

Tree House Education & Accessories Ltd.

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Tel: +91 22 26201029 CIN : L80101MH2006PLC163028



March, 29, 2025

To, BSE Limited Phiroze Jeejeebhoy Tower Dalai Street, Fort Mumbai - 400 001	To, The National Stock, Exchange of India Ltd. Bandra (East) Mumbai- 400051	To, Metropolitan Stock Exchange of India Ltd. Exchange Square. CTS No. 25, Suren Road, Andheri (East), Mumbai – 400 093	To, MUFG Intime India Private Limited. C 101, 247 Park, L.B.S. Marg, Vikhroli (West) - 400083	To, Central Depository Services (India) Ltd. Marathon Futurex, A wing, 25 th Floor, NM Joshi Marg, Lower Parel, Mumbai - 400013	To, National Securities Depository Limited. Trade World A wing, Kamala Mills Compound , Lower Parel, Mumbai- 400013
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Re: Intimation of order received by promoters from Honorable Securities Appellate Tribunal (SAT) Mumbai dated 27th March, 2025 with reference to the SEBI order dated May, 24, 2021.

Ref: Scrip Code: 533540 / TREEHOUSE

Dear Sir/Madam,

In continuation with our earlier disclosure submitted on September, 01, 2021, we further intimate that an order has been received from Honorable Securities Appellate Tribunal (SAT) Mumbai in favour of promoters of the Company dated 27th March, 2025 received by promoters on 28th March, 2025, the said order is attached for your ready reference.

The Hon'ble Securities Appellate Tribunal (SAT) has vide order dated 27th March, 2025 set aside the order passed by the Whole Time Member of SEBI dated 24th May, 2021.

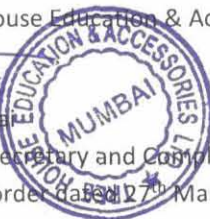
We request you to kindly take the above information on record.

Thanking you,

Yours truly,

For Tree House Education & Accessories Limited


Guddi Bajpai
Company Secretary and Compliance Officer
Encl.: SAT order dated 27th March, 2025



IN THE SECURITIES APPELLATE TRIBUNAL AT
MUMBAI

DATED THIS THE 27TH DAY OF MARCH 2025

CORAM : Justice P. S. Dinesh Kumar, Presiding Officer
Dr. Dheeraj Bhatnagar, Technical Member

Appeal No. 560 of 2021

Between

1. Rajesh Bhatia
2. Ms. Geeta Bhatia

202, Morya Regency,
Dr. Ambedkar Road,
Khar (West), Mumbai – 400 052.

.... Appellants

By Mr. Pulkit Sharma, Advocate with Mr. Saurabh Bachhawat, Advocate
i/b Mr. Tushar A. Goradia, Advocate for Appellants.

And

Securities & Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G Block,
Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051.

.... Respondent

By Mr. Sumit Rai, Advocate with Mr. Manish Chhangani, Mr. Sumit
Yadav, Mr. Abhay Chauhan, Mr. Atul Kumar Agrawal and Mr. D Kalyan
Reddy, Advocates i/b The Law Point for the Respondent.

THIS APPEAL IS FILED UNDER SECTION 15T OF SEBI ACT, 1992 TO SET ASIDE ORDER DATED MAY 24, 2021 (EX-A) PASSED BY WTM, SEBI.

THIS APPEAL HAVING BEEN HEARD AND RESERVED FOR ORDERS ON SEPTEMBER 4, 2024, COMING ON FOR PRONOUNCEMENT OF ORDER THIS 27TH DAY OF MARCH 2025, THE TRIBUNAL MADE THE FOLLOWING :

ORDER

[Per: Dr. Dheeraj Bhatnagar, Technical Member]

This appeal is directed against order dated May 24, 2021 passed by the WTM¹, SEBI² restraining the appellants from accessing the securities market, imposing penalty of Rs.15 lakhs on appellant No.1, Mr. Rajesh Bhatia and Rs. 10 lakhs on appellant No. 2, Ms. Gita Bhatia under Section 15G of SEBI Act³ for violation of Regulations 3(1) and 4(1) of SEBI (PIT) Regulations, 2015⁴ and Section 12A (d) and (e) of SEBI Act,1992 and a penalty of Rs. 3 lakh each on both the appellants for violation of Clause 6 of the Minimum Standards for Code of

¹Whole Time Member

²Securities and Exchange Board of India

³Securities and Exchange Board of India Act, 1992

⁴Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015

Conduct to regulate, monitor and report trading by insiders specified in Schedule B read with Regulation 9(1) of SEBI (PIT) Regulations, 2015.

2. Brief facts leading to the filing of the appeal are:

- The appellants are the promoters and directors of Tree House Education & Accessories Private Limited (“THEAL”), a Public Limited Company. Appellants were considering divesting a part of their shareholding in THEAL to repay their personal loans. For this purpose, Appellant No. 1, had a meeting with Mr. Subhash Chandra Goel, promoter and director of ZEE group on November 30, 2015.
- In the said meeting, Mr. Subhash Chandra Goel agreed to purchase a total of 40,00,000 shares of THEAL for a total consideration of Rs.80.20 crores @ Rs.200.50 per share through ZEE group (**Transaction no. 1**). The transaction was to be done through the mechanism of ‘Block deal’ on the stock exchange.
- In that meeting, Mr. Goel also made a proposal for merger of THEAL with Zee Learn Ltd. (ZLL) (**Transaction No. 2**). In this regard, Appellant No.1 took time to discuss with the Board of Directors and seek approval.

- The Transaction No. 1 was concluded on December 03, 2015, when appellant no. 1 and 2 sold 40 lakh shares in THEAL to six (6) ZEE group entities through the exclusive Block Deal window of the stock exchange. Required disclosures were also made on the stock exchange platform. The sale proceeds were received and the loans were repaid.
- With regard to the transaction no. 2, on December 4, 2015, the THEAL Board, accorded its in-principal approval for “*exploring consolidation options*”. On the same day, announcement in this regard was made on the exchange.
- The transaction no. 2 was however not culminated with differences between the two sides. Police complaints were filed by Appellant No. 1 against Mr. Subhash Chandra Goel and his associates on March 22, 2016, and December 15-16, 2016. Later, the merger was called off by Zee Learning Ltd. (ZLL) in December 2016.
- A number of complaints were reported in media during the same period in December 2016. Taking cognizance thereof, SEBI decided to conduct investigation into the trading activities of the Company for the period November 30, 2015 and December 4,

2015 and passed an ex-parte order on March 7, 2018. This was challenged by the appellants before this Tribunal. As per the directions of this Tribunal, a confirmatory order was passed by SEBI on November 16, 2018 confirming the directions contained in the ex-parte order. The said order was set-aside by this Tribunal on November 7, 2019 reserving liberty to issue a fresh show cause notice. Thereafter, a fresh Show Cause Notice (SCN) was issued on dated February 17, 2020. After considering the reply, written submissions filed by the appellant and according an opportunity of personal hearing, SEBI passed the impugned order.

3. We have heard Shri Pulkit Sharma, learned Advocate assisted by Shri Saurabh Bachhawat, learned Advocate for the appellants and Shri Sumit Rai, learned Advocate for the respondent.

4. Shri Pulkit Sharma, learned Advocate appearing for the appellants submitted as under :-

- That there is an inordinate delay of four years in issuing SCN and this appeal deserves to be allowed on the ground of delay. In support

of this submission, he relied on *Ashlesh Gunvantbhai Shah v. SEBI*⁵

- The SEBI's contention that no serious prejudice is caused to the appellants in not furnishing the copy of investigation report and correspondence is untenable as it amounts to violation of principles of natural justice. In support of this submission, he relied upon *T. Takano v. SEBI*⁶.
- That appellant No. 1 met Mr. Subhash Chandra Goel on November 30, 2015 to discuss the sale of 40 lakh shares of THEAL only wherein, Mr. Subhash Chandra Goel also proposed for a merger of THEAL with ZLL, a ZEE group company. No commitment was made by the Appellant No. 1, who sought time to discuss within the Board of THEAL. The merger proposal was discussed in the Board on December 4, 2015 only and the board accorded in-principle approval for '*exploring consolidation options*' with ZLL. Therefore, prior to this date, there was no UPSI⁷ relating to merger. Hence, neither the trading on December 3, 2015 was guided by it nor was any violation of Clause 6 of Minimum Standards for Code of

⁵Paras 12 and 15 of *AshleshGunvantbhai Shah v. Securities and Exchange Board of India*, decided on 31.12.2020 in Appeal No.169 of 2019 by Hon'ble Securities Appellate Tribunal, Mumbai.

⁶*T. Takano v. Securities and Exchange Board of India* decided on by Hon'ble Supreme Court of India (2022) 8 SCC 162.

⁷Unpublished Price Sensitive Information

Conduct⁸. Further, in the absence of UPSI, no violation of Reg. 3(1) of PIT Regulations can be attributed with regard to sharing of information by appellant No. 1 with appellant No. 2.

- That if in SEBI's view, UPSI relating to transaction-1 existed on December 3, 2015, SEBI ought to have also taken action against the buyers,- the six Zee group entities promoted by Mr. Subhash Chandra Goel, but no SCN has been issued to them.
- That the trading on December 3, 2015 took place through the exclusive "Block deal" window. In this segment, both buyer and seller within a brief exclusive window of 90 seconds, match trade at the agreed rate/quantity, which requires prior meeting of minds between them. Therefore, if the transaction No. 1 was alleged to be guided by the UPSI relating to Transaction no. 2, even buyers should have been charged for the same, as they too are privy to the same UPSI. Since no action has been taken against these six entities, therefore, appellants are also entitled for the same benefit.
- The impugned order fails to demonstrate as to how any UPSI came in existence on November 30, 2015 and much less whether the

⁸Code of Conduct to Regulate, Monitor and Report Trading by Insiders specified in Schedule B read with Regulation 9(1) of SEBI (PIT) Regulations, 2015.

equity sale made by appellants to Zee group companies, was based on such UPSI.

- That post-publication of the news of proposed merger, price of the shares of THEAL went up to Rs. 244.8 on December 8, 2015 from the closing price of Rs. 201.9 on December 3, 2015. If the intention of the appellants was to derive benefit from the alleged UPSI, they would have held on the transaction no. 1, and waited for announcement, and could have earned huge profits. SEBI has erred in arriving at a conclusion with regard to existence of UPSI on November 30, 2015. In support of this submission, he relied on ***SEBI v. Abhijit Ranjan***⁹.
- That undisputedly, the sale of THEAL shares were made to repay the loans from 5 financial institutions, which was promptly done within 2 days of equity sale. The SEBI as a regulator cannot sit in appeal over the commercial wisdom exercised by the appellants.
- That with regard to the trading through the “Block deal” mechanism of the stock exchanges, an exception was carved out in the PIT Regulations, by way of an amendment brought in w.e.f. April 1, 2019, through proviso (ii) to Regulation 4(1) of PIT Regulations.

⁹Securities and Exchange Board of India v. Abhijit Ranjan, decided on 19.09.2022 in Civil Appeal No.563 of 2022 by the Hon’ble Supreme Court.

This is a beneficial piece of legislation and appellants are, therefore, entitled for the said benefit through its retrospective application. In support of this submission, he relied *Sudhir Bapusaheb Devkar Vs SEBI*¹⁰. The appellants prayed to set aside the impugned order.

5. Shri Sumit Rai, learned Advocate appearing for the respondent submitted:

- That with respect to the delay in issuance of SCN, there is no provision in the SEBI Act, which provides limitation to take action against the violations of provisions and regulations. The investigation got delayed due to collection of material information and examination of various complaints. In support of this submission, he placed reliance on *V. K. Agarwal, Assistant Collector of Customs vs. Vasantraj Bhagwanji Bhatia & Ors.*¹¹
- Appellants have filed detailed replies and written submissions. Therefore, the contention with regard to non-furnishing of the entire investigation report is untenable as appellants have failed to demonstrate any prejudice caused to them. In support of this

¹⁰SudhirBapusahebDevkar v. Securities and Exchange Board of India, decided on 10.10.2022, in Appeal No.654 of 2022.

¹¹V. K. Agarwal, Assistant Collector of Customs v. VasantrajBhagwanji Bhatia & Ors. (1988) 3 SCC 467.

submission, he placed reliance on *Shruthi Vora v. SEBI*¹² and *Ananth R Sathe v. SEBI*¹³.

- That for proving the charge of insider trading, there should be an UPSI, period of UPSI, insiders and trading by insiders during the UPSI period. Evidently, the discussion on proposed merger took place on November 30, 2015 hence the UPSI came into existence on November 30, 2015 itself and continued till December 4, 2015, when such UPSI was made public. Appellant No. 1 has admitted that possibility of merger of two entities was discussed by Mr. Subhash Chandra Goel with appellant No. 1 in the same meeting. Therefore, simultaneously with the discussion on equity sale, UPSI for possibility of merger came into existence on November 30, 2015, which is a price sensitive information.
- That the appellants have admitted by saying that they knew that Mr. Subhash Chandra Goel promoted entities were going to place buy orders through block deal, but sought to justify that the same doesn't mean that the appellants knew the counter-parties. Evidently, the appellants traded on the stock exchange, while in possession of the UPSI.

¹²Shruthi Vora v. Securities and Exchange Board of India, decided on 12.02.2020 in Appeal (L) No.28 of 2020.

¹³Anant R Sathe v. Securities and Exchange Board of India, decided on 17.07.2020 in Appeal No.150 of 2020.

- The appellant No.1 communicated the UPSI to appellant No. 2, his wife. Hence, he is also liable for action under the regulation 3(1).
- That the case of the appellants that the counter-party buyers to their trades are exonerated, is not tenable. In support of this, he placed reliance on *Systematix Shares & Stocks India Ltd v. SEBI*¹⁴.
- That the appellants' trades do not qualify under any express exception to Regulation 4(1) of PIT Regulations, 2015. For the first time by way of rejoinder, the appellants have made an attempt that the exception brought by way of amendment has to be made applicable retrospectively, because it is a beneficial legislation. The judgment relied on by the appellants i.e., *Sudhir Bapusaheb Devkar vs. SEBI* doesn't apply to the present case as there was no allegation of insider trading involved in that case and also *SEBI vs. Abhijit Rajan* doesn't help the appellants in anyway as it was not under 2015 Regulations. With these submissions, Mr. Rai prayed for dismissal of the appeal.

¹⁴Systematix Shares & Stocks India Ltd v. Securities and Exchange Board of India, decided on 23.04.2012 in Appeal No.21 of 2012.

6. We have carefully considered the facts of the case in the light of the submissions made by both sides and also available facts on record. Based on the same, following questions arise for our consideration :

A. Whether the appellants' case is covered under the exceptions given in the proviso to Regulation 4(1), as the transaction of sale of 9% equity was carried out by both parties through the block deal window, while they were allegedly in possession of the UPSI relating to possible merger ?

B. Whether the trading of 9% shares in THEAL was guided by the UPSI in respect of likely merger with ZLL ?

6.1 The primary objective of insider-trading regulations is to prevent unfair gains by individuals with access to non-public, material information. Insider trading regulations aim to stop individuals such as company insiders from using confidential information to make profits or avoid losses in the stock market, at the expense of other uninformed investors. By prohibiting insider trading, regulations help to ensure that the market operates fairly and transparently, fosters investor confidence and prevents manipulation. The goal is to create a level playing field by preventing those with inside knowledge from gaining an unfair advantage.

6.2 With this objective, Regulation 4(1) of PIT Regulations provides for a general ban on Trading while in possession of Unpublished Price Sensitive Information. However, at the same time, under certain circumstances, it allows an insider to prove innocence, which include a few circumstances specified in the original regulations, while a few were added by way of amendment. These exceptions include the following:

*“(i) the transaction is an **off-market inter-se transfer between insiders** who were in possession of the same unpublished price sensitive information without being in breach of regulation 3 and both parties had made a conscious and informed trade decision.*

Provided that such unpublished price sensitive information was not obtained under sub-regulation (3) of regulation 3 of these regulations.

Provided further that such off-market trades shall be reported by the insiders to the company within two working days. Every company shall notify the particulars of such trades to the stock exchange on which the securities are listed within two trading days from receipt of the disclosure or from becoming aware of such information.;

*(ii) the transaction was carried out through **the block deal window mechanism between persons who were in possession of the unpublished price sensitive information** without being in breach of regulation 3 and both parties had made a conscious and informed trade decision;*

Provided that such unpublished price sensitive information was not obtained by either person under sub-regulation (3) of regulation 3 of these regulations.

.....”

(Emphasis supplied)

6.3. The underlying objective of the *Insider trading regulations* is to prevent unfair advantage to Insiders having access to non-public, material information, at the expense of other investors. However, where both parties have information symmetry, there is no question of unlawful gains for one party at the expense of the other, e.g. where trading has been done between two parties through off-market deal or block deal, while having access to UPSI without violating Regulation No. 3. The exception was provided for off-market deals in the original regulation. The case of Block deals is still stronger as accuracy of information with regard to price, quantity and time for both parties is quintessential, failing which block deal cannot be executed. Noticing this, specific exceptions was provided for block deals w.e. f. April 1, 2019.

6.3.1 In the instant case, the sale of 9% equity in THEAL was undertaken through the block deal window mechanism on December 3, 2015 for which due disclosure was also made on the same day. Undisputedly, both the appellant No. 1 and No. 2 being the promoter-directors of THEAL may be held as *insiders* with regard to any information relating to THEAL that may be held as UPSI, being *connected persons* within regulation 2(1)(d)(i). Appellant No. 2 additionally gets covered under regulation 2(1)(d)(ii), being immediate relative of appellant No. 1.

6.3.2 The corresponding buyers of 9% equity in THEAL, the 6 ZEE group companies (“**ZEE group entities**”), acquired the 9% equity in THEAL at the agreed price on an agreed date / time through block deal, within the limited period of 90 seconds in the limited time window for block deal. As per the SEBI circular dated September 2, 2005, execution of ‘Block Deal’, requires a separate trading window to be kept open for a limited period of 35 minutes from the beginning of trading hours i.e. from 9.55 am to 10.30 am. Evidently, the deal of 9% equity sale was a conscious and informed trade decision between the two parties, otherwise the block deal could not have been completed on December 3, 2015. In view of this, if appellants are held to be in possession of UPSI, even the buyers i.e., **ZEE group entities** are to be held to be in possession of the same UPSI.

6.3.3 Keeping in view the above, the appellant’s case is covered within the exception provided for Block deal, considering the underlying objectives of PIT regulations. The transaction No. 1 is a single transaction for both parties, which gets concluded before the alleged UPSI relating to ‘*possible merger with ZLL*’ became generally available to public. This is in contrast with other insider trading cases in which buy/sale takes place by an insider guided by UPSI, (from/to an uninformed investor) during

the UPSI period. Once the UPSI is made public, the insider may make second transaction that allows/may allow unlawful gain to him. Evidently, there is no allegation that the counter-party (Zee group companies) did not have access to UPSI and may have suffered unlawful loss in any way as there was no information asymmetry. Ostensibly, no outsider was affected by this transaction.

6.4 The respondent has not raised any objection on whether the appellant's case is covered under the said exception or not, but submitted that as the said exception for the block deal cases has been included in the regulation 4(1) by the SEBI (PIT) (Amendment) Regulations, 2018 w. e. f. April 01, 2019, it is applicable only prospectively.

6.5 On careful consideration, we are in agreement with the view of the Ld. Advocate for the appellant that though this exception has been made in 2019, being a beneficial amendment, it may be read retrospectively. In holding so, we rely on the decision of Hon'ble Supreme Court in ***CIT v. Vatika Township (P) Ltd.***, [(2015) 1 SCC 1]. The respondent's plea that ***Sudhir Bapusaheb Devkar v. SEBI*** doesn't apply in the case, as it did not relate to PIT regulations has no merit, as we are concerned with the underlying object, which has been confirmed by Hon'ble Supreme Court in the Vatika Township (P) Ltd. case.

6.5.1 Further, it is relevant to note that the enabling proviso while enumerating the exceptional circumstances starts with the word “*including*”, which make the proviso inclusive and not exhaustive:

*“Provided that the insider may prove his innocence by demonstrating the circumstances **including** the following.....”*

Thus, the legislature in its wisdom has granted an opportunity to prove innocence in various circumstances, and not just limited only to specified circumstances.

We also find that undisputedly, no unlawful gains have been made by the appellant nor intended qua the seller or any other investors. On the other hand, once the UPSI relating to ‘*Exploration of merger with ZEE Learning Ltd.*’ became public, the Market price of THEAL rose to 9.98% in anticipation of the start-up (THEAL) likely to be part of a large conglomerate. The appellant rather lost an opportunity to make lawful gains by holding on to their 9% equity in THEAL.

Keeping in view the above, we hold that the appellant is eligible for benefit of exception provided in proviso (ii) to Regulation 4(1) of the PIT Regulations. In view of this, we answer to this question in ***affirmative***.

6.6 Let us also examine whether the information relating to “*likely merger with ZLL*” was a material and concrete information that could be called as UPSI and which may have guided the appellants in undertaking the other transaction of sale of 9% equity.

6.6.1. We have already held that with regard to any UPSI relating to THEAL, the appellants No. 1 and 2 can be held as *insiders* within the ambit of PIT Regulations. The issue in question is whether the impugned trading of 9% shares in THEAL was guided by the UPSI being the “*likely merger of THEAL with ZEEL*”. We find that the appellants were to repay loans from 5 financial institutions aggregating to around Rs. 64 crores and as per their explanation for this purpose they proposed to sell 9% equity in THEAL. In this regard, a meeting was arranged with Mr. Subhash Chandra Goel, the promoter and patriarch of Zee group of companies through one Mr. Ganesh of Inga Capital Ltd. Based on the agreement recorded during meeting held on November 30, 2015, the 6 companies which statedly belong to ZEE group (buyers) and the two appellants (sellers) decided to enter into a block deal transaction on December 3, 2015, and successfully concluded as per the agreed terms. It is not in dispute that six buyer companies of THEAL shares belong to ZEE group only. It is also a matter of record that the appellant sought pre-

clearance for this equity sale and upon successful sale, THEAL, furnished information about the successful trade through block deal mechanism as part of the disclosure norms on the same day. It is also undisputed that the proceeds of equity sales were used to discharge the debt liabilities pertaining to the 5 financial institutions within two days. In view of this veracity of **Transaction No. 1** is beyond doubt.

6.6.2 It is SEBI's case that the 9% equity sales by appellants to 6 companies was guided by possession of the UPSI being in the nature of *"likely merger of THEAL with ZEEL"* (**Transaction No. 2**), which was also a subject matter of discussion of appellant No. 1 with Mr. Subhash Chandra Goel at the time of meeting held on November 30, 2015. However, we find that there is no evidence to suggest that this issue was an agreed agenda item, at the time of meeting on November 30, 2015. We find that the respondent has relied upon a disclosure by THEAL to BSE on March 11, 2017 in which the appellant No. 1 has stated as under :-

"I state that during November 2015, I had a meeting with Mr. Subhash Chandra Goel through one Mr. Ganesh of Inga Capital wherein Mr. Subhash Chandra Goel had discussed the possibility of merger of his company ZEE Learning Ltd. (ZLL) with THEAL for the shares exchange ratio of 53 shares of Rs. 1 each of ZLL with 10 shares of THEAL."

Further, SEBI has also relied upon a post-hearing submission of the appellant dated January 12, 2021 which reads as under :-

“I had meeting with Mr. Subhash Chandra Goel. He agreed to buy 40 lakh shares, for a total consideration of Rs. 80.20 crore. Mr. Subhash Chandra Goel at that time had also offered to merge the two companies THEAL and ZLL. After the transaction for sale and purchase was completed, Mr. Subhash Chandra Goel called the appellant No. 1 again and inquired whether two companies can come together for their mutual business interest.” (emphasis supplied)

6.6.3. On careful consideration, in our view, there is no independent cogent evidence, which suggests that primarily the agenda for the meeting between appellant No. 1 and Mr. Subhash Chandra Goel was to discuss the issue of ‘Merger of THEAL with ZLL’. As stated above, undisputedly the agenda for the meeting was to discuss 9% equity sale in order to enable appellants to discharge the outstanding debts of 5 financial institutions. We find that there is no independent evidence whatsoever on record, which may suggest that the merger was an agenda item and trading was in pursuance thereof. No statement of Mr. Subhash Chandra Goel is on record suggesting that the said merger was an agenda item. Further, there is no authorization in favour of Mr. Subhash Chandra Goel by ZLL to discuss merger possibility with THEAL and nor is any board resolution of ZLL on record in this regard.

We also find that the respondent has not held Mr. Subhash Chandra Goel or any of the six buyers of ZEE group of companies liable for violation of transfer of UPSI pertaining to ZLL, with regard to its likely merger with THEAL. This should have been the case, if it is held that Mr. Subhash Chandra Goel had come to the meeting to discuss the proposed merger with due mandate.

6.6.4 It is further substantiated by the fact that the respondent has not shared the letters written by six ZEE group companies during the SEBI inquiry with the appellants, which is also one of the grounds of appeal. It may be reasonable to presume that there was no mandate to Mr. Subhash Chandra Goel by ZLL to have a detailed discussion on merger, as preponderance of probability suggests that the scheduled meeting was to discuss only 9% equity sale, considering proven urgency of cash requirement for the appellants.

6.6.5 It appears that while negotiating sale of 9% equity, Mr. Subhash Chandra Goel may have spontaneously given a counter-offer of merger of THEAL with ZLL. Appellant No. 1 has not denied this but had evidently told Mr. Subhash Chandra Goel that any decision in this regard will be taken by the board.

6.6.6 In our considered view, it is improbable to have discussion on both the 9% equity sale and ‘Merger’ as part of the agreed agenda in the same meeting, since both options have different implications for sellers and buyers. The equity sale enabled sellers to quickly discharge the debts of five financial institutions, which was their priority, while allowing them to continue to have control over THEAL and operate play schools. In the 2nd option of Merger of THEAL with ZLL, appellants would not have received cash in short run, which was their urgent need and, it is likely that their role in the merged entity would have been restricted. Thus, the possibility of strategically discussing both agenda items simultaneously does not look practical. In our view, not much needs to be read into the fact of Zee patriarch Mr. Goel spontaneously making a proposal to also consider merger of THEAL with ZLL, during the meeting held for discussing 9% of equity of THEAL for ZEE group. The proposal was not concrete, was without any authorization by ZLL and not accepted by appellant no. 1 during the meeting.

7. As per PIT Regulations, generally *insider trading* involves trading by the *insiders* based on the UPSI during the UPSI period with those who are not privy to UPSI. In the case of appellant, there is no such allegation that any other uninformed investors may have suffered any loss as the

transaction took place between both the informed parties, by ‘block deal’ mechanism, where both the parties had a short window of 90 seconds to complete the transaction. There is no possibility for an uninformed party to participate in a block deal. Therefore, the transaction No. 1 was independent and based on conscious trading decision by both parties and hence cannot be held to be in any way, guided by the information relating to transaction No. 2. Moreover, had the transaction No. 1 been guided by the UPSI relating to ‘*likely merger*’, there was no prudent reason for the appellants to carry out equity sale transaction before such an information was made public. In our considered view, the trading behavior i.e. transactions through block deal mechanism before the UPSI made public, also substantiates the plea of the appellants that the trade was not guided by the information relating to ‘*exploration of merger*’.

In view of the above, we answer this question in ***negative***.

7.1 Hence, the following :-

ORDER

- i. Appeal is allowed.
- ii. Order dated May 24, 2021 passed by the WTM is set aside.
- iii. No costs.

Justice P. S. Dinesh Kumar
Presiding Officer

Dr. Dheeraj Bhatnagar
Technical Member

27.03.2025
PTM