

## **GNLUMSIL 2024- CLARIFICATIONS**

**1. How did SEBI establish that Tishita Commodities had unpublished price-sensitive information about the Loan Agreement? Are there any other forms of evidence (e.g., emails, financial records) that SEBI relied upon to make its findings other than the CDRs?**

*No clarification required.*

**2. Are entities at serial no. 2 and 3 non-possessors of any direct connection to Tishita Commodities?**

*No clarification required – Connections are those as stated in the table and as inferred from the problem.*

**3. Was there any cooperation or lack thereof from the entities involved during SEBI's investigation? (For understanding the time of last contact).**

*You may assume that reasonable co-operation was extended by the entities to SEBI.*

**4. Since we don't have data on other market participants' trades, we cannot calculate the exact increase or change in the LTP without Tishita Commodities' intervention from the provided dataset. Can a complete market trade log for the time frame in question be given?**

*No clarification required.*

**5. In reference to point 12 (b) what was the exact amount that Kapil Verma and Local Brain were directed to deposit in an escrow account?**

*The exact amount of unlawful gains directed to be deposited is immaterial.*

**6. What exact provisions under SEBI Act and PFUTP were violated with reference to Show Cause Notice 2 and 3?**

*Regulation 3 and 4 of the PFUTP Regulations read with Section 12 A of the SEBI Act.*

**7. Was the matter of the merger between Techaatma and TrebleClef in news before the announcement? If yes, what was the date?**

*No clarification required.*

**8. How much were the unlawful gains computed in the order (SCN 1)?**

*Please refer to response to query 5.*

**9. For availing NIF's Loan Against Share facility, did Mr. Tapan Manoj place the securities he personally owned as collateral or were the securities that of PFTC?**

*You may assume he placed both personal assets and PFTC's assets.*

**10. Did the LAS agreement mention that the facility was meant only for working capital purposes?**

*No clarification required.*

**11. Para 10 states that the share price of the shares of Techaatma fell by 10%. How has this percentage been calculated? Which values have been kept as the base? Is the percentage calculated between the close price of 1st Nov and close price of 5th Nov, or the open price of 1st Nov and close price of 5th Nov?**

*No clarification required.*

**12. Is the 21-day limitation period mentioned in Para 13 as per SCN 1 applicable only on the interim order or confirmatory order as well?**

*No clarification required.*

**13. Regarding the swap ratio provided in Para 10, does 4 correspond to Techaatma's shares and 1 to Trebleclef's shares?**

*Yes.*

**14. What was Techaatma's scrip price in December 2021?**

*As set out in the problem, the price of the scrip reached an all-time high in December 2021.*

*The exact price of the scrip is immaterial to the problem at hand.*

**15. What were the terms of the LAS Facility Agreement between NIF and PFTC?**

*No clarification required.*

**16. If the agreement cannot be provided, what were the nature and terms of the LAS Agreement between NIF and PFTC, specifically with respect to the use of funds?**

*No clarification required.*

**17. What was the nature of the breach alleged by NIF, and based on what terms would such use of funds by PFTC amount to a breach of the LAS Facility Agreement?**

*No clarification required.*

**18. Is PFTC a listed company?**

*No.*

**19. What were the exact dates of investigation period of SEBI?**

*Immaterial to the problem.*

**20. Which regulations of PFUTP were violated?**

*Provisions of Regulation 3 and 4 of the PFUTP Regulations read with Section 12 A of the SEBI Act.*

**21. What is the exact date of entering into LAS Agreement and its supposed completion date?**

*No clarification required.*

**22. What clauses of LAS Agreement were violated by PFTC?**

*No clarification required.*

**23. Whether the LAS agreement between PFTC and NIF renewed?**

*Yes.*

**24. What was the purpose of LAS agreement?**

*No clarification required.*

**25. What exactly are the activities undertaken by PFTC? What does PFTC use its working capital for?**

*PFTC is a financial intermediary. It partakes in various functions such as stock broking, investment advisory (through its subsidiaries) etc. as stated in the problem.*

**26. Whether the loan agreement of PFTC, and TLB tripartite?**

*No clarification required.*

**27. What role did Kapil Verma play in the loan agreement?**

*No clarification required. The clauses in the loan agreement provided in Annexure -A are sufficient to infer his role.*

**28. What was the rate of shares when the loan agreement was undertaken by PFTC and TLB, of whose 600% is mentioned in the contract?**

*The exact price of scrip when the loan agreement was undertaken is immaterial to the problem at hand.*

**29. What does “said loan amounts” mean in para 14, 5th line? Are the loan amounts disbursed to PFTC or TLB or from NIF to PFTC?**

*The phrase “said loan amounts” in context of para 14, refers to the loan disbursed to TLB.*

**30. Whether rules in the loan agreement were to be followed by TLB only or was Techaatma also supposed to follow the same?**

*No clarification required.*

**31. Was rule 5.1.4/ 5.1.6 of the loan agreement followed and so was PFTC told/ notified through prior written approval about the impending merger by Techaatma? Whether such consent was granted?**

*No clarification required.*

**32. What was the date of execution of trade in Annexure B?**

*The trade data provided in Annexure B is a sample, and is thus representative of the trades carried out by the entities during the investigation period. As it is not possible to provide the entire trade and order log during the investigation period, the participants are to refer to these representative sample trades for the purposes of their argumentation.*

**33. Why is Techaatma not a party to the loan agreement between PFTC and Local Brain?**

*No clarification required.*

**34. In paragraph 16 of the moot problem, who is the target company, which shares did PFTC acquire, and when was the acquisition made?**

*No clarification required.*

**35. Is the call option intended to be used only in the event of a default?**

*No.*

**36. In paragraph 5, what reason did Tapan Manoj provide to the NIF for obtaining the loan facility?**

*No clarification required.*

**37. When was the loan agreement between PFTC and Local Brain executed?**

*No clarification required. Chronology and timelines to be inferred from the problem.*

**38. When was the loan agreement between PFTC and NIF executed?**

*No clarification required. Chronology and timelines to be inferred from the problem.*

**39. Inconsistencies in the LTP Table in Annexure B. Some trades show that the trade has been finalized before the buy/sell orders. This is practically impossible if the trade has been done between Tishita Commodities and the Counterparty. Kindly provide clarity regarding the same.**

*There are no inconsistencies in Annexure – B. No clarifications required.*

**40. Is Local Brain listed or not?**

*Not listed.*

**41. How much shareholding does Kapil Verma hold in Local Brain?**

*Kapil Verma both directly and through other private limited companies in which he is a 100% shareholder, and through certain loyal relatives, affiliates and employees who hold very nominal shares, holds/controls 100% shareholding in The Local Brain.*

**42. Whether PFTC was an investment company as well, read in terms of para 1?**

*No.*

**43. What is the total value of share capital of Techaatma?**

*Market cap of Techaatma is not static and varies from time to time depending on market price.*

**44. What is the role of Kapil Verma in Annexure A (Loan Agreement) – is he a borrower with Local Brain or is he a guarantor, his mention is there, but his role is not defined.**

*No clarification required. The clauses in the loan agreement provided in Annexure -A are sufficient to infer his role.*

**45. SCN 2 talks about disclosure by Local Brain and Kapil Verma, what disclosure is being referred to, is it to stock exchange or public?**

*No clarification required.*

**46. What remedy does PFTC possess to recover the loan, there is no description of the mode of recovery of loan?**

*No clarification required.*

**47. The proposition refers to a violation of LODR Regulation 30 in SCN 2, but given the facts, isn't regulation 30A a more appropriate reference?**

*No clarification required.*

**48. What was the share price of Techaatma in 2016?**

*The exact price of the scrip is immaterial to the problem at hand.*

**49. The table reproduced in Annexure B doesn't specify the date of trades and as per the facts the investigation period is from 2019, so it seems difficult to derive a specific day.**

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**50. What is the quantity of DVR Shares issued by Techaatma, if any?**

*No DVR shares have been issued by Techaatma.*

**51. As per proposition, Techaatma was not declared as an NPA so isn't it a financial duress practiced by PFTC to take over Techaatma?**

*No clarification required.*

**52. What is the timing of the financial reporting cycle at Techaatma before the alleged insider trading that has occurred?**

*No clarification required.*

**53. What is the hierarchy within Techaatma and whether the insider information could have passed through intermediaries before reaching the accused?**

*No clarification required.*

**54. What was the position of Tapan Manoj in PFTC?**

*Promoter, CEO and MD. He holds and controls about 90% of the paid-up share capital of PFTC.*

**55. What is meant by “Mr. Tapan Manoj controlled about 25% of Tishita Commodities” in the para 2?**

*He had shareholding of about 25% of the total paid up share capital of Tishita Commodities.*

**56. What was the nature of the department of “Other Investments” in the Tishita commodities, which was headed by Tapan Manoj? When was the merger between Techaatma and Trebleclef announced? Was Mr. Kapil Varma still the MD and CEO of Techaatma in April 2021?**

*No clarifications required.*

**57. Was the payment of the LAS agreement done by PFTC to NIF by 2021?**

*You may assume that the LAS was renewed.*

**58. Whether PFTC exercised call option assigned to them under the loan agreement?**

*No clarification required.*

**59. Whether the direction to recall the loan issued via a board resolution?**

*Yes.*

**60. What was the object of the Loan amount under the LCS agreement?**

*No clarification required.*

**61. What is the matter of conversation in the Call data record?**

*The details of the conversations are not available with SEBI.*

**62. What was the investigation period for the spurt in prices in SCN 3?**

*You may assume that the investigation period was from 2016 till the date of issuance of SCN 3.*

**63. Is SCN 3 holding them liable for civil or criminal manipulation?**

*No clarification required.*

**64. What are the dates for trades conducted in Annexure B?**

*The trade data provided in Annexure B is a sample, and is thus representative of the trades carried out by the entities during the investigation period. As it is not possible to provide the*



*entire trade and order log during the investigation period, the participants are to refer to these representative sample trades for the purposes of their argumentation.*

**65. How was the amount loaned out to Local Brain by PFTC infused into Techaatma?**

*The Local Brain, alongwith other subsidiaries thereof and Mr. Kapil Varma are the promoter/promoter group companies of Techaatma who together hold/control about 51% of the paid-up share capital of Techaatma. The Local Brain infused the 100 crores received from PFTC into Techaatma by means of a promoter -loan.*

**66. In para 3 it mentions that Techaatma was defaulting on certain loans to banks and financial institutions. Did Techaatma end up repaying those loans or not? And if yes, then when were those loans repaid?**

*The repayment of the loans mentioned in para 3 are immaterial to the problem at hand. You may assume those loans were settled at a future date. No further clarification is required.*

**67. What was the specific action/(s) that had led SEBI to allege that Tapan Manoj had created a manipulative artifice in SCN 3?**

*No clarification required.*

**68. What is the consequence of an 'event of default' under the LAS between PFTC & LB?**

*Assuming that you are referring to the loan agreement the clauses of which are extracted in Annexure – A, the consequence is that the loan would immediately become callable at the option of the lender.*