

**BEFORE THE ADJUDICATING OFFICER  
SECURITIES AND EXCHANGE BOARD OF INDIA  
ADJUDICATION ORDER NO. PM/NR/2020-21/9151-9159**

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

In respect of

1. Accurate Buildwell Pvt., Ltd., (PAN: AAGCA4053L)	2. Vishal Yadav (PAN: AJKPY8234D)
3. Century Buildmart Pvt., Ltd., (PAN: AADCC2898Q)	4. Amit Kumar Saxena (PAN: DWOPS8186Q)
5. Pawan Kumar Kaul (PAN: APJPK8855K)	6. Santosh Kumar (PAN: AEKPK6751Q)
7. Sunila Rai Verma (PAN: ASPPV7875F)	8. Ashvin Verma (PAN: AKFPV6256L)
9. Stallion Trading Co., (Proprietor: Ms. Sapna) (PAN: DRUPS8079D)	

*(The aforesaid entities are hereinafter referred to individually by their respective names/serial numbers or collectively as "the Noticees")*

In the matter of Eco Friendly Food Processing Park Ltd.,

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## **BACKGROUND**

1. Securities and Exchange Board of India (*hereinafter referred to as "SEBI"*) conducted an investigation in the scrip of Eco Friendly Food Processing Park Ltd., (*hereinafter referred to as "ECO" / "Company"*) to ascertain whether there was any violation of the provisions of Securities and Exchange Board of India Act, 1992 (*hereinafter referred to as "SEBI Act, 1992"*) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (*hereinafter referred to as "SEBI (PFUTP) Regulations"*) by certain entities, who are connected to each other, in the scrip of ECO during the period January 14, 2013 to July 31, 2015 (*hereinafter referred to as "Investigation Period"/"IP"*).

2. Based on the variance in the quantum of trading volumes, the price movement of the scrip during the IP and the stock split, the investigation period was split into three patches. The price & volume details of the scrip ECO during the three patches of the investigation period are tabulated hereunder:

Patches	Period		Price Movement in ₹				Avg. of (shares) traded daily during the period
	From	To	Open	High	Low	Close	
<b>Patch-1 – Price rise (pre-split)</b>	14/01/2013	07/01/2015	24.60	640.25	21.10	517.05	30,368
<b>Patch-2 – Price fall (post-split)</b>	08/01/2015	15/04/2015	51	51	20.95	23.70	3,65,589
<b>Patch-3 Price rise (post-split)</b>	17/04/2015	31/07/2015	23.50	50.25	22.50	48.40	5,78,054

3. It was observed that during Patch 1 of the investigation period, the price of the ECO scrip opened at ₹24.60 on January 14, 2013, touched a high of ₹640.25 on April 15, 2014 and closed at ₹517.05 on January 7, 2015 with an average traded volume of 30,368 shares. On January 8, 2015, the Company carried out stock split in the scrip in the ratio of 10:1. The trading volumes were high in the scrip during Patch 2 and Patch 3 of the investigation period. The investigation revealed that the Noticees viz., Accurate Buildwell Pvt., Ltd., (Noticee 1), Vishal Yadav (Noticee 2), Century Buildmart Pvt., Ltd., (Noticee 3), Amit Kumar Saxena (Noticee 4), Pawan Kumar Kaul (Noticee 5), Santosh Kumar (Noticee 6), Sunila Rai Verma (Noticee 7), Ashvin Veerma (Noticee 8) and Stallion Trading Co., (*Proprietor: Ms. Sapna*) (Noticee 9) who were connected to each other had manipulated the price of ECO by way of creating New High Price (NHP) by trading amongst themselves. The investigation found that the Noticees who traded amongst themselves continuously had contributed to ₹79.45 to the total NHP (i.e., 12.90% of total NHP) during the period of investigation. Therefore, it is alleged that the Noticees have violated the provisions of Regulations 3(a),(b),(c),(d),4(1), 4(2)(a) and (e) of SEBI (PFUTP) Regulations.

## **APPOINTMENT OF ADJUDICATING OFFICER**

4. Pursuant to investigation, SEBI initiated Adjudication Proceedings against the Noticees and appointed the undersigned as the Adjudicating Officer, vide order dated August 14, 2017, under Section 19 of the SEBI Act read with Section 15-I of the SEBI Act 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “*SEBI Adjudication Rules*”) to inquire into and adjudge under Section 15 HA of the SEBI Act 1992, for the violations alleged to have been committed by the Noticees.

## **SHOW CAUSE NOTICE, REPLY AND HEARING**

5. A common Show Cause Notice (hereinafter referred to as “SCN”) bearing ref. EAD/ADJ/PM/AA/OW/9432/2018 dated March 26, 2018 was issued to the Noticees under Rule 4 of SEBI Adjudication Rules to show cause as to why an inquiry be not held against them in terms of Rule 4 of the SEBI Adjudication Rules and penalty be not imposed under Section 15HA of the SEBI Act, 1992, for the violations alleged to have been committed by them. I note that the SCN sent by Speed Post to the Noticee 5 was delivered to him on April 10, 2018; however, he failed to file his reply. In respect of the remaining Noticees, the SCN sent by Speed Post returned undelivered. Therefore, vide notices dated April 4, 5 and 12, 2019 the SCN was once again sent to all the Noticees to furnish their reply, besides providing them with an opportunity of personal hearing on April 25, 2019. I note that the Notice dated April 5, 2019 was delivered to the Noticee 7 i.e., Sunila Rai Verma and Noticee 8 i.e., Ashvin Verma. In respect of the remaining Noticees, the notice of hearing dated April 4, 5, and 12 2019 returned undelivered. The Noticees 7 and 8 through their Authorized Representative appeared before me on April 24, 2019 and submitted their reply dated April 24, 2019, which is similar and summarized hereunder:

*(a) There is no connection with the other Noticees, the Company (ECO) and its’ Directors and/or its any other related Company.*

*(b) Facing mental agony and harassment due to the restrictions imposed on him on buying, selling and dealing in any shares or commodities.*

*(c) It is submitted that the Noticee is not having any knowledge of any faulty scheme or mechanism. The trading account through which the alleged manipulative trades were executed in the scrip were by done by Pawan Kumar Kaul who was a traded in Integrated Master Capital Services Ltd.,*

6. Further, the Noticee 7 during the course of hearing sought time till April 27, 2019 to make an additional submission, which was acceded to. However, I note that there was no reply received thereafter from the Noticee 7. In respect of the remaining seven Noticees, since the SCN and the notice of hearing returned undelivered, in terms of Rule 7 (b) of SEBI Adjudication Rules the SCN was once again sent to the Noticees 1, 2, 3, 4, 5, 6, and 9 by email on August 24, 2020 requiring the Noticees to submit their reply, if any, by September 8, 2020, besides providing them with an opportunity of hearing through videoconferencing on September 11, 2020. I note that the email sent to the seven Noticees did not bounce. Vide the aforementioned email dated August 24, 2020, the seven Noticees were informed that if no reply is received by September 8, 2020 and no appearance is made on September 11, 2020, the matter shall be decided based on the facts and documents made available. In view of the prevailing circumstances owing to Covid-19 pandemic, the hearing was scheduled through video conferencing on Webex platform on September 11, 2020 and the login credentials were sent to the seven Noticees through email on September 8, 2020. However, I note that the seven Noticees neither submitted their reply nor appeared for hearing.

7. In this context, I would like to rely upon the observations of The Hon'ble Securities Appellate Tribunal (SAT) in the matter of Classic Credit Ltd., vs. SEBI (Appeal 68 of 2003 decided on December 08, 2006) wherein the Hon'ble SAT, inter alia, observed that - *"..... the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show-cause notice were admitted by them"*.

8. The Hon'ble SAT has again in the matter of Sanjay Kumar Tayal & Others vs SEBI (Appeal 68 of 2013 decided on February 11, 2014), inter alia, observed that – “.....As rightly contended by Mr. Rustomjee, learned senior counsel for respondents, appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices.....”.

9. In view of the above, I am of the opinion that the SCN and Notice of hearing have been duly served on all the Noticees, but the Noticees 1, 2, 3, 4, 5, 6, and 9 failed to submit their reply to the charges alleged in the SCN and also failed to avail the opportunity of hearing. Therefore, I am convinced that the principle of natural justice has been duly followed in the matter, as enough opportunities were provided to the Noticees to reply to the SCN and to appear for hearing. Therefore, I am inclined to decide the matter ex-parte in respect of Noticees 1, 2, 3, 4, 5, 6, and 9 taking into account the evidence / material available on record. In respect of the Noticees 7 and 8, I take into consideration the reply submitted by them and accordingly decide the matter.

## **CONSIDERATION OF ISSUES**

10. After perusal of the material available on record, I have the following issues for consideration viz.,

*I. Whether the Noticees have violated the provisions of Regulations 3 (a), (b), (c), (d), 4 (1), 4 (2) (a) and (e) of SEBI (PFUTP) Regulations, 2003?*

*II. Whether the Noticees are liable for monetary penalty under Section 15HA of the SEBI Act?*

III. *If so, what quantum of monetary penalty should be imposed on the Noticees?*

## **FINDINGS**

11. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticee, I record my findings hereunder.

***ISSUE I: Whether the Noticees have violated the provisions of Regulations 3 (a), (b), (c), (d), 4 (1), 4 (2) (a) and (e) of SEBI (PFUTP) Regulations, 2003?***

12. Before moving forward, it is pertinent to refer to the relevant provisions of SEBI (PFUTP Regulations), 2003 which reads as under:

***Regulation 3 of SEBI (PFUTP) Regulations: - Prohibition of certain dealings in securities***

3. *No person shall directly or indirectly—*
- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
  - (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder;*
  - (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
  - (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder.*

***Regulation 4 of SEBI (PFUTP) Regulations: - Prohibition of manipulative, fraudulent and unfair trade practices***

- (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*
- (2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely: -*
  - (a) indulging in an act which creates false or misleading appearance of trading in the securities market;*

*(e) any act or omission amounting to manipulation of the price of a security;*

13. It has been alleged that the Noticees had manipulated the price of ECO by way of creating NHP by trading amongst themselves. The method and the manner in which the trades were executed are the most important factors to be considered in these circumstances and the motive, thereafter, automatically falls in line.
  
14. I note that the scrip ESTEM was listed only on BSE SME segment on January 14, 2013. After listing, the share price of ECO scrip increased astronomically until December 31, 2014. I note that ECO scrip was not in demand by general investors and it was observed that a set of connected entities were pushing up the price by putting unusual trades, i.e. 1 or 2 trades per day in such a manner so as to make positive contribution to the Last Traded Price (LTP) and establishing New High Prices (NHP). These connected entities were part of the 'trading group' entities, i.e., the entities whose trades have contributed to price rise in the scrip were related/connected to each other based on Know Your Client (KYC) details, bank statements, off-market transactions amongst themselves and information available on the MCA website, etc.
  
15. It is noted that Amit Kumar Saxena (Noticee 4) was a Director in Accurate Buildwell Pvt., Ltd., (Noticee 1) and several other companies in the group and was indirectly effecting fund movements with others in the group. It was also observed that Amit Kumar Saxena had also done off-market transactions with Sunila Rai Verma (Noticee 7). Further, it is noted that Sunila Rai Verma and Ashvin Verma (Noticee 8) are mother and son and they share the same address. I also note that Vishal Yadav (Noticee 2) was having off-market transactions with Ashvin Verma (Noticee 8) and that Pawan Kumar Kaul (Noticee 5) and Ashvin Verma (Noticee 8) shared common email address and phone number with each other. Further, Accurate Buildwell Pvt. Ltd., (Noticee 1) Vishal Yadav (Noticee 2), Century Buildmart Pvt. Ltd., (Noticee 3) Amit Kumar Saxena (Noticee 4), Santosh Kumar (Noticee 6), Sunila Rai Verma (Noticee 7),

Ashvin Verma (Noticee 8), Pawan Kumar Kaul (Noticee 5) and Stallion Trading Co., (Noticee 9) have been found to have direct or indirect off-market transactions and fund transactions with other entities in the group. The details of the trades executed by and between the Noticees along with the inter-se connections and relationship shared by the Noticees with each other were provided to them along with the SCN. I note that Noticee 7 and 8 disputed their connection with the other Noticees as alleged in the SCN. However, I note from the records that the Noticees 7 and 8 executed off-market transactions with the Noticees 4 and 2 respectively on various dates. I am of the view that for off-market transaction to be executed successfully, the buyer and seller should know each other and subsequently negotiate the price and quantity of the shares to be transacted. In view of the same the claim of the Noticees 7 & 8 not being connected to the other Noticees is devoid of any merit and it's an afterthought process to misguide. Further, it is also established that the Noticee 8 shares common address and email with that of the Noticee 5. I also note that the fund movements among the entities in the group clearly indicate their connection with the other Noticees. In respect of the remaining seven Noticees, since they failed to furnish any reply, I conclude that the basis of connections alleged in the SCN is undisputed.

16. The SCN alleges that the trades of the Noticees amongst themselves in the scrip of ECO were instrumental in establishing NHP and in increasing the price of the scrip. It is noted that NHP is the price which is higher than the price already established in the scrip over a period which is under consideration. Pursuant to carrying out NHP analysis during the Patch 1 of the investigation period, the details of trades executed amongst the Noticees and their resultant contribution to NHP are tabulated hereunder:

**NHP contribution of the Noticees by trading among themselves**

Buyer / Counterparty	Pawan kumar Kaul (No. of trades)	Accurate Buildwell Pvt., Ltd., (No. of trades)	Ashvin Verma (No. of trades)	Total
Accurate Buildwell Pvt., Ltd.,	31.45 (3)	-	-	<b>31.45 (3)</b>
Vishal Yadav	-	16.00 (1)	3.00 (1)	<b>19.00 (2)</b>
Century Buildmart Pvt., Ltd.,	-	-	18.90 (2)	<b>18.90 (2)</b>
Pawan Kumar Kaul	-	-	1.15 (2)	<b>1.15 (2)</b>



Amit Kumar Saxena	6.40 (1)	-	-	<b>6.40 (1)</b>
Santosh Kumar	-	-	0.50 (1)	<b>0.50 (1)</b>
Sunila Rai Verma	-	-	2.00 (1)	<b>2.00 (1)</b>
Stallion Trading Co. Pro. Sapna	-	-	0.05 (1)	<b>0.05 (1)</b>
<b>Total</b>	<b>37.85 (4)</b>	<b>16.00 (1)</b>	<b>25.60 (8)</b>	<b>79.45 (13)</b>

### Details of trades in which Noticees were counterparties and NHP contribution

Sl.	Date	Buyer Name	Seller Name	Buy Order	Sell Order	Buy Order Time	Sell Order Time	Trade Price	Diff NHP	Trade Qty
1	08/01/14	Vishal Yadav	Accurate Buildwell Pvt. Ltd.	17000118780651	14000121102100	3:01:55 PM	10:13:20 AM	125	16.00	1200
2	10/01/14	Century Buildmart Pvt. Ltd.	Ashvin Verma	12000118423580	17000142486055	3:11:39 PM	3:11:36 PM	137	12.00	1200
3	13/01/14	Vishal Yadav	Ashvin Verma	13000101308728	23000091342322	3:05:16 PM	3:05:13 PM	140	3.00	1200
4	17/01/14	Accurate Buildwell Pvt. Ltd.	Pawan Kumar Kaul	19000124086230	20000105073657	10:14:56 AM	9:35:52 AM	185	12.50	1200
5	21/01/14	Accurate Buildwell Pvt. Ltd.	Pawan Kumar Kaul	17000130078494	14000131058455	9:44:26 AM	9:34:49 AM	202	17.00	1200
6	22/01/14	Pawan Kumar Kaul	Ashvin Verma	14000125064236	12000111061883	3:01:40 PM	2:59:24 PM	203.05	1.05	1200
7	23/01/14	Pawan Kumar Kaul	Ashvin Verma	23000061476458	19000083186916	3:06:23 PM	10:55:32 AM	208	0.10	2400
8	24/01/14	Accurate Buildwell Pvt. Ltd.	Pawan Kumar Kaul	19000124621375	12000105040618	3:22:34 PM	9:36:43 AM	217.95	1.95	1200
9	29/01/14	Century Buildmart Pvt. Ltd.	Ashvin Verma	16000111060107	13000100082677	3:03:02 PM	9:57:17 AM	236.9	6.90	2400
10	30/01/14	Amit Kumar Saxena	Pawan Kumar Kaul	14000146018657	12000111486418	3:21:16 PM	3:21:13 PM	246.4	6.40	3600
11	19/02/14	Santosh Kumar	Ashvin Verma	23000099005577	14000131064666	3:08:02 PM	10:24:11 AM	397	0.50	1200
12	24/02/14	Sunila Rai Verma	Ashvin Verma	11000088147816	12000108072246	3:04:27 PM	10:09:01 AM	421	2.00	1200
13	25/02/14	Stallion Trading Co. Prop. Sapna	Ashvin Verma	19000137419318	12000110161753	3:15:47 PM	9:59:52 AM	429.15	0.05	1200

17. The above trades were executed by the Noticees during the month of January and February 2014. I note that the trade log for the above trades and the pre-order book positions for both buy and sell orders were provided to the Noticees along with the SCN. I note that the Noticees (*excepting Noticees 7 & 8*) have not responded to the same, therefore, it can be assumed that they have nothing contrary to offer in their defence to the allegations made in the SCN. However, in order to examine whether the trades executed by the Noticees were manipulative or not, the aforesaid trades executed by the Noticees are discussed further hereunder.

18. From the details of trades entered into by the Noticees and the details of orders placed during the day on which the trades were executed, I note that for the trade executed between Vishal Yadav (Noticee 2) and Accurate Buildwell Pvt., Ltd., (Noticee 1) on January 8, 2014, the order book analysis shows that Noticee 1 placed sell order for 1,200 shares at 10:13:20 AM at a price of ₹126. Before

this sell order there was no other sell order available in the system. However, there was a buy order available at the price of ₹84.05, which was much lower than the price at which sell order was placed by Noticee 1 on January 8, 2014. I further note that a little before the market closing time, Noticee 1 modified its offer price to ₹125/- and immediately thereafter, Noticee 2, a connected entity, placed buy order for 1200 shares at a price matching with the sell order price of Accurate Buildwell (Noticee 1) resulting in a trade at ₹125 for 1,200 shares. This new buy order price was higher than the existing buy order price on that day. This trade between the two Noticees established a NHP which was ₹16.00 more than the last high price. Thus, I find that the sell order of Noticee 1 was pending in the system since morning and there was no buying interest in the scrip at the price quoted by the Noticee 1. It was only after a group entity (Noticee 2) placed a matching buy order; the sell order resulted into a trade and established NHP.

19. On January 10, 2014, the next trading day after January 08, 2014, Ashvin Verma (Noticee 8) placed sell order for 1,200 shares at 3:11:36 PM at a price of ₹137 per share. Before this sell order, there was no existing sell order in the system and only a buy order of 1,200 shares at the price of ₹100.5 was present in the system. I note that immediately after placing of the sell order, Century Buildmart Pvt., Ltd., (Noticee 3), a connected entity, placed buy order matching with the sell order quantity and price of Noticee 8. I note that the trade has been executed between the two Noticees within a time difference of 3 seconds only. Considering the absence of liquidity in the scrip, negligible volume of trade and the timing of orders placed by the connected entities, I find that the trade was not executed in normal course of trading. The Noticee 3 by placing buy order to match the sell order of Noticee 8 contributed to price rise in the scrip and established another NHP of ₹137 which was ₹12 more than the last high price of ₹125 on the previous trading day.

20. Similarly, on January 13, 2014, the next trading day after January 10, 2014, Ashvin Verma (Noticee 8) again placed sell order in the evening at 3:05:13 PM.

At the time of placing this sell order, one sell order of 1200 shares was pending at ₹ 161.75 and a buy order for 1200 shares was pending at price of ₹109.65. Ashvin Verma placed his sell order at a price less than existing sell order price at ₹140 with 1,200 shares. At 3:05:16 PM, i.e. after 3 seconds of placing the aforementioned sell order of Ashvin Verma, it is noted that Vishal Yadav (Noticee 2), a connected entity, placed the buy order at the same price and volume as that of the sell order of Ashvin Verma. Thus, I find that the orders by the above two Noticees were placed in a pre-meditated manner which resulted in a trade of 1,200 shares at a price of ₹140.00 per share. This trade again established a NHP of ₹ 140/- which was ₹3 more from the last high price of ₹137 on the previous trading day.

21. Further, on January 17, 2014, Pawan Kumar Kaul (Noticee 5) placed sell order for 1,200 shares at 9:35:52 AM at a price of ₹187 per share. Before this sell order, there was no other sell order pending in the system and buy orders for 1,200 shares were pending for prices in the range of ₹ 153.05 to ₹155. Pawan Kumar Kaul modified his sell price to ₹185 at 10:13:49 AM and immediately afterwards Accurate Buildwell (Noticee 1) placed a buy order at 10:14:56 AM at the same price and volume as the sell order and the trade got executed. I find that the trade executed by the above two Noticees created a NHP of ₹185 and the high price difference of the trade from the last high price was ₹12.50.

22. Further, I note that again, on January 21, 2014, Pawan Kumar Kaul (Noticee 5) placed sell order for 1,200 shares at 9:34:49 AM at a price of ₹202 per share. I note that before this sell order, there was no other sell order in the system and some buy orders were present in the system with a price range of ₹153.05 to ₹155.00. Accurate Buildwell Pvt., Ltd., (Noticee 1), a connected entity, placed buy order at 9:44:26 AM at same price and volume to match the sell order of Pawan Kumar Kaul and the trade was accordingly executed. It may be noted that there was a huge difference in the buy order prices quoted by others and the price at which trade was executed by the connected entity. Had the

connected entity not placed a buy order matching the sell order price, the trade would not have resulted in creation of a huge NHP difference of ₹17.

23. On January 22, 2014, Ashvin Verma (Noticee 8) placed a sell order for 1,200 shares at 2:59:24 PM at a price of ₹203.5 per share. Before this sell order, there was no other sell order in the system and a buy order was present in the system at price of ₹166. Again a connected entity, namely, Pawan Kumar Kaul (Noticee 5) placed a buy order within minutes of the placing of sell order by Ashvin Verma (Noticee 8). The buy order was placed in a way so as to ensure matching the price and volume of the sell order and get the trade executed at a NHP.
24. On January 23, 2014, Ashvin Verma (Noticee 8) placed a sell order for 2,400 shares at 10:55:32 AM at ₹208. At the time of placing the sell order by him, other sell orders were pending in the range of ₹198 to ₹208 per share while no buy order was pending. Subsequently, one buy order was placed at ₹188.20 while sell orders were pending in the range of ₹206.50 to ₹208. Thus, there was no buyer at the sell order price quoted by Noticee 8. I note that a little before market closing time, a buy order was placed by Pawan Kumar Kaul (Noticee 5), a connected entity, at the same price as the sell order price of the other connected entity and for a quantity more than sell order quantity so as to ensure the execution of the trade.
25. On January 24, 2014, Pawan Kumar Kaul (Noticee 5) placed a sell order for 1,200 shares at ₹123 in the morning. At the time of placing the sell order, other sell orders were available in the system at ₹214.00 while there were no buy orders available. Subsequently, Pawan Kumar Kaul (Noticee 5), modified price of his sell order to ₹217 and immediately thereafter a buy order for a larger quantity was placed by Accurate Buildwell (Noticee 1), a connected entity, at same price as offered by the sell order price placed by Noticee 5 so as to ensure execution of trade with Noticee 5 and to establish a NHP.
26. Again on January 29, 2014, Ashvin Verma (Noticee 8) placed a sell order for

2,400 shares at ₹239 in the morning. No pending sell order was available before the entity placed the sell order, although a buy order was available at price of ₹217.10 i.e. at a price lower than the sell order price of Noticee 8. Ashvin Verma modified his sell order price to ₹236.90 at 02:57:15 PM and immediately thereafter at 03:03:02 PM a buy order was placed by Century Buildmart Pvt. Ltd. (Noticee 3), a connected entity, at same price and same volume matching the sell order and the trade was executed at ₹ 236.90. It is noted that there was a large difference between the buy order prices quoted by others and the connected entity. Had the Noticee 3 not placed the buy order matching the sell order, the trade would not have resulted in creation of a NHP difference of ₹6.90.

27. On January 30, 2014, Pawan Kumar Kaul (Noticee 5) placed a sell order for 3600 shares at 3:21:13 PM at a price of ₹246.40. At the time of placing the sell order by Noticee 5, other sell orders were available in the range of ₹247 - ₹248.50 per share and a buy order was available at ₹225.20, i.e. at a price lower than the sell order price. In an apparently deliberate move, Pawan Kumar Kaul placed a sell order at a price less than available sell order price just before the market closing time and within 3 seconds (at 3:21:16 PM) of the placing of this sell order, Amit Kumar Saxena (Noticee 4), a connected entity, placed a buy order matching the sell order price and quantity of Pawan Kumar Kaul (Noticee 5). The trade was executed and established a new high price which was ₹6.40 more than the last high price in the scrip during the period.

28. On February 19, 2014, Ashvin Verma (Noticee 8) placed a sell order for 1,200 shares at 10:24:11 AM at a price of ₹397. There was no other sell order in the system although a buy order was available at ₹381.60 for 1,200 shares. The pending buy order price was lower than the sell order price. Subsequently, a little before the market closing hour a buy order was placed by a connected person, Santosh Kumar (Noticee 6) at ₹382 for 1,200 shares. Immediately after placing the buy order, the price of this buy order was modified to ₹397.00 apparently to match the sell order price and the trade was executed. This trade created a NHP of ₹397.

29. I also note that similar patterns in other trades executed by and between the Noticees in a way to ensure matching of orders placed by one Noticee with other Noticees. The Noticees apparently have placed their orders in such a way that every time the order placed by one of them matches with the order of another counterparty Noticee it leads to establishing a NHP for the scrip of ECO. Their pattern of trading was unusual and did not contain the characteristics of being held to be executed by persons in normal course of trading in the market or a genuine trade intended to be executed on the floor of the exchange.

30. It can be observed from the above analysis that, during the period of price rise only a few trades were taking place in the scrip of ECO on each day and the trades were mostly happening on account of matching and execution of orders placed by the Noticees. On most of the days falling in the above period that witnessed sharp rise in the price of the scrip, the sell order placed by a connected entity in the morning remained in the system till the evening when buy order of equal or more quantity was placed by a connected entity matching the sell order price so as to get the trades executed and to establish a NHP on that day. Further, on many days when sell orders were placed in the evening, matching buy orders were placed within few seconds or minutes by connected entities. Thus, the manner in which the orders were placed and matched shows that there was a continuous meeting of mind and the trades executed by the connected entities were premeditated in order to gradually raise the price of the scrip of ECO. I find from the pattern of trading by the Noticees that one of them was invariably placing buy order chasing the pending sell order price of another Noticee in such a manner that the orders must end in matching with a known counterparty and result in establishment of NHP.

31. I note from the above findings that the trades executed by the Noticees in the aforesaid manner by trading amongst each other have contributed 12.90% of NHP to total market NHP of the scrip of ECO and the Noticees have so far not

disputed to this finding. In this context, I would like to refer to the order of Hon'ble Securities Appellate Tribunal (SAT) in the matter of Lakhi Prasad Kheradi Vs. SEBI decided on June 21, 2018 wherein the Hon'ble SAT while addressing the issue as to whether the entity had contributed to 9.17% of the market New High Price within a span of two week, has observed as follows:

*“...Very fact that the appellant had indulged in self-trades/ LTP/ NHP without giving any justifiable reason, clearly justifies the inference drawn by the AO that the trades executed by the appellant were manipulative trades...”*

32. Pursuant to analyzing the trades executed by the connected entities (the Noticees) amongst themselves, one can surely say that such a trading pattern cannot be called as involving any genuine trading; rather by so trading continuously for a period of around one and half months, such trading pattern had resulted into an artificial rise in price and volume in the share of ECO thereby creating a false and misleading impression about the trading in the scrip of ECO to the investors at large in the market. By continuously entering sell and buy orders deliberately to match each other's order and entering into trades in the scrip in a concerted manner the Noticees have collusively established higher prices of the scrip which was bound to have influenced the decision of the innocent investors to invest in the scrip. In this regard, the observations made by the Hon'ble SAT in its order dated March 21, 2014 in Saumil Bhavnagari Vs. SEBI are worth recalling, which are as under:

*“... but by purchasing shares at the higher price in LTP in most of the trades, the Noticee had given a wrong impression about the liquidity of the scrip in the market. It must not be forgotten that every trade establishes the price of the scrip and the Noticees trading at higher than LTP resulted in the price of the scrip going up and were done with a view to set the price at a desired level and thereby influencing the innocent/gullible investoꝝ By purchasing at a higher price in most of his*

*trades, the Noticee had given the wrong impression about the price of the scrip in the market. It is an accepted state of affairs that in cases of manipulation of the volume and / or price of particular scrip, it is usually an arduous task to obtain direct evidence. However, the analysis of the trade and order logs as undertaken hereinabove, establishes the mala fide intention of the appellant.”*

33. With regard to the submission made by Sunila Rai Verma (Noticee 7) and Ashvin Verma (Noticee 8) that the trades executed in their names were not authorized by them, it is observed that they have neither submitted any document in support of their claim nor have taken any action against persons who have misused their accounts. Further, I find it difficult to agree with them that an unknown person can open a bank account, demat account and trading account only with the help of photocopy of or forged documents, as claimed by the two Noticees, without producing any original document at the time of opening of these accounts. Therefore, I do not find any merit in their contention.
34. Considering the facts of the case as discussed above, I have no hesitation to conclude that the Noticees have executed their trades in a pre-meditated manner and have contributed ₹79.45 to the total NHP (i.e., 12.90% of total NHP) in the scrip of ECO by trading among themselves during the relevant period. From the multiple trades executed between the Noticees, it is clear that they were not trading as genuine buyers/ sellers and had no bona fide intention to trade. Almost each trade of the Noticees was instrumental in establishing a NHP and contributed to increase in scrip price of ECO. In view of the repeated nature of such trades, the culpability in increasing the price is established. I can clearly find that the trades of the Noticees are not trades executed in normal course of trading and investment in securities market. Therefore, for the reasons recorded above, I conclude that the alleged trades of the Noticees as abnormal, deceptive, misleading, artificial and manipulative in nature and substance, which were executed with a malicious intent to fraudulently cause rapid rise in the price of the scrip of ECO. Accordingly, I hold that the Noticees have violated



the provisions of Regulations 3(a),(b),(c),(d),4(1), 4(2)(a) and (e) of SEBI (PFUTP) Regulations.

***ISSUE -II: Does the violation, if any, attract monetary penalty under Section 15HA of SEBI Act?***

35. Pursuant to detailed analysis as brought out above, it is established that the Noticees contributed to substantial and unusual price rise in the scrip of ECO by repeatedly establishing NHP in a concerted manner. The Noticees have deliberately manipulated the price of the scrip and created a misleading appearance of trading in the scrip to induce innocent investors in the securities market thereby contravening the provisions of Regulations 3 (a), (b), (c), (d), 4 (1), 4 (2) (a), and 4 (2) (e) of SEBI (PFUTP) Regulations, 2003. Therefore, the Noticees are liable for monetary penalty under Section 15HA of SEBI Act, the provisions of which are reproduced hereunder:

**Section 15HA of SEBI Act - Penalty for fraudulent and unfair trade practices**

*“If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher”.*

***ISSUE – III: If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?***

36. While determining the quantum of monetary penalty under Section 15HA of SEBI Act, I have considered the factors stipulated in Section 15-J of SEBI Act, which reads as under:

*Section 15J - Factors to be taken into account by the Adjudicating Officer*

*While adjudging quantum of penalty under Section 15 - I, the Adjudicating Officer shall have due regard to the following factors, namely:*

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
- (b) the amount of loss caused to an investor or group of investors as a result of the default;*
- (c) the repetitive nature of the default.*

37. The material made available on record has not quantified the amount of disproportionate gain or unfair advantage made by the Noticees and the loss suffered by the investors as a result of the Noticee's default. There is also no material made available on record to assess the amount of loss caused to investors or the amount of disproportionate gain or unfair advantage made by the Noticees as a result of default.

38. It is difficult, in cases of such nature, to quantify the disproportionate gains or unfair advantage enjoyed by an entity and the consequent loss suffered by the investors. General public and normal prudent investors could have been easily carried away by such unusual change in the prices in the scrip of ECO and were bound to get induced into investing in the said scrip looking at the steep rise in its price without realizing that the price rise was been artificially introduced by manipulative trades executed by the Noticees. This kind of trading behavior seriously affects the normal price discovery mechanism in the securities market. Therefore, I am of the view that people who indulge in manipulative, fraudulent and deceptive transactions, or abet in carrying out such transactions which are fraudulent and deceptive in nature, should be suitably penalized for such acts of omissions and commissions.

39. Further, Hon'ble SAT, in its order dated August 02, 2019 in the matter of P G Electroplast vs SEBI, has held that the Order passed in corresponding proceeding before the Whole Time Member should be factored in while fixing the quantum of penalty.

40. In this regard, I note that, a separate and parallel proceeding was initiated against the Noticees under the provisions of Sections 11(1), 11(4) and 11B of SEBI Act under the same facts. In the said proceedings, vide Order dated March 13, 2019, Hon'ble Whole Time Member of SEBI has restrained the Noticees from accessing the securities market and further prohibited them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of four (4) years.

### ORDER

41. After taking into consideration the nature and gravity of the violations established in the preceding paragraphs and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act, 1992 read with Rule 5 of the SEBI Adjudication Rules, 1995, I hereby impose a penalty of ₹5,00,000/- (Rupees Five lakh only) each on the Noticees viz., Accurate Buildwell Pvt., Ltd., (Noticee 1), Vishal Yadav (Noticee 2), Century Buildmart Pvt., Ltd., (Noticee 3), Amit Kumar Saxena (Noticee 4), Pawan Kumar Kaul (Noticee 5), Santosh Kumar (Noticee 6), Sunila Rai Verma (Noticee 7), Ashvin Veerma (Noticee 8) and Stallion Trading Co., (*Proprietor: Ms. Sapna*) (Noticee 9), under Section 15HA of the SEBI Act, 1992 for violation of the provisions of Regulations 3 (a), (b), (c), (d), 4 (1), (2) (a) and (e) of SEBI (PFUTP) Regulations, 2003.

42. The said penalty imposed on the Noticees, as mentioned above, shall commensurate with the violation committed by the Noticees and acts as a deterrent factor for the Noticees and others in protecting the interest of investors.

43. The Noticee shall remit / pay the said amount of penalty within 45 days from the date of receipt of this Order, either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through online payment facility available on the SEBI website [www.sebi.gov.in](http://www.sebi.gov.in) on the

following path by clicking on the payment link.

**ENFORCEMENT → Orders → Orders of AO → PAY NOW**

44. The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-II, SEBI, in the format as given in table below

Case Name	
Name of Payee	
Date of payment	
Amount Paid	
Transaction No	
Bank Details in which payment is made	
Payment is made for	Penalty

45. In terms of Rule 6 of the SEBI Adjudication Rules, copies of this order are sent to the Noticees and also to SEBI.

**Date: 25 September 2020**  
**Place: Mumbai**

**PRASANTA MAHAPATRA**  
**ADJUDICATING OFFICER**