

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/MC/HP/2020-21/ 9247-9259]

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) Utsav Securities Pvt Ltd (PAN: AAACU1214B)** having address at-203, Aman Chambers, Pusa Road, Rajinder Place Metro Station, Delhi, India -110060 **and** 3198/15, 4th Floor, Street No-1, SangatRashanPahar Ganj, New Delhi, India - 110055.
Email Id –utsavsecurities@gmail.com
- 2) Amita Singla (PAN: AARPS4425J)** having address at-House No. K-103, South City-1, Gurgaon, Haryana India – 122001 **and** 21/4, Geeta Mandir Marg, New Rajinder Nagar, New Delhi, India – 110060.
Email Id – singlaconst@hotmail.com
- 3) Ramesh Kumar Singla HUF (PAN: AAKHR1241L)** having address at-House No. K-103, South City-1, Gurgaon, Haryana, India -122001 **and** 21/4, Geeta Mandir Marg, New Rajinder Nagar, New Delhi, India – 110060.
Email Id – singlaconst@hotmail.com
- 4) Sachin Goel (PAN: AAEPG2497B)** having address at-C-52, RohitKunjPitampura, New Delhi, India -110034.
Email Id – sachinrspharma@gmail.com
- 5) Sameer Goel (PAN: AAEPG2496A)** having address at-C-52, Rohit Kunj, Pitampura, Delhi, India – 110034.
Email Id – sg@kimiabiosciences.com
- 6) Mekaster Finlease Pvt Ltd (PAN: AAACM0352N)** having address at-Jain Bhawan, 16/121-122, Faiz Road, Karol Bagh, Near Lal Masjid New Delhi, India -110005.
Email Id – mekaster_fl@rocketmail.com
- 7) Deepak Kumar (PAN: CQOPK2093M)**having address at-132, Near MohataBhawan, Dungargarh, Ward No-5, Sridungargarh, Th-Sridungargarh, Bikaner, Rajasthan, India - 331803 **and** Kalu Bass, Ward No 3, Sri Dungargarh, Churu, Rajasthan, India - 331803 **and** 22, Rajindra Park, Delhi, India - 110060.
Email Id – deepakbhojak15@gmail.com

- 8) **Sanwar Mal Nai (PAN: AXDPN8198C)** having address at-Jain Bhawan. 16/121/122, Faiz Road, Karol Bagh, New Delhi, India- 110005 **and** Ward No- 29 Kalubass, Near Dadhe Mata Mandir, Shri Dungargarh, Bikaner, Rajasthan, India – 331803.
Email Id – sanwarmalnai8@gmail.com
- 9) **Priti Jain (PAN: AAKPJ4836F)** having address at-555, Double Storey, New Rajinder Nagar, New Delhi, India -110060.
Email Id – jain5k555@gmail.com, virendrajain36@gmail.com
- 10) **Virendra Jain (PAN: AAGPJ3319P)** having address at-555, Double Storey, New Rajinder Nagar, New Delhi, India -110060.
Email Id – virendrajain36@gmail.com
- 11) **Babita Jain (PAN: AGNPJ6077B)** having address at-555, Double Storey, New Rajinder Nagar, New Delhi, India -110060.
Email Id – babitajain2003@gmail.com, virendrajain36@gmail.com
- 12) **Avail Financial Services Pvt Ltd (PAN: AADCA5834G)** having address at-2055-56, 3rd Floor, Gali No- 6, ChunaMandi, New Delhi, India - 110055.
Email Id – availf@yahoo.com
- 13) **Bharat Bhushan (PAN: AMVPB5907A)** having address at-Flat No 511, Pocket 6, Sector B/4, Narela, North West Delhi, India-110040 **and** 511/B4 PH 1, Punjabi Colony, VillTikriKhurd, Delhi, India - 110040.
Email Id – sharmab668@gmail.com, bharat.lucky_1982@rediffmail.com

In the matter of Sital Leasing and Finance Limited

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as, '**SEBI**'), initiated adjudication proceedings under section 15HA of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as, '**SEBI Act**') against **Utsav Securities Pvt Ltd (the Noticee 1), Amita Singla (the Noticee 2), Ramesh Kumar Singla HUF (the Noticee 3), Sachin Goel (the Noticee 4), Sameer Goel (the Noticee 5), Mekaster Finlease Pvt Ltd (the Noticee 6), Deepak Kumar (the Noticee 7), Sanwar Mal Nai (the Noticee 8), Priti Jain (the Noticee 9), Virendra Jain (the Noticee 10), Babita Jain (the Noticee 11), Avail Financial Services Pvt Ltd (the Noticee 12) and Bharat Bhushan (the Noticee 13)** for the alleged

Adjudication Order in the matter of trading activities of certain entities in the scrip of Sital Leasing and Finance Limited

violations of Section 12A (a), (b), (c) of SEBI Act read with Regulations 3 (a), (b), (c), (d), 4 (1) and 4 (2) (a) (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003 (hereinafter referred to as, ('**PFUTP Regulations**')) pursuant to investigation in the matter of trading activities of certain entities in the scrip of Sital Leasing and Finance Limited (hereinafter referred to as, **Company/SLFL/Scrip**). The Noticee 1 to 13 are collectively referred to as '**Noticees**'.

APPOINTMENT OF ADJUDICATING OFFICER

2. The undersigned was appointed as Adjudicating Officer (hereinafter referred to as '**AO**') *vide* order dated April 03, 2019 to inquire into and adjudge under section 15HA of SEBI Act, the aforesaid alleged violation against the Noticee. The appointment of the AO was communicated *vide* order dated April 12, 2019.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice No. EAD5/MC/HP/1487/2020 dated January 10, 2020 (hereinafter referred to as '**SCN**'), was issued to the Noticees in terms of Rule 4 (1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**'), to show cause as to why an inquiry should not be held and penalty not be imposed against the Noticees in terms of Section 15HA of SEBI Act for the aforesaid alleged violations.
4. The allegations levelled against the Noticees in the SCN are summarized as below:
5. SEBI conducted an investigation in the dealing in the scrip of SLFL during the period from April 20, 2015 to October 30, 2016 ('**Investigation Period/IP**').

6. About the Company

The Company was incorporated in 1983 and it is engaged in buying, selling and transfer of shares and securities of various companies in Capital Markets. The Company got listed at Metropolitan Stock Exchange of India (MSEI) on March 18,

Adjudication Order in the matter of trading activities of certain entities in the scrip of Sital Leasing and Finance Limited

2015. Earlier, it was listed on Delhi Stock Exchange (DSE). The Registered address of the company is Office No. 322, 3rd Floor, Plaza Commercial Complex Mayfield Garden, Sector-47, Gurgaon - 122001, HR, India.

The directors of the Company during the investigation period were as under:

| Name | Designation | Date of Appointment | Date of Resignation |
|---------------------|-------------------|---------------------|------------------------------|
| Surender Kumar Jain | Managing Director | 25/09/2008 | Continued till the end of IP |
| Priti Jain | Director | 16/09/2008 | Continued till the end of IP |
| Sujan Mal Mehta | Director | 03/04/2012 | Continued till the end of IP |
| Anil Prakash | Director | 01/08/2012 | Continued till the end of IP |
| Rajni | Director | 15/09/2014 | 01/07/2016 |

7. It was allegeded in the SCN that,

- a) Noticee 8 and Noticee 13 have established a price of Rs. 720/- during Special Pre-Open Session (SPOS) which was much higher than the last traded price and thereafter traded amongst themselves at a price near to the established price and thereby marked the price at the same level in an artificial and misleading manner. Hence, the Noticee 8 and Noticee 13 have created a misleading appearance in trading and manipulated the scrip price in contravention of Section 12A (a), (b), (c) of SEBI Act read with Regulation 3 (a), (b), (c), (d), 4 (1) and 4 (2) (a), (e) of PFUTP Regulations.
- b) Noticees 1 to 8 have repeatedly entered into trades among themselves during patch 1 and contributed significantly to positive LTP (19.47% of the total market positive LTP). Hence, the Noticees 1 to 8 have manipulated the price of the scrip and created misleading appearance of trading in the scrip through their trades and thereby contravened Section 12A (a), (b), (c) of SEBI Act read with Regulation 3 (a), (b), (c), (d), 4 (1) and 4 (2) (a), (e) of PFUTP Regulations.

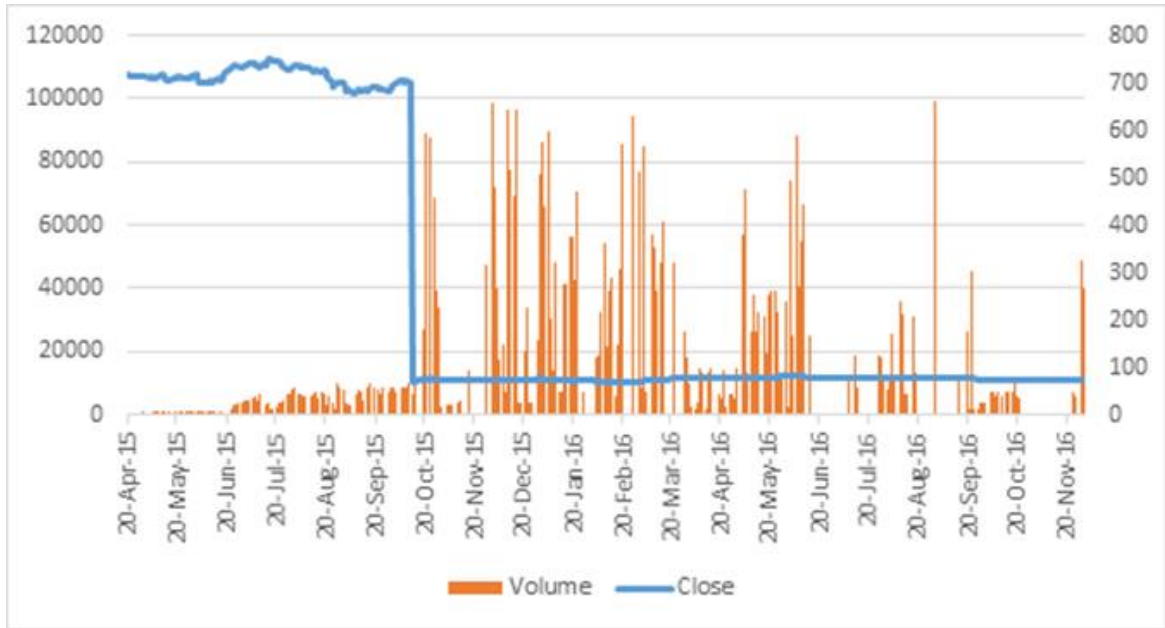
c) Noticees 9 to 12 have repeatedly entered into trades among themselves during patch 2 and contributed significantly to positive LTP (10.07% of the total market positive LTP). Hence, the Noticees 9 to 12 have manipulated the price of the scrip and created misleading appearance of trading in the scrip through their trades and thereby contravened Section 12A (a), (b), (c) of SEBI Act read with Regulation 3 (a), (b), (c), (d), 4 (1) and 4 (2) (a), (e) of PFUTP Regulations.

8. Price Volume Analysis:

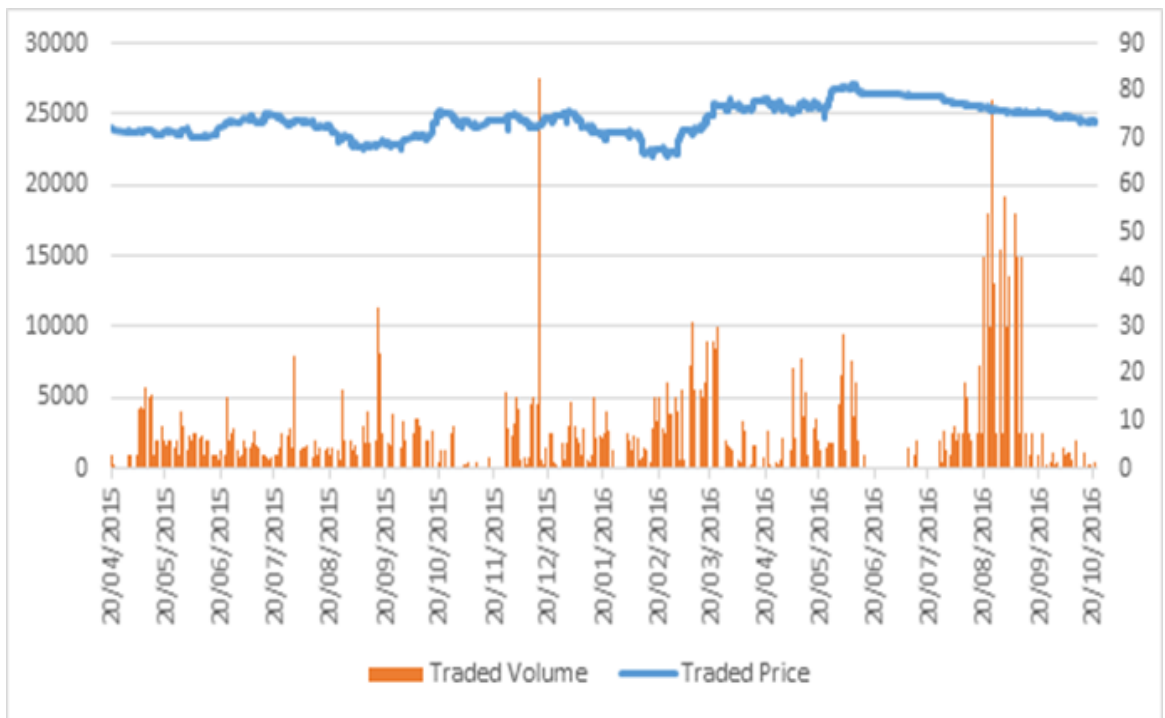
| Period | Duration | | Opening Price/ vol on 1st day of period(Rs.) | Closing Price/ Vol on last day of period(Rs.) | Low Price/Vol during the Period(Rs.) | High Price/Vol during the Period(Rs.) | Avg no of shares traded daily during the period |
|----------------------------|---|-------|--|---|--------------------------------------|---------------------------------------|---|
| Pre- Investigation | (01/02/2015- 19/04/2015) | Price | NA | NA | NA | NA | NA |
| | | Vol | NA | NA | NA | NA | |
| Investigation | Patch 1 (Pre-Split) (20/04/2015 – 13/10/2015) | Price | 720 | 696.45 | 677.45 | 750.50 | 4061 |
| | | Vol | 100 | 5457 | 4652 | 2000 | |
| | Patch 2 (Post-Split) (14/10/2015- 30/10/2016) | Price | 70.25 | 73.7 | 66.20 | 81.45 | 28234 |
| | | Vol | 21428 | 40000 | 21940 | 55250 | |
| Post- Investigation | (31/10/2016 – 31/01/2017) | Price | 73.5 | 73.85 | 73.5 | 73.85 | 32421 |
| | | Vol | 5250 | 54055 | 5250 | 54055 | |

It was observed that the face value of the stock was split into 1:10 on October 14, 2015. Further, during the investigation period, the price of the scrip opened at Rs. 720(Pre-split) at MSEI registering a high of Rs. 751(Pre-split) and closed at Rs. 73.70(Post-split). The closing price of the scrip at MSEI as on Jan 6, 2019 was Rs.73.85.

9. The price volume chart during the period of investigation is as under:



The Adjusted Price Volume Chart during the period of investigation is as under:



10. It was observed that the Noticees are connected to each other. The connections between the Noticees have been established on the basis of Know Your Client (KYC) documents, Unique client code (UCC) database provided by MSEI, bank

accounts/fund transfer of the Noticees, Bank A/C KYC, MCA website (for common directors), off market transfers/transactions and replies by the Noticees.

The connection established between the Noticees is as under:

| Name of entity | Noticee No. | Basis of connection |
|------------------------------------|----------------|--|
| MekastarFinlease ltd | Noticee No. 6 | Noticee 10 and Noticee 11, Promoter of Sital Leasing and Finance Limited are also promoters and Directors of Noticee 6 and Noticee 1. (As per the reply of the company vide email dated Dec 3, 2018) |
| Virendra Jain | Noticee No. 10 | |
| Babita Jain | Noticee No. 11 | |
| Utsav Securities Pvt. Ltd | Noticee No. 1 | |
| Priti Jain | Noticee No. 9 | Noticee 9 is a Promoter of Sital Leasing and Finance Ltd (As per the reply of the company vide email dated Dec 3, 2018) |
| Bharat Bhushan | Noticee No. 13 | Noticee 13 shares same mobile number, 8375940312 with Noticee 6 (As per the KYC) |
| Avail financial services Pvt. Ltd. | Noticee No. 12 | Noticee 12 had fund transfers with Noticee 13 as per the Bank statements. Also, Noticee 12 had off market transfers with Noticee 6 as per the off market data |
| Sachin Goel | Noticee No. 4 | Noticee 2, 3, 4, 5 and 8 had Fund transfers with Noticee 1 (As per the Bank statement of Noticee 1) |
| Sameer Goel | Noticee No. 5 | |
| Amita Singla | Noticee No. 2 | |
| Ramesh Kumar Singla HUF | Noticee No. 3 | |
| Sanwar Mal Nai | Noticee No. 8 | |
| Deepak Kumar Bhojak | Noticee No. 7 | Noticee 8 had fund transfers with Noticee 6 (As per the Bank statement of Noticee 6) |
| | | Noticee 7 is director of Legend Infoways which is one of the promoters of Sital Leasing and Finance Limited. (As per the reply of the company vide email dated Dec 3, 2018) |

It was also observed that the aforesaid Noticees 1 to 13 are connected to the Company.

11. Trading by the Noticees:

Based on price trend of the scrip (rise/ fall), the investigation period was split into two patches (Patch 1 - April 20, 2015 to October 13, 2015 and Patch 2 - October 14, 2015 to October 30, 2016). Summary of trading done by the Noticees during two patches of the investigation period is as under:

| Sr. No | Client Name | Noticee No. | Patch 1 (Pre-split) | | | | Patch 2 (post-split) | | | |
|---------------------|------------------------------|----------------|---------------------|---------------------------------|---------------|----------------------------------|----------------------|---------------------------------|----------------|----------------------------------|
| | | | Gross Buy | Gross Buy % to total traded Qty | Gross Sell | Gross Sell % to total traded Qty | Gross Buy | Gross Buy % to total traded Qty | Gross Sell | Gross Sell % to total traded Qty |
| 1. | Utsav Securities Pvt Ltd | Noticee No. 1 | 355774 | 74.24 | 110 | 0.02 | 1864792 | 20.28 | 0 | 0 |
| 2. | MekasterFinlease Ltd | Noticee No. 6 | 45321 | 9.46 | 0 | 0 | 393350 | 4.28 | 0 | 0 |
| 3. | Avail Financial Services Ltd | Noticee No. 12 | 0 | 0 | 0 | 0 | 3609941 | 39.25 | 0 | 0 |
| 4. | Deepak Kumar | Noticee No. 7 | 16343 | 3.41 | 0 | 0 | 12421 | 0.14 | 0 | 0 |
| 5 | Sanwar Mal Nai | Noticee No. 8 | 15024 | 3.14 | 200 | 0.04 | 13580 | 0.15 | 0 | 0 |
| 6. | Bharat Bhushan | Noticee No. 13 | 200 | 0.04 | 200 | 0.04 | | | 0 | 0 |
| 7. | Amita Singla | Noticee No. 2 | 0 | 0 | 30000 | 6.26 | 0 | 0 | 0 | 0 |
| 8. | Babita Jain | Noticee No. 11 | 0 | 0 | 0 | 0 | 0 | 0 | 851000 | 9.25 |
| 9. | Priti Jain | Noticee No. 9 | 0 | 0 | 0 | 0 | 0 | 0 | 1190000 | 12.94 |
| 10. | Ramesh Kumar Singla HUF | Noticee No. 3 | 0 | 0 | 13632 | 2.84 | 0 | 0 | 0 | 0 |
| 11. | Sachin Goel | Noticee No. 4 | 0 | 0 | 21126 | 4.41 | 0 | 0 | 0 | 0 |
| 12. | Sameer Goel | Noticee No. 5 | 0 | 0 | 20400 | 4.26 | 0 | 0 | 0 | 0 |
| 13. | Virendra Jain | Noticee No. 10 | 0 | 0 | 0 | 0 | 0 | 0 | 230700 | 2.51 |
| Total | | | 432662 | 90.29 | 85668 | 17.88 | 5894084 | 64.1 | 2271700 | 24.70 |
| Market total | | | 479210 | 100 | 479210 | 100 | 9196868 | 100 | 9196868 | 100% |

12. It is observed from the above table that Noticees 1 to 13 purchased 4,32,662 shares (90.29% of total market volume) and sold 85,668 shares (17.88% of total market volume) during Patch 1 of IP. Further, during Patch 2 of IP, the Noticees purchased 58,94,084 shares (64.1% of total market volume) and sold 22,71,700 shares (24.7% of total market volume).

13. Violation of PFUTP Regulations by the Noticee 8 and Noticee 13

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- a) It was observed that the shares of the company were previously listed on Delhi Stock Exchange. As per DSE's mail dated December 31, 2018, SLFL was last traded on DSE on August 27, 1991 at a price of Rs.3.10 and the lot size was of 50 shares. The company was listed on MSEI from March 18, 2015 through direct listing route.
- b) Further, it was observed that subsequent to the listing of the scrip at MSEI on March 18, 2015, the price discovered through Special Pre-Open Session (SPOS) was Rs. 720 on April 20, 2015.
- c) The price discovery for the scrip of exclusively listed companies on Regional Stock Exchanges which have not been traded in last one year, when shifted to MSEI, is based on SPOS. *As per the SEBI circulars, SPOS is of the duration of 60 minutes, out of which 45 minutes shall be allowed for order entry, modification and cancellation, 10 minutes for order matching and trade confirmation and the remaining 5 minutes shall be the buffer period to facilitate the transition from SPOS to the normal trading session. If no trade is done in this period, then the scrip remains in SPOS mode till trading commences for the given scrip. The equilibrium price computation follows the volume maximization logic based on aggregated demand & supply of orders. All orders entered in the system should match at the same price, i.e. the equilibrium price, if they qualify as match-able. Once price is discovered during SPOS, the scrip will move to continuous trading session.*
- d) The extract of the order log and trade log during SPOS on April 20, 2015 is as under:

| Name (Noticee No.) | Business Date | Order No. | Status | Mkt Ord | Transaction Time | Matching Time | Buy/Sell | Price | Order Quantity |
|--------------------|---------------|---------------------|-----------------|---------|-------------------------|-------------------------|----------|--------|----------------|
| Sanwar Mal Nai | 20 Apr 2015 | 17151100 0000005 | Confirmed Trade | N | 20 Apr 2015 09:44:46 | 20 Apr 2015 09:44:46 | Buy | 720.00 | 100 |

| Name (Noticee No.) | Business Date | Order No. | Status | Mkt Ord | Transaction Time | Matching Time | Buy/Sell | Price | Order Quantity |
|--|--------------------|-------------------------|------------------------|----------|-----------------------------|-----------------------------|-------------|---------------|----------------|
| (Noticee 8) | 20 Apr 2015 | 17151100 0000001 | Entry Request | Y | 20 Apr 2015 09:15:49 | | Buy | 0.00 | 100 |
| | 20 Apr 2015 | 17151100 0000001 | Request Rejected | Y | 20 Apr 2015 09:15:49 | 20 Apr 2015 09:15:49 | Buy | 0.00 | 100 |
| | 20 Apr 2015 | 17151100 0000003 | Entry Request | N | 20 Apr 2015 09:16:56 | | Buy | 720.00 | 100 |
| | 20 Apr 2015 | 17151100 0000003 | Request Rejected | N | 20 Apr 2015 09:16:56 | 20 Apr 2015 09:16:56 | Buy | 720.00 | 100 |
| | 20 Apr 2015 | 17151100 0000004 | Entry Confirmed | N | 20 Apr 2015 09:17:22 | 20 Apr 2015 09:17:22 | Buy | 720.00 | 100 |
| | 20 Apr 2015 | 17151100 0000005 | Entry Confirmed | N | 20 Apr 2015 09:17:35 | 20 Apr 2015 09:17:35 | Buy | 725.00 | 100 |
| | 20 Apr 2015 | 17151100 0000004 | Cancelled | N | 20 Apr 2015 09:44:46 | 20 Apr 2015 09:44:46 | Buy | 720.00 | 100 |
| Bharat Bhushan (Noticee No. 13) | 20 Apr 2015 | 11151100 0000003 | Confirmed Trade | N | 20 Apr 2015 09:44:46 | 20 Apr 2015 09:44:46 | Sell | 720.00 | 100 |
| | 20 Apr 2015 | 11151100 0000002 | Entry Confirmed | N | 20 Apr 2015 09:18:07 | 20 Apr 2015 09:18:07 | Sell | 725.00 | 100 |
| | 20 Apr 2015 | 11151100 0000003 | Entry Confirmed | N | 20 Apr 2015 09:18:28 | 20 Apr 2015 09:18:28 | Sell | 720.00 | 100 |
| | 20 Apr 2015 | 11151100 0000002 | Cancelled | N | 20 Apr 2015 09:44:46 | 20 Apr 2015 09:44:46 | Sell | 725.00 | 100 |

e) It was observed that Noticee 8 and 13 were the only two entities who participated in the SPOS. The first buy order was placed at 09:15:49 by Noticee 8 and got rejected as it was a Market Order since there was no Market price. The second buy order was placed at 09:16:56 by Noticee 8 and got rejected as it was an EOS order. The third buy order was placed by Noticee 8 at 09:17:22 at Rs. 720 and the fourth buy order was placed by Noticee 8 at 09:17:35 at Rs. 725. Further, the first Sell order was placed by Noticee 13 at 09:18:07 at Rs. 725 and the second sell order was placed by Noticee 13 at 09:18:28 at Rs. 720. It was observed that the order matching took place at 09:44:46 at a price of Rs. 720.

- f) It was observed that in January 2014, SLFL has allotted 10,000 shares of SLFL to Noticee 13 through Bonus allotment. The same has been confirmed by the RTA, Big Share Services Limited *vide* its email dated Jan 4, 2019.
- g) Further, it was observed that Noticee 8 and 13 are connected to Noticee 6, one of the promoters of the company.
- h) The extract of the trade log between Noticee 8 and Noticee 13 during the investigation period is as under:

| | Buyer | Seller | Traded Volume | Traded price (Rs.) | Total Market Volume during day | |
|------------|------------|------------|---------------|--------------------|--------------------------------|----------------------------------|
| 20/04/2015 | Noticee 8 | Noticee 13 | 100 | 720.00 | 100 | 100 shares during SPOS |
| 21/04/2015 | Noticee 8 | Noticee 13 | 20 | 719.00 | 100 | 100 shares during normal trading |
| 21/04/2015 | Noticee 8 | Noticee 13 | 20 | 718.00 | | |
| 21/04/2015 | Noticee 8 | Noticee 13 | 20 | 717.00 | | |
| 21/04/2015 | Noticee 8 | Noticee 13 | 20 | 716.00 | | |
| 21/04/2015 | Noticee 8 | Noticee 13 | 1 | 715.00 | | |
| 21/04/2015 | Noticee 8 | Noticee 13 | 1 | 715.00 | | |
| 21/04/2015 | Noticee 8 | Noticee 13 | 1 | 715.00 | | |
| 21/04/2015 | Noticee 8 | Noticee 13 | 1 | 715.00 | | |
| 21/04/2015 | Noticee 8 | Noticee 13 | 1 | 715.00 | | |
| 21/04/2015 | Noticee 8 | Noticee 13 | 5 | 715.00 | | |
| 21/04/2015 | Noticee 8 | Noticee 13 | 5 | 715.00 | | |
| 21/04/2015 | Noticee 8 | Noticee 13 | 4 | 715.00 | | |
| 21/04/2015 | Noticee 8 | Noticee 13 | 1 | 715.00 | | |
| 30/04/2015 | Noticee 13 | Noticee 8 | 100 | 712.10 | 100 | 200 shares during normal trading |
| 04/05/2015 | Noticee 13 | Noticee 8 | 100 | 711.15 | 100 | |

- i) From the above trading pattern, it is observed that initially, Noticee 8 had purchased 200 shares from Noticee 13 in 2 trading days. Later on, Noticee 8 sold back 200 shares to Noticee 13 in two tranches during IP. In view of the above, it was alleged that Noticee 8 and 13 together had created an artificial

and misleading appearance of trading in the scrip as their holding position reached the same level as at the beginning of SPOS.

- j) It was observed from the above trading pattern that Noticee 8 and 13 had established the price of Rs. 720/- during SPOS which was much higher than the last traded price of the scrip of SLFL (Rs. 3.10/- at DSE) and thereafter traded amongst themselves at a price near to the established price and thereby marked the price at the same level in an artificial, manipulative and misleading manner. It was also observed that on April 21, 2015, April 30, 2015 and May 04, 2015, the Noticee 8 and 13 were the only trading clients in the scrip. It was further observed that the financials of the company (EPS was Rs.0.02 for quarter ended March 2015) also did not justify the price of Rs. 720/-. Therefore, it was alleged that Noticee 8 and 13 created a misleading appearance in trading and manipulated the price of the scrip of SLFL and hence contravened Section 12A (a), (b), (c) of SEBI Act read with Regulation 3 (a), (b), (c), (d), 4 (1) and 4 (2) (a), (e) of PFUTP Regulations.

14. Concentration of top 10 buy and sell clients in the scrip of SLFL during the investigation period (on MSEI) is as under:

| Buy Client Name | Gross Buy | % of Traded Volume | Sell Client Name | Gross Sell | % of Traded Volume |
|---|-----------------|--------------------|----------------------------|-----------------|--------------------|
| Utsav Securities Pvt Ltd (Noticee 1) | 5422532 | 38.76 | Priti Jain (Noticee 9) | 1190000 | 8.51 |
| Avail Financial Services Pvt Ltd (Noticee 12) | 3609941 | 25.81 | Sanchit Gupta | 957902 | 6.85 |
| Sri Endrash Investment and Finance Pvt Ltd | 1979604 | 14.15 | Anand Gupta | 887341 | 6.34 |
| MekasterFinlease Ltd (Noticee 6) | 846560 | 6.05 | Babita Jain (Noticee 11) | 851000 | 6.08 |
| Transnational Growth Fund Ltd. | 759035 | 5.42 | K C Gupta HUF | 602781 | 4.31 |
| Anekvarna Trading Private Limited | 605720 | 4.33 | KusumLata | 590323 | 4.22 |
| Hillridge Investments Ltd | 423805 | 3.03 | Krishan Chandra Gupta | 499635 | 3.57 |
| Deepak Kumar (Noticee 7) | 175851 | 1.26 | Ramesh Kumar Suneja | 396395 | 2.83 |
| Sanwar Mal Nai (Noticee 8) | 163820 | 1.17 | Ajay Kumar Gupta | 314140 | 2.25 |
| Bharat Bhushan (Noticee 13) | 2000 | 0.01 | Amita Singla (Noticee 2) | 300000 | 2.14 |
| Top 10 Buy Clients | 13988868 | 99.99 | Top 10 Sell Clients | 6589517 | 47.10 |
| Total Traded Volume | 13988968 | 100.00 | Total Traded Volume | 13988968 | 100.00 |

15. It is observed from the above table that top 10 buyers accounted for 99.99% of gross buy volume and top ten sellers accounted for 47.1% of gross sell volume. It was also observed that the Noticee 1 was the highest buyer for 54,22,532 shares (38.76% of total market volume) and Noticee 9 was the highest seller for 11,90,000 shares (8.51% of total market volume) on MSEI during Investigation Period. It was also observed that the buy side of the scrip is concentrated with only 12 buyers during Investigation Period and the top 10 sellers have contributed 47.1% to the Gross sell.

16. LTP analysis was carried out to ascertain whether any entity(ies) manipulated the price of the scrip of a company in contravention of the provision of PFUTP Regulations. LTP contribution is the price difference between trade price and last traded price. Based on price trend of the scrip (rise/ fall), the investigation period was split into two patches (Patch 1 - April 20, 2015 to October 13, 2015 and Patch 2 - October 14, 2015 to October 30, 2016), and LTP analysis was carried out over these two patches, details of which are given below:

- a) It was observed that during patch 1 there was only minor fall in the price (3.2%) when compared to the open price. It was observed from the trading pattern of some of the Noticees that they were trying to push to maintain the equilibrium price of the scrip at Rs. 720 which was artificially established during SPOS. Accordingly, LTP analysis for patch 1 was carried out from the buying side.
- b) It is observed from the table given below that Noticee 1 has contributed highest LTP on both sides i.e positive and negative LTP. Further, it was observed that before closing at Rs. 696/- during Patch 1, the price of the scrip opened at Rs. 720/- and touched a high of Rs. 751/-.

c) **LTP contribution by the Noticees 1, 6, 7, 8 and 13 (as buyers) during Patch 1:**

| | All trades | | | LTP > 0 (positive LTP) | | | LTP < 0 (negative LTP) | | | LTP = 0 | | % of +ve LTP to Mkt +ve LTP |
|--------------------------------------|--------------------------|---------------|-----------------|---------------------------|--------------|-----------------|---------------------------|--------------|-----------------|---------------|-----------------|---|
| | Sum of LTP diff | Qty | No of trades | Sum of LTP diff | Qty | No of trades | Sum of LTP diff | Qty | No of trades | Qty | No of trades | |
| Utsav Securities Pvt Ltd (Noticee 1) | 7.75 | 355774 | 7165 | 371.45 | 42076 | 629 | -363.7 | 35682 | 582 | 278016 | 5954 | 63.70 |
| Sanwar Mal Nai (Noticee 8) | 5.1 | 15024 | 149 | 39.6 | 6605 | 64 | -34.5 | 4522 | 35 | 3897 | 50 | 6.79 |
| Deepak Kumar (Noticee 7) | 0.45 | 16343 | 158 | 61.55 | 9239 | 73 | -61.1 | 3789 | 30 | 3315 | 55 | 10.55 |
| Bharat Bhushan (Noticee 13) | -3.05 | 200 | 2 | 0 | 0 | 0 | -3.05 | 200 | 2 | 0 | 0 | 0.00 |
| MekasterFinlease Ltd (Noticee 6) | -29.5 | 45321 | 1032 | 64.8 | 2547 | 56 | -94.3 | 7014 | 158 | 35760 | 818 | 11.11 |
| Sum Total | -19.25 | 432662 | 8506 | 537.40 | 60467 | 822 | -556.65 | 51207 | 807 | 320988 | 6877 | 92.15 |
| Sum of market | -23 | 479210 | 9775 | 583.15 | 64342 | 911 | -606.2 | 53452 | 876 | 361416 | 7988 | 100 |

It is observed from the above table that Noticee 1, 6, 7, 8 and 13 have contributed Rs. -19.25/- to Market Net LTP by trading 4,32,662 shares in 8,506 trades and positive LTP of Rs. 537.40/- (92.15% of market positive LTP) by trading 60,467 shares in 822 trades. It was further observed that there were 44 counterparties to these 822 trades out of which 4 counterparties were Noticees 2, 3, 4 and 5.

d) The summary of trades of the Noticees 1 to 8 which contributed positive LTP by trading among themselves is given in table below:

| Seller Name | Sameer Goel (Noticee 5) | Sachin Goel (Noticee 4) | Ramesh Kumar Singla HUF (Noticee 3) | Amita Singla (Noticee 2) | Total LTP as buyer (No. of Trades) |
|--|--------------------------------|--------------------------------|--|---------------------------------|---|
| Buyer Name | | | | | |
| Deepak Kumar (Noticee 7) | - | - | - | 31.5(39) | 31.5(39) |
| Sanwar Mal Nai (Noticee 8) | - | - | - | 1.25(5) | 1.25(5) |
| MekasterFinlease Ltd (Noticee 6) | - | 0.75(3) | 10.5(12) | 0.5(2) | 11.75(17) |
| Utsav Securities Pvt Ltd (Noticee 1) | 21.75(17) | 13.25(23) | 6.25(14) | 27.8(56) | 69.05(110) |
| Total LTP as Seller (No. of Trades) | 21.75(17) | 14.00(26) | 16.75(26) | 61.05(102) | 113.55(171) |

It was observed from the above that Noticees 1, 6, 7 and 8 and their connected counterparty Noticees 2, 3, 4 and 5 contributed Rs. 113.55(19.47%) to market positive LTP by trading amongst themselves in 171 trades and 13,975 shares. Therefore, it was alleged that Noticees 1 to 8 have manipulated the price of the scrip and created misleading appearance of trading in the scrip through their trades and thereby contravened Section 12A (a), (b), (c) of SEBI Act read with Regulation 3 (a), (b), (c), (d), 4 (1) and 4 (2) (a), (e) of PFUTP Regulations.

e) LTP contribution by the Noticees 1, 6, 7, 8 and 12 during Patch 2:

Since there was a price rise during patch 2, LTP analysis of aforementioned Noticees was carried out as buyers and is given in table below –

| Name | All trades | | | LTP Diff. >0 | | | LTP Diff. < 0 | | | LTP Diff. = 0 | | % of positive LTP to Total Market positive LTP |
|--------------------------------------|-----------------|-----------------|--------------|-----------------|------------|--------------|-----------------|------------|--------------|---------------|--------------|--|
| | Sum of LTP diff | Sum of Quantity | No of trades | Sum of LTP diff | QTY traded | No of trades | Sum of LTP diff | QTY traded | No of trades | QTY traded | No of trades | |
| Utsav Securities Pvt Ltd (Noticee 1) | 0.7 | 1864792 | 3746 | 55.95 | 371413 | 492 | -55.25 | 181319 | 309 | 1312060 | 2945 | 30.2 |
| Sanwar Mal Nai (Noticee 8) | 0.15 | 13580 | 156 | 3.65 | 4988 | 38 | -3.5 | 1935 | 14 | 6657 | 105 | 1.97 |

| | | | | | | | | | | | | |
|---|-------------|----------------|--------------|---------------|----------------|-------------|----------------|----------------|------------|----------------|-------------|--------------|
| MekasterFinlease Ltd (Noticee 6) | -3.5 | 393350 | 632 | 10.55 | 91394 | 81 | -14.05 | 43370 | 69 | 258586 | 482 | 5.7 |
| Avail Financial Services Ltd (Noticee 12) | 0 | 3609941 | 2971 | 37 | 1109213 | 457 | -37 | 467381 | 172 | 2033347 | 2342 | 19.97 |
| Deepak Kumar (Noticee 7) | -0.85 | 12421 | 136 | 2.4 | 4194 | 29 | -3.25 | 1481 | 10 | 6746 | 97 | 1.3 |
| Sum of Noticees | -3.5 | 5894084 | 7641 | 109.55 | 1581202 | 1097 | -113.05 | 695486 | 574 | 3617396 | 5971 | 59.14 |
| Total market | 3.25 | 9196868 | 11832 | 185.25 | 2199577 | 1754 | -182 | 1091049 | 984 | 5906242 | 9093 | 100 |

It was observed from the above that Noticees 1, 6, 7, 8 and 12 have contributed Rs. 109.55 to positive LTP (59.14% of total market positive LTP).

- f) The summary of trades of the Noticees 9 to 12 which contributed positive LTP by trading among themselves is given in table below:

| Seller Name→ | Priti Jain (Noticee 9) | Babita Jain (Noticee 11) | Virendra Jain (Noticee 10) | Total LTP as buyer (No. of Trades) |
|---|------------------------|--------------------------|----------------------------|------------------------------------|
| Buyer Name↓ | | | | |
| Avail Financial Services Pvt Ltd (Noticee 12) | 10.05(148) | 7.1(109) | 1.5(22) | 18.65(279) |
| Total LTP as Seller (No. of Trades) | 10.05(148) | 7.1(109) | 1.5(22) | 18.65(279) |

It is observed from the above that Noticees 9 to 12 have repeatedly entered into trades among themselves during patch 2 and contributed significantly to positive LTP (10.07% of the total market positive LTP). Hence, it was alleged that Noticee 9 to 12 have manipulated the price of the scrip and created the misleading appearance of trading in the scrip through their trades and hence contravened Section 12A (a), (b), (c) of SEBI Act read with Regulation 3 (a), (b), (c), (d), 4 (1) and 4 (2) (a), (e) of PFUTP Regulations.

17. Analysis of First Trade of the day was carried out during Patch 1 of the investigation period to identify whether the first trade of the day was used to increase the price and the details of the trades are as given below:

| Client Name | No. of first trades | Sum of Net LTP (Rs.) | *NHP of First Trades (Rs.) | Traded Qty | % of Client's First Traded Qty to Market Vol. |
|--------------------------------------|---------------------|----------------------|----------------------------|-------------|---|
| Bharat Bhushan (Noticee 13) | 2 | -3.05 | 0.00 | 200 | 0.04 |
| Deepak Kumar (Noticee 7) | 10 | 3.40 | 0.00 | 1215 | 0.25 |
| MekasterFinlease Ltd (Noticee 6) | 12 | -2.95 | 0.00 | 478 | 0.10 |
| Sanwar Mal Nai (Noticee 8) | 20 | -5.90 | 1.00 | 3040 | 0.63 |
| Utsav Securities Pvt Ltd (Noticee 1) | 56 | -3.75 | 10.85 | 3061 | 1.67 |
| Group Total | 100 | -12.25 | 11.85 | 7994 | 6.66 |

*NHP - New High Price

18. It is observed from the above table that Noticees 1, 6, 7, 8 and 13 have executed 100 first trades. Out of these 100 trades, 40 first trades resulted into positive LTP and contributed Rs. 100.65/- to positive LTP (i.e. 17.26% to market positive LTP). Summary of these 40 first trades is given in table below:

| Client Name | No. of first trades | Positive LTP (Rs.) | NHP of First Trades (Rs.) | Traded Qty | % of +ve LTP to mkt +ve LTP |
|--------------------------------------|---------------------|--------------------|---------------------------|-------------|-----------------------------|
| Deepak Kumar (Noticee 7) | 5 | 14.00 | 0.00 | 350 | 2.40 |
| MekasterFinlease Ltd (Noticee 6) | 5 | 12.05 | 0.00 | 120 | 2.07 |
| Sanwar Mal Nai (Noticee 8) | 3 | 14.00 | 1.00 | 290 | 2.40 |
| Utsav Securities Pvt Ltd (Noticee 1) | 27 | 60.60 | 10.85 | 1688 | 10.39 |
| Group Total | 40 | 100.65 | 11.85 | 2448 | 17.26 |

19. It was observed that there were 20 counterparties to these trades out of which 4 counterparties were the Noticees 2, 3, 4 and 5. Summary of the trades of the Noticees 2 to 5 is given in table below:

| Client Name | No. of first trades | Sum of LTP diff. (Rs.) | NHP of First Trades (Rs.) | Traded Qty | % of +ve LTP to mkt +ve LTP |
|--------------------------|---------------------|------------------------|---------------------------|------------|-----------------------------|
| Amita Singla (Noticee 2) | 5 | 11.00 | 2.00 | 225 | 0.07 |

| Client Name | No. of first trades | Sum of LTP diff. (Rs.) | NHP of First Trades (Rs.) | Traded Qty | % of +ve LTP to mkt +ve LTP |
|-------------------------------------|---------------------|------------------------|---------------------------|------------|-----------------------------|
| Sameer Goel (Noticee 5) | 2 | 7.75 | 0.00 | 55 | 0.03 |
| Sachin Goel (Noticee 4) | 3 | 3.50 | 0.00 | 285 | 0.06 |
| Ramesh Kumar Singla Huf (Noticee 3) | 1 | 1.50 | 0.00 | 20 | 0.35 |
| Group Total | 11 | 23.75 | 2.00 | 585 | 4.07 |

20. It was observed that Noticees 1 to 8 had entered into trades among themselves and contributed Rs. 23.75/- to positive LTP (i.e. 4.07% to market positive LTP) and NHP of Rs. 2.00 (i.e. 6.45% to market NHP) in 11 First trades. The aforesaid observations further corroborate the observations in above paragraphs wherein it was alleged that Noticees 1 to 8 have manipulated the price of the scrip by contributing to positive LTP through trading among themselves.

21. The aforesaid alleged violations, if established, make the Noticees liable for monetary penalty under Section 15HA of SEBI Act.

22. Considering various requests received from the Noticees, sufficient time was provided to them to make their submissions to the SCN. Noticee 1 filed the reply to the SCN on August 03, 2020 and additional submission on August 24, 2020. Noticee 2 and 3 filed their reply on August 13, 2020 and additional submission on September 03, 2020. Noticee 4 and 5 filed their reply on July 08, 2020 and additional submissions on July 27, 2020. Noticee 6 filed its reply to the SCN on August 04, 2020. Noticee 7 filed his reply on August 10, 2020. Noticee 8 filed his reply on July 29, 2020 and additional submission on September 07, 2020. Noticee 9, 10 and 11 filed their reply on August 05, 2020. Noticee 12 filed its reply on August 05, 2020. Noticee 13 filed his reply on July 31, 2020.

23. Opportunity of hearing was provided to the Noticees through video conferencing and Authorised Representatives attended the hearings on behalf of Noticees. Shri

Deepak Dhane appeared for the hearing on August 11, 2020 as authorized representative of Noticees 1, 6, 9, 10, 11 and 12. Mr. Saurabh Bachhawat appeared for the hearing on August 20, 2020 as authorized representative of Noticees 2 and 3. Ms. Deepika Sawhney and Ms. Nikita Vijay appeared for the hearing on July 13, 2020 as authorized representatives of Noticee 4 and 5. Mr. Ramesh Singh Gogawat appeared for the hearing on August 20, 2020 as authorized representative of Noticee 7. Mr. Nikhil Shah appeared for the hearing on September 01, 2020 as authorized representative of Noticee 8. Mr. Shantibhushan Nirmal appeared for the hearing on August 14, 2020 as authorized representative of Noticee 13.

24. The key submissions of the Noticees are summarized as below:

25. Preliminary submissions of the Noticee 1, 6, 9, 10, 11 and 12 are as mentioned below:

- a) Noticee 1, 6, 9, 10, 11 and 12 submitted that they had requested for inspection of documents relied upon in the SCN. However, they were not given a physical inspection of documents and were only provided with a scanned copy of the relevant portion of investigation report. Noticees submitted that, this was contrary to fair play and against the basic principles of natural justice. Noticees requested to provide inspection of all the documents referred and relied upon in the SCN and copy of the entire Investigation report, in order to enable them to understand the factual background behind the investigation and all the material collected and analyzed by SEBI while preparing it, which will again enable them to consider the observations made therein in order to answer the present SCN comprehensively.

- b) Stating that the alleged violation pertains to the period April 2015 and the present SCN is issued in the year 2020, Noticees submitted that on account of

this delay, Noticees are not in a position to answer such old transactions and they could not even recollect whether they have traded in the shares of SLFL in the year 2015 and they do not have any trade data relating to the year 2015, and that such belated action was against the principles of natural justice.

- c) The company got listed on MSEI, and started trading on the Exchange, its price was determined by supply and demand for its shares in the securities market. If there is a high demand for its shares due to favorable factors, the price would increase automatically. The Fair Market Price of the shares at the time of trade has been decided by MSEI and the first trading price which took place on April 20, 2015 was Rs. 720/-. This traded price of Rs. 720/- has been decided and determined by MSEI as per the book value of the company shares. The book value of the Company's share in the year 2015 was Rs. 157/-. The first trading price determined by MSEI was Rs. 720/- which was 4.5 times of the book value. While at the same relevant time the shares of other NBFCs traded during that time was 7 to 8 times of their book value. Later on the share price of the company moved from Rs. 720/- to Rs. 751/- as on July 17, 2015, within a period of 4 months which was a nominal increase in the share price i.e. 4.30% approx within a period of 4 months. Thereafter, on October 05, 2015, the shares of SLFL had been split in the ratio of 1:10, due to spilt the face value of the share of Rs. 10/- per share has been converted to Rs. 1/- per share and post split the share of Rs.1/-has been traded to Rs. 73/- approximately. The share Price which was of Rs. 750/- approx had come down to Rs. 73/- approx. This was only due to the fact that share of Rs. 10/- each has been split to Rs. 1/- each.

Submissions of Noticee 1:

26. Noticee 1 denied the connection with Noticee 2 to 5 and Noticee 8 based on the alleged fund transfers. Noticee 1 also denied that there was any fund transfer between it and Noticee 8, as alleged in the SCN. Noticee 1 submitted that it is an NBFC and provide loans in the normal course of business. The fund transfers

referred in the SCN were routine business transactions between Noticee 1 and Noticee 2 to 5. As far as amounts paid to Noticee 2 and 3 are concerned, same were paid towards introduction of a client as a referral fee. Further, the amounts paid to Noticee 4 and 5 were loan amounts and same were duly sanctioned and granted as per the NBFC norms and the same has nothing to do with the alleged manipulation or trading in the shares of SLFL. It is not even SEBI's case that Noticee 2 to 5 utilized these amounts towards trading in the shares of SLFL. The utilization of borrowed amounts by Noticee 2 to 5 is not within control of it. Further, Noticee 5 has already repaid back the entire loan amount and Noticee 4 has repaid the principal loan amount to Noticee 1. Therefore, the connections alleged and assumptions made in the SCN are baseless and unsustainable. With specific reference to amounts paid to Noticee 2 and 3, Noticee 1 stated that the said amounts paid were professional fees paid to Noticee 2 and 3 since, Noticee 1 at the relevant time was in need of some reputed good clients for expanding its financial activities and Noticee 2 and 3 introduced to some clients against which it had paid professional fees. This was the decision of the board of the directors to adopt this innovative idea for the growth of Noticee 1 as a company. During the F.Y. 2014-15, Noticee 1 paid such introduction fees to several people and such referral fee was to the tune of Rs. 35 Lacs and this was only with an objective of improving performance and Loan exposure. Out of these Rs. 35 Lacs, Noticee 1 paid Rs. 4 Lacs and Rs. 7 Lacs to the Noticee 2 and 3 respectively to introduce some new highly reputed clients as they are well known in the financial business market. These efforts have been very productive and had resulted in an increase in its client base. The loan exposure of its company has increased massively from year to year. At the end of 2014, exposure to Loan of Noticee 1 was Rs. 64 crore, which increased by end of 2015 to Rs. 208 crore approximately. This happened due to reputed clients introduced by various persons including Noticee 2 and 3. Noticee 1 submitted the documents with respect to the said fund transfers with the main submission as well as with the additional submissions made on August 24, 2020.

27. Noticee 1 submitted that the SPOS was on April 20, 2015, further, Noticee 2 entered its first trade in SLFL on May 26, 2015, Noticee 3 entered its first trade on July 27, 2015, Noticee 4 on September 08, 2015 and Noticee 5 on August 27, 2015, which makes it apparent that the loan transactions between Noticee 1 and Noticee 2 to 5 during the months of January to March 2015 has nothing to do with the trades entered into by Noticee 2 to 5. There cannot be any link between the loan transactions and the trading in shares of SLFL. Therefore, merely because there were some transactions between the parties cannot be a reason to accuse them in the present proceedings.

28. Noticee 1 further submitted that it failed to understand the reason why the investigation period has been split into two patches i.e. Patch 1 - April 20, 2015 to October 13, 2015 and Patch 2 - October 14, 2015 to October 30, 2016. Further, as per the relevant paragraph of the SCN, Noticee 1 has majorly bought shares during Patch 1 and Patch 2. Noticee 1 traded in the shares of SLFL during the IP and the reason behind the trades was huge demand for shares of SLFL and the demand was obviously because of numerous corporate events in the company. Noticee 1 had bought the shares of SLFL as an investment and even today it continues to hold 54,31,935 shares of SLFL as an investment. Noticee 1 had bought these shares during the relevant period on a blind screen platform of MSEI and till date the identity of the counter party is not known. Noticee 1 also traded in several other shares/scrips other than SLFL, i.e. Quasar India Ltd., Tarini Enterprises Ltd., Yamini Investments Ltd. and IM Capital Limited etc. and its trading pattern was same.

29. Noticee 1 submitted that the SCN does not mention the basis of summary of trades tabulated in the relevant paragraph. Also, the purported Trade and Order logs provided with the SCN does not show that any of trades of Noticee 1 matched with Noticee 2 to 5. Further, there is nothing on record to even remotely show that Noticee 1 and Noticee 2, 3, 4, and 5 have actually traded amongst themselves. Noticee 1 denied that Noticee 1 to 13 have purchased 90.29% shares

of SLFL and sold 85,668 shares of SLFL, during Patch 1, for want of knowledge. Noticee 1 also denied that Noticees purchased 58,94,084 shares and sold 22,71,700 shares during Patch 2, for want of knowledge. Noticee 1 further stated that it fail to understand why SEBI is trying to consolidate the trades by all the Noticees and also what it is attempting to establish on the basis of summary of purchase and sell of shares during Patch 1 and Patch 2.

30. Noticee 1 denied that its trading pattern during Patch 1, was to push to maintain the equilibrium price of the scrip at Rs. 720/- and it is also denied that the price was artificially established during SPOS. Noticee 1 further denied that its trades have contributed highest LTP on both sides and if it is so, same may be a result of genuine trading. As per the SCN, during Patch 1, Noticee 1 entered into 7165 buy trades, which contributed towards positive LTP. However, out of said 7165 buy trades 629 trades had a positive LTP of Rs. 371.45, 582 trades had a negative LTP of 363.7 and 5954 trades contributed to zero LTP. Noticee 1 stated that SEBI consolidated the purported LTP analysis for several Noticees and arrived at an observation that Noticee 1 along with Noticee 6, 7, 8 and 13 contributed Rs. 113.55 to positive LTP. The SCN clearly ignores the negative LTP contributed by its trades and more importantly also ignores that most of the trades have not contributed any LTP (neither positive nor negative). Further, it is alleged in the SCN that there were a total of 44 counter parties to these trades out of which only 4 parties, which are connected, therefore, it is on SEBI's own showing that there were at least 40 counter parties who had no connection with Noticee 1 and most of the trades of Noticee 1 have matched with entities with whom no connection is alleged in the SCN. This matching of trades with unconnected entities only shows that the trades of Noticee 1 were in normal course and it is just a coincidence that some of the trades matched with Noticee 2 to 5. The SCN failed to establish any collusion between Noticee 1 and Noticee 2 to 5 and in the absence of any evidence showing collusion, the charge of manipulation is baseless.

31. Noticee 1 submitted that, during Patch 2, out of 3746 buy trades 492 trades had a positive LTP of Rs. 55.95, 309 trades had a negative LTP of 55.25 and 2945 trades contributed to zero LTP. SEBI again consolidated the purported LTP analysis for several Noticees and arrive at an observation that Noticee 1 along with Noticee6, 7, 8 and 12 contributed Rs. 109.55 to positive LTP. The SCN clearly ignores the negative LTP contributed by the trades of Noticee 1 and that most of the trades have not contributed any LTP (neither positive nor negative). In this context Noticee 1 relied upon an Order dated March 31, 2020 passed by Adjudicating Officer of SEBI in the matter of ARG Management Solutions Pvt. Ltd. and an Order dated December 24, 2019 passed by Adjudicating officer of SEBI in the matter of Blue Blends (India) Limited.

32. With reference to allegation of increased the price of the scrip through first trade, Noticee 1 submitted that it is a normal market pattern that NHP's will get established from time to time and there is nothing wrong in it. Noticee 1 wanted to buy the shares of SLFL and on some occasions it may have placed an order which may have created a NHP which is a legitimate trade. As per the SCN, Noticee 1 had entered into 7165 buy trades during Patch 1 and out of which if 56 trades resulted in NHP, same cannot give rise to any suspicion and there is no reason to allege manipulation. Further, it is alleged in the SCN that Noticee 1 along with Noticee6, 7, 8 and 13 had executed 100 first trades out of which 40 trades resulted in positive LTP and to these 40 trades there were 20 counter parties out of which 4 were Noticee 2, 3, 4 and 5. In this respect, Noticee 1 submitted that allegation of 11 first trades matched with Noticee Nos. 2, 3, 4, and 5 is merely technical and goes clearly against the basic principles of trading on the blind platform of the stock exchange. Further, there were atleast 40 counter parties who had no connection with Noticee 1 however there trades had also been matched with the trades of Noticee 1.

33. Noticee 1 denied that along with Noticee 2 to 8, they have traded among themselves. Noticee 1 also denied that it has contributed to positive LTP and/or NHP, as alleged vaguely on the basis of assumptions and technicalities. In this context, Noticee 1 relied upon a judgment of Hon'ble SAT dated January 16, 2020 in the matter of Nishit Shah HUF vs. SEBI in Appeal No. 97 of 2019.

Submissions of Noticee 9, 10 and 11:

34. Noticee 9, 10 and 11 submitted that connections alleged in the SCN, has no relevance and allegations are levelled merely because Noticee 9, 10 and 11 are the promoters of SLFL. Further, they have no connection with any of the entities mentioned in the SCN, except, Noticee 6 and Noticee 1. In any event it is not even SEBI's case that their trades have matched with Noticee 6 and/or Noticee 1. Noticees submitted that they have not bought and/or sold even a single share during Patch 1 and they have only sold certain shares during Patch 2. Further, the purported Trade and Order logs provided with the SCN does not show that any of their trades matched with Noticee 12. Infact, it does not even contain details of the counter party. There is nothing on record to even remotely show that Noticee 9, 10 and 11 and Noticee 12 have actually traded amongst themselves.

35. Noticee 9, 10 and 11 further submitted that the SCN listed top 10 buy clients and top 10 sell clients in the scrip of SLFL during the IP, however, the present SCN is issued against selective entities only and not all the entities. Further, they have denied that Noticee 9 was the highest seller for 11,90,000 shares. With respect to allegation of sell trades of Noticee 9, 10 and 11 matched with the Noticee 12, they have submitted that there is no material on record to suggest such trades between them and Noticee 12. SCN does not place on record any data to show alleged trading between Noticee 9, 10 and 11 and Noticee 12. Noticee 9, 10 and 11 relied upon an Order dated March 31, 2020 passed by Adjudicating Officer of SEBI in the matter of ARG Management Solutions Pvt. Ltd. and an Order dated December 24,

2019 passed by Adjudicating officer of SEBI in the matter of Blue Blends (India) Limited.

36. Noticee 9, 10 and 11 submitted that they have not entered into trades among themselves and denied that they contributed to any positive LTP. All their trades were entered on the blind screen of stock exchange where identity of a counter party is unknown, and there is no finding of synchronized/structured orders/trades with the orders/trades entered by Noticee 12. There is nothing on record to show that they have any kind of connection with Noticee 12 or there was any collusion between them. Therefore, the charge under PFUTP does not hold good. In this context, Noticee 9, 10 and 11 have relied upon a judgment of Hon'ble SAT dated January 16, 2020 in the matter of Nishit Shah HUF vs. SEBI in Appeal No. 97 of 2019.

Submissions of Noticee 12:

37. Noticee 12 submitted it has no connection with any of the entities mentioned in the SCN. 3 Bank Transactions between Noticee 12 and Noticee 13, on January 14, 2015, February 19, 2015 and March 14, 2015 for an amount of Rs. 20,000/-, Rs. 22,000/- and 18,857/- were routine business transactions and the same has nothing to do with the alleged manipulation or trading in the shares of SLFL. Noticee 12 is an NBFC and towards loan documentation, verification of titles etc., often it need to outsource, some activities to a third party/outsider, who can independently do the activities against nominal fees. Noticee 12 had paid these amounts to Noticee13 towards these outsource services and the fees charged was very nominal. Noticee 12 submitted a ledger statement reflecting the said fees paid to Noticee13. Also, it is not even SEBI's case that Noticee13 utilized these amounts towards trading in the shares of SLFL. Therefore, the connections alleged and assumptions made in the SCN are baseless and unsustainable.

38. Noticee 12 submitted that the off market transfer of shares of Rajlaxmi Industries Limited to Noticee 6 on March 24, 2015 was a routine business transaction and the same has nothing to do with the alleged manipulation or trading in the shares of SLFL. The said transaction has nothing to do with the shares of SLFL and therefore there is no reason to raise suspicion. Noticee12 is in the business of sale/purchase of equity shares. At the relevant time Noticee 12 intended to sell some shares of SLFL and therefore it bonafidely entered into a genuine sell by receiving an amount of Rs.3,60,000/- from Noticee6 and this amount was received by it on March 31, 2015. An off market transfer in the shares other than SLFL months prior to first trade by Noticee13 cannot be linked with the trades entered by Noticee 13 and/or the alleged manipulation.

39. Noticee 12 submitted that it has not bought and/or sold even a single share during Patch 1 and it has bought certain shares during Patch 2. Further, Noticee 12 denied that it was one of the highest buyers for 36,09,941 shares.

40. Noticee 12 entered into 2971 buy trades. As per the SCN, out of 2971 trades, 457 trades contributed to positive LTP of Rs. 37/-, 172 trades which contributed to negative LTP of Rs. 37/- and 2342 trades contributed to zero LTP. The SCN clearly ignored the negative LTP contributed by its trades and also ignored that most of the trades have not contributed any LTP (neither positive nor negative). This itself makes it clear that the trading pattern was normal and there is no reason to allege that Noticee 12 is part of alleged manipulation. In this context Noticee 12 relied upon an Order dated March 31, 2020 passed by Adjudicating Officer of SEBI in the matter of ARG Management Solutions Pvt. Ltd. and an Order dated December 24, 2019 passed by Adjudicating officer of SEBI in the matter of Blue Blends (India) Limited.

41. It is not SEBI's case that it has synchronized/structured their orders/trades with the orders/trades entered by Noticee 9, 10 and 11. There were several other entities

who were trading in the scrip of SLFL during the relevant period. Since there is nothing on record to show that there is any kind of connection between Noticee 12 and Noticee 9, 10 and 11 or there was any collusion between them. Therefore, the charge under PFUTP does not hold good. In this context, Noticee 12 relied upon a judgment of Hon'ble SAT dated January 16, 2020 in the matter of Nishit Shah HUF vs. SEBI in Appeal No. 97 of 2019.

Submissions of Noticee 6:

42. Noticee 6 has no connection with any of the Noticees mentioned in the SCN. With respect to the alleged connection with Noticee 13 on the basis of Mobile Number, Noticee 6 submitted that the said mobile number does not belong to it and the said mobile number was never used by it. It appears to be some error in the purported KYC documents, may be an accidental error from the person who has filled in the KYC. Further, as per the last page of KYC document of Noticee 6, the mobile numbers of Directors of Noticee 6 is not the one which according to the SCN is common with some other Noticee. Noticee 6 further submitted that purported KYC documents were relied upon in the SCN in support of the allegation of same mobile number and when Noticee 6 sought inspection of documents, including these KYC documents, the same was refused. Therefore, in the absence of inspection, it is impossible for Noticee 6 to offer observations and comments on the alleged/purported KYC documents. Therefore, Noticee 6 reserve the right to make further submissions in this regard, as and when required.

43. With respect to off market purchase of shares of Rajlaxmi Industries Limited from Noticee 12, Noticee 6 submitted that the said purchase was a routine business transaction and same has nothing to do with the alleged manipulation or trading in the shares of SLFL. Further, the said transaction was executed on March 24, 2015 and has nothing to do with the shares of SLFL and therefore there is no reason to raise suspicion. Noticee 6 is in the business of sale/purchase of equity shares. At

the relevant time Noticee 12 intended to sell some shares of SLFL and Noticee 6 intended to buy the same and therefore it bona fide entered into a genuine purchase by paying an amount of Rs. 3,60,000/- to Noticee 12 and this amount was received by Noticee 12 on March 31, 2015.

44. With respect to the fund transfer with Noticee 8, Noticee 6 submitted that the said amounts were paid to Noticee 8 towards certain outsourced activities assigned to Noticee 8. Noticee 6 is an NBFC and in the course of routine activities it has to engage independent people outside its company to do client verification, collecting loan documents from clients, site verification etc. and during the relevant period it had outsourced some of these activities to Noticee 8, who was introduced to Noticee 6 through an industry contact and Noticee 6 paid these amounts as fees to Noticee 8 towards these loan outsourced services. The first such fee payment was on January 09, 2015 for an amount of Rs. 13,000/- and Noticee 8 entered his first trade in shares of SLFL only on April 20, 2015 and not before that. Therefore, the said fund transfers cannot be linked to the trading in the shares of SLFL by Noticee 6 or by Noticee 8. It is not even alleged in the SCN that Noticee 6 has funded the trades entered by Noticee 8 or Noticee 8 had utilized these amounts towards trading in the shares of SLFL. Noticee 6 further stated that the utilization of this amount by Noticee 8 is not in control of it. Further, any of the trades of Noticee 6 were not matched with the trades entered into by Noticee 8. However, the trades entered into by Noticee 8 had matched only with the trades entered into by Noticee 13 and several other unconnected entities. Therefore, the connections alleged and assumptions made in the SCN are baseless and unsustainable.

45. Noticee 6 further submitted that the SPOS was on April 20, 2015, while Noticee 8 entered his first trade in SLFL on April 20, 2015, which makes it apparent that the said transfer between Noticee 6 and Noticee 8 on January 09, 2015 has nothing to do with the trades entered into by Noticee 6 and/or Noticee 8. Therefore, merely

because there were some transactions between the parties cannot be a reason to accuse them in the present proceedings.

46. Noticee 6 submitted that it had only bought the shares during Patch 1 and Patch 2. Reason behind the trades was there was huge demand for shares of SLFL and the demand was obviously because of numerous corporate events in the Company. Noticee 6 further stated that it bought the shares of SLFL as an investment and even today it continues to hold 3,04,922 shares. It had bought the shares during the relevant period on a blind screen platform of MSEI and till date Noticee 6 is not aware about the identity of the counter party. Further, during the relevant period, it had bought and traded in several other shares/scrips other than SLFL, i.e. NHPC, NTPC, PFCL, Powergrid, Reliance Power, Suzlon, Yamini, Quasser etc. and the trading pattern of Noticee 6 was the same as was in SLFL. The trades of Noticee 6 are shown to be matched with Noticee 2, 3 and 4 only with whom there is no connection alleged. There is nothing on record to even remotely show that Noticee 6 and Noticee 2, 3 and 4 have any connection and they have actually traded amongst themselves.

47. Noticee 6 submitted that out of 1032 buy trades, 56 trades had a positive LTP of Rs. 64.80, 158 trades had a negative LTP of 94.30 and 818 trades contributed to zero LTP. SEBI consolidated the purported LTP analysis for several Noticees and arrive at an observation that Noticee 6 along with Noticee 1, 7 and 8 and Noticee 2, 3, 4 and 5 contributed to positive LTP. The SCN clearly ignores the negative LTP contributed by the trades of Noticee 6 and that most of the trades have not contributed any LTP (neither positive nor negative). Noticee 6 stated that there were a total of 44 counter parties to these trades out of which only 4 parties, which are connected, therefore, it is on SEBI's own showing that there were at least 40 counter parties who had no connection with Noticee 6.

48. Noticee 6 submitted that, during Patch 2, out of 632 buy trades 81 trades had a positive LTP of Rs. 10.55, 69 trades had a negative LTP of 14.05 and 482 trades contributed to zero LTP. SEBI again consolidated the purported LTP analysis for several Noticees and arrive at an observation that Noticee 6 along with Noticee 1, 7, 8 and 12 contributed Rs. 109.55 to positive LTP. The SCN clearly ignores the negative LTP contributed by the trades of Noticee 6 and that most of the trades have not contributed any LTP (neither positive nor negative). Most of the trades of Noticee 6 have matched with entities with whom no connection is alleged in the SCN. This matching of trades with unconnected entities only shows that the trades of Noticee 6 were in normal course and it is just a coincidence that some of the trades matched with Noticee 2 to 4. Further, it is not even SEBI's case Noticee 6 is connected with Noticee 2 to 4 and SEBI has not placed on record any material to show connection between them. This makes it clear that trading pattern of Noticee 6 was normal and there is no reason to allege that it is part of alleged manipulation. In this context Noticee 6 relied upon an Order dated March 31, 2020 passed by Adjudicating Officer of SEBI in the matter of ARQ Management Solutions Pvt. Ltd. and an Order dated December 24, 2019 passed by Adjudicating officer of SEBI in the matter of Blue Blends (India) Limited.

49. With reference to allegation of increased the price of the scrip through first trade during Patch 1 by entering into 12 trades, Noticee 6 submitted at times it is normal to place orders above the earlier price and such an incident may result in establishing an increase in price or a NHP. It is a normal market pattern that NHP's will get established from time to time and there is nothing wrong in it. As per the SCN, Noticee 6 entered into 1032 buy trades during Patch 1 and out of which only 12 trades resulted in NHP. Noticee 6 submitted that allegation of 11 first trades matched with Noticee 2, 3, 4, and 5 is merely technical and goes clearly against the basic principles of trading on the blind platform of the stock exchange. Further, there were atleast 40 counter parties who had no connection with Noticee 6 however there trades had also matched with the trades of Noticee 6. Further, SEBI

has not shown any connection between Noticee 6 and Noticee 2 to 5. Therefore, the charge under PFUTP does not hold good. In this context, Noticee 6 relied upon a judgment of Hon'ble SAT dated January 16, 2020 in the matter of Nishit Shah HUF vs. SEBI in Appeal No. 97 of 2019.

Common Submissions of Noticee 1, 6, 9, 10, 11 and 12 :

50. Noticees failed to understand the reason why SEBI is comparing the value/price of its share in the year 1991 i.e. Rs. 3.10/- with the value/price of its share in the year 2015. The BSE index in the year 1991 was around 1000 while in the year 2015 the BSE index was around 25000, i.e. after such a huge gap of 24 years performances as well, price of index or a scrip is likely to see a huge gap/difference. Therefore, it is irrelevant to compare performance or price of a scrip with a huge gap of 24 years, especially when during these 24 years there had been substantial events which had occurred in the Company and even the index has moved a lot.

51. Noticees have not made any gain or taken unfair advantage, or has caused any loss to the investor, nor the default is of repetitive nature.

52. The present SCN has leveled a serious charge of "Fraud" against them and same needs to be established and substantiated by cogent evidence and cannot be on the basis of assumptions, conjectures and surmises. It is well settled that an allegation of "Fraud" can be leveled against a person only for good reasons and on the basis of clear and unambiguous evidence and the degree of proof is much higher. In this context, they relied upon certain ratios laid down in this context in the Judgments mentioned hereunder,

- i) Denning L. J. observed in Bater v. Bater (1950) 2 ALL E.R. 458 as under:-
"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 other case. In criminal cases the charge must be proved beyond

reasonable doubt, but there may be degrees of proof within the 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".

ii) In Mousarn Singha Roy vs. State of West Bengal (2003) 12 SCC 377 it was held as under:-

"The charge relating to violation of PFUTP Regulations is a serious charge and hence a higher degree of proof is required to sustain it. In the instant case, such a charge has not been established against the Appellant by adducing cogent reasoning and convincing evidence".

iii) In KSL Industries Ltd. vs. SEBI (Appeal No. 9 of 2003 decided on September 30, 2003 before Hon'ble SAT) it was held as under:-

"A wild allegation of market manipulation, in particular the charge of fraudulent action unsupported with convincing evidence is not to be sustained..... allegation of fraud cannot survive on mere conjectures and surmises".

iv) In Dilip S. Pendse vs. SEBI (Appeal No. 80 of 2009 decided on November 19, 2009 before Hon'ble SAT) the aforesaid principles on degree of proof laid down in Bater v. Bater (1950) 2 ALL E.R. 458 were relied and it was held as under:-

"We have gone through the Impugned Order and the material on the record and find that the Whole Time Member has miserably failed to establish the charge".

v) In PG Electroplast Ltd. Vs. SEBI (Appeal No. 144 of 2014 decided on August 30, 2016 before Hon'ble SAT) wherein it was held as under:-

"The charge relating to violation of PFUTP Regulations is a serious charge and hence a higher degree of proof is required to sustain it. In the instant case, such a charge has not been established against the Appellant by adducing cogent reasoning and convincing evidence".

Submissions of Noticee 4:

53. Noticee 4 submitted that his trading in the scrip during the entire investigation period had been miniscule, 0.2% of the gross traded volume on MSEI. Noticee 1 is a registered NBFC whose main business purpose is to provide financial intermediation through loans and advances. The basis of alleged connection of Noticee 4 with Noticee 1 was on the basis of the fund transfers which were routine business/loan transaction. Noticee 4 provided copy of ledger statement of Noticee 1. Noticee 4 further submitted that the details of transactions provided as Annexure-6 of the SCN contains discrepancy and showing erroneous facts. The fund transfers dated January 17, 2015 and March 04, 2015 is incorrect, as Noticee 4 had not executed any transaction with Noticee 1 on the said dates. With respect to other transactions executed with Noticee 1, he submitted that the monies received from Noticee 1 during the period Jan-Mar 2015 was purely in the nature of business loan. The said fund transfers were executed even before the initiation of the investigation period of the SCN and were subsequently utilized for meeting the loan obligations towards other parties, which was the sole purpose of taking a loan. Certain part of the loan amount was repaid during July-August, 2015 i.e. even before execution of sale transaction in the scrip of SLFL. Further, balance pending payment of the aforesaid loan was made during November 2018 to February 2019 i.e. after a period of 3-4 years from the cause of action and the repayment of the said amount was done from the monies received in the form of loan in routine business nature from third parties. There is no allegation in the SCN which could infer that such fund transfers was utilized for any malafide or fraudulent purpose or the same were diverted by Noticee 4 in any manner. Further, no

relationship/connection of Noticee 4 has been alleged in the SCN with any other entity of suspected group or with the Company.

54. Further, Noticee 4 has traded only on 15 days out of the total trading days of 332 days on MSEI during the investigation period. As a seller, Noticee 4 had acted in normal course and within the market practice and mechanism, thus cannot be alleged for trading in normal course. It is a well-established business principal that the intent of a seller is always to sell at a higher price.

55. Noticee 4 sold his investment in SLFL and the same was spread over 15 trading days during Patch 1 and the sale was total of 21,126 shares which are merely 4.4% of the market trades executed in Patch 1 which is very negligible to have any impact upon the securities market. Further, throughout the investigation period his trades accounted for merely 0.2% of the gross traded quantity. The total sale of the alleged Noticees during the investigation period was 23,57,368 shares out of which his trading was of merely 21,126 shares which constitutes of merely 0.8% of the total shares sold by the alleged noticees. Therefore, such miniscule trades by him vis-à-vis the market trades cannot said to have any impact upon the market.

56. With respect to allegation of first trades during Patch 1, Noticee 4 stated that the prime allegation is against Noticee 1,6,7,8 and 13 and he is being wrongly implicated in the SCN because 3 out of his total 342 trades resulted in positive LTP of merely Rs. 3.50. In the above case also, where his trades were alleged for LTP Contribution at many instances there was already pending buy orders and as a prudent seller he would place the sell order as per the available buy orders. There were total 20 seller to the total alleged first trades and out of 342 trades executed by him only 3 trades have alleged in the SCN for contribution to LTP through first trades.

57. In his additional submissions, Noticee 4 submitted that the off-market acquisition of SLFL shares made by him were during 2013-14 i.e. much before the initiation of investigation period and not on 17.08.2015 (during the investigation period) as stated in Annexure-6 of the SCN. Therefore, the observation in the said Annexure is erroneous and lacks merit. Further, the loan transactions executed with Noticee 1 was a commercial transaction executed in 2015 and has no connection or relation with the aforesaid acquisition as the same were first acquired during the year 13-14. Noticee 4 submitted the holding statement of IIFL Securities Limited for the period FY 13-14 and 15-16. He further submitted that the sole purpose of selling the shares during Sep-Oct, 2015 was to meet the urgent payment obligation required to be made to the Builder 'Parsvanath Landmark Developers Private Limited' on 25.09.2015 and 07.10.2015. In addition, the sale proceeds were utilized by one of the companies promoted by him Biotevia Labs Private Limited for meeting the business requirements. Therefore, he had no ulterior motive to execute the transactions under consideration and funds were utilized for meeting personal and business financial obligations only. Noticee 4 submitted the copy of receipts for payment made on 25.09.2015 and 07.10.2015 of the Builder and Bank Statement for the period 15-16.

58. With respect to allegation of manipulating the price of the scrip by contributing positive LTP of Rs. 13.25 through 23 trades, Noticee 4 submitted that the aforesaid allegation is not only erroneous but also devoid of any merits. Firstly, the figures given in the SCN are incorrect and the correct figures are given herein below:

| Particulars | LTP (In Rs.) | No. of trades |
|---------------------------|-------------------------|----------------------|
| Total Positive LTP | Rs. 14 | 27 trades |
| Total Negative LTP | Rs. (27.25) | 49 trades |
| Net LTP | Rs (13.25) | 76 trades |

Noticee 4 submitted that net LTP contribution by him had been (13.25) and not positive Rs.13.25 as alleged in the SCN. The SCN by taking into consideration merely 23 trades has showed a misleading picture that he had contributed positive LTP to manipulate the price. Considering that the shares of SLFL were first acquired during the year 13-14 and the transactions with Noticee 1 were executed during 2015 shows that there is no co-relation between both the transactions.

59. Noticee 4 further stated that as a seller he had acted in normal course and placed orders slightly above the LTP to get as much sale value he could get from the sale of the shares when the price trend was already increasing. Hence, there was no abnormal behavior in selling such securities with such minute difference from the LTP. Further, alleging a seller of selling the shares at a higher price is against the established principals and very basics of capital market and hence the entire allegation in this respect is erroneous, based upon wrong presumptions and unfounded for. Noticee 4 relied upon SEBI order dated 24.01.2019 bearing No. EAD-9/SM/234 - 236/2018-19 in the matter of Ponni Sugars (Erode) Limited and re-iterated herein below: "***The placement of buy order above prevailing sell order rate has no economic rationale as any prudent investor would buy at lower price and sell at higher price.***"

Noticee 4 also relied upon **SEBI Order dated 19.06.2019 in respect of Nirshilp Securities Ltd in the matter of Winsome Yarns Limited (ADJUDICATION ORDER NO. Order/KS/VB/2019-20/3427):**

"12. It was observed that Noticee in its reply dated January 30,2018 has submitted that placing sell orders at price higher than LTP was in line with the objective to earn maximum gains and it was for the buyers to decide whether to purchase shares at the price higher than the LTP at reduced gains. I find that the submission of the Noticee in this regard as acceptable as generally contribution to positive LTP has to be considered with respect to the buyers and not sellers."

Submissions of Noticee 5:

60. Noticee 5 made similar submissions to Noticee 4. The submissions unique to Noticee 5 are summarized below.
61. Noticee 5's trading in the scrip during the entire investigation period had been miniscule, 0.2% of the gross traded volume on MSEI. Noticee 5 took a loan from Noticee 1 during 2015 for meeting certain short term business needs, which was duly repaid within span of 2 months. The said transaction was executed before initiation of IP. The basis of alleged connection was merely on the basis of the aforesaid fund transfers which were nothing but in the nature of routine business/loan transaction. Noticee 5 provided copy of ledger statement of Noticee 1. Further, no relationship/connection of Noticee 5 has been alleged in the SCN with any other entity of suspected group or the Company.
62. Noticee 5 has traded only on 5 days out of the total trading days of 332 days on MSEI during the investigation period.
63. With respect to allegation of manipulating the price of the scrip by contributing positive LTP of Rs. 21.75 through 17 trades, Noticee 5 submitted that he executed a total of 503 number of trades and out of these total trades, there were transaction which resulted in negative LTP and also "NIL" LTP. He was in process of selling his shares and placed his bids at the then available best prices.
64. Of total 503 trades, merely 17 trades were alleged in the SCN which is 3.37% of the total trades. Thus, there was no allegation with respect to 96.63% of the trades executed by him in the SCN. He further submitted that he had no trading during the Patch 2 which again shows that he had no mala-fide intent.

65. Noticee 5 merely sold his investment in SLFL and the same was spread over 5 trading days during Patch 1 and the sale was total of 20,400 shares which are merely 4.26% of the market trades executed in Patch 1 which is very negligible to have any impact upon the securities market. Further, throughout the investigation period his trades accounted for merely 0.2% of the gross traded quantity let alone to have any impact on price of the scrip. The total sale of the alleged Noticees during the investigation period was 23,57,368 shares out of which his trading was of merely 20,400 shares which constitutes of merely 0.8% of the total shares sold by the alleged Noticees.

66. With respect to allegation of first trades during Patch 1, Noticee 5 stated that the prime allegation is against Noticee 1, 6, 7, 8 and 13 and he is being wrongly implicated in the SCN because 2 out of his total 503 trades resulted in positive LTP of merely Rs. 7.75. There were total 20 sellers to the total alleged first trades and out of 503 trades executed by him only 2 trades are alleged in the SCN for contribution to LTP through first trades.

67. In its additional submissions Noticee 5 submitted that the off-market acquisition of SLFL shares made by him were during 2013-14 i.e. much before the initiation of investigation period and not on 17.08.2015 (during the investigation period) as stated in Annexure-6 of the SCN. Further, the loan transactions executed with Noticee 1 was a commercial transaction executed in 2015 and has no connection or relation with the aforesaid acquisition as the same were first acquired during the year 13-14. Noticee 5 submitted the holding statement of IIFL Securities Limited for the period FY 13-14. He further submitted that the sole purpose of selling the shares during September 2015 was to meet the urgent funds requirements for one of the companies promoted by him Kimia Biosciences Limited for business purpose. Therefore, he had no ulterior motive to execute the transactions under consideration and funds were utilized for meeting business financial obligations only. Noticee 5 submitted the copy of Bank Statement for the period 15-16.

68. With respect to allegation of manipulating the price of the scrip by contributing positive LTP of Rs. 21.75 through 17 trades, Noticee 5 submitted that the aforesaid allegation is not only erroneous but also devoid of any merits, which is substantiated below:

| Particulars | LTP (In Rs.) | No. of trades |
|---------------------------|-------------------------|----------------------|
| Total Positive LTP | Rs. 21.75 | 62 trades |
| Total Negative LTP | Rs. (29.5) | 17 trades |
| Net LTP | Rs (7.75) | 79 trades |

Noticee 5 submitted that net LTP contribution by him had been (7.75) and not positive Rs.21.75 as alleged in the SCN. The SCN by taking into consideration merely 17 trades has showed a misleading picture that he had contributed positive LTP to manipulate the price.

Common Submissions of Noticee 4 and 5:

69. Noticee 4 and 5 further stated that as evident from the price volume data, the price of the scrip was already rising and the buyers were available in the market to culminate the transactions, in such circumstances, wherein there were willing buyers, Noticee 4 and 5 as sellers, merely acted as any prudent and judicious persons placed the orders at a slightly higher prices, to get as much sale value they could get from the sale of the shares when the price trend was already increasing. Hence, there was no abnormal behavior in selling such securities with such minute difference from the LTP.

70. There was a minor fall in the price of 3.2% during the Patch 1 whereas the allegation made against them is to contribute positive LTP which are contradictory. Noticee 1, 6, 7, 8 and 13 have contributed Rs. 537.40 (32.15% of the market

positive LTP) and there were total 44 counterparties out of which the SCN has picked merely 4 counterparties on the basis of alleged relationship amongst them. There were 40 other counterparties to such trades as well and they are merely scapegoat in the whole process as they had loan transactions with one of the alleged Noticees. Noticee 4 and 5 placed sale orders during 15 and 5 trading days respectively and as per observation in SCN itself, that almost 99% buy was constituted of the Noticees, it was but natural that their sale trades transacted against the buy trades of the Top Buyers.

71. With respect to allegation that the trades undertaken by Noticee 4 and 5 relied upon ratio laid down in several judgments as given below.

72. Hon'ble SAT in the matter of **Ketan Parekh vs. Securities and Exchange Board of India wherein it had observed that:**

"Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn."

73. Hon'ble SAT in the matter of **"Sanman Consultants Vs SEBI [2001]30 SCL 45 (SAT — Mum)"** has held that:

"On the basis of a stray case of purchase or sale alone it cannot be concluded that it was a case of manipulation."

That SAT at various junctures has considerably held that the findings must be gleaned from pattern of behavior, from apparent irregularities, and from trading data. When all of these are considered together, they can emerge as ingredients in a manipulative scheme designed to tamper with free market forces.

74. Hon'ble Supreme Court of India in its judgment in the matter of Securities and Exchange Board of India v. Kishore R. Ajmera in Civil Appeal No. 2818 of 2008 decided on February 23, 2016 held that:

*"It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the **totality of the attending facts and circumstances surrounding the allegations/charges made and levelled** While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. **The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion.**"*

75. Hon'ble SAT in KSL & Industries Vs. Chairman, SEBI [Appeal No. 9/2003 decided on 30.09.2003] wherein it is held that:

"a wild allegation of market manipulation, in particular, the charge of fraudulent action unsupported with convincing evidence is not to be sustained..... that allegation of fraud cannot survive on mere conjectures and surmises".

76. The Hon'ble Securities Tribunal in the case of Vikas Ganeshmal Bengani v. Adjudicating Officer, SEBI, Appeal No. 283 of 2009 (decided on March 08, 2010), wherein it was held that:

"What is being alleged against the appellant is that he played a fraud and committed an unfair trade practice within the meaning of the regulations while trading in the scrip of the company. It is a serious allegation and when fraud is being alleged the particulars thereof have to be indicated in the show cause notice. **The least that is required of a body like the Board is to tell the appellant about the manner in which he has played the fraud or committed the unfair trade practice. Except for alleging that the provisions of Regulation 4(1) and 4(2) of the regulations had been violated, no other details or particulars of the fraud had been indicated in the show cause notice. How can such a serious charge be allowed to stand without the particulars being provided in the show cause notice? On this ground also the impugned order deserves to be set aside"**

77. Hon'ble SAT in the matter of **Mr. Narendra Ganatra Vs. Securities and Exchange Board of India** and the relevant extract is iterated herein below:

"We should not lose sight of the fact that the charge against the Appellant is of conniving with the group entities in creating false and misleading appearance of trading in the market and artificially raising **the price of the scrip and for such a serious charge, higher degree of probability is required** Such a charge **cannot stand on surmises and** conjectures. The allegations in the show cause notice as well as in the impugned order are against the Ganatra Group entities. No evidence has been brought on record to show the role that the Appellant has involved in the group in executing synchronized or circular trades thereby creating false or misleading appearance of trading in the scrip..... The adjudicating officer has discussed in the impugned order the total shares sold and purchased by the Ganatra group entities but has failed to bring on record the role played by the Appellant in executing these trades. **As far as individual role of the Appellant is concerned, admittedly, his trades have not been considered very significant; In the absence of any evidence on record, direct or circumstantial, against the Appellant in manipulating the trades or raising the price of the scrip, he deserves to be given the benefit of doubt."**

78. Noticee 4 and 5 submitted that the cause of action pertains to 2015-16 whereas the proceedings initiated after a period of 3 years and SCN was issued again after 1 years causing undue delay in the present matter. It has time and again decided in various cases that when there is no period of limitation prescribed in the Act or the Regulations for issuance of a show cause notice or completing the investigation; the authority is required to exercise its powers in reasonable time. In this regard, **The Supreme Court in Government of India vs, Citedal Fine Pharmaceuticals, Madras and Others, [AIR (1989) SC 1771]** held that: *"in the absence of any period of limitation, the authority is required to exercise its powers within a reasonable period. What would be the reasonable period would depend on the facts of each case and that no hard and fast rule can be laid down in this regard as the determination of this question would depend on the facts of each case."*

79. **SAT** in its latest judgment dated 27.05.2019 in the matter of **Mr. RakeshKotharia and Others Vs. SEBI (Appeal No.7 of 2016)** has upheld the same legal position,

*"In our view, there has been an inordinate delay on the part of the respondent in initiating proceedings against the appellant for the alleged violation. **In our opinion, much water has flown since then and, at this belated stage, the appellant cannot be penalized for the alleged violation** which in any case was substantially complied with under Chapter III of the Regulations."*

Submissions of Noticee 2 and 3:

80. Noticee 2 and 3 submitted that transactions with Noticee 1, a registered NBFC, were routine business transactions. The fund transfers were towards receipt of the professional fee paid by Noticee 1 to them for the client introduction. On account of introducing new clients Noticee 2 and 3 charged very nominal professional fee

of Rs. 15 Lakhs approximately, which they received from Noticee1 on February 16, 2015 in various tranches i.e. Rs.4 lacs in the account of Noticee 2 and Rs. 7 lacs in the account of Noticee 3 and Rs. 4 lacs in the account of Mr. Ramesh Kumar Singla. All the payments have been received by them after deduction of TDS and same has been shown by them in their computation of income. Therefore, these fund transactions have no connection with their trades in the shares of SLFL. First trade entered into by Noticee2 was in June 2015 and the same by Noticee3 was in July 2015. Therefore, the fund transactions on February 16, 2015 cannot be the basis to allege any connection with trades entered in June and July 2015 and thereafter. Further, it is not alleged that Noticee 2 and 3 traded in the shares of SLFL with these amounts or they used these amounts towards settlement of their trades.

81. Noticee 2 and 3 denied that they contributed to any positive LTP. All their trades were in the normal course of trading in securities and the trades were entered on the blind screen of the stock exchange where identity of a counter party is unknown. Further, it is not alleged in the SCN that they have synchronized/structured/matched their orders/trades with the orders/ trades entered by Noticee1 and 6. Very few of their trades matched with Noticee1 and 6. However, merely because some of their trades matched cannot be a reason to arrive at a conclusion that the trades were part of manipulation.

82. Noticee 2 and 3 stated that during Patch 1 they have entered into 6 trades which allegedly increased the price of the scrip and in these 6 trades they traded in only 245 shares by way of first trade which allegedly increased the price. It is absolutely normal that the trades are placed above the earlier price and such trades do result in an increase in price or a New High Price (NHP). Without NHP stock market cannot function. Noticee 2 and 3 denied that alongwith other Noticees they have traded amongst themselves.

83. Noticee 2 had only sold 30,000 shares of SLFL during IP and not 3,00,000 shares as mentioned in the SCN. Further, Noticee 2 is wrongly mentioned in the top 10 sellers in the SCN. As, 30,000 shares contributed to 0.0021% of total traded volume during IP.

84. With respect to trades executed during IP, Noticee 2 and 3 submitted as under:

| Name of Entity | No. of Trades | Traded Volume | Total/Sum LTP Contribution |
|-----------------------|----------------------|----------------------|-----------------------------------|
| Noticee 2 | 501* | 30,000 | +15.8 |
| Noticee 3 | 262# | 13,632 | -1.30 |

***Out of the total 501 trades executed by Noticee 2**

- i. 37 trades contributed to negative LTP of - 45.25;
- ii. 362 trades contributed to 0 LTP and
- iii. 102 trades contributed to positive LTP of +61.05.

#Out of the total 262 trades executed by Noticee 3

- i. 33 trades contributed to negative LTP of -18.05;
- ii. 203 trades contributed to 0 LTP and
- iii. 26 trades contributed to positive LTP of +16.75.

a) Noticee 2 traded between May 26, 2015 and July 10, 2015 and the price during that time fluctuated between Rs. 707.75 to Rs. 734.

b) Noticee 3 traded between July 29, 2015 and September 2, 2015 and the price during that time fluctuated between Rs. 729 to Rs. 688.5.

85. Noticee 2 submitted that only 76 trades with Noticee 6 contributed to either positive or negative LTP, on more than 50 occasions sell order was placed prior to buy order, which clearly shows that there was no meeting of mind of Noticee 2 with the buyer (who was an unknown party to the seller because of the screen based trading system) and also there was no fixed pattern of trading of either the buyer or the seller. With reference to the trades of Noticee 3, they submitted that the trades actually contributed to negative LTP of Rs. 1.3 and therefore the trades executed by Noticee 3 cannot be alleged to be manipulative in any manner whatsoever.

86. Noticee 2 and 3 further submitted that while trading in a scrip which is being traded in the range of Rs. 688 to Rs. 734, it is normal market practice to place orders slightly above or below LTP depending on whether there is an upward or downward movement in the price of the scrip or whether an entity is interested in buying or selling the shares of that scrip. In the present case both of them had placed buy orders either before or after the sell order was placed, having both the cases it cannot be alleged that they were following a specific pattern to create misleading appearance of trading in the scrip or manipulated the price of the scrip upwards. Further, a liquid scrip having a daily average volume of 4061 shares cannot be manipulated by trades executed by Noticee 2 and 3 who have traded in a span of around 3 months and that to only for a quantity of 43,632 shares.

Submissions of Noticee 7:

87. With respect to allegation of connection with the company, Noticee 7 submitted that he has no connection with any of the entities mentioned in paragraph 8(d) of the SCN, and directorship in Legend Infoways has no co-relation with his trading in the shares of the company. Further, he traded in the shares of the company in his personal capacity and with his own funds. He became a director in Legend Infoways in and around July 2014 and SLFL shares got listed on March 18, 2015

and SPOS was on April 20, 2015. Noticee 7 had entered his first trade in shares of the company on May 5, 2015 which is almost a month after the price was determined by MSEI. Also, the counter parties shown to his trades are not alleged to have any kind of connection with him. In the SCN, it is not alleged that the company had provided him funds to trade in its shares or he was instructed by the company to trade in its shares. Therefore, simply because he traded in the shares during the investigation period cannot be a reason to allege manipulation.

88. With respect to summary of trading tabulated in the SCN, Noticee 7 submitted that he had bought the shares during Patch 1 and Patch 2. He traded in the shares of company during the investigation period and the reason behind the trades was investment in the shares of the company, because of numerous corporate events in the company at that time there was demand for shares. He stated that even today he continues to hold 80,96,483 shares of the company as an investment. In and around the year 2013 he opened a Demat Account and he bought and sold several stocks including SLFL. During IP when the shares of the company were listed on MSEI, he was holding some shares of the company, and he thought, that was the right time to trade and/or buy the shares and accumulate his investment. Therefore he traded and bought some shares.

89. Noticee 7 submitted that, during Patch 1, he entered into 158 buy trades, and as per the SCN the said trades contributed towards positive LTP. However, as per the SCN out of said 158 buy trades 73 trades had a positive LTP of Rs. 61.55, 30 trades had a negative LTP of 61.1 and 55 trades contributed to zero LTP. The SCN clearly ignored the negative LTP contributed by the trades of Noticee 7 and that most of the trades have not contributed any LTP (neither positive nor negative). This itself makes it clear that the trading pattern was normal and there is no reason to allege that Noticee 7 is part of alleged manipulation. There were a total of 44 counter parties to these trades out of which only 4 parties, are connected, therefore, it is on SEBI's own showing that there were at least 40 counter parties who had no

connection with Noticee 7. Further, SEBI has not even alleged any connection between him and Noticee 2, 3, 4 and 5. Further, it is alleged in the SCN that some of the buy trades of Noticee 7 matched with sell trades entered by Noticee 2. However, SCN does not allege any kind of connection between him and Noticee 2. In order to substantiate his contentions, Noticee 7 relied upon the ratio laid down by Hon'ble SAT in the matter of Nishit M Shah HUF vs. SEBI in Appeal No.97 of 2019.

90. Noticee 7 further submitted that, during Patch 2, he entered into 136 buy trades, and as per the SCN the said trades contributed towards positive LTP. However, out of said 136 buy trades 29 trades had a positive LTP of Rs. 2.4, 10 trades had a negative LTP of 3.25 and 97 trades contributed to zero LTP. The SCN clearly ignored the negative LTP contributed by the trades of Noticee 7 and that most of the trades have not contributed any LTP (neither positive nor negative).

91. Noticee 7 submitted that the order placement time shows that most of his trades have matched with the orders which were already placed and were pending in the system. As per Annexure 9 he had entered into around 21400 trades and Annexure 10 had captured around 82 trades. Further, around 62 trades out of these 82 trades have matched with the orders existing in the system. Hence, the LTP and NHP allegation is not correct on face of records in the SCN. Infact his trades matched with the entities which are not connected proves that his trades were genuine trades, and very few of his trades have matched with Noticee 2, but it is not alleged or shown that he has any connection with Noticee 2.

92. With respect to allegation of increased price of the scrip through first trade during Patch 1 by entering into 10 trades, Noticee 7 submitted that the said allegation is vague and baseless and shows failure on part of SEBI to consider that at times it is normal to place orders above the earlier price and such an incident may result in establishing an increase in price or a NHP. It is a normal market pattern that

NHP's will get established from time to time and there is nothing wrong in it. Noticee 7 wanted to buy the shares of SLFL and on some occasions he may have placed an order which may have created a NHP which is a legitimate trade. As per the SCN, Noticee 7 had entered into 158 buy trades during Patch 1 and out of which if 10 trades resulted in NHP, same cannot give rise to any suspicion and there is no reason to allege manipulation. Further, it is alleged in the SCN that Noticee 7 alongwith Noticee 1, 6, 8 and 13 had executed 100 first trades out of which 40 trades resulted in positive LTP and to these 40 trades there were 20 counter parties out of which 4 were Noticee 2, 3, 4 and 5. In this respect, Noticee 7 submitted that allegation of 11 first trades matched with Noticee Nos. 2, 3, 4, and 5 is merely technical and goes clearly against the basic principles of trading on the blind platform of the stock exchange. Further, there were atleast 40 counter parties who had no connection with Noticee 7 however the trades had also matched with his trades. Miniscule matching of trades makes it clear that trades of Noticee 7 were genuine and not with a reason to trade among themselves as alleged in the SCN. Further, SEBI has not shown any connection between Noticee 7 and Noticee 2 to 5. Therefore, these observations are contrary to the ratio laid down by Hon'ble SAT in the matter of Nishit Shah HUF vs. SEBI in Appeal No. 97 of 2019.

Submissions of Noticee 13:

93. Noticee 13 denied the allegations in the SCN and submitted that he is an investor and trader in securities market and he basically do short term trades/jobbing and arbitrage transactions.

94. Noticee 13 denied the connection with Noticee 6. He submitted that the mobile number mentioned in the KYC is belonged to him and was used by him. It is impossible for him to make any comments as to how and why his mobile number was mentioned in the KYC of Noticee 6. It could be an error but same has nothing to do with him, since that is not an error committed by him. Further, he is not using

this mobile number for around 2 years. In the absence of inspection of documents SEBI has compelled him to answer these KYC documents, which is highly illegal and completely against the basic procedures for a trial.

95. With respect to the fund transfers with Noticee 12, Noticee 13 submitted that Noticee 12 paid some small amounts to him. The said amounts were received by him towards some services which he had provided to Noticee 12 therefore same may not be assumed as a connection or anything to connect with trading in shares of SLFL. Noticee 13 is a freelancer providing certain services to any individual or companies who are in need, against reasonable fees. During the relevant period, he had assisted Noticee 12 in verification of title etc. for some properties and against these services, Noticee 12 paid him small fees. Hence, it cannot be even assumed that these amounts have anything to do with his trading in SLFL. Further, none of his trades have matched with Noticee 12. Therefore, the connection alleged is irrelevant to the allegations made in the SCN.

96. Noticee 13 stated that on one hand it is alleged that he is connected to Noticee 6, however, none of his trades were matched with the trades entered into by Noticee 6. His trades were matched with Noticee 8 only on 4 days, however, it is not alleged that Noticee 8 is connected with him in any manner. He bought only 200 shares and sold only 200 shares of SLFL during Patch 1. It is baseless to allege that he had created a misleading appearance of trading in the scrip by trading in 200 shares of SLFL. He independently traded in the shares of SLFL and he has nothing to do with the trades entered into by other Noticees. Further, he has not traded in collusion or connivance with other Noticees and therefore considering the trades of all Noticees together while making allegations is wrong.

97. Noticee 13 submitted that his trades on April 20, 2015 were not with the intention to establish any price, as vaguely alleged. During SPOS it was only him and Noticee 8 who entered orders, however, that does not constitute any offense. SEBI

cannot allege that the trades executed by Noticee 13 under SEBI's own mechanism and framework are manipulative and misleading. Since the shares were listed and approved for trading on MSEI after a long time, he wanted to test the market before he could start trading. Therefore, he placed a sell order for hardly 100 shares which may have got matched with Noticee 8. It is impossible for any investor to know who all are trading in particular scrip at a given time. Further, almost after 30 minutes of placing a sell order his trade got executed and 100 shares got sold. There was a substantial time gap between his order placement and the time at which Noticee 8 placed his order. Infact from the order logs it is clear that he had first placed an order at Rs. 725 which was then cancelled and only when he saw a buy order available at Rs. 720, he placed an order for sell of 100 shares at Rs. 720 and it appears that his sell order got matched with the said buy order. Further, Noticee 8 placed several orders on April 20, 2015 at various prices and one of the orders of Noticee 8 got matched with his order. This actually shows that Noticee 8 was eager to buy the shares of SLFL. After his trades on April 20 and April 21, 2015 he waited for few days to evaluate the market and when he noticed a downward trend in the prices of SLFL, he again thought of buying the quantity which he had earlier sold and hold on to the shares. Therefore, he bought 200 shares at a price of around Rs. 711 or 712 and he continued to hold on to the shares. Even today he held a total of 3,84,500 shares of SLFL. At the time he bought 200 shares on April 30 and May 4, 2015, Noticee 8 was trading in the shares and there were several other parties also who were trading. Infact Noticee 8 continued to trade even after that and last trade of Noticee 8 in patch 1 was somewhere around June 19, 2015. Merely because there is a huge difference in prices between the year 1991 and 2015 same cannot be a reason to allege manipulation. SEBI has completely lost sight of the fact that the shares are listed after 24 years and the perspective of every investor is also likely to change in these years. Noticee 13 denied that he had established a price of Rs. 720/- during SPOS and thereafter he and Noticee 8 traded amongst themselves.

98. Noticee 13 submitted that merely because there was no other trader in SLFL during SPOS, same cannot be a reason to assume that his trades with Noticee 8 were premeditated or an attempt to create misleading appearance of trading as alleged in the SCN. If it is a case that he and Noticee8 had traded in shares of SLFL in a premeditated manner, Noticee 8 would have not continued to trade till June 19, 2015 with several other counter parties. Further, it is not alleged that any of the counter parties to trades of Noticee8 are connected.

99. With respect to bonus allotment referred in the SCN, Noticee 13 submitted that the Annexure 7 provided along with SCN seems to be incomplete. He stated that the attachment to the emails referred and relied upon in the SCN was not provided to him. In the absence of documents attached to the emails, it is clearly an incomplete document, which relied upon in the SCN.

100. Noticee 13 denied that he is connected to Noticee 6 and he was not aware that Noticee6 is/was a promoter of the Company. With respect to observation in the SCN that financials of company did not justify price of Rs. 720/-, Noticee 13 submitted that he is short term trader/jobber and an arbitrager. Every investor has a different perception about the stock market and particular scrip and only because of different perceptions, stock market works. If everyone happens to carry same perception about particular scrip there would be no trading at all in that scrip. Further, the SCN has not shown any connection and/or collusion between Noticee 13 and Noticee8. Therefore, the allegations made in the SCN are contrary to the ruling of the Hon'ble SAT in the matter of Nishit Shah HUF vs. SEBI in Appeal No. 97 of 2019.

101. Noticee 13 stated that SCN is not issued to all the top buyers and top sellers during IP, which shows an unfair and a biased approach. As per the SCN, Noticee 13 has bought 2000 shares of SLFL, however, as per logs provided with the SCN, he has bought only 200 shares and thereafter sold 200 shares on 4 days i.e. April

20, April 21, April 30 and May 4, 2015. During Patch 1, he entered only 2 buy trades and both the trades resulted in a negative LTP of Rs. 3.05 and on the other hand it is alleged that he along with Noticee 1, 6, 7 and 8 had entered into 822 trades which resulted in positive LTP. Further, there were 44 counter parties to these 822 trades and 4 counter parties were Noticee 2, 3, 4 and 5, and nowhere the SCN has even alleged that he had any kind of connection with any of the Noticee 1, 2, 3, 4, 5, 7 and 8. Therefore, the allegations of contributing to positive LTP has no consequences and has nothing to do with his trading. Further, it is alleged in the SCN that there were a total of 44 counter parties to these 822 trades out of which only 4 parties, are connected to other Noticees not with Noticee 13. Noticee 13 relied upon judgement of the Hon'ble SAT in the matter of Nishit M Shah HUF vs. SEBI.

102. Noticee 13 submitted that during Patch 1, he had entered into 2 trades which allegedly increased the price of the scrip and in these 2 trades he traded in 200 shares by way of first trade but same did not result in NHP. Further, Noticee 1 and 6 to 8 had executed 100 first trades out of which 40 trades resulted in positive LTP and to these 40 trades there were 20 counter parties out of which 4 were Noticee 2 to 5, however, Noticee 2 to 5 was never counter party to his trades and also there is no allegation that they are connected to him in any manner.

Submissions of Noticee 8:

103. Noticee 8 submitted that the allegations against him are not supported with any evidence and the SCN is issued to him only because suspicion of some violation by allegedly connected entities and only because he has incidentally traded during the relevant period. Noticee 8 is a short term investor and trader who trades in securities market obviously with an intention to make some profits. Every investor in the stock market enters the market with an intention to make profits, every investor trades on the basis of his/her own analysis of market and the trades are

entered more on the basis of sentiments towards a particular company and news floating in the market. Noticee 8 denied that he is connected with any other Noticee and he has not traded with other Noticees as a group, he independently traded in the shares of SLFL and his trades were out of his own funds.

104. Noticee 8 further submitted that the AO was appointed on April 03, 2019 and therefore it is obvious that the investigation in the matter was concluded by then. But it took almost a year to prepare the SCN and to make allegations against Noticee 8. Due to delay in issuing the SCN, after so many years it is always impossible for an investor or any person to explain the transactions. A person cannot be expected to remember every transaction for years and preserve the evidences related to those transactions.

105. Noticee 8 submitted that in and around March 2015 he came across a news which stated that 6,12,57,375 shares of SLFL are approved for listing on MSEI and upon coming across this news, he started his research on SLFL and noticed that the Company incorporated in the year 1983 and was earlier listed on the DSE till 1991. He further digged into the details of the Company and he noticed that the Company has undergone a complete revival/or change and there have been a series of corporate actions made by the Company for e.g. Merger, Bonus, Rights issue etc. He also noticed from the shareholding pattern of the Company that promoters shareholding has been substantial and therefore he believed that this Company has been completely revamped and once the shares are listed on MSEI, it would be an opportunity to buy the shares of Company and on the basis of future analysis of the price and performance of the shares, he normally decide whether to invest for long term or short term or merely trade in the shares. Further, during the relevant time, he came across some news about the company which indicated that the shares of SLFL are in demand and therefore he believed that he must buy the shares in the initial days itself once the shares are listed.

106. Noticee 8 submitted that shares of SLFL were last traded on DSE in the year 1991 at a price of Rs. 3.10, and his trades on April 20, 2015 were not with the intention to establish any price, as vaguely alleged. Further, it is possible that during SPOS it was only him and Noticee 13 who entered orders, but this is not illegal or in violation of any law. As per Trade Logs it is clear that he had placed several buy orders for 100 shares and only one order for 100 shares got executed. This only shows that he was at the relevant time eager to buy the shares of SLFL. With respect to observation that there was only him and Noticee 13 who participated in SPOS does not explain how he is expected to be aware that who are entering orders in SPOS at the relevant time. It is impossible for any investor to know who all are trading in a particular scrip at a given time since the platform is a blind screen. It is not alleged that there were synchronized or matched trades between him and Noticee 13. Further, there was a substantial time gap between the placement of orders and Noticee 13 had also placed several orders on April 20, 2015 at various prices, while one of the order of Noticee 13 got matched with his orders, which is absolutely normal trading pattern. Further, he did not trade only on April 20, 2015 but he continued to trade in the shares for a long time till November 2015 and his trades had matched with several entities which even according to SEBI are not connected to him in any manner whatsoever. Noticee 8 further stated that his last trade during patch 1 was on June 19, 2015 and during patch 2, he traded only hardly few days.

107. Noticee 8 denied that he is connected to Noticee 6 and as far as Noticee 6 being a promoter of SLFL is concerned, he denied the same for want of knowledge. With respect to observation in the SCN that financials of company did not justify price of Rs. 720/-, he submitted that he is a short term investor and trader who trades in securities market obviously with an intention to make some profits. Further, it is not alleged in the SCN about any connection and/or collusion between him and Noticee 13. Noticee 8 relied upon judgement of Hon'ble SAT in Order in the matter of Nishit Shah HUF vs. SEBI in Appeal No. 97 of 2019, wherein it is held

that the charge of manipulation cannot sustain in the absence of connection between the buyer and the seller.

108. With respect to the fund transfers between him and Noticee 6, he submitted that during the relevant period he used to do various random odd activities and one of such activity was to help financiers in doing physical verification of clients and properties and for these services he used to receive small fees. The said activities were carried out by him for Noticee 6 and from time to time he received amounts towards his fees and out of pocket expenses, except these services, he had no other relationship with Noticee 6. Further, it is not alleged that Noticee 6 had asked him to trade in the shares of SLFL and therefore gave him amounts for trading etc. It is also not alleged that any of his trades had matched with trades of Noticee 6. As per the trade logs provided with the SCN, his trades matched with Noticee 13 and several other entities who are not Noticees in the present SCN. Shares of SLFL got listed on March 18, 2015 and SPOS was on April 20, 2015, and he entered his first trade on April 20, 2015, which makes it apparent that the said transfer of amount between him and Noticee 6 on January 09, 2015 has no connection with his trades. Further, Noticee 6 was not a counter party to any of his trades. Infact Noticee 6 had entered its first trade only on July 09, 2015, and in July 2015 he had not traded at all.

109. Noticee 8 submitted that he had bought only 15,024 shares during patch 1 and bought 13,580 shares during patch 2. He denied that he had traded with other Noticees during Patch 1 and 2 and that his trades ought not have been clubbed/tagged with trades of other Noticees. He had bought only 1,63,820 shares during IP which is much lesser than the quantity bought by other top buyers. Further, he also sold shares therefore his net quantity bought or sold should have been considered. Noticee 8 denied that he was trying to maintain the equilibrium price of the scrip at Rs. 720/- and he had any role in artificially establishing the price during SPOS. Noticee 8 further stated that the reason behind comparing the

LTP's of 2015 with the LTP of 1991 is not clear. He entered into a total of 149 trades during patch 1 out of which 64 trades resulted in positive LTP of Rs. 39.6, 35 trades resulted in negative LTP of Rs. 34.5 and 50 trades resulted in zero LTP. However, while alleging that his trades contributed positive LTP, it is ignored that his 50 trades have resulted into zero LTP and 35 trades resulted in negative LTP, which shows that majority of his trades during Patch 1 had not contributed to positive LTP. Further, if his intention was to contribute to positive LTP, he would have not entered into 85 trades for negative and zero LTP.

110. Noticee 8 submitted that as per the SCN there were 44 counter parties to 822 trades during patch 1 and out of these 44 counter parties there were 4 counter parties i.e. Noticee 2 to 5 and that they all have traded amongst themselves. However, it is not alleged that Noticee 8 is connected to any of the Noticee 2 to 5. Further, only 5 trades, out of numerous trades, have matched with trades of Noticee 2 and there is no matching of trades even shown between him and Noticee 3 to 5. Also, SEBI has not even bothered to show that there was any matching of trades between Noticee 8 and Noticee 6 and 7. Therefore, since SEBI is not in a position to establish connections between the parties, it ought not have clubbed all their trades together to make allegations of positive LTP and manipulation etc.

111. Noticee 8 further stated that during patch 2, he entered into 156 trades out of which Rs. 38 resulted in a positive LTP of 3.65, 14 trades resulted in negative LTP of Rs. 3.5 and 105 trades resulted in zero LTP. However, it is clearly ignored that his 105 trades have resulted into zero LTP and 14 trades resulted in negative LTP, which shows that majority of his trades during Patch 2 had not contributed to positive LTP. Further, if his intention was to contribute to positive LTP, he would have not entered into 119 trades for negative and zero LTP. The basis of allegation that along with Noticee 1, 6, 7 and 12, he had contributed to positive LTP is not clear. Further, during the time when his trades allegedly matched with trades of Noticee 13, at the very same time his trades had also matched with others who are

not Noticees in the present proceedings and/or not alleged to be connected to him. Infact all his trades are matched with unconnected traders/individuals and the counter parties to his trades during the trades from April 29, 2015 to June 19, 2015 are not even alleged to be connected to him. Noticee 8 entered into around 119 trades during this period and in around 106 trades have matched with the existing orders in the system. Therefore, the allegation that he had contributed to LTP or NHP is not correct.

112. Noticee 8 further stated that during Patch 1, he had entered into 20 trades which allegedly increased the price of the scrip and in these 20 trades he traded in 3040 shares by way of first trade and same resulted in NHP. Further, it is alleged that alongwith Noticee 1 and 6, 7 and 13, he had executed 100 first trades out of which 40 trades resulted in positive LTP and to these 40 trades there were 20 counter parties out of which 4 were Noticee 2 to 5. However, Noticee 2 to 5 never shown to have any connection with him. Therefore, the basis of the said observations of first trades or NHP is not clear.

113. In additional submissions Noticee 8 stated that he has very limited experience of stock market. He traded on the basis of his own analysis of the market, sentiments in the shares of SLFL and news floating in the market. For arriving at a price of Rs. 720/- for shares of SLFL, he had compared or rather averaged out the low price of last trading day i.e. April 17, 2015 of shares of some companies which are in similar line of business i.e. financing. He reduced the prices of those companies by 50% so that he would have had enough margin to raise the price in case his trades do not match during the SPOS session. Noticee 8 has mentioned the names of the companies and his working of the price in the below table:

| Sr. No. | Name of the Company | Price(Daily low as on April 17, 2015) in Rs. |
|----------------|----------------------------|---|
| 1 | Sundaram Finance Ltd. | 1535/- |

| | | |
|---|---------------------------------------|----------------|
| 2 | Shriram City Union Finance Ltd. | 1906/- |
| 3 | Bajaj Finance Limited | 4440/- |
| 4 | Cholamandalam Financial Holdings Ltd. | 380/- |
| 5 | Ebixcash World Money India Ltd. | 300/- |
| 6 | Shriram Transport Finance Co. Ltd. | 1020/- |
| 7 | Max Financial Services Ltd | 460/- |
| | Total | 10040/- |
| | Average: 10040/ 7 - 50% | 718/- |

This figure of Rs. 718/- was rounded off to Rs. 720/- while placing the order during the SPOS session on April 20, 2015. Noticee 8 also provided the price volume data of all the above mentioned companies for the month of April 2015 which reflect the figures mentioned in the above calculation.

114. With respect to documents showing business relation with Noticee 6, Noticee 8 stated that the small amounts received by him from Noticee 6 cannot be linked to his trading in shares of SLFL. These small amounts were received by him towards some odd jobs which he use to do at that relevant time. Since the relevant odd job is for the year 2015, hedo not have any records relating to it, available with him today. He used to do various random occasional odd jobs for his day to day living and one of such odd job was to help Financers in doing physical verification of clients and properties and for this job heused to receive small fees. This job was carried out by him for Noticee 6 on very few occasions and he had received amounts towards fees and out of pocket expenses. Except these odd jobs, he had no other relationship with Noticee 6. He further submitted that the date of fund transfers and date on which he traded in shares of Sital leasing are different. As per the bank statements during the period January 9, 2015 to April 16, 2015, he received a total amount of Rs. 40,300/- and his first purchase of April 20, 2015 for 100 shares at Rs. 729 itself was for a total amount of Rs. 72,000/- which is also at

huge variance. This shows that he traded with his own funds and there is no link between his trades and the fees received from Noticee 6.

CONSIDERATION OF ISSUES AND FINDINGS

115. The issues that arise for consideration in the instant matter are:

Issue No. I Whether the Noticees have violated the provisions of Section 12A (a), (b), (c) of SEBI Act read with Regulation 3 (a), (b), (c), (d), 4 (1) and 4 (2) (a), (e) of PFUTP Regulations.

Issue No. II If yes, whether the failure, on the part of the Noticees would attract monetary penalty under Section 15HA of the SEBI Act.

Issue No. III If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

Issue No. I **Whether the Noticeeshave violated the provisions of Section 12A (a), (b), (c) of SEBI Act read with Regulation 3 (a), (b), (c), (d), 4 (1) and 4 (2) (a), (e) of PFUTP Regulations.**

116. Before going into the merits of the case, I note that Noticees stated that on account of delay in issuance of the present SCN, Noticees were not in a position to answer such old transactions, and that such belated action was against the principles of natural justice. In this regard, I note that no limitation is prescribed in SEBI Act or Regulations for issuance of SCN or for completion of the Adjudication proceedings. In this respect, reference may be made to the order passed by Hon'ble SAT in the matter of Metex Marketing Pvt. Ltd. vs. SEBI (order dated June 4, 2019) wherein Hon'ble SAT held that:

Adjudication Order in the matter of trading activities of certain entities in the scrip of Sital Leasing and Finance Limited

“This Tribunal has consistently held that in the absence of any specific provision in the SEBI Act or in the Takeover Regulations, the fact that there was a delay on the part of SEBI in initiating proceedings for violation of any provision of the Act cannot be a ground to quash the penalty imposed for such violation”.

117. As all relevant information relied upon for the allegations leveled against the Noticees has been provided to the Noticees, the contention of the Noticees that delay in proceedings is against the principles of natural justice or it has prejudiced their defense is not tenable in the present matter.

118. Noticees have further stated that they had requested for inspection of documents relied upon in the SCN. However, they were not given a physical inspection of documents, and this was contrary to fair play and against the basic principles of natural justice. In this regard, I note that the allegations against the Noticees are clearly brought out in the SCN and all the relevant documents that have been relied upon in the SCN have been provided to the Noticees as Annexures to the SCN. Further, a copy of relevant portion of Investigation Report has also been provided to the Noticees.

119. Hence, I note that the Noticees have been provided with all information considered relevant for the purpose of the allegations leveled against them in the SCN which is sufficient for filing comprehensive reply in the matter and principles of natural justice have been complied with.

Establishing listing price in SPOS

120. SLFL listed on MSEI on March 18, 2015 and trading during the IP was in Trade for Trade segment i.e. there is no netting of transactions and each trade is settled by delivery. SLFL had total number of 1,476 shareholders as on March 31, 2015.

121. The first part of the allegation in this case deals with determination of the opening price of SLFL in the SPOS on April 20, 2015. The price of Rs.720 was determined in this session by a single trade of 100 shares between Noticee 8 and 13. The rationale for determining a valuation of Rs.720 as explained by Noticee 8 was that it was based on average of the prevailing price of well-known NBFC stocks at the time. Reference has also been made by Noticee 8 to series of corporate actions made by the Company for e.g. Merger, Bonus, Rights issue etc. It has also been submitted by some of the other Noticees that the book value of SLFL was Rs.157 at the time and a price of Rs.720 was not unjustified.

122. From information available on MSEI, a perusal of the financials of SLFL reveal a profit of Rs.61.95 lakhs for the year ended March 2015, and EPS of Rs.0.10. As against this, the EPS for Sundaram Finance in March 2015 was Rs.38.14, and for Max Financial, it was Rs.14.67 in March 2015, giving them a PE ratio of 40 and 31 respectively. These are just two of the stocks quoted by Noticee 8 to determine the price of Rs.720. At this price, the PE ratio of SLFL works out to 7200 i.e. highly overvalued. Further, on perusal of balance sheet for the year ended March 2015, I find that book value of Rs. 157, as stated by some of the Noticees, appears to be inflated due to Non-current investments valued at Rs. 950 crore shown in the balance sheet. As per the notes to financial statements, the said Non-current investments are nothing but the investments by SLFL in unquoted shares of 4 private companies including investment in unlisted shares of Noticee 1. Hence, the justification for valuing the stock at Rs.720 given by Noticee 8 is not convincing.

123. Investigation established a connection of Noticees 8 and 13 with the promoters of SLFL indirectly via a connection with Noticee 6, which has the same promoters as SLFL. This connection has been denied by Noticee 8 and 13. Noticee 8 stated that fund transfers between Noticee 8 and 6 were on account of services rendered. I note that Noticee 8 has not denied the fund transfers, and the fact that the same

was made for some services rendered does not negate a connection between Noticee 6 and Noticee 8. Noticee 13 and 6 were connected by way of a common mobile number on KYC forms, which was admitted as his number by Noticee 13. However, Noticee 6 has stated that they are not aware how the number appeared on their KYC form. I have perused the said KYC forms, copies of which were given to the Noticees 6 and 13 and find that the said mobile number is appearing in the KYC forms of both the Noticees 6 and 13, having account with two different brokers.

124. I therefore find that there is sufficient evidence to establish that the Noticees 8 and 13 had a connection with Noticee 6 and thereby with the promoters of SLFL. I note that the purpose of the SPOS is to enable price formation based on demand and supply of stock through a call auction mechanism. However, in this case, the opening price established at valuation giving a PE ratio of 7200 to the company is highly overvalued. In this context, the fact that the 2 persons who established the price are connected to promoters of the company becomes pertinent. The order entry pattern further shows that the buyer and seller entered respective buy and sell orders at almost the same time i.e. at 09:17:22 for Rs.720 and at 09:17:35 for Rs.725 by Noticee 8; and at 09:18:07 for Rs.725 and at 09:18:28 for Rs.720 by Noticee 13. It is pertinent that the prices entered were identical at Rs.720 and Rs.725 to maximise the chance of trade happening through the call auction process.

125. The pattern of order entry when seen along with the connections and the high valuation for the company indicates a meeting of minds or collusion to establish a certain price level in an artificial manner by Noticees 8 and 13 thereby establishing violation of provisions of Section 12A (a), (b), (c) of SEBI Act read with Regulation 3 (a), (b), (c), (d), 4 (1) and 4 (2) (a), (e) of PFUTP Regulations.

Price movement post listing

126. The second part of the allegations in the case deals with maintaining or sustaining the price levels in the stock over the period of Patch 1 and Patch 2. The trading in the SLFL stock showed reasonable volumes of 4061 shares on a daily basis in Patch 1, and 28234 shares in Patch 2 which was largely concentrated in the top 10 traders on both buy (99.99%) and sell side (47.10%).

127. From the submissions by the Noticees 2,3, 4 and 5, I note that their trading in SLFL during the IP was as follows:

- a) Noticee 2 – sold 30,000 shares, Net LTP Rs.15.8 (19 synchronised trades out of total 501, with Noticees 1, 6 and 8. All sell trades matched with with Noticees 1, 6, 7 and 8, and synchronised trades LTP was Rs.-0.6)
- b) Noticee 3 –sold 13,632 shares, net LTP -1.3 (36 synchronised trades matched with Noticee 1 and 6 out of total 262 sell trades, all sell trades matched with Noticees 1 and 6)
- c) Noticee 4 – sold 21,126 shares, net LTP -13.25 (341 sell trades, all matched with Noticees 1 and 6, 32 synchronised trades, LTP of synchronised trades -0.25)
- d) Noticee 5 – sold 20,400 shares, net LTP -7.75 (all 502 sell trades matched with Noticee 1, 36 synchronised trades, LTP of synchronised trades Rs.1.75)

128. The connections of the four Noticees are alleged to be on account of fund transfers with Noticee 1 which is an NBFC. The fund transfers are not denied. Noticees 2 and 3 have stated that the funds were received as professional fees for introducing clients to Noticee1. Noticees 4 and 5 have stated that the funds were business loans. The fund transactions thus indicate connections of the Noticees 2, 3,4 and 5 with Noticee 1, and through Noticee 1 to the promoters of SLFL. The

trading pattern shows that Noticees 2 to 5 were all sellers. While the trades of all 4 Noticees have matched with buy orders of Noticee 1 and 6, a few trades of Noticee 2 also matched with buy orders of Noticee 7 and 8. Thus, Noticees 2 to 5 primarily sold to these connected entities i.e. Noticee 1 and 6, including through synchronized trades.

129. Noticee 7 is alleged to be connected to SLFL by virtue of being a director of a promoter of SLFL, i.e. Legend Infoways. The connection is factual and not denied. Noticee 7 has only buy trades in both Patch 1 and Patch 2. The net LTP contribution of Noticee7's trades is Rs.0.45 in Patch 1 and negative Rs.0.85 in Patch 2. The counterparties to Noticees trades are diverse, there being 44 counterparties. The Noticee submitted that he continues to hold 80,96,483 shares of the company as an investment. The price contribution of Noticee 7's trade is net negative over the IP. I also take note of the Noticee's submission that most of his trades have matched with the orders which were already placed and were pending in the system. In view of the pattern of trades by Noticee 7, merely because he is connected to SLFL does not establish that the purchases by Noticee 7 were artificial, misleading or non-genuine.

130. Noticees 1, 6 and 12 on buy side and and Noticees 9, 10 and 11 on sell side emerge as major buyers and sellers during the IP with significant LTP contribution. Noticees 10 and 11 are promoters of SLFL and also promoters and directors of Noticee 1 and 6. Noticee 12 had fund transfers with Noticee 13 and off market transfers with Noticee 6. Noticee 12 is an NBFC and on account of being NBFCs have stated that it had routine business transactions with Noticee 13. Noticee 12 has not denied off market transfer of shares of Rajlaxmi Industries Limited to Noticee 6 on March 24, 2015 and stated that it was a routine business transaction and had nothing to do with the alleged manipulation or trading in the shares of SLFL. The connections by way of fund transfers and off market transfers are thus not denied by the Noticees and are factual in nature.

131. The large buying carried out by Noticees 1, 6 and 12 is depicted below and is factual, based on the trade log. It can be seen that Noticees 1 and 2 accounted for 83.7% of the buying in Patch 1 and 63.81% of the buying in Patch 2. I find that based on the principle of demand and supply, the significant buying by the Noticees has supported the price arrived at during the SPOS, both during Patch 1 and Patch 2.

| Client Name | Noticee No. | Patch 1 (Pre-split) | | | | Patch 2 (post-split) | | | |
|------------------------------|----------------|---------------------|---------------------------------|------------|----------------------------------|----------------------|---------------------------------|------------|----------------------------------|
| | | Gross Buy | Gross Buy % to total traded Qty | Gross Sell | Gross Sell % to total traded Qty | Gross Buy | Gross Buy % to total traded Qty | Gross Sell | Gross Sell % to total traded Qty |
| Utsav Securities Pvt Ltd | Noticee No. 1 | 355774 | 74.24 | 110 | 0.02 | 1864792 | 20.28 | 0 | 0 |
| MekasterFinlease Ltd | Noticee No. 6 | 45321 | 9.46 | 0 | 0 | 393350 | 4.28 | 0 | 0 |
| Avail Financial Services Ltd | Noticee No. 12 | 0 | 0 | 0 | 0 | 3609941 | 39.25 | 0 | 0 |

132. Noticees 9, 10 and 11 appear as major sellers during Patch 2 as shown below, and account for 24.7% of the total sales during Patch 2:

| Client Name | Noticee No. | Patch 1 (Pre-split) | | | | Patch 2 (post-split) | | | |
|---------------|----------------|---------------------|---------------------------------|------------|----------------------------------|----------------------|---------------------------------|------------|----------------------------------|
| | | Gross Buy | Gross Buy % to total traded Qty | Gross Sell | Gross Sell % to total traded Qty | Gross Buy | Gross Buy % to total traded Qty | Gross Sell | Gross Sell % to total traded Qty |
| Babita Jain | Noticee No. 11 | 0 | 0 | 0 | 0 | 0 | 0 | 851000 | 9.25 |
| Priti Jain | Noticee No. 9 | 0 | 0 | 0 | 0 | 0 | 0 | 1190000 | 12.94 |
| Virendra Jain | Noticee No. 10 | 0 | 0 | 0 | 0 | 0 | 0 | 230700 | 2.51 |

133. Noticees 2 to 5 emerge as the major sellers during Patch 1 and account for 17.77% of the sales during Patch 1

| Client Name | Noticee No. | Patch 1 (Pre-split) | | | | Patch 2 (post-split) | | | |
|-------------------------|---------------|---------------------|---------------------------------|------------|----------------------------------|----------------------|---------------------------------|------------|----------------------------------|
| | | Gross Buy | Gross Buy % to total traded Qty | Gross Sell | Gross Sell % to total traded Qty | Gross Buy | Gross Buy % to total traded Qty | Gross Sell | Gross Sell % to total traded Qty |
| Amita Singla | Noticee No. 2 | 0 | 0 | 30000 | 6.26 | 0 | 0 | 0 | 0 |
| Ramesh Kumar Singla HUF | Noticee No. 3 | 0 | 0 | 13632 | 2.84 | 0 | 0 | 0 | 0 |
| Sachin Goel | Noticee No. 4 | 0 | 0 | 21126 | 4.41 | 0 | 0 | 0 | 0 |
| Sameer Goel | Noticee No. 5 | 0 | 0 | 20400 | 4.26 | 0 | 0 | 0 | 0 |

134. From the above, I note that while the sellers in the stock have been diversified, 17.77% of the sales in Patch 1 and 24.7% of the sales in Patch 2 have come from connected entities. Considering that the scrip was in Trade for Trade segment, each trade has resulted in delivery. Hence, despite the denials to the contrary by the Noticees, I find that the significant percentage of sales coming from connected entities has created an artificial impression of liquidity in the stock, provided for delivery based trades in the stock and has helped to maintain the price of the stock around the levels discovered during the SPOS. The submissions of the Noticees regarding net LTP contribution when seen in the context of the total trading pattern show that the Noticees through their trades have enabled maintaining the stock price at a certain levels rather than contributing to significant price increase.

135. I note that, Noticees have relied upon various judgements by Hon'ble Supreme Court, Hon'ble SAT and SEBI. Broadly, reference has been made to the judgements wherein it was held that there must be substantive evidence or higher degree of probability is required to level a charge of fraud against the parties and that the allegation of fraud cannot survive on mere conjectures and surmises. I note that the said judgements were made in different cases and made on consideration given to varied evidences/circumstances in each case. In the instant case, I find that establishing the price through SPOS by set of connected Noticees and maintenance of price around already established price by other connected Noticees as brought out in the above paragraphs are adequate to establish the

charge of fraud against the Noticees 1 to 6, and 8 to 13 under PFUTP Regulations. I further note that, in the instant case sellers being counterparties to connected buyers are equally involved in the scheme of establishing the price and maintaining the same at particular levels. I also note that the price established by the connected Noticees is not justified by the fundamentals of the company as noted in previous paras.

136. In view of the above, I find that the material on record establishes that Noticees 1 to 6 and Noticees 9 to 12, by trading amongst themselves, created an artificial impression of liquidity and maintained the price of SLFL at an artificial level in the range set during the SPOS, in violation of Section 12A (a), (b), (c) of SEBI Act read with Regulation 3 (a), (b), (c), (d), 4 (1) and 4 (2) (a), (e) of PFUTP Regulations.

Issue No. II **If yes, whether the failure, on the part of the Noticees would attract monetary penalty under Section 15HA of the SEBI Act.**

and

Issue No. III **If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?**

137. Since the violation of Section 12A (a), (b), (c) of SEBI Act read with Regulation 3 (a), (b), (c), (d), 4 (1) and 4 (2) (a), (e) of PFUTP Regulations has been established against the Noticees 1 to 6, and 8 to 13 as brought out in the foregoing paragraphs, the Noticees 1 to 6, and 8 to 13 are liable for monetary penalty under Section 15HA of SEBI Act.

SEBI Act:

Penalty for fraudulent and unfair trade practices.

15HA. 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.

138. While determining the quantum of penalty under Section 15HA of SEBI Act, the following factors stipulated in Section 15J of the SEBI Act have to be given due regard:

Factors to be taken into account by the adjudicating officer

15J. 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.

139. The material on record does not bring out the specific quantum of unfair gain made by the Noticees. SLFL is an NBFC and I find that its price as on date continues to be in the same range as established during the IP. Investigation has not brought out the gains if any made by the promoters by establishing the price in this range. I also note that the promoter holding has continued to be in the same range as during the IP, and thus promoters have not gained by off loading their shares at a high price. I note that establishing a high price may serve many purposes such as meeting networth criteria, or availing loans or providing exit to some shareholders. However, no such facts are brought on record during investigation.

140. In view of the above, I am of the view that as the Noticees are connected as established hereinabove and have acted together, a penalty of ₹30,00,000/- (Rupees Thirty Lakhs only) under Section 15HA of the SEBI Act to be paid jointly and severally by the Noticees 1 to 6, and 8 to 13 will be commensurate with the violations committed.

ORDER

141. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in Section 15J of the SEBI Act and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose the penalty of ₹30,00,000/- (Rupees Thirty Lakhs only) upon the Noticees 1 to 6, and 8 to 13 under section 15HA of SEBI Act for the violation of Section 12A (a), (b), (c) of SEBI Act read with Regulation 3 (a), (b), (c), (d), 4 (1) and 4 (2) (a), (e) of PFUTP Regulations. Penalty shall be paid jointly and severally by the Noticees No. 1 to 6, and 8 to 13 viz. Utsav Securities Pvt Ltd, Amita Singla, Ramesh Kumar Singla HUF, Sachin Goel, Sameer Goel, Mekaster Finlease Pvt Ltd, Sanwar Mal Nai, Priti Jain, Virendra Jain, Babita Jain, Avail Financial Services Pvt Ltd and Bharat Bhushan.

142. The Noticees shall remit / pay the said amount of penalty within 45 days 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 on the following path, by clicking on the payment link

ENFORCEMENT → Orders → Orders of AO → PAY NOW

143. The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid to the Enforcement Department – Division of Regulatory Action – IV of SEBI. The Noticees shall provide the following details while forwarding DD/ payment information:

- a) Name and PAN of the entity (Noticee)
- b) Name of the case / matter
- c) Purpose of Payment – Payment of penalty under AO proceedings
- d) Bank Name and Account Number

e) Transaction Number

144. Copy of this Adjudication Order is being sent to the Noticees and also to SEBI in terms of Rule 6 of the Adjudication Rules.

DATE: SEPTEMBER 29, 2020

PLACE: MUMBAI

MANINDER CHEEMA

ADJUDICATING OFFICER