BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. : ORDER/VV/NK/2021-22/14836-14884]

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

In respect of:

Noticee No.	Name of Noticee	PAN/CIN/DIN of Noticee
1.	Nitin Jayantilal Sandesara (Director of Sterling International Enterprises Ltd.)	00255496
2.	Chetan Jayantilal Sandesara (Director of Sterling International Enterprises Ltd.)	00255671
3.	Faith Finstock Pvt. Ltd.	AAACF7046E
4.	Pankaj Kanaiyalal Parikh (Director of Faith Finstock Pvt. Ltd.)	01261332
5.	Mayuri Kalpesh Pandya (Director of Faith Finstock Pvt. Ltd.)	02094692
6.	Kalpesh R Pandya (Director of Faith Finstock Pvt. Ltd.)	02094750
7.	Prolific Mercantile Company Pvt. Ltd.	AADCP8003G
8.	Prakash Shamrao Dalvi (Director of Prolific Mercantile Company Pvt. Ltd.)	01374683
9.	Rajendra Mahadev Kelakr (Director of Prolific Mercantile Company Pvt. Ltd.)	01413957
10.	Kingfisher Trading Company Pvt. Ltd.	AACCK3056H
11.	Dollex Capital & Finance Pvt. Ltd.	AABCD4543R
12.	Dinesh Jivrajbhai Vajar (Director of Kingfisher Trading Company Pvt. Ltd. & Dollex Capital & Finance Pvt. Ltd.)	00149241
13.	Sangeeta Dinesh Vajar (Director of Kingfisher Trading Company Pvt. Ltd. & Dollex Capital & Finance Pvt. Ltd.)	00166667
14.	Ayush Rameshwar Gaur (Director of Dollex Capital & Finance Pvt. Ltd.)	00082145
15.	Adore Merchantile Company Pvt. Ltd.	AAFCA5699H
16.	Yogendra Janardhan Bangera (Director of Adore Merchantile Company Pvt. Ltd.)	00459818

Noticee No.	Name of Noticee	PAN/CIN/DIN of Notice
17.	Ashok Sakharam Pilke (Director of Adore Merchantile Company Pvt. Ltd.)	00017894
18.	Akhila Mercantie Pvt. Ltd.	AAGCA6077J
19.	Meghana Mercantie Pvt. Ltd.	AAFCM2750F
20.	Robosoft Trading Co. Pvt. Ltd.	AACCR9863K
21.	Dayanand Chandapa Holkar (Director of Akhila Mercantie Pvt. Ltd., Meghana Mercantie Pvt. Ltd. & Robosoft Trading Co. Pvt. Ltd.)	00361544
22.	Prabhakar Dattaram Kudaskar (Director of Akhila Mercantie Pvt. Ltd., Meghana Mercantie Pvt. Ltd. & Robosoft Trading Co. Pvt. Ltd.)	00303892
23.	Rita Deepak Negandhi	AETPN2046J
24.	Manjula M Doshi	AMZPD7424L
25.	Vitesh B Shah	AQFPS0836F
26.	Dinesh V Makwana	ANOPM9543 M
27.	Rama N Raval	AKBPR8550R
28.	Parag B Mehta	ANCPM8699L
29.	Rahul H Jain	AIOPJ9425A
30.	Sonal H Desai	ABQPD8951N
31.	Fotosoft Multimedia Pvt. Ltd.	AAACF1497M
32.	Balkrishna Amritlal Oza (Director of Fotosoft Multimedia Pvt. Ltd.)	01730273
33.	Dinesh Rathod HUF	AAFHD1015F
34.	Waterbase Mercantile Company Pvt. Ltd.	AAACW5073 A
35.	Satyendrakumar Ramshankar Pandey (Director of Waterbase Mercantile Company Pvt. Ltd.)	00118134
36.	Niranjani Satyendrakumar Pandey (Director of Waterbase Mercantile Company Pvt. Ltd.)	00667321
37.	Anushi A Shah	CBAPS5104G
38.	Sterjet Trading Company Pvt. Ltd.	AAJCS5512K
39.	Janibabu Ahmadkhan Chauhan (Director of Sterjet Trading Company Pvt. Ltd.)	02099637

Noticee No.	Name of Noticee	PAN/CIN/DIN of Noticee
40.	Kamlesh Premraj Borse (Director of Sterjet Trading Company Pvt. Ltd.)	02100292
41.	Manish Buta HUF	AQFPS0836F
42.	Ankit B Mehta	ALCPM8512E
43.	Charu Multitrade Pvt. Ltd.	AADCC1953C
44.	Sandip Gunaji Jadhav (Director of Charu Multitrade Pvt. Ltd.)	01937137
45.	Ankit Bhupendra Mehta (Director of Charu Multitrade Pvt. Ltd.)	02297716
46.	Francisca Investment Pvt. Ltd.	AAACF5670Q
47.	Vasantbhai Nathabhai Patel (Director of Francisca Investment Pvt. Ltd.)	00557930
48.	Prem Shivbaran Vishwakarma (Director of Francisca Investment Pvt. Ltd.)	00528583
49.	Prakash Devaka Kalke (Director of Francisca Investment Pvt. Ltd.)	02525343

IN THE MATTER OF STERLING INTERNATIONAL ENTERPRISES LIMITED

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) had carried out Investigation in respect of irregular trading activities of certain entities in the scrip of Sterling International Enterprises Limited ("hereinafter referred to as **SIEL/Scrip/Company**") during the period from May 01, 2008 to September 30, 2009 (hereinafter referred to as "**Investigation Period**"). The Investigation observed that the scrip of SIEL is listed at Bombay stock exchange Ltd. (hereinafter referred to as "**BSE**") only.

2. Pursuant to the Investigation, SEBI initiated adjudication proceedings under Section 15HA of the Securities and Exchange Board of India Act, 1992, (hereinafter referred to as **"SEBI Act"**) against 61 entities including aforesaid Noticees No. 1 to 49 as named above (hereinafter referred individually by their "Name or Noticee No." and collectively referred to as **"Noticees"**), for alleged violation of the provisions of the Section 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating

to Securities Market) Regulations, 2003 (hereinafter referred to as **'PFUTP Regulations'**).

3. **FACTS OF THE CASE**

Background of SIEL (Source: Capitaline Database)

a) *Sterling International Enterprises Limited was incorporated in the year 1984 with the name Bidasar Leasing and Finance Ltd. Subsequently, name of the company changed to Sterling International Enterprises Ltd. with effect from January 17, 2008.*

b) *The Investigation observed that the scrip of SIEL is listed at BSE only. The last traded price of the scrip was Rs.0.42 on November 12, 2018 and presently trading of its shares are suspended due to penal reasons.*

c) *The board of directors of SIEL during investigation period are as under (source: SIEL Annual Report 2009-10 and MCA website):*

Table 1: Details of Board of Directors

Name	***Designation***
Nitin J Sandesara	*Promoter/Non Executive Director*
Chetan J Sandesara	*Promoter/Non Executive Director*
R.B. Dixit	*Independent/Non Executive Director*
Ramni Iyer	*Independent/Non Executive Director*
Hitesh Patel	*Independent/Non Executive Director*
Ronald D' Souza	*Independent/Non Executive Director*

Shareholding Pattern (source: BSE website)

d) *SIEL's shareholding pattern during investigation period was as under:*

Table 2: Shareholding Pattern

Particular	***Quarter ended Mar 2008***			***Quarter ended Jun 2008***			***Quarter ended Sep 2008***			***Quarter ended Dec 2008***		
	No. Of Shareholders	***No. Of shares***	***%***	***No. Of Shareholders***	***No. Of shares***	***%***	***No. Of Shareholders***	***No. Of shares***	***%***	***No. Of Shareholders***	***No. Of shares***	***%***
Promoter Holding	*18*	*109407340*	*58.58%*	*18*	*109407340*	*58.58%*	*18*	*109407340*	*58.58%*	*18*	*109407340*	*58.58%*

Non Promoter Holding	*757*	*77342660*	*41.42%*	*767*	*77342660*	*41.42%*	*770*	*77342660*	*41.42%*	*754*	*77342660*	*41.42%*
Total share capital	*775*	*186750000*	*100%*	*785*	*186750000*	*100%*	*788*	*186750000*	*100%*	*772*	*186750000*	*100%*
Particular	***Quarter ended Mar 2009***			***Quarter ended Jun 2009***			***Quarter ended Sep 2009***			***Quarter ended Dec 2009***		
	No. Of Shareholders	***No. Of shares***	***%***	***No. Of Shareholders***	***No. Of shares***	***%***	***No. Of Shareholders***	***No. Of shares***	***%***	***No. Of Shareholders***	***No. Of shares***	***%***
Promoter Holding	*18*	*109407340*	*58.58%*	*18*	*109407340*	*58.58%*	*18*	*109407340*	*58.58%*	*18*	*109407340*	*58.58%*
Non Promoter Holding	*763*	*77342660*	*41.42%*	*937*	*77342660*	*41.42%*	*955*	*77342660*	*41.42%*	*947*	*77342660*	*41.42%*
Total share capital	*781*	*186750000*	*100%*	*955*	*186750000*	*100%*	*973*	*186750000*	*100%*	*965*	*186750000*	*100%*

e) *It is observed that the promoter shareholding remained the same throughout the quarters ended March 2008 to December 2009.*

<u>Financial Results</u>

f) *SIEL's financial results during investigation period are as under (source: BSE website):*

Table 3: Financial Results

Amount (Rs. In crore)

Description	***Year Ended***	***Year Ended***	***Year Ended***	***Quarter Ended***							
	Jun 2008	***Jun 2009***	***Jun 2010***	***Mar 2008***	***Jun 2008***	***Sep 2008***	***Dec 2008***	***Mar 2009***	***Jun 2009***	***Sep 2009***	***Dec 2009***
Net sales	*201.37*	*279.05*	*219.81*	*54.88*	*131.19*	*100.11*	*68.43*	*53.39*	*57.10*	*57.63*	*54.99*

Description	Year Ended	Year Ended	Year Ended	Quarter Ended							
	Jun 2008	Jun 2009	Jun 2010	Mar 2008	Jun 2008	Sep 2008	Dec 2008	Mar 2009	Jun 2009	Sep 2009	Dec 2009
Other Income	*0.05*	*0*	*0*	*0.01*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total income	*201.42*	*279.05*	*219.81*	*54.89*	*131.19*	*100.11*	*68.43*	*53.39*	*57.10*	*57.63*	*54.99*
Expenditure	*145.19*	*219.69*	*167.06*	*49.30*	*85.44*	*82.21*	*45.21*	*42.81*	*49.45*	*47.41*	*39.46*
Profit after tax	*52.46*	*51.10*	*52.49*	*5.48*	*42.76*	*15.31*	*17.66*	*10.56*	*7.56*	*10.18*	*15.49*

Price-volume movement (source: BSE website)

g) *Price volume movement in the scrip of SIEL was as under:*

Chart 1: Price Volume Chart

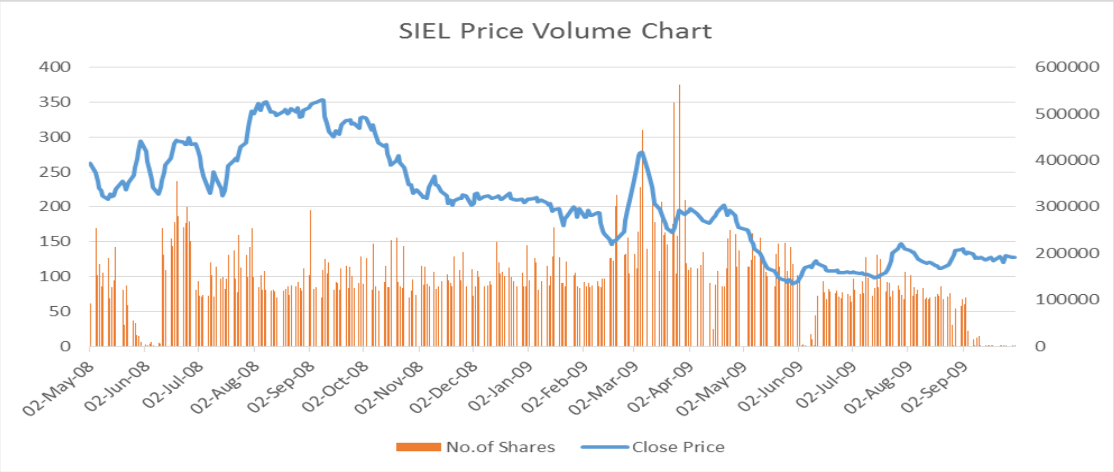

Table 4: Price Volume Data

Patches	Period		Open	High	Low	Close	Vol. (Avg.)
Pre IP Phase	**01/02/2008 to 30/04/2008**	*Price*	*118.05 (01/02/2008)*	*279.8 (30/04/2008)*	*115 (01/02/2008)*	*275.15 (30/04/2008)*	*8831741 (149691)*
		Volume	*20326 (01/02/2008)*	*474145 (26/03/2008)*	*6675 (13/02/2008)*	*122686 (30/04/2008)*	
During IP	**01/05/2008 to 30/09/2009**	*Price*	*268 (02/05/2008)*	*366.3 (08/08/2008)*	*89 (01/06/2009)*	*127.95 (30/09/2009)*	*50127939 (145298)*
		Volume	*92204 (02/05/2008)*	*563291 (27/03/2009)*	*18 (22/09/2009)*	*368 (30/09/2009)*	
Post IP Phase	**01/10/2009 to 31/12/2009**	*Price*	*132.75 (01/10/2009)*	*169 (21/12/2009)*	*96 (04/11/2009)*	*148.4 (31/12/2009)*	*253694 (4228)*
		Volume	*1713 (01/10/2009)*	*47164 (18/12/2009)*	*10 (12/10/2009)*	*5320 (31/12/2009)*	

Connection:

h) *The Investigation, on analysis of Trading pattern, UCC details, KYC, Off-market transactions, MCA website and bank statement, observed following 29 entities (All are Noticees herein) are connected to each other as detailed hereunder:-*

Table 5: Details of Connection of 29 entities

Sr. No.	***Entity Name***	***PAN***	***Basis of Connection***
1	*Sterjet Trading Company Pvt Ltd*	*AAJCS5512K*	*Entities at sr. no. 1 & 2 have common address - APJ MARKET ROOM NO305 DR C H S LANE DHOBI TALAV MUMMBAI (Arihant Capital Markets Ltd. & Brics Securities Ltd.)* *Entities at sr. no. 5 & 6 have common address - B6 RISHIKESH CO OP HSG SOCIETY LTD EVERSHINE NAGAR MALAD WEST MUMBAI (IIFL Securities Ltd. & HSBC Invest Direct Securities (India) Ltd.)* *Entities at sr. no. 3, 5, 7 & 8 have transferred funds to entity at sr. no. 4 (Axis Bank)* *Entities at sr. no. 1, 2 & 6 have common mobile no. – 9821012921 (Arihant Capital Markets Ltd. & IFCI Financial Services Ltd.)* *Entities at sr. no. 8 & 9 have common address –1-16, LALITA BHAVAN, 7-A, JAWAHAR NAGAR, GOREGAON (WEST), MUMBAI - 400062 (MCA website)* *Entities at sr. no. 10 & 11 have common address – ROOM NO.322 LANE NO.21 BHARAT NAGAR BANDRA EAST MUMBAI, MAHARASHTRA 400051 (MCA website)* *Entities at sr. no. 10 & 12 were having common director – Dayanand Chandapa Holkar (MCA website)* *Entities at sr. no. 8, 13 to 17 have a common introducer in AoF – Nikhil Udani (ANS Pvt. Ltd.)* *Entity at sr. no. 18 was director of entity at sr. no. 15 (MCA website)*
2	*Adore Merchantile Company Pvt Ltd*	*AAFCA5699H*	
3	*Waterbase Mercantile Company Private Limited*	*AAACW5073A*	
4	*Faith Finstock Private Limited*	*AAACF7046E*	
5	*Fotosoft Multimedia Pvt. Ltd.*	*AAACF1497M*	
6	*Prolific Mercantile Company Pvt Ltd*	*AADCP8003G*	
7	*Francisca Investment Pvt Ltd*	*AAACF5670Q*	
8	*Kingfisher Trading Company Private Limited*	*AACCK3056H*	
9	*Dollex Capital & Finance Pvt. Ltd.*	*AABCD4543R*	
10	*Robosoft Trading Co. Pvt. Ltd.*	*AACCR9863K*	
11	*Akhila Mercantie Pvt. Ltd.*	*AAGCA6077J*	
12	*Meghana Mercantie Pvt. Ltd.*	*AAFCM2750F*	
13	*Dinesh V Makwana*	*ANOPM9543M*	
14	*Rahul H Jain*	*AIOPJ9425A*	
15	*Charu Multitrade Pvt. Ltd.*	*AADCC1953C*	
16	*HKG Capital Services Pvt. Ltd.*	*AAACH5568D*	
17	*Yatin Pandya HUF*	*AAAHY6896C*	
18	*Ankit B Mehta*	*ALCPM8512E*	
19	*Parag B Mehta*	*ANCPM8699L*	
20	*Rama N Raval*	*AKBPR8550R*	
21	*Ashok H Shah HUF*	*AACHA7911C*	

Sr. No.	Entity Name	PAN	Basis of Connection
22	Madhukar N Vora	AAAPV5284B	*Entities at sr. no. 18 & 19 have common address – 5/A-405, 4TH FLOOR, ESSBEE APARTMENT, SAIBABA NAGAR, BORIVALI (W), MUMBAI – 400092 (Mehta Equities Ltd.)* *Entity at sr. no. 20 has transferred funds to entity at sr. no. 19 (Axis Bank)* *Entities at sr. no. 18 & 21 were introduced by Chirag B. Mehta, who is having common address with entities at sr. no.18 & 19 (Indiabulls Securities Ltd.)* *Entities at sr. no. 21 & 22 were introduced by Anupam Gupta (Multiplex Capital Ltd.)*
23	Dinesh Rathod HUF	AAFHD1015F	*Entities have executed circular trades with the above connected entities*
24	Manish Buta HUF	AAFHM4558L	
25	Sonal H Desai	ABQPD8951N	
26	Rita Deepak Negandhi	AETPN2046J	
27	Manjula M Doshi	AMZPD7424L	
28	Vitesh B Shah	AQFPS0836F	
29	Anushi A Shah	CBAPS5104G	

i) ***Allegation against the following Noticees for indulging in Circular Trades:***

a) *Patch I - Circular trading Analysis (May 15, 2008 to June 02, 2008)*

- *Details of the connected entities along with the circular volume are as follows:*

Table 6: Details of Client along with Circular Volume during Patch I

Patch - I	15/05/2008-02/06/2008		Client's Circular volume		Client's Traded volume		% of Client's Circular volume in terms of day's trading Vol.		Market Volume	% of Client's Circular volume in terms of day's market Vol.	
Date	Client Name	PAN No	Buy	Sell	Buy	Sell	Buy	Sell		Buy	Sell
16/05/2008	Faith Finstock Pvt. Ltd.	AAACF7046E	18100	17900	18106	17905	99.97%	99.97%	213614	8.47%	8.38%
	Prollfic Mercantile Co. Pvt. Ltd.	AADCP8003G	17900	18100	18000	19100	99.44%	94.76%		8.38%	8.47%
	Kingfisher Trading Co. Pvt. Ltd.	AACCK3056H	18100	18100	18377	18100	98.49%	100.00%		8.47%	8.47%

20/05/2008	Faith Finstock Pvt. Ltd.	AAACF7046E	29201	28981	31032	28983	94.10%	99.99%	122415	23.85%	23.67%
	Prollfic Mercantile Co. Pvt. Ltd.	AADCP8003G	28981	28574	29545	29545	98.09%	96.71%		23.67%	23.34%
	Adore Mercantile Co. Pvt. Ltd.	AAFCA5699H	28574	29201	30394	30000	94.01%	97.34%		23.34%	23.85%
26/05/2008	Faith Finstock Pvt. Ltd.	AAACF7046E	15000	14970	15403	14790	97.38%	101.22%	54553	27.50%	27.44%
	Adore Mercantile Co. Pvt. Ltd.	AAFCA5699H	14970	14987	15114	15002	99.05%	99.90%		27.44%	27.47%
	Prollfic Mercantile Co. Pvt. Ltd.	AADCP8003G	14987	15000	15000	15000	99.91%	100.00%		27.47%	27.50%

On the basis of Trade log, UCC details, KYC, Off-market transactions and bank statement, the Investigations have made following observations:

i. May 16, 2008

On analysis of UCC details, KYC, Off-market transactions and bank statement, connection was observed amongst all 3 entities, Faith Finstock Pvt. Ltd., Prolific Mercantile Co. Pvt. Ltd. and Kingfisher Trading Co. Pvt. Ltd. On analysis of trading pattern, it was observed that the trades were executed in a circular motion. Thus, these trades were circular in nature.

ii. May 20, 2008

On analysis of UCC details, KYC, Off-market transactions and bank statement, connection was observed amongst all 3 entities, Faith Finstock Pvt. Ltd., Prolific Mercantile Co. Pvt. Ltd. and Adore Mercantile Co. Pvt. Ltd. On analysis of trading pattern, it was observed that the trades were executed in a circular motion. Thus, these trades were circular in nature.

iii. May 26, 2008

On analysis of UCC details, KYC, Off-market transactions and bank statement, connection was observed amongst all 3 entities, Faith Finstock Pvt. Ltd., Prolific Mercantile Co. Pvt. Ltd. and Adore Mercantile Co. Pvt. Ltd. On analysis of trading pattern, it was observed that the trades were executed in a circular motion. Thus, these trades were circular in nature.

Patch II - Circular Trading Analysis (July 16, 2008 to August 05, 2008)

ii. *Details of the connected entities along with the circular volume are as follows:*

Table 7: Details of Client along with Circular Volume during Patch II

Patch - II	***16/07/2008-05/08/2008***		***Client's Circular volume***	***Client's Traded volume***	***% of Client's Circular volume in terms of day's trading Vol.***	***Market Volume***	***% of Client's Circular volume in terms of day's market Vol.***

Date	Client Name	PAN No	Buy	Sell	Buy	Sell	Buy	Sell		Buy	Sell
18/07/208	Faith Finstock Pvt. Ltd.	AAACF7046E	24993	24997	25797	24997	96.88%	100.00%	196604	12.71%	12.71%
	Prollfic Mercantile Co. Pvt. Ltd.	AADCP8003G	24997	24989	25001	25001	99.98%	99.95%		12.71%	12.71%
	Kingfisher Trading Co. Pvt. Ltd.	AACCK3056H	24989	24993	24993	24993	99.98%	100.00%		12.71%	12.71%
18/07/208	Rita Deepak Negandhi	AETPN2046J	30108	30100	30108	30108	100.00%	99.97%		15.31%	15.31%
	Manjula M Doshi	AMZPD7424L	30100	30100	30100	30100	100.00%	100.00%		15.31%	15.31%
	Vitesh B Shah	AQFPS0836F	30100	30100	30100	30100	100.00%	100.00%		15.31%	15.31%
	Dinesh V Makawana	ANOPM9543M	30100	30108	30108	30108	99.97%	100.00%		15.31%	15.31%
24/07/2008	Rama N Raval	AKBPR8550R	39510	39510	39510	39510	100.00%	100.00%	239447	16.50%	16.50%
	Parag B Mehta	ANCPM8699L	39510	39512	39512	39512	99.99%	100.00%		16.50%	16.50%
	Rahul H Jain	AIOPJ9425A	39512	39510	39512	39512	100.00%	99.99%		16.50%	16.50%
25/07/2008	Akhila Mercantile Pvt. Ltd.	AAGCA6077J	30010	30000	30010	30010	100.00%	99.97%	168911	17.77%	17.76%
	Parag B Mehta	ANCPM8699L	30000	30000	30000	30000	100.00%	100.00%		17.76%	17.76%
	Rama N Raval	AKBPR8550R	30000	30000	30000	30000	100.00%	100.00%		17.76%	17.76%
	Sonal H Desai	ABQPD8951N	30000	30010	30010	30010	99.97%	100.00%		17.76%	17.77%
30/07/2008	Sonal H Desai	ABQPD8951N	36980	31990	36980	36980	100.00%	86.51%	213818	17.30%	14.96%
	Rita Deepak Negandhi	AETPN2046J	31990	31987	31990	31990	100.00%	99.99%		14.96%	14.96%
	Dinesh V Makawana	ANOPM9543M	31987	31987	31987	31987	100.00%	100.00%		14.96%	14.96%
	Fotosoft Multimedia Pvt. Ltd.	AAACF1497M	31987	36980	31988	41983	100.00%	88.08%		14.96%	17.30%
05/08/2008	Dinesh Rathod HUF	AAFHD1015F	35000	34950	35000	35000	100.00%	99.86%	152801	22.91%	22.87%
	Rama N Raval	AKBPR8550R	34950	34950	34950	34950	100.00%	100.00%		22.87%	22.87%
	Dinesh V Makawana	ANOPM9543M	34950	34990	34990	34990	99.89%	100.00%		22.87%	22.90%

	Sonal H Desai	*ABQPD8951N*	*34990*	*35000*	*35085*	*35085*	*99.73%*	*99.76%*		*22.90%*	*22.91%*

On the basis of Trade log, UCC details, KYC, Off-market transactions and bank statement, the Investigation have made the following observations:

i. <u>July 18, 2008</u>

a. On analysis of UCC details, KYC, Off-market transactions and bank statement, connection was observed between Faith Finstock Pvt. Ltd., Prolific Mercantile Co. Pvt. Ltd. and Kingfisher Trading Co. Pvt. Ltd. On analysis of trading pattern, it was observed that the trades were executed in a circular motion. Thus, these trades were circular in nature.

b. On analysis of UCC details, KYC, Off-market transactions and bank statement, no connection was observed amongst all these 4 entities, Rita Deepak Negandhi, Manjula M Doshi, Vitesh B Shah and Dinesh V Makwana. Sonal H Desai and Rita Deepak Negandhi aided and abetted other connected entities in execution of circular trade on 30/07/2008. Further, as per UCC data, Manjula M Doshi and Sonal H Desai are connected entities. On analysis of trading pattern, it was observed that the trades were executed in a circular motion. Thus, it can be inferred that Rita Deepak Negandhi, Manjula M Doshi and Vitesh B Shah aided and abetted connected entity Dinesh V Makwana in execution of circular trades.

ii. <u>July 24, 2008</u>

On analysis of UCC details, KYC, Off-market transactions and bank statement, connection was observed between Rama N Raval, Parag B Mehta and Rahul H Jain. On analysis of trading pattern, it was observed that the trades were executed in a circular motion. Thus, these trades were circular in nature.

iii. <u>July 25, 2008</u>

On analysis of UCC details, KYC, Off-market transactions and bank statement, connection was observed between Akhila Mercantile Pvt. Ltd., Parag B Mehta and Rama N Raval. However, no connection was observed between these 3 entities and Sonal H Desai. On analysis of trading pattern, it was observed that the trades were executed in a circular motion. Further, Sonal H Desai has executed two trades with two connected entities. Thus, it can be inferred that Sonal H Desai was part of circular trades and aided and abetted Akhila Mercantile Pvt. Ltd., Parag B Mehta and Rama N Raval in execution of circular trades.

iv. <u>July 30, 2008</u>

On analysis of UCC details, KYC, Off-market transactions and bank statement, connection was observed only between Dinesh V Makwana and Fotosoft Multimedia Pvt. Ltd. Sonal H Desai along with other connected entities executed circular trade on 25/07/2008. On analysis of trading pattern, it was observed that the trades *were executed in a circular motion. Thus, it can be inferred that Sonal H Desai and Rita Deepak Negandhi aided and abetted Dinesh V Makwana and Fotosoft Multimedia Pvt. Ltd. in execution of circular trades.*

v. <u>August 05, 2008</u>

On analysis of UCC details, KYC, Off-market transactions and bank statement, connection was observed only between Rama N Raval and Dinesh V Makwana. Further, Sonal H Desai along with other connected entities executed circular trades on 25/07/2008 and 30/07/2008. On analysis of trading pattern, it was observed that the trades were executed in a circular motion. Thus, it can be inferred that Dinesh Rathod HUF and Sonal H Desai were also part of these connected entities and aided and abetted in execution of circular trades.

<u>Patch III - Circular Trade Analysis (February 17, 2009 to March 05, 2009)</u>

iii. *Details of the clients along with the circular volume are as follows:*

Table 8: Details of Client along with Circular Volume during Patch III

Patch - III	**17/02/2009-05/03/2009**		**Client's Circular volume**		**Client's Traded volume**		**% of Client's Circular volume in terms of day's trading Vol.**		**Market Volume**	**% of Client's Circular volume in terms of day's market Vol.**	
Date	**Client Name**	**PAN No**	**Buy**	**Sell**	**Buy**	**Sell**	**Buy**	**Sell**		**Buy**	**Sell**
19/02/2009	Waterbase Mercantile Co. Pvt. Ltd.	AAACW5073A	29250	28250	29250	29250	100.00%	96.58 %	301045	9.72 %	9.38 %
	Anushi A Shah	CBAPS5104G	28250	29040	29040	29040	97.28 %	100.00%		9.38 %	9.65 %
	Sterjet Trading Co. Pvt. Ltd.	AAJCS5512K	29040	29250	29285	29270	99.16 %	99.93 %		9.65 %	9.72 %
20/02/2009	Rahul H Jain	AIOPJ9425A	32015	31970	32015	32015	100.00%	99.86 %	325133	9.85 %	9.83 %
	Vitesh B Shah	AQFPS0836F	31970	32000	32000	32000	99.91 %	100.00%		9.83 %	9.84 %
	Manish Buta HUF	AAFHM4558L	32000	32015	32015	32015	99.95 %	100.00%		9.84 %	9.85 %

On the basis of Trade log, UCC details, KYC, Off-market transactions and bank statement, the Investigations have made following observations:

i. <u>February 19, 2009</u>

On analysis of UCC details, KYC, Off-market transactions and bank statement, connection was observed between Waterbase Mercantile Co. Pvt. Ltd. and Sterjet Trading Co. Pvt. Ltd. However, no *connection was observed between these 2 entities and Anushi A Shah. On analysis of trading pattern, it was observed that the trades were executed in a circular motion. Further, Anushi A Shah has executed two trades with two connected entities. Thus, it can be inferred that Anushi A Shah aided and abetted Waterbase Mercantile Co. Pvt. Ltd. and Sterjet Trading Co. Pvt. Ltd. in execution of circular trades.*

ii. *<u>February 20, 2009</u>*

On analysis of UCC details, KYC, Off-market transactions and bank statement, no connection was observed amongst all these 3 entities, Rahul H Jain, Vitesh B Shah and Manish Buta HUF. On analysis of trading pattern, it was observed that the trades were executed in a circular motion. Further, Vitesh B Shah has executed circular trade on 18/07/2008. Thus, it can be inferred that Manish Buta HUF and Vitesh B Shah aided and abetted Rahul H Jain in execution of circular trades.

iv. *From the above analysis of circular trades it was alleged that circular trades were observed on 11 instances during Patch I, II and III of the investigation period. Out of total 29 connected entities, there were 19 entities who had executed circular trades on 10 trading days (May 16, 20 and 26, 2008 during Patch I, July 18, 24, 25, 30 and August 05, 2008 during Patch II and February 19 and 20 2009 during Patch III amongst 19 connected entities) during the different patches of the investigation period. It is therefore alleged that these 19 connected entities (who are Noticees herein) have contributed in the range of 25.33%-82.41% of the day's market volume through circular trades on these respective 10 trading days, which is substantial compared to the day's total market volume. Thus, it is alleged that these 19 connected entities and Directors of connected entities (in case of corporate entity) namely Faith Finstock Pvt. Ltd. (Noticee No. 3) and its Directors Pankaj Kanaiyalal Parikh (Noticee No. 4), Mayuri Kalpesh Pandya (Noticee No. 5) & Kalpesh R Pandya (Noticee No. 6), Prolific Mercantile Co. Pvt. Ltd. (Noticee No. 7) and its Directors Prakash Shamrao Dalvi (Noticee No. 8) & Rajendra Mahadev Kelakr (Noticee No. 9), Kingfisher Trading Co. Pvt. Ltd. (Noticee No. 10) and its Directors Dinesh Jivrajbhai Vajar (Noticee No. 12), Sangeeta Dinesh Vajar (Noticee No. 13) & Ayush Rameshwar Gaur (Noticee No. 14), Adore Mercantile Co. Pvt. Ltd. (Noticee No. 15) and its Directors Yogendra Janardhan Bangera (Noticee No. 16) & Ashok Sakharam Pilke (Noticee No. 17), Akhila Mercantile Pvt. Ltd. (Noticee No. 18) and its Directors Dayanand Chandapa Holkar (Noticee No. 21) & Prabhakar Dattaram Kudaskar (Noticee No. 22), Rita Deepak Negandhi (Noticee No. 23), Manjula M Doshi (Noticee No. 24), Vitesh B Shah (Noticee No. 25), Dinesh V Makwana (Noticee No. 26), Rama N Raval (Noticee No. 27), Parag B Mehta (Noticee No. 28), Rahul H Jain (Noticee No. 29), Sonal H Desai (Noticee No. 30), Fotosoft Multimedia Pvt. Ltd. (Noticee No. 31) and its Director Balkrishna Amritlal Oza (Noticee No. 32), Dinesh Rathod HUF (Noticee No. 33), Waterbase Mercantile Co. Pvt. Ltd. (Noticee No. 34) and its Directors Satyendrakumar Ramshankar Pandey (Noticee No. 35) & Niranjani Satyendrakumar Pandey (Noticee No. 36), Anushi A Shah (Noticee No. 37), Sterjet Trading Co. Pvt. Ltd. (Noticee No. 38) and its Directors Janibabu Ahmadkhan Chauhan (Noticee No. 39) & Kamlesh Premraj Borse (Noticee No. 40) and Manish Buta HUF (Noticee No. 41) have created misleading appearance of trading by creating artificial volume through circular trades, thereby violated the provisions of Section 12A(a), (b), (c) of SEBI Act read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations.*

j) ***Allegation against following Noticees for trading amongst themselves in groups and created misleading appearance of trading:***

i. *Further, the Investigation has observed that the said 29-connected entities have traded among themselves repeatedly on a daily basis during the investigation period. These connected entities were trading amongst themselves in a group of 3 to 6 entities similar to circular trades. The trading details of the said 29-connected entities are as follows:*

Table 9: Trading Details of Connected Entities

Sr. No.	PAN	Entity Name	Buy Qty	Sell Qty	Buy Qty as % of Mkt Vol.	Sell Qty as % of Mkt Vol.
1	AQFPS0836F	Vitesh B Shah	2388889	2795807	4.77%	5.58%
2	ANOPM9543M	Dinesh V Makwana	2351033	2427645	4.69%	4.84%
3	AAACF1497M	Fotosoft Multimedia Pvt. Ltd.	2213107	1900559	4.41%	3.79%
4	AAGCA6077J	Akhila Mercantie Pvt. Ltd.	1999326	1602462	3.99%	3.20%
5	AAJCS5512K	Sterjet Trading Co. Pvt Ltd	1956864	1654794	3.90%	3.30%
6	AIOPJ9425A	Rahul H Jain	1731223	1712353	3.45%	3.42%
7	ABQPD8951N	Sonal H Desai	1240983	1183344	2.48%	2.36%
8	AETPN2046J	Rita Deepak Negandhi	967728	892337	1.93%	1.78%
9	ALCPM8512E	Ankit B Mehta	964366	966856	1.92%	1.93%
10	AAAPV5284B	Madhukar N Vora	811435	758817	1.62%	1.51%
11	AAAHY6896C	Yatin Pandya HUF	719626	655615	1.44%	1.31%
12	AADCC1953C	Charu Multitrade Pvt. Ltd.	714537	918350	1.43%	1.83%
13	AAFCM2750F	Meghana Mercantie Pvt. Ltd.	652342	630643	1.30%	1.26%
14	AAACH5568D	HKG Capital Services Pvt. Ltd.	629058	681947	1.25%	1.36%
15	AAACF5670Q	Francisca Investment Pvt Ltd	598340	775978	1.19%	1.55%
16	AMZPD7424L	Manjula M Doshi	563788	649760	1.12%	1.30%
17	AACCK3056H	Kingfisher Trading Co. Pvt. Ltd.	523539	600025	1.04%	1.20%
18	AKBPR8550R	Rama N Raval	503156	502769	1.00%	1.00%
19	AAACF7046E	Faith Finstock Pvt. Ltd.	457203	549813	0.91%	1.10%
20	ANCPM8699L	Parag B Mehta	438101	438821	0.87%	0.88%
21	AAFCA5699H	Adore Merchantile Co. Pvt Ltd	345220	272616	0.69%	0.54%
22	AAACW5073A	Waterbase Mercantile Co. Pvt. Ltd.	276177	241208	0.55%	0.48%
23	AACCR9863K	Robosoft Trading Co. Pvt. Ltd.	203391	311723	0.41%	0.62%
24	AADCP8003G	Prolific Mercantile Co. Pvt Ltd	177280	145915	0.35%	0.29%
25	AAFHD1015F	Dinesh Rathod HUF	105000	104950	0.21%	0.21%
26	AABCD4543R	Dollex Capital & Finance Pvt. Ltd.	92513	248266	0.18%	0.50%
27	AACHA7911C	Ashok H Shah HUF	86050	86102	0.17%	0.17%

28	CBAPS5104G	Anushi A Shah	49118	49903	0.10%	0.10%
29	AAFHM4558L	Manish Buta HUF	32000	32015	0.06%	0.06%
Group Total			**23791393**	**23791393**	**47.46%**	**47.46%**
Market Volume			**50127939**	**50127939**	**100.00%**	**100.00%**

ii. *The Investigation has carried out trading analysis of the aforesaid 29-connected entities and observed that out of 345 trading days during the investigation period, the connected entities have traded among themselves on 295 trading days and contributed to market volume 2,37,91,393 shares i.e., 47.46% of the total market volume during the Investigation Period. Vitesh B Shah was the top entity amongst the 29 connected entities who had bought maximum number of shares from the other connected entities. For instance, on August 28, 2008, Vitesh B Shah sold 29,907 shares to Fotosoft Multimedia Pvt. Ltd., which accounted for 24.95% of the total market volume on that day. On May 12, 2008, Fotosoft Multimedia Pvt. Ltd. bought 29,900 and 26,900 shares (total 56800 shares) from Rahul H Jain and Akhila Mercantile Pvt. Ltd. respectively, which accounted for 30.02% of the total market volume on that day. Similarly, other connected entities have also traded continuously amongst themselves throughout the investigation period and cumulatively contributed 2,37,91,393 shares to total market volume i.e. 47.46% of the market volume during the investigation period.*

iii. *Further, it was observed that on 121 trading days, these connected entities have traded amongst themselves and contributed in the range of 50.30%-99.96% to the total market volume on respective trading days (on an average 81.01% of day's total market volume on these 121 trading days). It was also observed that on 58 trading days, these connected entities have traded amongst themselves and contributed in the range of 90.30%-99.96% to the total market volume on respective trading days.*

iv. *As brought out in the preceding para-21, 19-connected entities were indulging in circular trading during Patch I, II and III of the investigation period and have created misleading appearance of trading by creating artificial volume through circular trades. These 19-entities are part of 29-connected entities who have traded amongst themselves and contributed substantial to the total market volume. These 29-connected entities have traded amongst themselves with the intent to create false and misleading appearance of trading in the scrip of SIEL.*

v. *Thus, it was alleged that this group of 29-connected entities created false and misleading appearance of trading in the scrip of SIEL by trading amongst themselves and have therefore violated the provisions of Section 12A(a), (b), (c) of SEBI Act read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations.*

k) ***Allegation against following Noticees for indulging in Synchronized Trades:***

i. *During investigation period, synchronized trades analysis were carried out with exact match of price, quantity and time (of less than 60 seconds) of the order placed by the buy and sell clients.*

ii. *During Patch-1 of Investigation Period it was observed from the analysis that 5-connected entities executed circular trades on 5 trading days for 52,774 shares of SIEL which was 9.31% of the five day's market volume. The details of synchronized trades done by the aforesaid 5-connected entities in the scrip of SIEL is placed at **"Annexure 7"**. Summary of the same the same are as follows:*

Table 10: Synchronized Trading Details of 5-Connected Entities

Date	*Buyer*	*Seller*	*No. of Trades*	*Sync Qty*
16.05.2008	*Faith Finstock Pvt Ltd*	*Kingfisher Trading Co. Pvt Ltd*	*2*	*5000*
16.05.2008	*Kingfisher Trading Co. Pvt Ltd*	*Prolific Mercantile Co. (P) Ltd.*	*4*	*9900*
16.05.2008	*Prolific Mercantile Co. (P) Ltd.*	*Faith Finstock Pvt Ltd*	*4*	*7200*
20.05.2008	*Adore Mercantile Co. Pvt Ltd.*	*Prolific Mercantile Co. (P) Ltd.*	*1*	*4174*
20.05.2008	*Faith Finstock Pvt Ltd*	*Akhila Mercantile Pvt. Ltd.*	*1*	*500*
20.05.2008	*Prolific Mercantile Co. (P) Ltd.*	*Faith Finstock Pvt. Ltd.*	*1*	*2500*
21.05.2008	*Kingfisher Trading Co. Pvt Ltd*	*Faith Finstock Pvt Ltd*	*5*	*14990*
22.05.2008	*Adore Mercantile Co. Pvt Ltd.*	*Faith Finstock Pvt Ltd*	*1*	*3514*
26.05.2008	*Prolific Mercantile Co. (P) Ltd.*	*Adore Mercantile Co. Pvt Ltd.*	*1*	*4996*
Total			***20***	***52774***

iii. *Thus, it was alleged that these five connected entities and their Directors namely Faith Finstock Pvt. Ltd. (Noticee No. 3) and its Directors Pankaj Kanaiyalal Parikh (Noticee No. 4), Mayuri Kalpesh Pandya (Noticee No. 5) & Kalpesh R Pandya (Noticee No. 6), Prolific Mercantile Co. Pvt. Ltd. (Noticee No. 7) and its Directors Prakash Shamrao Dalvi (Noticee No. 8) & Rajendra Mahadev Kelakr (Noticee No. 9), Kingfisher Trading Co. Pvt. Ltd. (Noticee No. 10) and its Directors Dinesh Jivrajbhai Vajar (Noticee No. 12) & Sangeeta Dinesh Vajar (Noticee No. 13), Adore Mercantile Co. Pvt. Ltd. (Noticee No. 15) and its Directors Yogendra Janardhan Bangera (Noticee No. 16) & Ashok Sakharam Pilke (Noticee No. 17), Akhila Mercantile Pvt. Ltd. (Noticee No. 18) and its Directors Dayanand Chandapa Holkar (Noticee No. 21) & Prabhakar Dattaram Kudaskar (Noticee No. 22), carried out synchronized trades which were manipulative in nature and thus violated the provisions of Section 12A(a), (b) and (c) of SEBI Act read with Regulations 3(a) (b) (c) (d), and Regulation 4(1), 4(2) (a) and (g) of PFUTP Regulations.*

l) *Most of the aforesaid Noticees that alleged to have been violated the provisions of SEBI Act and PFUTP Regulations are private limited companies. The functioning and responsibility of the private limited companies are on the directors of the company. Hence, it is alleged that the directors of the private limited companies are also alleged to have been violated the same provisions of the SEBI Act and PFUTP Regulations for the irregular trading activities of the private limited companies.*

m) ***Allegation against SIEL and its directors:***

i. *The Investigation has observed from shareholding pattern of SIEL that Yogendra Bangera was appearing in the Promoter and Promoter Group category of SIEL during the quarter ended December 2007 along with Nitin J Sandesara and Chetan J Sandesara. Yogendra Bangera is director of one of the suspected entity Adore Mercantile Company Pvt. Ltd. which has traded in the scrip as a client. Thus, it has been alleged that the entity Adore Mercantile Company Pvt. Ltd. is connected with SIEL and its promoters and directors and Adore Mercantile Company Pvt. Ltd. is part of the connected entities which traded in the scrip.*

ii. *It is alleged that SIEL and its Directors viz. Nitin Jayantilal Sandesara (Noticee No.1), Chetan Jayantilal Sandesara (Noticee No. 2), Rajbhushan Omprakash Dixit, Hiteshkumar Narendrabhai Patel, Ramani Subramanian Iyer and Ronald Peter Dsouza through the various connected entities created artificial volume in the scrip of SIEL by indulging in circular trades, synchronized trades and trading among themselves during the investigation period. In view of the above, it is alleged that SIEL and its aforementioned directors were part of the scheme to create artificial volume in the scrip. Hence, it is alleged that the SEIL and its six directors have violated provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) & (g) of PFUTP Regulations.*

APPOINTMENT OF ADJUDICATING OFFICER

4. Pursuant to investigation, SEBI initiated Adjudication Proceedings against 61 Noticees and Shri Sahil Malik was appointed as the Adjudicating Officer **(AO)** by SEBI, under Section 19 of the SEBI Act read with Section 15-I of the SEBI Act and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"Adjudication Rules"**) to conduct adjudication proceedings *inter-alia* in respect of the Noticees, in the manner specified under Rule 4 of the Adjudication Rules read with Section 15-I (1) and (2) of the SEBI Act, and if satisfied that penalty is liable, to impose such penalty deemed fit in terms of Rule 5 of the Adjudication Rules and in terms of Section 15HA of the SEBI Act. Subsequently upon transfer of Shri Sahil Malik, the undersigned has been appointed as AO by SEBI in the matter vide Order dated August 13, 2019, to inquire into and adjudge, the violation of the PFUTP Regulations alleged to have been committed by the Noticees.

5. Based on the findings made during the investigation, a common show cause notice was issued to the 61 entities. Pursuant to issuance of SCN, undersigned had passed order against 11 entities.

6. The adjudication proceedings against 49 entities as mentioned above are being dealt in this Order.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

7. A common Show Cause Notice dated February 12, 2020 (hereinafter referred to as **"SCN"**) was issued to the Noticees in terms of Rule 4 (1) of the Adjudication Rules read with Section 15-I of the SEBI Act, to show cause as to why an inquiry should not be initiated and penalty should not be imposed under Section 15HA of the SEBI Act, 1992 for the violation alleged to have been committed by it.

8. The SCN was served upon the Noticees through Speed Post AD (hereinafter referred to as "**SPAD**") and also through digitally signed email (wherever available) in terms of Rule 7 (d) of Adjudicating Rules to Noticees whose SCN returned undelivered which were sent through SPAD. Further, SCN was served upon Noticee no 1, 2, 11, 12, 13, 14, 21, 22, 23, 35, 36 and 44 through Paper Publications as SCN sent to these Noticees via SPAD were returned undelivered/email bounced back. Thus, Soft copies of the SCN were uploaded on SEBI website- www.sebi.gov.in for the information of the Noticees. a Notice was published in two newspapers one in a daily newspaper having nationwide circulation and another in a newspaper having circulation in the language of the region where that Noticee was last known to have resided or carried on business. Vide the aforesaid Notice, the Noticee no 1, 2, 11, 12, 13, 14, 21, 22, 23, 35, 36 and 44 were provided with an opportunity of personal hearing scheduled on October 28, 2020. The details of publication of Notices in the newspapers and the corresponding date of hearings in respect of the Noticee no.1,2,11,12,13,14,21,22,23,35,36 and 44, are furnished hereunder

Name of the Noticee	**Name of the News Paper having nationwide circulation**	**Name of the regional news paper**	**Date of publication**
Dinesh Jivrajbhai Vajar	Times of India, Mumbai edition	Loksatta, Mumbai edition Hindi Mid-Day, Mumbai Edition	October 09, 2020
Sangeeta Dinesh Vajar	Times of India, Mumbai edition	Loksatta, Mumbai edition	October 09, 2020

		Hindi Mid-Day, Mumbai Edition	
Satyendrakumar Ramshankar Pandey	Times of India, Mumbai edition	Loksatta, Mumbai edition Hindi Mid-Day, Mumbai Edition	October 09, 2020
Sandip Gunaji Jadhav	Times of India, Mumbai edition	Loksatta, Mumbai edition Hindi Mid-Day, Mumbai Edition	October 09, 2020
Chetan Jayantilal Sandesara	Times of India, Mumbai edition	Loksatta, Mumbai edition Hindi Mid-Day, Mumbai Edition	October 09, 2020
Rita Deepak Negandhi	Times of India, Mumbai edition	Loksatta, Mumbai edition Hindi Mid-Day, Mumbai Edition	October 09, 2020
Ayush Rameshwar Gaur	Times of India, Chennai Edition	Daily Thanthi, Chennai Edition	October 09, 2020
Dayanand Chandapa Holkar	Times of India, Mumbai edition	Loksatta, Mumbai edition Hindi Mid-Day, Mumbai Edition	October 09, 2020
Niranjani Satyendrakumar Pandey	Times of India, Mumbai edition	Loksatta, Mumbai edition Hindi Mid-Day, Mumbai Edition	October 09, 2020
Nitin Jayantilal Sandesara	Times of India, Mumbai edition	Loksatta, Mumbai edition Hindi Mid-Day, Mumbai Edition	October 09, 2020

Dollex Capital and Finance Private limited	Times of India, Mumbai edition	Loksatta, Mumbai edition Hindi Mid-Day, Mumbai Edition	October 09, 2020
Prabhakar Dattaram Kudaskar	Times of India, Mumbai edition	Loksatta, Mumbai edition Hindi Mid-Day, Mumbai Edition	October 09, 2020

9. Thereafter newspaper publication of SCN, Noticee no. 11,14,35 and 36 vide email dated October 21, 2020 requested inspection of documents.

10. In the interest of natural justice and in terms of Rule 4 (4) of Adjudicating Rules, an opportunity of personal hearing was accorded to all the Noticees through WebEx platform due to Covid-19 Pandemic except Noticee no 1, 2, 12, 13, 21, 22, 23 and 44, which was communicated vide hearing notice sent through SPAD and electronic mail digitally signed to Noticees where email ids of Noticees were available.

11. I note that Noticee no. 6, 26, 31,42,43,45 did not attended the hearing on scheduled date and time despite hearing notice being served to them

12. The hearing notice sent to the Noticees 5, 18, 19, 20 and 28 returned undelivered. In this regard, soft copies of the hearing notice were uploaded on SEBI website- www.sebi.gov.in for the information of the Noticees, a Notice was published in following Newspapers. Vide the aforesaid Notice, the Noticee no. 5, 18, 19, 20 and 28 were provided with an opportunity of personal hearing scheduled in the month of June, 2021. The details of publication of Notice in the newspapers and the corresponding date of personal hearings in respect of the Noticee no. 5, 18, 19, 20 and 28 are furnished hereunder.

Name of the Noticee	**Name of the News Paper having**	**Name of the regional news paper**	**Date of publication**	**Date and time of hearing**

	nationwide circulation			
Mayuri Kalpesh Pandya (Director of Faith Finstock Pvt. Ltd.)	Times of India, Mumbai edition	Loksatta, Mumbai edition Hindi Mid-Day, Mumbai Edition	June 10, 2021	June 22, 2021 at 11:30 am
Akhila Mercantie Pvt. Ltd	Times of India, Mumbai edition	Loksatta, Mumbai edition Hindi Mid-Day, Mumbai Edition	June 10, 2021	June 22, 2021 at 12:00 pm
Meghana Mercantile Pvt. Ltd.	Times of India, Mumbai edition	Loksatta, Mumbai edition Hindi Mid-Day, Mumbai Edition	June 10, 2021	June 22, 2021 at 12:30 pm
Robosoft Trading Co. Pvt. Ltd	Times of India, Mumbai edition	Loksatta, Mumbai edition Hindi Mid-Day, Mumbai Edition	June 10, 2021	June 22, 2021 at 02:30 pm
Parag B Mehta	Times of India, Mumbai edition	Loksatta, Mumbai edition Hindi Mid-Day, Mumbai Edition	June 10, 2021	June 22, 2021 at 03:30 pm

13. I note that, pursuant to paper publication Noticee no. 5 viz. Mayuri Kalpesh Pandya vide email dated June 15, 2021 made the reply to the SCN and also attended the hearing on scheduled date and time of hearing as mentioned in public notice..

14. The Noticees vide their respective letters dated mentioned against their names, hereunder, have submitted their replies to the charges alleged in the SCN and has also attended the

hearing on the scheduled date and time of hearing through WebEx platform due to Covid-19 Pandemic except FOTOSOFT MULTIMEDIA.

Noticee No	Name of the Noticee	Reply Letter/s	Hearing date	Authorised Representative(AR) appeared on behalf of Noticee on the date of hearing
3	Faith Finstock Pvt. Ltd.	February 26, 2021	February 26, 2021	Mr. Anil Shah (AR)
4	Pankaj Kanaiyalal Parikh (Director of Faith Finstock Pvt. Ltd.)	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
5	Mayuri Kalpesh Pandya (Director of Faith Finstock Pvt. Ltd.)	June 15, 2021	June 22, 2021	Mr. Anil Shah (AR)
7	Prolific Mercantile Company Pvt. Ltd.	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
8	Prakash Shamrao Dalvi (Director of Prolific Mercantile Company Pvt. Ltd.)	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
9	Rajendra Mahadev Kelakr (Director of Prolific Mercantile Company Pvt. Ltd.)	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
10	Kingfisher Trading Company Pvt. Ltd.	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
11	Dollex Capital & Finance Pvt. Ltd.	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
14	Ayush Rameshwar Gaur (Director of Dollex Capital & Finance Pvt. Ltd.)	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
15	Adore Merchantile Company Pvt. Ltd.	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
16	Yogendra Janardhan Bangera (Director of Adore Merchantile Company Pvt. Ltd.)	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)

17	Ashok Sakharam Pilke (Director of Adore Merchantile Company Pvt. Ltd.)	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
24	Manjula M Doshi	January 25, 2021	February 25, 2021	Ms. Akansha Jain(AR)
25	Vitesh B Shah	July 20, 2020	March 10, 2021	Mr. GT DAYANI(AR)
27	Rama N Raval	February 28, 2020 & February 25, 2021	February 25, 2021	Self
29	Rahul H Jain	February 21, 2021	February 26, 2021.	Self
30	Sonal H Desai	January 25, 2021	February 25, 2021	Ms. Akansha Jain(AR)
31	Fotosoft Multimedia Pvt. Ltd	February 26, 2021	February 26, 2021	Did not appeared for hearing
32	Balkrishna Amritlal Oza (Director of Fotosoft Multimedia Pvt. Ltd.)	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
33	Dinesh Rathod HUF	2 April, 2020	**February 26, 2021**	Mr. Anil Shah(AR)
34	Waterbase Mercantile Company Pvt. Ltd.	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
35	Satyendrakumar Ramshankar Pandey (Director of Waterbase Mercantile Company Pvt. Ltd.)	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
36	Niranjani Satyendrakumar Pandey (Director of Waterbase Mercantile Company Pvt. Ltd.)	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
37	Anushi A Shah	February 06, 2021	February 26, 2021	Mr Yash Parmar, Mr Deepak Agarwal & Mr Pulkit Kapoor(ARs)
38	Sterjet Trading Company Pvt. Ltd.	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)

39	Janibabu Ahmadkhan Chauhan (Director of Sterjet Trading Company Pvt. Ltd.)	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
40	Kamlesh Premraj Borse (Director of Sterjet Trading Company Pvt. Ltd.)	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
41	Manish Buta HUF	21/03/2020	February 24, 2021	Mr Rajesh Khandelwal(AR)
46	Francisca Investment Pvt. Ltd.	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
47	Vasantbhai Nathabhai Patel (Director of Francisca Investment Pvt. Ltd.)	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
48	Prem Shivbaran Vishwakarma (Director of Francisca Investment Pvt. Ltd.)	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)
49	Prakash Devaka Kalke (Director of Francisca Investment Pvt. Ltd.)	February 26, 2021	February 26, 2021	Mr. Anil Shah(AR)

15. The replies of the Noticees are summarized hereunder:

Common submissions of Noticee no.3,7,10,11,15,31,34,38 and 46 : Faith Finstock Pvt. Ltd., Prolific Mercantile Company Pvt. Ltd., Kingfisher Trading Company Pvt. Ltd., Dollex Capital & Finance Pvt. Ltd, Adore Merchantile Company Pvt. Ltd., Fotosoft Multimedia Pvt. Ltd., Waterbase Mercantile Company Pvt. Ltd., Sterjet Trading Company Pvt. Ltd. and Francisca Investment Pvt. Ltd.

At the outset and without prejudice to anything stated herein, we submit that the allegations made and the findings arrived at against us in the SCN are completely misconceived and based on incomplete and incorrect assumption of facts. We deny each and every allegation and/or contention and/or observation made in the said SCN and nothing stated herein ought to be deemed to have been admitted and/or inferred to have been admitted by us, save and except to the extent specifically admitted herein.

We submit that there is an inordinate delay exceeding 12 years in issuing the SCN and the alleged violations pertain to the Investigation Period from 01.05.2008 to 30.09.2009 and therefore, on the grounds of inordinate delay the SCN ought to be withdrawn qua us.

Therefore, it is submitted that the substantial efflux of time to initiate these proceedings, has ostensibly put us in a decidedly disadvantageous position as it is entirely unlikely that we shall be able to respond to and adequately clarify the allegations in its entirety and satisfaction.

We refer to our request for inspection of all original relied upon documents as well all original documents collected during investigation. We have noted from your above mentioned Notice of hearing that copies of all the documents which have been relied upon have been enclosed with the SCN.

> ***KINGFISHER TRADING:*** *On going through the same(Annexure 1 thereof in particular having 250 pages of scanned documents) we respectfully submit that none of the documents enclosed bears any relevance to the allegations made against us. In Our Account Opening Form(AOF) based on which it has been attempted to link us with other Noticees having a common introducer, is not available in the documents enclosed with the SCN. As mentioned by you in the Notice of hearing that all documents relied upon by you have been enclosed with SCN we assume that the same is not available with you. Under the circumstances we request clarity as regards the basis on which it has been alleged that our AOF bears the same introducer as five further noticees. In the absence of the AOF the allegations made by you in the SCN fail ab-initio.*

In view of this we reiterate our request to grant inspection of the originals of all documents relied upon by you.

> ***KINGFISHER TRADING:*** *The SCN on page 7 states that the "Basis of connection" is the common introducer Nikhil Udani (ANS Pvt Ltd.) seems to imply that it is being alleged that all the clients introduced by Shri Nikhil Udani (ANS Pvt. Ltd.) in the securities market are being sought to treated as entities connected to us. It is therefore submitted that the said rationale of applying the common introducer as the basis of connection is fallacious as it is seeking to link us with a large universe of clients in the securities market as connected entities for all times to come. In view of this we reiterate our request to grant inspection of the originals of all documents relied upon by you.*

We crave to rely on the judgment of the Hon'ble Securities Appellate Tribunal dated 10.07.2010 in the matter of Smita Shah. Copy enclosed as ***Exhibit-1.***

We further submit that the SCN suffers from serious latches and that SEBI has failed to exercise the powers vested in it within reasonable time. Further, it is submitted that SEBI has failed to give any explanation or due justification for the inordinate delay and latches in issuing SCN.

We place reliance on the order of the Securities Appellate Tribunal in the matter of ***Mr. Ashok Shivlal Rupani and Anr v. Securities and Exchange Board of India*** *[Order dated 22 August 2019 in Appeal No.417 of 2018] wherein, the adjudicating proceedings were quashed on account of inordinate delay. Relevant extract is reproduced herein below for ease of reference and convenience:*

"In Mr. Rakesh Kathotia v. SEBI (Appeal No. 07 of 2016 decided by this Tribunal on 27.05.2019) proceedings were quashed on account of inordinate delay. The said decision is squarely applicable to the instant case. For facility, the relevant paragraph of the order is extracted hereunder:

"23. It is no doubt true that no period of limitation is prescribed in the Act or the Regulations for issuance of a show cause notice or for completion of the adjudication proceedings. The Supreme Court in Government of India vs. Citedal Fine Pharmaceuticals, Madras and Others, [AIR 6 (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. This

proposition of law has been consistently reiterated by the Supreme Court in Bhavnagar University v. Palitana Sugar Mill (2004) Vol.12 SCC 670, State of Punjab vs. Bhatinda District Coop. Milk P. Union Ltd (2007) Vol.11 SCC 363 and Joint Collector Ranga Reddy Dist. & Anr. vs. D. Narsing Rao &Ors. (2015) Vol. 3 SCC 695.

The Supreme Court recently in the case of ***Adjudicating Officer, SEBI vs. Bhavesh Pabari (2019) SCC Online SC 294*** *held:*

"There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute prejudice caused, whether the third-party rights had been created etc."

In the light of the aforesaid, we are of the opinion that there has been an inordinate delay in the issuance of the show cause notice and for completion of the adjudication proceedings. Since the power to adjudicate has not been exercised within a reasonable period no penalty could have been imposed for the alleged violations. As a result, without going into the merits of the case, we are of the opinion that on account of inordinate delay the initiation of proceedings by issuance of the show cause notice which culminated into a penalty order cannot be sustained. The show cause notice and the impugned orders passed by the AO are quashed. Both the appeals are allowed." Copy enclosed as ***Exhibit-2.***

In view of the above, we submit that the exercise of issue of the SCN after more than 11 years is entirely unreasonable and in violation of the principles of natural justice. Further, it is submitted that no explanation or justification for the inordinate delay is forthcoming in the SCN.

It may be appreciated that under the Income Tax Act, 1961 we are required to preserve the specified books of account for a period of 6 years from the end of the relevant assessment year, i.e., for a total period of 8 previous years. Needless to state that though we are not a SEBI registered entity, under the SEBI Regulations for Stock Brokers, Merchant Bankers, Portfolio Managers, Underwriters, Debenture Trustees, FIIs, Custodian of Securities and Depository Participants, the records prescribed by SEBI under relevant Regulations must be maintained for a minimum period of 5 years.

We are limiting our reply to setting out our submissions to the observations/contentions/allegations against us. We are therefore not dealing with each and every paragraph of the SCN and reserve our right to file additional reply(ies), if necessary.

We, accordingly, offer para wise submissions/observations to the SCN in so far as it relates to us:

Para No. 1:

1. *The Securities' and Exchange Board of India (hereinafter, referred to as "SEB1") carried out Investigation in respect of irregular trading activities of certain entities in the scrip of Sterling International Enterprises Limited ("SIEL/Scrip") during the period from May 01, 2008 to September 30, 2009 ....*

iv. The alleged violation of the provisions of Section 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations by the Noticee Nos. 8 to 15, 17, 18, 20 to 23, 26 and 27 for indulging in synchronized trades thereby creating misleading appearance of trading in the scrip of SIEL.

<u>Our comments:</u>

We state that the contents of para no. 1 are matter of record and do not call for any reply from us, save and except that that we deny every allegation and/or contention and/or observation and nothing stated herein ought to be deemed to have been admitted and/or inferred to have been admitted by us.

Para No. 2:

2. *In this regard, initially, Shri Sahil Malik was appointed as the Adjudicating Officer (AO) by SEBI, under Section 19 of the SEBI Act read with Section 15-1 (1) of the SEBI Act…………… to enquire into and adjudge the violations alleged to have been committed by the Noticees.*

Our comments:

*We state that the contents of para no. 2 are matter of fact and record. However, we wish to invite attention to the fact that the SCN is silent on the date and terms of the appointment of the previous Adjudicating Officer ("**AO**"). It is pertinent to note that the findings of the enquiry by the previous AO and contents of the investigation thereof, if any, have not been made available to us. We state that without placing on record the findings of the erstwhile AO, the appointment of another Adjudicating Officer to enquire into the same violations is unjust and unwarranted for the sole reason that there is no whisper in the SCN for the reasons why the erstwhile AO failed to proceed and conclude the proceedings. Further, the SCN is grossly silent on the time that the AO held his appointment as AO in the matter and when the proceedings were handed over to the present AO.*

We therefore submit that the date of appointment of the previous AO and the findings ought to be made available to us in view of just and fair adjudication of the present proceedings.

Para Nos. 3 to 9:

Background of SIEL Source: Capitaline Database

3………………………

……………..

Price-volume movement

9 *Price volume movement in the scrip of SIEL was as under: (graph) (Table*

Our comments:

We state that the contents of para nos. 3 to 9 are matter of record and are otherwise informative in nature and do not call for any reply from us since no observations are sought to be made against us.

Para Nos. 10 to 14:

The investigation on analysis of Trading pattern……..

…………..

14. Pictorial representation of the above trades is given at "Annexure 2".

Our comments:

We state that the allegation as detailed in Table 5 that as per investigation, on analysis of the trading pattern, UCC details, KYC, off-market transactions, MCA website and bank statement, we are connected to certain other Noticees is based solely on totally incorrect observation that we have

Faith Finstock: *(i) executed circular trades thereby creating misleading appearance of trading, (ii) for creating misleading appearance of trading by trading amongst certain entities and (iii) indulging in synchronised trades thereby creating misleading appearance of trading with other connected entities as detailed in Table 5 and is completely unfounded and unjustified. However, it is alleged that we are connected to entities 3,5,7 and 8 only of the basis of having received funds from these entities.*

PROLIFIC: *(i) executed circular trades thereby creating misleading appearance of trading, (ii) for creating misleading appearance of trading by trading amongst certain entities and (iii) indulging in synchronised trades thereby creating misleading appearance of trading with other connected entities as detailed in Table 5 and is completely unfounded and unjustified However, it is alleged that we are connected to entities 3,5,7 and 8 only of the basis of having received funds from these entities.*

KINGFISHER: *on having a common introducer ie., one Mr. Nikhil Udani, we are connected to certain other Noticees is based solely on totally incorrect observation that we (i) executed circular trades thereby creating misleading appearance of trading, (ii) for creating misleading appearance of trading by trading amongst certain entities and (iii) indulging in synchronised trades thereby creating misleading appearance of trading with other connected entities as detailed in Table 5 and is completely unfounded and unjustified. However, it is alleged that we are connected to entity 4 through transfer of funds, and with entity 9 due to common address which is the only basis of connection reflected in the SCN.*

ADORE: *(i) executed circular trades thereby creating misleading appearance of trading, (ii) for creating misleading appearance of trading by trading amongst certain entities and (iii) indulging in synchronised trades thereby creating misleading appearance of trading with other connected entities as detailed in Table 5 and is completely unfounded and unjustified. However, it is alleged that we are connected to entities 1 & 6 through common address and mobile number, which are the only basis of connection reflected in the SCN.*

FOTOSOFT MULTIMEDIA: *i) executed circular trades thereby creating misleading appearance of trading, and (ii) for creating misleading appearance of trading by trading amongst certain entities thereby creating misleading appearance of trading with other connected entities as detailed in Table 7 and is completely unfounded and unjustified. However, it is alleged that we are connected to entity 6 on basis of common address and to entities 3, 5, 7 and 8 only of the basis of having transferred funds to entity 4.*

WATERBASE MERCANTILE:*(i) executed circular trades thereby creating misleading appearance of trading, and (ii) for creating misleading appearance of trading by trading amongst certain entities thereby creating misleading appearance of trading with other connected entities as detailed in Table 8 and is completely unfounded and unjustified. However, it is alleged that we are connected to entities 4, 5, 7 and 8 only of the basis of having transferred funds from these entities.*

STERJET*: (i) executed circular trades thereby creating misleading appearance of trading, and (ii) for creating misleading appearance of trading by trading amongst certain entities thereby creating misleading appearance of trading with other connected entities as detailed in Table 8 and is completely unfounded and unjustified. However, it is alleged that we are connected to entity 2 through* *common address and with entities 2 and 6 through common mobile number which are the only basis of having of connection with these entities.*

We submit that the insofar as we are concerned, we deny the existence of the so called connection with other notices, as wrongly assumed and alleged in the SCN.

***FAITH FINSTOCK, PROLIFIC, ADORE**:*

In any event, the SCN has neither placed on record any convincing material to conclude that we have (i) executed circular trades thereby creating misleading appearance of trading, (ii) for creating misleading appearance of trading by trading amongst certain entities and (iii) indulging in synchronised trades thereby creating misleading appearance of trading Hence, the allegation as above against us is completely devoid of merits as also remains grossly unsubstantiated as explained herein above.

KINGFISHER TRADING:

In any event, the SCN has neither placed on record any convincing material to conclude that we have (i) executed circular trades thereby creating misleading appearance of trading, (ii) for creating misleading appearance of trading by trading amongst certain entities and (iii) indulging in synchronised trades thereby creating misleading appearance of trading. Hence, the allegation as above against us is completely devoid of merits as also remains grossly unsubstantiated as explained herein above.

Assuming without admitting that there is a common introducer, we deny that we knew the said Mr. Nikhil Udani. We state that we had filled in the required KYC documents as required by our stock broker ANS Pvt. Ltd. We had handed over the duly signed forms and other related documents to the broker and are not aware as to when and what details the broker had filled in the "introducer" column. We, therefore reserve our right to file additional reply(ies), if necessary, after the statement/ deposition of ANS Pvt. Ltd is made available to us.It is further submitted that it was never mandatory to provide details of the introducer at the time of signing the KYC. The SCN too is silent on the said requirement. In any event, we could never be charged for not complying with a non mandatory requirement. As already submitted the name of the introducer was input at the discretion of the broker subsequent to our filing in the KYC and as such the observation and conclusion that there was a "common introducer" has no legs to stand on. It was common practice in the broking industry to allot clients to various introducers who were the employees/authroised persons of the broker to ensure an equitable distribution of sub-brokerage commission amongst them.

In any event, the SCN alleges connection with 5 other entities on grounds of common introducer in account opening form (AOF). Surprisingly, a copy of the AOF has not been exhibited in Annexure 1 of the SCN in support of the allegation. We submit that on this count alone, the SCN should be withdrawn against us

FOTOSOFT MULTIMEDIA**, **WATERBASE MERCANTILE AND STERJET:

In any event, the SCN has neither placed on record any convincing material to conclude that we have (i) executed circular trades thereby creating misleading appearance of trading, and (ii) for creating *misleading appearance of trading by trading amongst certain entities thereby creating misleading appearance of trading with other connected entities . Hence, the allegation of circular trading against us is completely devoid of merits as also remains grossly unsubstantiated as explained herein above.*

DOLLEX

In any event, the SCN has neither placed on record any convincing material to conclude that we have created misleading appearance of trading by trading amongst certain entities with other connected entities . Hence, the allegation as above against us is completely devoid of merits as also remains grossly unsubstantiated as explained herein above.

We further deny that we have any connection with any of the other entities mentioned in the SCN whatsoever and the SCN has miserably failed to establish any connection between the other entities and us and on this count alone, the SCN should be withdrawn against us. Therefore, the allegation being imprecise, vague and incoherent and the assumption and presumption that we have violated the provisions of law on incorrect basis that we have executed circular trades fails to bring forth any alleged connection and hence, is bad in law.

The SCN is bereft of any substantial material which otherwise would be conclusive to establish our connection with other Noticees. Besides that, save and except a statement in the para that we are connected to certain other Noticees who are otherwise connected on the basis of on KYC, UCC, Bank Statements and off market transfers and the table therein, the SCN has failed to bring out any connection qua us.

FAITH FINSTOCK: *We reiterate that we are connected to entities 3,5,7 and 8 only of the basis of having received funds from these entities and in no other manner. Thus, it could never be construed to conclude serious allegations as made in the SCN.*

PROLIFIC*: We reiterate that we are connected to entity 5 through common address and with entities 1 and 2 through common mobile number and in no other manner. Thus, it could never be construed to conclude serious allegations as made in the SCN*

KINGFISHER TRADING: *We reiterate that we are connected to entity 4 through transfer of funds, and with entity 9 with common address and in no other manner. Thus, it could never be construed to conclude serious allegations as made in the SCN.*

ADORE: *We reiterate that we are connected to entity 1 6 through common address and with entities 1 & 6 mobile number and in no other manner could never be construed as to found serious allegations as made in the SCN.*

DOLLEX*: We reiterate that we are connected to entity 8 through common address and in no other manner. Thus, it could never be construed to conclude serious allegations as made in the SCN.*

FOTOSOFT MULTIMEDIA: *We reiterate that we are connected to entities 3, 5, 7 and 8 only of the basis of having transferred funds to these entities and in no other manner. Thus, it could never be construed to conclude serious allegations as made in the SCN.*

WATERBASE MERCANTILE: *We reiterate that we are connected to entities 4, 5, 7 and 8 only of the basis of having transferred funds to these entities and in no other manner. Thus, it could never be construed to conclude serious allegations as made in the SCN.*

__STERJET:__ We reiterate that we are connected to entities 2 and 6 only of the basis of common address and mobile number respectively and in no other manner. Thus, it could never be construed to conclude serious allegations as made in the SCN.

The Hon'ble SAT in the matter of Kapil Chatrabhuj Bhuptani vs SEBI in para 6 has stated as under :
"In the entire impugned order nowhere is it provided by the respondent on the basis of any cogent or convincing or even circumstantial evidence that the appellant was involved with the group of brokers or other clients in manipulating the scrip or creating volumes in the said scrip with a view to destabilize the equilibrium of the market. During the arguments also a specific query was put to the respondent as to whether there is any finding regarding any connection between the appellant and the other members of the group of brokers and clients in the impugned order. The answer was fairly negative. Therefore in our considered opinion simple trading by the appellant in a particular scrip without any proved nexus between trades with the other so called group of brokers and clients is not per se punishable........" Copy enclosed as __Exhibit-3.__

In a recent judgment of this the Hon'ble Tribunal has in the matter of SPJ Stock Brokers Pvt. Ltd. vs. Securities and Exchange Board of India dated 04.09.2013 has in the matter of Synchronised trades has observed that in para 12, 13 and 14 :
"12. Penalty under impugned order is imposed upon appellant solely on ground that almost all trades in shares of Adani Exports Ltd. effected by appellant during investigation were found to be synchronized and those trades were with only one group. It is well established by various decisions by this Tribunal that synchronized trade is per se not illegal. Synchronized transaction would be illegal if it is executed with a view to manipulate the market, is dubious in nature and is executed with a view to avoid regulatory detection, does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting market equilibrium etc.
13. In this case, save and except recording that trades executed by appellant with one group were synchronized, no other particulars are set out in the impugned order. Neither names of persons forming group with whom appellant had traded nor their connection with appellant has been set out in the impugned order. Unless some connection between appellant and counterparties with whom appellant traded is established, it is difficult to hold that trades in question were carried out with a view to manipulate market by creating false volumes resulting in upsetting market equilibrium.
14. Mere fact that buy and sell orders between appellant and one group (with whom no connection is attributed) within a time gap of one minute with negligible or no price difference cannot ipso facto lead to conclusion that the trades in question were executed with a view to manipulate the scrip. In absence of any cognet and convincing or at least circumstantial evidence to suggest that synchronized trades were executed for purpose of upsetting market equilibrium or to manipulate market, it cannot be inferred that appellant was guilty of violating PFUTP Regulations or Broker Regulations." Copy enclosed as __Exhibit-4.__

A similar view has also been taken by Hon'ble Tribunal in the case of HB Stockholdings Limited vs. Securities and Exchange Board of India dated 27.08.2013 which states as under:

"Further, it is not disputed by the Respondent that delivery of shares was taken and payments were duly made by the Appellants for the trades in question as required by law. It may be noted that synchronization of trades is not per se illegal. It is objectionable only if it is illegitimate and is the outcome of a mischievous meeting of minds among certain parties. For this purpose, the counter party, namely, Gloria Investment Limited has already been exonerated by the Respondent. Moreover, no cogent and convincing reasons are forthcoming from a reading of the SCN or the impugned order to sustain such a charge of synchronization or creation of artificial volumes against the Appellants. In this connection, we may also pertinently note that the mere factum of one or two Appellants sharing common address or one of the Appellants being the promoter of the other group at some point in time are not in themselves sufficient to bring home the residual charge against the Appellants. There has to be sufficient evidence on record to clearly prove connivance on the part of the Appellants with a counter party to prove the charge in question against the Appellants. In the absence of any such evidence and unambiguous findings by the learned WTM to this effect, we have no option but to quash the impugned order in question". Copy enclosed as ***Exhibit-5.***

We submit that although the SCN has stated that there is no connection, it has further gone on to allege that trades were executed in a circular manner. We state that the conclusion arrived at in the SCN are based on mere assumptions and presumptions and therefore, penalizing us based solely on such assumptions and presumptions is against the principles of natural justice and therefore, no allegation can be made out against me on this ground and the said allegation is liable to be withdrawn forthwith.

It is submitted that it is a well settled principle in law that the charges against us has to be specific to enable us to reply to the allegations. We submit that the SCN is based on vague and ambiguous allegations and such allegations are not specific, explicit and definite and are general in nature. We crave leave to rely on following judgments:

Judgment dated 15.07.2007 of the Hon'ble Supreme Court in the matter of ***Commissioner of Central Excise vs Brindavan Beverages (P) Ltd****, [(2007) 5 SCC 388], wherein it was observed as under:*

"The show cause notice is the foundation on which the department has to build up its case. If the allegations in the show cause notice are not specific and are on the contrary vague, lack details and/or unintelligible that is sufficient to hold that the noticee was not given proper opportunity to meet the allegations indicated in the show cause notice."

Judgment dated 12.03.2003 of the Hon'ble Supreme Court in the matter of ***Canara Bank & Ors vs Debasis Das & Ors*** *[(2003) 4 SCC 557], wherein the Hon'ble Supreme Court, was pleased to observe as under:*

"The adherence to principles of natural justice as recognized by all civilized States is of supreme importance when a quasi-judicial body embarks on determining disputes between the parties, or any administrative action involving civil consequences is in issue. These principles are well settled. The first and foremost principle is what is commonly known as audi alteram partem rule. It says that no one should be condemned unheard. Notice is the first limb of this principle. It must be precise and unambiguous. It should apprise the party determinatively of the case he has to meet time given for the purpose should be adequate so as to enable him to make his representation.

In the absence of a notice of the kind and such reasonable opportunity, the order passed becomes wholly vitiated. Thus, it is but essential that a party should be put on notice of the case before any adverse order is passed against him. This is one of the most important principles of natural justice. It is after all an approved rule of fair play. The concept has gained significance and shades with time."

*Further, in the case of **Khemchand Vs Union of India & Ors** (1958 SCR 1080), the Hon'ble Supreme Court has unanimously held that the concept of reasonable opportunity includes various safeguards and reads as under*

"An opportunity to deny his guilt and establish his innocence, which he can only if he is told what the charge levelled against him are and the allegations on which such charges are based."

In view of the aforesaid judgments, we most humbly submit that the SCN issued against us is based on vague and is otherwise ambiguous and is not forthcoming with any concrete evidence, save and except a reference to

> ***FAITH FINSTOCK, PROLIFIC, KINGFISHER TRADING, ADORE, FOTOSOFT MULTIMEDIA and STERJET:***
>
> *(i) executed circular trades thereby creating misleading appearance of trading, (ii) for creating misleading appearance of trading by trading amongst certain entities and (iii) indulging in synchronised trades thereby creating misleading appearance of trading with other connected entities.*
>
> ***WATERBASE MERCANTILE:*** *(i) executed circular trades thereby creating misleading appearance of trading, and (ii) for creating misleading appearance of trading by trading amongst certain entities thereby creating misleading appearance of trading with other connected entities.*
>
> ***DOLLEX:*** *for creating misleading appearance of trading by trading amongst certain entities with other connected entities.*

Thus the SCN is therefore, bad in law and against the principles of natural justice and hence ought to be withdrawn forthwith. It is submitted that borrowing funds could never result into a conclusion that we are connected to the other Noticees and further that these funds were utilized for circular trading as wrongly alleged in the SCN.

> ***FRANCISCA: We*** *state that the content of the aforesaid paras may be matter of fact and record. However, as no allegations are set out therein against us, we refrain from offering our comments thereto and submit that no adverse inference may be drawn as against us.*

Para Nos. 15 to 21:

Patch II - Circular Trading Analysis (July 16, 2008 to August 05, 2008)

15. ………………

…

21………………..Sterjet Trading Co. Pvt. Ltd. (Noticee No. 44) and its Directors Janibabu Ahmadkhan Chauhan (Noticee No. 45) & Kamlesh Premraj Borse (Noticee No. 46) and Manish Buta HUF (Noticee No. 47) have created misleading appearance of trading by creating artificial volume through circular trades, *thereby violated the provisions of Section 12A(a), (b), (c) of SEBI Act read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations*

Our comments:

We state that deal in shares and have traded on blind and transparent automated system of the stock exchange. We reiterate that we are neither aware of the counterparties nor have any means to verify the said data. Thus, the allegation of connection and our involvement in execution of circular trades and creation of misleading appearance in market vide the SCN is totally contrary to records and on this basis alone, the SCN ought to be withdrawn as against us.

Further, the SCN prejudicially attempts to establish connection on the sole basis that

> ***FAITH FINSTOCK:*** *we and Prolific Mercantile Co. Pvt. Ltd, Kingfisher Trading Co. Pvt Ltd, Adore Mercantile Pvt Ltd are connected entities. However, the said assumption is contrary to the observation in the SCN at Table 5 in para 10. It is submitted that the basis of connection sought to be applied to us is based on certain fund transfers and the said Table 5 makes no mention of any fund transfers with Prolific Mercantile Co. Pvt. Ltd. It is thus submitted that the observations and contentions in the SCN are contrary to the investigation's own records.*
>
> ***PROLIFIC:*** *We and Faith Finstock Pvt Ltd and Kingfisher Trading Co. Pvt Ltd are connected entities. However, the said assumption is contrary to the observation in the SCN at Table 5 in para 10. It is submitted that the basis of connection is established with other noticees that the noticees named above based on common addresses and mobile number. However, the said Table 5 makes no mention of any connection with Faith Finstock Pvt Ltd or Kingfisher Trading Co. Pvt Ltd. It is thus submitted that the observations and contentions in the SCN are completely absent and/or contrary to the investigation's own records*

We most humbly submit that therefore, the sole observation that we had borrowed funds from Kingfisher Trading Co. Pvt Ltd does not imply that we are amongst the alleged group of 29 connected entities who have indulged in circular trades and created misleading appearance of trading in the market. The said allegation is too farfetched and misguided attempt to derive the conclusion of the allegation against us. This sole assumption and presumption is in no manner whatsoever justifiable to tie us with all other entities and infer that we have aided and abetted other entities in execution of circular trades therefore is unjustified and the allegation is liable to be withdrawn against us.

> ***KINGFISHER TRADING****: we and Faith Finstock Pvt Ltd and Prolific Mercantile Pvt Ltd are connected entities. However, the said assumption is contrary to the observation in the SCN at Table 5 in para 10. It is submitted that the basis of connection is established with other noticees that the noticees named above based on common addresses and mobile numbers. However, the said Table 5 makes no mention of any connection with Prolific Mercantile Pvt Ltd. It is thus submitted that the observations and contentions in the SCN are completely absent and/or contrary to the investigation's own records.*
>
> *We most humbly submit that therefore, the vague observation that we had common address and mobile numbers with certain noticees does not imply that we are amongst the alleged group of 29 connected entities who have indulged in circular trades and created misleading appearance of trading in the market. The said allegation is too farfetched and misguided attempt to derive the conclusion of the allegation against us. This sole assumption and presumption is in no manner whatsoever justifiable to*

tie us with all other entities and infer that we have aided and abetted other entities in execution of circular trades therefore is unjustified and the allegation is liable to be withdrawn against us.

DOLLEX*: us, Faith Finstock Pvt Ltd and Kingfisher Trading Co. Pvt Ltd are connected entities. However, the said assumption is contrary to the observation in the SCN at Table 5 in para 10. It is submitted that the basis of connection is established with other Noticees that the noticees named above based on common addresses and mobile number. However, the said Table 5 makes no mention of any connection with Faith Finstock Pvt Ltd or Kingfisher Trading Co. Pvt Ltd. It is thus submitted that the observations and contentions in the SCN are completely absent and/or contrary to the investigation's own records.*

We most humbly submit that therefore, the vague observation that we had common address and mobile number with certain noticees does not imply that we are amongst the alleged group of 29 connected entities who have indulged in circular trades and created misleading appearance of trading in the market. The said allegation is too farfetched and misguided attempt to derive the conclusion of the allegation against us. This sole assumption and presumption is in no manner whatsoever justifiable to tie us with all other entities and infer that we have aided and abetted other entities in execution of circular trades therefore is unjustified and the allegation is liable to be withdrawn against us.

ADORE: *We and Faith Finstock Pvt Ltd and Prolific Mercantile Pvt Ltd are connected entities. However, the said assumption is contrary to the observation in the SCN at Table 5 in para 10. It is submitted that the basis of connection is established with other noticees that the noticees named above based on common addresses and mobile numbers. However, the said Table 5 makes no mention of any connection with Faith Finstock Pvt Ltd. It is thus submitted that the observations and contentions in the SCN are completely absent and/or contrary to the investigation's own records.*

We most humbly submit that therefore, the vague observation that we had common address and mobile numbers with certain noticees does not imply that we are amongst the alleged group of 29 connected entities who have indulged in circular trades and created misleading appearance of trading in the market. The said allegation is too farfetched and misguided attempt to derive the conclusion of the allegation against us. This sole assumption and presumption is in no manner whatsoever justifiable to tie us with all other entities and infer that we have aided and abetted other entities in execution of circular trades therefore is unjustified and the allegation is liable to be withdrawn against us.

FOTOSOFT MULTIMEDIA: *we and Waterbase Mercantile Company Pvt Ltd, Francisca Investment Pvt Ltd & Kingfisher Trading Company Pvt Ltd are connected entities. However, the said assumption is contrary to the observation in the SCN at Table 5 in para 10. It is submitted that the basis of connection sought to be applied to us is based on certain fund transfers and the said Table 5 makes no mention of any fund transfers with Sonal Desai and/or Rita Deepak Nagandhi and/or Dinesh V Makawana. It is thus submitted that the observations and contentions in the SCN are contrary to the investigation's own records.*

We most humbly submit that therefore, the sole observation that we transferred funds to Faith Finstock Pvt Ltd does not imply that we are amongst the alleged group of 29 connected entities who have indulged in circular trades and created misleading appearance of trading in the market. The said allegation is too farfetched and misguided attempt to derive the conclusion of the allegation against us. This sole assumption and presumption is in no manner whatsoever justifiable to tie us with all other entities and infer that we have *aided and abetted other entities in execution of circular trades therefore is unjustified and the allegation is liable to be withdrawn against us.*

WATERBASE MERCANTILE: *we and Faith Finstock Pvt Ltd., Fotosoft Multimedia Pvt Ltd, Francisca Investment Pvt Ltd & Kingfisher Trading Company Pvt Ltd are connected entities. However, the said assumption is contrary to the observation in the SCN at Table 5 in para 10. It is submitted that the basis of connection sought to be applied to us is based on certain fund transfers and the said Table 5 makes no mention of any fund transfers with Anushi A Shah and/or Sterjet Trading Co Pvt Ltd. It is thus submitted that the observations and contentions in the SCN are contrary to the investigation's own records.*

We most humbly submit that therefore, the sole observation that we transferred funds to Faith Finstock Pvt Ltd does not imply that we are amongst the alleged group of 29 connected entities who have indulged in circular trades and created misleading appearance of trading in the market. The said allegation is too farfetched and misguided attempt to derive the conclusion of the allegation against us. This sole assumption and presumption is in no manner whatsoever justifiable to tie us with all other entities and infer that we have aided and abetted other entities in execution of circular trades therefore is unjustified and the allegation is liable to be withdrawn against us.

STERJET: *we and Adore Mercantile Company Pvt Ltd & Prolific Mercantile Company Pvt Ltd are connected entities. However, the said assumption is contrary to the observation in the SCN at Table 5 in para 10. It is submitted that the basis of connection sought to be applied to us is based on common address and mobile number and the said Table 5 makes no mention of any fund transfers with Anushi A Shah and/or Waterbase Mercantile Co Pvt Ltd. It is thus submitted that the observations and contentions in the SCN are contrary to the investigation's own records.*

We most humbly submit that therefore, the sole observation that we transferred funds to Faith Finstock Pvt Ltd does not imply that we are amongst the alleged group of 29 connected entities who have indulged in circular trades and created misleading appearance of trading in the market. The said allegation is too farfetched and misguided attempt to derive the conclusion of the allegation against us. This sole assumption and presumption is in no manner whatsoever justifiable to tie us with all other entities and infer that we have aided and abetted other entities in execution of circular trades therefore is unjustified and the allegation is liable to be withdrawn against us.

We most humbly submit that we are dealers in shares and have regularly traded in the scrip. We reiterate that it was impossible for us to know the identity and of the counter party as we have dealt of blind mechanism of stock exchange. In absence of knowledge and connection, the alleged collusion does not stand established. We deny that we aided and abetted other entities in execution of circular trades as it practically impossible to do on a trading platform where we are unaware of the counterparty and therefore, facilitating a circular trade is far-fetched and unimaginable. It is further submitted that all our trades have been fully settled from time to time in terms of pay in and payout obligations and duly accounted for in our books of account. It may be appreciated that genuine trades that have been tested and duly settled could never have been for creating a circular trading as has wrongly been alleged. Thus, no adverse inference may be drawn as against us for the trades that have been alleged to be circular in nature.

We deny that we aided and abetted other connected entities in execution of circular trade as pertinently the SCN fails to establish any connection between the entities with whom we have allegedly aided in circular trading. We fervently deny that we have created misleading appearance of trading by creating artificial volume through circular trades, thereby violated the provisions of Section 12A(a), (b), (c) of SEBI Act read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations.

FAITH FINSTOCK, WATERBASE MERCANTILE AND STERJET: *We submit that although the SCN has stated that there is no connection, save and except with Kingfisher Trading Co. Pvt Ltd it has further gone on to allege that trades were executed in a circular manner.*

KINGFISHER: *We submit that although the SCN has stated that there is no connection, it has further gone on to allege that trades were executed in a circular manner.*

PROLIFIC, DOLLEX, ADORE, FOTOSOFT MULTIMEDIA*: We submit that although the SCN has stated that there is no connection, it has further gone on to allege that trades were executed in a circular manner*

We state that the conclusion arrived at in the SCN are based on mere assumptions and presumptions and therefore, penalizing us based solely on such assumptions and presumptions is against the principles of natural justice and therefore, no allegation can be made out against me on this ground and the said allegation is liable to be withdrawn forthwith.

FRANCISCA : *No comments by entity*

Para Nos. 22 to 27:

Allegation against the Noticee Nos. 8 to 61 for trading amongst themselves in groups and created misleading appearance of trading:

22…………………..

……………………..

27. Thus, it is alleged that this group of 29-connected entities created false and misleading appearance of trading in the scrip of SIEL by trading amongst themselves and have therefore violated the provisions of Section 12A(a), (b), (c) of SEBI Act read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations.

Our comments:

We deny the allegation in para 22 of the SCN we have traded with the other 28 noticees repeatedly on a daily basis during the investigation period and executed trades similar to circular trades along with these noticees.

FAITH FINSTOCK*: As per the trading details of the entities mentioned in Table 9, our buy quantity was 4,57,203 shares which amounted to 0.91% of the market volume and the sell quantity was 5,49,813 shares amounting to 1.10% of the market volume. It is submitted that 0.91% of the buy quantity of the market volume and 1.10% of the sell quantity of the market volume can by no means be inferred to have created a misleading appearance by trading amongst themselves. It is pertinent to note that the SCN is completely silent on the fact that the difference in the buy and sell quantity of about 92,610 shares ought to have been delivered by us in the market.*

PROLIFIC: *As per the trading details of the entities mentioned in Table 9, our buy quantity was 1,77,280 shares which amounted to 0.35% of the market volume and the sell quantity was 1,45,915* *shares amounting to 0.29% of the market volume. It is submitted that 0.35% of the buy quantity of the market volume and 0.29% of the sell quantity of the market volume can by no means be inferred to have created a misleading appearance by trading amongst them. It is pertinent to note that the SCN is completely silent on the fact that the difference in the buy and sell quantity of about 31,365 shares ought to have been delivered by us in the market.*

KINGFISHER TRADING: *As per the trading details of the entities mentioned in Table 9, our buy quantity was 5,23,539 shares which amounted to 1.04% of the market volume and the sell quantity was 6,00,025 shares amounting to 1.20% of the market volume. It is submitted that 1.04% of the buy quantity of the market volume and 1.20% of the sell quantity of the market volume can by no means be inferred to have created a misleading appearance by trading amongst them. It is pertinent to note that the SCN is completely silent on the fact that the difference in the buy and sell quantity of about 76,486 shares ought to have been delivered by us in the market.*

DOLLEX*: As per the trading details of the entities mentioned in Table 9, our buy quantity was 92513 shares which amounted to 0.18% of the market volume and the sell quantity was 248266 shares amounting to 0.50% of the market volume. It is pertinent to note that the SCN is completely silent on the fact that the difference in the buy and sell quantity of about (-) 1,55,753 shares ought to have been delivered by us in the market. We submit that we never held the said shares prior to or after the investigation period.*

ADORE*: As per the trading details of the entities mentioned in Table 9, our buy quantity was 3,45,220 shares which amounted to 0.69% of the market volume and the sell quantity was 2,72,616 shares amounting to 0.54% of the market volume. It is submitted that 0.69% of the buy quantity of the market volume and 0.54% of the sell quantity of the market volume can by no means be inferred to have created a misleading appearance by trading amongst them. It is pertinent to note that the SCN is completely silent on the fact that the difference in the buy and sell quantity of about 72,604 shares ought to have been delivered by us in the market*

FOTOSOFT MULTIMEDIA: *As per the trading details of the entities mentioned in Table 9, our buy quantity was 22,13,107 shares which amounted to 4.41% of the market volume and the sell quantity was 19,00,559 shares amounting to 3.79% of the market volume. It is submitted that 4.41% of the buy quantity of the market volume and 3.79% of the sell quantity of the market volume can by no means be inferred to have created a misleading appearance by trading amongst themselves. It is pertinent to note that the SCN is completely silent on the fact that the difference in the buy and sell quantity of about 3312,548 shares ought to have been delivered by us in the market.*

WATERBASE MERCANTILE*: As per the trading details of the entities mentioned in Table 9, our buy quantity was 2,76,177 shares which amounted to 0.55% of the market volume and the sell quantity was 2,41,208 shares amounting to 0.48% of the market volume. It is submitted that 0.55% of the buy quantity of the market volume and 0.48% of the sell quantity of the market volume can by no means be inferred to have created a misleading appearance by trading amongst themselves. It is pertinent to note that the SCN is completely silent on the fact that the difference in the buy and sell quantity of about 34,969 shares ought to have been delivered by us in the market*

__STERJET__: As per the trading details of the entities mentioned in Table 9, our buy quantity was 19,56,864 shares which amounted to 3.90% of the market volume and the sell quantity was 16,54,794 shares amounting to 3.30% of the market volume. It is submitted that 3.90% of the buy quantity of the market volume and 3.30% of the sell quantity of the market volume can by no means be inferred to have created a misleading appearance by trading amongst themselves. It is pertinent to note that the SCN is completely silent on the fact that the difference in the buy and sell quantity of about 3,02,070 shares ought to have been delivered by us in the market.

__FRANCISCA:__ as per the trading details of the entities mentioned in Table 9, our buy quantity was 5,98,340 shares which amounted to 1.19% of the market volume and the sell quantity was 7,75,978 shares amounting to 1.55% of the market volume. It is submitted that 1.19% of the buy quantity of the market volume and 1.55% of the sell quantity of the market volume can by no means be inferred to have created a misleading appearance by trading amongst themselves. It is pertinent to note that the SCN is completely silent on the fact that the difference in the buy and sell quantity of about (-) 1,77,638 shares ought to have been delivered by us in the market.

On perusal of the transactions listed in Annexure 5 provided in soft copy on CD, it is apparent that our trades had matched with trades of brokers other than the ones set out. If that be the case, the allegation that we had an intention to create a misleading appearance of trading falls flat. As regards the extracts of trade log in respect of the trades of the said 29 connected entities placed at "Annexure 5" and complete trade log during the investigation period placed at "Annexure 6" is concerned, it is submitted that both the Annexures have sought to establish connection for the creation of misleading appearance of trading by allegedly by the connection of a common entity in respect of connected entities.

However, on scrutiny of the said Annexures, it is apparent that the trades alleged to have been entered into with the intention of creation of misleading appearance of trading with the said 29 connected entities have been entered into with clients of other brokers, ie., brokers other than the mentioned traders. We crave leave to refer to their trades when produced at the hearing. Thus, the allegation of existence of connected entities and trading amongst themselves is farfetched and on this ground alone, the SCN ought to fail.

We state that the finding in para 24 of the SCN which alleges that out of 345 trading days during the investigation period, the connected entities including us have traded among ourselves on 295 trading days and contributed to market volume 2,37,91,393 shares i.e. 47.46% of the total market volume during the investigation period is completely contradictory to the findings in para 22 wherein it is alleged that we have traded with the connected entities on a daily basis. Therefore, the findings of the SCN are self-contradictory and hence, bad in law. In any event, the SCN has failed to attribute any motive on our part to create a misleading appearance of trading amongst the said connected noticees and on this ground alone the SCN deserves to be withdrawn.

We invite your attention to order dated 29.01.2020 of the Hon’ble Securities Appellate Tribunal in the matter of __Labhu Gohil vs SEBI__ whereby the Hon’ble Securities Appellate Tribunal has concluded that motive for trading pattern could not be attributed only on account of sharing a common address, common mobile numbers, etc by the noticees. It was also observed by the Hon’ble Tribunal that during the investigation period, there was a substantial increase in both prices and volumes but __no connection__ between the noticees and *the promoter group/company could be established and therefore, in the absence of any evidence or motive for a collusive or manipulative effort, no penalty could be imposed. In view of the above, the Hon'ble Tribunal was pleased to dispose of the appeal with a warning to appellants, in place of monetary penalty. Copy enclosed as Exhibit-6.*

We further place reliance on another order dated 29.07.2011 of the Hon'ble Securities Appellate Tribunal in the matter of ***Narendra Ganatra vs SEBI*** *whereby the Hon'ble Tribunal has observed that shares were sold in market in the ordinary course of trading through the stock exchange mechanism and that there is no denying the fact that trading system of the stock exchange maintains complete anonymity and does not allow one party to a transaction or even brokers to know as to who the counter party/the counter party's broker is and thus, it is an established fact that the exchange trading systems do not permit any interaction between buyers and sellers. The Hon'ble Tribunal further observed that mere suspicion on the ground that majority of the shares sold were purchased by one party cannot be held to be conclusive for establishing a charge. The Hon'ble Tribunal has aptly observed that creating and misleading appearance of trading in market and artificially raising price of the scrip are serious charges and therefore, cannot be based on mere surmises and conjectures but calls for substantial evidence and in absence thereof, no charge can be maintainable. Copy enclosed as Exhibit-7.*

We further state that PFUTP Regulations, 2003 would be attracted only if the transaction is made with an intention to artificially raise or depress the price of securities so as to induce any other person to sell or purchase the securities. It is pertinent to note that the SCN failed to produce any credible evidence against us for the same. It is submitted that allegations could not be made on mere assumptions and surmises. We most humbly submit that we have neither acted in concert nor were aware nor created nor were a part of scheme to trade with other notices and therefore, we pray that no adverse inference be drawn against us.

We further place reliance on the order dated 16.01.2020 of the Hon'ble Securities Appellate Tribunal in the matter of ***M/s. Nishith Shah HUF v. Securities and Exchange Board of India*** *wherein the Hon'ble Tribunal has rightly concluded that:*

"………there is no finding that the appellant has indulged in fraudulent or unfair trade practices in securities………….

…………….…..one has to establish a connection between a buyer and with the seller in order to infer a manipulation in the price of the scrip……….

……….……….that there is no direct evidence of collusion between the appellant as a seller with that of the buyer…….

…………one can presume or infer that the trading is manipulative but such trading cannot happen unilaterally. There must be evidence to show collusion between the buyer and the seller. In the instant case there is none………………

………………..the principle of preponderance of probability cannot be exercised in the absence of any connection between the seller and the buyer………..

……..reiterate that in the absence of any finding of collusion between the buyer and the seller the charge contributing to the LTP cannot be sustained…………

The Tribunal has held that in order to charge the notice it has to be established that there existed an element of collusion between the buyer and the seller which is otherwise is a sine quo non and accordingly have *reiterated that in the absence of any finding of collusion between the buyer and the seller, the charge against us for creating misleading appearance of trading by trading amongst themselves cannot be sustained.*

The aforesaid judgment squarely applies to us as the SCN is completely vague on the allegations and no substantive evidence of collusion has been arrived at, save and except that there is a mere mention of an alleged connection based on certain circular trades and it is therefore submitted that in view of the same the allegations against us for indulged in circular trades thereby creating misleading appearance of trading by trading amongst themselves are liable to be withdrawn. Copy enclosed as Exhibit-8.

Para Nos. 28 to 31:

<u>Allegation against the Noticee Nos. 8 to 15 17 18 20 to 23 26 and 27 for indulging in Synchronized Trades:</u>

28….

…….

31…. Hence, it is alleged that the directors of the private limited companies are also alleged to have been violated the same provisions of the SEBI Act and PFUTP Regulations for the irregular trading activities of the private limited companies.

<u>Our comments:</u>

***FAITH FINSTOCK, PROLIFIC, KINGFISHER TRADING, ADORE**:*

We deny the allegation in that we have indulged in synchronized trading. Even otherwise, we submit that that it is pertinent to note that although there could have been trades matching with other noticees, it could never be construed as intentional and predetermined. We submit that the alleged synchronized trades were unintentional.

It is submitted that the orders placed by traders could get synchronized without any premeditation or any mala fide intention on their part. This could be due to the complexity of the modern markets, the Exchange's inefficiency in executing orders or the prevalence of software-based trading. After looking at some of the conditions discussed below, it becomes clear to say that synchronized trades in some capacity are bound to occur as any prudent trader or a trading firm can fall within the conditions, namely,

a. Technological limitations

It is submitted that all Exchanges have limitations in the speed of their servers or the amount of traffic their network can handle and market participants can have limitations in the bandwidth at which they operate. An Exchange may have its servers situated in one physical location, but the trading terminals which transmit orders to it may be located the world over. These reasons could cause a 'latency' or a time delay in transiting the order to the exchange in the first place. This affects the Exchange's ability to match orders and could result in orders piling up or mismatching of the orders. All this coupled with the high-frequency trading activity could result in trade synchronizations.

b. Manual Trading

It is submitted that multiple people in a single firm may trade manually on behalf of the firm with their independent trading strategies. There are chances that their orders may get synchronized if they deal in similar securities.

DOLLEX, FOTOSOFT MULTIMEDIA ,WATERBASE MERCANTILE, STERJET AND FRANCISCA INVESTMENT PVT. LTD.:

We state that the content of the aforesaid paras may be matter of fact and record. However, as no allegations are set out therein against us, we refrain from offering our comments thereto and submit that no adverse inference may be drawn as against us.

Para Nos. 32 to 33:

Allegation against SIEL and its directors:

32…………..

…..

33………… Hence, it is alleged that the SIEL and its six directors (Noticee Nos. 1 to 7) have violated provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) & (g) of PFUTP Regulations.

Our comments:

We state that the content of the aforesaid paras may be matter of fact and record. However, as no allegations are set out therein against us, we refrain from offering our comments thereto and submit that no adverse inference may be drawn as against us.

Para No. 34:

34. In view of the forgoing………….

……………..

iv. It is alleged that 5-connected entities were indulged in synchronized trades and created misleading appearance of trading in the scrip of SIEL.

Our comments:

We reiterate our submissions made hereinabove and vehemently deny that we have created misleading appearance of trading in the scrip of SIEL along with other 29 noticees by trading among ourselves and most humbly submit that the allegation be withdrawn against us.

Para No. 35

35. Therefore, it is alleged that;……………

………………..

iv. …………for indulging into synchronized trades thereby creating artificial volume in the scrip of SIEL.

Our comments:

We state that the allegations made in and findings arrived at in the SCN against us are misconceived and based on incomplete and incorrect assumption of facts. In any event, no case and cause of action has been made against us and hence, we deny that we have indulged in circular trades thereby creating misleading *appearance of trading in the scrip of SIEL or violated the provisions of Section 12A(a), (b), (c) of the SEBI Act, read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations.*

Para No. 36 to 40:

36. Provisions of the aforesaid alleged violations………..

………..

40. The Noticees are advised to provide copy of their PAN and email-id and also to keep the undersigned informed about the change in their correspondence address, if any, till the proceedings are complete.

<u>Our comments:</u>

We state that the findings arrived at in the SCN and the allegations against us therein are completely misconceived and based on incorrect assumption and presumptions. We thus, deny that we have violated Section 12A (a), (b), (c) of SEBI Act and Regulation 3(a), (b), (c), (d) and Regulation 4(1), 4(2) (a) and (g) of the FUTP Regulations, 2003.

Therefore, considering our submissions placed on record, we most humbly pray that the said SCN be withdrawn and/or discharged against us particularly in view of the true and correct facts stated hereinabove and in view of fair and just adjudication of the subject matter.

<u>Noticee no.5 : Mayuri Kalpesh Pandya</u> <u>(Director of Faith Finstock Pvt. Ltd.)</u>

I further understand that Faith Finstock Private Limited has already filed a reply in this matter and said reply may kindly be considered as my due compliance for the aforesaid show cause notice.

I state that I had resigned as a director of the company on 31/12/2014 under intimation to the Registrar of Companies. Hereto marked is a copy of the intimation to the Registrar of Companies as Exhibit-A.

<u>Noticee no.8&9:</u> <u>Prakash Shamrao Dalvi and Rajendra Mahadev Kalekar</u>

At the outset, we are grateful for the extension provided for filing reply to the said show cause dated 12.02.2020.

Prakash Shamrao Dalvi and Rajendra Mahadev Kalekar Director of Prolific Mercantile Company Pvt Ltd. reiterate the reply along with all the documents as submitted by the Company (Prolific Mercantile Company Pvt Ltd.) and the said reply may kindly be considered as my due compliance for the aforesaid SCN.

<u>Post hearing Noticee no. 10.:</u> <u>Kingfisher Trading Company Pvt. Ltd. made the following additional submissions:</u>

1. *We refer to the captioned SCN and our replies thereto.*
2. *We refer to the personal hearing held on 26.02.2021 and granting us further time to file additional submissions.*

3. *At the outset, we thank you for providing us with all the documents that were not annexed to the SCN. We acknowledge receipt of the Know Your Client Form ("**KYC**") sent to us on 27.02.2021 vide email.*

4. *We respectfully submit that there has been grave prejudice caused to us in the matter as the relied upon documents were made available to us after a decision is taken under Rule 4(1) to hold an inquiry into the matter and that too after the personal hearing on 26.02.2021.*

5. *We reiterate the submissions made earlier in our reply. We state that the KYC does not advance the case in any manner but on the contrary corroborates our stand since no original document was offered for inspection, which is violation of the principles of natural justice.*

6. *We submit that observations in the SCN are liable to be set aside since the same is primarily based on certain "connections" vide the KYC and more particularly on the basis of "common introducer" in the KYC documents.*

7. *We submit that the practice then as well as on date is that the KYC and account opening forms are all filled by the brokers or sub brokers after all relevant documents are in place. The SCN has failed to consider that it was normal for a broker to request their employees, sub brokers to sign as introducer. It is submitted that it is obvious to the eye, despite the fact that we have yet to inspect the original, there is a difference in hand writing in the KYC where the introducer has signed which leads to a reasonable conclusion that the same was signed after our submission of the KYC to the broker.*

8. *It is submitted that as far we can re collect (appreciating our submissions on lathes) when we had filled-in the KYC, the column pertaining to the introducer was left out blank. We refer to the KYC and address the discrepancies therein:*

   1. *Application Form 1.jpg annexed to your email dated 27.02.2021*
      The SCN is silent what does "Code no. NK 002" on the top right hand corner pertain to. In any event we deny that we had filled in the same and the fact is also apparent from the difference in the hand writing. Further, the details filled in at " Client ID", "DP ID" and "DP Name" at the bottom are obviously filled in later in time as is apparent from the difference in the hand writing.

   2. *Application Form 2.jpg annexed to your email dated 27.02.2021*
      The details filled in at " Financial Details-Annual Income of the last 3 Years" are obviously filled in later in time as is apparent from the difference in the hand writing. Further, surprising is the fact that reliance has been placed on the basis of "Common Introducer" whilst in Application Form 2.jpg, the details against " Introducers Details/ Reference" is totally blank and does not even show the name, address and client code of the introducer. Further so, the Place and Date are obviously filled in later in time as is apparent from the difference in the hand writing.

   3. *Application Form 3.jpg annexed to your email dated 27.02.2021*
      Being the details of director Ms. Kajal Oza

The Date is obviously filled in later in time as is apparent from the difference in the hand writing.

4. *Application Form 4.jpg annexed to your email dated 27.02.2021*
   Being the details of director Mr. Dinesh Vajar
   The Date is obviously filled in later in time as is apparent from the difference in the hand writing.

9. *We state that we had not inputted the name of the said Mr. Nikhil Udani in the KYC and we deny that we knew him then. It is only when the KYC was available to us on 27.02.2021 that we are made aware that our KYC had Mr. Nikhil Udani as introducer. In any event, we submit that we should be granted an opportunity to verify the original relied upon documents and an opportunity should be granted to us to cross examine the said Mr. Nikhil Udani.*

10. *Further, when we became constituents of the broker, there was no legal requirement to have an introducer for opening an account of a corporate entity and we once again deny that the said column of introducer was filled-in at our end.*

Noticee no. 14: Ayush R Gaur (Director of Dollex capital & Finance Pvt Ltd.)

At the outset, we are grateful for the extension provided for filing reply to the said show cause dated 12.02.2020.

I, Ayush R Gaur Director of Dollex capital & Finance Pvt Ltd. reiterate the reply along with all the documents as submitted by the Company (Dollex capital & Finance Pvt Ltd) and the said reply may kindly be considered as my due compliance for the aforesaid SCN.

*I state that I have resigned as a director of the company from 29.08.2008 under intimation to the Registrar of Companies. Hereto marked is the copy of the intimation to the Registrar of Companies as **Exhibit-A.***

Noticee no.16 &17: Yogendra Janardhan Bangera and Ashok Sakharam Pilke

At the outset, we are grateful for the extension provided for filing reply to the said show cause dated 12.02.2020.

Yogendra Janardhan Bangera and Ashok Sakharam Pilke reiterate the reply along with all the documents as submitted by the Company (Adore Mercantile Company Pvt Ltd.) and the said reply may kindly be considered as my due compliance for the aforesaid SCN

Noticee no.24 and 30: Manjula M Doshi and Sonal H Desai

1. *At the outset, I state that the investigation period dates back to the years 2008-2009 i.e. the said SCN was issued only after a lapse of almost 12 years. Hence, there has been inordinate delay in issuing the said SCN. I am unable to collate exact circumstances and situations which may have happened in the distant past. This puts me in a disadvantageous position to adequately clarify on the matter and defend the allegations against me.*

Manjula Doshi: *As it is I am a senior citizen of about 80 years of age and undergoing various health issues. Therefore, on this ground alone I request a lenient view be taken and the aforesaid SCN against me may be withdrawn or alternatively I may be exonerated as also upheld by Hon'ble SAT in various appeals. I crave to refer and rely on the orders of the Hon'ble SAT in such matters.*

Sonal Desai: *Therefore, on this ground alone I request a lenient view be taken and the aforesaid SCN against me may be withdrawn or alternatively I may be exonerated as also upheld by Hon'ble SAT in various appeals. I crave to refer and rely on the orders of the Hon'ble SAT in such matters.*

2. *I deny each and every allegation and/or contentions made against me in the SCN and nothing therein shall be deemed to have been admitted and/or inferred to have been admitted for want of denial by me, and save and except to the extent specifically admitted by me as herein.*

3. *I further submit that the SCN suffers from serious latches and that SEBI has failed to exercise the powers vested in it within reasonable time. Further, it is submitted that SEBI has failed to give any explanation or due justification for the inordinate delay and latches in issuing SCN.*

4. I further place reliance on the order of the Securities Appellate Tribunal in the matter of Mr. Ashok Shivlal Rupani and Another v. Securities and Exchange Board of India [Order dated 22 August 2019 in Appeal No.417 of 2018] wherein, the adjudicating proceedings were quashed on account of inordinate delay. Relevant extract is reproduced herein below for ease of reference and convenience:

"In Mr. Rakesh Kathotia v. SEBI (Appeal No. 07 of 2016 decided by this Tribunal on 27.05.2019) proceedings were quashed on account of inordinate delay. The said decision is squarely applicable to the instant case. For facility, the relevant paragraph of the order is extracted hereunder:

"23. It is no doubt true that no period of limitation is prescribed in the Act or the Regulations for issuance of a show cause notice or for completion of the adjudication proceedings. The Supreme Court in Government of India vs. Citedal Fine Pharmaceuticals, Madras and Others, [AIR 6 (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. This proposition of law has been consistently reiterated by the Supreme Court in Bhavnagar University v. Palitana Sugar Mill (2004) Vol.12 SCC 670, State of Punjab vs. Bhatinda District Coop. Milk P. Union Ltd (2007) Vol.11 SCC 363 and Joint Collector Ranga Reddy Dist. & Anr. vs. D. Narsing Rao &Ors. (2015) Vol. 3 SCC 695.

In the light of the aforesaid, there has been an inordinate delay in the issuance of the show cause notice and for completion of the adjudication proceedings. Since the power to adjudicate has not been exercised within a reasonable period no penalty could have been imposed for the alleged violations.

<u>WITHOUT PREJUDICE TO ALL THAT IS STATED ABOVE :</u>

5. I state that even for sake of assumption without admission, the SCN makes presumptive allegations against me. Therefore I request that the said SCN dated 12th February, 2020 be withdrawn against me. I most *humbly submit that I have not committed any act in defiance of any regulations or any provisions of law and that I am not liable to be proceeded against with an inquiry and penalty.*

6. *I most humbly submit that the instant SCN is contrary to the material on record relied upon, referred to and gathered during investigation and therefore is unsustainable and thus liable to be set aside.*

7. *I am limiting my reply to setting out my submissions to the observations/contentions/allegations as against me. I am therefore not dealing with each and every paragraph of the SCN. I reserve my right to file additional submissions, if necessary.*

8. *I state that the SCN has grossly failed to bring out anything on record to show my involvement in the allegations made therein.*

9. *I am herein below replying to the said SCN para wise:*
   a. *With reference to para 1 of the SCN, the contents may be a matter of record. However, I deny allegations if pertaining to me in the said para and deny as whatever inconsistent with my submissions..*

   b. *With reference to Para 2, 3, 4, 5, 6, 7, 8 & 9 the contents may be matter of record. I state that I am neither concerned nor responsible for the contents in the said paras. I state that no allegations have been made out against me in the said paras and therefore do not merit any comments from me on the same. In any event, I deny whatever inconsistent with my submissions.*

   c. *With reference to para 10,*

      Manjula Doshi:*I state that the allegation against me at point 27 of the table therein alleges that I have executed circular trades with the entities mentioned above in the same table. However, no details have been provided how and in what manner this inference is drawn. Importantly, though the table in the para under reply is stated as "Table 5 : Details of connection of 29 entities", nothing is put on record to show my connection with any of the entities with whom I have been alleged to have executed circular trades.*

      Sonal Desai:*I state that the allegation against me at point 25 of the table therein alleges that I have executed circular trades with the entities mentioned above in the same table. However, no details have been provided how and in what manner this inference is drawn. Importantly, though the table in the para under reply is stated as "Table 5 : Details of connection of 29 entities", nothing is put on record to show my connection with any of the entities with whom I have been alleged to have executed circular trades*

   d. *With reference to para 12, 13 and 14, I respectfully state that no allegations are made against me in these paras. Hence I do not offer any comments on the same. I submit that the insofar as I am concerned, I deny the existence of the so called connection with other notices, as wrongly assumed and alleged in the SCN. In any event, the SCN has neither placed on record any convincing material to conclude that I have* *indulged in circular trades and not that any of my transactions have resulted into any adverse effect to party. Hence, the allegation of circular trading against me is completely devoid of merits as also remains grossly unsubstantiated as explained herein above.*

e. *I further deny that I have any connection with any of the other entities mentioned in the SCN whatsoever and the SCN has miserably failed to establish any connection between the other entities and myself and on this count alone, the SCN should be withdrawn against me. Therefore, the allegation being imprecise, vague and incoherent and the assumption and presumption that I have violated the provisions of law on incorrect basis that I have executed circular trades fails to bring forth any alleged connection and hence is bad in law.*

f. *I further state that the SCN is bereft of any substantial material which otherwise would be conclusive to establish my connection with other Noticees. Besides that, save and except a statement in the para that I am connected to certain other Noticees who are otherwise connected on the basis of on KYC, UCC, Bank Statements and off market transfers and the table therein, the SCN has failed to bring out any connection qua me.*

Sonal desai:*Only the noticee no 29 i.e Manjula Doshi is my mother.*

It is submitted that it is a well settled principle in law that the charges against me have to be specific to enable me to reply to the allegations. I submit that the SCN is based on vague and ambiguous allegations and such allegations are not specific, explicit and definite and are general in nature. In view of the aforesaid judgments, I most humbly submit that the SCN issued against me is based on vague and is otherwise ambiguous and is not forthcoming with any concrete evidence, save and except a reference to execution of some circular trades and is therefore, bad in law and against the principles of natural justice and hence ought to be withdrawn forthwith.

g. *With reference to Para 15 I state that*

MANJULA DOSHI*:The SCN merely alleges circular volumes and that too only on one day i.e 18.07.2008 assuming me to be connected to other entieis.*

Sonal Desai:*the SCN merely alleges circular volumes assuming me to be connected to other entieis*

The SCN has failed to consider that there was no meeting of minds with the alleged counter parties and that I did not have any connection with the alleged counter parties and that I am merely a trader/consumer and that I have been made a victim of the trading mechanism. Hence, the SCN should have considered that any matching of trades by a particular counter party could be a matter of chance and not a pre determined activity for any purpose. I further state that the SCN failed to take into account that I was not even aware about who would be the counter party in the blind mechanism. Under the given conditions, it was not possible for me to even assume that the trades entered by me were non genuine or done with the intention to create circular trades.. It is further submitted that all my trades have been fully settled from time to time in terms of pay in and payout obligations and duly accounted for in our books of account. It may be appreciated that genuine trades that have been tested and duly settled could never have been for creating a circular trading as has *wrongly been alleged. Thus, no adverse inference may be drawn as against me for the trades that have been alleged to be circular in nature.*

h. *With reference to para 16, in sub para (1a) no allegations are made out against me.*

Manjula Doshi:*In sub para (1b) it is clearly observed that there is no connection established between me and other 3 entities viz Rita Deepak Negandhi, Vitesh B Shah and Dinesh V Makwana. My only connection is indicated with Sonal Desai. However in the same para it is immediately thereafter observed that I have aided and betted Dinesh Makwana in execution of circular trade. I am unable to fathom how the allegations are maintainable against me. Aiding and abetting needs proof and ought to be proved beyond doubt. The allegations in the para under reply are bald and erroneous to say the least. I deny having aided or abetted any person and much less the purported connected entities as alleged. In para 16 sub para (2), (3), (4), (5) no allegations are made against me hence I refrain from making any comments.*

Sonal Desai:*In sub para (1b) it is clearly observed that there is no connection established between 4 entities viz Rita Deepak Negandhi, Manjula M Doshi, Vitesh B Shah and Dinesh V Makwana. However in the same para it is immediately thereafter observed that I have aided and betted other connected entities in execution of circular trade on 30.07.2008. I am unable to fathom how the allegations are maintainable against me. Aiding and abetting needs proof and ought to be proved beyond doubt. The allegations in the para under reply are bald and erroneous to say the least. I deny having aided or abetted any person and much less the purported connected entities as alleged. In para 16 sub para (2) no allegations are made against me hence I refrain from making any comments. In para 16 sub para (3) and sub para (4) again on one side it is concluded that I do no have any connected with the three entities i.e Akhila Mercantile P Ltd., Parag Mehta and Rama N Raval and with Dines V Makwana whereas on the other hand it is alleged that I had executed two trades with connected entities. It is then alleged that I had aided and abetted Akhila Mercantile Pvt LTd, Parage Mehta and Rama N Raval and aso in execution of circular trades. The allegations are not only bald but also strange that two trades are alleged to be with connected entities. In the blind mechanism of stock exchange when I do not even know who the counter party is, it is impossible to come to such conclusions. Further it is far fetched figment of imagination that I would aid and abet a company and two other individuals to trade. My trades are genuine trades and in compliance to all the requisites viz payin/payouts and no adverse inference be drawn on the same. In para 16 sub para (5) again the allegations against me are presumptive without any basis. I deny the allegations in toto.*

i. *With reference to para 18,19 and 20 no allegations are made against me hence I do not make any comments on the same.*

j. *With reference to para 21 to 27, I deny the allegations against me. My trades were not only genuine but also carried out on the blind mechanism of stock exchange for which I have complied with the requisite payin/payout obligations. I deny the allegation that I have traded with the other 28 noticees repeatedly on* *a daily basis during the investigation period and that the said connected entities and such trades similar to circular trades.*

Manjula Doshi*: As per the trading details of the entities mentioned in Table 9, my buy quantity was 5,63,788 shares which amounted to 1.12% of the market volume and the sell quantity was 6,49,760 shares amounting to 1.30% of the market volume. It is pertinent to note that the SCN is completely silent on the fact that the difference in the buy and sell quantity of about 86, 000 shares ought to have been delivered by me in the market.*

Sonal Desai: *As per the trading details of the entities mentioned in Table 9, my buy quantity was 12,40,983 shares which amounted to 2.48% of the market volume and the sell quantity was 11,83,344 shares amounting to 2.36% of the market volume. It is pertinent to note that the SCN is completely silent on the fact that the difference in the buy and sell quantity of about 57,369 shares ought to have been delivered by me in the market.*

It is too far fetched to assume that I have carried out circular trades and have aided abetted any persons. Nothing has been put on record to back such allegations qua me which tacitly proves that the allegations are presumptive in nature. I am not even aware how and in what manner can the so called circular trades be executed. I deny of having created any misleading appearance of trading. I have been a regular investor and trader in shares. Assuming to manipulate the stock exchange mechanism, creating misleading appearance of trading, executing circular trades are not only too farfetched and presumptive but also devoid of any merits. I state that the on going through the transactions listed in annexure 5 provided in soft copy on CD, it is apparent that my trades had matched with trades of brokers other than the ones set out. If that be the case, the allegation that I had an intention to create a misleading appearance of trading falls flat. As regards the extracts of trade log in respect of the trades of the said 29 connected entities placed at "Annexure 5" and complete trade log during the investigation period placed at "Annexure 6" is concerned, it is submitted that the Annexure has sought to establish connection for the creation of misleading appearance of trading by allegedly by the connection of a common entity in respect of connected entities.

k. *However on scrutiny of the said Annexure, it is apparent that the trades alleged to have been entered into with the intention of creation of misleading appearance of trading with the said 29 connected entities have been entered into with clients of other brokers, ie brokers other than the mentioned traders. I crave leave to refer to their trades when produced at the hearing. Thus, the allegation of existence of connected entities and trading amongst themselves is farfetched and on this ground alone, the SCN ought to be withdrawn qua me.*

l. *With reference to para 28 to 33, no allegations are made out against me whether for synchronized trades or otherwise. Therefore I refrain from making any comments on these paras.*

m. *With reference to para 34, I deny being a connected entity to carry out any circular trades as alleged. I repeat and reiterate whatever stated above all along. I reiterate my submissions made hereinabove and vehemently deny that I have indulged in circular trades thereby creating misleading appearance of trading in the scrip of SIEL along with other 29 noticees by trading among ourselves.On the basis of the allegations in the show cause notice, it is clear that no such case has been made out and further there is no evidence to suggest that I had any idea or any intent to create any misleading appearance of trading in the scrip through circular trades or synchronized trades as alleged. I most humbly submit that the allegation be withdrawn against me.*

n. *With reference to paras 35 to 39 I deny having violated 12A(a), (b), (c) of SEBI Act read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations or any other provisions thereof and hence not liable for any monetary penalty. I state that the allegations made in and findings arrived at in the SCN against me are misconceived and based on incomplete and incorrect assumption of facts. In any event, no case and cause of action has been made against me and hence I deny that we have indulged in in circular trades thereby creating misleading appearance of trading in the scrip of SIEL or violated the provisions of Section 12A(a), (b), (c) of Sal Act, read with Regulations 3(a),(b),(c),(d) and Regulations 3(a),(b),(c),(d) and Regulations 4(1) and 4(2)(a) of SEBI (PFUTP) Regulations, 2003.*

Noticee no. 25: Vitesh B Shah

Letter dated March 03, 2020 and July 20, 2020:

At the outset, as instructed by our client we have to state that our client does not admit any of the allegation on the basis of which he has been served with the notice under repl5r. It appears that the impugned notice is issued only on the basis of suspicion and without any material, to establish our client nexus directly or indirectly with the directors or the promoters of the company i.e. Sterling International Enterprises Ltd. The particulars relating to the volume of shares transacted during the period from 01.05.2008 to 30.09.2009 are also untrue and not tallying with the actual number of shares transacted by our client. There is apparent discrepancy in the quantity of buy and sell which appears to have been not properly based on accuracy. Reserving our right on the above aspect as may be responded by you, it would be suffice to state that our client is genuine investor and has traded in the shares of company in question without knowing any of the other traders and without having any kind of knowledge, association, any intention much less fraudulent intention to violate the regulations which are prohibiting circular trading. under the circumstances, our client not having indulged himself with any of the directors / investors in the company in question directly or indirectly is innocent investor and had never abused the market policies, warranting any action from your end.

While refuting all the allegations against our client, it is clear that alleged involvement of our client is purely on the basis of surmises and conjunctures and is nothing but flawed investigation without any solid and concrete proof of his involvement directly or indirectly. It needs to be appreciated that a bonafide and genuine trader has freedom to choose and select a particular company which is less risky but more profitable. Element of loosing huge money is avoided, but keeping an eye on shares of that particular company on the day to day basis shall make more familiar and more convenient to deal with in different number of quantity on different *dates solely judging on its own experience and wisdom to achieve the purpose of investment in the form of profit / investment return profit. In the given roase, our client, as stated above, having no connection with any of the investor as stated online, with no knowledge of the Selle:r and Buyer on the other hand and with no connection in any manner with the directors or any fraudulent misleading violating traders on the other hand at any point of time. Least to say thrat his entire trading was the result of his own judgment by assessing the opportunities at on various dates as and when the market trend fluctuated. But one important aspect which needs to be considered is that our client purchased and sold the shares on the same day intra-day trade without carry forwarding it, which will be clear from the transaction details available with you.*

Having explained you the above situation, at the cost of repetition, we have to state that our client has not committed any offence and/or has not indulged himself in circular trading and has not committed any violation of the law of the land and the impugned show cause notice is neither legal nor warranted in the facts and circumstances of the case and all allegations proposed to be leveled are based on assumptions and presumptions. There appears to be wrong inferences without any direct legal and believable evidence, merely because the volume of shares happened to be large, which is as a matter of fact incidental, as our client has no connection directly or indirectly with Photoshop Multi-Media Private Limited or any of the other entity including any of the directors/promoters or having any deceptive association with the buying and selling of the shares of the company.

It is further stated that the issue regarding transaction during period from lst May, 2008 to 30th September, 2009, which has been pointed in notice is apparently beyond the period of limitation and it is completely time barred when the notice is given on l2th February, 2020. Moreover, the figure that you have shown in para 22 in table 9 (trading details of connected entities) of your notice that my client buy the quantity, of 2388889 shares list of purchase and sales quantity is 2795807 not correct. It is highly impossible the way you have shown purchase figure is less than the sales quantities. Therefore, also there are apparent discrepancies. Apart from this, the inquiry was initiated by the officer Shri Sahil Malik, but thereafter the lnvesting Officer is changed on 13th August, 2019, therefore, the procedure adopted is improper and illegal, which vitiates the entire investigation. Therefore, considering the above facts, your notice is completely time barred and the inquiry initiated is improper and illegal.

In the above stated facts and circumstances it is hoped that the above explanation would satisfy' your good offices and the proposed proceedings be stopped and the impugned show cause notice dated 12.02.2020 be recalled and withdrawn

Noticee no. 27. Rama Narendra Raval

At the outset only I deny all allegations made in above notice.

Kindly note that I just become a victim of conspiracy ... I have not executed any trade ... Concern broker has miss used my data for illicit purpose ...I neither aware about such transactions which was executed on my behalf as mentioned by you nor benefited in monetary terms by broker.

1> Noticee No 32 & 48 both are brothers.

2> Noticee No 32 [Parag B Mehta] is my son in law .

3> My kyc documents was collected by them.

4> There after I don't know about any trade as mentioned by You.

Noticee no. 29* *Rahul H. Jain

I am not aware of any of these transactions done in my demat account which it was opened from one of my customers of mobile shop name Abhay collection were I do job as soon as I recd your notice I tried to contact the customer but from that day he is not replying to my msg & phone

I do small investment & trading in stock market only thru my Vijaya bank saving account thru india infoline

I would like to inform you I don't have any link nor aware about all the trades done in my name someone had misused the account of my name

I kindly request you to take proper action against them this is a clear case of cheating against me

Noticee no.32**: **Balkrishna Amritlal Oza

At the outset, we are grateful for the extension provided for filing reply to the said show cause dated 12.02.2020.

I, Balkrishna Amritlal Oza Director of Fotosoft Multimedia Pvt Ltd. reiterate the reply along with all the documents as submitted by the Company (Fotosoft Multimedia Pvt Ltd.) and the said reply may kindly be considered as my due compliance for the aforesaid SCN.

*I state that I have resigned as a director of the company from 15.03.2013 under intimation to the Registrar of Companies. Hereto marked is the copy of the intimation to the Registrar of Companies as **Exhibit-A.***

Noticee no. 33: Dinesh Rathod HUF

1. It is alleged that we have indulged in unfair trade practices by executing circular trades thereby creating artificial volumes in the scrip of Sterling International Enterprises Ltd. Also, it is stated on page 10 that we have purchased & sold 35000 shares on dtd 05.08.2008 and also on page 15, it is stated that we have purchased 105000 shares & sold 104950 shares during the period of investigation.

2. With reference to the trade data mentioned above on dtd 05.08.2008, we wish to state that we have not executed any trade on that date. Also as regards to the total trade volume during the investigation period, we wish to highlight that the figures mentioned are incorrect.

3. The trade executed in the Scrip of SIEL is as follows-

Date	*Contract note no*	*Broker*	*Buy Qty*	*Sell Qty*	*Net Amt Payable*
20/08/2008	*NSE/FO/9930*	*Multiplex Capital Ltd*	*95000*	*95000*	*28753.17*
17/09/2008	*0003908*	*Ambit Capital Pvt Ltd*	*15330*	*15330*	*115338.02*
		Total Qty	*110330*	*110330*	

4. Apart from this, we have not executed any other trade in this scrip and that there is no circular trade carried out with any entity and none of the entities mentioned in the notice are connected to us in any way.

5. We have enclosed herewith the following documents in support of the trade details mentioned above at point 3 and the transactions are highlighted for your reference-

a. Contract note of Multiplex Capital Ltd dtd 20.08.2008

b. Contract note of Ambit Capital Pvt Ltd dtd 17.09.2008

c. Ledger from the books of Multiplex Capital Ltd

d. Ledger from the books of Ambit Capital Pvt Ltd

e. Stock trade summary of SIEL as taken from the system

f. PAN of Dinesh Rathod HUF

6. From this, it can be inferred that there is no nexus between the entities and also since the details stated in the notice doesn't match with the trade executed, it can hereby be concluded that there is no such intention of indulging in circular trades to create misleading appearance in trading of scrip.

Noticee no. 35:* *Satyendrakumar Ramshankar Pandey (Director of Waterbase Mercantile Company Pvt Ltd.)

At the outset, we are grateful for the extension provided for filing reply to the said show cause dated 12.02.2020.

I, Satyendrakumar Ramshankar Pandey Director of Waterbase Mercantile Company Pvt Ltd. reiterate the reply along with all the documents as submitted by the Company (Waterbase Mercantile Company Pvt Ltd.) and the said reply may kindly be considered as my due compliance for the aforesaid SCN.

Noticee no. 36:* *Niranjani Satyendrakumar Pandey (Director of Waterbase Mercantile Company Pvt Ltd.)

At the outset, we are grateful for the extension provided for filing reply to the said show cause dated 12.02.2020.

I, Niranjani Satyendrakumar Pandey Director of Waterbase Mercantile Company Pvt Ltd. reiterate the reply along with all the documents as submitted by the Company (Waterbase Mercantile Company Pvt Ltd.) and the said reply may kindly be considered as my due compliance for the aforesaid SCN.

Noticee no. 37:* *Anushi A Shah

1. ***Preliminary submissions****:*

1.1. *At the outset, Noticee deny all the statement, allegations, averments, contentions or submission made or contained in the said notice where specifically admitted as if each statement, averment, allegation, contention and submission was specifically set out hereinafter in this Written submission/Response/Reply and traversed seriatim. Noticee further submits that nothing stated in the notice may be treated as admitted merely because the same is not specifically denied/traversed herein*

1.2. *Noticee wishes to apprise you that the investigation findings and allegations in the Notice require clarifications and the Noticee through this reply humbly propose to provide such clarifications for your kind consideration.*

1.3. *Noticee shall remain available to provide you with all necessary clarifications and information as you may need for your further evaluation.*

1.4. *Noticee reserved the right to provide you with additional clarifications or further submissions as may arise in the course of the subject matter.*

1.5. *To further facilitate Noticee effort to provide you further clarifications, Noticee authorized representatives will appear before you through video conferencing on 03.02.2021 at 11:30 am*

2. Facts and submissions:

2.1. *At the outset, the Noticee hereby humbly state that, she does not agree with all and any of the allegations alleged in the Notice against her and the conclusions against her in the Notice have been reached without appreciating the facts.*

2.2. *Based on the contents of the Notice, the Noticee understand that the alleged key finding in the investigation and the sole basis of alleged violations on the part of the Noticee is based on the allegation that Noticee indulged in circular trades thereby creating misleading appearances of trading in the scrip of SIEL. In this regard, Noticee would like to, state as follows:*

*2.2.1. The impugned proceedings suffer from enormous delay and laches. Admittedly, the alleged violation arising from irregular trading activities of certain entities in the scrip of Sterling International Enterprises Limited (“**SIEL/ “the Company**”) against me pertain to the period February 2009. The present Show Cause Notice has been issued in February 2020 (i.e. after more than 11 years after the impugned transaction).The aforesaid inordinate delay has severely prejudiced me. The said inordinate delay has not been explained by SEBI. On this ground alone the Show Cause Notice proceedings need to be and ought to be discontinued and Show Cause Notice needs to be dropped qua me.*

2.2.2. It is well settled now that even though there is no period of limitation prescribed in the SEBI Act and Regulations for the completion of investigations or for the issuance of a show cause notice, the authority is required to exercise its powers within a reasonable period. Facts of the present case will amply demonstrate that the powers have not been exercised by SEBI within a reasonable period and therefore, in the facts and circumstances of the case, proceedings need to be discontinued and dropped and no penalty needs to be imposed.

2.2.3. That the Noticee was shocked and undergoing immense trauma from the day when she saw her name was mentioned in the Notice for indulging in circular trading and misleading appearances of trading in certain scrip of SIEL. It is submitted that after receiving the Notice Noticee tried to recall the memories and documents related to this transaction and eventually Noticee could not recall due to transaction being 12 years ago and further Noticee tried to approach the broker for necessary information but the broker could not be traced.

2.2.4. That the Noticee had no ulterior motive and mal intention to indulge in any fraudulent and unfair trade practices. It is submitted that during the Investigation Period the Noticee was only 18 years *old. The Noticee was student and passionate and keen to invest in stock market. Thereafter a broker approached the Noticee and recommended the Noticee to invest in the shares for better returns. Thereby on the advice of broker Noticee traded in the shares and earned only meagre profit.*

2.2.5. *That Noticee specifically deny that Noticee has violated any of the provisions of Section 12 A(a), (b) and (c) of SEBI Act or Regulations 3 (a), (b), (c) and (d) and regulation 4 (1), 4(2) (a) and (g) of PFUTP Regulations as alleged. It is submitted that Noticee has not indulged in any violation for which any penalty should be imposed against Noticee in terms of the SEBI Act and Regulations. Noticee had no knowledge of who are the counterparties from whom she purchased the shares and the counterparties to whom she sold the shares. As you are aware the stock market trading is done on blind basis wherein the buyer or seller has idea of as who is the counterparty. In insight with the power and information which SEBI has and SEBI can find out the counterparties but as a small new comer investor in the stock market Noticee had no idea that who are the counter parties to her trade. It may be that the counterparties may have some motive but Noticee has no idea of any such motive and has dealt on the shares as a guanine shares without knowledge of counterparties. Infact SEBI has not been able to prove that Noticee had any connection with the counterparties or any collusion or collective motive with the counterparties. A mere suspicion howsoever strong cannot be the evidence. An innocent person should not be penalized for alleged acts of someone infact the Noticee can best be described as a victim of someone's alleged violations rather than an accomplice of alleged violations.*

2.2.6. *That the Noticee being young new investor has in good faith and bonafide manner traded in the shares.*

2.2.7. *It is submitted that Noticee is unknown to other entities as alleged in the Notice and has never met them before and after trade is made. It is further submitted that Noticee was not part of any design or device of any fraudulent purpose.*

2.2.8. *It is submitted that Noticee was not connected with any other entity(s) as alleged in the Notice it is submitted that that SEBI has itself admitted in Para 19(1) of the Notice that no connection was observed by Noticee with other entities on analysis of UCC details, KYC, off market transactions and bank statement hence the allegations of SEBI is liable to be drop down against.*

2.2.9. *That in reference to Para 1 of the Notice, I specifically deny that I have violated any of the provisions of Section 12 A(a), (b) and (c) of SEBI Act or Regulations 3, (a), (b), (c) and (d) and regulation 4 (1), 4(2) (a) and (g) of PFUTP Regulations as alleged. I submit that I have not indulged in any violation for which any penalty should be imposed against me in terms of the SEBI Act. I further submit that I was not connected to any entity nor created misleading appearance of trading in the scrip through circular trades, synchronized trades and trading among themselves.*

2.2.10. *That in reference to Para 2 of the Notice, Noticee say that the Para does not pertain to me therefore Noticee have no comments to offer.*

2.2.11. *That in reference to Para 3 to 9 of the Notice, Noticee say that the same are matter of record therefore Noticee have no comments to offer.*

2.2.12. That in reference to Para 10 of the Notice, Noticee say that Noticee have no connection with other entities.

2.2.13. That in reference to Para 11 of the Notice, Noticee say that the same is a matter of record.

2.2.14. That in reference to Para 12 to 17 of the Notice, Noticee say that does not pertain to me therefore Noticee have no comments to offer.

2.2.15. That in reference to Para 18 of the Notice, Noticee deny the table depicting details of circular volume. Please refer Para 3.2.3 to 3.2.8 mentioned above.

2.2.16. That in reference to Para 19 (1) of the Notice, Noticee denies that Noticee has aided and abetted other entities in execution of circular trades. Noticee further denies that the trades were executed in circular motion. Noticee submits that SEBI has itself admitted in Para 19(1) that no connection was observed by me with other entities on analysis of UCC details, KYC, off market transactions and bank statement hence the allegations of SEBI are liable to be dropped down against Noticee. In many cases Hon'ble Courts has held for a charge of aiding and abetting to be proved the authority must prove that the aider and abettor had the knowledge of motive of violator. I had no knowledge of alleged motives of circular trading of any entity. Trading in shares is not illegal which I did without any other motive or collusion with any other persons.

2.2.17. That in reference to Para 19 (2) of the Notice, Noticee says that it does not pertain to the Noticee.

2.2.18. That in reference to Para 20 and 21 of the Notice, Noticee deny that Noticee was connected with any of the entities and Noticee also denies that Noticee has created misleading appearance of trading by creating artificial value through circular trades as alleged in the Notice. Noticee submits that Noticee has not violated the provisions of Section 12(a),(b),(c) of SEBI Act read with regulations 3(a),(b),(c),(d) and Regulations 4(1),4(2)(a) and (g) of PFUTP Regulations. Please refer to Para 3.2.3 to 3.2.8 mentioned above for further clarification.

2.2.19. That in reference to Para 22 of the Notice, Noticee denies that Noticee was trading with other entities in group similar to circular trades. Noticee further denies knowledge of contents of table 9 of the Notice relating to trade of counterparties and counterparties mentioned therein.

2.2.20. That the contents of Para 23 of the Notice are matter of record. therefore not specifically replied.

2.2.21. That in reference to Para 24, 25, 26, and 27 of the Notice, Noticee vehemently denies that Noticee was connected with other entities and has traded with them and created misleading false and misleading appearance of trading. Noticee further denies that Noticee has violated the provisions of Section 12(A) (a), (b), (c) of SEBI Act read with regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations.

2.2.22. That in reference to Para 28 to 33 of the Notice, Noticee say that does not pertain to me therefore Noticee have no comments to offer.

2.2.23. That in reference to Para 34 i., ii. iii. of the Notice, Noticee denies that Noticee was connected with other entities in indulging in circular trades and created misleading appearance of trading in the scrip of SIEL.. Noticee submits that SEBI in Notice has on analysis of UCC details, KYC, Off-

Market Transactions and Bank Statements, connection observed that Noticee was not connected with other entities hence all the allegations in the Notice are liable to be dropped against me.

2.2.24. That in reference to Para 35 ii) & iii) of the Notice, Noticee deny that Noticee have violated the provisions of Section 12A(a),(b),(c) of SEBI Act read with regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations for indulging in circular trades thereby creating misleading appearance of trading in the scrip of SIEL. That the Para 35 (i) & (iv) does not pertain to Noticee.

2.2.25. That in reference to Para 36 of the Notice, Noticee says that being a legal Para therefore Noticees have no comments to offer.

2.2.26. That in reference to Para 37 of the Notice, Noticee says that no monetary penalty is liable to be imposed on me under Section 15HA of SEBI Act, 1992. Noticee submits that SEBI in Notice has on analysis of UCC details, KYC, Off-Market Transactions and Bank Statements, connection observed that Noticee was not connected with other entities hence all the allegations in the Notice are liable to be dropped against me.

2.2.27. That in reference to Para 38 of the Notice, Noticee says that no inquiry should be held against me in terms of SEBI Adjudication Rules read with Section 15-I of SEBI Act, and also no penalty should be imposed on me in terms of Rule 5 of the said rules and the provisions of Section 15HA of SEBI Act.

2.2.28. That in reference to Para 39 of the Notice, Noticee requests the Adjudicating Officer to take the written submission/response/reply of the Noticee on record as the hearing scheduled for 03.02.2021 has been postponed.

3. Submission in Substance:

3.1. *Noticee hereby restate that none of the alleged violations have any merits or substance.*

3.2. *Noticee crave leave to add or modify its response to the Notice and any other documents, if such need arises further.*

4. Plea sought:

4.1. *In view of submissions made herein, the Noticee hereby humbly requests the Learned Adjudicating Officer to conclude that there is no merit in the allegations levied against the Noticee in the Notice and accordingly, the subject proceedings be dropped without any sort of adverse directions against the Noticee.*

<u>Noticee no. 39: Janibabu Ahmadkhan Chauhan (Director of Sterjet Trading Company Pvt Ltd.)</u>

At the outset, we are grateful for the extension provided for filing reply to the said show cause dated 12.02.2020.

I, Janibabu Ahmadkhan Chauhan Director of Sterjet Trading Company Pvt Ltd. reiterate the reply along with all the documents as submitted by the Company (Sterjet Trading Company Pvt Ltd.) and the said reply may kindly be considered as my due compliance for the aforesaid SCN.

Noticee no. 40: Kamlesh Premraj Borse (Director of Sterjet Trading Company Pvt Ltd.)

At the outset, we are grateful for the extension provided for filing reply to the said show cause dated 12.02.2020.

I, Kamlesh Premraj Borse Director of Sterjet Trading Company Pvt Ltd. reiterate the reply along with all the documents as submitted by the Company (Sterjet Trading Company Pvt Ltd.) and the said reply may kindly be considered as my due compliance for the aforesaid SCN.

Noticee no. 41: Manish Buta HUF

1. *At the outset, we submit that we have not violated any provisions of Section 12A(a), (b), (c) Of SEBI Act, read with Regulations 3(a). (b), (c), (d) and Regulations 4(1), 4(2) (a) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations") or any other law as alleged in the said Show Cause Notice.*

2. *We submit that while we shall endeavor to reply to each and every allegation contained in the Show Cause Notice and that non-denial or non-replying of any particular allegation may not be treated as our admission in any manner for want of denial.*

3. *Without prejudice to all the above, we wish to make the following submissions on each and every aspect with regard to the findings I observations / allegations highlighted in the said notice.*

4. *At the outset we herewith deny the allegations made against us in the said SCN, save and except those, which are specifically admitted herein. Nothing stated in the said SCN shall be deemed to be admitted by us merely on account of non-traverse, unless the same is specifically admitted in this reply. We specifically deny having indulged in any circular trades thereby creating artificial misleading appearance of trading in the scrip of Sterling International Enterprises Limited (hereinafter referred to as "SIEL") by trading allegedly amongst ourselves.*

5. *We state that the investigation period dates back to the years 2008-2009 i.e. the said SCN was issued only after a lapse of almost 12 years. Hence, there has been inordinate delay in issuing the said SCN and nowhere have these trades carried out by us bought into question for all these years. We are unable to collate exact circumstances and situations which may have happened in the distant past. Therefore, we request a lenient view be taken against us and theaforesaid SCN against us may be withdrawn or alternati vely we may be exonerated for the reasons of suCh inordinate delay. Hon'ble SAT in various appeals being Appeal No. 169/2019, 171/2019, 172/2019, 231/2019, 264/2019, 266/2019, 277/2019, 278/2019, 279/2019, 280/2019, 281/2019 have set aside Sebi orders for reasons of inordinate delay in initiating proceedings.*

6. *We further submit that during the investigation period indicated in the notice (May 01, 2008 to September 80, 2009) we are merely a HUF. We have been regularly carrying out trades in our account and have been making profits/losses as per the market trends while dealing in securities. Therefore, the trades carried out were for ourselves based on our presumption to make profits out of such trades. We have undertaken trades for ourselves without any ill design or ill motives and based on the advice of our Chartered Accountant who has been advising us time to time for trading/investing in securities market.*

7. *We further submit that the trades executed by us were executed in the normal course of business and we are in no way related to the alleged other/counter parties/entities Rahul H. Jain and Vitesh B. Shah who are purported to be the entities with whom we have allegedly carried out circular trades. We further would like to clarify that we have no connection whatsoevef with the said Rahul H Jain and/or Vitesh B Shah and/or any of the noticees or the promoters or directors of SIEL. We have executed KYC in our independent capacity and with a broker of repute i.e. Sunidhi Securities P Ltd. Also, the said SCN has failed to establish any connection between us and the other noticees including the alleged counter party except for a passing observation that we and the said Rahul H Jain and/or Vitesh B Shah have carried out circular trades. We humbly state that we had carried out trade only on a single day i.e. on 20.02.2008 in the entire period of investigations. It was an intra day trade resulting into a profit of Rs 54,696/- to us. Any matching of our trades with counter position of any other entity including the said Rahul H Jain and/or Vitesh B Shah could be a matter of chance without us even knowing the details of such counterparties. The buying and selling by us was through the Stock Exchange blind mechanism system which does not allow us tO know the details of counter parties to our trades. Hence we cannot be attributed with any ill intent or malafide intent for such single trade carried out by us. Hence, allegations against us are on presumptions and appear to be based on mere surmises and conjectures.*

We further submit all the trades executed by us are well recognised. legal and permitted by BSE and carried out on the floor of exchange. There were no wrongful gains made by us out of the alleged trades even for sake of assumptions, Therefore no motive is established qua us for the presumptions of non-genuine trades or circular trades by us. The trade on single day carried out by us was bonafide and within established parameters. We have no knowledge about any other entities involved in any wrongful trades in the said scrip of SEIL. We are a HUF wherein the members, co-parceners, Karta are simple law abiding citizens who would never imagine to circumvent any law or any statutory provisions. We were never a part of any ill designs of any entities or the noticees in the SCN nor are we aware of such sinister motives of them.

We submit that the impugned trades were executed on the floor of exchange through a reputed registered share broker who has the requisite software as approved by the Exchange. The entire trading process is like blind mechanism as far as buying and/or selling of shares by a client

through a broker is concerned. As a client, we had only instructed our broker to buy or sell shares specifying the quantity and the name of the scrip. Thereafter it is impossible for us to know who is/are the counter parties/other entities to our trades. To the best of our knowledge, even a broker is not aware of the counter party to any trade carried out. Neither we execute trades through our terminals nor are we aware of the mechanism by which a share broker trades in the market for its clients. We have received payments against sale by us. It being an Intraday trade. We submit that the said trading system prevents a member who places any orders from identifying the counter-party member or client and thus ensures anonymity of trades. The system does not even display details of all pending orders; rather it only displays the 5 best pending orders. Therefore, at any given point of time, it is impossible for us to even verify the party & counter party of these tran sactions. We further state that there was no alert from the broker or the Exchange whiCh would prompt us to take any caution or create an alarm in us to estop trading. Under these circumstances, it is erroneous to come to a conclusion that we had executed circular trades which cfeated artificial misleading appearance of trading in the scrip of SIEL by trading amongst ourselves.

PARA -WISE REPLY TO SCN

1. *With reference to para 1 of the said Show Cause Notice, we repeat & reiterate that we were never indulged in circular trades thereby creating artificial misleading appearance of trading in the scrip of SIEL by trading amongst ourselves as alleged in the said SCN. We submit that we have traded in the normal course of business and in a bonafide manner without any ill or wrongful intent.*

2. *With reference to para 2 to para 9 of the said Show Cause Notice, we submit that the said paras do not make out any allegations and hence do not call for any comments from our side at this stage. However nothing be deemed as admitted for want of denial by us.*

3. *With reference to para 10 & para 11 of the said Show Cause Notice, we deny having any connection as alleged with any of the other Noticees and we further deny having carried out or being a part of any circulaf trades being executed. We state that we carried out only 1 trade on a single day for buy of 32,000 shares of SEIL and on seeing the price of the said share going up, in a bid to make profit we sold the shares at a bit higher price making a profit of Rs 54,696/- which is also accounted in our income tax return. No wrongful motive or intention or conduct can be attributed to uS fOr such bonafide trade by us. The SCN alleges circular trading with the said Rahul H Jain and/or Vitesh B Shah whom are not aware about. Even the SCN admits that there is no relationship established between us and the said Rahul H Jain and/or Vitesh B Shah.Therefore it could merely be a coincidence that the said Rahul H Jain and/or Vitesh B Shah have been counter parties to our trades.*

4. *With reference to para 12 to para 17 of the said Show Cause Notice, we submit that the said paras do not*

make any specific allegations against us and hence do not merit any comments from us at this stage. Attention is specifically requested to the fact that the SCN does not make any allegation against us for trades in Patch I and Patch II. Thus even for sake of assumptions, we have not been alleged to have any role in these two phases of trading under investigation. We deny whatever inconsistent with our submissions all along.

5. *With reference to para 18 to para 20 of the said Show Cause Notice, we submit that we have been alleged to be a part of circular trades only in Patch III and that too only for a day. The SCN alleges 100% volume in the table in para 18 in terms of circular yolume in terms of day's trading volume which is erroneous to say the least since it attempts to match the contract note volume of ours to our trades itself. Because in the very next column, the alleged % of our circular volume in terms of day's market volume is alleged at 9.84% for buy and 9.85% for sell whereas else where the percentage overall worked out against our trades alleges 0.06% of the total trades. If the entire volume traded in the scrip is considered, we are only a fraction of the whole volume and that too is purely incidental. We had purchased shares and when the prices started going up, we decided to sell the shares in a bid to make some profits. No adverse inference be drawn for such intraday trades by us. We further submit that on one hand the SCN rightly observes that we had no connection with the other entities being Rahul H. Jain and Vitesh B. Shah and on the other hand merely on the basis of trading pattern it is alleged that we have executed circular trade on 20.02.2008. It is further alleged that Vitesh B Shah has executed circular trades on 18.07.2008 which is prior to us trading in the shares. The inference has been drawnagainst us on this basis that we along with Vitesh B Shah aided and abetted Rahul H Jain in execution of circular trades. This is too farfetched to arrive at such an adverse conclusion qua us when we are not even aware of the said Vitesh B Shah or Rahul H Jain nor any connection is established between us and them in any manner whatsoever. We are not aware about any alleged trades carried out by the said Vitesh B Shah or Rahul H Jain and with whom. We have been arrayed mainly because the said Vitesh B Shah and Rahul H Jain have indulged in alleged circular trades and they have been alleged to have connections with other entities in the SCN. We at most can be perceived as victims in the whole matter who has no intention, neither any knowledge about the ill motive and intent of other entities who are alleged to have been involved in circular trading in the scrip. The allegations are thus based on presumptions only without any base and merits and hence are liable to be dismissed at the outset qua us. Hence, allegation against us that we were indulged in circular trades with these two other entities/notices lacks credence and devoid of any merits. Also the SCN has failed to establish any connections between us and the alleged counter party apart from the presumption that the trades between us are circular trades. We submit the trades were executed on the floor of the exchange which is a blind mechanism wherein the trading system prevents a member who places any orders from identifying the counter- party member or client and thus ensures anonymity of trades. Hence, it is highly unlikely that we were aware about the other party and any circular trades on a given day is coincidental and by no stretch of imagination can the trades be termed as non-genuine or for creating artificial volume as alleged in the SCN. It is pertinent to note that there is a huge time difference between the buy and sell trades. Therefore any price variation in the meantime, is a market phenomenon on which we do not have*

any control. The allegation in the SCN about 100% of total trades being non genuine has been interpreted in an erroneous manner.Ours was not the only volume in the said scrip on the particular day when it is alleged that we had executed non genuine trades. Hence any matching of trades by a particular party could be a matter of chance and not a pre-determined activity for any purpose.

6. *With reference to para 21 of the said Show Cause Notice, we deny that we have violated the provisions of Section 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2) (a) and(g) of PFUTP Regulations. We also deny having indulged in circular trades thereby creating artificial misleading appearance of trading in the scrip of SIEL by trading amongst ourselves as alleged in the said SCN.Therefore, we humbly request that the present proceedings against us may not be continued and we may be exonerated from al\ the charges.*

7. *With reference to para 22& para 23 of the said Show Cause Notice, we deny that we are connected to any of the entities indicated in the para under reply, or in the SCN or in any of the Annexures. We deny that we have indulged into any trading amongst ourselves. We repeat and reiterate what we have been submitting all along in our earlier paras. We further state that even for sake of assumptions, the market volume of our trades is just 0.06% which is very miniscule. We have carried out only one trade wherein we earned a profit of merely Rs. 54,696/- which is also reflect in our IT statement filed by us. To put is more appropriately, our trades were at most Intraday trades wherein we had purchased some stocks and on some price variations, we have sold them to earn rightful profits. For each of such trades there are contract notes generated by the broker for us. The fact remains that there have been huge volumes in the same stocks at the same instances through voluminous trades by other entities/persons and when our contract note is assumed against the total volume then, it turns out to be minimal which at best could be a matter of chance. We reiterate that our instructions are to the share broker to carry out buy or sell transactions. We are not even aware who would be the other/counter party in the blind mechanism. We once again submit that under the given conditions, it was not possible for to even assume that the trades entered by us were circular or done with the intention to create artificial volume or circular trades.*

8. *With reference to para 24 to para 27 of the said Show Cause Notice, we deny that we are one of the connected entities having indulged in the alleged circular trades. We have not contributed to any sale to the alleged entities in the para under reply since our trades were through blind mechanism of Stock Exchange through a registered share broker of repute wherein we were not even aware who our counter parties were. We repeat and reiterate whatever we have been submitting in our earlier paras.*

9. *With reference to para 28 to para 34 of the said Show Cause Notice, we submit that the said paras do not make any allegations qua us and hence do not merit any comments from our side.*

10. *With reference to para 35 to para 37 of the said Show Cause Notice wherever allegations are qua us, we deny that we have violated the provisions of Sec1ion 12A(a), (b), (c) of SEBI Act, read with Regulations*

3(a), (b), (c), (d) and Regulations 4{1), 4(2) (a) and (g) of PFUTP Regulations. We also deny having indulged in circular trades thereby creating artificial misleading appearance of trading in the scrip of SIEL by trading amongst ourselves as alleged in the said SCN. Therefore, we humbly request that the present proceedings against us may not be continued and we may be exonerated from all the charges and nopenalty be imposed against us under section 15HA of SEBI ACT, 1992, as mentioned in the captioned show cause notice.

11. *We humbly request that considering all that is stated above the allegations qua us in the said Show Cause Notice be withdrawn and/or we may be exonerated. We crave leave to refer, rely on any other documents and also to make additional submissions in the facts and circumstances of the matter.*

Noticee no. 47: Vasant Nathabhai Patel (Director of Francisca Investment Pvt Ltd)

At the outset, we are grateful for the extension provided for filing reply to the said show cause dated 12.02.2020.

I, Vasant Nathabhai Patel Director of Francisca Investment Pvt Ltd. reiterate the reply along with all the documents as submitted by the Company (Francisca Investment Pvt Ltd.) and the said reply may kindly be considered as my due compliance for the aforesaid SCN.

I state that I have resigned as a director of the company from 29.08.2008 under intimation to the Registrar of Companies. Hereto marked is the copy of the intimation to the Registrar of Companies as Exhibit-A.

Noticee no. 48: Prem Shivbaran Vishwakarma (Director of Francisca Investment Pvt Ltd.)

At the outset, we are grateful for the extension provided for filing reply to the said show cause dated 12.02.2020.

I, Prem Shivbaran Vishwakarma Director of Francisca Investment Pvt Ltd. reiterate the reply along with all the documents as submitted by the Company (Francisca Investment Pvt Ltd.) and the said reply may kindly be considered as my due compliance for the aforesaid SCN.

Noticee no. 49: Prakash Devaka Kalke (Director of Francisca Investment Pvt Ltd.)

At the outset, we are grateful for the extension provided for filing reply to the said show cause dated 12.02.2020.

I, Prakash Devaka Kalke Director of Francisca Investment Pvt Ltd. reiterate the reply along with all the documents as submitted by the Company (Francisca Investment Pvt Ltd.) and the said reply may kindly be considered as my due compliance for the aforesaid SCN.

16. I note that despite the SCN and hearing notices having been duly served upon the Noticee no. 1,2,6,12,13,18,19,20,21,22,23,26,28,42,43,44 and 45, these Noticees have failed to submit their reply to the SCN till the date of this order and also failed to attend the hearing on scheduled date and time. By not replying to the SCN, they have not refuted the charges

alleged against them in the SCN. In this context, I would like to rely upon the observation of Hon'ble Securities Appellate Tribunal (SAT) in the matter of Classic Credit Ltd. vs. SEBI (Appeal No. 68 of 2003 decided on December 08, 2006) wherein Hon'ble SAT, *inter alia*, held that - *"........... the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the showcause notice were admitted by them*".

17. The Hon'ble SAT has again in the matter of Sanjay Kumar Tayal & Others v SEBI (Appeal No. 68 of 2013 decided on February 11, 2014), *inter-alia*, held that – *"………………As rightly contended by Mr. Rustomjee, learned senior counsel for respondents, appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices…………….".*

18. In view of the above, I am of the opinion that the SCN and Notices of hearing have been duly served upon the Noticee no. 1,2,6,12,13,18,19,20,21,22,23,26,28,31,42,43,44 and 45 but the Noticees failed to reply to the SCN till the date of this Order and also failed to avail the opportunity of personal hearing. The principle of natural justice has been followed in the matter, as enough opportunities were provided to the Noticees to reply to the SCN and appear for hearing. Therefore, I am inclined to decide the matter with regard to these Noticees ex-parte taking into account the evidence / material available on record.

CONSIDERATION OF ISSUES AND FINDINGS

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

    I. Whether the Noticees have violated the provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 read with Regulations 3(a),(b), (c), (d) read with Regulations 4(1) 4(2) (a) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003?

    II. Whether the Noticees are liable for monetary penalty under Section 15HA of SEBI Act, 1992

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

FINDINGS

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

ISSUE I: Whether the Noticees have violated the provisions of Section 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a), (b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003?

21. Before moving forward, it is pertinent to refer to the relevant provisions of the aforesaid alleged violations committed by the Noticees, which reads as under:

SEBI Act, 1992

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;*

PFUTP Regulations, 2003

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 fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—

(a) *indulging in an act which creates false or misleading appearance of trading in the securities market;*

(g) *entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security;*

22. I have considered the allegations levelled against the Noticees in the SCN, the replies/submissions received from the Noticees during instant proceedings and the relevant material available on record. The Noticees have raised some technical/legal objections and therefore, before dealing the case on merit basis, I would first deal with several preliminary technical/legal contentions raised by the Noticees as under: -

a) <u>Appointment of undersigned as Adjudicating Officer in place of erstwhile AO:</u>

In this regard, it may be noted that, on transfer of erstwhile AO, it has been advised in the communication order that except for the change of the Adjudicating Officer, the other terms and condition of the original orders (whereby the aforesaid Adjudicating Officer was appointed) shall remain unchanged and shall be in full force and effect'. It has also been advised in the communication order that 'I should proceed in accordance with the terms of reference made in the original orders read with this order'. I note that the copy of the communication order was also delivered to Noticees with the SCN as an Annexure.

b) <u>Delay in issuance of SCN</u>

With regard to the contention of Noticees with respect to delay of more than 11 years/delay of 12 years in initiating the proceedings against the Noticees, I note from the material available on record that, Integrated Surveillance Department of SEBI recommended the instant case to Investigation Department (hereinafter referred to as "IVD") of SEBI on September 17, 2010 to carry out investigation in the scrip of SIEL based on the examination carried out by BSE in the matter for the period May 01, 2008 to September 30, 2009.IVD carried out investigation for the suspected violation of price manipulation, circular trading and synchronised trading by entities during the period from May 01, 2008 to September 30, 2009. On March 22, 2013, competent authority approved the adjudication proceedings under section 15 HA of SEBI Act, 1992 in the matter and AO (first AO) was appointed on April 03, 2013. First AO on May 10, 2013, sought clarification / information on entities being charged for circular trading and requested to provide the depiction of circular trading for all four patches after deleting the names of the persons not being charged. The clarification was provided to First AO on parameters that had been adopted for charging the entities in the investigation report on July 26, 2013.thereafter, another AO(Second AO) was appointed on August 02, 2013 in place of first AO due to internal transfer, then Second AO referred back the matter on August 05, 2013 for further examination to reconsider charging the entities forming part of the circular trades in light of the SAT Order in the matter of *Ajmera Associates Pvt Ltd. vs SEBI*. In view of the Second AO's observation, the role of other entities facilitating the circular trades was found necessary for investigation.

Hence, on September 29, 2016, a fresh investigation was proposed to be initiated to investigate the role of the other entities who were not charged in the earlier investigation report but abetted in circular trading with those entities who were charged during the period from May 01, 2008 to September 30, 2009. investigation was then carried out during 2013-

16. On October 10, 26, 31 and November 20, 2017, information was sought from BSE and various brokers to provide the copy of KYC documents and details of the bank account of their clients who have traded in the scrip of SIEL during the Investigation Period. On April 20, 2017, Reminder emails were again sent to the various brokers. to provide the information sought vide earlier emails. On October 10, 2017, Email was sent to BSE to provide UCC and other details of few entities who have traded in the scrip of SIEL during the investigation period. Thus, during October 31 – December 11, 2017, after analysing the replies received from brokers with respect to KYC documents, bank statements, UCC details, trade logs and trading connections between various entitles were established. On January 08, 2018, Circular trades executed by the connected entities and other entities mentioned in the earlier investigation report were analysed. During Sept - Oct 2018, BSE provided further UCC details and related data sought via emails. Emails and reminders were again sent to various banks in November 2018 to provide KYC, bank statements and counter party details of certain transfers for other entities which indulged in circular trading in the scrip of SIEL. On November 29, 2018, Off Market transaction details were received from NSDL and CDSL for trades in the shares of SIEL. On May 08, 2019, Investigation was completed in respect of 61 entities and the proposed actions were approved. Accordingly, as per approved action, Adjudication Proceedings has been initiated against the 61 entities and another AO (Third AO) was appointed as Adjudicating officer on May 09, 2019. Enforcement department of SEBI (EFD) proposed that, as Shri Sahil Malik was already appointed as AO due to internal transfer of Second AO in respect of previously initiated Adjudication Proceedings against 25 entities pursuant to IR-1. Thus, AO (Sahil Malik) be appointed as AO in respect of all the 61 entities in place of Third AO. Therefore, AO (Sahil Malik) appointed as AO (Fourth AO) in the matter on May 31, 2019. a communique was issued on June 24, 2019 to erstwhile Adjudicating officer, Shri Sahil Malik regarding appointment as Adjudicating Officer to initiate inquiry and adjudication in the matter. Thereafter on internal transfer of erstwhile AO, undersigned has been appointed as AO (Fifth AO) vide communique dated August 13, 2019. undersigned then issued a Show Cause Notice (SCN) to 61 entities on February 12,2020. Undersigned also undertook several efforts to deliver the SCNs and hearing notices to 61 Noticees during lockdown in the scenario of ongoing COVID-19 pandemic where SCNs and Hearing Noticees sent to Noticees through SPAD returned undelivered.

As indicated above, I note that matter was reinvestigated to align the charges with the legal position interpreted by Hon'ble SAT in the case of *Ajmera Associates, supra*. It is to be noted that an extensive investigation was carried out by SEBI which included various entities and detailed analysis carried out of fund flows, bank account statements, Unique Client Code ("UCC") details; information sought from banks, exchange, depositories and brokers and thereafter analysing the documents, trade details and records supplied by them. Moreover, in this case the SCN makes a serious allegation of fraud under the PFUTP Regulations on ground of artificial trades executed to generate artificial volume and accordingly, as per approved action, Adjudication Proceedings has been initiated against the Noticees. In this regard, I note that, initiating a proceeding under the appropriate provisions of SEBI Act is a regulatory prerogative of SEBI depending upon the outcome of the fact finding exercise, which is the investigation done in this case, and just because the alleged violation was committed in a distant past cannot be a ground to vitiate initiation of these proceedings.

The Noticees have placed reliance upon various judgements of Hon'ble Supreme court in the case of Adjudicating Officer, SEBI vs. Bhavesh Pabari (2019) SCC Online SC 294 , Hon'ble SAT in the matter of *Mr. Ashok Shivlal Rupani and Anr v. Securities and Exchange Board of India [Order dated 22 August 2019 in Appeal No.417 of 2018] and various appeals of Hon'ble SAT being Appeal No. 169/2019, 171/2019, 172/2019, 231/2019, 264/2019, 266/2019, 277/2019, 278/2019, 279/2019, 280/2019, 281/2019* on the question of inordinate delay.

I note that, the case of *Ashok Rupani, supra* relates delay in issuance of SCN in relation to disclosure violation under the SEBI (Prevention of Insider Trading) Regulations [PIT Regulations] and the SEBI (Listing Obligations and Disclosure Requirements) Regulations [LODR Regulations]. These charges were based on non-compliance with Regulations 13(4) and 13(5) of PIT Regulations, which obligated Mr. Rupani to give disclosures once he sold more than 1% of the total paid up capital of the company. The second charge pertained to non-announcement of Board Meeting in relation to change in management of the Company. However, Hon'ble Tribunal arrived at a finding that disclosures were made under the SAST Regulations. Further, since the disclosure requirements are time sensitive in nature, a belated action was accordingly set aside by this Hon'ble Tribunal. Similarly, in the matter of

Mr. Rakesh Kathotia, supra the Appellants were charged for disclosure violations under the SAST Regulations.

However, in the present case, the Noticees are charged for serious violation under the SEBI (PFUTP Regulations) and SEBI Act,1992 and was a fact finding exercise. In this regard, I note that there is no provision in the SEBI Act which lays down any limitation period for initiating any proceedings/ action under the SEBI Act. Therefore, citing such arguments is flawed in itself. For establishing the delay, if any, in the matter, the date when the violation came to the notice of the SEBI would be the relevant point and not the date of violation. Whether a delay in a particular case is justified or not depends on the facts and circumstances of each case.

I observe that, the Hon'ble SAT in the matter of *Ashlesh Gunvantbhai Shah (Supra)* made the following pertinent remarks by reiterating the following decision of Hon'ble SAT in *Mr. Rakesh Kathotia & Ors. vs SEBI in Appeal No. 7 of 2016* decided by Hon'ble SAT on May 27,2019:

"23. It is no doubt true that no period of limitation is prescribed in the Act or the Regulations for issuance of a show cause notice or for completion of the adjudication proceedings. 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. This proposition of law has been consistently reiterated by the Supreme Court [..]."

I further note that, Hon'ble SAT in the same order has also held that,
"Even though there is no period of limitation prescribed in the Act and Regulations in the issuance of a show cause notice or for completion of the adjudication proceedings the authority is required to exercise its powers within a reasonable period as held recently in Adjudicating Officer, Securities and Exchange Board of India vs. Bhavesh Pabari (2019) SCC OnLine SC 294."

I also note that, Noticee has also mentioned in its reply the Supreme Court order in the case of Adjudicating Officer, *SEBI vs. Bhavesh Pabari (2019) SCC Online SC 294* wherein it has in itself held that where the period of limitation is not prescribed, such power must be exercised within a reasonable time and what would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc.

I am of a view that, Hon'ble SAT has qualified the aforesaid ruling by saying that the reasonable period would depend on the facts and circumstances of each case and that no hard and fast rule can be laid down in this regard. I am of the view that present proceedings do not suffer from any infirmity on the ground of delay. Further, the Noticees have failed to show that, how delay, if any, in the instant matter have caused prejudice to them. It is trite law that, in order to question an order on the basis of delay and latches, the Noticees must point out cogent and definable prejudice caused to them, as has been held in the judgements of the Hon'ble Tribunal in the matters of *Appeal No. 152 of 2019 Pooja Vinay Jain vs SEBI decided on March 17, 2020* and *Appeal No. 62 of 2006 Bipin R Vora vs SEBI decided on September 13, 2007*.

Hon'ble SAT in the matter of *Bipin R Vora v. SEBI dated March 22, 2006,* has held that*, "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*"

I further place reference to the Order of the Hon'ble SAT in *M/s. Adamina Traders Private Limited vs SEBI* (Order dated December 15, 2021)" wherein it was held that,
"We do not find any evidence to hold that there was an inordinate delay in the issuance of the show cause notice. This contention is accordingly rejected. Further, nothing has been

shown as to how this delay has prejudiced the appellant. In the absence of any prejudice the delay, if any, cannot be set aside."

I have further, perused the judgments pronounced by the *Hon'ble SAT in Subhkam Securities Private Limited Vs. SEBI* (Appeal no. 73 of 2012 decided on July 25, 2012), *Khandwala Securities vs. SEBI* dated 07.09.2012 in Appeal no. 19 of 2012 (SAT) and *HB Stockholdings Ltd. Vs. SEBI* (Appeal no. 112 of 2013 decided on August 08, 2013), *Vaman Madhav Apte & Ors. vs SEBI* (Order dated March 04, 2016) and note that the decisions in these judgments, also endorses to the legal position regarding the delay, as stated above. In fact, in *HB Stock Holding's case (supra),* the Hon'ble SAT held that "*delay is not fatal in each and every case*". Further, in the case of *Ravi Mohan &Ors. Vs. SEBI* (SAT Appeal No. 97 of 2014 decided on 16.12.2015), Hon'ble SAT while referring to its own decision in HB Stock Holdings case (supra) and decision of Hon'ble Supreme Court in the matter of *Collector of Central Excise, New Delhi vs. Bhagsons Paint Industry (India)* reported in 2003 (158) ELT 129 (S.C.), held as follows:

"...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………………"

Therefore, in the facts of the present case, merely a plea of delays and latches will not be sufficient to set aside the Impugned Order, especially when the same has not caused any material / definable prejudice to the Noticees. Further, having considered the case laws cited by the Noticees, I don't find the ratio applicable to facts and circumstances of the instant matter. I, therefore, hold that there is no protracted delay as contended and hence, the contention of the Noticees in this regard are not acceptable to me.

c) Not granting of inspection/Non furnishing of Documents/ Documentary Evidence

The Noticees have raised an issue relating to non-furnishing / not granting inspection of various documents as sought by them. In this regard, it was communicated that all the documents relied upon in the SCN has been provided to the Noticees in the instant matter alongwith the SCN as Annexures. Therefore, the request of the Noticees in this regard is not tenable.

In this regard, reference may be made to the order dated February 12, 2020 passed by Hon'ble SAT in Appeal (L) No. 28 of 2020 – Shruti Vora Vs. SEBI, wherein it was held as under:

"In the light of the aforesaid, we are of the opinion that concept of fairness and principles of natural justice are in-built in Rule 4 of the Rules of 1995 and that the AO is required to supply the documents relied upon while serving the show cause notice. This is essential for the person to file an efficacious reply in his defence."

The aforesaid observations made in Shruti Vora's case has been reiterated with confirmation by Hon'ble SAT in its order dated July 17, 2020 passed in *Anant R Sathe Vs. SEBI* wherein it was held as under:

"…………..8. The said principle elucidated in Shruti Vora's judgement is squarely applicable in the instant case. The authority is required to supply the documents that they rely upon while serving the show cause notice which in the instant case has been done and which is sufficient for the purpose of filing an efficacious reply in his defence…………"

In the light of the aforesaid discussion and the available jurisprudence on the issue, I find that the principles of natural justice have been adequately complied with in the present matter as all documents which have been relied upon in the SCN and used against the Noticees have been duly provided to Noticees.

d) Connections

In the instant proceedings, charge of connection among these Noticees are based upon – analysis of Trading pattern, UCC details, KYC, Off-market transactions, MCA website and bank statement. After perusing the available records and contentions raised by the Noticees regarding connection, I have perused the following parameters for establishing connection among the Noticees and I note that these connections are specific to this case only and will not squarely applicable to any other case:

i. If the Noticee(s) has transferred funds to other Noticee(s), they are considered connected entities.
ii. If the Noticee(s) have common address, mobile number, introducer, director during the relevant investigation period, they are considered connected entities.
iii. If the Noticee has executed circular trades and synchronised trades in the shares of the Company with other Noticee(s), they are considered connected entities.
iv. Further, I also note that there is indirect connection as well between Noticees such as kingfisher trading and prolific mercantile.

I have also perused various judgments of the Hon'ble Supreme Court and Hon'ble SAT (*Kapil Chatrabhuj Bhuptani vs SEBI, SPJ Stock Brokers Pvt. Ltd. vs. Securities and Exchange Board of India dated 04.09.2013, HB Stockholdings Limited vs. Securities and Exchange Board of India dated 27.08.2013, Commissioner of Central Excise vs Brindavan Beverages (P) Ltd*, [(2007) 5 SCC 388], *Canara Bank & Ors vs Debasis Das & Ors* [(2003) 4 SCC 557], *Khemchand Vs Union of India & Ors* (1958 SCR 1080), *Narendra Ganatra vs SEBI, Labhu Gohil vs SEBI, M/s. Nishith Shah HUF v. Securities and Exchange Board of India* relied upon by the Noticees on the question of connections, trading on blind mechanism of stock exchange, collusion and prior meeting of minds and I am of a view that facts and circumstances of the aforementioned judgments are different from the facts and circumstances in the instant case and therefore, I found the contentions of the Noticees in this regard are not tenable. I further note that, SEBI has preferred an Appeal before the Hon'ble Supreme Court against the Hon'ble SAT order in the matter of *M/s Nishith M. Shah HUF vs. Securities and Exchange Board of India*. In view of the above, I am of the opinion that the Hon'ble SAT order in the aforesaid matter of *M/s Nishith M. Shah HUF vs. Securities and Exchange Board of India* is not yet settled and therefore has not attained finality. In view of the same, I am of the considered view that deciding the present matter based on the aforesaid Hon'ble SAT Order would be premature and may have repercussion.

I further place reliance on the order dated July 14, 2006 of Hon'ble SAT in the case of *Ketan Parekh vs. SEBI* (Appeal no. 2/2004)wherein Hon'ble SAT held that-

"The nature of transactions executed, the frequency with which such transactions are undertaken, the value of the transactions, 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."

I further place reference to the Order of the Hon'ble Supreme Court in the matter of *SEBI v Kishore R Ajmera (AIR 2016 SC 1079)*, wherein, it was held:

"…in the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of the violation of the Act or provision of the Regulations is concerned. The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors. The illustrations are not exhaustive...".

The Hon'ble Supreme Court further observed 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.*"

23. After having addressed the technical /legal objections as mentioned above being raised by the Noticees in their submissions, I, now, deal with the case on facts and merit basis.

Findings w.r.t Circular Trades

24. Circular trading in stock market refers to a fraudulent trading scheme where buy/sell orders are entered by a person or by persons acting in collusion with each other to operate the price of the underlying security. The person(s) buying or selling knows that the same number of shares at the same time and for the same price will be entered to neutralize the transaction. Hence, these trades do not represent a real change in beneficial ownership of the security. The only intention behind such buying or selling is raising or depressing prices of the underlying securities by increasing trading volumes. The participants involved in such trades make use of their prior knowledge and enter orders knowing that those orders will be covered by reverse orders of the same size, at the same time and price. This increases the trading volumes in the underlying security and generates interest from other investors. When trading volume in a particular script increases, it leads other investors to believe that something big is afoot (such as a merger or an acquisition) and that the interest in the underlying security is genuine. In short – the intention of those who initiate circular trading is to con investors and traders into buying or a selling the operated script.

25. I note from the trade log that circular trades were observed on May 16, 20 and 26, 2008 during Patch I of the investigation period, July 18, 24, 25, 30 and August 05, 2008 during Patch II of the investigation period and February 19 and 20, 2009 during Patch III of the investigation period amongst the connected entities. There were 19 entities who had executed circular trades on these 10 days during Patch I, II and III of the investigation period.

26. Following are the details of day wise Circular trade carried by Noticees during Patch I, II and III spread over the period from May 01, 2008 to September 30, 2009 and their contribution to the day's market volume :

a) Patch I - Circular trading Analysis (May 15, 2008 to June 02, 2008)

i. On May 16, 2008, Kingfisher Trading sold 18100 shares of SIEL to Faith Finstock during 12:15:31 PM -12:21:31 PM, Faith Finstock sold 17900 shares to Prolific Mercantile during 13:07:24 PM-13:16:55 PM, Prolific Mercantile then sold 18100 shares to Kingfisher Trading at 14:51:32-14:55:20 PM. On analysis of trading pattern, I note that these trades were circular in nature and percentage of these client’s circular volume in terms of day’s buy and sell market volume was as high as 8.47% respectively. I Further note that connection is observed amongst all the 3 entities carrying circular trades.

Patch - I	**15/05/2008-02/06/2008**		**Client’s Circular volume**		**Client’s Traded volume**		**% of Client’s Circular volume in terms of day's trading Vol.**		**Market Volume**	**% of Client’s Circular volume in terms of day's market Vol.**	
Date	**Client Name**	**PAN No**	**Buy**	**Sell**	**Buy**	**Sell**	**Buy**	**Sell**		**Buy**	**Sell**
16/05/2008	Faith Finstock Pvt. Ltd.	AAACF7046E	18100	17900	18106	17905	99.97%	99.97%	213614	8.47%	8.38%
	Prolific Mercantile Co. Pvt. Ltd.	AADCP8003G	17900	18100	18000	19100	99.44%	94.76%		8.38%	8.47%
	Kingfisher Trading Co. Pvt. Ltd.	AACCK3056H	18100	18100	18377	18100	98.49%	100.00%		8.47%	8.47%

ii. On May 20, 2008, Adore Mercantile sold 29201 shares to Faith Finstock during 11:21:54-13:55:27 PM, Then Faith Finstock sold 28981 shares to Prolific Mercantile during 14:04:46-14:38:48PM, Prolific Mercantile then sold 28574 shares to Adore Mercantile during 15:08:40-15:20:47 PM. On analysis of trading pattern, I note that these trades were circular in nature and percentage of these client’s circular volume in terms of day’s buy and sell market volume was as high as 23.85% respectively. I Further note that connection is observed amongst all the 3 entities carrying circular trades.

Patch - I	**15/05/2008-02/06/2008**		**Client’s Circular volume**		**Client’s Traded volume**		**% of Client’s Circular volume in terms of day's trading Vol.**		**Market Volume**	**% of Client’s Circular volume in terms of day's market Vol.**	
Date	**Client Name**	**PAN No**	**Buy**	**Sell**	**Buy**	**Sell**	**Buy**	**Sell**		**Buy**	**Sell**

20/05/2008	Faith Finstock Pvt. Ltd.	AAACF7046E	29201	28981	31032	28983	94.10%	99.99%	122415	23.85%	23.67%
	Prolific Mercantile Co. Pvt. Ltd.	AADCP8003G	28981	28574	29545	29545	98.09%	96.71%		23.67%	23.34%
	Adore Mercantile Co. Pvt. Ltd.	AAFCA5699H	28574	29201	30394	30000	94.01%	97.34%		23.34%	23.85%

iii. On May 26, 2008, Faith Finstock sold 14970 shares to Adore Mercantile during 10:31:01 AM-13:02:58 PM, Then, Adore Mercantile sold 14987 shares to Prolific Mercantile during 14:00:20-14:02:15 PM. Prolific Mercantile then sold 15000 shares to Faith Finstock during 14:52:37-14:54:23 PM., On analysis of trading pattern, I note that these trades were circular in nature and percentage of these client's circular volume in terms of day's buy and sell market volume was as high as 27.50% respectively. I Further note that connection is observed amongst all the 3 entities carrying circular trades.

Patch - I	**15/05/2008-02/06/2008**		**Client's Circular volume**		**Client's Traded volume**		**% of Client's Circular volume in terms of day's trading Vol.**		**Market Volume**	**% of Client's Circular volume in terms of day's market Vol.**	
Date	**Client Name**	**PAN No**	**Buy**	**Sell**	**Buy**	**Sell**	**Buy**	**Sell**		**Buy**	**Sell**
26/05/2008	Faith Finstock Pvt. Ltd.	AAACF7046E	15000	14970	15403	14790	97.38%	101.22%	54553	27.50%	27.44%
	Adore Mercantile Co. Pvt. Ltd.	AAFCA5699H	14970	14987	15114	15002	99.05%	99.90%		27.44%	27.47%

	Prolific Mercantile Co. Pvt. Ltd.	AADCP8003G	14987	15000	15000	15000	99.91%	100.00%		27.47%	27.50%

b) <u>Patch II - Circular Trading Analysis (July 16, 2008 to August 05, 2008)</u>

i. On <u>July 18, 2008</u>, two circular pattern traded by two different groups are being observed. The first group consists of 3 clients carried out circular trade to the extent of 74979 shares. The second group consists of 4 clients, which are different clients from the first group, carried out circular trade to the extent of 120408 shares. The total shares which was traded among these clients was 195387 shares, which was 99.38% of the day traded volume (196604 shares). following are the details of Circular trade:

a) Kingfisher Trading sold 24993 shares to Faith Finstock during 11:41:23-11:42:42 AM. Then Faith Finstock sold 24997 shares to Prolific Mercantile during 12:355:05-12:27:56 PM. Prolific Mercantile then sold 24989 shares to Kingfisher trading during 13:25:41-13:27:36PM. I note that, connection was observed between Faith Finstock Pvt. Ltd., Prolific Mercantile Co. Pvt. Ltd. and Kingfisher Trading Co. Pvt. Ltd. Further, on analysis of trading pattern, it was observed that the trades were executed in a circular motion and percentage of these client's circular volume in terms of day's market volume was as high as 12.71% respectively. Thus, I conclude that these trades were circular in nature.

Patch - II	**16/07/2008-05/08/2008**		**Client's Circular volume**		**Client's Traded volume**		**% of Client's Circular volume in terms of day's trading Vol.**		**Market Volume**	**% of Client's Circular volume in terms of day's market Vol.**	
Date	**Client Name**	**PAN No**	**Buy**	**Sell**	**Buy**	**Sell**	**Buy**	**Sell**		**Buy**	**Sell**

18/07/208	Faith Finstock Pvt. Ltd.	AAACF7046E	24993	24997	25797	24997	96.88%	100.00%	196604	12.71%	12.71%
	Prolific Mercantile Co. Pvt. Ltd.	AADCP8003G	24997	24989	25001	25001	99.98%	99.95%		12.71%	12.71%
	Kingfisher Trading Co. Pvt. Ltd.	AACCK3056H	24989	24993	24993	24993	99.98%	100.00%		12.71%	12.71%

b) Manjula Doshi sold 30100 shares to Vitesh B shah at 11:32:07 AM. then Vitesh B shah sold 30100 shares to Dinesh V Makwana at 11:52:56 AM. Dinesh V makwana sold 30108 shares to Rita D Negandhi during 12:14:44-12:20:46 PM. Rita D negandhi then sold 30100 shares to Manjula Doshi during 12:38:50-13:08:37, I note that, no connection was observed amongst all these 4 entities. However, on analysis of trading pattern I note that, Manjula executed 8 trades of 60200 shares on the day and all 100% of her trades on the day were executed in this circular trade. Similarly, all 5 trades of 60200 shares executed by Vitesh B shah were traded in this circular trade. Dinesh Makwana executed 60216 shares in 12 trades out of which 11 trades of 60208 trades of Dinesh were executed in this circular trade which comprises of 99.98% of his trades on this day. Rita D negandhi executed 17 trades of 60216 shares out of which 14 trades of 60208 shares were traded by her in this circular trade which comprise 99.98% of her trades on this day. I Further note that the percentage of these client's circular volume in terms of day's market volume was as high as 15.31%.

Patch - II	**16/07/2008-05/08/2008**		**Client's Circular volume**		**Client's Traded volume**		**% of Client's Circular volume in terms of day's trading Vol.**		**Market Volume**	**% of Client's Circular volume in terms of day's market Vol.**	
Date	**Client Name**	**PAN No**	**Buy**	**Sell**	**Buy**	**Sell**	**Buy**	**Sell**		**Buy**	**Sell**
18/07/208	Rita Deepak Negandhi	AETPN2046J	30108	30100	30108	30108	100.00%	99.97%	196604	15.31%	15.31%
	Manjula M Doshi	AMZPD7424L	30100	30100	30100	30100	100.00%	100.00%		15.31%	15.31%

	Vitesh B Shah	AQFPS0836F	30100	30100	30100	30100	100.00%	100.00%		15.31%	15.31%
	Dinesh V Makawana	ANOPM9543M	30100	30108	30108	30108	99.97%	100.00%		15.31%	15.31%

ii. On July 24, 2008, Rahul sold 39510 shares to Rama N raval at 11:16:20 AM who in turn sold these shares to Parag B mehta at 11:23:18 am, then rahul H jain bought 39512 shares from Parag B mehta at 11:26:34 am. Thus, on this trading day, I note that, connection was observed between Rama N Raval, Parag B Mehta and Rahul H Jain and trades were executed in a circular motion. I Further note that the percentage of these client's circular volume in terms of day's market volume was as high as 16.50 %.

Patch - II	**16/07/2008-05/08/2008**		**Client's Circular volume**		**Client's Traded volume**		**% of Client's Circular volume in terms of day's trading Vol.**		**Market Volume**	**% of Client's Circular volume in terms of day's market Vol.**	
Date	**Client Name**	**PAN No**	**Buy**	**Sell**	**Buy**	**Sell**	**Buy**	**Sell**		**Buy**	**Sell**
24/07/2008	Rama N Raval	AKBPR8550R	39510	39510	39510	39510	100.00%	100.00%	239447	16.50%	16.50%
	Parag B Mehta	ANCPM8699L	39510	39512	39512	39512	99.99%	100.00%		16.50%	16.50%
	Rahul H Jain	AIOPJ9425A	39512	39510	39512	39512	100.00%	99.99%		16.50%	16.50%

iii. On July 25, 2008, Akhila Mercantile sold 30000 shares to Parag B Mehta during 11:01:18 -11:02:27 AM, Parag B mehta then sold 30000 shares to Rama N Raval during 11:05:02-11:05:19.Rama N Raval then sold 30000 shares to Sonal H Desai during 11:31:29-11:32:15 AM. Akhila Mercantile then bought back the 30010 shares from Sonal H desai during 12:09:53-12:09:59 PM. I note that, connection was observed between Akhila Mercantile Pvt. Ltd., Parag B Mehta and Rama N Raval. However, no connection was observed between these 3 entities and Sonal H Desai. On analysis of trading pattern, it was observed that Sonal has executed 9 trades of 60200 shares on the day out of which 6 trades of 60010 shares were execute in this circular trade, which was 99.68% of her total traded volume on the day. I Further note that the percentage of these client's circular volume in terms of day's buy and sell market volume was as high as 17.77% respectively. Thus, I conclude that Sonal H Desai was part of circular trades and aided and abetted Akhila Mercantile Pvt. Ltd., Parag B Mehta and Rama N Raval in execution of circular trades.

Patch - II	**16/07/2008-05/08/2008**		**Client's Circular volume**		**Client's Traded volume**		**% of Client's Circular volume in terms of day's trading Vol.**		**Market Volume**	**% of Client's Circular volume in terms of day's market Vol.**	
Date	**Client Name**	**PAN No**	**Buy**	**Sell**	**Buy**	**Sell**	**Buy**	**Sell**		**Buy**	**Sell**
25/07/2008	Akhila Mercantile Pvt. Ltd.	AAGCA6077J	30010	30000	30010	30010	100.00%	99.97%	168911	17.77%	17.76%
	Parag B Mehta	ANCPM8699L	30000	30000	30000	30000	100.00%	100.00%		17.76%	17.76%
	Rama N Raval	AKBPR8550R	30000	30000	30000	30000	100.00%	100.00%		17.76%	17.76%
	Sonal H Desai	ABQPD8951N	30000	30010	30010	30010	99.97%	100.00%		17.76%	17.77%

iv. On July 30, 2008, Sonal sold 31990 shares to Rita at 12:42:23 PM. Rita sold 31987 shares to Dinesh Makwana at 12:51:53 PM, Dinesh Makwana then sold these 31987 shares to fotosoft Multimedia at 12:55:16 PM. fotosoft multimedia then sold 36980 shares to Sonal during 13:08:14-13:46:16 PM. I note that, connection was observed only between Dinesh V Makwana and Fotosoft Multimedia Pvt. Ltd. I further note that, sonal executed 5 trades of 73960 shares out of which 3 trades of 68970 shares were executed in this circular trade, which was 93.25% of her total traded volume on the day. Similarly, Rita executed 5 trades of 63980 shares out of which 2 trades of 63977 trades were executed in this circular trade, which was 99.99 % of her total traded volume on the day. I Further note that the percentage of these client's circular volume in terms of day's buy and sell market volume was as high as 17.30% respectively Thus, I conclude that Sonal H Desai and Rita Deepak Negandhi aided and abetted Dinesh V Makwana and Fotosoft Multimedia Pvt. Ltd. in execution of circular trades.

Patch - II	**16/07/2008-05/08/2008**		**Client's Circular volume**		**Client's Traded volume**		**% of Client's Circular volume in terms of day's trading Vol.**		**Market Volume**	**% of Client's Circular volume in terms of day's market Vol.**	
Date	**Client Name**	**PAN No**	**Buy**	**Sell**	**Buy**	**Sell**	**Buy**	**Sell**		**Buy**	**Sell**
30/07/2008	Sonal H Desai	ABQPD8951N	36980	31990	36980	36980	100.00%	86.51%	213818	17.30%	14.96%
	Rita Deepak Negandhi	AETPN2046J	31990	31987	31990	31990	100.00%	99.99%		14.96%	14.96%
	Dinesh V Makawana	ANOPM9543M	31987	31987	31987	31987	100.00%	100.00%		14.96%	14.96%
	Fotosoft Multimedia Pvt. Ltd.	AAACF1497M	31987	36980	31988	41983	100.00%	88.08%		14.96%	17.30%

v. On August 05, 2008, Sonal sold 35000 shares to Dinesh Rathod HUF during 11:26:56-12:18:18PM. Dinesh Rathod HUF then sold 34950 shares to Rama during 11:47:28-11:47:45 AM. Rama then sold 34950 shares to Dinesh V Makwana at

12:13:25 PM. Dinesh V makwana then sold 34990 shares to Sonal during 13:33:53-15:01:57 PM. I note that, connection was observed only between Rama N Raval and Dinesh V Makwana. I further note that, Dinesh Rathod executed 70000 shares in 6 trades out of which 5 trades consisting of 69950 trades were executed in this circular trade which was 99.99% of his total traded volume on the day. similarly, Sonal executed 70170 shares in 9 trades out of which 4 trades of 69990 shares were executed in this circular trade which was 99.74% of her total traded volume on the day. I Further note that the percentage of these client's circular volume in terms of day's buy and sell market volume was as high as 22.91 % respectively Thus, I conclude that Dinesh Rathod HUF and Sonal H Desai were also part of these connected entities and aided and abetted in execution of circular trades.

Patch - II	**16/07/2008-05/08/2008**		**Client's Circular volume**		**Client's Traded volume**		**% of Client's Circular volume in terms of day's trading Vol.**		**Market Volume**	**% of Client's Circular volume in terms of day's market Vol.**	
Date	**Client Name**	**PAN No**	**Buy**	**Sell**	**Buy**	**Sell**	**Buy**	**Sell**		**Buy**	**Sell**
05/08/2008	Dinesh Rathod HUF	AAFHD1015F	35000	34950	35000	35000	100.00%	99.86%	152801	22.91%	22.87%
	Rama N Raval	AKBPR8550R	34950	34950	34950	34950	100.00%	100.00%		22.87%	22.87%
	Dinesh V Makawana	ANOPM9543M	34950	34990	34990	34990	99.89%	100.00%		22.87%	22.90%
	Sonal H Desai	ABQPD8951N	34990	35000	35085	35085	99.73%	99.76%		22.90%	22.91%

c) **<u>Patch III - Circular Trade Analysis (February 17, 2009 to March 05, 2009)</u>**

i. On February 19, 2009, Waterbase mercantile sold 28250 shares to Anushi at 11:07:03 AM. Anushi a Shah then sold 29040 shares to Sterjet trading co. during 12:10:22-12;11:15 pm.Sterjet Trading then sold 29250 shares to waterbase Mercantile during 13:27:23-13:29:33 PM. On this trading day, 301045 shares were traded, of which 86540 shares were circulated among three clients, which was 28.75% of the day traded volume. I note that connection is observed only between Waterbase and sterjet and it is alleged in the SCN that Anushi has aided and abetted Waterbase Mercantile Co. Pvt. Ltd. and Sterjet Trading Co. Pvt. Ltd. in execution of circular trades. In this regard, I note from the trade log that, Anushi has executed 19 trades of 58080 shares on the day and 7 trades out of 19 trades of 57290 shares were traded by Anushi in circular motion with waterbase and Sterjet only which forms 98.63% of shares traded by Anushi on this day.

I note that, Dinesh Rathod HUF denied executing any trade on August 05, 2008 further, it has reproduced the contract note and Ledger from the books of Multiplex Capital Ltd and Ambit Capital Pvt Ltd which shows trading done by it on 20/08/2008 and 17/09/2008 respectively.in this regard, from the material available on record, I only have on record the trading details pertaining to trades carried out by it on 3 dates namely August 05, 07 and 14, 2008 carried out through broker Multiplex Capital Ltd. Thus, the veracity of the said contract notes and ledgers submitted by Dinesh Rathod HUF are in question.

I Further note that the percentage of these client's circular volume in terms of day's buy and sell market volume was as high as 9.72 % respectively Thus, I conclude that Anushi A Shah aided and abetted Waterbase Mercantile Co. Pvt. Ltd. and Sterjet Trading Co. Pvt. Ltd. in execution of circular trades.

Patch - III	**17/02/2009-05/03/2009**		**Client's Circular volume**		**Client's Traded volume**		**% of Client's Circular volume in terms of day's trading Vol.**		**Market Volume**	**% of Client's Circular volume in terms of day's market Vol.**	
Date	**Client Name**	**PAN No**	**Buy**	**Sell**	**Buy**	**Sell**	**Buy**	**Sell**		**Buy**	**Sell**

19/02/2009	Waterbase Mercantile Co. Pvt. Ltd.	AAACW5073A	29250	28250	29250	29250	100.00%	96.58%	301045	9.72%	9.38%
	Anushi A Shah	CBAPS5104G	28250	29040	29040	29040	97.28%	100.00%		9.38%	9.65%
	Sterjet Trading Co. Pvt. Ltd.	AAJCS5512K	29040	29250	29285	29270	99.16%	99.93%		9.65%	9.72%

ii. On February 20, 2009, Vitesh B shah sold 32000 shares to Manish Buta HUF at 11:55:49 AM. Manish Buta HUF then sold 32015 shares to Rahul H Jain during 12:38:43-12:39:27. Rahul H Jain then sold 31970 shares to Vitesh B shah during 13:09:08-13:09:43 PM. On this trading day, 325133 shares were traded, of which 95985 shares were circulated three clients, which was 29.52% of the day traded volume. I note that no connection is observed between these three entities. However, from the order and trade log, I note that, Manish Buta HUF has executed total 8 trades of 64030 shares on this day, out of which 6 trades of 64015 shares were executed in a circular motion with rahul and vitesh comprising of 99.97% of shares executed by Manish Buta HUF in execution of these Circular trades. Similarly, Vitesh B shah has traded total 8 trades of 64000 shares on this day out of which 6 trades of 63970 shares were executed in a circular motion in this circular trades comprising of 99.95% of shares executed by Vitesh B shah on this day. I Further note that the percentage of these client's circular volume in terms of day's buy and sell market volume was as high as 9.85 % respectively. Thus, I conclude that Manish Buta HUF and Vitesh B Shah aided and abetted Rahul H Jain in execution of circular trades.

Patch - III	**17/02/2009-05/03/2009**		**Client's Circular volume**		**Client's Traded volume**		**% of Client's Circular volume in terms of day's trading Vol.**		**Market Volume**	**% of Client's Circular volume in terms of day's market Vol.**	
Date	**Client Name**	**PAN No**	**Buy**	**Sell**	**Buy**	**Sell**	**Buy**	**Date**	**Client Name**	**PAN No**	**Buy**
20/02/	Rahul H Jain	AIOPJ9	32015	31970	32015	32015	100.00%	99.86%	325133	9.85%	9.83%

2009		425A									
	Vitesh B Shah	AQFPS0836F	31970	32000	32000	32000	99.91%	100.00%		9.83%	9.84%
	Manish Buta HUF	AAFHM4558L	32000	32015	32015	32015	99.95%	100.00%		9.84%	9.85%

27. Thus, I note from the above table that these 19 connected entities have contributed in the range of 25.33%-82.41% of the day's market volume on these respective 10 trading days, which is substantial compared to the day's total market volume. Further, 93.25% to 99.99% of trades of these Noticees were in circular trades on their respective trading dates.

28. I note that Rahul H jain in its reply has contended that he has been cheated. Also, I note that Rama Raval has also submitted that broker has misused her data for illicit purpose, However, she has admitted in her reply that she is connected to Parag B mehta. In this regard, I note that both of them have not submitted any supporting documentary evidence to base their claim upon with respect to misuse of their data and trading account for illegal/unauthorized trading.

29. I note from the analysis of trading pattern as found in this case cannot occur just by accident or coincidence, the last transaction/trade of the day neutralized the first transaction/trade of the day of connected entities and the entire trading positions were squared off. The aforesaid trading pattern by the Noticees does imply collusion, meeting of minds with a predetermined plan to match their trades which were not genuine and were with fraudulent intent to create artificial volume in the scrip of SIEL and thus, is an evidence of their having close nexus with each other. Further, similar quantity (same or with minimal change in quantity) of shares being circulated amongst the connected entities through a series of transactions negating the entire delivery obligation and ending the day with trades having no delivery obligation.

30. The order of Hon'ble Securities Appellate Tribunal in the matter of *Monika Jain Vs. Adjudicating Officer SEBI* decided on 11.02.2011: "…*A circular trade is a fictitious trade which is executed on the trading screen of the exchange which does not result in the transfer of beneficial ownership in the traded scrip. Such trades only create false or misleading appearance of trading in the securities market and thereby lure the lay investors to jump into the fray…*"

31. I am of the considered view that Circular trades executed by the Noticees among the other connected Noticee(s), was the whole scheme of manipulating the volume in the scrip. Further, I note that persistent trading in the aforesaid manner clearly indicates an intention to create artificial volume in the scrip of SIEL. Such trades clearly indicate that the same were not genuine trades as there was no change in beneficial ownership.

32. Therefore, in view of the above and placing reliance on the abovementioned order of Hon'ble SAT, I conclude that, these 19 entities namely Faith Finstock Pvt. Ltd., Prolific Mercantile Co. Pvt. Ltd., Kingfisher Trading Co. Pvt. Ltd., Adore Mercantile Co. Pvt. Ltd., Rita Deepak Negandhi, Manjula M Doshi, Vitesh B Shah, Dinesh V Makwana, Rama N Raval, Parag B Mehta, Rahul H Jain, Akhila Mercantile Pvt. Ltd., Sonal H Desai, Fotosoft Multimedia Pvt. Ltd., Dinesh Rathod HUF, Waterbase Mercantile Co. Pvt. Ltd., Anushi A Shah, Sterjet Trading Co. Pvt. Ltd. and Manish Buta HUF indulged in circular trades, which had resulted in creation of artificial volume in the scrip of SIEL, leading to false and misleading appearance of trading in the scrip. As some of these Noticees are private limited companies and the functioning and responsibility of the private limited companies are on the directors of the company. Thus, these 19 Noticees and 16 directors of 8 Noticees which are private limited companies by indulging in circular trades have thereby violated the provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 r/w Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) & (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003.

<u>Findings w.r.t Trading by Connected Entities amongst themselves:</u>

33. It has been alleged in the SCN that following 29-connected entities have traded among themselves repeatedly on a daily basis during the investigation period. These connected

entities were trading amongst themselves in a group of 3 to 6 entities similar to circular trades. The trading details of the said 29-connected entities are as follows:

Sr. No.	PAN	Entity Name	Buy Qty	Sell Qty	Buy Qty as % of Mkt Vol.	Sell Qty as % of Mkt Vol.
1	AQFPS0836F	Vitesh B Shah	2388889	2795807	4.77%	5.58%
2	ANOPM9543M	Dinesh V Makwana	2351033	2427645	4.69%	4.84%
3	AAACF1497M	Fotosoft Multimedia Pvt. Ltd.	2213107	1900559	4.41%	3.79%
4	AAGCA6077J	Akhila Mercantie Pvt. Ltd.	1999326	1602462	3.99%	3.20%
5	AAJCS5512K	Sterjet Trading Co. Pvt Ltd	1956864	1654794	3.90%	3.30%
6	AIOPJ9425A	Rahul H Jain	1731223	1712353	3.45%	3.42%
7	ABQPD8951N	Sonal H Desai	1240983	1183344	2.48%	2.36%
8	AETPN2046J	Rita Deepak Negandhi	967728	892337	1.93%	1.78%
9	ALCPM8512E	Ankit B Mehta	964366	966856	1.92%	1.93%
10	AAAPV5284B	Madhukar N Vora	811435	758817	1.62%	1.51%
11	AAAHY6896C	Yatin Pandya HUF	719626	655615	1.44%	1.31%
12	AADCC1953C	Charu Multitrade Pvt. Ltd.	714537	918350	1.43%	1.83%
13	AAFCM2750F	Meghana Mercantie Pvt. Ltd.	652342	630643	1.30%	1.26%
14	AAACH5568D	HKG Capital Services Pvt. Ltd.	629058	681947	1.25%	1.36%
15	AAACF5670Q	Francisca Investment Pvt Ltd	598340	775978	1.19%	1.55%
16	AMZPD7424L	Manjula M Doshi	563788	649760	1.12%	1.30%

17	AACCK3056H	Kingfisher Trading Co. Pvt. Ltd.	523539	600025	1.04%	1.20%
18	AKBPR8550R	Rama N Raval	503156	502769	1.00%	1.00%
19	AAACF7046E	Faith Finstock Pvt. Ltd.	457203	549813	0.91%	1.10%
20	ANCPM8699L	Parag B Mehta	438101	438821	0.87%	0.88%
21	AAFCA5699H	Adore Merchantile Co. Pvt Ltd	345220	272616	0.69%	0.54%
22	AAACW5073A	Waterbase Mercantile Co. Pvt. Ltd.	276177	241208	0.55%	0.48%
23	AACCR9863K	Robosoft Trading Co. Pvt. Ltd.	203391	311723	0.41%	0.62%
24	AADCP8003G	Prolific Mercantile Co. Pvt Ltd	177280	145915	0.35%	0.29%
25	AAFHD1015F	Dinesh Rathod HUF	105000	104950	0.21%	0.21%
26	AABCD4543R	Dollex Capital & Finance Pvt. Ltd.	92513	248266	0.18%	0.50%
27	AACHA7911C	Ashok H Shah HUF	86050	86102	0.17%	0.17%
28	CBAPS5104G	Anushi A Shah	49118	49903	0.10%	0.10%
29	AAFHM4558L	Manish Buta HUF	32000	32015	0.06%	0.06%
Group Total			**23791393**	**23791393**	**47.46%**	**47.46%**
Market Volume			**50127939**	**50127939**	**100.00%**	**100.00%**

34. The Investigation has carried out trading analysis of the aforesaid 29-connected entities and observed that out of 345 trading days during the investigation period, the connected entities have traded among themselves on 295 trading days and contributed to market volume 2,37,91,393 shares i.e., 47.46% of the total market volume during the Investigation Period.

35. With respect to HKG Capital Services Pvt. Ltd. mentioned at serial no. 14 and Ashok H Shah HUF at sr. no. 27, an Adjudication order dated March 25, 2021 and May 28, 2021

respectively has been passed exonerating the two entities and directors of HKG Capital Services Pvt. Ltd in the absence of any other connection other than common introducer and no adverse observations found regarding other forms of manipulation, i.e., synchronized trading, circular trading, reversal trading or executing orders away from last traded price or creation of new high prices by way for trades etc. against them, in the investigation report. Also, analysis of trading pattern of these two entities, did not suggested any form of manipulative act.

36. Thus, following is the revised table after trades of HKG Capital Services Pvt. Ltd. and Ashok H Shah HUF have been excluded in analysis / discussion hereinafter:

Sr. No.	**PAN**	**Entity Name**	**Buy Qty**	**Sell Qty**	**Buy Qty as % of Mkt Vol.**	**Sell Qty as % of Mkt Vol.**
1	AQFPS0836F	Vitesh B Shah	2388889	2795807	4.77%	5.58%
2	ANOPM9543M	Dinesh V Makwana	2351033	2427645	4.69%	4.84%
3	AAACF1497M	Fotosoft Multimedia Pvt. Ltd.	2213107	1900559	4.41%	3.79%
4	AAGCA6077J	Akhila Mercantie Pvt. Ltd.	1999326	1602462	3.99%	3.20%
5	AAJCS5512K	Sterjet Trading Co. Pvt Ltd	1956864	1654794	3.90%	3.30%
6	AIOPJ9425A	Rahul H Jain	1731223	1712353	3.45%	3.42%
7	ABQPD8951N	Sonal H Desai	1240983	1183344	2.48%	2.36%
8	AETPN2046J	Rita Deepak Negandhi	967728	892337	1.93%	1.78%
9	ALCPM8512E	Ankit B Mehta	964366	966856	1.92%	1.93%
10	AAAPV5284B	Madhukar N Vora	811435	758817	1.62%	1.51%
11	AAAHY6896C	Yatin Pandya HUF	719626	655615	1.44%	1.31%
12	AADCC1953C	Charu Multitrade Pvt. Ltd.	714537	918350	1.43%	1.83%
13	AAFCM2750F	Meghana Mercantie Pvt. Ltd.	652342	630643	1.30%	1.26%
14	AAACF5670Q	Francisca Investment Pvt Ltd	598340	775978	1.19%	1.55%
15	AMZPD7424L	Manjula M Doshi	563788	649760	1.12%	1.30%

16	AACCK3056H	Kingfisher Trading Co. Pvt. Ltd.	523539	600025	1.04%	1.20%
17	AKBPR8550R	Rama N Raval	503156	502769	1.00%	1.00%
18	AAACF7046E	Faith Finstock Pvt. Ltd.	457203	549813	0.91%	1.10%
19	ANCPM8699L	Parag B Mehta	438101	438821	0.87%	0.88%
20	AAFCA5699H	Adore Merchantile Co. Pvt Ltd	345220	272616	0.69%	0.54%
21	AAACW5073A	Waterbase Mercantile Co. Pvt. Ltd.	276177	241208	0.55%	0.48%
22	AACCR9863K	Robosoft Trading Co. Pvt. Ltd.	203391	311723	0.41%	0.62%
23	AADCP8003G	Prolific Mercantile Co. Pvt Ltd	177280	145915	0.35%	0.29%
24	AAFHD1015F	Dinesh Rathod HUF	105000	104950	0.21%	0.21%
25	AABCD4543R	Dollex Capital & Finance Pvt. Ltd.	92513	248266	0.18%	0.50%
26	CBAPS5104G	Anushi A Shah	49118	49903	0.10%	0.10%
27	AAFHM4558L	Manish Buta HUF	32000	32015	0.06%	0.06%
Group Total			**23076285**	**23023344**	**46.03%**	**45.93%**
Market Volume			**50127939**	**50127939**	**100.00%**	**100.00%**

37. I note that, Vitesh B Shah was the top entity amongst the 27 connected entities who had bought maximum number of shares from the other connected entities. For instance, on August 28, 2008, Vitesh B Shah sold 29,907 shares to Fotosoft Multimedia Pvt. Ltd., which accounted for 24.95% of the total market volume on that day. On May 12, 2008, Fotosoft Multimedia Pvt. Ltd. bought 29,900 and 26,900 shares (total 56800 shares) from Rahul H Jain and Akhila Mercantile Pvt. Ltd. respectively, which accounted for 30.02% of the total market volume on that day. Similarly, other connected entities have also traded continuously amongst themselves throughout the investigation period and cumulatively contributed 2,30,76,285 shares to total market volume i.e. 46.03% of the market volume on the buy side during the investigation period and on sell side, cumulatively contributed

2,30,23,344 shares to total market volume i.e. 45.93% of the market volume during the investigation period.

38. Further, I note that on 121 trading days, these connected entities have traded amongst themselves and contributed in the range of 50.30%-99.96% to the total market volume on respective trading days (on an average 81.01% of day's total market volume on these 121 trading days). It was also observed that on 58 trading days, these connected entities have traded amongst themselves and contributed in the range of 90.30%-99.96% to the total market volume on respective trading days.

39. I note that, Manish Buta HUF has submitted that, "*We further state that even for sake of assumptions, the market volume of our trades is just 0.06% which is very miniscule*". In this regard, it may be noted that, miniscule number of trades of individual Noticee is immaterial, as impact in this case is to be viewed on the background of connected Noticees collective manipulative and fraudulent effort to create artificial volume in the scrip of the Company during the investigation period and therefore Manipulative trading cannot be viewed independently and have to be viewed collectively as the overall impact of the misleading appearance is carried by the group of connected entities on the market in the scrip of SEIL by trading amongst themselves which was significant as stated above.

40. As brought out in preceding para, 19 connected entities were indulging in circular trading during Patch I, II and III of the investigation period and have created misleading appearance of trading by creating artificial volume through circular trades, thereby violated the provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 r/w Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) & (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003. These 19 entities also forms part of 27 connected entities who have traded amongst themselves and contributed substantially to the total market volume. These 27 connected entities have traded amongst themselves with the intent to create false and misleading appearance of trading in the scrip of SIEL.

41. As some of these Noticees are private limited companies, the functioning and responsibility of the private limited companies are on the directors of the company. I note that, Ayush R Gaur (Director of Dollex capital & Finance Pvt Ltd.) and Vasant Nathabhai Patel (Director

of Francisca Investment Pvt Ltd) resigned during the investigation period. However, I note that majority of alleged trades were also carried out during their tenure as directors of their respective companies.

42. Thus, I conclude that Vitesh B Shah, Dinesh V Makwana, Fotosoft Multimedia Pvt. Ltd., Akhila Mercantie Pvt. Ltd., Sterjet Trading Co. Pvt Ltd, Rahul H Jain, Sonal H Desai, Rita Deepak Negandhi, Ankit B Mehta , Charu Multitrade Pvt. Ltd., Meghana Mercantile Pvt. Ltd., Francisca Investment Pvt Ltd, Manjula M Doshi, Kingfisher Trading Co. Pvt. Ltd., Rama N Raval, Faith Finstock Pvt. Ltd., Parag B Mehta, Adore Merchantile Co. Pvt Ltd, Waterbase Mercantile Co. Pvt. Ltd., Robosoft Trading Co. Pvt. Ltd., Prolific Mercantile Co. Pvt Ltd, Dinesh Rathod HUF, Dollex Capital & Finance Pvt. Ltd., Anushi A Shah, Manish Buta HUF and 22 directors of 13 Noticees which are private limited companies have created false and misleading appearance of trading in the scrip by trading amongst themselves and have therefore violated the provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 r/w Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2) (a) & (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003.

Findings w.r.t Synchronized trades

43. I note that the allegation levelled in the SCN is to the effect that during the Investigation Period five connected entities and their Directors namely Faith Finstock Pvt. Ltd. and its Directors Pankaj Kanaiyalal Parikh, Mayuri Kalpesh Pandya & Kalpesh R Pandya, Prolific Mercantile Co. Pvt. Ltd. and its Directors Prakash Shamrao Dalvi & Rajendra Mahadev, Kingfisher Trading Co. Pvt. Ltd. and its Directors Dinesh Jivrajbhai Vajar & Sangeeta Dinesh Vajar, Adore Mercantile Co. Pvt. Ltd. and its Directors Yogendra Janardhan Bangera & Ashok Sakharam Pilke, Akhila Mercantile Pvt. Ltd. and its Directors Dayanand Chandapa Holkar & Prabhakar Dattaram Kudaskar, carried out synchronized trades which were manipulative in nature and thus violated the provisions of Section 12A(a), (b) and (c) of SEBI Act read with Regulations 3(a) (b) (c) (d), and Regulation 4(1), 4(2) (a) and (g) of PFUTP Regulations.

44. In so far as issue of synchronisation of trades is concerned, I note that mere synchronisation of trades *per se* is not illegal. To elaborate, all trades executed on the stock exchange platform are the result of synchronisation that emerged between buyer and seller of scrip,

at a particular price point. However, in the genuine trades, such synchronisation emerges from the market mechanism and its underlying principle of demand and supply. For example, a person wants to sell 1000 shares of Company ABC, which the other person wants to buy. In case the orders of the aforesaid two people, match on the exchange platform on price-time priority, they will be exchanging the shares/money, through the established mechanism. However, there have been notable instances which have triggered regulatory actions, where a group of persons, who are connected to a common thread by various factors like common directorship, group companies, common address, contact numbers, e-mail ids etc., deliberately and repeatedly synchronise their trades, by using the market platform. The vested interest of such persons can carry any shade of manipulation like to increase the volume, to maintain trading every day, to increase the price, to circulate same set of shares within a limited group and indicate trading to general public.

45. In view of above, a synchronised trade will be considered in violation of the Regulations framed under SEBI Act, if the said trade is executed between connected entities, with a view to manipulate the securities market or if it is dubious in nature and is executed with a view to avoid regulatory detection or does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting the market equilibrium. Any transaction executed with the purpose to defeat the market mechanism would be considered illegal. Therefore, all the trades which match within a closed group of interconnected persons, as found in this case need to be examined in the backdrop of other factors like liquidity, connection between the persons, frequency of matching of trades and their overall impact. It would be only the attending circumstances, based on which a reasonable inference can be culled out.

46. I would like to highlight the observations of the Hon'ble Supreme Court in the matter of *SEBI Vs. Kishore Ajmera* with respect to synchronized trades and market manipulations, wherein following was held by Hon'ble Supreme Court: -

"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…

In these cases the volume of trading in the illiquid scrips in question was huge, the extent being set out hereinabove. Coupled with the aforesaid fact, what has been alleged and reasonably established, is that buy and sell orders in respect of the transactions were made within a span of 0 to 60 seconds. While the said fact by itself i.e. proximity of time between the buy and sell orders may not be conclusive in an isolated case such an event in a situation where there is a huge volume of trading can reasonably point to some kind of a fraudulent/manipulative exercise with prior meeting of minds…The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors."

47. Further, Hon'ble Securities Appellate Tribunal ("**SAT"**) in the matter of ***Magnum Equity broking Ltd. Vs SEBI***, held the following:
"Synchronized trades in the history of the securities market have always been shunned for the simple reason that they create a misleading appearance of artificial volume in a particular scrip by giving the public the impression that a lot of trading activity is being conducted with respect to that scrip, making it seem like a good investment opportunity. Such artifices, if allowed to grow in number in the market, hurt the sanctity of market mechanism and hinder the ongoing constant process of the market righting and restoring itself."

48. In view of above discussion on synchronized trades, I note from table above that 9.31% of the five day's market volume in the scrip of the Company were synchronized by these 5 Noticees during the investigation period. day-wise details (quantity and No. of trades) of the 'Synchronized Trades' executed in the scrip of SIEL are given hereunder: -

Synchronized Trading Details of 5-Connected Entities

Date	Buyer	Seller	No. of Trades	Sync Qty
16.05.2008	Faith Finstock Pvt Ltd	Kingfisher Trading Co. Pvt Ltd	2	5000
16.05.2008	Kingfisher Trading Co. Pvt Ltd	Prolific Mercantile Co. (P) Ltd.	4	9900
16.05.2008	Prolific Mercantile Co. (P) Ltd.	Faith Finstock Pvt Ltd	4	7200
20.05.2008	Adore Mercantile Co. Pvt Ltd.	Prolific Mercantile Co. (P) Ltd.	1	4174
20.05.2008	Faith Finstock Pvt Ltd	Akhila Mercantile Pvt. Ltd.	1	500
20.05.2008	Prolific Mercantile Co. (P) Ltd.	Faith Finstock Pvt. Ltd.	1	2500
21.05.2008	Kingfisher Trading Co. Pvt Ltd	Faith Finstock Pvt Ltd	5	14990
22.05.2008	Adore Mercantile Co. Pvt Ltd.	Faith Finstock Pvt Ltd	1	3514
26.05.2008	Prolific Mercantile Co. (P) Ltd.	Adore Mercantile Co. Pvt Ltd.	1	4996
Total			**20**	**52774**

49. It is pertinent to note here that the trading details as provided in the SCN are not disputed by these Noticees except akhila mercantile, who did not submit any reply to SCN till the date of this order. I further note from the replies of these 4 Noticees that they have contended that these alleged synchronized trades were unintentional

50. In this regard, it is important to mention here to find out the "intention" behind commission of any manipulative/unfair/fraudulent trades/activities and the attending circumstances have to be taken into account. The Hon'ble SAT in the case of ***Ketan Parekh Vs. SEBI (Appeal No. 2 of 2004),*** held on July 14, 2006:

"… *in order to find out 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 of the cases, because direct evidence in such cases may not be available*."

51. In other words, the manipulative intent can only be derived from the circumstance/modus operandi used by the person and it would generally be case specific. Further, the matching of the orders could not be coincidental, therefore, it is necessary to analyse the trading pattern of the Noticees. Now, with regard to the facts and circumstances attending the case, the trading pattern adopted by the Noticees along with the connected Entities while executing the alleged 'Synchronized Trades' in the scrip of SIEL have been examined below:

Trade Date	Buyer Name	Seller Name	Buy order time	Sell order time	Trade time	Trade price	Traded quantity	Buy order original vol.	Sell order original vol.	Buy / sell order price
16.05.2008	FAITH FINSTOCK PVT LTD	KINGFISHER TRADING COMPANY PVT LTD	12:15:29 PM	12:15:35 PM	12:15:35 PM	223.80	2000.00	2000.00	2000.00	223.80
16.05.2008	FAITH FINSTOCK PVT LTD	KINGFISHER TRADING COMPANY PVT LTD	12:16:39 PM	12:16:41 PM	12:16:41 PM	223.90	3000.00	3000.00	3000.00	223.90
16.05.2008	KINGFISHER TRADING COMPANY PVT LTD	PROLIFIC MERCANTILE CO. (P) LT	2:52:30 PM	2:52:34 PM	2:52:34 PM	224.00	2800.00	2800.00	2800.00	224.00
16.05.2008	KINGFISHER TRADING COMPANY PVT LTD	PROLIFIC MERCANTILE CO. (P) LT	2:53:28 PM	2:53:33 PM	2:53:33 PM	225.30	3000.00	3000.00	3000.00	225.30
16.05.2008	KINGFISHER TRADING COMPANY PVT LTD	PROLIFIC MERCANTILE CO. (P) LT	2:53:46 PM	2:53:50 PM	2:53:51 PM	225.30	2800.00	2800.00	2800.00	225.30

16.05.2008	KINGFISHER TRADING COMPANY PVT LTD	PROLIFIC MERCANTILE CO. (P) LT	2:55:13 PM	2:55:20 PM	2:55:20 PM	225.80	1300.00	1300.00	1300.00	225.80
16.05.2008	PROLIFIC MERCANTILE CO. (P) LT	FAITH FINSTOCK PVT LTD	1:14:05 PM	1:14:16 PM	1:14:17 PM	223.90	2000.00	2000.00	2000.00	223.90
16.05.2008	PROLIFIC MERCANTILE CO. (P) LT	FAITH FINSTOCK PVT LTD	1:14:40 PM	1:14:59 PM	1:14:59 PM	223.90	200.00	200.00	200.00	223.90
16.05.2008	PROLIFIC MERCANTILE CO. (P) LT	FAITH FINSTOCK PVT LTD	1:08:42 PM	1:08:59 PM	1:09:00 PM	223.90	800.00	800.00	800.00	223.90
16.05.2008	PROLIFIC MERCANTILE CO. (P) LT	FAITH FINSTOCK PVT LTD	1:13:18 PM	1:13:29 PM	1:13:29 PM	224.00	4200.00	4200.00	4200.00	224.00
20.05.2008	ADORE MERCANTILE COMPANY PVT L	PROLIFIC MERCANTILE CO. (P) LT	3:20:25 PM	3:20:46 PM	3:20:47 PM	237.00	4174.00	5000.00	5000.00	237.00
20.05.2008	FAITH FINSTOCK PVT LTD	AKHILA MERCANTILE PRIVATE LIMITED	11:20:04 AM	11:19:21 AM	11:20:05 AM	237.30	500.00	500.00	500.00	237.30
20.05.2008	PROLIFIC MERCANTILE CO. (P) LT	FAITH FINSTOCK PVT LTD	2:07:52 PM	2:07:41 PM	2:07:52 PM	237.00	2500.00	2500.00	2500.00	237.00

21.05.2008	KINGFISHER TRADING COMPANY PVT LTD	FAITH FINSTOCK PVT LTD	11:58:11 AM	11:58:10 AM	11:58:11 AM	238.50	3200.00	3200.00	3200.00	238.50
21.05.2008	KINGFISHER TRADING COMPANY PVT LTD	FAITH FINSTOCK PVT LTD	11:58:47 AM	11:58:46 AM	11:58:48 AM	238.25	3300.00	3300.00	3300.00	238.25
21.05.2008	KINGFISHER TRADING COMPANY PVT LTD	FAITH FINSTOCK PVT LTD	11:59:34 AM	11:59:34 AM	11:59:35 AM	239.25	4100.00	4100.00	4100.00	239.25
21.05.2008	KINGFISHER TRADING COMPANY PVT LTD	FAITH FINSTOCK PVT LTD	12:00:22 PM	12:00:21 PM	12:00:22 PM	239.10	1890.00	1890.00	1890.00	239.10
21.05.2008	KINGFISHER TRADING COMPANY PVT LTD	FAITH FINSTOCK PVT LTD	11:57:47 AM	11:57:44 AM	11:57:47 AM	237.50	2500.00	2500.00	2500.00	237.50
22.05.2008	ADORE MERCANTILE COMPANY PVT L	FAITH FINSTOCK PVT LTD	11:45:11 AM	3:00:26 PM	3:00:27 PM	221.50	3514.00	5000.00	5000.00	219.25
26.05.2008	PROLIFIC MERCANTILE CO. (P) LT	ADORE MERCANTILE COMPANY PVT L	2:01:12 PM	2:01:23 PM	2:01:23 PM	245.70	4996.00	5000.00	5000.00	245.70

52. From the details mentioned in the above table, synchronized trades are seen on May 16, 2008 when FAITH FINSTOCK placed a buy order of 2,000 shares for Rs. 223.80 at 12:15:29 and KINGFISHER placed a sell order for the same quantity and price at 12:15:35 with a time difference of less than 1 minute. The above orders got executed at 12:15:35 at the price of Rs. 223.8. Similarly, on May 21, 2008 when FAITH FINSTOCK placed a sell order of 3200 shares for Rs. 238.50 at 11:58:10 AM and KINGFISHER placed a buy order

for the same quantity and price at 11:58:11 AM with a time difference of less than 1 minute. The above orders got executed at 11:58:11 AM at the price of Rs. 238.50.

53. From the details of the above tables, it is understood that the buy order and sell order price and quantity are same and the difference between time of placing the buy order and sell order was less than 60 seconds.

54. Similarly, during the relevant period under investigation these 5 Noticees altogether executed synchronised trades on 5 trading days in total 20 trades for 52774 shares which was 9.31% of the five day's market volume. Thereby, these 5 Noticees had altogether created artificial volume in the scrip of SIEL.

55. The trading pattern of trades and order placement with selected parties clearly point out that the transactions were carried-out in such synchronized manner that the orders of the 5 connected Noticees were matched, which clearly indicate that there was a prior meeting of minds with respect to these transactions. On analysing the trading done by the Noticees along with the connected Entities, it is revealed that most of the trades executed by them resulted in synchronized trading i.e. the difference between placement of order by the buyer and the seller are within one minute and order rate as well as order quantity of buy side and sale side are the same.

56. From the above trading details of these 5 Noticees, it is further noted that the synchronized trades executed by the Noticees were repetitive in nature and significant in volume. Looking at the trading pattern of the Noticees, I am convinced that the Noticees had traded in synchronized manner with prior arrangement resulting in creation of artificial volume and thereby distorting the market equilibrium. The pattern of order placement indicate that the transactions were carried-out with an intention to match the various orders of the aforesaid Entities and there was a prior arrangement with respect to these transactions. The time difference between buy and sell order was less than a minute. The order quantity and price were designed to match. By indulging in such manipulative trading persistently, these 5 Noticees created artificial liquidity in the scrip and played a role in the manipulation of the trading in the scrip of SIEL. Thus, I found that these synchronized trades are part of a

manipulative and fraudulent scheme and these synchronized trades have created misleading appearance of trading in the scrip of the Company

57. It is contention of the Noticees that the trading was done on-blind mechanism of stock exchange. In this regard, it is noted from the foregoing findings that the trading pattern of the Noticees in terms of volume of synchronised trades, proximity of buy/sell and subsequent synchronised evidences the indulgence, clearly demonstrates the manipulative practice by the Noticees by using the stock exchange platform to carry out non-genuine trades with the aim to execute such trades for various manipulative purposes. Further, considering the matching of quantity, price and time and sale in the said transactions, it would be naïve to hold that such transactions were by mere coincidence, as also held by the Hon'ble Supreme Court in its judgment in *SEBI Vs. Kishore Ajmera (Supra)*. In this regard, the reference is drawn to Hon'ble Supreme Court judgement in the matter of *SEBI vs. Rakhi Trading Private Ltd.*, in Civil appeals no., 1969 of 2011 with Civil Appeal Nos., 31743177 of 2011 and Civil Appeal No., 3180 of 2011 decided on February 8, 2018, wherein, the Apex court held that:
"The stock market is not a platform for any fraudulent or unfair trade practice. The field is open to all the investors. By synchronization and rapid reverse trade, as has been carried out by the traders in the instant case, the price discovery system itself is affected. Except the parties who have pre-fixed the price nobody is in the position to participate in the trade. It also has an adverse impact on the fairness, integrity and transparency of the stock market."

58. Noticees had indulged in synchronized trades in the scrip of SIEL on more than one day Except Akhila. Synchronized trades of the Noticees constitutes 9.31% of the five day's market volume which is huge and such large volumes of synchronized trades cannot be a mere coincidence.

59. With regard to connection/relation of the Noticees, I note from the investigations that they were identified as connected / related to each other on the basis of UCC details, KYC, MCA website and bank statement. Accordingly, considering the aforesaid connections of the Noticees, I am of the opinion that the Noticees are connected / related to each other. I further note that, Kingfisher has contended its connection on having a common introducer

i.e., Mr. Nikhil Udani in its account opening form and also requested for cross examination of Mr. Nikhil Udani.in this regard, I agree that that solely introducer cannot be a basis for connection. However, I would like to place reliance on the order of Hon'ble SAT in case of Ketan Parekh v. SEBI (Appeal No. 2 of 2004) decided on July 14, 2006 wherein it had categorically held that-in order to find out 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 of the cases, because direct evidence in such cases may not be available. Thus, from the analysis of trading pattern of kingfisher and basis of connection that it has also transferred funds to Faith Finstock along with waterbase mercantile, Fotosoft Multimedia and Fransisca Investment, it is evident that kingfisher is connected to aforementioned entities with which it has executed circular trades, trades similar to circular trades and synchronised trades and that too within close proximity of time of placing the orders, Thus, trading pattern of Kingfisher has itself proved its connection with abovementioned entities and makes it clear that aforesaid transactions were carried-out with an intention to match the various orders of the aforesaid connected entities with a prior arrangement with respect to these transactions.

60. Further, In the matter of ***Sparkline Mercantile Co Pvt. Ltd. Vs SEBI Appeal No. 171 of 2011 dated 16.01.2012,*** the Hon'ble SAT held that:
"It is an admitted position that it is difficult to get direct evidence with regard to synchronization of trades for the purpose of upsetting the market equilibrium or to manipulate the market. It is only on the basis of circumstantial evidence that such a connection can be proved."

61. The Hon'ble Supreme Court in its Order dated April 26, 2013 in the matter of N. Narayanan ***Vs. Adjudicating Officer, SEBI,*** 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"

62. In view of the forgoing, I conclude that the 5 Noticees namely, Faith Finstock Pvt. Ltd., Kingfisher Trading Co. Pvt. Ltd., Prolific Mercantile Co. (P) Ltd., Adore Mercantile Co. Pvt. Ltd. and Akhila Mercantile Pvt. Ltd. were involved in 'Synchronized Trades' in pre-determined manner as found in this case which had an adverse impact on the fairness, integrity and transparency in the securities market and which altogether constitute 9.31% of the five day's market volume. As these Noticees are private limited companies, the functioning and responsibility of the private limited companies are on the directors of the company. Therefore, I am of the firm opinion that these 5 Noticees and their 11 directors carried out synchronized trades which were manipulative in nature and thus violated the provisions of Section 12A(a), (b) and (c) of SEBI Act, 1992 read with Regulations 3(a) (b) (c) (d) and 4(1) and 4(2) (a) and (g) of PFUTP Regulations.

Findings w.r.t Role of the directors of company

63. It has been alleged in the SCN that, SIEL and its directors during the investigation period viz. Nitin Jayantilal Sandesara, Chetan Jayantilal Sandesara, Rajbhushan Omprakash Dixit, Hiteshkumar Narendrabhai Patel, Ramani Subramanian Iyer and Ronald Peter Dsouza through the various connected entities created artificial volume in the scrip of SIEL by indulging in circular trades, synchronized trades and trading among themselves. In view of the above, it was alleged in the SCN that company and its aforementioned directors were part of the scheme to create artificial volume in the scrip. Hence, the company and its six directors viz. Nitin Jayantilal Sandesara, Chetan Jayantilal Sandesara, Rajbhushan Omprakash Dixit, Hiteshkumar Narendrabhai Patel, Ramani Subramanian Iyer and Ronald Peter Dsouza have violated provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 r/w Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) & (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003.

64. Before proceeding in this regard, it may be noted that, undersigned has exonerated the independent directors of SIEL viz. Rajbhushan Omprakash Dixit, Hiteshkumar Narendrabhai Patel, Ramani Subramanian Iyer and Ronald Peter Dsouza vide adjudication order dated March 25, 2021, April 28, 2021 and August 30,2021 respectively since there was no connection of these independent directors with any other alleged entities mentioned in the SCN. Further, there was no allegation in the SCN against them that artificial volume created in the Scrip happened due to their willful involvement or knowledge or connivance in the scheme. Further, being the independent director they were not in charge of the day to day affairs of the company. In the absence of any material or document available on record in the instant proceedings demonstrating their role or omission in the scheme with respect to creation of artificial volume in the scrip of SIEL by themselves or through their connected entities, it cannot be held that, the independent directors of SIEL were part of the scheme to create artificial volume in the scrip.

65. However, I note that, investigation has observed from the shareholding pattern which was sourced from SIEL Annual Report 2009-10 and MCA website that, Yogendra Bangera, who was director of one of the suspected entity Adore Mercantile Company Pvt. Ltd. which has traded in the scrip as a client was appearing in the Promoter and Promoter Group category of SIEL during the quarter ended December 2007 along with Nitin J Sandesara and Chetan J Sandesara. Thus, it was inferred that the entity Adore Mercantile Company Pvt. Ltd. is connected with SIEL and its promoters and directors and Adore Mercantile Company Pvt. Ltd. is part of the connected entities which traded in the scrip.

66. I note that, no reply has been made by Nitin J Sandesara and Chetan J Sandesara who were the promoters of SIEL till the date of this order. Thus, by not replying to the SCN, they have not refuted the charges alleged against them in the SCN. In this context, I would like to rely upon the observations of Hon'ble SAT mentioned in para 18 and 19 above in the matter of *Classic Credit Ltd. vs. SEBI* (Appeal No. 68 of 2003 decided on December 08, 2006) and in the matter of *Sanjay Kumar Tayal & Others v SEBI* (Appeal No. 68 of 2013 decided on February 11, 2014),

67. I note that, promoters of the company, Nitin J Sandesara and Chetan J Sandesara also being the director of company were responsible for all the acts and omissions of the company. In this context, I note that Hon'ble Supreme Court of India in the matter of N Narayanan vs Adjudicating Officer, SEBI (AIR 2013 SC 3191) had observed that,

"Company though a legal entity cannot act by itself, it can act only through its Directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence."

68. Further, Hon'ble Securities Appellate Tribunal (SAT) in its order dated October 05, 2012 in the matter of Shri N. Narayanan Vs. SEBI held that : "...*The role of a whole time director is very significant and material in running day to day affairs of a company. His role and responsibility are equivalent to that of a managing director in as much as he is expected to spend his whole time in the management of the company. This implies a high level of accountability and knowledge of the overall functioning of the company..."*

69. I further note that, as per media reports, the promoters Nitin and Chetan Sandesara along with family members are absconding from India. They have been declared as wilful defaulters to the tune of Rs. 5,000 crore and have been declared economic fugitives. Also, SIEL has gone into liquidation and the Hon'ble NCLT has allowed the liquidation vide order dated November 13, 2021.

70. Thus, in light of the above I conclude that Nitin J Sandesara and Chetan J Sandesara through the various connected entities created artificial volume in the scrip of SIEL by indulging in circular trades, synchronized trades and trading among themselves during the investigation period and thus, were part of the scheme to create artificial volume in the scrip and thereby violated provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 r/w Regulations 3(a), (b), (c),(d) and Regulations 4(1), 4(2) (a) & (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003.

<u>ISSUE -2: Does the violation, if any by the Noticees, attract monetary penalty under Section 15HA of SEBI Act,1992?</u>

71. Regulation 3(a) of PFUTP Regulations prohibits person to buy, sell or otherwise deal in securities in a fraudulent manner. Section 12A(a) of SEBI Act and Regulation 3(b) of PFUTP

Regulations prohibits person to 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. Section 12A(b) of SEBI Act and Regulation 3(c) of PFUTP Regulations prohibits person to 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. Section 12A(c) of SEBI Act and Regulation 3(d) of PFUTP Regulations prohibits person to 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. Regulation 4(1) of PFUTP Regulations lays that no person shall indulge in a fraudulent or an unfair trade practice in securities. Regulation 4(2)(a) of PFUTP Regulations, inter alia, prohibits a person from indulging in an act which creates false or misleading appearance of trading in the securities market. Regulation 4(2)(g) of PFUTP Regulations, inter alia, prohibits a person to enter into a transaction in securities without intention of performing it or without intention of change of ownership of such security.

72. It is pertinent to refer the Hon'ble Supreme Court's Order dated April 26, 2013 in the matter of ***N. Narayanan Vs. Adjudicating Officer, SEBI,*** 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"

73. Further, In the matter of ***SEBI Vs. Kishore R. Ajmera,*** *(supra)* the Hon'ble Supreme Court observed that *"the SEBI Act and the Regulations framed there under are intended to protect the interests of investors in the Securities Market which has seen substantial growth in tune with the parallel developments in the economy. Investors' confidence in the Capital/Securities Market is a reflection of the effectiveness of the regulatory mechanism in force. All such measures are intended to pre-empt manipulative trading and check all kinds of impermissible conduct in order to boost the investors' confidence in the Capital market. The primary purpose of the statutory enactments is to provide an environment conductive to increased participation and investment in the securities market which is vital to the growth and development of the economy. The provisions of the SEBI Act and the Regulations will, therefore, have to be understood and interpreted in the above light.*

74. In view of the forgoing, there is not an iota of doubt that these connected Noticees are involved in creation of artificial volumes in the scrip of the Company. Such fraudulent act as found in this case has a potential to defraud the investors and same cannot be in the interest of securities market. The law does not permit any allowance to be made for such fraudulent act as found in this case. The fraudulent act as found in this case, had clearly defeated the purposes of the Regulations i.e. investor protection and orderly development of the securities markets. In my view, the default by these Noticees is grave and the gravity of this matter cannot be ignored. Therefore, In view of the abovementioned observations and findings, I am of firm opinion that that the charges levelled against these 49 Noticees in the SCN are proved and that the allegation of violation of provisions of Section 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations by these 49 Noticees stand established and are therefore, liable for penalty under Section 15HA of the SEBI Act which reads as under: -

<u>Penalties and Adjudication</u>

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.*

75. Hon'ble Supreme Court of India in the matter of *SEBI Vs. Shri Ram Mutual Fund* [2006] 68 SCL 216 (SC) held that "*once the violation of statutory regulations is established, imposition of penalty becomes sine qua non of violation and the intention of parties committing such violation becomes totally irrelevant. Once the contravention is established then the penalty is to follow*". Thus, as the violation of the statutory regulations by the Noticees have been established, I hold that the Noticees are liable for monetary penalty under Section 15HA of the SEBI Act.

ISSUE – 3: If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?

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

*"15J - **Factors to be taken into account by the adjudicating officer**: While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-*

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default."

***Explanation**: For 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.*

77. It may be noted that the Investigation Report has not quantified the profit/loss for the nature of violations committed by Noticees and further no direct material made available on record to assess the disproportionate gain or unfair advantage and amount of loss caused to an investor or group of investors. Thus, in cases of such nature, it is difficult to quantify with

mathematical precision the disproportionate gains or unfair advantage enjoyed by Noticees and the consequent losses suffered by the investors, pursuant to scheme of artificial volume deployed by the Noticees. I note that the modus operandi of Noticees which are connected to each other on the basis of UCC details, KYC, Off-market transactions, bank statement and also on analysis of trading pattern amongst connected entities was primarily to create artificial volumes with an intention to entice gullible investors to deal in the shares and thereafter take advantage in terms of selling / buying shares at higher / lower price, while shares are still within the group. People who indulge in manipulative, fraudulent and deceptive transaction or abet the carrying-out of such transactions which are fraudulent and deceptive should be suitably penalized for such acts of omissions and commissions. Considering the fact that Noticees have indulged in the fraudulent and deceptive practice as stated above on many days collectively with the connected entities in the scrip of SIEL and hence the nature of default was also repetitive.

78. I cannot ignore the fact that such trades do affect the fair functioning of the securities market and allow manipulators to take undue advantage at the cost of other innocent investors. Therefore, it is necessary that a justifiable penalty is imposed on the Noticees to meet the ends of justice

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79. I note that the impugned transactions pertain to the year 2008-2009 and that a considerable amount of time has lapsed since the act of the Noticees taken place and which also be considered as relevant factor while deciding the quantum of penalty against Noticees. Nonetheless, any manipulation in the volume or price of the stocks caused by vested interest always erodes investor confidence in the market so that investors find themselves at the receiving end of market manipulators. The PFUTP Regulations aim to preserve and protect the market integrity in order to boost investor confidence in the securities market. By executing manipulative trades, the price discovery system itself is affected. It also has an adverse impact on the fairness, integrity and transparency of the stock market. In view of the same, I am inclined to consider that the Noticees are responsible for the aforesaid violations and therefore, I impose an appropriate penalty on the Noticees.

80. Having considered all the facts and circumstances of the case, violations established, the factors mentioned in Section 15J of the SEBI Act, in my view, the following penalties, under section 15HA of SEBI Act for violation of provisions of Section 12A (a), (b) and (c) of the SEBI Act r/w Regulation 3 (a), (b), (c) and (d), Regulation 4(1), 4(2)(a) and 4(g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003, is commensurate with the violations committed by the aforesaid Noticees in this case. The Noticees are liable to pay the following penalty amount:

Noticee No.	**Name of Noticee**	**PAN/CIN/DIN of Noticee**	**Monetary Penalty (Rs.)**
1.	Nitin Jayantilal Sandesara (Director of Sterling International Enterprises Ltd.)	00255496	3,00,000/- (jointly & severally)
2.	Chetan Jayantilal Sandesara (Director of Sterling International Enterprises Ltd.)	00255671	
3.	Faith Finstock Pvt. Ltd.	AAACF7046E	3,00,000/- (jointly & severally)
4.	Pankaj Kanaiyalal Parikh (Director of Faith Finstock Pvt. Ltd.)	01261332	
5.	Mayuri Kalpesh Pandya (Director of Faith Finstock Pvt. Ltd.)	02094692	
6.	Kalpesh R Pandya (Director of Faith Finstock Pvt. Ltd.)	02094750	
7.	Prolific Mercantile Company Pvt. Ltd.	AADCP8003G	3,00,000/- (jointly & severally)
8.	Prakash Shamrao Dalvi (Director of Prolific Mercantile Company Pvt. Ltd.)	01374683	
9.	Rajendra Mahadev Kelakr (Director of Prolific Mercantile Company Pvt. Ltd.)	01413957	
10.	Kingfisher Trading Company Pvt. Ltd.	AACCK3056H	4,00,000/- (jointly & severally)
11.	Dollex Capital & Finance Pvt. Ltd.	AABCD4543R	
12.	Dinesh Jivrajbhai Vajar (Director of Kingfisher Trading Company Pvt. Ltd. & Dollex Capital & Finance Pvt. Ltd.)	00149241	
13.	Sangeeta Dinesh Vajar (Director of Kingfisher Trading Company Pvt. Ltd. & Dollex Capital & Finance Pvt. Ltd.)	00166667	
14.	Ayush Rameshwar Gaur (Director of Dollex Capital & Finance Pvt. Ltd.)	00082145	
15.	Adore Merchantile Company Pvt. Ltd.	AAFCA5699H	3,00,000/-

16.	Yogendra Janardhan Bangera (Director of Adore Merchantile Company Pvt. Ltd.)	00459818	(jointly & severally)
17.	Ashok Sakharam Pilke (Director of Adore Merchantile Company Pvt. Ltd.)	00017894	
18.	Akhila Mercantie Pvt. Ltd.	AAGCA6077J	4,00,000/- (jointly & severally)
19.	Meghana Mercantie Pvt. Ltd.	AAFCM2750F	
20.	Robosoft Trading Co. Pvt. Ltd.	AACCR9863K	
21.	Dayanand Chandapa Holkar (Director of Akhila Mercantie Pvt. Ltd., Meghana Mercantie Pvt. Ltd. & Robosoft Trading Co. Pvt. Ltd.)	00361544	
22.	Prabhakar Dattaram Kudaskar (Director of Akhila Mercantie Pvt. Ltd., Meghana Mercantie Pvt. Ltd. & Robosoft Trading Co. Pvt. Ltd.)	00303892	
23.	Rita Deepak Negandhi	AETPN2046J	1,00,000/-
24.	Manjula M Doshi	AMZPD7424L	1,00,000/-
25.	Vitesh B Shah	AQFPS0836F	2,00,000/-
26.	Dinesh V Makwana	ANOPM9543M	2,00,000/-
27.	Rama N Raval	AKBPR8550R	1,00,000/-
28.	Parag B Mehta	ANCPM8699L	1,00,000/-
29.	Rahul H Jain	AIOPJ9425A	2,00,000/-
30.	Sonal H Desai	ABQPD8951N	2,00,000/-
31.	Fotosoft Multimedia Pvt. Ltd.	AAACF1497M	3,00,000/- (jointly & severally)
32.	Balkrishna Amritlal Oza (Director of Fotosoft Multimedia Pvt. Ltd.)	01730273	
33.	Dinesh Rathod HUF	AAFHD1015F	1,00,000/-
34.	Waterbase Mercantile Company Pvt. Ltd.	AAACW5073A	2,00,000/- (jointly & severally)
35.	Satyendrakumar Ramshankar Pandey (Director of Waterbase Mercantile Company Pvt. Ltd.)	00118134	
36.	Niranjani Satyendrakumar Pandey (Director of Waterbase Mercantile Company Pvt. Ltd.)	00667321	
37.	Anushi A Shah	CBAPS5104G	1,00,000/-
38.	Sterjet Trading Company Pvt. Ltd.	AAJCS5512K	3,00,000/- (jointly & severally)
39.	Janibabu Ahmadkhan Chauhan (Director of Sterjet Trading Company Pvt. Ltd.)	02099637	
40.	Kamlesh Premraj Borse (Director of Sterjet Trading Company Pvt. Ltd.)	02100292	
41.	Manish Buta HUF	AQFPS0836F	1,00,000/-

42.	Ankit B Mehta	ALCPM8512E	2,00,000/-
43.	Charu Multitrade Pvt. Ltd.	AADCC1953C	2,00,000/- (jointly & severally)
44.	Sandip Gunaji Jadhav (Director of Charu Multitrade Pvt. Ltd.)	01937137	
45.	Ankit Bhupendra Mehta (Director of Charu Multitrade Pvt. Ltd.)	02297716	
46.	Francisca Investment Pvt. Ltd.	AAACF5670Q	2,00,000/- (jointly & severally)
47.	Vasantbhai Nathabhai Patel (Director of Francisca Investment Pvt. Ltd.)	00557930	
48.	Prem Shivbaran Vishwakarma (Director of Francisca Investment Pvt. Ltd.)	00528583	
49.	Prakash Devaka Kalke (Director of Francisca Investment Pvt. Ltd.)	02525343	

I am of the view that the said penalty is commensurate with the violations committed by the Noticees.

PENALTY PAYMENT OPTIONS

81. The amount of penalty(ies) shall be paid either by way of demand draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or by online payment through following path at SEBI website www.sebi.gov.in ENFORCEMENT → Orders → Orders of AO → Click on PAY NOW or at link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

82. The said demand draft and its details or details of online payments made (in the format as given in table below) should be forwarded to "The Division Chief (Enforcement Department-1-DRA-3), the Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051."

1. Case Name :	
2. Name of Payee :	
3. Date of Payment:	

4. Amount Paid :	
5. Transaction No. :	
6. Bank Details in which payment is made :	
7. Payment is made for : (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details)	

83. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated 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.

84. In terms of Rule 6 of the Adjudication Rules, 1995, copy of this Order is sent to the Noticees and also to the Securities and Exchange Board of India.

Date : January 31, 2022
Place : Mumbai

Vijayant Kumar Verma
Adjudicating Officer