2.	Ms. B. Jhansi Rani
3.	Mr. B. Rama Raju Jr.
4.	Mr. B. Suryanarayana Raju
5.	Mr. B. Teja Raju
6.	Chintalapati Holdings Pvt. Ltd
7.	Mr. Chintalapati Srinivasa Raju
8.	SRSR Holdings Private Limited

62. Coming to the disgorgement of unlawful gains as contemplated in SCN it is settled position that no person can be allowed unjust enrichment by way of ill-gotten gain made on account of insider trading. However, it is pertinent to note that in the order dated July 15, 2014, the transactions and unlawful gain impugned in these proceedings were the subject matter of findings of fraudulent acts, omissions and illegal transactions by Mr. B. Ramalinga Raju and Mr. B. Rama Raju. By the said order, they were directed to disgorge the entire unlawful gain of Rs. 543.93 crore (for sale/transfer of shares) and Rs. 1,258.88 crore (for pledge of shares) that are the unlawful gains arrived at on account of the impugned transactions.

63. The SCNs dated June 19, 2009 and September 15, 2009, in effect, contemplate disgorgement of same amount i.e. Rs. 543.93 crore (for sale/transfer of shares) and Rs. 1,258.88 crore (for pledge of shares) from the noticees in the instant case. Since the aforesaid ill-gotten gains have been arrived at on account of the same transactions by the noticees which were the subject matter of the order dated July 15, 2014 and also of the instant proceedings, the intention does not seem to be to disgorge the same amount twice. Further, Mr. B. Ramalinga Raju and Mr. B. Rama Raju, on their own made unlawful gains of Rs. 26,62,50,000 and Rs. 29,54,35,195 respectively, (which is part of the said Rs. 543.93 crore of unlawful gain derived by sale/transfer of shares) by sale/transfer of shares of Satyam Computers held by them, while in possession of 'unpublished price-sensitive information', which in my opinion cannot be disgorged from the noticees in the instant case.

64. As found hereinabove, SRSR Holdings Pvt. Ltd. has served as a front for promoter group and related entities including Mr. B. Ramalinga Raju and Mr. B. Rama Raju to obtain funds through the pledge of shares of Satyam Computers with active involvement and the direct or indirect connivance/collusion of Mr. B. Ramalinga Raju and Mr. B. Rama Raju who were its directors and also 'insiders' in Satyam Computers and in possession of the 'unpublished price-sensitive information' in this case and made an unlawful gain of Rs. 1258.88 crore.

65. Mr. Anjiraju Chintalapati (since deceased), Ms. B. Appalanarasamma, Ms. B. Jhansi Rani, Mr. B. Rama Raju Jr., Mr. B. Suryanarayana Raju, Mr. B. Teja Raju, Chintalapati Holdings Pvt. Ltd., Mr. Chintalapati Srinivasa Raju and Maytas Infra Limited made unlawful gain on account of sale/transfer of shares while in possession of 'unpublished price-sensitive information' with complicity and involvement of Mr. B. Ramalinga Raju and Mr. B. Rama Raju. The unlawful gains made by Mr. B. Ramalinga Raju and Mr. B. Rama Raju on account of their individual sales and those of the noticees, as noted from the record, are mentioned in the following table:

Table 7: Details of unlawful gains made by the entities by way of sale/transfer of shares of Satyam Computers—

Sr. No.	Name of the Entity	Unlawful Gain
1.	Mr. B. Ramalinga Raju	Rs. 26,62,50,000
2.	Mr. B. Rama Raju	Rs. 29,54,35,195

Sr. No.	Names of the noticees in the present matter	Unlawful Gain
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1.	Ms. B. Appalarasamma	Rs. 8,00,43,125
2.	Ms. B. Jhansi Rani	Rs. 8,50,63,350
3.	Mr. B. Rama Raju Jr.	Rs. 46,00,17,218
4.	Mr. B. Suryanarayana Raju	Rs. 89,71,70,765
5.	Mr. B. Teja Raju	Rs. 49,31,43,762
6.	Mr. Anjiraju Chintalapati (<i>since deceased</i>)	Rs. 7,92,13,750
7.	Mr. Chintalapati Srinivasa Raju	Rs. 136,64,01,742
8.	Chintalapati Holdings Pvt. Ltd	Rs. 82,49,37,875
9.	Maytas India Limited (now known as IL & FS Engineering and Construction Company Limited)	Rs. 59,16,49,091
Grand Total		Rs. 543,93,25,874

66. Considering the above facts, it is hereby clarified that pursuant to the SEBI order dated July 15, 2014, Mr. B. Ramalinga Raju and Mr. B. Rama Raju have to *inter alia* jointly and severally disgorge Rs. 56,16,85,195 (i.e., sum of Rs. 26,62,50,000 and s. 29,54,35,195) which they had earned by sale/transfer of shares held by them in Satyam Computers. The remaining unlawful gains as contemplated in the SCNs shall be disgorged as directed herein. Accordingly, I, hereby, in terms of sections 11 and 11B of the SEBI Act read with para. 147 of the order dated July 15, 2014 direct:

- (i) SRSR Holdings Pvt. Ltd. to disgorge the wrongful gain of Rs. 1258.88 crore jointly and severally with Mr. B. Ramalinga Raju and Mr. B. Rama Raju;
- (ii) Mr. Chintalapati Srinivasa Raju, for himself and for Mr. Anjiraju Chintalapati (since deceased) to disgorge the amounts mentioned against their respective names as described in Table 7 of this order, jointly and severally with Mr. B. Ramalinga Raju and Mr. B. Rama Raju;
- (iii) Ms. B. Appalarasamma, Ms. B. Jhansi Rani, Mr. B. Rama Raju Jr., Mr. B. Suryanarayana Raju, Mr. B. Teja Raju, Chintalapati Holdings Pvt. Ltd. and IL & FS Engineering and Construction Company Limited to disgorge the amounts mentioned against their respective names as described in Table 7 of this order, jointly and severally with Mr. B. Ramalinga Raju and Mr. B. Rama Raju.

67. The aforesaid amounts shall be paid, alongwith simple interest @ 12% per annum from January 07, 2009 till the date of payment, within 45 (Forty Five) days from the date of this order by way of demand draft drawn in favour of "Securities and Exchange Board of India", payable at Mumbai.

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

69. Copies of this Order shall also be served upon the depositories and stock exchanges for necessary action on their part.

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