



**BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/JS/YK/2026-27/32473]**

**UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT,
1992 READ WITH RULE 5 OF SECURITIES AND EXCHANGE BOARD OF INDIA
(PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995**

In respect of:

**Mr. Raj Kumar Agarwal
PAN: ABBPA6867F**

In the matter of insider trading activities in the scrip of RHI Magnesita India Ltd.

BACKGROUND

1. RHI Magnesita India Ltd. (hereinafter referred to as “**RHI/Company**”) is a company listed on BSE Ltd. (hereinafter referred to as “**BSE**”) and National Stock Exchange of India Ltd. (hereinafter referred to as “**NSE**”). Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) based on its internal alerts on insider trading conducted an investigation to ascertain possible violation of the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as “**PIT Regulations**”). The investigation was conducted for the period starting from July 08, 2022 to December 19, 2022 (hereinafter referred to as “**Investigation Period/IP**”).
2. Mr. Raj Kumar Agarwal (hereinafter referred to as “**Noticee**”) was the promoter and director of Hi-Tech Chemicals Limited, an unlisted company also engaged in the refractory business. RHI acquired the refractory business of Hi-Tech Chemicals Limited vide a Business Transfer Agreement (BTA) dated October 18, 2022. This transaction was publicly disclosed to the stock exchanges on October 19, 2022.
3. Based on the investigation, it was alleged that the Noticee, by virtue of his aforesaid connection with RHI during the ongoing implementation of the BTA had access to Unpublished Price Sensitive Information (UPSI) pertaining to RHI's proposed acquisition of Dalmia OCL Limited, a fully owned subsidiary of Dalmia Bharat



Refractories Limited (hereinafter referred to as “**DBRL**”) and traded in the scrip of RHI during the UPSI period while in possession of such UPSI, thereby violating regulation 4(1) of the PIT Regulations.

APPOINTMENT OF ADJUDICATING OFFICER

4. The undersigned was appointed as Adjudicating Officer (hereinafter referred to as “**AO**”) in this matter vide communiqué dated April 02, 2026 under section 15-I of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “**Rules**”), to inquire into and adjudge the aforementioned violations alleged to have been committed by the Noticee under section 15G(i) of the SEBI Act.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. Show Cause Notice Ref. No. SEBI/HO/EAD-2/JS/YK/DIS/10104/2026 dated April 10, 2026 (hereinafter referred to as “**SCN**”) was issued to the Noticee in terms of rule 4 of the Rules read with section 15-I of the SEBI Act to show cause as to why an inquiry should not be held against him and why penalty, if any, should not be imposed on him in terms of the provisions of section 15G(i) of the SEBI Act for the aforementioned violations alleged to have been committed by him.
6. The relevant extracts of SCN dated April 10, 2026 are as under:

UPSI

- (a.) *On November 19, 2022 at 17:57:39 IST, RHI had made a disclosure on the NSE stating that it is desirous of executing a share swap agreement (SSA) with DBRL to acquire 8,24,83,642 of equity shares, each fully paid up, having a face value of Rs. 10, representing 100% of the equity share capital of Dalmia OCL Limited (DOCL), a fully owned subsidiary of DBRL. Under the terms of the SSA, the RHI will acquire all outstanding shares in DOCL in exchange for 2,70,00,000 new shares (vide preferential allotment) in the RHI on such terms and conditions as may be mutually agreed between the parties. Based on the issuance price of the RHI at Rs. 632.5029 per share, the share consideration had a value of approximately Rs. 1,708 Crore.*
- (b.) *It was alleged that the aforementioned information was UPSI in terms of regulation 2(1)(n)(iv) of the PIT Regulations till it was disclosed on the stock exchanges on November 19, 2022. To establish the date of existence of UPSI, chronology of events*



leading to the UPSI was sought from RHI and it submitted the chronology of events vide email dated July 20, 2023. From the chronology of events, it was observed that on August 08, 2022, a letter of intent was signed by RHI Magnesita N.V. and its affiliates with DBRL to purchase 100% refractory business and the same was communicated to DBRL by email. In view of the same, it was alleged that the UPSI period had commenced from August 08, 2022, i.e., the date of signing of letter of intent and continued until November 19, 2022, i.e., the date to disclosure to the stock exchanges.

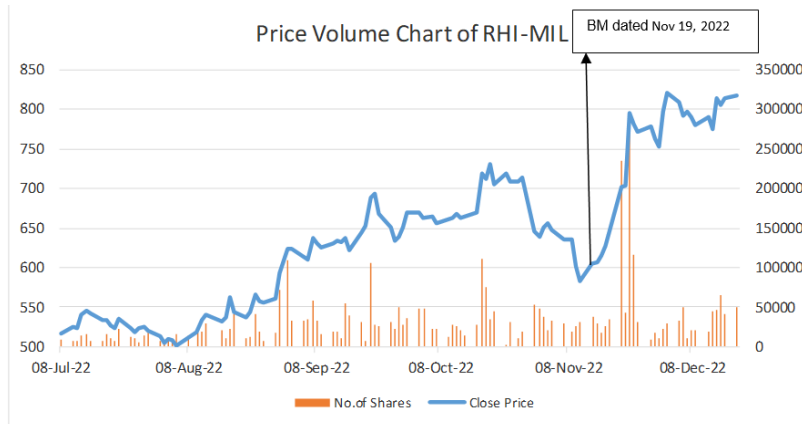
Price Volume Analysis of RHI

(c.) Price Volume at NSE

Table 1

Period	Period	Price/Volume	Opening Price and Volume	Closing Price and Volume	Low Price and Volume during the Period	High Price and Volume during the Period	Average no. of shares traded during the period
Pre – UPSI Period	July 08, 2022 to August 05, 2022	Price	527.70	501.65	455.70 (2022-07-22)	555 (2022-07-15)	1,55,981
		Volume	36,060	1,01,338	36,060 (2022-07-08)	6,40,051 (2022-07-19)	
UPSI Period	August 08, 2022 to November 19, 2022	Price	501.50	645.35	501.50 (2022-08-08)	718.10 (2022-10-24)	3,52,344
		Volume	1,83,976	2,40,446	1,83,976 (2022-08-08)	59,139 (2022-10-24)	
Post UPSI period	November 21, 2022 to December 19, 2022	Price	663.00	816.65	655 (2022-11-21)	843.00 (2022-12-16)	8,77,237
		Volume	29,22,708	2,70,490	1,01,198 (2022-12-09)	71,51,456 (2022-11-23)	

(d.) PV Chart NSE





(e.) From the above chart, it was observed that the price of the scrip started coming down from Rs. 719.05 (closing price) on October 18, 2022 to Rs. 583.55 (closing price) on November 11, 2022. Subsequently, the price of the scrip rose to Rs. 645.40 (closing price) on November 18, 2022 (one day before the date on which corporate announcement regarding SSA with DBRL was made). Post the said corporate announcement on November 19, 2022 (Saturday), the price of the scrip closed at Rs. 702.85 on November 21, 2022, i.e., a price rise of 8.91% on the next trading day after the corporate announcement.

Connection between Noticee and RHI

(f.) As per information submitted by RHI, Noticee was director and promoter of an unlisted company, Hi-tech Chemicals Limited. RHI acquired the refractory business of Hi-Tech Chemicals Limited vide a BTA dated October 18, 2022 by way of a slump sale on a going concern basis for a cash consideration of Rs. 621 Crore. The same was disseminated on BSE on October 19, 2022 at 07:59:56 and NSE on 08:17:45. The said acquisition was undertaken by RHI in its normal course of business as part of its expansion plans. Mr. Rahul Agarwal (son of Noticee) and Mr. Shiv Kumar Choudhary, Consultant were representing Hi-Tech Chemicals Ltd. in negotiation with RHI regarding sale of its refractory business to the RHI. They were in touch with the officials of RHI. Their details are given below:

- (i) Mr. Rahul Agarwal was director at Hi-tech Chemicals Limited. He was in charge of operations and business development at Hi-tech Chemicals Limited. Mr. Rahul Agarwal during his statement mentioned that he had no role in the deal with RHI and submitted that while he attended meetings, the discussion was led by his father. He was not in touch with anyone at RHI in specific and he used to do the co-ordination work when required. He used to be in touch only with the European team, i.e., RHI Magnesita N.V. for co-ordination purpose;
- (ii) Mr. Shiv Kumar Choudhary was a partner at a Chartered Accountancy firm called M/s. Rao and Emmar. The main office of the firm was at Bangalore and he was in-charge of a branch located at Jamshedpur. He was handling various works which includes negotiation of terms and conditions of the SSA and other advisory services. Their role was to provide professional consultancy services to Hi-tech Chemicals Limited in relation to vetting, negotiation and execution of BTA as well as completion of the transaction. The total engagement fee for services was Rs. 15 Lakh, out of which M/s. Rao and Emmar received Rs. 5 Lakh and balance Rs. 10 Lakh was to be received upon final settlement of the transaction. The CA firm facilitated the due diligence process for the entire deal by communicating with RHI and the agencies hired by RHI such as the legal team. There was no fixed period of engagement and they were required to provide services as and when required and also that they were not engaged full time;
- (iii) The details regarding the chronology of events in relation to the corporate announcement regarding the acquisition of Hi-Tech Chemicals Limited and the details of all persons who were involved in the process of having access to and/or in possession of the UPSI regarding the aforesaid transactions was sought



from RHI vide email dated July 28, 2023. The company vide email dated August 21, 2023 submitted the chronology of events;

- (iv) From the chronology of events, it was observed that the discussions related to the RHI and Hi-Tech Chemicals Limited deal started during the month of May, 2021 and concluded with the signing of the BTA on October 18, 2022. The same was announced at stock exchanges on October 19, 2022. It was also observed that RHI and DOCL deal also started during May, 2021 and the said deal was announced on stock exchanges on November 19, 2022. It was observed that both the deals involved certain common legal and financial due diligence teams such as Khaitan & Khaitan and Deloitte. Further, as per the information submitted by RHI, the handing over formalities of the Hi-Tech Chemicals Limited deal were completed only in the month of January, 2023. As per the statement of Noticee recorded on November 07, 2023, certain activities and transactions related to the Hi-Tech Chemicals Limited transaction are still ongoing. Hence, it was alleged that RHI team and Hi-Tech Chemicals Limited team continued to interact during the UPSI period of RHI and DOCL deal.

Call Data Records (CDR)

- (g.) From the CDR analysis, it was observed that Noticee was in contact with Mr. Parmod Sagar, managing director of RHI during the UPSI period. The details of the analysis of CDRs are given below:

- i) Calls and SMS between Noticee (70XXXXXX67 and 94XXXXXX87) and Mr. Parmod Sagar (98XXXXXX63):

Table 2

Noticee	Mr. Parmod Sagar	Date	Time	Duration	Call Type
70XXXXXX67	98XXXXXX63	22/Jul/2022	08:18:21	83	CALL_OUT
70XXXXXX67	98XXXXXX63	13/Oct/2022	12:37:42	31	CALL_IN
70XXXXXX67	98XXXXXX63	17/Oct/2022	10:28:02	164	CALL_IN
70XXXXXX67	98XXXXXX63	19/Oct/2022	07:52:48	54	CALL_IN
70XXXXXX67	98XXXXXX63	19/Oct/2022	10:00:15	207	CALL_IN
70XXXXXX67	98XXXXXX63	19/Oct/2022	12:18:22	16	CALL_IN
70XXXXXX67	98XXXXXX63	03/Nov/2022	20:17:15	6	CALL_IN
70XXXXXX67	98XXXXXX63	03/Nov/2022	20:38:13	0	SMS_IN
70XXXXXX67	98XXXXXX63	04/Nov/2022	12:48:26	0	SMS_IN
94XXXXXX87	98XXXXXX63	17/Nov/2022	11:59:52	2	CALL_IN
70XXXXXX67	98XXXXXX63	17/Nov/2022	12:52:55	0	SMS_IN

- ii) From the aforesaid, it was observed that there were several calls/SMS between Noticee and Mr. Parmod Sagar.



- iii) During the course of statement recording of Noticee, he had mentioned that he was in touch with Mr. Parmod Sagar for work related to Hi-Tech Chemicals Limited deal which was completed only in the month of January, 2023.
- iv) During the course of statements recording, Mr. Parmod Sagar has mentioned that he does not remember the exact details of the SMS and currently he does not have the copy of SMS. He further mentioned that he had not met with Noticee on one to one but with the Merger & Acquisitions teams for the Hi-Tech Chemicals Limited deal. Mr. Parmod Sagar stated that he met Noticee on November 18, 2022 when he visited the factory purchased in Jamshedpur along with his Global CEO, Mr. Stefan Borgas. During the meeting, they had a town hall meeting with Hi-Tech Chemicals Limited staff and had a senior management meeting with Noticee.

Internet Protocol Detail Record (IPDR analysis):

(h.) The IPDR of Noticee and Mr. Parmod Sagar was analysed for the period from November 01, 2022 to November 22, 2022 wherein it was observed that Noticee and Mr. Parmod Sagar were in touch with each other through Voice over Internet Protocol (VOIP) calls. The details of the said calls were mentioned below:

Table 3

Noticee	Mr. Parmod Sagar	Public/Destination IP	Date Range (Mobile)
94XXXXXXXX87	98XXXXXXXX63	223.180.203.218(17844)/117.99.227.128 (58374)	07/Nov/2022 18:29:23 - 18:47:29
94XXXXXXXX87	98XXXXXXXX63	223.180.203.98(18381)/117.99.233.59 (65349)	08/Nov/2022 14:51:47 - 15:11:38
94XXXXXXXX87	98XXXXXXXX63	223.191.51.236(33107)/106.198.154.5 (28915)	16/Nov/2022 10:24:37 - 11:00:00
94XXXXXXXX87	98XXXXXXXX63	117.97.251.197(19269)/117.97.251.197 (19269)	19/Nov/2022 20:14:45 - 20:23:47
94XXXXXXXX87	98XXXXXXXX63	117.99.253.98(52399)/117.99.239.217 (63139)	20/Nov/2022 18:13:37 - 18:29:25

(i.) The details of the aforementioned calls are given below:

a.) Calls on November 07, 2022

Table 4

Mr. Parmod Sagar (98XXXXXXXX63) (TSP - Airtel)				
Session Start date & Start time and End time	Public_IPv4	Public Port	Destination IP4	Destination Port
07/11/2022, 18:29:23	223.180.203.218	17844	117.99.227.128	58374
Noticee (94XXXXXXXX87) (TSP - Airtel)				
Session Start date & Start time and End time	Destination IP4	Destination Port	Public_IPv4	Public Port
07/11/2022, 18:29:24	223.180.203.218	17844	117.99.227.128	58374



b.) Calls on November 08, 2022

Table 5

Mr. Parmod Sagar (98XXXXXX63) (TSP - Airtel)				
Session Start date & Start time and End time	Public_IPv4	Public Port	Destination IP4	Destination Port
08/11/2022, 14:51:47	223.180.203.98	18381	117.99.233.59	65349
Noticee (94XXXXXX87) (TSP - Airtel)				
Session Start date & Start time and End time	Destination IP4	Destination Port	Public_IPv4	Public Port
08/11/2022, 14:51:48	223.180.203.98	18381	117.99.233.59	65349

c.) Calls on November 16, 2022

Table 6

Mr. Parmod Sagar (98XXXXXX63) (TSP - Airtel)				
Session Start date & Start time and End time	Public_IPv4	Public Port	Destination IP4	Destination Port
16/11/2022, 10:24:37	223.191.51.236	33107	106.198.154.5	28915
Noticee (94XXXXXX87) (TSP - Airtel)				
Session Start date & Start time and End time	Destination IP4	Destination Port	Public_IPv4	Public Port
16/11/2022, 10:24:36	106.198.154.5	33107	223.191.51.236	28915

d.) Calls on November 19, 2022

Table 7

Mr. Parmod Sagar (98XXXXXX63) (TSP - Airtel)				
Session Start date & Start time and End time	Public_IPv4	Public Port	Destination IP4	Destination Port
19/11/2022, 10:31:00	106.208.153.171	60717	117.99.235.184	63677
Noticee (94XXXXXX87) (TSP - Airtel)				
Session Start date & Start time and End time	Destination IP4	Destination Port	Public_IPv4	Public Port
19/11/2022, 10:31:00	106.208.153.171	60717	117.99.235.184	63677



e.) Calls on November 20, 2022

Table 8

Mr. Parmod Sagar (98XXXXXX63) (TSP - Airtel)				
Session Start date & Start time and End time	Public_IPv4	Public Port	Destination IP4	Destination Port
20/11/2022, 18:13:00-18:29:00	117.99.253.98	52399	117.99.239.217	63139
Noticee (94XXXXXX87) (TSP - Airtel)				
Session Start date & Start time and End time	Destination IP4	Destination Port	Public_IPv4	Public Port
20/11/2022, 18:13:00-18:30:00	117.99.253.98	52399	117.99.239.217	63139

(j.) From the aforesaid calls, it was observed that Mr. Parmod Sagar and Noticee were in continuous touch through VOIP calls during the UPSI period.

Communication of UPSI to Noticee:

(k.) It was further observed that the email dump submitted by RHI was analysed wherein it was noted that Mr. A Dasgupta, secretary of India Refractory Makers Association (IRMA) emailed the documents pertaining to India International Refractories Congress (IREFCON 2022) to Mr. Parmod Sagar vide email dated August 01, 2022. It was observed from the said email that during November 16-18, 2022, 14th IREFCON 2022 was to be held at Kolkata and RHI was the title sponsor of IREFCON 2022. As per the said email, Mr. Franco Gustavo, Chief Sales Officer RHI Magnesita, Vienna, Austria was to deliver a lecture on November 18, 2022.

(l.) It was further observed that Mr. Franco Gustavo and Mr. Parmod Sagar had chats on November 01, 2022 in Microsoft Team with respect to visit to Hi-Tech Chemicals Limited and DOCL after the World Refractories Association (WRA) meeting. The details of Chats are given below:

Chats between Mr. Gustavo and Mr. Parmod Sagar

Sent: November 1, 2022 3:49:10 PM IST
 Type: Chat Message
 Chat Account: Gustavo Franco <Gustavo.Franco@RHI Magnesita.com>, Parmod Sagar <Parmod.Sagar@RHI Magnesita.com>

Nov 1, 2022

G Gustavo Franco

He then suggested to do a visit to Hi-Tech and Dalmia family on Friday and Saturday, right after the WRA meeting.



Sent: November 1, 2022 3:52:58 PM IST
Type: Chat Message
Chat Account: Parmod Sagar <Parmod.Sagar@RHIMagnesita.com>, Gustavo Franco <Gustavo.Franco@RHIMagnesita.com>

Nov 1, 2022

P Parmod Sagar

your presentation is on 17th, Thursday. and visit to Hitech is on 18th Friday and Dalmia on 19th, Saturday

Sent: November 1, 2022 3:54:23 PM IST
Type: Chat Message
Chat Account: Gustavo Franco <Gustavo.Franco@RHIMagnesita.com>, Parmod Sagar <Parmod.Sagar@RHIMagnesita.com>

Nov 1, 2022

G Gustavo Franco

Parmod Sagar
your presentation is on 17th, Thursday. and visit to Hitech is on 18th Friday and Dalmia on 19th, Saturday
I was sure that my presentation is on Friday... let me double check.

(m.) From the aforesaid chats, it was observed that Mr. Parmod Sagar had mentioned the schedule for the India visit that Mr. Franco Gustavo's presentation was on November 17, 2022, visit to Hi-Tech Chemicals Limited on Friday, November 18, 2022 and visit to DOCL on Saturday, November 19, 2022. It was further observed that the schedule for the visit to India has been planned much in advance. Subsequently, on November 04, 2022, an email was sent by Mr. Rabindrakumar Behera, Executive Secretary to MD and CEO, Mr. Parmod Sagar to Personal Secretary to Mr. Gustavo Franco/ Mr. Stefan Borgas with CC to Mr. Gustavo Franco/ Mr. Stefan Borgas and Mr. Parmod Sagar enclosing the schedule of Mr. Gustavo's visit to India from November 18, 2022 to November 20, 2022 wherein the details with respect to the schedule for Mr. Stefan Borgas and Mr. Gustavo Franco has been mentioned including the visit to Hi-Tech Chemicals Limited, the Town hall meeting with Hi-Tech Chemicals Limited employees and dinner with Hi-Tech Chemicals Limited management team on November 18, 2022. Further, it also mentioned the itinerary for November 18-20, 2022 with respect to the travel by chartered flight from Kolkata to Jamshedpur for the Hi-Tech Chemicals Limited visit and from Jamshedpur to New Delhi to attend the DOCL deal meeting and travelling in the chartered flight from New Delhi to attend meeting of Diamond project and departing to Tokyo/Zurich.



(n.) Thereafter, on November 08, 2022 at 14:42 PM, an email was sent by Mr. Abhijit Borah, communications expert from RHI to Mr. Parmod Sagar with respect to the itinerary of Mr. Stefan Borgas and Mr. Franco Gustavo. The itinerary is mentioned in the table below:

Table 9

Date	Time	Activity
18-Nov	14:00-15:00	Chartered flight from Kolkata to Jamshedpur and arrival at Hi-Tech plant
	15:00-15:45	Plant Tour
	15:45-16:00	Tea Break
	16:00-16:30	Meeting with senior management (8 people) of Hi-Tech
	16:30-17:00	Townhall with all staff of Hi-Tech (70-75 people)
	17:00-18:30	Depart for hotel, take rest
	18:30-21:30	Depart for restaurant and attend dinner with Hi-Tech top management hosted by Mr. Agarwal
19-Nov	8:30 - 11:30	Chartered flight to Delhi

(o.) Later, Mr. Parmod Sagar placed a VOIP call to Mr. Raj Kumar Agarwal on November 08, 2022 at 14:51 hrs. The details of the VOIP calls between Mr. Parmod Sagar (mobile No. – 98XXXXXX63) and Mr. Raj Kumar Agarwal (mobile No. – 98XXXXXX18) are as under:

Table 10

Mr. Parmod Sagar (98XXXXXX63) (TSP - Airtel)				
Session Start date & time	Public_IPv4	Public Port	Destination IP4	Destination Port
08/11/2022, 14:51	223.180.203.98	18381	117.99.233.59	65349
Noticee (94XXXXXX87) (TSP - Airtel)				
Session Start date & time	Destination IP4	Destination Port	Public_IPv4	Public Port
08/11/2022, 14:51	223.180.203.98	18381	117.99.233.59	65349

(p.) Then, Mr. Parmod Sagar has placed a call to his assistant Mr. Rabindra Kumar Behera, the details of which are given below:

Table 11

S. N.	Call type	From/To	To	Time	Date	Duration (seconds)
1	Call out	Mr. Parmod Sagar – 98XXXXXX63	Mr. Rabindra Kumar Behera – 98XXXXXX18	15:04:11	08-Nov-2022	140

(q.) Later, Mr. Rabindra Kumar Behera had placed a call to Mr. Abhijit Borah (communications expert of RHI), the details of which are given below:



Table 12

S. N.	Call type	From/To	To	Time	Date	Duration (seconds)
1	Call out	Mr. Rabindra Kumar Behera – 98XXXXXX18	Mr. Abhijit Borah – 85XXXXXX37	15:08:35	08-Nov-2022	63

- (r.) Subsequently, the email of itinerary was forwarded by Mr. Abhijit Borah to Mr. Rabindrakumar Behera with a copy to Mr. Parmod Sagar on November 08, 2022 at 15:10 PM.
- (s.) In this regard, an email dated September 06, 2024 was sent by SEBI to RHI advising it to submit all communications exchanged with Noticee with respect to the visit of RHI team from Vienna to Jamshedpur. In response, RHI vide email dated September 10, 2024 submitted that, there was no written communication as per records that have taken place with Noticee indicating the date and time of visit of the RHI team from Vienna to Jamshedpur, however, it was apparent that Noticee may have been informed about this visit through a verbal communication, which is difficult to isolate and identify in terms of the time and date when the said communication may have taken place.
- (t.) From the aforesaid, it was observed that on November 01, 2022, Mr. Parmod Sagar and Mr. Franco Gustavo had a discussion with respect to the visit to Hi-Tech Chemicals Limited and DOCL subsequent to the World Refractories Association meeting. Thereafter, on November 04, 2022, an itinerary of the visit to Hi-Tech Chemicals Limited and New Delhi was made by secretary to Mr. Parmod Sagar and sent to personal secretary to Mr. Gustavo Franco/ Stefan Borgas with CC to Mr. Gustavo Franco and Mr. Parmod Sagar wherein it was mentioned that the RHI team would visit Jamshedpur from Kolkata by chartered flight and leave by chartered flight from Jamshedpur to New Delhi. Hence, it was alleged that initially assistant of Mr. Parmod Sagar made the schedule and shared it with Mr. Parmod Sagar who later communicated with Mr. Raj Kumar Agarwal informing him of the visit by RHI team so that the chartered flight from Kolkata to Jamshedpur and from Jamshedpur to New Delhi can be booked for the visit of RHI officials from Vienna. The schedule was later shared with Mr. Abhijit Borah who was the Communications expert of RHI.
- (u.) From the invoice issued by Flaps Aviation Pvt. Ltd. as submitted by Hi-Tech Chemicals Limited, it was observed that Mr. Rahul Agarwal paid Rs. 12,27,200/- for the Chartered flight from Kolkata to Jamshedpur and from Jamshedpur to New Delhi for the travel during November 18-19, 2022. It was observed that bank statement of Hi-Tech Chemicals Limited was analysed to find whether payment was made by Hi-tech Chemicals Limited for the Chartered flight. From the analysis of bank account, it was observed that there was a debit from Account No. 911030018047170 for the payment for the Chartered flight.



(v.) From the aforesaid, it was alleged that Mr. Parmod Sagar on November 08, 2022 by VOIP call had a conversation with Noticee regarding schedule of Mr. Stefan Borgas and Mr. Franco Gustavo's visit to Kolkata, Jamshedpur and New Delhi and arranging for the chartered flight for the visit and during this conversation, Noticee procured the information with respect to the DOCL deal based on which he had purchased the shares of RHI.

(w.) In view of the aforesaid discussions, it was observed that Noticee and Mr. Parmod Sagar have been communicating with each other on regular basis by phone calls, SMS and VOIP calls even after the conclusion of the Hi-Tech Chemicals Limited deal on October 18, 2022 and therefore, it was alleged that Noticee was a "connected person" under regulation 2(1)(d) of the PIT Regulations. Further, as per sequence of events and communications through email with RHI, Mr. Parmod Sagar had details with respect to the DOCL deal. Therefore, it was alleged that, on preponderance of probability basis, Noticee was also in possession of UPSI or had access to UPSI and is an "insider" as per regulations 2(1)(g)(i) and (ii) of the PIT Regulations.

Analysis of trades carried out by Noticee

(x.) The trading activity of Noticee was analyzed during the IP and the following was observed. Noticee had carried out the below mentioned trades through Garg Securities Pvt. Ltd. It was observed that Noticee had placed order through WhatsApp to his dealer:

Table 13: Trading summary of Noticee in the scrip of RHI

Exchange	Date	Buy Quantity	Wt. Avg. Buy Price (in Rs.)	Buy Value (in Rs.)	Sell Quantity	Wt. Avg. Sell Price (in Rs.)	Sell Value (in Rs.)
Pre-UPSI Period (July 08, 2022 to August 07, 2022)							
-							
UPSI period (August 08, 2022 to November 19, 2022)							
NSE	11/11/2022 Friday	13,473	583.94	78,67,490.75			
BSE	14/11/2022 Monday	2,479	604.88	14,99,505.60			
NSE	14/11/2022 Monday	74,706	596.48	4,45,60,299.20			
BSE	15/11/2022 Tuesday	7,516	596.80	44,85,583.45			
NSE	15/11/2022 Tuesday	46,445	599.24	2,78,31,556.60			
	Total	1,44,619		8,62,44,435.60			
Post UPSI Period (November 20, 2022 to December 19, 2022)							
NSE	22/11/2022 Tuesday	173	697	1,20,581			
NSE	22/11/2022 Tuesday				1,44,792	706.34	10,22,72,155



(y.) From the aforesaid table, it was observed that Noticee had not traded in the shares of RHI during Pre-UPSI period. Noticee purchased the shares during the UPSI period on November 11, 2022, November 14, 2022 and November 15, 2022 and immediately sold all the shares on November 22, 2022 after the disclosure of the UPSI on the stock exchanges on November 19, 2022. During the Post-UPSI period, the Noticee purchased a small quantity on November 22, 2022 and sold them on the same day on November 22, 2022.

(z.) From the client ledger and the trading details of Noticee, it was observed that from November 01, 2022 till November 09, 2022, there was no activity in the trading account of Noticee. Thereafter, on November 09, 2022, Noticee started selling the shares of Tata steel Limited. It was further observed that Noticee had Nil balance in his ledger account on November 11, 2022. Details of sell of shares of Tata Steel Limited are mentioned below:

Table 14

Sr. No.	Date	Name of the scrip	Sell Quantity	Sell Price (Rs.)	Sell Value (Rs.)
1	09-Nov-2022	Tata Steel Limited	1,50,000	106.50	1,59,75,000.00
2	11-Nov-2022	Tata Steel Limited	6,80,000	108.20	7,34,55,000.00

(aa.) Subsequently, Noticee purchased the shares of RHI on November 11, 14 and 15, 2022 as mentioned in Table 13. Then, after the sale of shares of RHI on November 22, 2022, Noticee again bought shares of Tata Steel Limited. Details are mentioned below:

Table 15

Sr. No.	Date	Name of the scrip	Buy Quantity	Buy Price (Rs.)	Buy Value (Rs.)
1	21-Nov-2022	Tata Steel Limited	3,00,000	106.09	3,18,28,469.00
2	23-Nov-2022	Tata Steel Limited	8,00,000	105.69	8,45,52,154.90

(bb.) In view of the above, it was alleged that the purchase of the shares of RHI was funded by sale of shares of Tata Steel Limited. It was further observed that the statement of Noticee was recorded during the course of investigation wherein he had stated that the shares of RHI were bought by him after watching the scrip price of RHI for 20 days after the news of deal between Hi-Tech Chemicals Limited and RHI was published on October 19, 2022, as he knew both the companies Hi-tech Chemicals Limited as well as RHI and expected the price of RHI to go up. In this regard, it was observed from the IR that Noticee bought the shares on November 11, 2022 which



was much after the news of merger of Hi-Tech Chemicals Limited with RHI. It was further observed from investigation report that Noticee did not have enough credit balance in his account on November 11, 2022 and had to liquidate his shares of Tata steel Limited in order to buy the shares of RHI.

(cc.) It was further observed that on November 09, 2022, RHI issued an announcement regarding quarterly results of September, 2022 on NSE. As per the quarterly results, the Company's profit had come down from Rs. 8,188.59 for the quarter ended June 30, 2022 to Rs. 7,144.50 for the quarter ended September 30, 2022. The said news was not a positive news with respect to RHI. The following is the PV data on November 09-11, 2022:

Table 16

Date	Open Price	High Price	Low Price	Close Price	Volume
09-Nov-22	632.00	649.60	628.40	636.00	19476
10-Nov-22	624.90	628.00	594.85	601.40	26259
11-Nov-22	596.50	603.95	574.10	583.55	30395

(dd.) From the aforesaid, it was observed that after the announcement on November 09, 2022, the price of the scrip opened at Rs. 624.90 and closed at Rs. 601.40. Further, on November 11, 2022, the scrip opened at Rs. 596.50 and closed at Rs. 583.55. It was further observed from the investigation report that there was no other information available in public domain to indicate that RHI price will go up due to any positive news in the near future. Hence, it was alleged that Noticee's submission that he bought shares of RHI expecting the price to go up is not valid. It was further alleged that the trades of Noticee were on the basis of information regarding the impending announcement with respect to the DOCL deal.

(ee.) It was alleged that following factors lead to preponderance of probability that Noticee was, directly or indirectly, in possession of the information related to the DOCL deal:

- a.) Both the acquisition, i.e., plant of Hi-Tech Chemicals Limited and DOCL started in May 2021;
- b.) There were common legal and financial due diligence teams such as Khaitan & Khaitan and Deloitte for both the acquisitions;
- c.) RHI team and Hi-Tech Chemicals Limited team continued to interact during the UPSI period of DOCL deal (August 08, 2022 to November 19, 2022);
- d.) The VOIP call between Mr. Parmod Sagar and Noticee on November 08, 2022 communicating the travel details of RHI Vienna team for the visit to Jamshedpur;
- e.) Payment for the chartered flight by Mr. Rahul Agarwal (son of Noticee) for the visit of RHI Vienna team, i.e., Mr. Stefan Borgas and Mr. Franco Gustavo from Kolkata to Jamshedpur and from Jamshedpur to Kolkata;
- f.) Sudden sale of shares of Tata Steel Limited on November 09, 2022 (which was immediately the day after the VOIP call with Mr. Parmod Sagar on November 08, 2022) and the funds being used to trade in the shares of RHI on November 11, 14



- and 15, 2022. Further, after the sale of shares of RHI on November 22, 2022, Noticee again purchased the shares of Tata Steel Limited on November 23, 2022;
- g.) On November 09, 2022, quarterly financial results of RHI were announced which was not positive (the profit of the company fell from Rs. 8,188.59 for the quarter ended June 30, 2022 to Rs. 7,144.50 for the quarter ended September 30, 2022) and Noticee purchased the shares of RHI on November 11, 2022 even after such news.
- h.) The sudden trades in the scrip of RHI on November 11, 2022 when seen along with the timing of VOIP call between Mr. Parmod Sagar and Noticee.

(ff.) Therefore, it was alleged that Noticee had traded in the scrip of RHI while in possession of/on the basis of UPSI pertaining to the DOCL deal and thereby violated the provisions of regulation 4(1) of PIT Regulations.

(gg.) It was alleged that Noticee had made an unlawful gain of Rs. 1.59 crore in ~11 days on an investment of Rs. 8.62 crore.

7. The SCN was duly served upon the Noticee in consonance with the Rules. Vide email dated April 28, 2026, the Noticee requested a two-week extension to file his reply to the SCN. This request was acceded to and the Noticee was advised to file his reply, if any, by May 14, 2026. Subsequently, vide email dated May 13, 2026, the Noticee raised concerns regarding the numbering and legibility of the annexures provided with the SCN. In response, vide email dated May 14, 2026, the Noticee was advised to follow the annexure numbers stated in the respective file names and high-resolution copies of documents sought were provided. Furthermore, the Noticee was advised to submit his reply, if any, by May 28, 2026.
8. It is noted that the Noticee did not submit any reply by May 28, 2026. Accordingly, in the interest of justice, the Noticee was granted an opportunity for a hearing on June 16, 2026 and was advised to submit his reply, if any, by June 12, 2026. Vide email dated June 11, 2026, the Noticee filed his reply to the SCN. Thereafter, on June 16, 2026, the Noticee, accompanied by his Authorized Representatives (hereinafter referred to as “ARs”), Mr. Shiv Kumar Choudhary and Mr. Balveer Choudhary, attended the hearing and reiterated the submissions made vide the email dated June 11, 2026.



9. The relevant extracts of Noticee's reply are as under:

- (a.) Noticee denied all the allegations and findings made in the SCN, except to the extent specifically admitted. Noticee categorically denied violation of regulation 4(1) of PIT Regulations or made an unlawful gain of Rs. 1.59 crore. Noticee stated that the allegations are vague, sweeping, baseless, devoid of any substance and based on mere surmises and conjectures. Not even an iota of evidence has been provided in the SCN to establish that the Noticee was in possession of alleged UPSI and traded on the basis thereof.
- (b.) Noticee categorically denied that he was ever in possession of, had access to, procured, received or traded while in possession of any UPSI relating to the proposed acquisition of DOCL by RHI. The entire case proceeds on a presumption that because the Noticee was interacting with certain officials of RHI during the relevant period and subsequently purchased shares of RHI, he must have received UPSI relating to the DOCL transaction. Such presumption is unsupported by any direct evidence, documentary evidence, electronic communication, witness testimony, email correspondence, message exchange or any other material capable of establishing either communication of UPSI or possession thereof.
- (c.) Noticee was a promoter and major shareholder holding 76.24% equity shares in Hi-Tech Chemicals Limited, a company engaged in manufacturing specialized refractory products. Following LOI executed in October 2021 and completion of due diligence, Hi-Tech and RHI entered into a Business Transfer Agreement (BTA) on October 18, 2022 for transfer of the refractory business on a slump sale basis for a cash consideration of Rs. 621 Crore, which was made public on October 19, 2022.
- (d.) The BTA was subject to fulfilment of various conditions precedent under Clause 5 read with Schedule 5. Consequently, execution of the BTA did not result in immediate transfer of the business and the refractory business was ultimately taken over by RHI only on January 31, 2023 upon fulfilment of the stipulated conditions precedent and payment of the agreed consideration. The period between October 18, 2022 and January 31, 2023 was the most intensive phase of implementation of the transaction, requiring continuous interaction between representatives of Hi-Tech and RHI for fulfilment of contractual conditions, transition planning, employee integration, operational continuity, regulatory approvals and documentation.
- (e.) Since Hi-Tech transferred a running business and not the corporate entity itself, various licenses, customer codes, vendor registrations, banking arrangements and commercial contracts continued in the name of Hi-Tech for a transitional period. A back-to-back arrangement was implemented whereby RHI supplied products through Hi-Tech until migration of customer and vendor systems was completed. Consequently, there existed a legitimate and compelling commercial necessity for regular communication between representatives of Hi-Tech and RHI throughout the transition period. Even after January 31, 2023, interactions



continued in relation to settlement of final purchase consideration adjustments and implementation of the back-to-back arrangement. The existence of such communication therefore cannot, by itself, support any inference regarding communication of UPSI.

- (f.) The principal allegation in the SCN is founded upon a VOIP call dated 08.11.2022 between Mr. Pramod Sagar and the Noticee. The Noticee submitted that such inference is wholly unfounded and based on conjecture and surmise. On November 08, 2022 at 14:42 PM, Mr. Abhijeet Borah of RHI circulated an email regarding the proposed visit of RHI's global and senior management team to the Jamshedpur plant of Hi-Tech scheduled on November 18, 2022. Within approximately nine minutes, at 14:51 PM, Mr. Pramod Sagar placed the impugned VOIP call. The close proximity between the email concerning the proposed visit and the subsequent call provides a contemporaneous and legitimate explanation for the communication.*
- (g.) Further, the email dated November 15, 2022 specifically records that, pursuant to discussions between Mr. Pramod Sagar and the Noticee, certain documents relating to transfer of leasehold rights were proposed to be signed by Mr. Pramod Sagar during his visit to Jamshedpur on November 18, 2022. Since the next call between Mr. Pramod Sagar and the Noticee took place only on November 16, 2022, the discussion referred to in the email dated November 15, 2022 could only relate to the VOIP call dated November 08, 2022. This conclusively establishes that the subject matter of the call was the proposed Jamshedpur plant visit and execution of documents relating to fulfilment of conditions precedent under the BTA.*
- (h.) Despite a detailed investigation, SEBI has not produced a single email, WhatsApp message, SMS, note, witness statement, recording or any other material evidencing communication of any information relating to the DOCL transaction during the said call. Significantly, Mr. Pramod Sagar in his written response furnished to SEBI has nowhere stated that he communicated any information relating to the DOCL transaction to the Noticee. On the contrary, Mr. Pramod Sagar explained that discussions were likely related to issues arising from the Hi-Tech transaction, including fulfilment of conditions precedent, implementation of the back-to-back arrangement, business continuity planning and ensuring smooth transition of the acquired business. The statement of Mr. Pramod Sagar therefore directly supports the Noticee's case.*
- (i.) The Noticee had no role whatsoever in the proposed acquisition of DOCL by RHI. He was not involved in negotiations, not part of any internal RHI committee, had no access to any data room, internal memorandum, board papers, transaction documents or due diligence reports concerning DOCL. RHI itself has clarified to SEBI that neither its promoters, directors nor KMPs had any direct or indirect connection or association with the Noticee, except to the limited extent arising from the acquisition of the refractory business of Hi-Tech and the smooth transition of control of such business in favour of RHI. The Noticee had no knowledge of, involvement in, or access to any information relating to the*



proposed acquisition of DOCL by RHI prior to its public announcement on November 19, 2022.

- (j.) The Noticee's purchase of shares of RHI was based on a well-considered and independent investment decision arising from his own assessment of the long-term prospects of RHI following the acquisition of the refractory business of Hi-Tech. Having spent several decades in the refractory industry and being intimately familiar with the operations, profitability, manufacturing capabilities, customer relationships and expansion potential of Hi-Tech, the Noticee genuinely believed that the acquisition of the refractory business by RHI would create substantial long-term value for RHI and its shareholders. The proposed acquisition of Hi-Tech by RHI had already become public knowledge on October 19, 2022. Therefore, the Noticee's positive outlook was based entirely on publicly available information and his own industry knowledge.*
- (k.) Although the Noticee decided to invest in RHI following execution of the BTA, he waited for what he considered an appropriate valuation opportunity. Following announcement of quarterly results by RHI and correction in share price, the Noticee purchased shares during November 11–15, 2022. The timing and pattern of purchases themselves completely negate the allegation that the Noticee was acting on UPSI. If the Noticee had received price-sensitive information during the call on November 08, 2022, there would have been every incentive to immediately maximize investment. Instead, only a relatively small initial purchase was made on November 11, 2022, while nearly 90% of total investment was made subsequently on November 14, 2022 and November 15, 2022. This staggered pattern is wholly inconsistent with the conduct of a person seeking to exploit UPSI.*
- (l.) On November 19, 2022, upon public announcement of the DOCL transaction, the Noticee independently analysed the transaction and formed the view that it was not favourable from a long-term business and shareholder value perspective due to the age and heavily manual nature of DOCL's manufacturing facilities, absence of significant synergy benefits, and the excessive acquisition valuation (approximately Rs. 1708 crore against DOCL's Profit Before Tax of only Rs. 14.14 crore in FY 2021-22 and a loss of approximately Rs. 7.74 crore in FY 2020-21). It was for this reason, and this reason alone, that the Noticee immediately sold his holdings on November 22, 2022.*
- (m.) Had the Noticee known about the proposed acquisition beforehand, he would not have invested in RHI shares at all. Further, if the objective had been to unlawfully profit from alleged UPSI, the Noticee would have retained the shares for a longer period as the market price of RHI shares continued to increase and reached approximately Rs. 835 per share on November 23, 2022 and further to around Rs. 892.90 per share on January 06, 2023. The Noticee's conduct is therefore wholly inconsistent with insider trading and entirely consistent with bona fide investment decision-making.*
- (n.) At the relevant time, the Noticee was already engaged in a disclosed transaction involving transfer of the refractory business of Hi-Tech to RHI for a consideration*



of approximately Rs. 621 Crore. The suggestion that the Noticee would jeopardize his reputation, commercial standing, regulatory compliance and the successful completion of a Rs. 621 Crore transaction for the purpose of earning a comparatively insignificant gain is inherently implausible and contrary to normal commercial behaviour. Further, Hi-Tech itself was holding investments in listed securities aggregating to approximately Rs. 71.75 Crore. If the Noticee had genuinely been in possession of any UPSI, there was no reason to restrict exposure to the trades alleged in the SCN.

- (o.) The SCN alleges that the Noticee traded “while in possession of / on the basis of UPSI” whereas regulation 4(1) stipulates that a person can be held guilty only if he deals while being in possession of UPSI, and not “on the basis of” alleged UPSI. The SCN has added a charge which is not stipulated by the Regulations and is therefore bad in law and ought to be dropped. This goes against Article 21 of the Constitution of India since action is being proposed on the basis of law which is not available.
- (p.) Further, no SCN has been issued to any other person from whom the Noticee allegedly procured the UPSI. No SCN has been issued to Mr. Pramod Sagar as the alleged ‘tipper’. This establishes that the investigation has not been able to conclusively prove the method of transmission of alleged UPSI. The issue of SCN to the Noticee defies logic without issuing SCN to the alleged tipper and hence issue of SCN is void ab initio and goes against the Principles of Equity. Under regulation 2(1)(g) of PIT Regulations, the onus is on the person levelling the allegation to demonstrate possession. Regulation 3 does not create any deeming fiction permitting communication of UPSI to be presumed merely because parties were connected or in communication. The structure of regulation 3 requires first, communication of UPSI by an insider, and thereafter, procurement by the subsequent person. Without establishing both, no person can be alleged to be in possession of UPSI.
- (q.) The Noticee relied upon the following judgments/orders in support of the above submissions:
- (i.) Balram Garg v. SEBI (Hon’ble Supreme Court);
 - (ii.) Chintalapati Srinivasa Raju v. SEBI (Hon’ble Supreme Court);
 - (iii.) Dilip S. Pendse v. SEBI (Hon’ble SAT);
 - (iv.) Adjudicating Officer, SEBI v. Bhavesh Pabari (Hon’ble Supreme Court);
 - (v.) Canara Bank and Ors. v. Shri Debasis Das and Ors. (Hon’ble Supreme Court);
 - (vi.) Order in the matter of Infosys Limited (WTM/ASB/IVD-1/ID11/30744/2024-25 dated September 09, 2024);
 - (vii.) Order in the matter of United Spirits Limited (WTM/AN/IVD/ID7/28946/2023-24 dated August 25, 2023).
- (r.) There is no allegation that any investor suffered any loss on account of the Noticee’s trades, nor is there any allegation of repetitive or habitual misconduct. The Noticee has maintained a clean track record in the securities market and has at all times acted transparently, bona fide and in good faith, extending full



cooperation to SEBI throughout the investigation by promptly furnishing all information and documents sought, appearing whenever required and actively participating in the proceedings.

CONSIDERATION OF ISSUES AND FINDINGS

10. After perusal of the material on record, I note that the issues that arise for consideration in the present case are as follows:

Part A – Unpublished Price Sensitive Information

- I. Whether the information relating to the acquisition of a 100% equity stake in DOCL by RHI via a SSA constituted UPSI under PIT Regulations?
- II. If so, what was the UPSI period?

Part B – Role of Noticee

- III. Whether Noticee was ‘insider’ in terms of PIT Regulations?
- IV. If so, whether the Noticee has violated the applicable provisions of insider trading under PIT Regulations?

Part C – Determination of Penalty, if any

- V. Does the violation, if any, on the part of Noticee attract monetary penalty under section 15G(i) of the SEBI Act?
 - VI. If so, what would be the quantum of monetary penalty that can be imposed on Noticee after taking into consideration the factors stipulated in section 15J of the SEBI Act?
11. Before proceeding further, it is pertinent to refer the relevant provisions of law, allegedly violated by Noticee. The same is reproduced as under:

PIT Regulations

“Trading when in possession of unpublished price sensitive information.

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

Explanation –When a person who has traded in securities has been in possession of unpublished price sensitive information, his trades would be presumed to have been motivated by the knowledge and awareness of such information in his possession.”



Part A – Unpublished Price Sensitive Information

Issue I. Whether the information relating to the acquisition of a 100% equity stake in DOCL by RHI via a SSA constituted UPSI under PIT Regulations?

12. From the material on record, it is noted that RHI made a disclosure to the NSE on November 19, 2022 at 17:57:39 hours, *inter alia*, stating as under:

“Company is desirous of executing a share swap agreement (“SSA”) with Dalmia Bharat Refractories Limited (“DBRL”) to acquire 8,24,83,642 of equity shares, each fully paid up, having a face value of INR 10, representing 100% of the equity share capital of Dalmia OCL Limited (“DOCL”).

Under the terms of the Share Swap Agreement, the Company will acquire all outstanding shares in DOCL in exchange for 2,70,00,000 new shares (vide preferential allotment) in the Company (“Transaction”) on such terms and conditions as may be mutually agreed between the parties. Based on the issuance price of the Company at INR 632.5029 per share, the Share consideration has a value of approximately INR 1,708 crores. The Company will consolidate DOCL’s earnings and approximately INR 443 crores of net debt held by DOCL.”

13. It is further noted that the closing price of the RHI scrip on November 18, 2022 (the last trading day before the announcement) was Rs. 645.40, while the closing price on the next trading day following the announcement, i.e., on November 21, 2022 was Rs. 702.85. Consequently, pursuant to the announcement, the price of the RHI scrip increased by ~8.9% on the next trading day. This demonstrates that the announcement regarding RHI’s acquisition of a 100% equity stake in DOCL materially affected the price of the RHI scrip.

14. In this regard, reference is drawn to regulation 2(1)(n) of PIT Regulations:

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

.....

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



.....
 (iv) mergers, de-mergers, acquisitions, delistings, disposals and expansion of business and such other transactions;

.....
 NOTE: It is intended that information relating to a company or securities, that is not generally available would be unpublished price sensitive information if it is likely to materially affect the price upon coming into the public domain. The types of matters that would ordinarily give rise to unpublished price sensitive information have been listed above to give illustrative guidance of unpublished price sensitive information.”

15. In view of the above, it is noted that the requirements of regulation 2(1)(n) of the PIT Regulations have been squarely met, since the information regarding the acquisition was not generally available and was likely to affect the price of the scrip. Furthermore, it is pertinent to note that information relating to acquisition is deemed to be UPSI in terms of regulation 2(1)(n)(iv) of the PIT Regulations. Additionally, Noticee has not disputed the fact that the said information was UPSI in terms of PIT Regulations. Accordingly, it is established that the information relating to acquisition of a 100% equity stake in DOCL by RHI was UPSI in terms of the PIT Regulations.

Issue II. If so, what was the UPSI period?

16. The SCN alleged the UPSI period was August 08, 2022 to November 19, 2022. The chronology of critical events leading up to the corporate announcement on November 19, 2022, as submitted by RHI vide its email dated July 20, 2023 to the investigating authority, are as under:

Table 17

Date	Event
May 03, 2021	Interaction between RHI Magnesita N.V. and representatives of DBRL for the transaction.
June 23, 2021	Non-Disclosure Agreement (NDA) executed between RHI Magnesita N.V. and advisor of DBRL for further discussions of the transaction.
June, 2021 to August, 2022	Multiple discussions took place with respect to transaction.
August 08, 2022	Letter of Intent was signed between RHI Magnesita N.V. and DBRL for the purpose of the transaction.



Date	Event
August 11, 2022	Information of the transaction shared with financial and tax consultant and legal consultant.
August 30, 2022	An insider tracking list was created.
November 11, 2022	Board of directors of RHI Magnesita N.V. in their board meeting approved the transaction.
November 19, 2022	Board meeting of RHI was held wherein the said transaction was considered and approved.
November 19, 2022	Corporate announcement made on stock exchanges.

17. Considering the aforementioned events, the UPSI period was alleged to have commenced on August 08, 2022, i.e., the date when the letter of intent was signed and continued until November 19, 2022, which was the date of disclosure to the stock exchanges. It is noted that the Noticee has not disputed the period of UPSI as alleged in the SCN. In view of the above, it is established that the UPSI period was from August 08, 2022 to November 19, 2022.

Part B – Role of Noticee

Issue III. Whether Noticee was ‘insider’ in terms of PIT Regulations?

Issue IV. If so, whether the Noticee has violated the applicable provisions of insider trading under PIT Regulations?

18. As per the material on record, the Noticee was a director and promoter of Hi-tech Chemicals Limited. RHI acquired the refractory business of Hi-Tech Chemicals Limited vide a BTA dated October 18, 2022, by way of a slump sale on a going-concern basis for a cash consideration of Rs. 621 Crore. The same was disseminated to the BSE on October 19, 2022. Noticee was alleged to be a “connected person” under regulation 2(1)(d)(i) of the PIT Regulations on account of being in regular communication with Mr. Parmod Sagar (managing director of RHI) through telephonic calls, SMSs and VOIP calls during the UPSI period, thereby rendering him an “insider” under regulation 2(1)(g)(i) of the PIT Regulations. Furthermore, the Noticee was



alleged to be in possession of, or having access to, UPSI under regulation 2(1)(g)(ii) of the PIT Regulations based on the following factors:

- (a.) Both acquisitions namely, the refractory business of Hi-Tech Chemicals Limited and the DOCL deal commenced in May 2021;
- (b.) Common legal and financial due diligence teams, specifically Khaitan & Co. and Deloitte, were engaged for both acquisitions;
- (c.) The RHI team and the Hi-Tech Chemicals Limited team continued to interact during the UPSI period of the DOCL deal (August 08, 2022, to November 19, 2022);
- (d.) A VOIP call took place between Mr. Parmod Sagar and the Noticee on November 08, 2022, wherein travel details of the RHI Vienna team for their visit to Jamshedpur were communicated;
- (e.) Hi-Tech Chemicals Limited booked a chartered flight for the RHI Vienna team (comprising Mr. Stefan Borgas and Mr. Franco Gustavo) from Kolkata to Jamshedpur and from Jamshedpur to Delhi;
- (f.) Sudden sale of shares of Tata Steel Limited was executed by the Noticee on November 09, 2022 (immediately the day following the VOIP call with Mr. Parmod Sagar on November 08, 2022), the proceeds of which were deployed to trade in the shares of RHI on November 11, 14, and 15, 2022. Subsequently, following the sale of RHI shares on November 22, 2022, the Noticee repurchased shares of Tata Steel Limited on November 23, 2022;
- (g.) On November 09, 2022, the quarterly financial results of RHI were announced, which reflected a negative trend. Despite this negative news, the Noticee purchased shares of RHI on November 11, 14 and 15, 2022;



(h.)The sudden trades in the scrip of RHI on November 11, 14 and 15, 2022 when viewed in conjunction with the timing of the VOIP call between Mr. Parmod Sagar and the Noticee.

19. In this context, reference is made to the relevant statutory provisions under which the Noticee was alleged to be an “insider” and a “connected person” in the present matter. Regulation 2(1)(g) of PIT Regulations defines “*insider*” as any person who is (i) a connected person; or (ii) in possession of or having access to unpublished price sensitive information. Further, regulation 2(1)(d)(i) of PIT Regulations defines a “connected person” as “any person who is or has during the six months prior to the concerned act been associated with a company, directly or indirectly, in any capacity including by reason of frequent communication with its officers or by being in any contractual, fiduciary or employment relationship or by being a director, officer or an employee of the company or holds any position including a professional or business relationship between himself and the company whether temporary or permanent, that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access.”

20. At the outset, it is necessary to ascertain whether the Noticee can be held to be an “insider” under regulation 2(1)(g)(i) of the PIT Regulations by virtue of being a “connected person”.

21. In this regard, I note that Mr. Parmod Sagar was the managing director of RHI and his name was included in the list of insiders for the DOCL deal provided by RHI. Furthermore, the chronology of events submitted by RHI with respect to the DOCL deal reveals that Mr. Parmod Sagar was privy to the Non-Disclosure Agreement (NDA) executed between RHI Magnesita N.V. and the advisor of DBRL on June 23, 2021, for further discussions on the DOCL deal. He was also aware of the intimation made on August 30, 2022, regarding the commencement of the due diligence process for the DOCL deal.



22. The material on record also contains chat logs between Mr. Parmod Sagar and Mr. Franco Gustavo on the Microsoft Teams application dated November 01, 2022, concerning the visit to DOCL. Therefore, invariably Mr. Parmod Sagar was an “insider” with respect to the DOCL deal in terms of regulation 2(1)(g)(ii) of the PIT Regulations, as he was in direct possession of UPSI, in addition to being a “connected person” under regulation 2(1)(g)(i) of PIT Regulations by virtue of being the managing director of RHI.
23. It was alleged in the SCN that Noticee by being in communication with Mr. Parmod Sagar was a “connected person” in terms of regulation 2(1)(d) of PIT Regulations. In this context, it is noted that regulation 2(1)(d)(i) of the PIT Regulations, *inter alia*, contemplates “frequent communication” with officers of the company during the six months preceding the concerned act that allows such person, directly or indirectly, access to unpublished price sensitive information or is reasonably expected to allow such access, in order to treat a person as a “connected person”.
24. In this respect, reference is also drawn to the relevant extracts of the Sodhi Committee Report¹ on the scope of “connected person” following which the SEBI (Prohibition of Insider Trading) Regulations, 1992 was repealed and reenacted as PIT Regulations:
- “Whether or not a person is a connected person will always and necessarily be a mixed question of fact and law to be answered from the facts and circumstances of the case. Whether the association of a person with a company would put him in a position of accessing UPSI would also be a mixed question of fact and law. The Committee was conscious that if it were not possible to have direct evidence of actual access to UPSI, the test to be applied would be to consider whether the person in question is reasonably expected to have such access as a reasonable inference that a reasonable man would draw from the facts and circumstances of the case.”*
25. From the aforesaid, it can be noted that one of the important aspect of definition of “connected person” is that direct or indirect association is of such nature that it could be reasonably inferred that the person would have access to unpublished price

¹ https://www.sebi.gov.in/sebi_data/attachdocs/1386758945803.pdf



sensitive information of the company. The determination would have to be made on a case-by-case basis and stand the test of being a reasonable inference that a reasonable person would draw from the facts and circumstances of the case.

26. In this context, Noticee has submitted that his interaction with RHI including Mr. Parmod Sagar arose solely from the BTA dated October 18, 2022, under which RHI had acquired the refractory business of Hi-Tech Chemicals Limited. The BTA was subject to certain specific conditions precedent under clause 5 read with Schedule 5. The Noticee submitted that the BTA was finally completed only on January 31, 2023, upon fulfilment of all conditions precedent and payment of the agreed consideration of Rs. 621 Crore. Accordingly, the period between October 18, 2022 and January 31, 2023 was the most intensive phase of the transaction, requiring continuous senior-level interaction between the Noticee (as managing director of Hi-Tech Chemicals Limited) and Mr. Parmod Sagar (as managing director of RHI) for fulfilment of these detailed contractual and regulatory requirements. The Noticee further submitted that even after January 31, 2023, the interaction between Hi-Tech Chemicals Limited and RHI continued for settlement of the final purchase consideration under clause 4.3 of the BTA and for implementation of a back-to-back commercial arrangement under a separate agreement dated January 31, 2023, since the BTA involved transfer of a running business and not the corporate entity itself meaning customer codes, vendor registrations, banking mandates and commercial contracts continued in the name of Hi-Tech Chemicals Limited for a transitional period.

27. In support of his submissions, the Noticee has provided a copy of the BTA dated October 18, 2022, copies of email communications exchanged with RHI, the approval dated January 30, 2023 for transfer of leasehold rights granted by the Jharkhand Industrial Area Development Authority (JIADA), the memorandum of delivery of Immovable Property and Jamshedpur Plant dated January 31, 2023 executed pursuant to the aforesaid approval and the commercial arrangement dated January 31, 2023 executed between Hi-Tech Chemicals Limited and RHI in relation to contracts being transferred pursuant to the BTA dated October 18, 2022.



28. From the perusal of the submissions made by the Noticee and the documents placed on record, I am inclined to accept the explanation of the Noticee that his interactions with Mr. Parmod Sagar during the relevant period were attributable to the implementation and completion of the BTA dated October 18, 2022 and the consequential transition arrangements arising therefrom. The documentary evidence furnished by the Noticee demonstrates that substantial post-signing activities remained to be completed after execution of the BTA and required continuous coordination between the senior management personnel of Hi-Tech Chemicals Limited and RHI. It is further noted that Mr. Parmod Sagar, in his statement recorded on oath during investigation, also stated that his communications with the Noticee were in relation to business continuity and implementation of the refractory business acquisition undertaken by RHI.
29. Further, no material has been brought on record to indicate the existence of any family relationship, personal association, financial dealing or any other independent relationship between the Noticee and Mr. Parmod Sagar apart from their interactions relating to the acquisition and transition of the refractory business of Hi-Tech Chemicals Limited. In the absence of an independent nexus, these communications alone cannot be regarded as evidence of access to UPSI pertaining to the DOCL acquisition.
30. In the facts of the present case, the mere existence of communications between the Noticee and Mr. Parmod Sagar during the relevant period cannot, by itself, lead to the conclusion that the Noticee was a “connected person” in relation to the UPSI pertaining to the proposed acquisition of DOCL. Regulation 2(1)(d)(i) of the PIT Regulations contemplates an association of such nature that it either allows or is reasonably expected to allow access to unpublished price sensitive information of the company. The material available on record does not establish that the communications exchanged between the Noticee and Mr. Parmod Sagar concerned the DOCL transaction. No call recording, message, email, document or other



contemporaneous material has been brought on record evidencing any discussion relating to the DOCL acquisition between them.

31. The relationship between the Noticee and RHI arose from an independent and already disclosed transaction, namely the acquisition of the refractory business of Hi-Tech Chemicals Limited by RHI under the BTA dated October 18, 2022. The evidence available on record supports the explanation that the communications between the Noticee and Mr. Parmod Sagar were attributable to the implementation of that transaction and the transition arrangements associated therewith. Therefore, although the Noticee was in communication with Mr. Parmod Sagar during the relevant period, the evidence is insufficient to conclude that such communication was of a nature that allowed or was reasonably expected to allow access to UPSI relating to the DOCL acquisition.
32. Accordingly, I find that the essential requirement embedded in regulation 2(1)(d)(i) of the PIT Regulations, namely that the association or communication should be such as to allow, directly or indirectly, access to unpublished price sensitive information or be reasonably expected to allow such access, has not been established on the basis of the material available on record. Consequently, the Noticee cannot be held to be a “connected person” under regulation 2(1)(d)(i) of the PIT Regulations and thereby, cannot be held as “insider” under regulation 2(1)(g)(i) of the PIT Regulations.
33. Having concluded that the Noticee cannot be held as an “insider” under regulation 2(1)(g)(i) of the PIT Regulations on the basis of the material available on record, I now proceed to examine whether the Noticee can nevertheless be held to be an “insider” under regulation 2(1)(g)(ii) of the PIT Regulations by virtue of being in possession of or having access to UPSI relating to the proposed acquisition of DOCL.
34. In this regard, it is noted that the SCN has relied upon various circumstances, namely, (a) the refractory business acquisition of Hi-Tech Chemicals Limited and the DOCL acquisition process having commenced around the same period; (b) the existence of common legal and financial due diligence advisors in both transactions; (c)



interactions between RHI personnel and Hi-Tech Chemicals Limited personnel during the UPSI period; (d) the VOIP call between Mr. Parmod Sagar and the Noticee on November 08, 2022; (e) payment by Hi-Tech Chemicals Limited towards charter flight expenses incurred for travel of certain RHI officials; (f) the sale of shares of Tata Steel Limited and subsequent purchase of shares of RHI by the Noticee; (g) purchase of shares of RHI despite announcement of quarterly financial results depicting declining profit and (h) the timing of the trades when viewed in conjunction with the VOIP call. These circumstances are examined individually and collectively hereunder.

35. The first circumstance relied upon in the SCN is that both the acquisition of the refractory business of Hi-Tech Chemicals Limited and the proposed acquisition of DOCL had originated around May 2021. The mere fact that two separate corporate transactions involving the same acquirer may have been progressing during overlapping periods does not, by itself, establish that information relating to one transaction was disclosed to persons involved in the other transaction. The material available on record does not indicate that the Noticee participated in any discussions, meetings, negotiations or decision-making processes concerning the DOCL acquisition. Therefore, the mere overlap in timelines between the two transactions cannot reasonably lead to an inference that the Noticee was in possession of or had access to UPSI relating to DOCL.

36. The second circumstance relied upon is that certain legal and financial advisors, namely Khaitan & Co. and Deloitte, were associated with both transactions. In this regard, I note that the Investigation Report is silent regarding the identity of the specific individuals who were part of the respective advisory teams engaged in the two transactions. Merely because the same professional firms may have rendered services in both transactions does not establish that the same individuals were involved in both mandates or that any information concerning the DOCL acquisition was communicated to the Noticee.



37. Further, professional advisors engaged in merger and acquisition transactions are ordinarily bound by strict confidentiality obligations under their engagement terms as well as professional standards. In the absence of any material suggesting breach of such confidentiality obligations, it would be speculative to presume that UPSI relating to the DOCL acquisition was disclosed to the Noticee merely because certain advisory firms were common to both transactions. Significantly, no email, message, call record, meeting record or any other contemporaneous evidence has been brought on record demonstrating communication of any information relating to the DOCL acquisition by any representative of such advisory firms to the Noticee. Accordingly, I am unable to draw an inference of possession of or access to UPSI on this basis.
38. The third circumstance relied upon in the SCN is that personnel of RHI and Hi-Tech Chemicals Limited continued to interact during the UPSI period relating to the DOCL acquisition. However, as already discussed hereinabove, the refractory business acquisition under the BTA dated October 18, 2022 remained under implementation during the relevant period and required substantial post-signing coordination between the parties. The documentary evidence placed on record demonstrates the existence of various pending operational, contractual and regulatory activities which necessitated continuous interactions between personnel of the two entities.
39. In these circumstances, the fact that representatives of RHI and Hi-Tech Chemicals Limited remained in communication during the UPSI period cannot, by itself, lead to the conclusion that UPSI relating to the DOCL acquisition was exchanged. No material has been brought on record showing that any such interaction involved discussions concerning DOCL or any unpublished price sensitive information relating thereto. Accordingly, I find that this circumstance is equally consistent with legitimate business interactions arising out of the BTA and does not establish access to UPSI.
40. The remaining circumstances relied upon in the SCN, namely the VOIP call between Mr. Parmod Sagar and the Noticee on November 08, 2022, the visit of senior RHI officials to Jamshedpur, the chartered flight arrangements, the trading pattern of the



Noticee in the shares of RHI and Tata Steel Limited and the purchase of shares of RHI despite the announcement of quarterly financial results depicting declining profit, are interconnected and therefore merit consideration in a consolidated manner.

41. In this regard, the material available on record shows that on November 08, 2022, Mr. Parmod Sagar received an email containing the travel itinerary of Mr. Stefan Borgas and Mr. Franco Gustavo (officials from RHI Magnesita N.V.). The itinerary contemplated travel from Kolkata to Jamshedpur on November 18, 2022 and subsequently from Jamshedpur to Delhi on November 19, 2022, by chartered flight. It is further noted from the call detail records that after receipt of the aforesaid itinerary, Mr. Parmod Sagar had a VOIP call with the Noticee on November 08, 2022. The material on record further shows that Hi-Tech Chemicals Limited arranged and paid for a chartered flight for the travel of the visiting RHI officials from Kolkata to Jamshedpur and thereafter from Jamshedpur to Delhi. It is also noted from the submissions of the Noticee and the contemporaneous documents placed on record that during the said visit to Jamshedpur, certain documents connected with the transfer of the refractory business of Hi-Tech Chemicals Limited and approvals relating thereto, including matters concerning approval from the JIADA, were required to be executed and processed. Noticee in his submissions has provided the copies of documents physically signed by Mr. Parmod Sagar on November 18, 2022 in Jamshedpur to be submitted to JIADA and the subsequent approval received from JIADA on January 30, 2023.

42. The allegation in the SCN proceeds on the basis that the aforesaid call and the subsequent purchase of shares of RHI by the Noticee on November 11, 14 and 15, 2022 indicate communication of UPSI relating to the proposed acquisition of DOCL. However, upon examination of the material available on record, I find that there is no evidence regarding the actual contents of the VOIP call between Mr. Parmod Sagar and the Noticee. Neither any recording nor any transcript nor any contemporaneous communication evidencing the subject matter of the conversation has been brought



on record. Therefore, the contents of the call can only be inferred from the surrounding circumstances.

43. When the surrounding circumstances are examined objectively, they appear to support the explanation offered by the Noticee rather than the allegation contained in the SCN. The chronology shows that Mr. Parmod Sagar received the itinerary of the visiting RHI officials, thereafter communicated with the Noticee and subsequently arrangements were made by Hi-Tech Chemicals Limited for the chartered flight from Kolkata to Jamshedpur and onward travel to Delhi. The existence of these events provides a plausible and commercially reasonable explanation for the communication between Mr. Parmod Sagar and the Noticee, namely coordination of the visit of senior RHI officials in connection with the implementation of the refractory business acquisition and the transition activities arising therefrom. Even assuming that the travel itinerary or chartered flight arrangements were discussed during the said call, such information by itself does not establish communication of UPSI relating to the proposed acquisition of DOCL.

44. More importantly, even if it is assumed that the Noticee was informed that the visiting officials would travel from Jamshedpur to Delhi after completion of their visit, there is nothing on record to demonstrate that the purpose of such onward travel was ever disclosed to the Noticee. There is no evidence showing that the Noticee was informed that the officials were proceeding to Delhi in connection with the proposed acquisition of DOCL. The inference sought to be drawn in the SCN therefore requires multiple assumptions, namely that the reason for the Delhi visit was communicated to the Noticee and that such communication included details relating to the proposed acquisition of DOCL. In the absence of any evidence supporting these assumptions, such an inference would be speculative and cannot form the basis for holding that the Noticee had access to UPSI.

45. The trading pattern of the Noticee must also be examined in the above factual context.

The Noticee has submitted that after the public announcement of the acquisition of



the refractory business of Hi-Tech Chemicals Limited by RHI, he developed a positive view regarding the prospects of RHI and monitored the share price for a suitable entry point. According to the Noticee, he had intended to purchase shares of RHI only if the market price declined to approximately Rs. 590 per share and upon the price reaching that level, he purchased the shares on November 11, 14 and 15, 2022. The Noticee has further submitted that following the subsequent announcement regarding the acquisition of DOCL by RHI, he formed the view that the acquisition was overvalued and accordingly exited his investment by selling the shares of RHI. Thereafter, he again invested in Tata Steel Limited.

46. In this context, I would like to take note of the closing price of RHI during the relevant period as obtained from the website of BSE Ltd.:

Table 18

Date	Closing Price (in Rs.)	Remarks
17-Oct-22	670.35	
18-Oct-22	719.05	
19-Oct-22	712.55	Information regarding execution of BTA with Hi-Tech Chemicals Limited for acquisition of the refractory business of Hi-Tech Chemicals Limited disseminated on BSE Ltd. on October 19, 2022 at 07:59:56 hours.
20-Oct-22	731.65	
21-Oct-22	705.35	
24-Oct-22	718.70	
25-Oct-22	709.65	
27-Oct-22	708.20	
28-Oct-22	713.90	
31-Oct-22	646.35	
01-Nov-22	638.70	
02-Nov-22	651.70	
03-Nov-22	655.40	
04-Nov-22	647.75	
07-Nov-22	635.70	
08-Nov-22	Market Closed	VOIP calls between Mr. Parmod Sagar and the Noticee.
09-Nov-22	636.00	



Date	Closing Price (in Rs.)	Remarks
10-Nov-22	601.40	
11-Nov-22	583.55	Noticee purchased 13,473 shares of RHI.
14-Nov-22	605.60	Noticee purchased 77,185 shares of RHI.
15-Nov-22	606.90	Noticee purchased 53,961 shares of RHI.
16-Nov-22	614.95	
17-Nov-22	626.80	
18-Nov-22	645.40	
19-Nov-22	Market Closed	Information regarding execution of share swap agreement with DBRL to acquire 100% of the equity share capital of DOCL disseminated on BSE Ltd. on November 19, 2022 at 17:53:37 hours.
21-Nov-22	702.65	
22-Nov-22	704.05	Noticee sold all the shares of RHI.
23-Nov-22	796.10	
24-Nov-22	782.65	
25-Nov-22	772.10	
28-Nov-22	777.95	

47. Upon consideration of the aforesaid facts and circumstances, I find that the trading behaviour exhibited by the Noticee is not entirely inconsistent with the explanation offered by him. It is noted that following the announcement dated October 19, 2022 regarding acquisition of the refractory business of Hi-Tech Chemicals Limited, the share price of RHI traded broadly in the range of Rs. 636 to Rs. 731. However, on November 11, 2022, the share price declined to Rs. 583.55, which was the first occasion after the announcement when the price reached the level at which, according to the Noticee, he intended to make an investment. It is at this point that the Noticee first purchased shares of RHI. Thereafter, he continued to purchase shares on November 14, 2022 and November 15, 2022 when the share price was around Rs. 605–606 per share. The explanation offered by the Noticee cannot be outrightly disregarded. The Noticee was the managing director of Hi-Tech Chemicals Limited and had extensive experience in the refractory industry. It is therefore plausible that he formed a favourable view regarding the future prospects and synergies likely to arise from the acquisition of the refractory business of Hi-Tech Chemicals Limited by



RHI. Such a view could reasonably have motivated him to invest in the shares of RHI when the share price corrected substantially from the levels prevailing immediately after the announcement. The mere fact that the purchases were made after the declaration of lower quarterly profits by RHI on November 09, 2022 is not determinative of insider trading. Investment decisions are influenced by several factors including long-term business prospects, industry outlook, valuation considerations, etc.

48. Further, the allegation in the SCN is that UPSI was communicated to the Noticee through telephonic interactions with Mr. Parmod Sagar on November 08, 2022. However, if the Noticee had in fact received UPSI regarding the proposed acquisition and had decided to trade on the basis of such information, it is not readily understandable as to why he would wait for two to three trading days before making his first purchase. At that stage, he could not have known whether the share price would further decline in the subsequent trading sessions. A person acting solely on the basis of UPSI would ordinarily be expected to acquire shares at the earliest available opportunity so as to maximize the benefit expected from the future price movement. The delay in purchase, coupled with the fact that the purchases were made only after the share price corrected significantly, lends some support to the explanation offered by the Noticee that his investment decision was influenced by price considerations rather than by possession of UPSI.

49. The subsequent conduct of the Noticee after the public announcement dated November 19, 2022 regarding acquisition of DOCL is also relevant. In this regard, I would also like to take note of the details regarding acquisitions disclosed by RHI in its announcements dated October 19, 2022 (Hi-Tech deal) and November 19, 2022 (DOCL deal) as follows:



Table 19

	Refractory business of DBRL	Refractory business of Hi-Tech Chemicals Limited
Turnover for FY 2021-22	Rs. 946 Crore	Rs. 270.2 Crore
Adjusted EBITDA for FY 2021-22	Rs. 95 Crore	-
Profit before tax (PBT) for FY 2021-22	-	Rs. 70.7 Crore
Purchase consideration	Rs. 1,708 Crore	Rs. 621 Crore

50. The Noticee has submitted that he considered the acquisition to be overvalued and therefore decided to exit his investment in RHI. In this regard, it is not necessary for me to determine whether the acquisition was actually overvalued or whether the Noticee's assessment was correct. The issue is only whether such an assessment was reasonably possible from the perspective of the Noticee. In this regard, I note that the acquisition of the refractory business of DBRL was announced at a consideration of Rs. 1,708 crore. The turnover and adjusted EBITDA of the refractory business of DBRL for FY 2021-22 were disclosed as Rs. 946 crore and Rs. 95 crore respectively. On the other hand, the acquisition of the refractory business of Hi-Tech Chemicals Limited was announced at a consideration of Rs. 621 crore, while the turnover and profit before tax of the refractory business for FY 2021-22 were disclosed as Rs. 270.2 crore and Rs. 70.7 crore respectively. Although valuation of acquisition transactions depends upon numerous factors including assets, liabilities, future growth prospects, synergies, market position and several commercial considerations, the disclosures made by RHI indicate that individuals may differ in their assessment regarding the attractiveness or valuation of a particular acquisition. Therefore, considering the extensive experience of the Noticee in the refractory industry, it cannot be ruled out that he may have formed an independent commercial opinion regarding the relative valuation of the DOCL acquisition and may have considered the transaction to be less attractive than what the market ultimately perceived it to be.



51. Significantly, the market reacted positively to the announcement of the DOCL acquisition. The closing price of RHI increased from Rs. 645.40 on November 18, 2022 to Rs. 702.65 and Rs. 704.05 on November 21, 2022 and November 22, 2022 respectively. The share price further increased to Rs. 796.10 on November 23, 2022 and remained around Rs. 782.65 on November 24, 2022. Despite such positive market reaction, the Noticee sold his entire holding on November 22, 2022 at around Rs. 704 per share. This conduct assumes significance while examining the allegation of trading on the basis of UPSI. If the Noticee had acquired shares solely because he was aware of the impending acquisition and had anticipated a substantial increase in the share price following public disclosure of the transaction, one would ordinarily expect him to continue holding the shares for some time after the announcement in order to maximize his gains. However, instead of waiting for the share price to rise further, the Noticee liquidated his entire position immediately after the public announcement. While this circumstance by itself may not be conclusive, it nevertheless appears inconsistent with the conduct normally expected of a person who had traded solely with the objective of exploiting UPSI for maximum economic benefit.

52. The Noticee has also submitted that Hi-Tech Chemicals Limited was holding investments in listed securities aggregating approximately Rs. 71.75 crore during the relevant period. In support of the submission, the Noticee has furnished the holding statement of Hi-Tech Chemicals Limited as on November 08, 2022. It was contended that if the Noticee had indeed been aware of the alleged UPSI and intended to exploit such information, he could have deployed substantially larger funds towards acquisition of shares of RHI.

53. In this regard, reference may be made to the decision of Hon'ble SAT in Manoj Gaur v. SEBI (Appeal No. 64 of 2012 decided on October 03, 2012), wherein Hon'ble SAT observed as under:



“.....Looking at the trading pattern, the number of shares purchased and going by their status, it seems highly improbable that trading was done by them on the basis of UPSI. On the other hand, it is more probable that they traded in the normal course of business. If the intention of Mrs. Urvashi Gaur and Mr. Sameer Gaur had been to capitalize on the UPSI allegedly communicated by Mr. Manoj Gaur, the quantum of purchase would not have been so small. Both the appellants are financially independent and trade independently which is clear from their trading pattern that they have been buying the shares in similar quantities in the immediate past as well as on later dates.”

54. While there can be no universal rule that a person in possession of UPSI would necessarily deploy all available resources for purchasing shares, the scale of investment vis-à-vis the financial capacity of the person concerned is nevertheless a relevant surrounding circumstance. In the present case, the material on record indicates that the Noticee possessed substantial financial resources and had the ability to undertake investments significantly larger than those actually made. Another aspect that merits consideration is that the trading conduct of the Noticee appears broadly consistent with the explanation furnished by him throughout the proceedings. According to the Noticee, he purchased shares of RHI after developing a positive view regarding the company following acquisition of the refractory business of Hi-Tech Chemicals Limited and after the share price corrected to levels considered attractive by him. Thereafter, upon evaluating the subsequently announced DOCL acquisition, he formed the view that the transaction was overvalued and therefore exited the investment. The chronology of purchases and sale is not wholly inconsistent with such explanation. The purchases were made only after a substantial correction in the share price and the entire position was sold immediately after public announcement of the acquisition despite a continuing rise in market price.

55. Further, reference is drawn to regulation 4(1) of PIT Regulations that reads as under:

*“4.(1) No insider shall trade in securities that are listed or proposed to be listed on a stock exchange when in possession of unpublished price sensitive information:
NOTE: **When a person who has traded in securities has been in possession of unpublished price sensitive information, his trades would be presumed to have been motivated by the knowledge and awareness of such information in his possession.** The reasons for which he trades or the purposes to which he*



*applies the proceeds of the transactions are not intended to be relevant for determining whether a person has violated the regulation. **He traded when in possession of unpublished price sensitive information is what would need to be demonstrated at the outset to bring a charge.*** (Emphasis Supplied)

56. In this context, reference is also drawn to the judgment of Hon'ble Supreme Court and order of Hon'ble SAT in the matter of

(a.) Balram Garg v. SEBI² wherein the Hon'ble Supreme Court held as under:

"The SAT erred in holding the appellants in C. A. no. 7590 of 2021 to be "Insiders" in terms of Regulation 2(1)(g)(ii) of the PIT Regulations, on the basis of their trading pattern and their timing of trading (circumstantial evidence). We are of the firm opinion that there is no correlation between the UPSI and the sale of shares undertaken by the appellants in C. A. No. 7590 of 2021."

"Moreover, in the absence of any material available on record to show frequent communication between the parties, there could not have been a presumption of communication of UPSI by the appellant Balram Garg. The trading pattern of the appellants in C. A. No. 7590 of 2021 cannot be the circumstantial evidence to prove the communication of UPSI by the appellant Balram Garg to the other appellants in C. A. No. 7590 of 2021. There is no material on record for the WTM and the SAT to arrive at the finding that both late P. C. Gupta and the appellant Balram Garg communicated the UPSI to the other appellants in C. A. No. 7590 of 2021."

(b.) Dilip Pendse v. SEBI³, wherein the Hon'ble SAT held as under:

"13. The charge of insider trading is one of the most serious charges in relation to the securities market and having regard to the gravity of this wrong doing, higher must be the preponderance of probabilities in establishing the same. In Mousam Singha Roy v. State of West Bengal (2003) 12 SCC 377, the learned judges of the Supreme Court in the context of the administration of criminal justice observed that, "It is also a settled principle of criminal jurisprudence that the more serious the offence, the stricter the degree of proof, since a higher degree of assurance is required to convict the accused." This principle applies to civil cases as well where the charge is to be established not beyond reasonable doubt but on the preponderance of probabilities. The measure of proof in civil or criminal cases is not an absolute standard and within each standard there are degrees of probability. In Hornal v. Neuberger Products Ltd. (1956) 3 All E.R.970 Hodson, L.J. observed as under:

"Just as in civil cases the balance of probability may be more readily tilted in one case than in another, so in criminal cases proof beyond reasonable doubt may more readily be attained in some cases than in others."

²Civil Appeal No. 7054 of 2021 decided on April 19, 2022

³Appeal No. 80 of 2009 decided on November 19, 2009



We are also tempted to refer to what Denning, L.J. observed in Bater v. Bater (1950) 2 All E.R. 458 wherein he was resolving the difference of opinion between two Lord Justices regarding the standard of proof required in a matrimonial case. This is what he said:

"It is true that by our law there is a higher standard of proof in criminal cases than in civil cases, but this is subject to the qualification that there is no absolute standard in either case. In criminal cases the charge must be proved beyond reasonable doubt, but there may be degrees of proof within that standard. Many great judges have said that, in proportion as the crime is enormous, so ought the proof to be clear. So also in civil cases. The case may be proved by a preponderance of probability, but there may be degrees of probability within that standard. The degree depends on the subject-matter. A civil court, when considering a charge of fraud, will naturally require a higher degree of probability than that which it would require if considering whether negligence were established. It does not adopt so high a degree as a criminal court, even when it is considering a charge of a criminal nature, but still it does require a degree of probability which is commensurate with the occasion."

57. In view of the aforesaid, it is well settled that the trading pattern alone cannot be the circumstantial evidence to prove the communication of UPSI in absence of any cogent material evidencing the same. Given the serious nature of insider trading charges, the degree of probability required to establish the charge must be proportionately higher. Charge of insider trading demands cogent evidence to demonstrate the communication of UPSI. In the present matter, as discussed in preceding paragraphs, there is no cogent material to demonstrate that Noticee had possession of UPSI or that the trades made by Noticee was consequent upon such alleged possession.

58. Having carefully considered the material available on record, the submissions of the Noticee, the circumstances relied upon in the SCN and the applicable legal provisions, I find that the evidence is insufficient to establish that the Noticee was in possession of or had access to UPSI relating to the proposed acquisition of DOCL. The case against the Noticee rests entirely on a series of circumstantial factors, namely the overlap in timelines of the Hi-Tech Chemicals Limited transaction and the DOCL transaction, the engagement of certain common professional firms, the interactions between personnel of RHI and Hi-Tech Chemicals Limited during the relevant period, the VOIP call between Mr. Parmod Sagar and the Noticee on November 08, 2022, the



chartered flight arrangements for the visit of senior RHI officials and the subsequent trading pattern of the Noticee. However, none of these circumstances, either individually or collectively, establish that any UPSI relating to the proposed acquisition of DOCL was ever communicated to the Noticee.

59. As discussed hereinabove, the evidence on record demonstrates the existence of a legitimate and independent commercial relationship between RHI and Hi-Tech Chemicals Limited arising out of the acquisition of the refractory business of Hi-Tech Chemicals Limited under the Business Transfer Agreement dated October 18, 2022. The material available on record further demonstrates that substantial post-signing activities, approvals and transition arrangements remained to be completed during the relevant period, thereby necessitating continuous interactions between the personnel of the two entities. The existence of such interactions is therefore not an unusual or unexplained circumstance. Significantly, there is no evidence on record to indicate that the Noticee had any family relationship, personal association, financial dealing or any other independent relationship with Mr. Parmod Sagar apart from their interactions relating to the aforesaid business acquisition.

60. Further, while the investigation has relied upon the VOIP call dated November 08, 2022 and the travel of senior RHI officials from Jamshedpur to Delhi, there is no evidence regarding the actual contents of the said communication. The material on record may reasonably establish that discussions took place regarding the visit of RHI officials and the associated travel arrangements. However, there is no evidence to establish that the purpose of the onward travel to Delhi was ever disclosed to the Noticee or that any information relating to the proposed acquisition of DOCL was communicated during such interactions. Further, there is no allegation of communication of UPSI by Mr. Parmod Sagar to Noticee.

61. Similarly, the trading pattern of the Noticee, though relied upon by the SCN, does not conclusively establish possession of UPSI. The explanation offered by the Noticee regarding his investment rationale cannot be said to be inherently improbable or



inconsistent with the surrounding circumstances. Moreover, the material on record indicates that the Noticee possessed substantial financial capacity and could have undertaken significantly larger trades had he intended to exploit unpublished price sensitive information for pecuniary gain. The nature, timing and scale of the trades, viewed in the context of the Noticee's financial position and the explanation offered by him, do not constitute a sufficiently compelling circumstance from which possession of UPSI can be inferred.

62. It is a settled principle that while insider trading may be established through circumstantial evidence, the circumstances relied upon must form a complete and credible chain leading to a reasonable and irresistible inference that the person concerned was in possession of or had access to UPSI. In the present matter, the circumstances relied upon in the SCN do not form such a chain. The material available on record falls short of establishing, even on the standard of preponderance of probabilities applicable to adjudication proceedings, that the Noticee was in possession of or had access to UPSI relating to the proposed acquisition of DOCL.

63. In view of the foregoing, I am unable to conclude that the Noticee was an “insider” in terms of regulation 2(1)(g)(ii) of the PIT Regulations. Consequently, the foundational allegation that the Noticee traded while in possession of UPSI relating to the proposed acquisition of DOCL remains unsubstantiated. Accordingly, the allegation levelled against the Noticee regarding violation of regulation 4(1) of the PIT Regulations do not stand established.

64. In view of the above conclusion, the other contentions raised by the Noticee do not merit separate consideration.

Part C – Determination of Penalty, if any

Issue V. Does the violation, if any, on the part of Noticee attract monetary penalty under section 15G of the SEBI Act?



Issue VI. If so, what would be the quantum of monetary penalty that can be imposed on Noticee after taking into consideration the factors stipulated in section 15J of the SEBI Act?

65. As the violations alleged against the Noticee has not been established, issues V and VI do not merit consideration.

ORDER

66. In view of the above, after considering all the facts and circumstances of the case and the factors mentioned in the provisions of section 15J of the SEBI Act, I, in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, conclude that the adjudication proceedings initiated against the Noticee vide SCN dated April 10, 2026 are disposed of without imposition of monetary penalty.

67. In terms of the provisions of rule 6 of the Rules, a copy of this order is being sent to Noticee and also to SEBI.

Date: July 07, 2026

Place: Mumbai

JAI SEBASTIAN

ADJUDICATING OFFICER