BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO. EAD-1/AO/SM/LD/2022-23/24647)

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

In respect of

Shri Manish Jani

PAN: AENPJ3963L

In the matter of M/s. Layla Textiles and Traders Limited

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1. Pursuant to complaints received alleging manipulation in the scrip of Layla Textiles and Traders Ltd (hereinafter referred to as "**Company/LTTL"**) and the sudden price rise followed by price fall during the period March 01, 2017 to May 09, 2017 (hereinafter referred to as "**Investigation Period/IP**"), Securities and Exchange Board of India ("SEBI") conducted an investigation in the trading activities of the certain entities. On the basis of the investigation conducted by SEBI, it was inter-alia alleged that Shri Manish Jani (hereinafter referred to as '**Noticee**') had violated Section 12A(a), (b), (c) of SEBI Act, 1992 and Regulation 3 (a), (b), (c), (d) and Regulation 4 (1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations"). In view of the same, adjudication proceedings were initiated against the Noticee under Section 15HA of the SEBI Act, 1992 for the alleged aforementioned violations.

<u>BACKGROUND OF THE CASE:</u>

2. SEBI received various complaints alleging manipulation in the scrip of Layla Textile and Traders Ltd. The complaints mentioned that SMSs were received recommending to buy the stock of LTTL. Based on the abovementioned complaints, SEBI carried out an

investigation on the allegations mentioned therein and the sudden price rise in the scrip of LTTL followed by price fall during the IP.

<u>Observations made by SEBI during the investigation</u>:

3. During the investigation, it was observed that the Noticee was the Promoter cum Director of LTTL. Noticee became the Director of one M/s. Polpik Traders Pvt. Ltd. (hereinafter referred to as "Polpik") on April 17, 2017. Thereafter on April 21, 2017, the Noticee transferred 4,57,500 shares of LTTL through off-market transfer to Polpik and thus Polpik became a connected entity of the Noticee. On May 05, 2017, the Noticee resigned as Director of LTTL.
4. Subsequently, Polpik, the connected entity of the Noticee had sold the 4,57,500 shares of LTTL at an average price of Rs. 58.16 in the market during three days of the IP and received a sale proceeds of approx. Rs. 2.66 Crores through the sale of these shares.

5. It was observed that the Noticee had liquidated his entire shareholding of 4,57,500 shares of LTTL during the quarter ended June 2017.

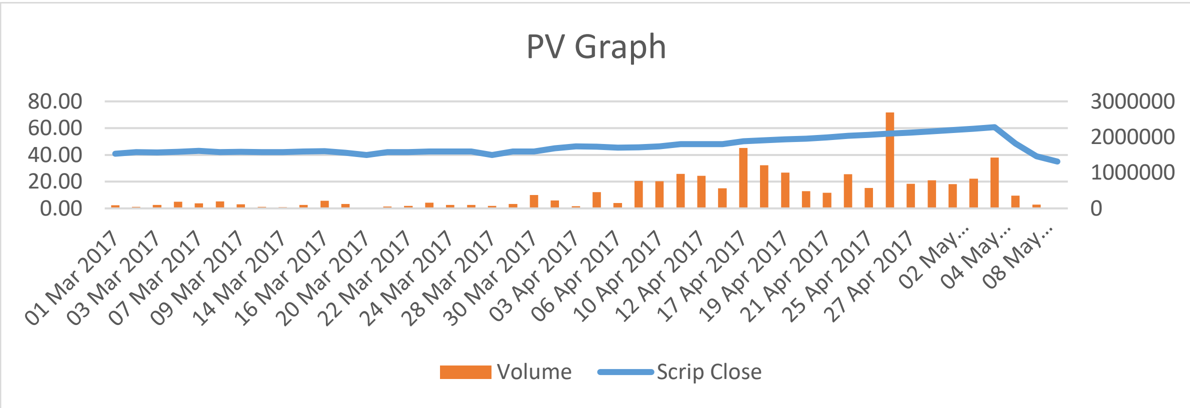
6. The price volume data of the said scrip in BSE for the period before, during and after the IP is given below:

Table 1 : Brief details of Price-Volume Data

Period	Date		Opening Price/volume on first day of the period (Rs.)	Closing price/volume on last day of the period (Rs.)	Low price/volume during the period (Rs.)	High price/volume during the period (Rs.)	Average No of shares traded daily during the period	Total number of shares traded during the period
Before IP	From 01/12/2016 to 28/2/2017	Price	47.65	42.3	38.45 (05/01/2017)	47.8 (01/12/2016)	34,757	14,25,059
		Vol.	12851	64	1018	12851		
During IP	From 01/03/2017 to 09/05/2017	Price	42.25	35.05	35.05 (09/05/2017)	69 (04/05/17)	4,62,113	2,12,57,216
		Vol.	89200	8569	8569	1422033		
After IP	From 10/05/2017 to 10/08/2017	Price	31.55	9.55	6.5 (21/07/2017)	67.40(17/05/18)	44,937	29,65,845
		Vol.	9397	432213	1472	1256		

7. From the table 1 above, it was observed that the price of the scrip at BSE opened at Rs.42.25 touched a low of Rs.35.05 and high of Rs. 69 during the investigation period. The scrip closed at Rs.35.05 in BSE on May 09, 2017. The average trading volume during the IP was 4,62,113.

<u>Chart of Price Volume movement at BSE:</u>



8. Based on the Price Volume analysis in the chart above, IP has been divided into two patches which is as below in tabular form:

Table 2 : Patches during the IP			
S. No.	**Patch**	**Period**	**Price (rise/fall)**
1.	Patch1	March 01, 2017 to May 04, 2017	Rise
2.	Patch 2	May 04, 2017 to May 09, 2017	Fall

9. During the IP March 01, 2017 to May 09, 2017, the price of the scrip had risen from Rs. 42.25 to Rs. 69.00 with average daily volume of 9.69 lakhs shares and started hitting lower circuit from May 05, 2017 and closed at Rs. 35.05 on May 09, 2017 with average daily volume of 1.56 lakh shares.

Table 3 : Date-wise sell by Polpik			
Trade Dates	**Market Volume of the day**	**No. of shares sold by Polpik**	**% of Polpik's sell to the daily volume**
25/04/2017	5,75,360	2,00,000	34.8
03/05/2017	8,32,898	1,00,000	12.0
04/05/2017	14,22,033	1,57,500	11.1
Total	**28,30,291**	**4,57,500**	**16.2**

10. From table 3 above, it was observed that the total sale of Polpik was 16.2% of the total volume of the market on the said three days.

11. Further the 5 major counterparties to the sell trades of the Polpik, who were part of the connected entities viz. 1) Chandika Infrastructure Pvt Ltd, 2) Cobia Distributors Private Limited, 3) Realstep Agencies Pvt Ltd, 4) Bhaavoshali Management Services Pvt Ltd and 5) Springtime Engineering Private Limited had acted as counterparties to 4,15, 041 shares i.e. 90.72% of the total sale of Polpik during the said three days, as seen in the table-4 below:

Table 4: Major Buyer Counterparties of Polpik				
Sr No.	**PAN No.**	**Client name**	**Number of Trades**	**Sum of Traded Qty**
1	AAFCC5497B	Chandika Infrastructure Pvt Ltd	60	147240
2	AAGCC5621A	Cobia Distributors Private Limited	82	86164
3	AAHCR2034F	Realstep Agencies Pvt Ltd	32	84319
4	AAGCB7491R	Bhaavoshali Management Services Pvt Ltd	64	49860
5	AAUCS8602F	Springtime Engineering Private Limited	8	47458
			Total Sell (Qty) by Polpik	**415041**
			Percentage of quantity bought by connected group to the total sell by Polpik.	**90.72**

12. Following are the top 10 buy and sell clients who had traded in the scrip of LTTL during the period of investigation:

Table 5 : Client buy/sell volume during the IP					
Buy Client Name	**Gross Buy Volume Qty**	**% Of Buy Traded**	**Sell Client Name**	**Gross Sell Volume Qty**	**% Of Sell Traded Volume**
Charamsukh IT Marketing Pvt Ltd	1709363	8.04	**Realstep Agencies Pvt Ltd**	**2138413**	**10.06**
Realstep Agencies Pvt Ltd	**1565628**	**7.37**	Charamsukh It Marketing Pvt Ltd	1934622	9.10
Venera Property Private Limited	485254	2.28	Venera Property Private Limited	740302	3.48
Cobia Distributors Private Limited	**477804**	**2.25**	**Cobia Distributors Private Limited**	**517804**	**2.44**
Unifour Garments LLP	415722	1.96	Unifour Garments LLP	461381	2.17
Deepak Parsharam Salvi	391031	1.84	Polpik Traders Pvt Ltd	457500	2.15
Chandika Infrastructure Pvt Ltd	**344535**	**1.62**	Deepak Parsharam Salvi	411031	1.93
Hemangini Vinitkumar Parikh	319948	1.51	**Chandika Infrastructure Pvt Ltd**	**401582**	**1.89**
Pravinbhai Harishbhai Vyas	281696	1.33	Flyjoy Distributors P Ltd	353025	1.66
Flyjoy Distributors P Ltd	229812	1.08	Sairabanu Mohd Rafiq Fanaswala	350015	1.65
Total of Top 10 Clients	6220793	**29.27**	**Total of Top 10 Clients**	7765675	36.53
Total of Remaining Clients	**15036423**	**70.74**	**Total of Remaining Clients**	13491541	**63.47**
Total Traded Volume	**21257216**	**100.00**	**Total Traded Volume**	**21257216**	**100.00**

12.1 out of the top 10 buyers in the scrip of LTTL, the top buyer counterparties of Polpik i.e. Realstep Agencies Pvt. Ltd. had the 2nd highest contribution of 7.37% of the gross buy volume followed by Cobia Distributors Private Limited who had the 4th highest and Chandrika Infrastructure Pvt. Ltd. had the 7th highest contribution of 2.25% and 1.62% respectively of the gross buy volume.

12.2 whereas out of the 10 top sellers in the scrip of the LTTL, Realstep Agencies Pvt. Ltd. had the highest contribution of 10.06% of gross sell volume followed by Cobia Distributors Private Limited who had the 4th highest and Chandika Infrastructure Pvt. Ltd. had the 8th highest contribution of 2.44% and 1.89% respectively of the gross sell volume.

13. From the table 6 below, it is observed that:

Table 6 : Order Log Analysis of the Polpik

Sell Client	Connected Buy Clients	Total No of Trades of Sell Client during IP including those with 'Connected Buy Clients'	No of trades of Sell Client with 'Connected Buy Clients'	No of Trades of Sell Client with Connected Buy Clients wherein buy and sell orders were placed within 5 minutes of each other	Total Volume of Polpik during IP (A)	Total Volume of 3 trading days on which Polpik sold the shares (B)	Total Vol of trades between Polpik and Connected counter parties Buy Client (C)	Vol of Trades wherein buy and sell orders were placed within 5 minutes of each other (D)	% (D)/(A)	% (D)/(B)
Polpik Traders Pvt Ltd'	Chandika Infrastructure Pvt Ltd	394	60	60	4,57,500	28,30,291	1,47,240	1,47,240	32.18	5.20
	Cobia Distributors Private Limited		82	0			86,164	0	0.00	0.00
	Realstep Agencies Pvt Ltd		32	32			84,319	84,319	18.43	2.98
	Bhaavoshali Managment Services Pvt Ltd		64	39			49,860	30,000	6.56	1.06
	Springtime Engineering Private Limited		8	8			47,458	47,458	10.37	1.68
Total		**394**	**246**	**139**	**4,57,500**	28,30,291	**4,15,041**	**3,09,017**	67.54	10.92

13.1 Polpik contributed 16.2% of total market volume on three days when it sold all its 4,57,500 shares. As mentioned in above table, 67.54 % of the total traded volume among the above mentioned sell client i.e. Polpik and 4 connected counterparties buy clients viz. Chandika Infrastructure Pvt Ltd, Realstep Agencies Pvt Ltd, Bhaavoshali Management Services Pvt Ltd and Springtime Engineering Private Limited was through placing the buy and sell orders within 5 minutes.

13.2 The buy and sell orders have been placed substantially at the same time by the seller and 4 connected buyers so as to enable the Polpik to exit the scrip of LTTL. However, Cobia Distributors Private Limited did not purchase any quantity from Polpik by placing the buy orders within the 5 minutes of Polpik's sell order.

13.3 From the above, it is therefore evident that the Noticee used Polpik as vehicle to offload the shares to its connected entities, connected on the basis of common address, telephone/mobile number, email address, off-market transfers and physical transfer of shares etc.as seen in the table & diagrammatic representation below:

Table 7 : Connected Entities

Sr. No.	Client Name with Pan no.	Connection Between Entity having Sr. No.	Basis of Connections
1	Realstep Agencies Pvt Ltd AAHCR2034F	• 1-2 • 1-3 • 1-6 • 1-9 • 1-10 • 1-30	• Bank Transaction between Realstep Agencies Pvt Ltd **(entity 1)** and Polpik Traders Pvt Ltd. **(entity 2)** • Venera Property Private Limited and Realstep Agencies Pvt Ltd have common address i.e. - *18 N S ROAD 2ND FLOOR ROOM NO 12, Kolkata.* • Off Market Transaction between Sairabanu Mohd Fanaswala Rafiq **(entity 6)** and Realstep Agencies Pvt Ltd Rafiq **(entity 1)** in the scrip of Layla Textile and Traders Limited of 2,40,000 shares during the IP. • Off Market transaction between Realstep Agencies Pvt Ltd Rafiq **(entity 1)** and Chandika Infrastructure Pvt Ltd **(entity 9)** in the Scrip of Purshottam Investofin Limited (Formerly D B Merchant Banking Services Ltd) On 9/02/2017 • Common Mobile number 8100231728 is shared by Realstep Agencies Pvt ltd **(entity 1)** Ltd Unifour Garments Llp **(entity 10)** as per UCC details. • Realstep Agencies Pvt Ltd Rafiq **(entity 1)** and Goldensight Commotrade **(entity 30)** Private Ltd has common mobile number 7059127271 as per UCC details.

2	Polpik Traders Pvt Ltd AAHCP7657G	• 2-1 • 2-33 • 2-28 • 2-30	• Bank Transactions between Realstep Agencies Pvt Ltd **(entity 1)** and Polpik Traders Pvt Ltd **(entity 2)** during the IP. • Bank Transactions between Polpik Traders Pvt **(entity 2)** and Goldensight Commotrade Private Ltd **(entity 30)** during the IP. • Manish Jani (Noticee) **(entity 33)** was common director in Polpik Traders Pvt Ltd **(entity 2)** and LTTL during IP. • Anup Kumar Shah was common director in Polpik Traders Pvt Ltd (17 April 2017 to 10 May 2017) and LTTL (30 September 1994 to 16 January 2017). • Barun Kumar Das was a common director between Polpik Traders Pvt Ltd **(entity 2)** and Youthvision Commodities Pvt Ltd **(enity 28)** during IP. • Off Market Transaction between Polpik Traders Pvt Ltd **(entity 2)** and Manish Jani (Noticee) **(entity 33)** in the scrip of Layla Textile and Traders Limited of 4,57,500 shares during the IP.
3	Venera Property Private Limited AAFCV0236M	• 3-1	• Venera Property Private Limited **(entity 3)** and Realstep Agencies Pvt Ltd **(Entity 1)** have common address i.e. - *18 N S Road 2nd Floor Room No 12, Kolkata.*
4	Charamsukh IT Marketing Pvt Ltd AAFCC9332H	• 4 -10 • 4- 27 • 4-31 • 4- 32	• Common Mobile number, i.e. 8100939283 is shared by Charamsukh IT Marketing Pvt Ltd **(entity 4)**, Surarchita Traders Private Ltd (**Entity 27)** and Unifour Garments Llp **(Entity 10)** as per UCC details. • Common Mobile number, i.e. 9681716591 is shared by Varaprada Distributors Pvt Ltd **(entity 31)**, Charamsukh IT Marketing Pvt Ltd **(entity 4)** and Springtime Engineering Private Limited **(entity 32)** as per the UCC details.
5	Vijaya Parsharam Salvi GFDPS9389C	• 5-32	• Off Market Transaction between Springtime Engineering Private Limited **(entity 32)** and Vijaya Parsharam Salvi **(enity 5)** in the scrip of LTTL of 2,70,000 shares during the IP.
6	Sairabanu Mohd Rafiq Fanaswala ACUPF2874R	• 6-14-24-25 • 6-18 • 6-1	• Common Mobile number, i.e. 7383913459 is shared by Sairabanu Mohd Rafiq Fanaswala **(Entity 6)**, Hemangini Vinitkumar Parikh **(entity 14)**, Rohini Popatlal Parikh **(entity 25)** and Jitendra Bhogilal Parikh **(entity 24)**. • Common Mobile number, i.e. 7801836810 is shared by Sairabanu Mohd Rafiq Fanaswala **(entity 6)** and Manoj Kantilal Parmar **(Entity 18)** as per UCC details. • Off Market Transaction between Sairabanu Mohd Rafiq Fanaswala **(entity 6)** and Realstep Agencies Pvt Ltd **(entity 1)** in the scrip of LTTL of 2,40,000 shares during the IP.
7	Flyjoy Ditributors P Ltd AACCF2181J	• 7-11 • 7-11-12-29	• Common Mobile number, i.e. 8335847406 is shared by Flyjoy Distributors 0020 P Ltd **(entity 7)** and Great Scope Traders Pvt Ltd **(entity 11)** as per the UCC details. • Ritesh Mishra was the common director between Greatscope Traders Private Limited **(entity 11)**, Cobia Distributors Private Limited **(entity 12)**, Flyjoy Distributors Private Limited **(entity 7)**, Bhaavoshali Management Services Private limited **(entity 29)**

8	Kapila Mohanlal Vaghela AZDPV6862H	• 8-23-24-26-25	• Off Market Transaction between Kapila Mohanlal Vaghela **(entity 8)** and Jitendra Bhogilal Parikh **(entity 24)**, Mahendra Vadilal Shah **(entity 26)**, Ramanlal Ravchand Shah **(entity 23)**, Rohini Popatlal Parikh **(entity 25)** during IP.
9	Chandika Infrastructure Pvt Ltd. AAFCC5497B	• 9-1	• Off Market transaction between Realstep Agencies Pvt Ltd **(entity 1)** and Chandika Infrastructure Pvt Ltd **(entity 9)** in the scrip of Purshottam Investofin Limited (Formerly D B Merchant Banking Services Ltd) on 9/02/2017.
10	Unifour Garments LLP	• 10-1 • 10-4-27	• Common Mobile number, i.e. 8100231728 is shared by Realstep Agencies Pvt Ltd **(entity 1)** and Unifour Garments Llp **(entity 10)** as per UCC details. • Common Mobile number, i.e. 8100939283 is shared by Charamsukh IT Marketing Pvt Ltd **(enity 4)**, Surarchita Traders Private Ltd **(entity 27)** and Unifour Garments Llp **(entity 10)** as per UCC details.
11	Greatscope Traders Pvt Ltd AAFCG2861H	• 11-7 • 11-7-12-29 • 11-30	• Common Mobile number, i.e. 8335847406 is shared by Flyjoy Ditributors P Ltd **(entity 7)** and Greatscope Traders Pvt Ltd **(entity 11)** as per the UCC details. • Ritesh Mishra was the common director between Greatscope Traders Private Limited **(entity 11)**, Cobia Distributors Private Limited **(entity 12)**, Flyjoy Distributors Private Limited **(entity 7)**, Bhaavoshali Management Services Private limited **(entity 29)**. • Bank Transactions between Goldensight Commotrade Private Ltd **(Entity 30)** and Greatscope Traders Pvt Ltd **(entity 11).**
12	Cobia Distributors Private Limited AAGCC5621A	• 12-29 • 12-7-11-29	• Common Mobile number, i.e. 8420642081 is shared by Cobia Distributors Private Limited **(entity 12)** and Bhaavoshali Management Services Pvt Ltd **(entity 29)** as per the UCC details. • Following person were common director between Bhaavoshali Management Services Pvt Ltd **(entity 29)** and Cobia Distributors Private Limited **(entity 12)** ("Rajib Debnath & Abhishek Ghosh & Ajay Kumar Misha &Sundeep Roy") • Ritesh Mishra was the common director between Greatscope Traders Private Limited **(Entity 11)**, Cobia Distributors Private Limited **(entity 12)**, Flyjoy Distributors Private Limited **(Entity 7)**, Bhaavoshali Management Services Private limited **(entity 29)**.
13	Deepak Parsharam Salvi GFDPS9384R	• 13-16-18-19-23-26 • 13-20 • 13-15-23	• Common Mobile number, i.e. 7779082715 is shared by Padma Rewachand Advani **(entity 16)**, Manoj Kantilal Parmar **(Entity 18)**, Ramanlal Ravchand Shah **(entity 23)**, Deepak Parsharam Salvi **(entity 13)**, Kamlesh Bhikhabhai Shah **(entity 19)** and Mahendra Vadilal Shah **(entity 26)** as per UCC details. • Common Mobile number, i.e. 7801837144 is shared by Prakash Vijay Kumar Shah **(entity 20)** and Deepak Parsharam Salvi **(entity 13)** as per UCC details. • Common Mobile number, i.e. 8905852780 is shared by Hardasbhai Babubhai Patel **(entity 15)**, Ramanlal Ravchand Shah **(entity 23)** and Deepak Parsharam Salvi **(entity 13)** as per UCC details.
14	Hemangini Vinitkumar Parikh	• 14-24 • 14-6-25-24	• Hemangini Vinitkumar Parikh **(entity 14)** and Jitendra Bhogilal Parikh **(entity 24)** have common email id - parikhparikh123@gmail.com as per the UCC details.

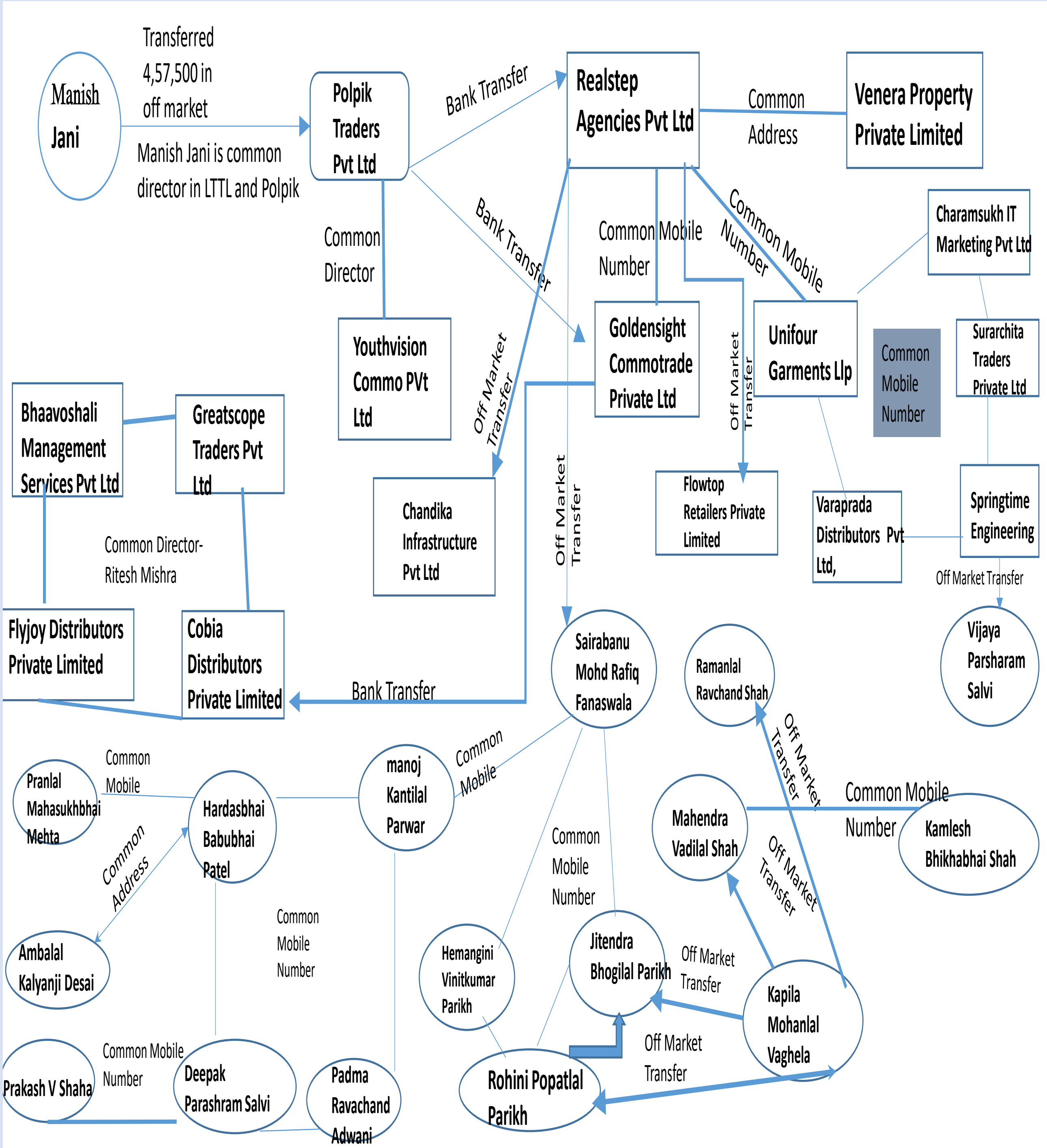
	CYMPP9930J	• 14-24	• Common Mobile number, i.e. 7383913459 is shared by Sairabanu Mohd Rafiq Fanaswala **(entity 6)**, Hemangini Vinitkumar Parikh **(Entity 14)**, Rohini Popatlal Parikh **(entity 25)** and Jitendra Bhogilal Parikh **(entity 24)**. • Common Mobile number , i.e. 9054846761 is shared by Hemangini Vinitkumar Parikh **(entity 14)** and Jitendra Bhogilal Parikh **(entity 24)** as per the UCC details.
15	Hardasbhai Babubhai Patel CYBPP2358H	• 15-20-26 • 15-17-18 • 15-13-23 • 15-20 • 15-21	• Common Mobile number, i.e. 7383914263 is shared by Pranlal Mahasukhbhai Mehta **(entity 17)**, Hardasbhai Babubhai Patel **(entity 15)** and Manoj Kantilal Parmar **(entity 18)** as per UCC details. • Common Mobile number 7778049781, i.e. is shared by Hardasbhai Babubhai Patel **(entity 15)**, Prakash Vijay Kumar Shah **(entity 20)**, Mahendra Vadilal Shah **(entity 26)** as per UCC details. • Common Mobile number, i.e. 8905852780 is shared by Hardasbhai Babubhai Patel **(entity 15)**, Ramanlal Ravchand Shah **(entity 23)** and Deepak Parsharam Salvi **(entity 13)** as per UCC details. • Common Mobile number 9104753766 is shared by Hardasbhai Babubhai Patel **(entity 15)** and Prakash Vijay Kumar Shah **(entity 20)** as per the UCC details. • Common Address is shared by Hardasbhai Babubhai Patel **(Entity 15)** and Ambalal Kalyanji Desai **(entity 21)**, i.e. *2 Abad Nagar Raw Housej K Park Chandlodia Ahmedabad.*
16	Padma Rewachand Advani BUCPA7449E	• 19-16-18-13-26-23 • 16-18-25 • 16-18	• Common Mobile number, i.e. 7779082715 is shared by Padma Rewachand Advani **(entity 16)**, Manoj Kantilal Parmar **(entity 18)**, Ramanlal Ravchand Shah **(entity 23)**, Deepak Parsharam Salvi **(Entity 13)**, Kamlesh Bhikhabhai Shah **(entity 19)** and Mahendra Vadilal Shah **(Entity 26)** as per UCC details. • Common Mobile number 9104789597 is shared by Padma Rewachand Advani **(entity 16)**, Manoj Kantilal Parmar **(Entity 18)** and Rohini Popatlal Parikh **(entity 25)** as per the UCC details. • Common address is shared by Manoj Kantilal Parmar **(entity 18)** and Padma Rewachand Advani **(entity 16)** *(3 3 3 Harisiddha Chamber 3rd Floor Income Tax Circle Ashram Road Ahmedabad Gujarat India 380014)*
17	Pranlal Mahasukhbhai Mehta CWWPM8217R	• 15-17-18 • 17-20	• Common Mobile number, i.e. 7383914263 is shared by Pranlal Mahasukhbhai Mehta **(entity 17)**, Hardasbhai Babubhai Patel **(Entity 15)** and Manoj Kantilal Parmar **(entity 18)** as per UCC details. • Common Mobile number, i.e. 8347934529 is shared by Pranlal Mahasukhbhai Mehta **(entity 17)** and Prakash Vijay Kumar Shah **(entity 20)** as per the UCC details.
18	Manoj Kantilal Parmar CYLPP1635B	• 17-15-18 • 19-16-18-13-26 • 6-18 • 18-16-25 • 18-16	• Common Mobile number, i.e. 7383914263 is shared by Pranlal Mahasukhbhai Mehta **(entity 17)**, Hardasbhai Babubhai Patel **(entity 15)** and Manoj Kantilal Parmar **(entity 18)** as per UCC details. • Common Mobile number, i.e. 7779082715 is shared by Padma Rewachand Advani **(entity 16)**, Manoj Kantilal Parmar **(entity 18)**, Ramanlal Ravchand Shah **(enity 23)**, Deepak Parsharam Salvi **(Entity 13)**, Kamlesh Bhikhabhai Shah **(entity 19)** and Mahendra Vadilal Shah **(entity 26)** as per UCC details.

			• Common Mobile number, i.e. 7801836810 is shared by Sairabanu Mohd Rafiq Fanaswala **entity 6)** and Manoj Kantilal Parmar **(entity 18)** as per UCC details. • Common Mobile number 9104789597 is shared by Padma Rewachand Advani **(entity 16)**, Manoj Kantilal Parmar **(entity 18)** and Rohini Popatlal Parikh **(entity 25)** as per the UCC details. • Common address is shared by Manoj Kantilal Parmar **(entity 18)** and Padma Rewachand Advani **(Entity 16)** *(3 3 3 Harisiddha Chamber 3rd Floor Income Tax Circle Ashram Road Ahmedabad Gujarat India 380014)*
19	Kamlesh Bhikhabhai Shah GLBPS9410L	• 19-16-18-13-26	• Common Mobile number, i.e. 7779082715 is shared by Padma Rewachand Advani **(entity 16)**, Manoj Kantilal Parmar **(entity 18)**, Ramanlal Ravchand Shah **(entity 23)**, Deepak Parsharam Salvi **(entity 13)**, Kamlesh Bhikhabhai Shah **(entity 19)** and Mahendra Vadilal Shah **(entity 26)** as per UCC details.
20	Prakash Vijay Kumar Shah FQRPS3820Q	• 26-15-20 • 20-13 • 20-17 • 20-15	• Common Mobile number 7778049781, i.e. is shared by Hardasbhai Babubhai Patel **(entity 15)**, Prakash Vijay Kumar Shah **(entity 20)**, Mahendra Vadilal Shah **(entity 26)** as per UCC details. • Common Mobile number, i.e. 7801837144 is shared by Prakash Vijay Kumar Shah **(entity 20)** and Deepak Parsharam Salvi **(entity 13)** as per UCC details. • Common Mobile number, i.e. 8347934529 is shared by Pranlal Mahasukhbhai Mehta **(entity 17**) and Prakash Vijay Kumar Shah **(entity 20)** as per the UCC details • Common Mobile number 9104753766 is shared by Hardasbhai Babubhai Patel **(entity 15)** and Prakash Vijay Kumar Shah **(entity 20)** as per the UCC details.
21	Ambalal Kalyanji Desai CFDPD1865C	• 21-15 • 21-1	• Common Address is shared by Hardasbhai Babubhai Patel **(entity 15)** and Ambalal Kalyanji Desai **(entity 21)**, i.e. *2 Abad Nagar Raw Housej K Park Chandlodia Ahmedabad.* • Off Market Transaction between Ambalal Kalyanji Desai **(entity 21)** and Realstep Agencies Pvt Ltd **(entity 1)** in the scrip of LTTL during the IP.
22	Vijay Kanubhai Shah FQRPS3821R		• No connection could be established with any other suspected entity.
23	Ramanlal Ravchand Shah GDWPS4583K	• 23-24 • 19-16-18-13-26-23 • 23-16-15 • 23-8	• Common Mobile number 7383913653 is shared by Jitendra Bhogilal Parikh **(entity 24)** and Ramanlal Ravchand Shah **(entity 23)** as per UCC details. • Common Mobile number, i.e. 7779082715 is shared by Padma Rewachand Advani **(entity 16)**, Manoj Kantilal Parmar **(entity 18)**, Ramanlal Ravchand Shah **(entity 23)**, Deepak Parsharam Salvi **(entity 13)**, Kamlesh Bhikhabhai Shah **(entity 19)** and Mahendra Vadilal Shah **(entity 26)** as per UCC details. • Common Mobile number, i.e. 8905852780 is shared by Hardasbhai Babubhai Patel **(entity 15)**, Ramanlal Ravchand Shah **(entity 23)** and Deepak Parsharam Salvi **(entity 13)** as per UCC details.

24	Jitendra Bhogilal Parikh DEYPP9464L	• 24-14 • 24-25-6-14 • 24-23	• Hemangini Vinitkumar Parikh **(entity 14)** and Jitendra Bhogilal Parikh **(entity 24)** have common email id - parikhparikh123@gmail.com as per the UCC details. • Common Mobile number, i.e. 7383913459 is shared by Sairabanu Mohd Rafiq Fanaswala **(enity 6)**, Hemangini Vinitkumar Parikh **(entity 14)**, Rohini Popatlal Parikh **(entity 25)** and Jitendra Bhogilal Parikh **(entity 24)**. • Common Mobile number 7383913653 is shared by Jitendra Bhogilal Parikh **(entity 24)** and Ramanlal Ravchand Shah **(enity 23)** as per UCC details. • Common Mobile number , i.e. 9054846761 is shared by Hemangini Vinitkumar Parikh **(entity 14)** and Jitendra Bhogilal Parikh **(entity 24)** as per the UCC details.
25	Rohini Popatlal Parikh CYSPP9743H	• 25-6-14-24 • 25-18-16	• Common Mobile number, i.e. 7383913459 is shared by Sairabanu Mohd Rafiq Fanaswala **(entity 6)**, Hemangini Vinitkumar Parikh **(entity 14)**, Rohini Popatlal Parikh **(entity 25)** and Jitendra Bhogilal Parikh **(entity 24)**. • Common Mobile number 9104789597 is shared by Padma Rewachand Advani **(entity 16)**, Manoj Kantilal Parmar **(enity 18)** and Rohini Popatlal Parikh **(entity 25)** as per the UCC details.
26	Mahendra Vadilal Shah GLWPS8277L	• 26-15-20 • 26-19-16-18-13	• Common Mobile number 7778049781, i.e. is shared by Hardasbhai Babubhai Patel **(enity 15)**, Prakash Vijay Kumar Shah **(entity 20)**, Mahendra Vadilal Shah **(entity 26)** as per UCC details. • Common Mobile number, i.e. 7779082715 is shared by Padma Rewachand Advani **(entity 16)**, Manoj Kantilal Parmar **(entity 18)**, Ramanlal Ravchand Shah **(entity 23)**, Deepak Parsharam Salvi **(entity 13)**, Kamlesh Bhikhabhai Shah **(entity 19)** and Mahendra Vadilal Shah **(entity 26)** as per UCC details.
27	Surarchita Traders Private Ltd AAUCS2427E	• 27-4-10	• Common Mobile number, i.e. 8100939283 is shared by Charamsukh IT Marketing Pvt Ltd **(entity 4)**, Surarchita Traders Private Ltd **(entity 27)** and Unifour Garments LLP **(entity 10)** as per UCC details.
28	Youthvision Commodities Pvt Ltd AACY6443N	• 28-2	• Barun Kumar Das was a common director between Polpik Traders Pvt Ltd **(entity 2)** and Youthvision Commodities Pvt Ltd during IP. **(entity 28)**
29	Bhaavoshali Management Services Pvt Ltd AAGCB7491R	• 29-12 • 29-12-7-11	• Common Mobile number 8420642081 is shared by Cobia Distributors Private Limited **(entity 12)** and Bhaavoshali Management Services Pvt Ltd **(entity 29)** as per the UCC details. • Ritesh Mishra was the common director between Greatscope Traders Private Limited **(entity 11)**, Cobia Distributors Private Limited **(entity 12)**, Flyjoy Distributors Private Limited **(entity 7)**, Bhaavoshali Management Services Private limited **(entity 29)**. • Following person were common director between Bhaavoshali Management Services Pvt Ltd **(entity 29)** and Cobia Distributors Private Limited **(entity 12)** ("Rajib Debnath & Abhishek Ghosh & Ajay Kumar Misha &Sundeep Roy")

30	Goldensight Commotrade Private Ltd AAFCG6723L	• 30-2 • 30-1	• Realstep Agencies Pvt Ltd Rafiq **(entity 1)** and Goldensight Commotrade **(entity 30)** Private Ltd has common mobile number 7059127271 as per UCC details. • Bank Transactions between Polpik Traders Pvt **(entity 2)** and Goldensight Commotrade Private Ltd **(entity 30)** during the IP. • Bank Transactions between Goldensight Commotrade Private Ltd **(entity 30)** and Greatscope Traders Pvt Ltd **(entity 11)** .
31	Varaprada Distributors Pvt Ltd AAECV7301C	• 32-31 • 32-31-4	• Common Mobile number 8334965757 is shared by Varaprada Distributors Pvt **(entity 31)** Ltd and Springtime Engineering Private Limited **(entity 32)** as per the UCC details. • Common Mobile number 9681716591 is shared among Varaprada Distributors Pvt Ltd **(entity 31),** Charamsukh IT Marketing Pvt Ltd **(entity 4)** and Springtime Engineering Private Limited **(entity 32)** as per the UCC details.
32	Springtime Engineering Private Limited. AAUCS8602F	• 32-31 • 32-31-4 • 32-5	• Common Mobile number 8334965757 is shared by Varaprada Distributors Pvt Ltd **(entity 31)** And Springtime Engineering Private Limited **(entity 32)** as per the UCC details. • Common Mobile number 9681716591 is shared among Varaprada Distributors Pvt Ltd **(entity 31),** Charamsukh IT Marketing Pvt Ltd **(entity 4)** and Springtime Engineering Private Limited **(entity 32)** as per the UCC details. • Off Market Transaction between Springtime Engineering **(entity 32)** Private Limited and Vijaya Parsharam Salvi **(entity 5)** in the scrip of LTTL for 2,70,000 shares during the IP.
33	Manish Jani (Noticee) AENPJ3963L	• 33-2	• Manish Jani **(entity 33)** was common director in Polpik Traders Pvt Ltd **(entity 2)** and Layla Textile and Traders Limited during IP. Manish Jani was also a promoter and CFO in LTTL • Off Market Transaction with Polpik Traders Pvt Ltd in the scrip of LTTL for 4,57,500 shares during the IP.
34	Flow top Retailers Private Limited. AACCF0284A	• 34-1	• Off Market Transaction between Flow Top Retailers Private Limited **(entity 34) And** Realstep Agencies Pvt Ltd (**entity 1**) in the scrip of LTTL during the IP.

Diagrammatic Representation of connections established in the above table :



14. It was observed that the major buyer counterparties of Polpik in the trading of the said shares during the IP period were as under:

Table 8: Trading by Connected entities during the IP					
Sr No.	**Client name**	**Buy Traded Qty**	**% of total Buy traded Qty**	**Sell Traded Qty**	**% total Sell traded quantity**
1	Realstep Agencies Private Limited	1565628	7.37	2138413	10.06
2	Cobia Distributors Private Limited	477804	2.25	517804	2.44
3	Chandika Infrastructure Pvt Ltd	344535	1.62	401582	1.89
4	Bhaavoshali Management Services Pvt Ltd	187652	0.88	187652	0.88
5	Springtime Engineering Private Limited	187489	0.88	44521	0.21

15. It was alleged that Noticee had transferred his entire shareholding in LTTL to Polpik through a sham transaction and in turn Polpik sold 91% of the shares in the market to its connected counterparties and contributed 16.2% of the total volume on three days when it sold all the shares. 68% of the total traded volume among the Polpik and its connected 4 counter parties was through placing buy and sell orders substantially in the gap of 5 minutes.

16. I note that in order to investigate the nature and rationale of the Noticee's off-market transfer to his connected entity Polpik, who in turn sold the shares to connected entities, summons was issued by SEBI under Section 11C (3) of the SEBI Act, 1992 to the Noticee, vide summons dated December 16, 2021 sent through Speed Post AD. The summons was issued on the Noticee's last known address i.e**.** *19D/ H24/ Goabagan Street, 1st Floor, Kolkata, West Bengal, India, PIN-700006* as per his UCC details. However, summons issued through Speed Post returned undelivered with remarks "*insufficient address".* Another summons was issued to the Noticee on January 14, 2022

which also returned undelivered with remarks "addressee moved". Thereafter affixture was done at the Noticee's last known address.

17. I also note that since Polpik was already a strike off company, no information could be gathered from it.

18. The allegations levelled against the Noticee in the SCN are summarised as below:
    a) The Noticee with the help of its related entity Polpik offloaded the shares of LTTL by adopting manipulative and deceitful trading pattern.
    b) This related entity of the Noticee sold 4,57,500 shares of LTTL to connected entities increasing the trading volume of the shares causing its price to rise during the IP, thus creating false appearance of the trading in the scrip, to genuine investors luring them to invest in the scrip.

19. In view of all the above observations, it is alleged that the Noticee has violated Section 12 A(a),(b),(c) of SEBI Act, 1992 and Regulation 3(a), 3(b), (c), (d) and Regulation 4 (1) of SEBI (PFUTP) Regulations, 2003.

<u>APPOINTMENT OF ADJUDICATING OFFICER</u>:

20. SEBI vide order dated May 25, 2022 had appointed Smt. Geetha G, Chief General Manager as the Adjudicating Officer (**AO**) under Section 15-I(1) of SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and imposing penalties) Rules, 1995 (hereinafter referred to as '***Rules***'), read with Section 19 of the SEBI Act to inquire and adjudge under Section 15HA of the SEBI Act, 1992 for the alleged violations of Section 12A(a), (b),(c) of the SEBI Act, 1992 and Regulation 3(a),(b),(c),(d) & Regulation 4(1) of the SEBI ("PFUTP Regulations, 2003"), by the Noticee. Thereafter, Shri Amit Kapoor, General Manager was appointed Adjudicating Officer vide order dated September 19, 2022. Subsequently I have been appointed Adjudication Officer by SEBI vide Order dated October 06, 2022.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING:

21. Show Cause Notice no. SEBI/EAD-1/SM/LD/55355/1/2022 dated October 21, 2022 (hereinafter referred to as '**SCN**') was issued by the undersigned to the Noticee under Section 15-I(1) of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, read with Section 19 of the SEBI Act to show cause as to why an inquiry should not be held against him for the alleged violations of provisions of Regulation 12A(a), (b), (c) of SEBI Act, 1992 and Regulation 3 (a), (b), (c), (d) & 4 (1) of SEBI "PFUTP Regulations" and why penalty, if any, should not be imposed on him under Section 15HA of the SEBI Act, 1992. The said notice was returned undelivered with the remark "left" on the envelope. Thereafter the said SCN was uploaded on SEBI website on December 01, 2022 and attempt to serve the SCN through affixture was also made.

22. On 20/10/2022, SEBI official called up the Noticee on his mobile no. available with SEBI i.e. 9903465831 to confirm his address and email ids. The Noticee answered the call and confirmed his address as mentioned above. Thereafter the SCN was also sent to the Noticee at manishjani71@gmail.com, which was duly delivered. In the interest of natural justice, an opportunity of hearing was provided to the Noticee on January 17, 2023. In the hearing notice, the Noticee were also reminded to file his reply to the SCN and informed that in case of non-appearance of the Noticee or his authorised representative on the date of the hearing, the matter would be decided on the basis of material available on record in terms of Rule 4(7) of the Adjudication Rules. However , the opportunity of the hearing was not availed by the Noticee. The Noticee was then provided a second hearing opportunity on February 01, 2023. Parallelly, SEBI attempted to serve physical SCN through BSE and NSE which also returned undelivered. Suddenly the Noticee replied to the SCN vide his email dated January 31, 2023. The Noticee did not avail the opportunity of personal hearing and vide email dated February 01, 2023 requested that his written submission be accepted as reply and he had nothing further to add.

23. I note that though the Noticee has confirmed his address, however all notices sent at the same address returned undelivered although Noticee is available at the email id address "manishjani71@gmail.com".

24. The above behaviour of the Noticee demonstrates that he is misguiding SEBI by affirming his address mentioned above but all notices sent at the affirmed address have returned undelivered. I also note that all notices sent to the Noticee in the matter of Dwitya Trading have also been returned undelivered (details of SEBI order in this regard is mentioned in Para 57 of this order).

25. Vide the aforesaid reply dated January 31, 2023, the Noticee submitted:

a) *that the allegations contained in the SCN are bald, sweeping, unfounded and are completely contrary to the factual position and records. Further there has been a long and unexplained delay in the initiation of proceedings. SCN was issued after a lapse of more than five and half years from the date of conduct of his alleged single off market trade. The Noticee relied upon the SAT judgements in the matter of HB Stockholdings Limited Versus SEBI, in the matter of Khandwala Securities Vs. SEBI and in the matter of Subhkam Securities Private Limited Vs. SEBI.*

b) *That he was a promoter and Director and CFO in LTTL until he resigned from LTTL on May 05, 2017. He had joined as Director in Polpik w.e.f April 17, 2017. He had transferred his holdings of 4,57,500 equity shares in LTTL to Polpik on 21 April 2017, He has submitted that the disclosures for the said transfer is already filed with the BSE within time as per the LODR and SEBI (SAST) Regulations.*

c) *That he was appointed as Non-Executive Director in Polpik w.e.f April 17, 2017 and was not involved in day to day affairs of Polpik. Further he has resigned from Polpik w.e.f May 10, 2017 in only 24 days due to unavoidable reasons so he was non-executive director in Polpik for only 24 days and has not taken any direct or indirect benefit monetary and non-monetary from the company as a director or any other capacity so if there is manipulation than it has been done by Polpik and its directors Barun Kumar Das and Vijay Kumar Kataruka.*

d) *That he is not involved in the sale proceedings of the said holdings by Polpik to other entities which are alleged to be connected with Polpik in any manner and same is admitted facts by SEBI said SCN that nowhere his connections are reflected.*

- ***e)*** *All the said holding of 4,57,500 equity shares is sold through open market on BSE platform, the trades are through any stock broker, hence the real facts may be disclosed who are the authorities of Polpik to instruct such selling and how they price is manipulated by whom.*
- ***f)*** *That since he was not involved in day to day affairs of the Polpik, he never came to know about their sell of the said 4,57,500 equity shares of LTTL as it was without may consent and knowledge.*
- ***g)*** *That mere being appointed as Director in the Board of Directors of the Company does not hold him or anyone liable until being involved in such alleged transactions because he was a non-executive director (only for twenty days) was a beneficiary in this transaction.*
- ***h)*** *That Polpik is strike off from the Registrar of Companies but the executive directors of Polpik can be enquired for such transactions being their involvement.*
- ***i)*** *That there is no single proof of my involvement in the manipulation of the price of LTTL during the IP or anytime as it is the fact that I am nowhere involved nor known to anyone with whom Polpik directors have traded and sold the said equity shares.*
- ***j)*** *That from the SCN details few entities are already connected to Polpik by way of same registered office address, common mobile number or some bank transfer, there is no involvement of his in all these.*
- ***k)*** *That he has transferred his shares to Polpik and has transferred in proper legal and valid transfer way. Hence the allegation of associating him with Polpik or any of the suspected group entities is erroneous and baseless and holds no merit because he had transferred the said equity shares of the company LTTL as off market transfer as a normal transaction for which he had made all disclosure as necessary under the LODR and SEBI Act as applicable to him.*
- ***l)*** *That the SCN failed to provide, inter alia the necessary documentary evidences and / or statements of witnesses relied upon by the learned Adjudicating Officer forming the basis of the allegations made therein.*
- ***m)*** *That the transactions if any between these entities is not his prerogative and no knowledge can be imputed about the same on him. These transactions can in no way be a conclusive evidence of his involvement in the alleged scheme of manipulation. Further the allegation levied in the SCN are not substantiated by any evidence or material on record.*

26. Further, vide email dated February 14, 2023, the Noticee was advised to reply to the following queries.

a) Proof of your appointment and resignation from Polpik as Non- Executive Director.

b) Reasons for transfer of shares to Polpik.

c) Payment received from Polpik for off-market sale of 4,57,500 shares of Layla Textiles & Traders Limited.

27. The Noticee vide email dated February 21, 2023 replied as under:

*"**Reply to point no. 1**:*

I hereby confirm that I have appointed as non-executive director in Polpik Traders Pvt Ltd. and I would like to submit that I have resigned from polpik on 10th May 2017. I would like to apologize that I inadvertently mentioned (due to typographical error) resignation date 5th May 2017 instead of 10th May 2017 in point no 31 of my reply dated 30th January 2023.

Since Polpik Traders Pvt Ltd. has been strike off so it is very difficult to submit any documentary evidence.

***Reply to Point no. 2 & 3**:*

I would like to submit that I have already submitted detailed reply by letter dated 30th January 2023. Kindy consider the same in reference to reply of point no. 2 & 3."

28. As the inquiry in the matter has been completed, I now proceed to decide the case on the basis of the SCN issued, replies made by the Noticee and material available on record.

CONSIDERATION OF ISSUES AND FINDINGS:

29. In the instant matter, the following issues arise for consideration and determination.:

Issue I: Whether Noticee has violated Section 12 A (a), (b), (c) of SEBI Act, 1992 and Regulation 3(a), 3(b), (c), (d) and Regulation 4 (1) of SEBI (PFUTP) Regulations, 2003.

Issue II: Does the violations, if any, on part of the Noticee attract penalty under Section 15HA of the SEBI Act?

Issue III: If so, how much penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act?

29. It is pertinent to mention here the relevant provisions of PFUTP Regulations and SEBI Act, 1992 alleged to have been violated by the Noticees: -

<u>SEBI Act, 1992</u>

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A*. No person shall directly or indirectly—*

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

<u>PFUTP Regulations, 2003</u>

<u>Regulation 3(a), 3(b), (c), (d) and Regulation 4 (1) of SEBI (PFUTP) Regulations, 2003.</u>

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) *Without prejudice to the provisions of regulation 3, no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities markets.*

[Explanation.–For the removal of doubts, it is clarified that any act of diversion, mutualisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.]

FINDINGS

Issue I: Whether Noticee has violated Section 12 A (a), (b), (c) of SEBI Act, 1992 and Regulation 3(a), 3(b), (c), (d) and Regulation 4 (1) of SEBI (PFUTP) Regulations, 2003.

30. Before proceeding with the matter on merits, I would first deal with the contention of delay in issuance of SCN as raised by the Noticee.

30.1 The allegations framed in the SCN relate to the trading activities which were undertaken during IP. I would like to refer to the chronology of events that happened in this case.

30.2 Based on complaints received by SEBI and BSE, an investigation was carried out in 2018. Investigation in the matter involved analysis of the complaints, price movement of the scrip of LTTL, trading member concentration, counterparty to the trades of connected /related entities during the IP, price variation, volume various viz. synchronised trades & reversal trades, seeking information from depositories with regard to off-market transactions to establish connection between the suspected entities, seeking details from suspected entities. I also note notices (summons dated December 16, 2021 and January 14, 2022) sent to the Noticee during investigation process were undelivered from the addresses available with the Banks, Stock Exchanges and Depositories. I also understand that Noticee did not responded to the emails sent by SEBI Investigation department seeking information about the case. I am of the opinion, that had the Noticee co-operated with SEBI Investigation department, ample time would have been saved. Also, Polpik the other critical entity was already a strike off company and no information could be gathered from it which had also taken substantial time to complete the investigation. Seeking information and analysing the matter took time and investigation in the matter was completed in the year 2022.

30.3 The adjudication proceedings in the matter were approved and subsequently vide Order dated May 25, 2022, Ms. Geetha G. - Chief General Manager was appointed Adjudicating Officer (AO) in the matter. Thereafter, Shri Amit Kapoor, General Manager was appointed AO vide order dated September 19, 2022 and subsequently I was appointed Adjudication Officer by SEBI vide Order dated October 06, 2022. The SCN was issued on October 21, 2022.

30.4 Therefore, in light of the above chronology, I conclude that the matter was open for long as it was investigated for violation of PFUTP regulations. I note that in support of its contention, the Noticee has relied upon the Hon'ble SAT judgement in the matter of Khandwala Securities Vs. SEBI where it was observed that:

"This *Tribunal has held in several case including Subhkam Securities Private Limited vs. Securities and Exchange Board of India decided on July 25, 2012 Appeal No. 73 of 2012, Aditi Dalai vs. Securities and Exchange Board of India decided on November 28, 2011 Appeal No 143 o 2011 that proceedings under the Securities and Exchange Board of India require finalisation within a reasonable period of time. Delay defeats justice and the very purpose for which proceedings are initiated*.

30.5 I also note that the Noticee has relied upon the judgement of the Hon'ble SAT in the matter of Subhkam Securities Private Limited Vs. SEBI when it was observed that:

"Inordinate *delay in conducting inquiries and in punishing the delinquent not only permits market manipulator to operate in the market, it also has demoralising effect on the market players who are ultimately 'not found guilty' but damocles' sword of inquiry keeps hanging on them for years together from the date of starting investigation by the Board to the date of completion of inquiry proceedings. Precisely for this reason, regulation 28(2) of the intermediary regulations also provides that the designated member should pass appropriate order after considering reply as expeditiously as possible and endeavour shall be made to pass order within one hundred and twenty days from the date of receipt of reply of the notice or hearing. A market player has a right that if proceedings are initiated against him by the Board for violation of any rules and regulations, the proceedings against him, are also concluded expeditiously and he is not made to undergo mental agony when these are unnecessarily prolonged without any fault on his part in delaying the proceedings*."

30.6 In this context, I would like to refer to observations of the Hon'ble SAT in Bipin R Vora vs SEBI dated March 22, 2006, "*As regards the plea of delay and latches and submission that the show cause notice is barred by limitation,* I *do not find any merit in these contentions as the time and efforts involved in an investigation though may vary from case to case, generally investigations per-se is a time consuming process which invariably involve collection, scrutiny and careful examination of voluminous records/ order-trade details of all the concerned including the exchanges/recording of statements etc. and therefore no time limit can be fixed in this regard to enable a regulator to take appropriate disciplinary action for the safeguard and improvement of the system/market*".

30.7 I also find it relevant to refer to the order passed by Hon'ble SAT in the case of Metex Marketing Pvt. Ltd. vs. SEBI (order dated June 4, 2019) wherein Hon'ble SAT held that: "*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*."

30.8 Further, I would like to rely upon the judgement of Hon'ble SAT in the case of Ravi Mohan & Ors. vs. SEBI (SAT Appeal no. 97 of 2014, DoD 16/12/2015) wherein it was held that: - *"....................Based on decision of this Tribunal in case of HB Stockholdings Ltd. vs. SEBI (Appeal no.114 of 2012 decided on 27.08.2013) it is contended on behalf of the appellants that in view of the delay of more than 8 years in issuing the show cause notice, the impugned order is liable to be quashed and set aside. There is no merit in this contention, because, this Tribunal while setting aside the decision of SEBI on merits has clearly held in para 20 of the order, that delay itself may not be fatal in each and every case. Moreover, the Apex Court in case of Collector of Central Excise, New Delhi vs. Bhagsons Paint Industry (India) reported in 2003 (158) ELT 129 (S.C) has held that if there no statutory bar for adjudicating the matter beyond a particular date, the Tribunal cannot set aside the adjudication order merely on the ground that the adjudication order is passed after a lapse of several years from the date of issuing notice.................*."

31. In view of the aforesaid judgements, I conclude that there is no merit in the objections raised by the Noticee regarding the delay in issuance of SCN.

32. I will now proceed to deal with the merits of the cases as regards the allegations made against the Noticee and his submissions in this regard.

33. From the material available on record, I note that the Noticee, a Director of LTTL joined as Director in Polpik, w.e.f April 17, 2017 and thus Polpik became the Noticee's related entity. The Noticee had transferred his holdings of 4,57,500 equity shares in LTTL to Polpik on April 21, 2017. I note that Polpik then sold the shares to connected entities on three days of the IP i.e on 25/04/2017, 03/05/2017 & 04/05/2017. Noticee resigned from LTTL on May 05, 2017. I note that during the IP, the price of the scrip at BSE opened at Rs.42.25 touched a low of Rs.35.05 and high of Rs. 69 during the IP. The scrip closed at Rs.35.05 in BSE on May 09, 2017. The average trading volume was 4,62,113 as compared to 34,757 & 44,937 before & after the IP respectively. Thus the

allegation against the Noticee was that the Noticee by taking the help of his related entity Polpik, had offloaded the shares of LTTL in the market by adopting manipulative and deceitful trading pattern which increased the trading volume of the scrip and resulted in increase in the sudden price rise in the scrip of LTTL followed by price fall during the IP creating a false picture of the trading of the scrip in the market luring genuine investors to invest in the scrip.

34. On perusal of the reply of the Noticee against the allegations levelled against him, I note that the Noticee submitted that he was not involved in day to day affairs of his related entity Polpik and was a Non-Executive Director (only for twenty/twenty-five days) and that he never came to know about the sale of the said 4,57,500 equity shares of LTTL as it was without his consent and knowledge and he was not a beneficiary in the transaction. However, I note that the Noticee has not provided any proof or evidence for the following queries raised : (a) Proof of his appointment and resignation from Polpik as Non- Executive Director (b) Reasons for transfer of shares to Polpik.(c) Payment received from Polpik for off-market sale of 4,57,500 shares of Layla Textiles & Traders Limited and in fact he refused to take the opportunity of personal hearing wherein he had the opportunity of representing his case in an effective manner. It is to be noted that personal hearing afforded here was on Virtual Platform which would not have caused any inconvenience to the Noticee on account of travelling cost and time.

35. Noticee has claimed that transfer of shares to Polpik was done in a proper legal and valid transfer way. Here I note that since this was a negotiated trade where each entity has to perform specific act, i.e., Noticee had to deliver the shares (which he had done) and Polpik has to transfer the consideration for the shares purchased (no evidence of payment by Polpik to Noticee towards the purchase of these shares). Hence this transaction cannot be treated as proper legal and valid, on the contrary this was the sham transaction

36. I also note that the consideration for the said off market transfer of 4,57,500 shares (approx. Rs 2.28 Cr) is not found in the Bank account statements of the Noticee in his Allahabad Bank A/c no. 117350 and ICICI Bank A/c no. – 627701501537. Further, the

analysis of bank account of Polpik i.e. HDFC Bank A/c no. -50200007375596 also did not show any transfer of such amount in the relevant period.

37. Noticee has not substantiated why he chose to transfer his entire shareholding to Polpik, when he could have sold these shares directly in the market by himself also. Generally, if a genuine investor buys a substantial share in a company they would not immediately jump to dispose of those shares within a week's time of the such purchase. In the instant case Polpik started selling the shares within 3 days of such purchase and sold the entire shareholding within 3 trading days (April 25, May 3 and May 5, 2017). This corroborates that the objective of transferring these shares by Noticee to Polpik was to create artificial interest in the scrip of LTTL as shares sold by Polpik were purchased by its connected entities through structured trades.

38. Information was also sought from Central Board of Direct Taxes (CBDT) about the income tax filings by LTTL and Polpik during the investigation Period. CBDT has confirmed that no information is available with them about both the companies. Hence I conclude that Noticee and Polpik had deliberately not filed any Tax return with CBDT to hide the above mentioned sham transaction.

39. Noticee did not bring any evidence of receipt of consideration received from Polpik for the sale of 4,57,400 shares reportedly for value of Rs 2.28 crores. In the absence of any evidence produced by the Noticee, I treat this transaction a 'sham transaction'. Noticee had been evasive about consideration received by him and opted not to reply the same. Noticee could have produced his bank statement wherein that consideration was received or he could have submitted his Income tax return to demonstrate capital gain tax paid by him on the sale of the shares of LTTL.

40. Noticee had claimed that he had joined the Board of Polpik as Non- Executive Director on April 17,2017 and resigned on May 10,2017, i.e., Noticee was the director of Polpik only for 24 days which is uncommon and Noticee has not cited the reasons of his joining the Board of Polpik just 4 days ahead of transfer of his entire shareholding in LTTL and

also not given any reasons of him resigning from the Board of Polpik once the shares of LTTL were sold in the market.

41. Further, the Noticee did not attend the hearing when he was given an opportunity to personally refute the allegations but instead he requested the undersigned to accept the written submission as his final response. I note that the Noticee has simply submitted that he did not take any direct or indirect benefit monetary and non-monetary from the company as a director or in any other capacity, but has not been able to validate his contentions.

42. The Annual Returns of LTTL was perused for the years 2016 and 2017 and it is learnt that net profit of LTTL was Rs 0.04 Crores and 0.05 Crores respectively. In fact, as per the Quarter ended March 31, 2017, LTTL reported loss of Rs 0.03 crores. In view of the above, I conclude that the Noticee upon realising the poor financial performance of the company decided to exit and hence created the following façade in the matter:

    a. Joined the Board of Polpik on April 17, 2017;
    b. Transferred his entire shareholding to Polpik on April 21, 2017,
    c. Polpik sold entire shares received from Noticee during April 25, 2017- May 05, 2017,
    d. Resigned from the Board of LTTL on May 05, 2017
    e. Resigned from the Board of Polpik on May 10, 2017.

43. I am of the opinion that Noticee along with Polpik and connected entities (of Polpik) had hatched a plan after observing upward trend in the price of the LTTL during investigation period and hence provided his 4,57,500 shares to Polpik (16% of trading volume) so that Polpik along with its connected entities can create artificial volume.

44. I also note one Mr Anup Kumar Shah (Managing Director of LTTL upto January 16, 2017) was also the director in Polpik during Investigation period, hence it can be concluded that Noticee was in the position to take trading decision on behalf of Polpik as he and Mr Anup Kumar Shah (who was the Managing Director of LTTL) were the

directors of Polpik also. Hence, I do not accept the contention of the Noticee in this regard.

45. I conclude that Noticee had transferred shares of LTTL to his connected entity to exit at a premium price which he could not have afforded unless entities viz Polpik and five others who had allegedly entered into structured trades with Polpik created artificial volume.

46. **Trading in the scrip of LTTL during the three selling days**

Date (2017)	Event	WAP	Number of trades	% of delivery quantity to traded quantity	Spread High-Low (Rs)
21/04	Day of transfer	53.06	1111	55.9	0.65
25/04	Sale of 2,00,000 shares by Polpik in the market	54.90	1018	74.13	0.85
03/05	Sale of 1,00,000 shares by Polpik in the market	59.37	1402	64.61	0.60
05/05	Sale of remaining 1,57,500 shares by Polpik in the market	54.76	1271	74.84	13.1

<u>Calculation of Profit derived by the act of Noticee along with Polpik and Polpik's connected entity,</u>

47. The total consideration at which the Noticee had sold his holdings to Polpik was Rs 2.28 crores and the price at which shares were sold by the connected entities is as below :

Date	Qty of shares	Average cost	% of total daily volume	Total Consideration (In Rs Crores)
25/04/2017	2,00,000	58.16	34.8	2.66
03/05/2017	1,00,000		12	
05/05/2017	1,57,500		11.1	

48. I also note that Polpik and 5 entities had allegedly entered into structured trade with Polpik. Out of these entities, SEBI has issued administrative warning to Realstep Agencies Private Limited, Bhaavoshali Management Services Private Limited and Cobia Distributors Private Limited for their involvement in circular trades and reversal trades thus creating an artificial volume and indulging in an act leading to give a false and misleading appearance of trading in the scrip so as to enable the Noticee and Polpik to

exit in the scrip of LTTL through placing buy and sell orders substantially at the same time. However, I note that as the other entities i.e Chandika Infrastructure Pvt. Ltd, Springtime Engineering Private Limited and Polpik have the status of “strike off” from Registrar of Companies (RoC-Kolkata), no action could be taken against them.

49. Thus, on the basis of analysis of available information, I conclude that Noticee and Polpik with the help of its connected entities adopted manipulative trading pattern by placing orders substantially at the same time or close by, to enable the Noticee to offload his shares through Polpik to connected entities. Therefore, Noticee with the help of his related entity Polpik, who along with its counterparty buyers namely, Chandika Infrastructure Pvt Ltd, Realstep Agencies Pvt Ltd, Bhaavoshali Management Services Pvt Ltd and Springtime Engineering Private Limited gave a false and misleading appearance of trading in the scrip of LTTL, and violated the provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 and Regulation 3(a), (b), (c), (d) and Regulation 4(1) of SEBI (PFUTP) Regulations, 2003. It is also evident that the Noticee is the main entity (Mastermind) of whole scheme of manipulation.

50. Noticee has claimed that he was not involved in the decision of trading by Polpik in the scrip of LTTL, however I conclude that Noticee was the mastermind and he had used Polpik as the conduit to offload his shareholding in LTTL to sell the shares in the market through structured trades with the help of its connected counterparties.

51. In light of the findings and observations made against the Noticee as brought out in the foregoing paragraphs, I conclude that the Noticee used his related entity Polpik to conveniently off-load his shares in the scrip of Layla, who in return sold the shares to connected entities causing an increase in trading volume, contributing to 16.2% of the total market volume on three days when it sold the shares of Layla and rising the share price from Rs.53/- to Rs. 59/- during those days. Thus the Noticee allegedly brought out a sudden spurt in the volume and price of the scrip which was adequate enough to deceive and manipulate the securities market by creating trading volumes in the scrip of LTTL to be able to off-load his LTTL shares at a high rate for his own gains and thus contravened PFUTP Regulations, 2003. The intention of the Noticee was thus ill

motivated, fraudulent by creating a false appearance of the trading volumes of the LTTL shares for personal gains through unfair practices by using deceptive devices to defraud investors which would harm the integrity of the securities market. I therefore find that the charge pertaining to violation of Section 12 A (a), (b), (c) of SEBI Act, 1992 and Regulations 3 (a), (b), (c) and (d), 4 (1) of PFUTP Regulations, 2003 by the Noticee stands established.

52. I note that ***Regulation 3(a) (b), (c) and (d) of PFUTP Regulations, 2003*** provides that no person shall buy, sell or deal in securities in a fraudulent manner, use or employ any manipulative or deceptive device, induce any person to subscribe by agreeing to advance any money to any of the person or induce any person for dealing in any securities***, Regulations (4) (1) of PFUTP Regulations, 2003*** provides *no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities markets*.

53. Therefore, it is pertinent to note the observations of Hon'ble Supreme Court in its Order dated April 26, 2013 in the matter of N. Narayanan Vs Adjudicating Officer, SEBI, wherein it has laid down that: -

"*Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law. Section 12A read with Regulations 3 and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'. The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. 'Market abuse' impairs economic growth and erodes investor's confidence. Market abuse refers to the use of manipulative and deceptive devices, giving out incorrect or misleading information, so as to encourage investors to jump into conclusions, on wrong premises, which is known to be wrong to the abusers. The statutory provisions mentioned earlier deal with the situations where a person, who deals in securities, takes advantage of the impact of an action, may be manipulative, on the anticipated impact on the market resulting in the "creation of artificiality".*

Issue II: Does the violations, if any, on the part of the Noticee attract penalty under Section 15HA of the SEBI Act?

54. I note that the Hon'ble Supreme Court of India in the matter of SEBI v/s Shri Ram Mutual Fund [2006] 68 SCL 216(SC)held that

    "*In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant..........Hence, we are of the view that once the contravention is established, then the penalty has to follow and only the quantum of penalty is discretionary*."

55. In view of the foregoing, I am convinced that the Noticee is liable for monetary penalty under Section 15HA of the SEBI Act, 1992, for violation of Section 12 A (a), (b), (c) of SEBI Act, 1992 and Regulations 3 (a), (b), (c) and (d), 4 (1) of PFUTP Regulations, 2003. The provision of ***Section 15HA of the SEBI Act, 1992*** is reproduced as under:

    15HA - ***Penalty for fraudulent and unfair trade practices.***

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

Issue III: If so, how much penalty should be imposed on the Noticee taking into consideration the factors mentioned in Section 15J of the SEBI Act?

56. While determining the quantum of penalty under Section 15HA of the SEBI Act, 1992, it is important to consider the factors stipulated in Section 15J of the SEBI Act, 1992 read with Rule 5(2) of the Adjudication Rules, 1995 which read as under:

    Factors to be taken into account by the Adjudicating Officer under SEBI Act

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

Explanation – For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F,15G,15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section."

57. In the instant case, it is noted that no quantifiable figures are available to assess the disproportionate gain or unfair advantage made as a result of the defaults by the Noticee. However, I note that in recent past, there have been an order passed by SEBI against the Noticee, as mentioned below:

Date of Order	**Violation** **Orders passed by SEBI AOs**	**Penalty**
July 20, 2021	For violations of Regulations 3 (a), (b), (c), (d), 4(1), 4(2)(f), (k) and (r) of SEBI (PFUTP) Regulations, 2003 in the matter of Dwitiya Trading Limited	Rupees Ten lakhs

<u>ORDER</u>

58. After taking into consideration the facts and circumstances of the case, gravity of violations and the material on record, and also the factors stipulated in Section 15J of the SEBI Act, 1992, I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act, 1992 read with Rule 5 of the SEBI Adjudication Rules, hereby impose the following penalty on the Noticee :

Noticee	**Violation and Penal Provisions**	**Amount of Penalty (in ₹)**
Manish Jani	Section 15HA of the SEBI Act, 1992	Rs. 5,00,000 /- (Rupees Five Lakhs only)

59. The Noticee shall remit /pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI i.e www.sebi.gov.in on the following path, by clicking on the payment link :

ENFORCEMENT→ORDERS→ORDERS OF AO→PAY NOW

60. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties of Noticee.

61. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to Noticee i.e. Shri Manish Jani and also to the Securities and Exchange Board of India.

Date : March 16, 2023. **Sahil Malik**
Place : Mumbai **Adjudicating Officer**