

## LEGAL UPDATES

### **SAT: UPHELD THE INSIDER TRADING CHARGES AGAINST THE MD OF THE COMPANY, RULING THAT BAGGING OF CONTRACT, A 'MATERIAL EVENT'**

SAT bench composed of Justice Tarun Agarwala and Justice M. T. Joshi upheld the impugned order as passed by SEBI which directed the MD of the company ('Appellant') to discharge the profits earned through wrongful means amounting to INR 1.74 Cr. and restrained him from trading in the market for 6 months on finding his involvement in insider trading. The Appellant submitted (i) All the 3 contracts were executed in the regular practice of business (ii) Merely on the reason that the company's tender was the lowest, the lowest bid's (L1) announcement was not a piece of information which was price sensitive (iii) L1 and the execution of the contract were not material enough to have an effect on the price of shares and hence, it was not UPSI. The adjudicatory tribunal observed that the Appellant was the promoter and MD of the company wherein he purchased the securities and further, he was also aware of the tender of the company being the lowest and therefore, in all possibilities the contracts would be executed. The Appellate tribunal ruled that the appellant being an insider, had price-sensitive information, further, citing the LODR regulations, Para B of Part A, wherein it has been enumerated that execution of a contract is a 'material event' and hence, the same is required to be disclosed in the share market. The tribunal ruled that the announcement of L1 is a price sensitive information and hence, the information in all probabilities is likely to have a material impact on the prices as per regulation 2(1)(n) of PIT regulations and held that the Appellant was aware of the lowest tender of the company and knew that the information being a 'material information' would have a material impact on the prices of shares and therefore, was a price sensitive information. In conclusion, upholding that the appellant had information that was price sensitive and had purchased 1,79,510 shares during the same period. Thus the forum appropriately sentenced the appellant as guilty and the order of disgorgement as passed was also correctly pronounced. The appellate tribunal ruled that the company had grossly contravened the PIT regulations and hence, rejected the appeal.

