BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/KS/AE/2021-22//14895-14908]

UNDER SECTION 15 I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995 AND UNDER SECTION 23-I OF SECURITIES CONTRACTS (REGULATION) ACT, 1956 READ WITH RULE 5 OF SECURITIES CONTRACTS (REGULATION) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 2005

In respect of:

Noticee No.	Noticee	PAN
1	Sumeet Industries Limited	AAECS2257A
2	Shankar Somani	ABNPS7087D
3	Rajkumar Somani	ACIPS4806L
4	Sumeet Kumar Somani	ANPPS3016A
5	Bajranglal Somani	ABNPS7085B
6	Mahesh Kumar Somani	ABNPS7084A
7	Somani Overseas Pvt. Ltd.	AAECS2257A
8	Sumeet Menthol Pvt. Ltd.	AABCM9702F
9	Sumeet Silk Processors Pvt. Ltd.	AADCS3516M
10	Sitaram Prints Pvt. Ltd.	AAECS2255C
11	Ambaji Syntex Pvt. Ltd.	AABCA9728K
12	Urmila Sunder	ABIPS4331F
13	Ganga Somani	ABNPS7081F
14	Sumandevi Somani	ACIPS4869H

(hereinafter collectively referred to as “Noticees”)

In the matter of Sumeet Industries Ltd

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") carried out an investigation into the suspected price and volume manipulation in the scrip of Sumeet Industries Ltd. (hereinafter referred to as "**the Company**" or "**SIL**") for the period October 1, 2006 to March 12, 2007 (hereinafter referred to as "**Investigation Period**"). Based on investigation, it was alleged that Noticee 1 to 6 have violated provisions of Regulations 3 (a),(b),(c),(d) and 4(1) 4(2)(a),(d),(e),(f) and (r) 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**"), as applicable, read with Section 12A(a),(b) & (c) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") and Clause 35 of the Listing Agreement read with SEBI Circular no. SEBI/CFD/DIL/LA/2006/13/4 dated April 13,2006 and Section 21 of the Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as "**SCRA**"). Further, Noticee 7 to 14 are alleged to have violated the provisions of Regulations 3 (a),(b),(c),(d) and 4(1) of PFUTP Regulations read with Section 12A(a),(b) & (c) of the SEBI Act.

2. Initially, Shri Parag Basu was appointed as Adjudicating Officer (AO), vide order dated March 29, 2011 under section 15-1 of SEBI Act, read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**SEBI Adjudication Rules**") and Section 23-I of the SCRA and Rule 3 of Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter referred to as "**SCR Adjudication Rules**"), Section 19 of the SEBI Act to inquire into and adjudge the aforesaid alleged violations. Pursuant to the transfer of Shri Parag Basu, Shri D Ravi Kumar was appointed as the Adjudicating Officer vide Communique dated August 16, 2012. After perusal of facts and evidences, Shri D Ravi Kumar, CGM & AO passed an Adjudication Order dated February 20, 2014 which was challenged by Noticees in Hon'ble Securities Appellate Tribunal (hereinafter referred as "**SAT**") in Appeal Nos. 113 to 116 of 2014. Hon'ble SAT, vide order dated June 30, 2016 held that -

   "4. In the impugned order, the AO has not discussed the basis on which the quantum of penalty has been fixed on each individual. Since the basis for determining the quantum of penalty on each appellant is not set out in the

impugned order, it is not possible to answer the question as to whether the penalty imposed is commensurate with the violations committed by each appellant.

5. Apart from the above, since the decision of the WTM of SEBI in relation to the quantum of illegal gains made by each appellant is set aside and restored for fresh decision, in our opinion, it would be just and proper to quash and set aside the impugned order passed by the AO and restore the matter for fresh decision on merits and in accordance with law."

3. Thereafter the present adjudication proceedings has been initiated by SEBI to inquire and adjudge the alleged violations of the aforesaid provisions by the Noticees.

APPOINTMENT OF ADJUDICATING OFFICER

4. The undersigned has been appointed as Adjudicating Officer vide communiqué dated April 10, 2018 and revised communique dated August 21, 2018 under section 15-1 of SEBI Act, read with Rule 3 of SEBI Adjudication Rules and Section 23-I of the SCRA and Rule 3 of SCR Adjudication Rules to inquire into and adjudge the aforesaid alleged violations.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

5. Show Cause Notices (hereinafter referred to as "**SCN**") dated August 28, 2018 as per the details below were issued to the Noticees under Rule 4(1) of the SEBI Adjudication Rules and Rule 4(1) of the SCR Adjudication Rules calling upon to show cause as to why an inquiry should not be initiated against them and why penalty, if any, should not be imposed on the Noticees in terms of the provisions of Section 15HA of the SEBI Act and/or Section23E read with Section 21of the SCRA, as applicable.

Noticee	**Details of SCN**
(i) Sumeet Industries Limited (ii) Shankar Somani (iii) Rajkumar Somani (iv) Sumeet Kumar Somani	SCN ref. no. A&E/EAD-8/KS/VB/23879/2018 dated August 28, 2018

Noticee	Details of SCN
(v) Bajranglal Somani (vi) Mahesh Kumar Somani	
(vii) Sumandevi Somani	SCN ref. no. A&E/EAD-8/KS/VB/24118/2018 dated August 28, 2018
(viii) Urmila Somani	SCN ref. no. A&E/EAD-8/KS/VB/24117/2018 dated August 28, 2018
(ix) Ganga Somani	SCN ref. no. A&E/EAD-8/KS/VB/24120/2018 dated August 28, 2018
(x) Ambaji Syntex Pvt Ltd	SCN ref. no. A&E/EAD-8/KS/VB/24115/2018 dated August 28, 2018
(xi) Somani Overseas Pvt Ltd	SCN ref. no. A&E/EAD-8/KS/VB/24114/2018 dated August 28, 2018
(xii) Sumeet Methanol Pvt Ltd	SCN ref. no. A&E/EAD-8/KS/VB/24121/2018 dated August 28, 2018
(xiii) Sumeet Silk Processors Pvt Ltd	SCN ref. no. A&E/EAD-8/KS/VB/24116/2018 dated August 28, 2018
(xiv) Sitaram Prints Pvt Ltd	SCN ref. no. A&E/EAD-8/KS/VB/24119/2018 dated August 28, 2018

6. The details in respect of violations by the Noticees as alleged in the SCN are as given below:-

   1. *An investigation was conducted into the trading of the scrip of SIL. The scrip of SIL is listed on BSE. The investigation was conducted from October 1, 2006 to March 12, 2007 (hereinafter referred to as investigation period). It was observed that the price of scrip increased from Rs. 4.81 (opening price on December 05, 2006) to Rs. 34.25 (opening price on February 21, 2007) along with volume spurt. The details of price volume data of SIL on BSE during the investigation period is as under:*

Open (Rs.)	High (Rs.)	Low (Rs.)	Close (Rs.)	Volume (Shares)
4.33 03-0ct-2006	34.25 21-Feb-2007	4.25 3-Oct-2006	26.30 12-Mar-2007	60286910

2. *It is observed that during the period from December 05, 2006 to February 21, 2007 the price of the scrip of SIL increased in 52 trading sessions from Rs. 4.81 on December 05, 2006 to Rs. 34.25 on February 21, 2007 (a rise of 612%) along with volume spurt when the scrip was traded with an average volume of 978304 shares.*

3. *The findings of the investigation relevant to Noticees are as under; it is alleged that:*

A. Allegation with regard to corporate announcements:

I. SIL made eighteen corporate announcements during the period of investigation, the summary of which is as under:

Sr. No.	Date of Corporate Announcements	Time	Subject matter
1	December 11, 2006	2:32:00 PM	Company to switch over from Coal Based Power Plant to Gas based Power Plant. Equipment already finalized and new power plant to be operational in 1st quarter of next financial year.
2	December 13,2006	10:35:39 AM	Board Meeting on 19.12.06 to consider Interim Dividend and Record Date for Interim Dividend
3	December 19,2006	10:42:58AM	Interim dividend approved @10%
4	December 20, 2006	10:44:48 AM	Record date for payment of interim dividend fixed as January 4, 4007.
5	December 28, 2006	9:51:22 AM	Board Meeting on 05.01 07 to discuss and approve a change in Object Clause to include Infrastructure and Real Estate business; Sale, Purchase, Manufacture of allied activities related to menthol products and to take note of the Land bank measuring about 1 lakh Sq. Meters of the Company and to consider the resources for its commercial development
6	**January 8, 2007**	**9:53:03AM**	**Board Meeting on 16.01.07 to consider the preferential allotment of shares to Promoters and their associates at a rate of Rs 25 to Rs 30 per share.**
7	January 8, 2007	10:05:12AM	The BOD in the meeting held on 05.01.07 has decided to change the main object clause of the MOA of the company as above, subject to approval of shareholders in the EGM through Postal Ballot.

8	**January 16,2007**	**11:55:59 AM**	**The BOD in the meeting held on 16.01.07 has approved the allotment of maximum shares 25 lacs on preferential basis to Promoter and their Associates at a rate of Rs 30 per share or as per the price as may be decided as per guidelines for preferential issue of shares.**
9	January 22, 2007	10:33:26AM	The BOD in the meeting held on 22.01.07 has declared 10% dividend for the FY 2006-07,
10	January 24, 2007	9:49:47AM	Board Meeting on 03.02.07 to consider the acquisition of a further 200 acres, of land near its 55 acres land bank in Kandla Port, District Bhuj, Gujarat; a joint venture with a renowned infrastructure Company for development of Industrial Park & Power Generation Plant for captive generation with infrastructure facilities like Power, Water, Road etc and amalgamation of other group companies with the company.
11	**February 5, 2007**	**11:26:23 AM**	**Sumeet Industries Ltd has informed BSE that the Board of Directors of the Company at its meeting held on February 03, 2007, has considered the following business: 1. The Board acknowledged the importance of its land bank of 55 acres near Kandla Sea Port, District Bhuj, Gujarat.** **2. The Board has approved further acquisition of land of 200 acres in adjoining area.** **3. The Board has further approved the Joint Venture with leading development and infrastructure Company M/s. Vishvas Infrastructure Ltd (Formerly known as Mefcom Agro Industries Ltd) for acquisition and development of above mention land. Development of land would include industrial park, power generation plant for captive consumption, road and telecom infrastructure, building interiors etc.**

			4.The Company has approved amalgamation of its group Company M/s. Somani Overseas Ltd, Sitaram Prints Pvt Ltd & Mahesh Text u risers Pvt Ltd.
12	February 12, 2007	12:23:03PM	Board Meeting on 19.02.07 to consider the expansion of its Polyester POY spinning capacity from existing 12000 Tons per annum to 56000 Tons per Annum by setting up 10 more lines of Polyester POY spinning plant with annual installed capacity of 44000 Tons and to install a Continuous Poly condensation Plant (C P Plant) with a capacity of 56000 Tons per Annum to enable the company to produce Polyester POY from PTA, MEG
13	February 19, 2007	11:21:58 AM	Sumeet Industries Ltd has informed BSE that the Board of Directors of the Company at its meeting held on February 19, 2007 has discussed and approved the following Expansion Plan. 1. Expansion: Expansion of its Polyester POY spinning capacity from existing 12000 Tons per annum to 56000 Tons per Annum by setting up 10 More lines of Polyester POY spinning plant with annual installed capacity of 44000 Tons. 2. Backward Integration: To Install Continuous Poly condensation Plant {C P Plant) with a capacity of 56000 Tons per Annum. That will enable the Company to produce Polyester POY from PTA.MEG. 3. To Raise fund through IPO/Pref. Allotment to Strategic Investor, FII, HNI etc. Subject to approval of Shareholder.
14	February 20, 2007	10:14:57AM	Board Meeting on 27.02.07 to consider Issue of Equity Shares to M/s. Bennett Coleman & Co. Ltd (Times of India Group) and M/s. Vishvas Infrastructure Ltd on preferential basis at a price Rs 30.00 per share or that may be decided as per SEBI (DIP) guidelines which ever is higher.
15	**February 27,2007**	**10:01:13AM**	**The Board of Directors has approved Issue of Shares worth Rs 20 Million on preferential basis to M/s.**

			Bennett Coleman & Co. Ltd (Times of India Group) and 2,50,000 Shares to M/s. Vishvas Infrastructure Ltd at price of Rs 30/- per share or as per guidelines for preferential issues issued by SEBI. **The Board of Directors has approved to increase Authorised Share Capital from 250 Million to 290 Million.** **The Board of Directors has also decided to convene an Extra Ordinary General Meeting on March 31, 2007 to obtain consent for the above mentioned matter.**
16	February 27, 2007	10:44:55AM	Board Meeting on 05.03.07 to consider the issue of bonus shares and to finalise the venue and time of the EGM scheduled to be held on 31.03.07.
17	March 5, 2007	4:40:48 PM	The Board of Directors of the Company at its meeting held on March 05, 2007, has decided to issue "Bonus Share" at the ratio 1:10 (One equity share for every Ten equity share held by the shareholder).
18	March 9, 2007	6:56:15 PM	EGM to be held on 31.03.07

II. Out of aforesaid eighteen corporate announcements following announcements were not implemented by SIL, details of which are as under:

(a) Preferential allotment to promoters-

- On January 8, 2007 SIL has informed to BSE that there would be Board meeting on January 16, 2007 to consider the preferential allotment of shares to promoters and their associates at the rate of Rs 25 to Rs. 30 per share. On January 8, 2007, the scrip opened at Rs. 18.90 (3.9% higher than previous closing price- Rs. 18.20) and fell to an intra day low of Rs. 18.20, before closing at Rs. 19.10. Total traded volume on January 8, 2007-1177191 shares (previous day's volume- 974240 shares).

- On January 16, 2007 the scrip opened at Rs. 18.95 (5% higher than previous closing price- Rs. 18.05) and touched an intra day low of Rs. 18.25, before closing at Rs. 18.95. The price at 11:53 a.m. was Rs.

18.95. Total traded volume on January 16, 2007- 325390 shares (previous day's volume- 275067 shares).

- SIL vide letter dated Nil received on May 19, 2009 (Annexure-E) to SEBI has submitted that it did not come out with the preferential allotment of 25 lakh shares to Promoters and their associates, which was proposed by the Board on January 16, 2007 and subsequently approved in the Extra Ordinary General Meeting held on March 21, 2007, due to the long delay which was being faced in complying with the procedural formalities and the company had envisaged its plan to go for rights issue. However, upon perusal of the correspondence with BSE submitted by SIL in this regard, it is noted from the BSE letter dated April 11, 2007 (Annexure-F) that SIL did not receive the in-principle approval from BSE for the said allotment due to submission of incomplete information. BSE also advised SIL to approach the Exchange fresh after complying with Clause 13.4.3 of SEBI (DIP) Guidelines. It is observed from the BSE website that SIL has made another corporate announcement on April 30, 2007 regarding the Board Meeting held on April 28, 2007, stating inter-alia, "the Board of Directors has decided to make Preferential Allotment of Shares to relatives and associates of promoters and / or Strategic Investors @ Rs 20/- per shares or price that may be decided as per SEBI Guidelines whichever is higher". However, no announcement was made to the public regarding the company's decision of not coming out with the preferential issue.

(b) Further acquisition of land in Bhuj-

- On February 5, 2007 SIL informed to BSE that the Board of Directors of the Company at its meeting held on February 03, 2007, had considered the following business:

  - The Board acknowledged the importance of its land bank of 55 acres near Kandla Sea Port, District Bhuj, Gujarat.

- The Board has approved further acquisition of land of 200 acres in adjoining area.

- The Board has further approved the Joint Venture with leading development and infrastructure Company M/s. Vishvas Infrastructure Ltd (Formerly known as Mefcom Agro Industries Ltd) for acquisition and development of abovementioned land. Development of land would include industrial park, power generation plant for captive consumption, road and telecom infrastructure, building interiors, etc.

- SIL approved amalgamation of its group Company M/s. Somani Overseas Ltd, Sitaram Prints Pvt Ltd & Mahesh Texturisers Pvt Ltd.

- With regard to the aforesaid corporate announcement made on February 5, 2007, SIL submitted that it is in search of land and discussion with land owners is in progress but not yet finalized. Letter dated June 03, 2009 (Annexure-G) was issued by SEBI asking it to provide a copy of all correspondence with the land owners with whom it was in discussion for acquisition of such land. SIL, in its reply dated June 08, 2009(Annexure-H) submitted that only oral discussion had been going on so far with the land owners and when final negotiation would be completed/ settled as per the company's terms, they would submit the papers of agreements.

- With regard to announcement of joint venture with Vishvas Infrastructure Ltd. SIL stated that the same was withdrawn due to unviability of the project and did not provide any further details. In the aforesaid letter dated June 03,2009, SEBI sought the reason for withdrawal of the joint venture, date of withdrawal and whether the public was informed of the same. It was submitted by SIL vide letter dated June 08,2009 that the implementation of the project under the Joint Venture was fully based on further acquisition and development of land at Bhuj and the said land has not yet been acquired, due to which the proposal has not yet materialized and has been put on hold. The company is in search of further acquisition of land in nearby areas of existing land at Bhuj and discussion with land owners is in process but not yet finalized. As soon as the negotiation with land owners is complete, the proposed project will be reconsidered.

- With regard to the announcement of the scheme of amalgamation of group companies SIL stated that the scheme of amalgamation had been withdrawn and did not give any further information. In the aforesaid letter dated June 03,2009, SEBI sought reason for withdrawal of the scheme, date of withdrawal and whether the same was informed to the public. SIL in its reply dated June 08,2009 has stated that the scheme had been withdrawn for the time being and put on hold and the process of amalgamation will be resumed again by it at the right time.

(c) Preferential allotment of shares to M/s Bennett Coleman and Co. Ltd. and M/s Vishwas Infrastructure Ltd.-

- On February 27, 2007 SIL informed BSE that the Board of Directors has approved issue of shares worth Rs 20 Million on preferential basis to M/s. Bennett Coleman & Co. Ltd (Times of India Group) and 2,50,000 shares to M/s. Vishvas Infrastructure Ltd at a price of Rs 30/- per share or as per guidelines for preferential issues issued by SEBI. The Board of Directors had approved to increase Authorised Share Capital from Rs.250 Million to Rs. 290 Million. The Board of Directors has also decided to convene an Extra Ordinary General Meeting on March 31, 2007 to obtain consent for the above mentioned matter.

- On February 27, 2007 the scrip opened at Rs. 28.00 (4.08% higher than previous closing price- Rs. 26.90) and fell to an intra day low of Rs. 26, before closing at Rs. 28.20. The price at 9:59 a.m. was Rs. 28.2. Total traded volume on February 27, 2007- 331489 shares (previous day's volume- 457960 shares)

- From the documents available on record, it is noted that the said allotment to Bennett Coleman and Co. Ltd. was made and trading permission was also received from the BSE with regard to the said issue. However, in connection with the issue of shares to Vishwas Infrastructure Ltd., it is observed from the correspondence with BSE submitted by SIL that though in-principal approval for the issue and allotment of the said shares was received from the BSE, listing of the said issue was not approved by BSE. As per the information provided by BSE, the matter of allotment of 917000 equity shares by SIL to M/s. Bennett Coleman & Co. Ltd (Times of India Group) and Mefcom Agro Industries Ltd. was placed before the Internal Committee of BSE in its meetings held on 28th June 2007 and 25th July 2007 due to its non-compliance with the provisions of chapter XIII of the SEBI (DIP) Guidelines. The Internal Committee of BSE was informed that the allottee, M/s Mefcom Agro Industries Ltd. had sold 5000 equity shares of the company after the relevant date but before the allotment of 250000 equity shares by the company, which was not in compliance with the provisions of chapter XIII of the SEBI (DIP) Guidelines, 2000. SIL submitted to the committee that it was not aware of any such transaction by the allottee, and agreed to cancel the allotment of shares to M/s Mefcom Agro Industries Ltd and further requested the committee to consider only the listing application of 6,67,000 equity shares allotted to M/s Bennett Coleman & Co. Ltd. In view of the above, BSE permitted listing of only 6,67,000 equity shares, allotted to M/s. Bennett Coleman & Co. Ltd.

Therefore, it is alleged that SIL made misleading announcements pertaining to preferential issue, joint venture with Vishvas Infrastructure Ltd, scheme of amalgamation during the investigation period to influence the price of the scrip so that promoter group entities could reduce their holdings

B. Allegation with regard to manipulation of Order book:

Analysis of Trade log and Order log:

I. During the Investigation period 6,02,86,910 shares were traded on BSE.

II. It was observed from the trade log that top 10 brokers bought 38318797 shares (63.56% of total traded volume during the investigation period) and sold 35959620 shares (59.55% of total traded volume during the investigation period). Trading details of top 10 brokers (buy & sell) is enclosed as Annexure-I.

III. The top buying and selling broker was SIC Stocks and Services Pvt. Ltd. (hereinafter referred to as SIC). The details of trading of SIC during the investigation period are as under:

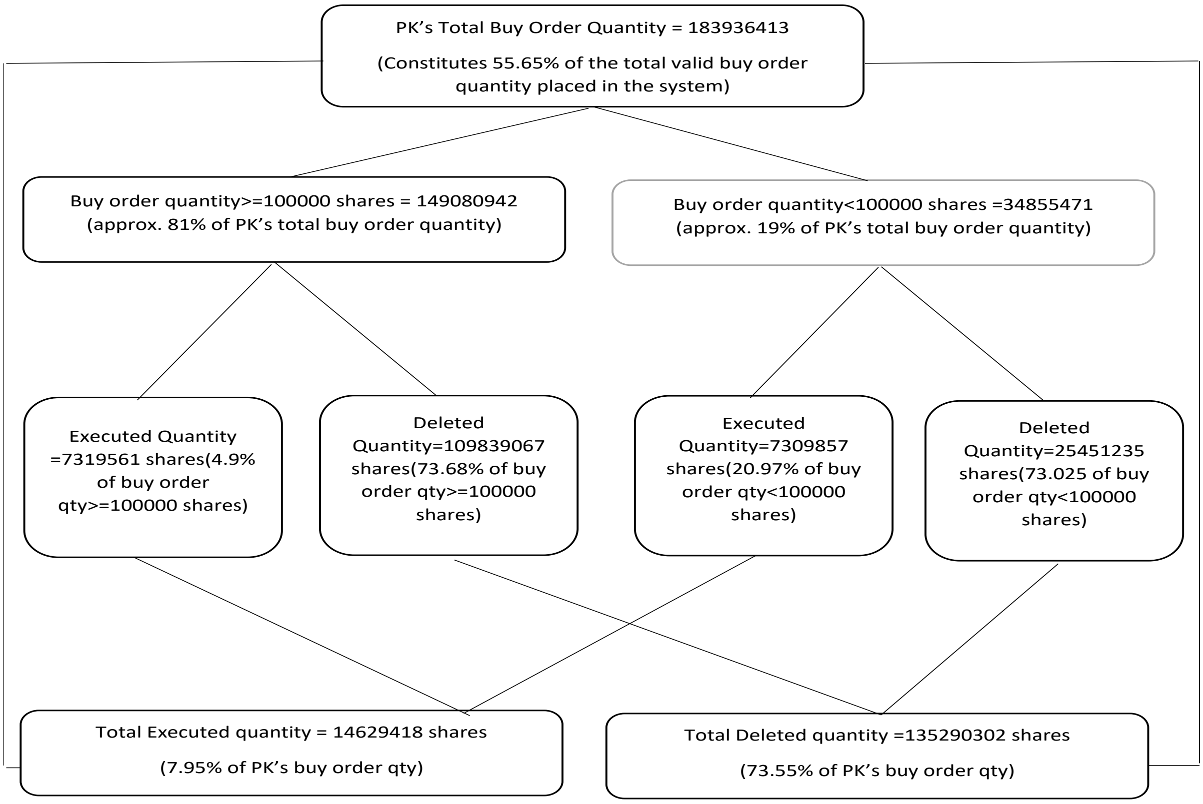
Sr. No	Member	Clients	Gross Purchase (Qty)	%	Gross Sell (Qty)	%	Net (Qty)
1	SIC Stocks and Services Pvt. Ltd.	Purshottam Khandelwal	14629418	24.27	14262634	23.66	366784

Sr. No	Member	Clients	Gross Purchase (Qty)	%	Gross Sell (Qty)	%	Net (Qty)
		Shilpi Modi	1622656	2.69	1572652	2.61	50004
		Vishwas Securities (Vijay Mehta)	6945	0.01	13890	0.02	-6945
		Other	2100	0.00	697	0.00	1403
	Total		16261119	26.97	15849873	26.29	411246

IV. During the investigation period total buy orders for 33,05,36,616 shares constituting 100% valid buy orders quantity in market and sell orders for 10,73,20,274 shares constituting 100% valid sell orders quantity in market were placed.

V. Out of 33,05,36,616 shares, SIC has placed buy orders of 25,60,82,540 shares constituting 77.47% of total valid buy orders quantity in market and placed sell orders of 3,52,03,323 shares constituting 32.80% of total valid sell orders quantity in market.

VI. Out of 25,60,82,540 shares constituting 77.47% of total valid buy orders quantity in market placed by SIC, 18,39,36,413 shares (7540 buy orders) constituting 71.83% of the total valid buy orders placed in the system, out of which 1611 i.e. 21.37% orders (constituting 74% of his order quantity) were deleted and only 7.95% orders got executed by SIC for its client namely Purshottam Khandelwal (hereinafter referred to as PK). Further, about 80% of his buy orders (14,61,80,942 shares) were of quantity greater than 100000 shares, out of which only 4.85% (70,83,070 shares) got executed. The same is represented by way of the following diagram :



VII. With reference to the buy orders placed by PK for quantities of 100000 shares or more (149080942 shares), it is further observed that buy orders for 7,16,45,712 shares (i.e. 48% of 14,90,80,942 shares) were placed at a rate slightly lower than the prevailing market price (i.e. LTP). As already depicted in the diagram above, only 4.9% of such orders (>=100000 shares) were executed and 73.68% were deleted. A table showing an extract of large buy orders (for a total of 7,16,45,712 shares) entered by PK at prices slightly lower than the LTP is presented as **Annexure-J**

VIII. The datewise trading of PK is presented as **Annexure-K**. The datewise bifurcation of buy orders added, updated and deleted by Shri Khandelwal is enclosed as **Annexure-L**. The following table shows a few examples of large buy orders (>100000) entered and deleted within a few minutes by PK on some select dates:

Date	Order No.	ADDED		DELETED	
		Order Time	Quantity	Order Time	Quantity
13.12.06	92200500020190138	11:28:37	125000	11:37:07	123600

Date	Order No.	ADDED		DELETED	
		Order Time	Quantity	Order Time	Quantity
	9220050002019018B	11:37:05	125000	11:42:21	121270
	92200500020190210	11:42:19	125000	12:15:56	121901
	92200500020190221	11:46:05	225000	12:13:24	223301
	92200500020190332	12:13:20	225000	12:17:45	225000
	92200500020190353	12:15:54	125000	12:17:45	124740
	92200500020190401	12:26:44	125000	12:36:39	124500
	92200500020190462	12:40:52	125000	12:46:11	109916
	92200500020190466	12:41:28	125000	12:46:34	125000
	92200500020209462	9:55:54	201020	12:06:26	500000
24.1.07	92200500020209489	10:00:38	125000	10:06:34	125000
	92200500020209528	10:06:31	125000	10:22:55	123250
	92200500020209681	10:47:07	200000	12:06:26	200000
	92200500020209683	10:47:25	125000	10:53:43	274281
	92200500020209684	10:47:37	175000	10:53:43	263850
	92200500020209685	10:47:49	200000	10:53:44	270250
	92200500020209686	10:48:06	225000	10:53:44	208300
	92200500020209693	10:50:10	275000	10:53:44	266235
	92200500020209720	10:54:00	225000	11:33:23	212950
	92200500020212757	9:55:30	225000	10:10:18	217000
5.2.07	92200500020212785	10:00:54	125000	10:33:02	120150
	92200500020212830	10:10:16	225000	10:25:50	206077
	92200500020212882	10:25:48	225000	10:35:22	222850
	92200500020212918	10:35:16	500000	10:55:38	300000
	92200500020212963	10:43:27	125000	10:52:29	125000
	92200500020212964	10:43:35	225000	10:51:32	225000
	92200500020212965	10:43:41	325000	10:48:22	325000

IX. Further,1370 trades of PK for 237035 shares (1.62% of his total buy quantity and 1.665 of his total sale quantity) were fictitious trades/ self trades where he was on both the buy side and the sell side. Out of these, 231 trades for 46221 shares were synchronized (where time difference between buy order and sell order was less than 1 minute).It is also observed that all the orders of PK were placed from Terminal 5(Fort Mumbai office) of SIC stock and Services Ltd

X. SIC through PK placed large buy orders at prices lower than the prevailing market price and only fraction of these were executed and bulk of these orders were later deleted showing that there was only intention to create false appearance of volume in the market and he was not a genuine buyer.

Relationship among SIL, SIC(stock broker) and PK

I. SIL has given three cheques for a total amount of Rs. 18,87,073 to SIC while in PK's ledger account, only 1 cheque of value Rs. 6,91,225 was credited by SIC. Further, as per SIC's bank statement, all 3 cheques were credited into its account on 14/2/07. The details of which are as under:

S. no.	Cheque no.	Cheque Date	Amount	Comments
1.	547013	15/01/07	Rs. 691225	Credited into PK's ledger account
2.	547014	5/12/06	Rs. 1157310	Not credited into PK's ledger account
3.	547015	06/12/06	Rs. 38538.38	
	Total		Rs. 18,87,073.38	

II. Out of aforesaid 3 cheques received by SIC from SIL, only 1 was credited into PK's ledger account by broker SIC - thus clearly showing that SIC and PK were, in fact, acting together and while a part of the money went towards funding PK's purchases of SIL shares, the rest was actually consideration paid by SIL to SIC for manipulation of the price and volumes of SIL's scrip.

III. By stating that the payments made to broker SIC were purely in the nature of payments for purchase of shares through the broker, SIL has provided false information to the investigating authority and tried to mislead the investigation.

IV. Summons were sent to SIL seeking clarification in respect of the aforesaid 3 cheques viz. copies of the cheques, details of the counterparty and the purpose of the transactions. SIL has provided copies of the cheques and stated that the counterparty to the transactions was SIC and the purpose of the transactions was "for purchase of shares through stock exchanges". SIL also asked to clarify its relationship with SIC to which it replied that

SIC is related to it as a share broker for dealing in shares through stock exchanges in the normal course of business. Reply of SIL is enclosed as Annexure-M.

V. With regard to its aforesaid submissions information was sought from BSE as to whether SIL was registered as a client of SIC from January 1, 2005 till date. BSE replied stating that as per the details in the UCC database, SIL was registered as a client with SIC on March 1, 2007. Based on the information provided by BSE, SIC was asked to provide the KYC of SIL. SIC replied stating that as per their records, they did not have any such client active in their database. It further stated that the client had not produced the relevant documents to open the account in the stipulated time and the client has never done any trades due to which they are unable to produce any ledger of the said client. It also stated that the aforesaid code was made inactive. In this regard, BSE was asked to inform whether SIL had executed any trades through SIC. BSE confirmed that no trades had been executed by SIL through SIC from January 1, 2006 till date (Annexure-N). Thus it is alleged that SIL provided incorrect information to misled the investigation.

VI. It is alleged that Noticees were connected with promoter group entities as Somani Overseas Ltd., Sumeet Menthol Pvt. Ltd., Sitaram Prints Pvt. Ltd., Ambaji Syntex Pvt. Ltd. as they had the common directors with SIL and individuals Urmila Sunder is wife of Bajranglal Somani, Ganga Somani is wife of Shankar lal Somani and Suman devi Somani is wife of Rajkumar Somani respectively.

Sr. No.	**Entity Name**	**Name of the Directors of Company**	**Broker Name**	**Relation ship with SIL**	**Bought Qty**	**Period of purchase**	**Sold Qty**	**Period of sale**
1	Betex India Ltd.	Mahesh Kumar Somani	Arihant Capital Markets Ltd	Promoter Group company	100000	10.1.07	100000	9.1.07

Sr. No.	Entity Name	Name of the Directors of Company	Broker Name	Relation ship with SIL	Bought Qty	Period of purchase	Sold Qty	Period of sale
		Maneesh Kumar Somani Raj Kumar Somani						
2	Somani Overseas P. Ltd	Susheel Kumar Somani Sumeet Kumar Somani Shankar Lal Somani Bajranglal Somani	Arihant Capital Markets Ltd	Promoter Group company	67950	3.10.06 to 13.10.06	0	14.12.06 to 21.12.06
			Cil Securities Ltd.		0		195000	
3	Shanker Somani		Cil Securities Ltd.	Promoter / Chairman	50000	17.11.06	329250	6.10.06 to 2.2.07
			Arihant Capital Markets Ltd		0		5000	
4	Rajkumar Somani		Arihant Capital Markets Ltd	Promoter /Managig Director	50000	2.11.06	150000	17.11.06 to18.1.07
5	Sumeet Menthol Pvt. Ltd. (formerly Mahesh Texturies Pvt Ltd)	Shankar lal Somani Mahesh Kumar Ltd. Somani	Cil Securities	Promoter Group company	0		600000	15.12.06 to 20,12.06
6	Sumeet Silk Processors Pvt. Ltd	Raj Kumar Somani Ritesh Kumar Somani	Cil Securities Ltd.	Promoter Group company	0		300000	13.12.06 to 20.12.06
7	Sitaram Prints Pvt ltd	Susheel Kumar Somani Ltd. Sumeet Kumar Somani	Cil Securities	Promoter Group company	0		300000	13,12.06 to 9.1.07
8	Ambaji Syntex Pvt ltd	Mahesh Kumar Somani Ltd. Manish Kumar Somani	Cil Securities	Promoter Group company	0		150000	15.12.06 to 21.12.06
9	Urmila Sunder		Cil Securities Ltd.	Wife of Bajranglal Somani	0		250000	2.2.07
10	Bajranglal Somani		Cil Securities Ltd.	Promoter Group/ Director	0		250000	2.2.07
11	Ganga Somani		Cil Securities Ltd.	Wife of Shankarlal Somani	0		250000	6.2.07
12	Sumandevi Somani		Cil Securities Ltd.	Wife of Rajkumar Somani	0		200000	6.2.07
13	Krishna devi Lahoti		Cil Securities Ltd.	Wife of Director of SIL- Shri	70000	8,12.06 to 8.3.07	20000	26.12.06 to 7.3.07

Sr. No.	Entity Name	Name of the Directors of Company	Broker Name	Relation ship with SIL	Bought Qty	Period of purchase	Sold Qty	Period of sale
			Arihant Capital Markets Ltd	Mangilal Lahoti	336535		131535	
	Total				674485		3625785	

VII. During the period of investigation, SIL was making positive corporate announcements, the promoters/ company related entities reduced their holding from 79,78,832 shares (45.84%) in the quarter ended September 2006 to 67,57,677 shares (38.83%) in the quarter ended December 2006 to 49,38,010 shares (28.38%) in the quarter ended March 2007. Between October 3, 2006 and March 8, 2007, the promoter group altogether bought 6,74,485 shares (ranging from 0.75% to 73% of the day's total traded volume and 1.12% of the market volume) in the price range of Rs. 4.4 to Rs. 32.9 and sold 36,25,785 shares (ranging from 0.58% to 44% of the day's total traded volume and 6.01% of the market volume) in the price range of Rs. 4.8 to Rs. 31.35 during the investigation period, through brokers Cil Securities Ltd. and Arihant Capital Markets Ltd (details given in the aforesaid table). The day- wise trading activity of the promoter group is given as **Annexure**-O. Analysis of the trades of the promoters/ company related entities further revealed that PK was counterparty to 1153032 shares (31.80%) of the promoter group sales (amounting to 1.91% of the market volume). Out of the above quantity, trades for 538427 shares (14.85% of promoter group sales and 47% of the promoter group sales to PK) were synchronized i.e. buy and sell orders were placed within one minute of each other. Entity wise details are presented as **Annexure**-P.

VIII. Purshottam Khandelwal Group:

Sr. No.	Entity Name	Broker Name	Connection with other entities of the Group	Connection with the company (SIL)	Bought Qty	Sold Qty
1	Purshottam Khandelw Al	SIC Stock Service Ltd.	Off-market transfer with Sunita Gupta and Mahesh Agarwal	In the scrip of Mefcom Agro Industries Ltd., Purushottam Khandeiwal had entered into off market transaction with Sumeet Industries Ltd.	14629418	14262631
2	ISF Securities Ltd (B.K.Sabh arwal)	Sam Global Securities Ltd.	Entered into off-market transaction with Mahesh Agarwal. No connection observed with Purshottam Khandeiwal		I310I70	1254611
3	Sunita Gupta	Shri Parasram Holdings Pvt. Ltd.	Entered into off market transaction with Purshottam Khandelwal		4022994	3707024

4	Mahesh Agarwal	Eureka Stock And Share Brokers P, Ltd.	Off market Transaction with Purshottam Khandelwal and ISF Securities		100000	355000

Mefcom Group:

Sr. No.	Entity Name	Broker Name	Connection with other entities of the Group	Connection with the company (SIL)	Bought Qty	Sold Qty
1	Master Finlease Ltd (Vljay Jindal)	Integrated Master Securities P. Ltd.	As per the client database of the BSE, address of the entity is "606, Kailash Building, K G Marg, New Delhi" which same as that of the company Mefcom Agro Industries.		2192543	1678103
2	Avisha Credit Capital Ltd.	Sam Global Securities Ltd.			1436524	1249106

Sr. No.	Entity Name	Broker Name	Connection with other entities of the Group	Connection with the company (SIL)	Bought Qty	Sold Qty
3	M/s. Cosmo Corporate Services Ltd. (Rakesh kumar Mishra)	Integrated Master Securities P. Ltd.	As per the client database of the BSE, the telephone number "23739998" which is registered in the name of Vijay Jindal and with new address of the company Mefcom Agro Industries Cosmo Corporate Services entered into off-market transfer with Master Finlease during the investigation period.		1150385	1173401

Sr. No.	Entity Name	Broker Name	Connection with other entities of the Group	Connection with the company (SIL)	Bought Qty	Sold Qty
4	Mefcom Agro Industries Ltd. (Vijay Mehta) now known as Vishvas Infrastructure Ltd.	Mefcom Securities Ltd.	As per the client database of the BSE, address of the entity is "606, Kailash Building, K G Marg, New Delhi"	During the investigation period, SIL had announced a Joint Venture with Mefcom Agro Industries Ltd.	190859	165759
Total					4970311	4266369

Analysis of the trade log reveals that, the major counter party to the total sales by the Promoter group of 36,25,785 shares, were entities of the Purshottam Khandelwal Group (56% of promoter group sales) and Mefcom Group (30% of the promoter group sales). However, analysis of trading of Mefcom group did not reveal any attempt to manipulate the price or volume of the scrip.

It is alleged that Noticee-2 to 4 being Executive directors of SIL were involved not only in day-to-day affairs of the company but also decision making process of SIL. Thus, in view of the above, it is alleged that Noticee 1 to 6 have acted in concert with SIC and PK to manipulate the price and volume of the scrip of SIL so as to enable promoters/directors/company related entities of SIL offload their shares at higher prices. Further, other Noticees along with Promoter group were connected with SIL and its directors as mentioned above. Noticee 7 to 14 along with Promoter group have traded in the scrip of SIL taking advantage of their relationship with SIL and its Executive directors namely Shankar Somani, Raj kumar Somani, Bajranglal Somani and it is alleged that by acting in concert with SIC, PK and directors of SIL, these Noticees along with Promoter group manipulated the price and volume of the scrip of SIL. The details of are as under:

Sr. No.	Entity Name	Name of the Directors of Company	Broker Name	Relationship with SIL	Bought Qty	Period of purchase	Sold Qty	Period of sale
1	Betex India Ltd.	Mahesh Kumar Somani Maneesh Kumar Somani Raj Kumar Somani	Arihant Capital Markets Ltd	Promoter Group company	100000	10.1.07	100000	9.1.07
2	Somani Overseas P. Ltd	Susheel Kumar Somani Sumeet Kumar Somani Shankar Lal Somani Bajranglal Somani	Arihant Capital Markets Ltd	Promoter Group company	67950	3.10.06 to 13.10.06	0	14.12.06 to 21.12.06
			Cil Securities Ltd.		0		195000	
3	Shanker Somani		Cil Securities Ltd.	Promoter / Chairman	50000	17.11.06	329250	6.10.06 to 2.2.07
			Arihant Capital Markets Ltd	0			5000	
4	Rajkumar Somani		Arihant Capital Markets Ltd	Promoter / Managing Director	50000	2.**11**.06	150000	17.11.06 to 18.1.07
			Cil Securities Ltd.	0		395000		
5	Sumeet Menthol Pvt. Ltd. (formerly Mahesh Texturies Pvt Ltd	Shankar lal Somani Mahesh Kumar Somani	Cil Securities Ltd.	Promoter Group company	0		600000	15.12.06 to 20.12.06
6	Sumeet Silk Processors Pvt. Ltd	Raj Kumar Somani Ritesh Kumar Somani	Cil Securities Ltd.	Promoter Group company	0		300000	13.12.06 to 20.12.06
7	Sitaram Prints Pvt ltd	Susheel Kumar Somani Sumeet Kumar Somani	Cil Securities Ltd.	Promoter Group company	0		300000	13.12.06 to 9.1.07
8	Ambaji Syntex Pvt ltd	Mahesh Kumar Somani Manish Kumar Somani	Cil Securities Ltd.	Promoter Group company	0		150000	15.12.06 to 21.12.06
9	Urmila Sunder		Cil Securities Ltd.	Wife of Bajranglal Somani	0		250000	2.2.07
10	Bajranglal Somani		Cil Securities Ltd.	Promoter Group/ Director	0		250000	2.2.07

Sr. No.	Entity Name	Name of the Directors of Company	Broker Name	Relationship with SIL	Bought Qty	Period of purchase	Sold Qty	Period of sale
11	Ganga Somani		Cil Securities Ltd.	Wife of Shankarlal Somani	0		250000	6.2.07
12	Sumandevi Somani		Cil Securities Ltd.	Wife of Rajkumar Somani	0		200000	6.2.07
13	Krishnadevi Lahoti		Cil Securities Ltd.	Wife of Director of SIL-Shri Mangila] Lahoti	70000	8.12.06 to 8.3.07	20000	26.12.06 to 7.3.07
			Arihant Capital Markets Ltd		336535		131535	
Total					674485		3625785	

As can be seen from the above table:

- Somani Overseas P. Ltd bought 67950 shares and sold 195000 shares from December 14, 2006 to December 21, 2006.
- Sumeet Menthol Pvt. Ltd. (one of the Promoter group entity) sold 600000 shares from December 15, 2006 to December 20, 2006.
- Sumeet Silk Processors Pvt. Ltd. (one of the Promoter group entity) sold 300000 shares from December 13, 2006 to December 20, 2006.
- Sitaram Prints Pvt. Ltd. (one of the Promoter group entity) sold 300000 shares from December 13, 2006 to January 9, 2007.
- Ambaji Syntex Pvt. Ltd. (one of the Promoter group entity) sold 150000 shares from December 15, 2006 to December 21, 2006.
- Urmila Sunder (one of the Promoter group entity) sold 250000 shares on February 2, 2007.
- Ganga Somani (one of the Promoter group entity) sold 250000 shares on February 6, 2007.
- Sumandevi Somani (one of the Promoter group entity) sold 200000 shares on February 2, 2007.

It is alleged that Promoter group have benefited from the price manipulation done by SIC and PK in concert with SIL by selling shares in the market during the investigation period. The below table illustrates the profit earned by the Promoter group:

NAME	Sell Qty	Sell Value	Buy Qty	Buy Value	Net Sell Qty	Net Sell Value	Closing price before start of investigation period i.e. 29/09/2006	Profit
SUMEET MENTHOL PRIVATE LIMITED	600000	7219473			600000	7219473	4.34	4615473
RAJKUMAR SITARAM SOMANI	545000	10435350	50000	273341	495000	10162009	4.34	8013709
SHANKARLAL SITARAM SOMANI	334250	6844629	50000	250000	284250	6594629	4.34	5360984
SUMEET PROCESSORS PVTLTD	300000	3823000			300000	3823000	4.34	2521000
SITARAM PRINTS PRIVATE LIMITED	300000	4839000			300000	4839000	4.34	3537000
URMILA SHYAM SUNDER	250000	6287000			250000	6287000	4.34	5202000
GANGA DEVI SOMANI	250000	6437500			250000	6437500	4.34	5352500
BAJRANGLAL SIYARAM SOMANI	250000	6385117			250000	6385117	4.34	5300117
SUMANDEVI MADAN SOMANI	250000	6125978			250000	6125978	4.34	5040978
SOMANI OVERSEAS LTD	**195000**	**2505200**	**67950**	**374119**	**127050**	**2131081**	**4.34**	**1579684**
AMBAJI SYNTEX PVTLTD	150000	1886026			150000	1886026	4.34	1235026
	3424250	**62788273**	**167950**	**897460**	**3256300**	**61890813**	**4.34**	**47758471**

Note - Method adopted to calculate unlawful gains / profit ia as under:

*Sell quantity > Buy quantity during the period, hence, Profits made = Sell Value - [(Buy Value) + (Net Sell Qty*Closing price before start of investigation period)]*

Therefore, in view of the abovementioned reasons, it is alleged that Noticees have violated the provisions of Regulations 3(a),(b),(c),(d) and 4(1), 4(2) (a), (d) (e),(f) and (r) of PFUTP Regulations read with Section 12A(a),(b) &(c) of the SEBI Act, 1992 as applicable.

It is further alleged that Noticee 1 to 6 have made wrong disclosure to the stock exchanges in respect of SIL's group company, M/s Betex India Ltd. As per clause 35 of the listing agreement read with SEBI Circular no. SEB!/CFD/DIL/LA/2006/13/4 dated April 13, 2006 and section 21 of SCRA, a company is required to file certain details [separately, for each class of equity shares/ security] with respect to shareholding pattern with the stock exchange on a quarterly basis, within 21 days from the end of each quarter in the format specified in the agreement.

It is alleged that in the shareholding pattern filed in the exchanges for the quarter ending June 2007 Noticees have shown Betex India Ltd. under the classification "Public" and holding more than 1% of the Total No. of Shares. In the filing of the shareholding pattern for the quarters prior to June 2007, Betex India Ltd. is shown under the classification "Promoter and Promoter Group". It is alleged that Noticees have moved Betex India Ltd. from "Promoter group" to "Public". It is further alleged that Noticees have not provided any clarification for moving Betex India Ltd. from the Promoter Group category to Public category in the June 2007 quarter. Thus, it is alleged that by the act of placing Betex India Ltd. under the classification Public have provided incorrect information which resulted in violation of Clause 35 of the listing agreement read with SEBI Circular no. SEBI/CFD/DIL/LA/2006/13/4 dated April 13, 2006 and section 21 of SCRA.

7. A letter dated September 18, 2018, received from J. Sagar Associates on behalf of Noticee 1 to 6, wherein *inter alia* inspection of documents in the matter was requested. Vide letter dated September 27, 2018, the request for inspection of documents was acceded and the Noticees were advised to address further communication in this regard to the Enforcement Department of SEBI. Subsequently, the inspection of documents in the matter was carried out on December 12, 2018 by Parinam Law Advisors, the authorized representatives of Noticee 1 to 6. From the minutes of the inspection carried out on December 12, 2018, it is noted that the following documents were inspected –

    i. Letter from Sumeet Industries Ltd dated 19th May 2009
    ii. Mail from BSE (Annexure 17)
    iii. Copy of letter from Sumeet Industries Ltd dated 25.02.2011 (Annexure 16)
    iv. Annexure 10a: Datewise trading of Purushottam Khandelwal
    v. Annexure 10b: Breakup of buy orders of Purushottam Khandelwal during the period of investigation
    vi. Annexure 9: Buy Orders placed by Purushottam Khandelwal for quantity>=100000 shares at prices lower than LTP
    vii. Annexure 8A: Daywise trading of promoter group
    viii. Annexure 8B: Entity wise details of synchronized quantity executed between the promoter group and Purushottam Khandelwal
    ix. Copy of letter from BSE India dated 11th April 2007 (Annexure 7)

x. Annexure 3: Price volume data odf the scrip between 1.1.06 to 12.03.07 (on BSE)

xi. Annexure 4: Trading details of Top 10 brokers during investigation period

xii. Copy of letter from SEBI to Sumeet Industries dated June 03, 2009, and Copy of letter from Sumeet Industries Ltd dated 8th June 2009.

8. Vide letter dated December 31, 2018, received from Parinam Law Associates on behalf of Noticee 1 to 6, additional documents were sought and it was inter alia requested that they need access to all the documents in the possession of SEBI in connection with the matter, based on which the present proceedings shall be conducted.

9. Thereafter, vide hearing notice dated December 16, 2019, Noticee 1 to 6 were granted an opportunity of Hearing on January 08, 2020

10. Vide letter dated January 03, 2020, Noticee 1 to 6 through Parinam Law Associates, inter alia submitted that during the inspection conducted on December 12, 2018, only the annexures enclosed to the SCN were provided for inspection. The copy of the letter dated December 31, 2018 was enclosed with the aforesaid letter and requested to direct the Enforcement Department of SEBI to provide all the requisite document in their letter. Further, it was requested that the personal hearing scheduled on January 08, 2020 be adjourned.

11. Further, vide separate letters dated January 03, 2020 and January 22, 2020 received from Parinam Law Associates on behalf of Noticee 7 to 14 inter alia referred to the inspection carried out on behalf of Noticee 1 to 6 and their aforesaid letter dated December 31, 2018 in this regard. Further, in the said letters, letter dated January 03, 2020 which was sent by them on behalf of Noticee 1 to 6 regarding the requirement for the documents sought by them was referred. It was requested that personal hearing be scheduled after the resolution of the impending issues.

12. Vide letter dated February 26, 2020 response was provided to the letters dated January 03, 2020 and January 22, 2020 by the Noticees wherein it was noted that the Noticees had requested for certain additional documents in the matter. In view of the requests of the Noticees, copies of the following documents were provided –

i. Annexures to the investigation report

ii. Letter dated Nil by SIL (filed with SEBI on May 19, 2020)

iii. Letter dated April 23, 2009 by SEBI

iv. Letter dated January 29, 2009 by SIL

v. Letter dated May 13, 2009 by SEBI

vi. Letter dated June 3, 2009 by SEBI

vii. Letter dated February 25, 2011 by SIL

viii. Trade log and order log (in a compact disk)

ix. Letter dated September 11, 2007 by BSE

13. Further, with regard to the request of the Noticees to be provided the policy / basis on which the value of shares had been calculated for arriving at the profit earned by the Noticees, it was clarified that the method by which the profit amount has been calculated has already been provided in the SCN i.e. below the table providing the profits earned by the Noticees. In view of the above, the Noticees were granted a final opportunity to submit reply to the SCN, if any, latest by March 13, 2020.

14. Vide letter dated March 12, 2020, Noticees through Parinam Law Associates (hereinafter referred to as "authorized representatives / AR of the Noticees") have inter alia sought the copy of the policy formulated by SEBI for calculation of alleged profit and certain other documents like letter of offer for rights issue, copy of High Court Petition etc.

15. Vide letter dated June 29, 2020, the Noticees were granted an opportunity of hearing on July 09, 2020. It was also communicated that the Noticees may also indicate if they desired the hearing through videoconferencing, in which case the hearing will be arranged through video conferencing on the scheduled date and time. Vide letter dated July 06, 2020, the Noticees through AR inter alia submitted that since some critical documents were not provided, they had made a request to SEBI vide their letter dated March 12, 2020 and inspection process is yet to conclude. The Noticees further requested for the adjournment of the hearing.

16. From the records, it is noted that vide email dated November 17, 2020, the following was communicated by the Enforcement Department of SEBI to the Noticees –

"*1. This is in respect of your letter dated 12/03/2020 addresses to the Adjudicating Officer, SEBI on behalf of your clients in the subject matter. As per the said letter you have inter alia sought inspection of documents w.r.t. policy formulated by SEBI for calculation of profit in the said matter. In this regard the following may be noted:*

Pursuant to the SAT observation about precise norms for calculating the disgorgement amount, the following criteria is followed with respect to price manipulation:

In case where buy quantity is less than the sell quantity, the profit/loss shall be calculated as under:

(Qty of shares sold during PI x Wt Avg sell price)-[(Qty of shares bought during PI x Wt Avg buy Price) + (Qty of excess shares x opening price of shares on first day of PI)]

Detailed calculation based on the aforesaid norm is attached herewith for your perusal.

2. Additionally, you had requested for copy of letter dated Nil of Sumeet Industries Ltd (received by SEBI on 09/05/2009). Copy of the same is attached herewith."

17. Thereafter, vide email dated January 01, 2021, the Noticees were granted an opportunity of personal hearing on January 18, 2021. Vide email dated January 15, 2021, received from the AR, it was stated that they were responding on behalf of Noticee 1 to 6 and that they will be able to file their response within two weeks and requested that the hearing be scheduled any time after February 01, 2021. Subsequently, vide email dated January 15, 2021, the AR submitted the authority letters of all the 14 Noticees in the matter, authorizing them to appear in the matter. Accordingly, vide email dated January 18, 2021, the Noticees were granted an opportunity of personal hearing on February 02, 2021.Vide letter dated January 29, 2021 (also received through email dated January 31, 2021 from the AR) the Noticees submitted reply to the SCN. Vide the email dated January 31, 2021, the AR stated that there are various documents that the Noticees rely in support of their submissions and that they are in the process of compiling and filing them separately. Further, it was inter alia requested that the personal hearing scheduled on February 02, 2021 be adjourned to any date after three weeks by which time they will have filed the compilation. Subsequently, vide letter dated February 15, 2021 from the AR, the compilation of documents relied upon by the Noticees was submitted.
18. The main contentions made in the reply dated January 29, 2021 by the Noticees are as follows -
    1. *We are responding hereby to the Show Cause Notice issued to: (i) Sumeet Industries Ltd. (ii) Shankar Somani (iii) Rajkumar Somani (iv) Sumeet Kumar Somani (v) Bajranglal Somani (vi) Mahesh Kumar Somani (vii) Sumadevi Somani (viii) Urmila Somani (ix) Ganga Somani (x) Ambaji Syntex Pvt. Ltd. (xi) Somani Overseas Pvt. Ltd. (xii) Sumeet Menthol Pvt. Ltd. (now known as, Siddhipriya Polyfab Pvt Ltd) (xiii) Sumeet Silk Processors Pvt. Ltd. (xiv) Sitaram Prints Pvt*

Limited. For brevity, all these noticees are hereinafter collectively referred to as, "Noticees".

ii. *The SCN has been issued in pursuance to the remand Order dated June 30, 2016 ("SAT Remand Order") in Appeal No. 113 of 2014 wherein the Securities Appellate Tribunal ("SAT") has set aside the impugned order passed by the erstwhile Adjudicating Officer and restored the matter for "fresh decision on merits and in accordance with law ". Consequently, the learned adjudicating officer issued a fresh SCN against the Noticees. At the outset, the Noticees deny all the allegations levelled against them in the SCN and nothing contained therein shall be deemed to be admitted by the Noticees merely on account of non-traverse.*

iii. *It is submitted that it is trite law that where an order is passed by a higher authority remanding a matter, the scope of the proceedings before the authority to whom the matter is remanded is as per the order of remand. In other words, a subordinate authority is bound by the order of a remanding authority. This position has clearly been understood while issuing the present Show Cause Notice on merits. It is urged therefore that the rulings of the Hon'ble SAT in the earlier matter has therefore no bearing on the present case and the matter be reconsidered in its entirety without being influenced by the earlier rulings on merits — as directed by the SAT and correctly read while issuing the SCN.*

iv. *The Noticees refer to and rely upon various documents in support of its submissions herein, a compilation of which is being prepared and filed separately.*

Allegations in the SCN:

v. *The allegations in the SCN pertain to the period between October 1, 2006 and March 12, 2007 ("Investigation Period"). The price of the scrip of SIL has increased in this period.*

vi. *The allegations in the SCN are divided in two parts. Part A deals with allegations relating to some alleged incorrect announcements made by SIL and part B deals with the alleged manipulation of the order book of SIL.*

Part A: Allegations about alleged incorrect announcements:

vii. *There were 18 corporate announcements made by SIL during the relevant period commencing from December 11, 2006 until March 9, 2007. Out of these, three announcements were not implemented. It is alleged that SIL made these three misleading / callous corporate announcements ("Impugned Announcements") with a view allegedly to 'influence the price of the scrip so that the promoter group entities could reduce their holdings'. The Impugned Announcements are announcements dated:*

i. *January 8, 2007 and January 16, 2007 for preferential allotment of shares to promoter and their associates at the rate of Rs. 25 to Rs. 30 per shares.*

ii. *January 24, 2007 and February 05, 2007 relating to Joint Venture with Vishwas Infrastructure Ltd. ("Vishwas") (formerly known as 'Mefcom Agro Industries Ltd. and acquisition of land in Bhuj.*

iii. *January 24, 2007 and February 5, 2007 relating to proposed amalgamations of group companies viz, Somani Overseas Ltd ("SOL"), Sitaram Prints Pvt. Ltd. ("SPPL") and Mahesh Texturisers Pvt. Ltd ("MTPL") with SIL.*

iv. *February 27, 2007 relating to preferential allotment of shares to Bennett Coleman & Co. Ltd. ("Bennett") and Vishwas.*

Part B: Allegations about alleged manipulation ofSIL 's order book:

viii. *It is further alleged that:*

i. *SIC Stocks and Services ("SIC"), a stock broker, had through one Mr. Purshottam Khandelwal (“PK”) placed large buy orders at prices lower than the prevailing market price.*

ii. *Only fraction of these were allegedly executed and bulk of these orders were later deleted.*

iii. *There was therefore allegedly an intention on part of SIC to create false appearance of volume in the market through PK.*

ix. *SIL has given three (3) cheques for a total amount of Rs. 18,87,073/- to SIC. Out of the said three (3) cheques received by SIC from SIL, one (1) was credited to PK's ledger account by broker SIC.*

x. *SIL had clarified that the payments were made to SIC for dealing in shares in the normal course of business. However, it is alleged that SIC and PK were acting together and while a part of the money went towards funding PK's purchases of SIL shares, the rest allegedly was consideration paid by SIL to SIC for manipulation of the price and volumes of the SIL scrip.*

xi. *The BSE had, by email confirmed that SIL was registered with SIC as a client from January 1, 2007 onwards. However, SIC and BSE have stated that no trades were executed by SIC for SIL. It is alleged therefore that SIL had provided incorrect information to mislead the investigation.*

xii. *The promoters/company related entities reduced their holding from 79, 78,832 shares (45.84%) in the quarter ended September 2006 to 67,57,677* *shares (38.83%) in the quarter ended December 2006 to 49,38,010 shares (28.38%) in the quarter ended March 2007.*

xiii. *Between October 3, 2006 and March 8, 2007, the promoter group altogether bought 6,74,485 shares (ranging from 0.75% to 73% of the day's total traded volume and 1.12% of the market volume) in the price range of Rs. 4.4 to Rs. 3.29 and sold 36,25,785 shares (ranging from 0.58% to 44% of the day's total traded volume and 6.01% of the market volume) in the price range of Rs. 4.8 to Rs. 31.35 during the investigation, through brokers CIL Securities Ltd. and Arihant Capital Markets Ltd.*

xiv. *PK was counterparty to 11,53,032 shares (31.80%) of the promoter group sales (amounting to 1.91% of the market volume). Out of the above quantity, trades for 5,38,427 shares (14.85% of promoter group sales and 47% of the promoter group sales to PK) were allegedly synchronized i.e., buy and sell orders were placed within one minute of each other. The major counter party to the total sales by the Promoter Group of 36,25,785 shares, were entities of the PK Group (56% of promoter group sales) and the Mefcom (Vishwas Infrastructure) Group (30% of the promoter group sales).*

xv. *The Noticees have allegedly made wrong disclosures to the stock exchanges in respect of SIL's group company, M/S Betex India Ltd ("Betex"). For the quarter ending June 2007, the Noticees have shown Betex India Ltd. under the classification "Public" and holding more than 1% of the total no. of shares in the filing of the shareholding pattern for the quarters prior to June 2007, Betex India Ltd., is shown under the classification "Promoter and Promoter Group".*

xvi. *The SCN alleges that being the executive directors of SIL, RKS, BS and SS, were involved not only in the day-to-day affairs of the company but also, the decision making process of SIL. Thus, these Noticces have acted in concert with SIC and PK to manipulate the price and volume of the scrip of SIL to enable promoters/directors/company related entities of SIL to offload their shares at higher prices.*

xvii. *In view thereof, SCN alleges that Noticees have violated provisions of Regulations 3(a),(b),(c),(d) and 4(1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations"), read with Section & (c) of the SEBI Act and Clause 35 of the Listing Agreement read with SEBI*

Circular no. SEBI/CFD/DIL/LA/2006/13/4 dated April 13, 2006 and Section 21 of Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as "SCRA").

Submissions:

xviii. *The submissions of the Noticees, in brief, are as under:*

(i) *Two completely independent unconnected acts viz.: (a) making of corporate announcements by SIL in the ordinary course of business, and (b) trading by the promoters and others in the scrip of SIL have sought to be connected to draw adverse inferences against the Noticees.*

(ii) *There were 15 'positive' corporate announcement at the relevant time, none of which are alleged to be incorrect or suspect. The increase in the price was a result inter alia of such announcements and the same cannot be alleged to be only on the three alleged incorrect announcements.*

(iii) *All the announcements, including the Impugned Announcements, that were made by SIL were backed by adequate basis and were not fraudulent or misleading or which the company did not believe to be true.*

(iv) *Announcements made by SIL were either routine disclosures made to the Stock Exchange that are mandatory to be made by as listed company in compliance with the clauses of Listing Agreement viz. holding of board meetings, outcome of board meetings, holding of general meeting of shareholders etc. or were disclosures made to the exchanges about the future plans of SIL.*

(v) *Timing of announcements had nothing to do with the price movements in the SIL scrip and has no correlation with the trading done by other Noticees.*

(vi) *Nothing has been brought on the record to demonstrate any linkage, connection or relationship of SIL and the other Noticees with SIC other than client-broker relationship.*

(vii) *The Noticees have not acted in concert with SIC and PK to manipulate the price and volume of the scrip of SIL. Admittedly, nothing has been brought on record to establish or demonstrate that SIL was acting in concert with SIC or PK.*

Background of SIL:

xix. *The background of SIL is as under:*

(i) *SIL was incorporated on August 1, 1988 as a private limited company under the Companies Act, 1956 and was converted into a public limited company on February 1, 1992.*

(ii) *The Company's area of business activity is primarily textile which includes manufacture, sale and export of textile goods. Over the years the Company has gained acceptability, steadily grown, and expanded manifold.*

(iii) *SIL is law-abiding and has always ensured that it follows best corporate governance practices and good track record in terms of regulatory compliances has been excellent. SIL has always maintained transparency in its business and affairs and has taken care of its shareholder's interest. There is not a single investor complaint pending against it.*

(iv) *Out of the eighteen (18) announcements made by SIL, during the relevant period, only qua three (3) corporate announcements viz. preferential allotment to promoters, acquisition of land at Bhuj, preferential allotment to shares to Bennett and Vishwas allegation of alleged non-implementation is there. No fault has been found with regards to the remaining fifteen (15) corporate announcements. The allegations qua the alleged three (3) corporate announcements are also unfounded for the reasons set out, in detail, in the subsequent paragraphs.*

<u>No correlation between the Impugned Announcements and trading</u>

xx. *It is submitted at the outset that there was no sinister motive or co-relation between the corporate announcements and the trading by the Noticees. There were 15 corporate announcements out of the various announcements during the relevant period which are not impugned. Therefore admittedly, there were genuine announcements in course of the relevant period that were made. These announcements are positive in nature that conveyed to the public the improvement of the financial and business position of SIL. This was one of the major reasons for the increase in the price of the scrip of SIL. These announcements included positive developments such as switching* *over coal based to gas based power plant (decreasing overheads and operational costs) and declaration of bonus by the management. There was therefore a genuine reason for the increase in the price of the scrip of SIL based on improvement of its operations and financial position. Such increase cannot therefore be attributed to the Impugned Announcements or to the alleged fraudulent trading by the Noticees.*

xxi. *Another important aspect is that the timing of the Impugned Announcements. The first Impugned Announcement was on January 8, 2007 (as per the table in paragraph 4 of the SCN). However, as per the table at paragraph (VI) at page 14 of the SCN, majority of the sales were already effected by then. It is pertinent to note that as of January 5, 2007, the price of the scrip of SIL was already Rs. 18.20/- and by January 8, 2007 the promote related entities had already sold 15,26,650 shares. The sale of the shares by the promoters were based therefore on genuine reasons and cannot be attributed to the Impugned Announcements.*

xxii. *Even after the first Impugned Announcement, there were other genuine announcements that were made by SIL that were positive in nature. These include announcements such as increase in the capacity of SIL's plant and issue of bonus shares. There were positive announcements before during and after the Impugned Announcements that lead to a positive outlook for SIL's shares. There was no reason for SIL to have made the Impugned Announcements to influence its share price as there was already a genuine increase of its share price on account of genuine announcements.*

xxiii. *The following will demonstrate that there was no intention on part of the noticees to incorrectly benefit in any manner from the Impugned Announcements:*

a. *The first Impugned Announcement is alleged on January 8, 2007 by which time about 16,71,650 shares were already sold by the Noticees constituting about 49% of the shares sold by them during the relevant period.*

b. *Further during the period between January 8, 2007 and January 22, 2007 i.e. when the first Impugned Announcement was made and the first admitted genuine announcement was made, there were only 6,56,700 shares constituting 19% of the sales by the Noticees was* *effected. Similarly, between February 5, 2007 and February 12, 2007 there were only two sales made.*

c. *About 68% of the sales effected by the Noticees were during a period when the Impugned Announcements were not relevant.*

d. *In fact the highest price at which any sale was made was on the average price of Rs. 25.51 on February 2, 2007 at which point none of the Impugned Announcements were relevant.*

xxiv. *In any case, it cannot be alleged that the Impugned Announcements were not genuine or were made with the intention of influencing the share price of SIL as is apparent from the submissions below.*

Announcements: Preferential allotment of shares

xxv. *These corporate announcements (dated January 8, 2007 and January 16, 2007) refer to the preferential allotment of twenty-five (25) lakh shares to the promoters of SIL. The first announcement (on January 8, 2007) stated that the board of SIL would meet on January 16, 2007. The second announcement on January 16, 2007 disclosed that the Board approved certain proposals at its meeting of the even date.*

xxvi. *The object of the proposed preferential allotment was to fund the company's expansion plans. The end use of the funds raised from the allotment is elaborated in the explanatory notice to the draft resolution for shareholders' approval set out in the Notice for shareholder approval.*

xxvii. *It is respectfully submitted that there was nothing amiss in the Announcements because the Noticees took all necessary steps to implement the preferential allotment which can be observed hereunder:*

(i) *SIL's shareholders passed a resolution under Section 81(1)(A) of the Companies Act, 1956 approving the preferential allotment by way of a postal ballot, the results of which were publicly declared on March 22, 2007.*

(ii) *The Noticees made an application dated April 2, 2007 to the BSE Ltd ("BSE") seeking an in-principle approval for the preferential allotment.*

(iii) *By a letter dated April 1 1, 2007, the BSE pointed out non-conformity in the form of the Explanatory Statement of the preferential allotment and disapproved the preferential allotment.*

(iv) *It was public knowledge under the then applicable law (Clause 13.4.3 of the DIP Guidelines) that failure to complete allotment within fifteen (15)* *days of shareholders' approval would lead to a lapse of the shareholders' resolution and necessitate a fresh approval. Therefore, there was no necessity to make a disclosure that the preferential allotment had not been made. Yet, it is noteworthy that since it was the BSE that called off the preferential allotment, it would have been legitimate to expect that if at all a public disclosure was necessary, the BSE would disseminate its own approval.*

(v) *On April 28, 2007 (Saturday), the proposal to effect a preferential allotment was taken up once again by the Board. The Board resolved to effect a fresh preferential allotment to the promoters.*

(vi) *On April 30, 2007 (Monday), a public disclosure of the Board decision was made. An Extraordinary General Meeting ("EGM") was also scheduled for June 4, 2007 and announced on the same day.*

(vii) *The Notice for the EGM along with the Explanatory Statement was finalized and circulated on May 4, 2007 in full compliance with all disclosure obligations under the DIP Guidelines.*

xxviii. *From the foregoing, it is evident that the announcements had not been made fraudulently and without any intention to implement them. In fact, it cannot even be alleged that the abandonment of the allotment ought to have been disclosed because in any event, the abandonment was apparent in the public domain because of the allotment not having been made within fifteen (15) days of the resolution. The reason for abandoning the allotment was the disapproval by the BSE. By reason of the disapproval, a modified proposal was indeed made and the same was completely brought out in the public domain.*

xxix. *It is pertinent to mention that an announcement relating to preferential allotment to promoters typically brings out the fact that the allotting company badly needs the money and does not expect the market to subscribe to a public issue / rights issue / qualified institutional placement. It would therefore be reasonable to expect that market participants would take it as a negative development rather than a positive development. This too belies the incorrect assumption that the announcements were meant to increase or sustain the increase in price of SIL. Moreover, it is noteworthy that the scrip price increased only by twenty (20) paise on January 08, 2007 and witnessed no change at all on January 16, 2007.*

xxx. *Various steps relating to implementation of the revised preferential allotment ranging from application to the BSE to passing a shareholders' resolution, to making an application dated June 23, 2007 seeking exemption from SEBI under Regulation 4 of the SEBI (Substantial Acquisition of Shares &*

Takeovers) Regulations, 1997 (because the revised allotment plan would have led to acquisition of more than 5% of the post issue capital of SIL within a financial year) were taken which can be observed hereunder:

(i) *An exemption was sought' to exempt SIL from making an open offer consequent to increase in the shareholding of the promoters as a result of the preferential allotment. The Noticees kept following up with BSE and SEBI right up to January 2, 2008 whereby SIL again wrote to SEBI inter alia enquiring about the status of its application.*

(ii) *SEBI by its letter dated February 25, 2008 inter-alia forwarded a copy of Recommendation of the Takeover Panel dated November 22, 2007 in respect of the Application for exemption made by the Noticees, which inter alia observed that:*

"The application for exemption was filed on June 23, 2007 whereas the Shareholder's resolution under section 81 (IA) was passed on June 4, 2007. In terms of clause 13.41 of the SEBI (DIP) Guidelines, 2000, allotment pursuant to any resolution passed at a meeting of shareholders of a company granting consent for preferential issue of any financial instrument shall be completed within a period of 15 days from the date of passing of the resolution, provided that where the allotment on preferential basis is pending on account of pendency of any approval of such allotment by any regulator, authority, or the Central Government, the allotment shall be completed within 15 days from the date of such approval.

The present application was filed on June 23, 2007 i.e., after the expiry of 15 days from the date of the shareholders resolution. In other words, the shareholders resolution had already elapsed on June 19, 2007 and the benefit of the aforesaid proviso to clause 13.4.1 cannot be given, as no application for exemption was filed before the expiry of the said resolution."

(iii) *In light of the recommendations of the Takeover Panel rejecting the application made by the Noticees seeking exemption from the open offer obligations on various counts, and chances of any favourable response from SEBI being exceedingly remote, the Noticees did not find viable to pursue the said application and thus, withdrew the same vide their letter dated February 28, 2008.*

xxxi. *Insofar as the allegation of making no announcement with regard to the Noticees' decision of not coming out with the preferential issue is concerned, it is submitted that the Noticees duly informed the stock exchange regarding its decision of not coming out with the preferential issue. It is a matter of record that the Noticees vide their letter dated February 28, 2008 wrote to BSE withdrawing its application filed with BSE seeking in-principle approval for issue of the said equity shares to promoters on preferential basis. SIL enclosed with the said letter a copy of letter dated February 28, 2008 from its director i.e., Sumeet Kumar Somani (Noticee) addressed to SEBI with a copy marked to SIL, whereby Mr. Sumeet Kumar Somani informed SEBI* *and SIL of his withdrawal of application made to SEB] seeking permission for exemption under the Takeover Regulations, 1997.*

xxxii. *It is important to state that the panel has incorrectly made a reference to the exemption application being allegedly late since it was more than fifteen (15) days after the shareholder's approval. This observation of the panel is wholly unsustainable since the 15-day period would commence only after all requisite statutory approvals are obtained. However, at this point of time, the in-principle approval from BSE was still being processed whilst the application to SEBI had been made. In any case, the timing of the application appeared to be irrelevant to the Takeover Panel since the Panel had in any case decided that preferential allotment should not be exempt.*

xxxiii. *It is pertinent to note that the Noticees at all times kept making earnest efforts to seek preferential allotment of equity shares with the objective of pumping in the funds into SIL for its expansion plans, but consistently kept hitting roadblocks. It was never the intention of any of the Noticees to make announcements and not abide by them.*

xxxiv. *Since the preferential allotment was going nowhere, on January 21, 2008, thc Board approved a rights issue whereby a Notice seeking shareholder approval was issued. It may be noted that at the relevant time the price of the share of SIL was Rs. six (6) per share. The Noticees subscribed to majority (95%) of the rights issue and thereby pumped in funds to the tune of around Rs. Twenty seven (27) crores. The factum of pumping in such funds is evident from the Return of Allotment filed with the Registrar of Companies ("ROC") regarding 'Rights Issue '.*

xxxv. *The aforesaid subscription of shares by the Noticees at a price of Rs. fifteen (15) per share when the market price of the same was actually only Rs. six (6) per share reinforces and fortifies the bonafides of the Noticees and their commitment towards SIL, its endeavours and shareholders.*

xxxvi. *The Noticees worked on drafting the requisite documentation conducting the rights issue and eventually the rights issue letter of offer was filed with SEBI and was approved. As a part of scrutiny of any offer document, SEBI would indeed look at all attendant facts and circumstances. SEBI did not raise any eyebrows over the announcements relating to the preferential allotment that preceded the proposed rights offering.*

xxxvii. *Neither did BSE raise any concerns:*

(i) *On January 17, 2009, when 1,98,72,230 equity shares of Rs. ten (10) per share at a premium of Rs. five (5) per share on rights basis were allotted. The Noticees subscribed to majority of rights and infused funds of Rs. 29.80 Crores into SIL. This is borne out from the Return of Allotment filed with the ROC.*

(ii) *On January 19, 2009, when BSE approved the listing application submitted by the Noticees seeking permission for listing 1,98,72,230 equity shares of Rs. ten (10) per share at a premium of Rs. five (5) per share on rights basis to be dealt in on the exchange. This approval was subject to the Noticees submitting certified copies of letters received from the depositories confirming that in cases where shares are issued in DEMAT form, the beneficiary owners account has been credited with respective rights shares.*

(iii) *On January 21, 2009, when a notice was issued by the BSE to its trading members permitting them to trade in 1,98,72,230 equity shares of SIL (issued pursuant to the rights issue).*

xxxviii. *Any corporate announcement as and when it is made has the potential of affecting the price either ways depending upon the nature of the announcement (positive or negative). Simply because a company has bonafide made a corporate announcement in the ordinary course of business and there is consequent disturbance in the price, the company cannot be hauled up for the same as in the instant case. It may be appreciated that announcements are made by the company in order to ensure transparency and dissemination of information to the public shareholders and investors at large, in consonance with the applicable provisions of the listing agreement. Further, a company does not trade in its own shares and for the price movement in the script consequent to the trading done by others, definitely the company cannot be held accountable and adverse inferences cannot be drawn against it.*

Announcements: Joint Venture with Vishwas

xxxix. *The corporate announcements dated January 24, 2007 and February 5, 2007 disclosed that the existing land bank of 55 acres near Kandla Port, district Bhuj, Gujrat would be augmented with the acquisition of further land of 200 acres in the adjoining area and that a joint venture with Vishwas would be formed for development of the land to create an industrial park, power plant for captive consumption, road and telecom infrastructure, building interiors etc.*

xl. *There was nothing amiss in the Announcements because SIL took all steps to implement the proposal which can be observed hereunder:*

(i) *The project was envisaged to take benefit of the extension of the tax holiday declared by the Government of Gujrat for development of Bhuj from the initial period of five (5) years after the earthquake of 2001.*

(ii) *It is a well-known fact that land acquisition is a complex exercise in India. It is also a fact that in case of land dealings pertaining to purchase of land, the discussions between the intended purchaser, the intended seller and the land brokers / property agents remain almost oral till it arrives at a stage of entering into an agreement or when advance / token amount is deposited. Initially, discussions are had with various sellers to aggregate the land required and then from the aggregators the consolidated contiguous parcels of land are acquired. Towards this end, the Noticees engaged in a detailed exercise of acquiring land. Therefore, when SEBI was given documents to support these facts, they obviously did not name SIL or Vishwas as a party. SEBI has in a single paragraph summarily concluded that SIL did nothing in furtherance of the two announcements.*

(iii) *The Noticees reiterate their submission that the implementation of the project under the joint venture was based on further acquisition and development of land in Bhuj and the same was kept on hold for the question of availability, affordability and feasibility.*

(iv) *Eventually, the project had to be shelved and the joint venture with Vishwas was terminated. This decision was taken at a Board meeting held on April 30, 2013 and was intimated to the public forthwith.*

(v) *It is noteworthy that SEBI's queries on the subject and the Bhuj project had started being received by the Noticees way back in the year 2011. If the Noticees desired to cover their tracks with a fake cancellation of a fake unintended project, it could have done so even before the Show Cause Notice dated September 30, 2011 ("previous SCN") was issued, having gotten wind of the enquiries on these facts. The Old SCN was issued on September 30, 2011 whereas the project was eventually shelved only on April 30, 2013. Thus, this is evident of the fact that the Noticees were still in deliberations and talks with Vishwas and several other land brokers trying to work out the project and assessing its feasibility. The intentions of the Noticees for implementation of the corporate announcement was thus noble and not done to artificially inflate the script of SIL.*

xli. *It must also be mentioned that, the reply to the previous SCN (issued by AO) was made on March 15, 2013 which was well before April 30, 2013 i.e., when the Board decided to shelve the project. It is, therefore, untenable, fallacious and unsustainable to hold that the corporate announcement made by SIL and the other Noticees was misleading and done to influence the price of the scrip.*

<u>Announcements: Proposed amalgamations of group companies with SIL</u>

xlii. *These announcements pertain to the proposed amalgamation of group companies with SIL. The first announcement on January 24, 2007 stated that the Board would meet on February 05, 2007. The second announcement on February 05, 2007 disclosed that the Board approved the proposals at its meeting on the same date. The amalgamation of group companies M/S. Somani Overseas Ltd., M/S. Sitaram Prints Pvt. Ltd. and Mahesh Texturisers Pvt. Ltd. would have been a related party scheme of arrangement whereby companies owned and controlled by the promoters would have been merged with SIL- the listed Company. Such mergers would necessarily and inexorably increase the stake of promoters and dilute the public shareholders. It goes without saying that news about such schemes in general can only be perceived as adverse to the interest of the listed company and the public shareholders which could in turn only lead to a negative impact on the market price. Therefore, to allege that this announcement was aimed at manipulating (increasing) the share price upwards would be untenable.*

xliii. *There was nothing amiss because:*

(i) *On February 14, 2007, the BSE wrote to SIL that it ought not to take any action in terms of the proposal to make a scheme without a 'No-Objection' certificate from the BSE. SIL was pursuing the proposed idea of the amalgamation as an integral element of all decisions taken on that day namely, the land acquisition proposal, the project development proposal and the jointventure with Vishwas. None of these eventually materialized but they were inextricably linked to the Bhuj project. Therefore, it would be fallacious to allege that the Noticees had no intention at all to implement a scheme of amalgamation.*

(ii) *The decision to shelve the proposed amalgamation was taken at a Board meeting on April 30, 2013 and was intimated to the public forthwith.*

(iii)*It is noteworthy that SEBI's queries on the subject had started being received by the Noticees way back in the year 2011. If the Noticees desired to cover their tracks with a fake shelving of a fake unintended amalgamation, they could have done so even before the previous SCN was issued, having gotten wind of the enquiries on these facts. The previous SCN was issued on September 30, 2011 whereas the proposed amalgamation was eventually shelved only on April 30, 2013.*

(iv)*In fact, the reply to the previous AO SCN was made on March 15, 2013 which was well before April 30, 2013 i.e., when the Board decided to shelve the proposed amalgamation. It is, therefore, untenable, fallacious and unsustainable to hold that the corporate announcement made by SIL and the other Noticees was misleading and done to influence the price of the scrip.*

<u>Announcement: Preferential allotment of shares to Bennett and Vishwas</u>

xliv. *The said Announcement (dated February 27, 2007) pertains to preferential allotment of shares to Bennett and Vishwas wherein it is alleged that non-implementation of allotment to Vishwas renders the announcement false.*

xlv. *It is submitted that the Noticees indeed implemented the preferential allotment to both Bennett and Vishwas. However, the Noticees were forced to cancel the allotment made to Vishwas because it was found that Vishwas had been ineligible in law to get a preferential allotment since it was found that Vishwas had sold shares within the six-month period prior to the proposed preferential allotment. Such a discovery led to the allotment to Vishwas being cancelled since the allotment became non-est on account of violating provisions of Chapter XIII of the DIP Guidelines.*

xlvi. *The fact that the intended allotment to Vishwas was genuine is borne out by the following:*

(i) *On February 27, 2007 the Noticees informed BSE and NSE that the Board of Directors has approved issue of 6,67,000 shares on preferential basis to Bennett and 2,50,000 shares to Vishwas at a price of Rs. thirty (30) per share or as per guidelines for preferential issues issued by SEBI and that the Board of Directors decided to convene an EGM on March 3 1, 2007 to obtain consent for the aforesaid preferential allotment.*

(ii) *Pursuant to the said decision, a Notice dated March 5, 2007 was issued to the shareholders of SIL along with Explanatory Notice, inter alia setting out the rationale / objective of the allotment and the details of the allotment, seeking their approval for the said allotment in the EOGM to be convened on March 31, 2007.*

(iii) *The Noticees, vide letter dated April 2, 2007 applied to BSE for grant of prior in-principle approval for the aforesaid allotment on preferential basis to Bennett and Vishwas. BSE vide letter dated April 11, 2007 granted inprinciple approval for issue and allotment of equity shares (6,67,000 shares to Bennett and 2,50,000 to Vishwas) subject to fulfilling the conditions prescribed in the said BSE letter.*

(iv) *Subsequently, pursuant to the approval of the shareholders in EGM dated March 31, 2007, and pursuant to grant of prior in-principle approval of BSE dated April 11, 2007, the allotment of aforesaid respective shares was made to Bennett and Vishwas on preferential basis by SIL. Return of allotment was filed with the ROC on April 14, 2007. Noticees, vide letter dated May 15, 2007, forwarded to BSE a copy of the aforesaid Return of Allotment, with respect to the said allotments, duly filed by SIL with the ROC.*

(v) *During the course of interaction with BSE with regard to seeking trading permission, when issue with regard to trade of 5,000 shares being carried out by Mefcom in the scrip of SIL after the relevant date but before allotment of 2,50,000 equity shares of SIL on preferential basis, was raised, the Noticees bonafidely submitted to the Internal*

Committee of BSE that it was not aware of the alleged sale of 5,000 equity shares by Mefcom after the relevant date but before the allotment of 2,50,000 equity shares of SIL, in non-compliance of the provisions of Chapter XIll of the SEBI (DIP) Guidelines. The Noticees submitted that they had relied upon the declaration given by Mefcom to the effect that it has not traded in the shares of SIL after the relevant date. In the said circumstances, the Noticees had no other choice but to request BSE to consider only the listing of 6,67,000 equity shares allotted to Bennett.

(vi) *On July 23, 2007, the BSE convened a meeting of its Internal Committee to discuss the allotment and a meeting was held on July 25, 2007. Discussions ensued between BSE and the Noticees and eventually, BSE, vide its letter dated September 11, 2007, in reference to the application made by the Noticees for listing of 9, 17,000 equity shares on preferential basis to Bennett and Vishwas, informed the Noticees that the Internal Committee of BSE in its meeting held on July 25, 2007 decided that listing application relating to 6,67,000 equity shares allotted to Bennett can be provided if the Noticees take requisite steps to address the discrepancy in the issued and listed capital arising out of non-approval of the issue of 2,50,000 equity shares to Mefcom. This should be done in such a way that post listing of 6,67,000 equity shares, the listed capital is equal to the issued capital of SIL. BSE vide the said communication further advised the Noticees to take necessary steps to comply with the aforesaid conditions and report to BSE accordingly.*

(vii) *The BSE vide its letter dated September 26, 2007 provided its final listing approval by granting an in-principle approval to the listing application made by the Noticees seeking permission for 6,67,000 equity shares allotted to Bennett to be dealt in and on the BSE. No such approval was provided for Vishwas.*

(viii) *The Noticees issued a Notice dated October 16, 2007 along with an explanatory notice to its shareholders informing that the EGM of the equity shareholders of SIL will be held on November 20, 2007 with regard to proposed reduction in capital of SIL by way of cancellation of the 2,50,000 equity shares of SIL issued on April 13, 2007 to Vishwas.*

(ix) *SIL and the other Noticees, in accordance with Clause 24 (f) of the Listing Agreement, forwarded to the BSE, vide its letters dated December 26, 2007 and January 01, the proposed scheme of reduction of share capital of SIL together with enclosures, seeking its 'No Objection Certificate' (NOC) to the proposed scheme of Reduction of Share Capital under Section 101 of the Companies Act, 1956. BSE vide its letter dated January 08, 2008 communicated its NOC to the said scheme.*

(x) *Subsequently, on January 10, 2008 SIL filed a Writ Petition with the Hon'ble Gujrat High Court for reduction in capital pertaining to the shares issued to Vishwas.*

(xi) *BSE vide its letter dated January 10, 2008 granted trading permission to the aforesaid 6,67,000 equity shares allotted to Bennett.*

xlvii. *In view thereof, it is wholly untenable, to state that there was any fraud in this regard. The intended allotment to Vishwas was genuine and was in fact implemented. Every step necessary was taken, indispensably, right up to filing a return on allotment and getting shares listed at which point, the BSE intervened to point out that ineligibility of Vishwas and therefore, subsequently a reduction of capital was effected. At every step of the way, the public was kept informed. Therefore, by no stretch of imagination can the corporate announcement in this regard said to be done with an intention to influence the price of the Scrip, as alleged. No adverse inferences can be drawn against the Noticees on the basis of the aforesaid preferential allotments made to Vishwas.*

<u>Dealings of PK and SIC in the scrip of SIL</u>

<u>No relationship with PK</u>.

xlviii. *It is a matter of record that during the investigation period 6,02,86,910 shares were traded on the BSE. Admittedly, there is no allegation that SIL has traded in the scrip. The Noticees are neither aware of nor concerned with PK or his trading in the scrip of SIL. It may be noted that PK is neither a promoter/director of SIL nor related to SIL at all. In any event, the Noticees had no role whatsoever in the trading done during the relevant period or in the alleged manipulation of the Order Book. Actions (viz. trading) of other entities / persons cannot be equated with the actions of SIL.*

xlix. *The entire case of SEBI is linked to the fact that PK appears to have been trading in SIL shares through SIC. It is pertinent to note that the Noticees did not trade in a single SIL share through SIC. The trades of the Noticees in SIL shares were through CIL Securities Ltd. and Arihant Capital Markets Ltd. None of these brokers have even been questioned when the charge involved is a serious one of price manipulation, and that too through allegedly synchronized trades.*

l. *In so far as three (3) cheques given by SIL to SIC for a total amount of Rs. 18,87,073/- are concerned, it is submitted that the same are a matter of record. The said amount was paid by SIL towards the purchase price of 67,559 shares of Mefcom to SIC, the stockbroker. Sometime during the last week of May 2006, SIC approached SIL and the Noticees requesting SIL to register as a client of SIC. Accordingly, SIL filled the KYC Form provided by SIC and forwarded the same to SIC. Thereafter, SIL commenced trading* *through SIC. Thereafter, SIL commenced trading through SIC. SIC approached SIL suggesting it to purchase shares of Mefcom and SIL and the other Noticees readily agreed for obvious reasons i.e., they were already in negotiations with Mefcom for a Joint-Venture.*

li. *Post purchase of shares of Mefcom, SIC had also issued contract notes to SIL. The 67,559 shares of Mefcom so bought by SIL through SIC were also credited in the DEMAT A/C of SIL. For the said purchases, SIL had made payments to SIC by account payee cheques issued by SIL in favour of SIC towards the purchase consideration for 67,559 shares of Mefcom. It is pertinent to note that all such contract notes and cheques were provided to SEBI during the course of investigation vide letters dated November 5, 2008, June 8, 2009 and February 25, 2011*

lii. *The factum of the payments made to SIC and the Noticees is also evident from the Ledger Statement issued by SIC to SIL. The Annual Report of 2006-20070f SIL further reflects the details of the investments made by SIL in the shares of Mefcom.*

liii. *All three (3) cheques, totaling to Rs. 18.78 lakhs in fact were credited into the bank account of SIC. Out of the 3 cheques received by SIC from SIL, only 1 cheque was credited to PK's ledger account by broker SIC and it is submitted that SIL had drawn all the 3 cheques in favour of SIC for payment towards the purchase of 67,559 shares of Mefcom. Post transmission of the aforementioned cheques by SIL to SIC, SIL and the other Noticees had no control over the cheques. The said cheques have admittedly been deposited by SIC in its bank account and since the cheques were in its name and were account payee cheques, the same have been credited in its bank account also. The same has been reflected in the bank statement of SIC. Thus, it is incumbent upon SIC to explain what it did with the money and why it gave credit and to which client with what amount, and why, it used the proceeds to pay whoever it paid.*

liv. *This is further substantiated from the statement made by Mr. Brijpal Maurya, compliance officer of SIC, in his cross examination dated November 6, 2012 wherein he has categorically confirmed that the DEMAT A/C from which the Mefcom Shares came to SIL, is a DEMAT A/C maintained by SIC. However, SEBI instead of dealing with this acknowledged position that shares of Mefcom indeed came from the DEMAT A/C of SIC to the DEMAT A/C of SIL,* *SEBI has gone on to allege that SIL has disseminated false information and misled the investigation.*

lv. *Post crediting of the amounts in the bank account of SIC, it is the sole prerogative of SIC to account for the same in the manner it wishes to. SIL and the other Noticees are totally unconnected parties and also rank outsiders that have no control over it. Now why SIC has credited the ledger account of PK, with regard to the amounts received, SIL and the other Noticees cannot answer. All that SIL and the other Noticees can submit is that in the ledger statement issued to SIL by SIC, the credits were duly reflected in SIL's favour.*

lvi. *Based on the crediting of one (1) cheque in the ledger account of PK by SIC, behind SIL's back and without SIL's knowledge, no adverse inferences can be drawn against SIL and the other Noticees. Neither SIL nor the other Noticees were aware of the alleged transaction of an amount of Rs. 6,91,225/- between SIC and PK through cheque or otherwise. The same has also been confirmed by Mr. Brijpal Maurya.*

lvii. *Thus, it is submitted that SIL has no relation with PK and has never entered into any transactions including financial transactions with PK. The same is also corroborated by PK's statement during his cross examination wherein he has inter alia:*

(i) *Denied any connection or linkage with SIL or its promoters/directors.*

(ii) *Denied that he ever requested SIL to make any payment on his behalf to SIC for his trades.*

(iii) *Denied that he ever informed SIC that he is making payment for his trades through SIL.*

(iv) *Denied that he ever introduced SIL to SIC.*

lviii. *SIL and the other Noticees were at no point aware that SIC and PK were in fact acting together, as alleged. It is vehemently denied that there was any consideration paid by SIL to SIC for manipulation of the price and volumes of the scrip of SIL. Admittedly, the amounts paid by SIL vide the three alleged cheques were duly credited to the bank account of SIC and shares of Mefcom were duly credited to the account of SIL by SIC. SIL was also allotted client code S400 by SIC that is also reflected in the contract note recording the credit of shares by SIC into SIL's account.*

Submissions on trading by Noticees

lix. *In addition to the above, analysis of trade by the Noticees clearly show that:*

(i) *Only a miniscule number of shares (0.89% of the market volume) sold by the promoter group of SIL allegedly matched in a synchronized manner with purchases by PK.*

(ii) *When we use the trades of the promoter groups as the base denominator, it would become clear that 68.20% of the trades in fact matched with multiple orders in the market.*

(iii) *PK is alleged to have commenced trading only after December 6, 2006. However, the Promoter Group was already a seller in the scrip commencing from October 3, 2006. It is apparent therefore that substantial volumes were already sold by the promoter group before PK commenced trading in the scrip.*

(iv) *PK is said to have traded in the scrip until March 1, 2007. However, the Promoter Group had not sold any substantial quantity after February 20, 2007.*

(v) *On January 18, 2007 and February 2, 2007 where substantial quantities were sold by the Promoter Group such as 4,57,600 shares and 5,50,000 shares, PK had placed 17,94,667 buy orders and 1,17,64,638 buy orders respectively. It is submitted that with such staggering number of trades being placed by PK, it is obvious and apparent that some of the trades of the Promoter Group would match with the orders placed by PK.*

(vi) *Despite the aforesaid, about 53% of the total traded quantity of the Promoter Group have matched with parties other than PK.*

(vii) *This also demonstrates that there was no coordination or synchronization in the buy and sell orders placed by the Promoter Group with those of PK.*

(viii) *It is pertinent to note that the Noticees did not trade in a single SIL share through SIC. The trades of the Noticees in SIL shares were through CIL Securities Ltd. and Arihant Capital Markets Ltd. None of these brokers have even been questioned when the charge involved is a serious one of price manipulation, and that too through allegedly synchronized trades.*

lx. *The SCN makes comparison between sensex movement and the SIL scrip price movement to draw adverse inference against Noticee. It is submitted that during the relevant period, the Sensex was in a highly upward mode and it touched new heights in the year 2009, especially in the latter half, the fluctuation and the alleged increase in price of the scrip of SIL was in consonance with the movement of Sensex.*

lxi. *The increase in price of the scrip of the Company during December 2006 to February 2007 was simply in consonance with the Sensex movement and* *the positive market wave. There was nothing unusual in the alleged price and volume increase in the scrip of SIL which can be seen hereunder:*

Month	***Sensex (High / Low)***	***Sumeet Industries Ltd (High / Low)***
Oct, 2006	*(↑) 13075.85/12178.33*	*(↑)6.15/4.25*
Nov, 2006	*(↑) 13799.08/12937.3*	*(↑)5.9/4.31*
Dec, 2006	*(↑) 14035.3/12801.65*	*(↑)16.19/4.75*
Jan, 2007	*(↑) 14325.92/13303.22*	*(↑) 25.1/15.2*
Feb, 2007	*(↑) 14723.88/12800.91*	*(↑)34.25/22.4*
Mar, 2007	*(↑) 13386.95/12316.1*	*(↑) 30.35/18.45*

<u>Classification of Betex a technical lapse and duly corrected by Noticee</u>

lxii. It is submitted that the disclosure of the shareholding pattern held for the quarter ending June 2007 erroneously entered the name of Betex India Ltd. under the classification "Public" and holding more than 1% of the total number of shares. It is pertinent to note that this error was rectified as soon as it came to the notice of the Noticees. It is submitted that this was a bonafide clerical error. It is further submitted that the error was -unintentional and thus dealt sympathetically. In the SBI case (decided on January 7, 2021), the Hon'ble SAT held that a technical violation need not always result in a penalty.

<u>SIL has not misled the investigating team of SEBI</u>

lxiii. From the aforesaid, it is clear that SIL has not provided any false information to SEBI and neither mislead the investigation. It is reiterated that the payments made by SIL and the other Noticees to SIC were for the purchase of Mefcom Shares as stated above. SIC had issued contract notes for such transaction to SIL. It is nowhere alleged by SEBI in the SCN that the contract notes given by SIC to SIL and the other Noticees were forged or fabricated. The 67,559 shares of Mefcom were so bought by SIL through SIC and were credited in the demat account of SIL The confirmation by Mr. Brijpal Maurya further corroborates the authenticity of the contract notes given by SIC to SIL.

lxiv. *Further, when SEBI sought the details from BSE as to whether SIL was a client with SIC since January 1, 2005, BSE stated that as per details in the UCC database, SIL was registered as a client with SIC only on March 01, 2007. Failure by SIC to upload correct particulars in its database can at best point to the complicity or negligence on part of SIC.*

lxv. *Further, sometime during the last week of May 2006, SIC approached SIL and the Noticees requesting SIL to register as a client of SIC. Accordingly, SIL filled the KY C Form provided by SIC and forwarded the same to SIC. Thereafter, SIL commenced trading through SIC.*

lxvi. *Further, during the course of cross-examination, an SIC representative has inter alia:*

(i) *Stated that he is fairly conversant with SEBI Rules and Regulations pertaining to trading by clients.*

(ii) *Stated that the statement given by him (recorded by SEBI on April 6, 2010 @ 3:00 pm) was based on back office materials and records of SIC.*

(iii) *Admitted that SIC received payments directly from SIL.*

(iv) *Identified and acknowledged the Bank Statement of SIC with respect to its current account with Bank of India, Stock Exchange Branch, Mumbai for the period 14.022007 to 14.02.2007, reflecting the entries pertaining to the 3 cheques issued by SIL in favour of SIC. He admitted that the 3 cheques issued by SIL to SIC totalled to an amount of Rs. 18,87,073.38/- were credited to the account of SIC on February 14, 2007.*

(v) *Admitted that SIL was allotted a client code by SIC that is 'S400'.*

(vi) *Admitted and identified that the Contract Note was issued by SIC to SIL.*

lxvii. *The responses of the SIC representative during his cross examination eloquently exposes their attempt to misguide the regulator. For instance:*

(i) *In response to question: '19. Has SIC ever bought any shares on behalf of SIL? ', the representative of SIC stated, 'No. '*

(ii) *On confronting the representative with the 3 contract notes issued by SIC, the representative having no option confirmed all these transactions that were executed by SIC on behalf of SIL. Same is evident from the following:*

'Question 24. As per the contract note dated December 5, 2006, 17,019 shares have been bought of Mefcom Agro Industries Ltd. on behalf of Sumeet Industries Limited by SIC and on December 6, 2006, 540 shares of Mefcom Agro Industries Ltd & on June 5,

2007, 50,000 shares of Mefcom Agro Industries Ltd. by SIC on behalf of Sumeet Industries Ltd.?

Answer: Yes I confirm all these transactions.'

lxviii. *The fact that SIL was indeed the client of SIC is borne out by the following documents:*

(i) *Three (3) Contract Notes issued by SIC itself.*

(ii) *Ledger Statement issued by SIC itself.*

(iii) *SIC's bank statement evidencing receipt of Rs. 18,87,073.38/- from SIL (Amount towards purchase consideration of Mefcom Shares).*

(iv) *SIL's DEMAT statement evidencing receipt of Mefcom shares from the DEMAT Account of SIC (the said transfer was pursuant to purchase of shares by SIC on behalf of SIL as a stock broker).*

lxix. *The version of SIC is riddled with blatant lies and inherent contradictions and the same is also evident from the following:*

(i) *Admission of SIC that the Client Code S400 was allotted (but cleverly as an afterthought stated that the same was made inactive).*

(ii) *If the amount of Rs. 18,87,073.38/- received by SIC from SIL was not for the purchase of shares of Mefcom, then the amount was received for what purpose. Can a stock broker receive payments in its Bank Account (maintained for the purpose of holding Clients funds) from third parties who are not clients of the broker?*

(iii) *In what context SIC had transferred the shares of Mefcom to SIL. If SIL was not the client of SIC, then what is the consideration for transfer of the said shares. Can a broker just like that transfer shares from its DEMAT Account to the account of some rank outsiders without any rhyme or reason?*

lxx. *Further, from the cross examination of Mr. Brijpal Maurya and Mr. PK, the following is established:*

(i) *That SIL is a client of SIC and SIC allotted a client code S400 to SIL.*

(ii) *That the amount of Rs. 18,87,073.38/- paid by 3 cheques, as aforesaid, were credited to the account of SIC only.*

(iii) *That 67,559 shares of Mefcom were credited to the account of SIL by SIC.*

(iv) *That there is no connection or linkage of PK with SIL or the Noticees.*

(v) *That PK never made any request to SIL to make any payment to SIC on his behalf for his trades.*

lxxi. *It is pertinent to note that on one hand SEBI has taken the position that SIL was not a client of SIC and could not have traded before March 1, 2007 and yet, in the Section 11B order relating to SIC, SEBI has recorded a submission of SIC that SIC had proceeded to upload the details of SIL in the UCC database before receiving documents and because the KYC documents were incomplete, the trading account of SIL was not activated in the database in the back office of SIC. SIC has also recorded as stating that because the KYC documents had been returned, it could not produce the same to SEBI.*

lxxii. *Further, it is pertinent to note that the observations made in the paragraph are self-contradictory. At one instance, the paragraph states that "BSE replied to SEBI that the Company was registered as a client with SIC on March 1, 2007". At the same time, it also states that, "SIC stated that no such client is active in their database". Thus, there is a prima facie discrepancy between the comments made by BSE and SIC and SIL is merely being caught in the crossfire.*

lxxiii. *SIL and the other Noticees have not therefore provided any incorrect information to mislead the investigation.*

No violation of the alleged provisions of law

lxxiv. *In the present SCN, the learned adjudicating officer correctly dropped the charges under Regulation 4(2) (a), (d), (e), (f) and (r) of the PFUTP Regulations as opposed to the previous SCN. From the aforesaid submissions it is clear that the remaining charges of violation of Regulation 3 (a) (b) (c) (d) also do not sustain and ought to be dropped in-limine.*

lxxv. *The Noticees also vehemently deny the alleged violation of Section 12 A (a)(b)(c) of the SEBI Act and Clause 35 of the Listing Agreement r/w SEBI Circular dated April 13, 2006 and Section 21 ofthe SCRA.*

Amount of gains incorrectly calculated:

lxxvi. *Without prejudice to the above and assuming while denying that there is any violation, the amount of gains stated in the table at pages 19-20 of the SCN is incorrect. The same table was used for calculating profits in disgorgement against the Noticees in another order dated September 13, 2019 passed by a Ld. WTM of SEBI. The order is under challenge and has been stayed by* *the Hon'ble SAT by its order dated October 25, 2019. In the event that the calculation is proposed to be used for determining the profits allegedly made by the Noticees, the outcome of the appeal against the WTM's order ought to be awaited.*

lxxvii. *In any event, despite repeated requests and follow-up (by our letters dated September 18, 2018, December 31, 2018, January 3, 2020, March 12, 2020, July 6, 2020), SEBI has till date not provided any objective criteria as directed by the SAT. In our humble opinion, the proceedings are being conducted in defiance of the principles of natural justice.*

Additional Monetary penalty unwarranted: Noticee have already suffered vide WTM Order

lxxviii. *As aforesaid, by the WTM Order a disgorgement direction has been taken out against the Noticees. Though, the matter is currently sub-judice before the Hon'ble SAT, the Noticees have deposited a sum of Rs. 2 Crore with SEBI (in compliance to SAT Order dated October 25, 2019). In so far as the regulatory action is concerned, the ends of justice have been met. In view of the peculiar facts of Noticees and submission made hereinabove, there is no need and necessity to impose any additional monetary penalty on the Noticees.*

lxxix. *In view of foregoing, it is humbly prayed that the SCN be disposed-off without any monetary penalty on the Noticees.*

19. A personal hearing was held in respect of the Noticees on March 02, 2021 wherein the following authorized representatives appeared on behalf of the Noticees - Mr. Paras Parekh, Mr. Robin Shah, Mr. Yash Bajaj, and Ms. Saloni Kothari and reiterated the submissions made vide letter dated January 29, 2021. Further, the authorized representatives requested for time to make post hearing submissions and accordingly time till March 9, 2021 was granted for the same. Vide letter dated March 09, 2021 Noticee filed written submissions in the matter wherein it was stated that the said submissions are being filed as an *aide-memoire* to the personal hearing on March 02, 2021 and were in addition to and supplement the reply dated January 29, 2021.
20. Vide email dated October 22, 2021 to the AR of the Noticees, the Noticees were granted opportunity for making additional submissions in the matter. Vide letter dated November 23, 2021 (also received vide email dated November 23, 2021, the

Noticees filed further supplemental submissions. The main submissions made therein are as follows –

i. The Noticees submit that the following is relevant in addition to the submissions of the Noticees:

a. The only basis of the allegation that the Noticees indulged in market manipulation is their alleged connection with PK through SIC. The basis of such alleged connection are the three cheques provided by the Noticees to SIC.

b. However, the issue in relation to the alleged connection based on these three cheques has already been dealt with by a Ld. Whole Time Member of SEBI in the order dated May 21, 2014 and it has been ruled that there is no adverse inference that can be drawn on the basis of these cheques. This order has not been challenged and has therefore achieved finality.

c. The issue in this regard having been ruled upon and not having been challenged has achieved finality and cannot become the basis of any alleged connection between the Noticees and PK or SIC.

ii. The legal position in this regard is that the issue having been decided by the Ld. WTM and having achieved finality cannot be re-agitated in these proceedings. This is because of the equitable principles of 'issue estoppel'. The Hon'ble Supreme Court has in *Hope Plantations Ltd. v. Taluk Land Board, Peermade and another*, (1999) 5 SCC 590 ruled that:

"…It is settled law that principles of estoppel and res judicata are based on public policy and justice. Doctrine of res judicata is often treated as a branch of the law of estoppel though these two doctrines differ in some essential particulars. rule of res judicata prevents the parties to a judicial determination from litigating the same question over again even though the determination may even he demonstratedly wrong. ***<u>When the proceedings have attained finality, parties are bound by the judgment and are estopped from questioning it. They cannot litigate again on the same cause of action nor can they litigate any issue which was necessary for decision in the earlier litigation</u>****.*

These two aspects are 'cause of action estoppel' and 'issue estoppel'. These two terms are of common law origin. ***Again once an issue has been finally determined, parties cannot subsequently in the same suit advance arguments or adduce further evidence directed to showing that issue was wrongly determined. their only remedy is to approach the higher forum if available. the determination of the issue between the parties gives rise to as noted above, an issue estoppel. It operates in any subsequent proceedings in the same suit in which the issue had been determined****. It also operated in subsequent suits between the same parties in which the same issue arises. Section 11 of the Code of Civil Procedure contains provisions of res judicata but these are not exhaustive of the general doctrine of res judicata.* ***Legal principles of estoppel and res judicata are equally applicable in proceedings before administrative authorities as they are based on public policy and justice****…. As to what is issue estoppel was considered by this Court in Gopal Prasad Sinha vs. State of Bihar [(1970) 2 SCC 905]. This case arose out of criminal prosecution; the accused was tried on a charge under Section 409 IPC for having committing criminal breach of trust for Rs. 27,800/during the period between January 31, 1960 to November 30, 1960, when he was acting as Cashier in the Public Works Department of the State. The accused contended that he had been put up on a trial in a previous case under Section 409, IPC for having committed criminal breach of trust with respect to certain amounts during the period December 8, 1960 to August 17, 1961 and in that case the High Court had acquitted him holding that he was not in charge of the case. The point of issue-estoppel was, thus, raised by the accused. The trial Court held that the aforesaid finding of the High Court could not operate as a res judicata. High Court affirmed the decision of the trial Court. In this Court, it was contended that substantially it was the same issue that was tried during the earlier trial and if the accused was not the Cashier from December 8, 1960 to August 11, 1961, he could not be held to be Cashier from January 31, 1960 to November 11, 1960. The accused contended that the defence in both the cases was identical and the evidence also almost the same. This Court observed as under:*

"In our opinion, the High Court came to the correct conclusion. The basic principle underlying the rule of issue estoppel is that the same issue of fact and law must have been determined in the previous litigation. The question then arises: Was it the same issue of fact which was determined in the earlier case? A person may be acting as a cashier at one period and may not be acting as a cashier at another period, especially as in this case it was found that the appellant had never been appointed as a cashier. He was a temporary senior accounts clerk who was alleged to be doing the work of a cashier. If there is any likelihood of facts or conditions changing during the two periods which are under consideration then it is difficult to say that the prosecution would be bound by the finding in a previous trial on a similar issue of fact. It seems to us that the later finding must necessarily be in contradiction of the previous determination. There can be no such contradiction if the periods are different and the facts relating to the carrying on of the duties of a cashier are different"…."

iii. It is submitted that as ruled by the Hon'ble Supreme Court principles of issue estoppel are applicable equally to administrative proceedings and the decision in this regard will apply to the present matter. A copy of the decision of the Hon'ble Supreme Court in Hope Plantation's Case is enclosed.

iv. Further, the ruling of the Hon'ble SAT in this regard will not be applicable in light of the specific remand order issued by the SAT. the various cases to that effect have been provided in the Compilation.

v. It is therefore untenable that there was any connection between the Noticees and PK and the trades effected by the Noticees cannot be viewed in an adverse manner as the sin a qua non requirement of demonstrating connection between parties is not available in the present case.

vi. In that view of the matter, it is submitted that there is no requirement for any adverse order or direction or penalty against the Noticees.

21. Further, vide email dated January 20, 2022, the following was conveyed to Noticee 1 to 6 –

"This has reference to the Show Cause Notice dated August 28, 2018 (SCN) issued to – i) Sumeet Industries Ltd, ii) Shankar Somani, iii) Rajkumar Somani, iv) Sumeet

Kumar Somani, v) Bajranglal Somani, and vi) Mahesh Kumar Somani (hereinafter collectively referred to as "Noticees").

Refer to your reply dated January 29, 2021 on merits citing that the charges under Regulation 4(2)(a), (d), (e), (f) and (r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 have been dropped against the Noticees. However, it is clarified that the provisions has been correctly brought out on para 3 of the Page 2 of the SCN and the communique attached to the SCN. Also, the relevant extracts of the laws of the above provisions have been properly brought out on page 21 of the SCN. Therefore, it is abundantly clarified that no provisions have been dropped as has been wrongly argued in your letter."

22. In response vide email dated January 21, 2022, the following was submitted by the AR of the Noticees -

"We refer to your email dated January 20, 2022.

We submit humbly that our submission in relation to the dropping of 4(2)(a), (d), (e), (f) and (r) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (PFUTP Regulations) was based on Clauses 9 and 10 of the Show cause notice dated August 28, 2018 (SCN).

We submit humbly that even if Regulation 4(2)(a), (d), (e), (f) and (r) of the PFUTP Regulations are not dropped, our submissions on merits would, in our humble submission, cover the allegations in the SCN.

We request that the SCN be dropped without any adverse order or penalty against the noticees."

CONSIDERATION OF ISSUES AND FINDINGS

23. I have carefully perused the written submissions of the Noticees and the documents available on record. The issues that arise for consideration in the present case are:

   a) **Whether Noticees 1 to 6 have violated the provisions of Section 12A (a), (b) & (c) of the SEBI Act read with regulations 3 (a), (b), (c), (d) and 4(1), 4(2) (a), (d), (e), (f) and (r) of PFUTP Regulations, as applicable and Clause**

35 of the Listing Agreement read with SEBI Circular no. SEBI/CFD/DIL/LA/2006/13/4 dated April 13, 2006 and Section 21 of SCRA?

b) **Whether Noticees 7 to 14 have violated the provisions of Section 12A(a), (b) & (c) of the SEBI Act, 1992 read with regulations 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations?**

c) **Whether the Noticees are liable for monetary penalty under sections 15HA of the SEBI Act, 1992 and Section 23E of SCRA, as applicable?**

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

24. I have taken into consideration the material available on record and the submissions of the Noticees. Before moving forward, it is pertinent to refer to the provisions of Section 12A (a) to (c) of SEBI Act, 1992 and provisions of Regulations 3 (a), (b), (c), (d) and 4(1), 4(2) (a), (d), (e), (f) and (r) of PFUTP Regulations, and Clause 35 of the Listing Agreement read with SEBI Circular no. SEBI/CFD/DIL/LA/2006/13/4 dated April 13, 2006 and Section 21 of SCRA alleged to have been violated by the Noticees. The said provisions are reproduced hereunder -

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

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;

(d) paying, offering or agreeing to pay or offer, directly or indirectly, to any person any money or money's worth for inducing such person for dealing in any security with the object of inflating, depressing, maintaining or causing fluctuation in the price of such security

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

(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

(r) planting false or misleading news which may induce sale or purchase of securities.

Clause 35 of the listing agreement:

35. The company agrees to file the following details with the Exchange on a quarterly basis, within 21 days from the end of each quarter, in the format specified as under:

....

(I)(c) Statement showing shareholding of persons belonging to the category "Public" and holding more than 1 percent of the total number of shares.

SEBI/CFD/DIL/LA/2006/13/4dated April 13, 2006 (relevant portion):

It has been decided to revise the existing reporting format of shareholding pattern provided in Clause 35 of the Listing Agreement. The shareholding pattern will now be indicated under three categories, viz., "shares held by promoter and promoter group", "shares held by public" and "shares held by custodians and against which Depository Receipts have been issued,". Further, details such as number of shareholders, number and percentage of shares held, number of shares held in dematerialized form, etc. will be given for all the three categories. It is clarified that for the purpose of Clause 40A, percentage of "public shareholding" shall be computed as "shares held by public" as a percentage of "total number of shares held by promoters, promoter group and public".

SCRA

21. Conditions for listing. — Where securities are listed on the application of any person in any recognised stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange

25. Further, before moving forward, I would like to deal with certain preliminary issues raised by the Noticees with regard to supply of documents. In the present matter, the SCN contains *inter alia* the allegations of provisions of PFUTP Regulations, 2003 and SEBI Act and clause 35 of Listing agreement read with section 21 off

SCRA. I note that the allegations against the Noticees are clearly delineated in the SCN and all the relevant documents that have been relied upon in the SCN have been provided to the Noticees as enclosures to the SCN. I note that Noticees duly carried inspection of documents on December 12, 2018 and minutes of the same are on record. Further vide letter dated February 26, 2020 additional documents where provided to the Noticees, and the same has been elaborated in paragraph 12 of this order. I note that in the present proceeding reliance is being placed on only those documents, which have been provided to the Noticees. Further, I note that the Hon'ble SAT, in its order dated February 12, 2020, in the matter *of Shruti Vora vs. SEBI* has held that: *"Reliance was also made of a decision of the Supreme Court in Union of India and Others vs E. Bashyan (1988) 2 SCC 196 which has no bearing to the controversy involved in the present context, in as much as, the said decision relates to a disciplinary proceedings wherein the Supreme Court observed that the inquiry report was required to be made available to the delinquent. An inquiry report is totally distinct and different from an investigation report. The inquiry report considers all the materials in the inquiry proceedings which form the basis of the final order and therefore the said report is required to be made available to the delinquent. In the instant case, the show cause notice relies upon certain documents which have been made available. Thus the investigation report is not required to be supplied."*

> *"The learned counsel has also placed reliance upon a minority view of this Tribunal in Price Waterhouse vs Securities and Exchange Board of India decided by this Tribunal in Appeal No. 8 of 2011 on June 1, 2011 wherein it was observed that fairness demands that the entire material collected during the course of investigation should be made available for inspection to the person whose conduct was in question and hat said material should*

also be supplied. In our opinion, the said minority view is directly against the decision of the Supreme Court in Natwar Singh case (supra)"

"A bare reading of the provisions of the Act and the Rules as referred to above do not provide supply of documents upon which no reliance has been placed by the AO, nor even the principles of natural justice require supply of such documents which has not been relied upon by the AO. We are of the opinion that we cannot compel the AO to deviate from the prescribed procedure and supply of such documents which is not warranted in law. In our view, on a reading of the Act and the Rules we find that there is no duty cast upon the AO to disclose or provide all the documents in his possession especially when such documents are not being relied upon."

26. Further, the Hon'ble SAT in the matter of *Anant R Sathe Vs SEBI* (Appeal No. 150 of 2020) vide Order dated July 17, 2020 has reaffirmed the principle elucidated in the judgment of Shruti Vora's case, which was reproduced herein above and ruled that "*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*".

27. In view of the above, since all the documents which are relevant and relied upon in the instant proceedings have been provided to Noticees, I am of the opinion that principles of natural justice have been duly complied with in the instant proceedings and no prejudice in filing reply has been caused to Noticees.
28. Having decided the preliminary objections raised by the Noticees, now I proceed to deal with the merits of the matter.
29. I note that the IP is from October 1, 2006 to March 12, 2007. It is observed that the price of the scrip had increased from ₹4.33 on October 03, 2006 to ₹34.25 on

February 20, 2007 and during this period the promoter group entities had substantially sold their shareholding in SIL.

30. It was alleged in the SCN that during the investigation period, SIL made eighteen corporate announcements out of which three remained unimplemented and charge with regard to false corporate announcements has been levied against SIL and its directors with respect to the company's (a)announcements regarding preferential allotment of shares to its promoters and their associates, (b) announcements about its joint venture with Vishwas Infrastructure Ltd. and (c) announcements about amalgamation of its group companies. The details are as under :

Sr. No.	Date of Corporate Announcements	Time	Subject matter
1	January 8, 2007	9:53:03AM	Board Meeting on 16.01.07 to consider the preferential allotment of shares to Promoters and their associates at a rate of Rs 25 to Rs 30 per share.
	January 16,2007	11:55:59 AM	The BOD in the meeting held on 16.01.07 has approved the allotment of maximum shares 25 lacs on preferential basis to Promoter and their Associates at a rate of Rs 30 per share or as per the price as may be decided as per guidelines for preferential issue of shares.
2	February 5, 2007	11:26:23 AM	Sumeet Industries Ltd has informed BSE that the Board of Directors of the Company at its meeting held on February 03, 2007, has considered the following business: 1. The Board acknowledged the importance of its land bank of 55 acres near Kandla Sea Port, District Bhuj, Gujarat. 2. The Board has approved further acquisition of land of 200 acres in adjoining area. 3. The Board has further approved the Joint Venture with leading development and infrastructure Company M/s. Vishvas Infrastructure Ltd (Formerly known as Mefcom Agro Industries Ltd) for acquisition and development of above mention land. Development of land would include industrial park, power generation plant for captive consumption, road and telecom infrastructure, building interiors etc. 4.The Company has approved amalgamation of its group Company M/s. Somani Overseas Ltd, Sitaram Prints Pvt Ltd & Mahesh Text u risers Pvt Ltd.
3	February 27,2007	10:01:13AM	The Board of Directors has approved Issue of Shares worth Rs 20 Million on preferential basis to M/s. Bennett Coleman & Co. Ltd (Times of India Group) and 2,50,000 Shares to M/s. Vishvas Infrastructure Ltd at price of Rs 30/- per share or as per guidelines for preferential issues issued by SEBI. The Board of Directors has approved to increase Authorised Share Capital from 250 Million to 290 Million. The Board of Directors has also decided to convene an Extra Ordinary General Meeting on March 31, 2007 to obtain consent for the above mentioned matter.

(a) Preferential allotment of shares to promoters and their associates-

31. On January 8, 2007 SIL has informed BSE that there would be Board meeting on January 16, 2007 to consider the preferential allotment of shares to promoters and their associates at the rate of Rs. 25 to Rs. 30 per share. On January 8, 2007, the

scrip opened at Rs. 18.90 (3.9% higher than previous closing price- Rs. 18.20) and fell to an intra day low of Rs. 18.20, before closing at Rs. 19.10. Total traded volume on January 8, 2007-11,77,191 shares (previous day's volume- 974240 shares).

32. On January 16, 2007 the scrip opened at Rs. 18.95 (5% higher than previous closing price- Rs. 18.05) and touched an intra day low of Rs. 18.25, before closing at Rs. 18.95. The price at 11:53 a.m. was Rs. 18.95. Total traded volume on January 16, 2007- 3,25,390 shares (previous day's volume- 2,75,067 shares).

33. SIL vide letter dated Nil received on May 19, 2009 (Annexure-E to SCN) to SEBI has submitted that it did not come out with the preferential allotment of 25 lakh shares to Promoters and their associates, which was proposed by the Board on January 16, 2007 and subsequently approved in the Extra Ordinary General Meeting held on March 21, 2007, due to the long delay which was being faced in complying with the procedural formalities and the company had envisaged its plan to go for rights issue. However, upon perusal of the correspondence with BSE submitted by SIL in this regard, it is noted from the BSE letter dated April 11, 2007 (Annexure-F to SCN) that SIL did not receive the in-principle approval from BSE for the said allotment due to submission of incomplete information. BSE also advised SIL to approach the Exchange fresh after complying with Clause 13.4.3 of SEBI (DIP) Guidelines. It is observed from the BSE website that SIL has made another corporate announcement on April 30, 2007 regarding the Board Meeting held on April 28, 2007, stating inter-alia, "*the Board of Directors has decided to make Preferential Allotment of Shares to relatives and associates of promoters and / or Strategic Investors @ Rs 20/- per shares or price that may be decided as per SEBI Guidelines whichever is higher*". However, no announcement was made to the public regarding the company's decision of not coming out with the preferential issue.

34. From the BSE's letter dated May 29, 2007 whereby it had again refused the in-principle approval to the company, I note that when the company again approached BSE for in-principle approval pursuant to fresh resolution of shareholders, it again failed to submit following relevant documents / information to BSE -

i. A certified true copy of the Resolution passed under section 81(1A) of the Companies Act,1956, by the shareholders of the company.

ii. The pricing certificate issued by Pradeep Singhi & Associates dated May 04, 2007 is not acceptable, as the working has not been provided and the relevant date mentioned is not correct. The relevant date should be May 05, 2007 (i.e., 30 days prior to the relevant date). Hence, the company should submit a revised certificate from the statutory auditor along with the pricing calculation giving the working for the entire period of 26 weeks.

iii. A certificate from the Managing Director/ Company Secretary as well as the Statutory Auditors of the company should be submitted specifically certifying that the proposed allottees of the aforesaid securities have not sold / transferred any equity share from the Relevant date to the date of execution of lock-in by the National Securities Depository Ltd. / Central Depository Services (India) Ltd.

iv. It has been observed from the notice to shareholders dated May 04, 2007 that the Promoters are acquiring more than 5% of Post issue capital of the company (i.e. after the issue of 30,00,000 equity share to Promoters). Hence, the company is requested to clarity as to how the company has complied with Regulation 10 of SEBI (SAST) Regulations, 1997

35. Thereafter, the company again passed a resolution of its shareholders on June 04, 2007 for the preferential allotment of shares to promoters and made request to BSE for in-principle approval. I note that SIL vide its letter dated June 23, 2007 also applied to SEBI seeking exemption from the open offer obligations of the proposed allottees under the Takeover Regulations. SEBI vide its letter dated February 25, 2008 rejected the exemption application filed by SIL as the takeover panel did not find the same to be a fit case for granting exemption as no special facts or circumstances were brought out which may deserve the grant of exemption. It was also mentioned that the application was filed with a delay i.e. after the lapse of the shareholder's resolution on June 19, 2007 and after the expiry of 15 days from the date of shareholders resolution. Thus, the exemption application was rejected by SEBI not only on merits but also due to delay in necessary compliances. Further, I note that when SEBI issued notice of personal hearing dated February 25, 2008 in light of such recommendation of the Takeover Panel, the exemption application in this case was withdrawn by the company. Later, on February 28, 2008 the company withdrew its application for in-principle approval from BSE.

36. It has been submitted by the Noticees that they at all times kept making earnest efforts to seek preferential allotment of equity shares with the objective of pumping in the funds into SIL for its expansion plans, but consistently kept hitting roadblocks. However, on perusal of the records submitted by the Noticees in their reply/compilation of documents, it is observed that SIL was hitting the road blocks due to its own non compliance, non submission of required documents within the time line, non completion of required action within the time line, filing necessary compliances, exemptions etc. I note that legal requirements with regard to essential disclosures, in-principle approval, time period for completion of allotment, etc. in case of a preferential allotment of shares are of very basic/routine in nature and every listed company and its management whose intention is to come out with preferential allotment are supposed to strictly comply with them. In the present case, the application of the company was repeatedly rejected for the glaring fault with regard to essential disclosures and/or non-allotment within stipulated time in terms of provisions of SEBI (DIP) Guidelines and non-fulfillment of other requirements of BSE such as the company giving wrong / incomplete information, etc. Noticees cannot take shelter under the garb of non-compliance of statutory requirements relating to preferential allotment for non-implementation of corporate announcements. The facts and circumstances of the present case as discussed above imply that announcements were made without the intention to implement them. Further, the Noticees have submitted that the board of SIL approved a rights issue on January 21, 2008 whereby a Notice seeking shareholder approval was issued. It was submitted that Noticees subscribed to the rights issue at a price of Rs. 15 per share. In this regard, I note that the rights issue which happened in 2008/2009 was made much after the shareholders' resolution for preferential allotment had expired and bears no connection with the said resolution. Further, the purported preferential allotment was to be made at the price of Rs. 30 per share whereas the promoters subscribed to the shares of the company in its right issue at a price of Rs.15 per share after they had already sold their holdings at weighted average price of around Rs.18 per share during the investigation period.

(b) Further acquisition of 200 acres of land in Bhuj, Joint Venture with Vishwas Infrastructure Ltd, amalgamation of its group Companies-

37. On February 5, 2007 at 11:26:23 a.m. SIL informed BSE that the Board of Directors of the Company at its meeting held on February 03, 2007, had considered the following business:

- The Board acknowledged the importance of its land bank of 55 acres near Kandla Sea Port, District Bhuj, Gujarat.
- The Board has approved further acquisition of land of 200 acres in adjoining area.
- The Board has further approved the Joint Venture with leading development and infrastructure Company M/s. Vishvas Infrastructure Ltd (Formerly known as Mefcom Agro Industries Ltd) for acquisition and development of abovementioned land. Development of land would include industrial park, power generation plant for captive consumption, road and telecom infrastructure, building interiors, etc.
- SIL approved amalgamation of its group Company M/s. Somani Overseas Ltd, Sitaram Prints Pvt Ltd & Mahesh Texturisers Pvt Ltd.

38. With regard to the aforesaid corporate announcement made on February 5, 2007, SIL submitted that it was in search of land and discussion with land owners was in progress but not yet finalized. Letter dated June 03, 2009 (Annexure-G to SCN) was issued by SEBI asking it to provide a copy of all correspondence with the land owners with whom it was in discussion for acquisition of such land. SIL, in its reply dated June 08, 2009(Annexure-H to SCN) submitted that only oral discussion had been going on so far with the land owners and when final negotiation would be completed/ settled as per the company's terms, they would submit the papers of agreements. In reply to the SCN, Noticees have submitted few documents claiming to be documents related to acquisition of the land in Bhuj. On perusal of those documents it is noted that they pertain to the year 2009 (i.e. 2 years after the announcements in question were made). It is further noted that those documents are the notices of stamp duty and corresponding sale deeds with regard to some agricultural land. Further, neither SIL nor Vishwas Infrastructure Ltd. is a party in any of the transactions for which those sale deeds were executed and notices for stamp duty were issued. Thus, the claims of the Noticees in this regard are unsubstantiated.

39. With regard to announcement of joint venture with Vishvas Infrastructure Ltd. SIL stated that the same was withdrawn due to unviability of the project and did not provide any further details. In the aforesaid letter dated June 03, 2009, SEBI sought the reason for withdrawal of the joint venture, date of withdrawal and whether the public was informed of the same. It was submitted by SIL vide letter dated June 08, 2009 that the implementation of the project under the Joint Venture was fully based on further acquisition and development of land at Bhuj and the said land has not yet been acquired, due to which the proposal has not yet materialized and has been put on hold. I note that SIL while making the announcements in the year 2007 ought to have ascertained/made requisite studies regarding the availability of suitable land at suitable prices. Vide their reply to the SCN, the Noticees submitted that eventually the project had to be shelved and the joint venture with Vishwas Infrastructure Ltd was terminated. The same was done on April 30, 2013 (almost seven years from the date of the announcements made in the year 2007). I note that the same has been done belatedly and the same was done after issuance of show cause notice by SEBI. I note that without ascertaining the availability of the lands for the project at suitable prices and without carrying the feasibility in this regard, the company had made announcements relating to acquisition of 200 acres of land in the year 2007. The same had the capacity to lure investors. In view of the above, I note that the announcements were not made with *bona fide* intentions and without any intention to implement them.

40. With regard to the announcement of the scheme of amalgamation of group companies SIL stated that the scheme of amalgamation had been withdrawn and did not give any further information. In the aforesaid letter dated June 03, 2009, SEBI sought reason for withdrawal of the scheme, date of withdrawal and whether the same was informed to the public. Noticees have submitted that such news of amalgamation in general would be perceived as adverse to the interest of the listed company and the public shareholders which could lead to negative impact on the market price. However, I note that the same is not necessarily so. Amalgamation may also lead to formation of a company to take over the business of liquidating companies and generally leads to several advantages as a result of amalgamation like stronger customer base, more assets etc. Hence, I do not find merits in the said contention. SIL in its reply dated June 08,2009 has stated that the scheme had been withdrawn for the time being and put on hold and the process of amalgamation will be resumed again by it at the right time. I note that admittedly,

the corporate announcement about approval of board of directors for amalgamation of its group companies was never implemented and on April 30, 2013 i.e. much after the show cause notice in the matter was issued by SEBI, the company announced withdrawal of this corporate announcement. I find no merit in the reasons quoted by SIL, that the implementation of the announcement was put on hold and was waiting for the right time to act upon it. Such corporate announcements cannot be made in a careless and reckless manner. I also find no merit in the submission of the Noticees that SIL was pursuing the proposed idea of the amalgamation as an integral element of all decisions taken on that day namely, the land acquisition proposal, the project development proposal and the joint venture with Vishwas Infrastructure Ltd. I note that such important decision should be taken in prudent and careful manner and cannot be taken in casual manner to leave the implementation in suspended animation as was done in this case. In ordinary course, decision to implement the amalgamation of companies is taken when the circumstances as on date demand it. In the present case, corporate announcements were made in the year 2007, however no steps were taken to implement the same for several years and finally shelved on April 30, 2013 i.e. much after the show cause notice in the matter was issued by SEBI. Thus, I find the withdrawal of the announcement to be an afterthought. In view of the facts and circumstances as discussed above, I find that this corporate announcement was false and was made without intention to implement it.

(c) Preferential allotment of shares to Bennett Coleman and Co. Ltd. and Vishwas Infrastructure Ltd.-

41. On February 27, 2007 SIL informed BSE that the Board of Directors has approved issue of shares worth Rs 20 Million on preferential basis to M/s. Bennett Coleman & Co. Ltd (Times of India Group) and 2,50,000 shares to M/s. Vishvas Infrastructure Ltd at a price of Rs 30/- per share or as per guidelines for preferential issues issued by SEBI. The Board of Directors had approved to increase Authorised Share Capital from Rs.250 Million to Rs. 290 Million. The Board of Directors has also decided to convene an Extra Ordinary General Meeting on March 31, 2007 to obtain consent for the above mentioned matter.

42. On February 27, 2007 the scrip opened at Rs. 28.00 (4.08% higher than previous closing price- Rs. 26.90) and fell to an intra day low of Rs. 26, before closing at Rs.

28.20. The price at 9:59 a.m. was Rs. 28.20. Total traded volume on February 27, 2007- 331489 shares (previous day's volume- 457960 shares).

43. From the documents available on record, it is noted that the said allotment to Bennett Coleman and Co. Ltd. was made and trading permission was also received from the BSE with regard to the said issue. However, in connection with the issue of shares to Vishwas Infrastructure Ltd., it is observed from the correspondence with BSE submitted by SIL that though in-principal approval for the issue and allotment of the said shares was received from the BSE, listing of the said issue was not approved by BSE. As per the information provided by BSE, the matter of allotment of 917000 equity shares by SIL to M/s. Bennett Coleman & Co. Ltd (Times of India Group) and Mefcom Agro Industries Ltd. / Vishwas Infrastructure Ltd was placed before the Internal Committee of BSE in its meetings held on 28th June 2007 and 25th July 2007 due to its non-compliance with the provisions of chapter XIII of the SEBI (DIP) Guidelines. The Internal Committee of BSE was informed that the allottee, M/s Mefcom Agro Industries Ltd. had sold 5000 equity shares of the company after the relevant date but before the allotment of 250000 equity shares by the company, which was not in compliance with the provisions of chapter XIII of the SEBI (DIP) Guidelines, 2000. SIL submitted to the committee that it was not aware of any such transaction by the allottee, and agreed to cancel the allotment of shares to M/s Mefcom Agro Industries Ltd and further requested the committee to consider only the listing application of 6,67,000 equity shares allotted to M/s Bennett Coleman & Co. Ltd. In view of the above, BSE permitted listing of only 6,67,000 equity shares, allotted to M/s. Bennett Coleman & Co. Ltd.. SIL further came out with a scheme of reduction of share capital, obtained a no objection from BSE and subsequently filed petition with the Hon'ble High Court of Gujarat for reduction in capital pertaining to the 2,50,000 shares.

44. As can be seen from the above that two corporate announcements remained unimplemented fully and third corporate announcement could only be implemented partially. Therefore, I note that the abovementioned positive corporate announcements were misleading.

45. The fraudulent corporate announcements as described above had the potential to induce investors to sell or purchase in securities of SIL. I note that as such they attract the prohibitions of sections 12A (a), (b) and (c) of the SEBI Act and regulation 3(b), (c) and (d) of the PFUTP Regulations, 2003. It is noted that regulation 4 (1) of the PFUTP Regulations, 2003 prohibits indulgence in fraudulent

and unfair trade practices in securities. Further, publishing or causing to publish untrue information, issuing advertisements containing information in a distorted manner and planting of false and misleading news are specifically declared fraudulent and unfair trade practices under regulation 4(2) (f) and (r), respectively. I, therefore, find that by making false, misleading and distorted announcements, SIL and its directors indulged in fraudulent, manipulative and unfair activities relating to the securities market that are prohibited under sections 12A (a), (b) and (c) of the SEBI Act and regulations 3(b)(c) and (d), regulation 4(1) and 4(2) of the PFUTP Regulations, 2003 as alleged in the SCN.

Allegation with regard to manipulation of Order book:

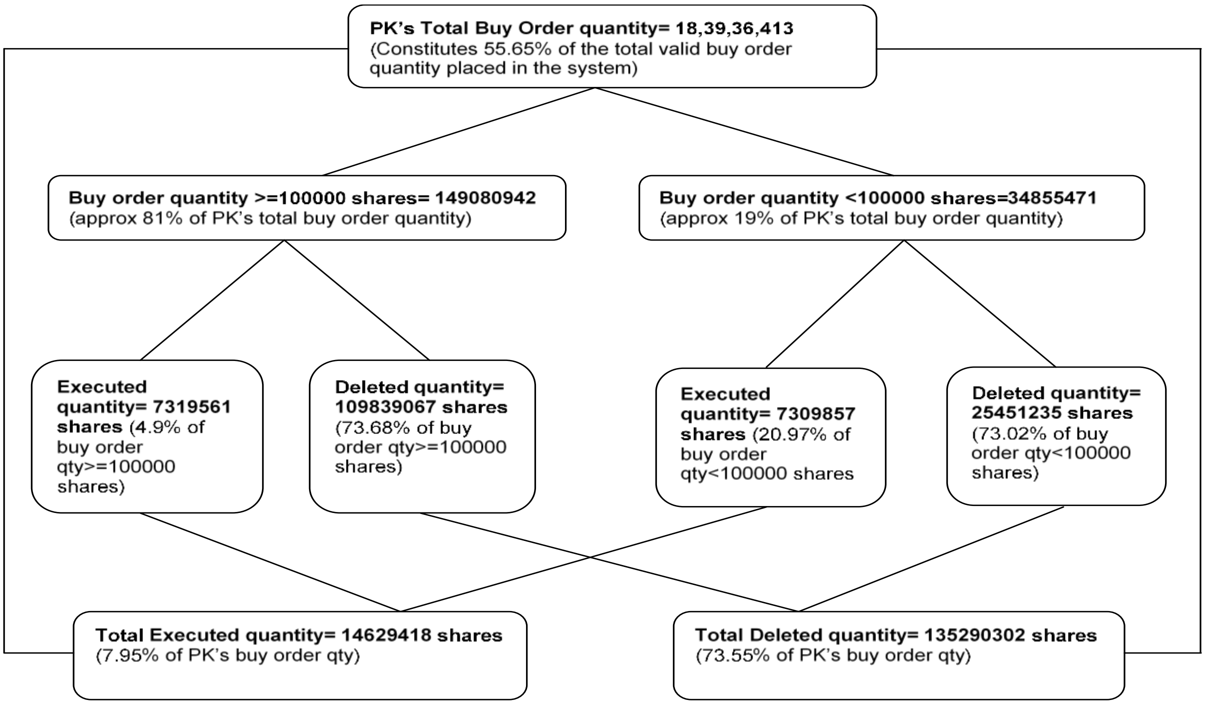
46. During the Investigation period 6,02,86,910 shares were traded on BSE. It was observed from the trade log that top 10 brokers bought 3,83,18,797 shares (63.56% of total traded volume during the investigation period) and sold 3,59,59,620 shares (59.55% of total traded volume during the investigation period).
47. It was alleged that the Noticee 1 to 6 namely SIL, Shankar Somani, Rajkumar Somani, Bajranglal Somani, Sumeet Kumar Somani, Mahesh Kumar Somani acted in concert with SIC and PK to manipulate the price and volume of the scrip of SIL so as to enable the promoters/directors/ related entities of SIL to offload their shares at higher prices.
48. The top buying and selling broker was SIC Stocks and Services Pvt. Ltd. (hereinafter referred to as SIC). The details of trading of SIC during the investigation period ARE as under:

Sr. No	**Member**	**Clients**	**Gross Purchase (Qty)**	**%**	**Gross Sell (Qty)**	**%**
1	SIC Stocks and Services Pvt. Ltd.	Purshottam Khandelwal	1,46,29,418	24.27	1,42,62,634	23.66
		Shilpi Modi	16,22,656	2.69	15,72,652	2.61
		Vishwas Securities (Vijay Mehta)	6,945	0.01	1,3890	0.02
		Other	2,100	0.00	697	0.00
	Total		**1,62,61,119**	**26.97**	**1,58,49,873**	**26.29**

49. During the investigation period total buy orders for 33,05,36,616 shares constituting 100% valid buy orders quantity in market and sell orders for 10,73,20,274 shares constituting 100% valid sell orders quantity in market were placed.

50. Out of 33,05,36,616 shares, SIC has placed buy orders of 25,60,82,540 shares constituting 77.47% of total valid buy orders quantity in market and placed sell orders of 3,52,03,323 shares constituting 32.80% of total valid sell orders quantity in market.

51. Out of 25,60,82,540 shares constituting 77.47% of total valid buy orders quantity in market placed by SIC, 18,39,36,413 shares (7540 buy orders) constituting 71.83% of the total valid buy orders placed in the system, out of which 1611 i.e. 21.37% orders (constituting 74% of his order quantity) were deleted and only 7.95% orders got executed by SIC for its client namely Purshottam Khandelwal (hereinafter referred to as PK). Further, about 80% of his buy orders (14,61,80,942 shares) were of quantity greater than 100000 shares, out of which only 4.85% (70,83,070 shares) got executed. The same is represented by way of the following diagram:



52. With reference to the buy orders placed by PK for quantities of 1,00,000 shares or more (149080942 shares), it is further observed that buy orders for 7,16,45,712 shares (i.e. 48% of 14,90,80,942 shares) were placed at a rate slightly lower than the prevailing market price (i.e. LTP). As already depicted in the diagram above, only 4.9% of such orders (>=100000 shares) were executed and 73.68% were deleted. A table showing an extract of large buy orders (for a total of 7,16,45,712 shares) entered by PK at prices slightly lower than the LTP was provided as Annexure J to the SCN. A few examples is quoted in the table below :

Date	Time	Order No	Member Code	Client Code	Rate	Previous Traded Price	Difference of Order Price from Previous Traded Price	Quantity	Revealed Qty
6.12.06	10:06:23	92200500020187707	922	P100	4	4.99	-0.99	102010	102010
7.12.06	10:02:13	92200500020188020	922	P100	4.8	7.1	-2.3	102010	102010
8.12.06	9:55:59	92200500020188136	922	P100	5.74	8.6	-2.86	102010	102010
11.12.06	9:55:24	92200500020188281	922	P100	6.89	8.6	-1.71	101010	101010
11.12.06	14:28:09	92200500020188777	922	P100	7	10.17	-3.17	200000	200000
12.12.06	9:58:57	92200500020188981	922	P100	8.23	10	-1.77	201020	201020
13.12.06	9:56:23	92200500020189795	922	P100	11.1	12.88	-1.78	201020	201020
14.12.06	9:58:40	92200500020191007	922	P100	10.02	11.15	-1.13	101250	101250
15.12.06	9:56:53	92200500020191766	922	P100	10.07	11.7	-1.63	101010	101010
19.12.06	9:58:34	92200500020193884	922	P100	10	11.35	-1.35	201020	201020
20.12.06	9:57:31	92200500020195108	922	P100	10.99	12.25	-1.26	201020	201020
21.12.06	10:12:05	92200500020196509	922	P100	12.09	13.2	-1.11	201020	201020
26.12.06	10:01:41	92200500020198708	922	P100	13.58	15	-1.42	500000	500000
27.12.06	14:50:53	92200500020200191	922	P100	14.26	15.75	-1.49	250000	250000
4.01.07	9:55:37	92200500020203719	922	P100	15.75	16.9	-1.15	201020	201020
9.01.07	9:56:19	92200500020205995	922	P100	18.15	19.7	-1.55	201020	201020
17.01.07	9:59:09	92200500020207678	922	P100	18.05	19.5	-1.45	201020	201020
18.01.07	9:57:41	92200500020207851	922	P100	18.9	20.7	-1.8	101010	101010
22.01.07	10:30:17	92200500020208539	922	P100	20.75	22.8	-2.05	500000	500000
24.01.07	9:55:54	92200500020209462	922	P100	22.8	24.35	-1.55	201020	201020
6.02.07	9:55:20	92200500020213520	922	P100	23.75	25.9	-2.15	201020	201020
6.02.07	10:17:51	92200500020213625	922	P100	23.75	25	-1.25	200000	200000
6.02.07	14:51:35	92200500020214316	922	P100	23.75	25.6	-1.85	500000	500000
12.02.07	9:56:31	92200500020216091	922	P100	23.5	25.35	-1.85	201222	201222
20.02.07	9:56:36	92200500020217863	922	P100	29.8	31.6	-1.8	100000	100000
23.02.07	9:55:18	92200500020218621	922	P100	28.3	29.75	-1.45	200000	200000
27.02.07	9:55:24	92200500020218936	922	P100	25.6	26.9	-1.3	200000	200000

53. The date wise bifurcation of buy orders added, updated and deleted by PK was provided to the Noticees as Annexure-L to the SCN, and the same is depicted below :

Date	Added	Deleted	Updated
6.12.06	202281	22190	102780

Date	Added	Deleted	Updated
7.12.06	175161	50	3000
8.12.06	178810	3250	240656
11.12.06	869280	349043	249316
12.12.06	3125318	1915142	361484
13.12.06	12634552	10870572	1512335
14.12.06	4440187	3780696	948093
15.12.06	5092499	2641590	485814
18.12.06	2540380	2742022	1694750
19.12.06	5080982	3010732	1173008
20.12.06	6578952	5162984	1772832
21.12.06	8034575	7326296	1811713
22.12.06	6567818	3863991	632039
26.12.06	3121481	1292325	476352
27.12.06	5214880	3867871	781288
28.12.06	8026279	8347720	1091804
29.12.06	7863359	6476659	781979
2.01.07	974561	136505	965107
3.01.07	1260005	348002	629614
4.01.07	1932156	313107	552582
5.01.07	3552715	598709	780438
8.01.07	1328798	931678	1154282
9.01.07	2075459	514554	727790
10.01.07	231075	-	-
12.01.07	1522320	1451601	13559
15.01.07	514357	61243	107535
16.01.07	431930	224384	333611
17.01.07	1513129	1043577	396133
18.01.07	1794667	1129384	744575
19.01.07	1612681	410355	653447
22.01.07	3329732	1837301	857400
23.01.07	1732085	480321	1012190
24.01.07	4757714	5577687	1098448
25.01.07	942750	-	-
29.01.07	1802125	219133	610702
31.01.07	2391580	872705	429069
1.02.07	3165066	899176	382022
2.02.07	11764638	11598799	186855
5.02.07	4897368	2682422	206288
6.02.07	10205158	11150838	1334136
7.02.07	8483286	9228860	1265581
8.02.07	4376615	2434244	-19112
9.02.07	4694208	3685142	696383
12.02.07	2061506	1267817	1051492
13.02.07	2018352	1353297	935952
14.02.07	1408105	612538	946740
15.02.07	1569625	571020	500010
19.02.07	5482114	3433823	708313
20.02.07	2208871	1401012	928085
21.02.07	1668438	1657730	107700

Date	Added	Deleted	Updated
22.02.07	1836228	1695807	2060
23.02.07	1077738	1043738	100000
26.02.07	2041135	1962832	27672
27.02.07	1531329	787828	742758
Grand Total	**18,39,36,413**	**13,52,90,302**	**3,52,88,660**

54. The following table shows a few examples of large buy orders (>100000) entered and deleted within a few minutes by PK on some select dates:

Date	Order No.	ADDED		DELETED	
		Order Time	Quantity	Order Time	Quantity
13.12.06	92200500020190138	11:28:37	125000	11:37:07	123600
	9220050002019018B	11:37:05	125000	11:42:21	121270
	92200500020190210	11:42:19	125000	12:15:56	121901
	92200500020190221	11:46:05	225000	12:13:24	223301
	92200500020190332	12:13:20	225000	12:17:45	225000
	92200500020190353	12:15:54	125000	12:17:45	124740
	92200500020190401	12:26:44	125000	12:36:39	124500
	92200500020190462	12:40:52	125000	12:46:11	109916
	92200500020190466	12:41:28	125000	12:46:34	125000
	92200500020209462	9:55:54	201020	12:06:26	500000
24.1.07	92200500020209489	10:00:38	125000	10:06:34	125000
	92200500020209528	10:06:31	125000	10:22:55	123250
	92200500020209681	10:47:07	200000	12:06:26	200000
	92200500020209683	10:47:25	125000	10:53:43	274281
	92200500020209684	10:47:37	175000	10:53:43	263850
	92200500020209685	10:47:49	200000	10:53:44	270250
	92200500020209686	10:48:06	225000	10:53:44	208300
	92200500020209693	10:50:10	275000	10:53:44	266235
	92200500020209720	10:54:00	225000	11:33:23	212950
	92200500020212757	9:55:30	225000	10:10:18	217000
5.2.07	92200500020212785	10:00:54	125000	10:33:02	120150
	92200500020212830	10:10:16	225000	10:25:50	206077
	92200500020212882	10:25:48	225000	10:35:22	222850
	92200500020212918	10:35:16	500000	10:55:38	300000
	92200500020212963	10:43:27	125000	10:52:29	125000
	92200500020212964	10:43:35	225000	10:51:32	225000
	92200500020212965	10:43:41	325000	10:48:22	325000

55. Further,1370 trades of PK for 2,37,035 shares (1.62% of his total buy quantity and 1.665 of his total sale quantity) were fictitious trades/ self trades where he was on both the buy side and the sell side. Out of these, 231 trades for 46,221 shares were synchronized (where time difference between buy order and sell order was less than 1 minute). It is also observed that all the orders of PK were placed from Terminal 5(Fort Mumbai office) of SIC. In this regard, I rely on the judgment of Hon'ble SAT in the case matter of *Systematix Shares & Stocks India Limited v. SEBI* (2012) wherein it was held that – "*It has been held in several cases by this Tribunal that self trades are fictitious and reprehensible. Trades, where beneficial ownership is not transferred, are admittedly manipulative in nature.*"

56. I note that SIC through PK placed large buy orders at prices lower than the prevailing market price and only fraction of these were executed and bulk of these orders were later deleted showing that there was only intention to create false appearance of volume in the market and he was not a genuine buyer.

Relationship among SIL, SIC (stock broker) and PK

57. I note that SIL has given three cheques for a total amount of Rs. 18,87,073 to SIC while in PK's ledger account, only 1 cheque of value Rs. 6,91,225 was credited by SIC. Further, as per SIC's bank statement, all 3 cheques were credited into its account on 14/2/07. The details of which are as under:

S. no.	Cheque no.	Cheque Date	Amount	Comments
1.	547013	15/01/07	Rs. 6,91,225	Credited into PK's ledger account
2.	547014	5/12/06	Rs. 11,57,310	Not credited into PK's ledger account
3.	547015	06/12/06	Rs. 38,538.38	
	Total		Rs. 18,87,073.38	

58. I note from the investigation report that summons were sent to SIL seeking clarification in respect of the aforesaid 3 cheques viz. copies of the cheques, details of the counterparty and the purpose of the transactions. SIL has provided copies of the cheques and stated that the counterparty to the transactions was SIC and the purpose of the transactions was "***For Purchase of Shares through Stock Exchanges***". The same is evident from reply of SIL (Annexure-M to the SCN). SIL was also asked to clarify its relationship with SIC to which it replied that SIC is

related to it as a share broker for dealing in shares through stock exchanges in the normal course of business.

59. With regard to its aforesaid submissions information was sought from BSE as to whether SIL was registered as a client of SIC from January 1, 2005 till date. BSE replied to SEBI investigations vide email dated March 04, 2011 (Annexure N to the SCN) stating that as per the details in the UCC database, SIL was registered as a client with SIC on March 1, 2007. Based on the information provided by BSE, SIC was asked to provide the KYC of SIL. SIC replied stating that as per their records, they did not have any such client active in their database. It further stated that the client had not produced the relevant documents to open the account in the stipulated time and the client has never done any trades due to which they are unable to produce any ledger of the said client. It also stated that the aforesaid code was made inactive. In this regard, BSE was asked to inform whether SIL had executed any trades through SIC. BSE vide email dated March 23, 2011 to SEBI investigations confirmed that no trades had been executed by SIL through SIC from January 1, 2006 till date (Annexure-N to the SCN). Thus, I note that SIL has not carried out any trades on the BSE through SIC which is contrary to its claim that the three cheques were provided to SIC for purchase of shares through stock exchanges. Thus it is alleged that SIL provided incorrect information to mislead the investigation.

60. Noticees have submitted that three cheques were given by SIL to SIC for Rs. 18,87,073/- for purchase of 67,559 shares of Mefcom. Noticees have also submitted that SIL duly received the contract notes for the trades carried through SIC. In this regard, I record my findings as under –

    i. From the compilation of documents dated February 15, 2021 submitted by the Noticees (pages 556 to 560 of the compilation), I note that SIL has produced three contract notes for the trades dated June 5, 2006, December 5, 2006 and December 6, 2006. On perusal of the same, I note that contract note for trades dated December 5, 2006 reflects purchase of 17,019 shares amounting to Rs.11,57,310; contract note for trades dated December 6, 2006 reflects purchase of 540 shares amounting to Rs. 38,538.38; contract note for trades dated June 5, 2006 reflects purchase of 50,000 shares amounting to Rs. 6,91,104.90. Further, the contract notes denote SIC as member of BSE. I note that as discussed above, BSE has confirmed that no trades / purchase of Mefcom shares have been carried out by SIL on the aforesaid dated i.e. June 05, 2006, December 05, 2006 and December 6, 2006. Thus, I note a discrepancy in the contract notes provided by the Noticees (emphasis supplied). Further, I note that SIL became registered as client of SIC only on March 01, 2007, therefore SIL could not have done the trades through SIC on June 05, 2006, December 05, 2006 and December 6, 2006 as denoted by the contract notes.

ii. Noticees have submitted the copy of demat account statement of SIL for the period from January 01, 2006 to June 06, 2007 (pages 554 to 555 of the compilation of documents dated February 15, 2021). On perusal of the same, I note that SIL has received credit of 50,000 shares of Mefcom on February 06, 2007 and credit of 17,559 shares on February 07, 2007. In this regard, I note that the description for the credit of 17,559 shares denotes "inter depository transfer CDS/ 1301190300027596". I note that this demat account number belongs to PK. Thus, I note that SIL has received 17,559 shares from PK and not from SIC. This off-market transaction between SIL and PK denotes the nexus between the Noticees and PK.

iii. Further, I note from the investigation report that one of the cheques for an amount Rs. 6,91,225 was credited to PK's ledger account with SIC. The same also shows the nexus between SIL/Noticees and PK.

iv. It is reiterated that SIL has claimed that the cheques were presented to SIC for purchase of shares through stock exchanges. I note that while contract notes were for trade dates June 05, 2006, December 05, 2006 and December 6, 2006, the cheques towards the alleged purchase consideration of Mefcom through stock exchanges were deposited with SIC only on February 14, 2007 (i.e. gap of more than 8 months and 2 months from the trade dates). Further, it is also noted that SIL received the credit of shares (from SIC and PK) only on February 06, and 07, 2007 (i.e. again a gap of more than 8 months and 2 months from the trade dates). The same are not at all consonance with the T+2 rolling settlement cycle. Thus, there is glaring discrepancies in the contract notes produced by the Noticees and as such cannot be relied upon.

61. Noticees have submitted that "*Sometime during the last week of May 2006, SIC approached SIL and the Noticees requesting SIL to register as a client of SIC. Accordingly, SIL filled the KYC Form provided by SIC and forwarded the same to SIC. Thereafter, SIL commenced trading through SIC. Thereafter, SIL commenced trading through SIC*". In this regard, I note that SIL could not have done any trading

through SIC prior to March 01, 2007 i.e. the date of its registration as client of SIC and further, BSE has also confirmed that SIL has not done any trades through SIC. Thus, I find no merits in the above contentions of the Noticees.

62. Noticees have contended that Mr. Brijpal Maurya, compliance officer of SIC, in his cross examination dated November 6, 2012 has categorically confirmed that the DEMAT A/C from which the Mefcom Shares came to SIL, is a DEMAT A/C maintained by SIC. Further the Noticees have contended that however, SEBI instead of dealing with this acknowledged position that shares of Mefcom indeed came from the DEMAT A/C of SIC to the DEMAT A/C of SIL, SEBI has gone on to allege that SIL has disseminated false information and misled the investigation. In this regard, I note that SIL did not receive entire 67,559 shares of Mefcom, and in fact received 17,559 shares of Mefcom from PK. Thus, I do not find merits in the above contentions of the Noticees.

63. Noticees have submitted that SIL has no relation with PK and has never entered into any transactions including financial transactions with PK. In this regard, I note that SIL received 17,559 shares from PK and further cheque of Rs. 6,91,225/- provided by it to SIC was credited in the ledger of PK. Thus, I find no merits in the above transaction of the Noticees.

64. Noticees have submitted that admittedly, the amounts paid by SIL vide the three alleged cheques were duly credited to the bank account of SIC and shares of Mefcom were duly credited to the account of SIL by SIC. In this regard, I note that it has already been discussed above that entire shares were not credited by SIC to SIL, rather 17,559 shares of Mefcom were received by SIL from PK. Alongside it is noted that cheque of Rs. 6,91,225/- provided by SIL to SIC were credited in the ledger of PK. Thus, I find no merits in the above contentions of the Noticees.

65. Noticees have also contended that the issue in relation to the alleged connection between SIL/Noticees and PK based on three cheques has already been dealt with by the Whole Time Member of SEBI in the order dated May 21, 2014 and it has been ruled that there is no adverse inference that can be drawn on the basis of these cheques. However, I find the same not to be true and nowhere in that order it has been ruled that there is no adverse inference w.r.t. the cheque of Rs. 6,91,225/- provided by SIL to SIC which got credited in the ledger of PK.

66. Out of aforesaid 3 cheques received by SIC from SIL, 1 was credited into PK's ledger account by broker SIC - thus clearly showing that SIC and PK were, in fact, acting together and accordingly, it was alleged that while a part of the money went

towards funding PK's purchases of SIL shares, the rest was actually consideration paid by SIL to SIC for manipulation of the price and volumes of SIL's scrip. In this regard I note that Hon'ble SAT vide order dated June 30, 2016 (Appeal No. 225 of 2014) has held as follows:

"19. ..

b) Apart from the above, the demat statement of SIL clearly shows that out of 67559 Mefcom shares, SIL has received only 50000 shares of Mefcom from SIC and the balance 17559 shares of Mefcom are received by SIL from PK. When SIL had paid Rs.18,87,073/- for acquiring 67559 shares of Mefcom, why SIC delivered only 50,000 shares and why PK delivered 17559 shares of Mefcom to SIL without receiving any consideration from SIL is a question, which ought to have been considered before arriving at a conclusion that SIL funded PK through SIC. Without considering these aspects of the matter, findings recorded in the impugned order that SIL funded Rs. 6,91,225 (out of Rs.18,87,073) to PK through SIC for trading in the shares of SIL cannot be sustained".

67. From the above, I note that the funding by SIL has not been established as has been alleged. However, I note that it is undisputed that the cheque for Rs. *6,91,225* provided by SIL has been by credited to the ledger of PK and further SIL has received 17,559 shares of Mefcom from PK. Thus, the connection between SIL/ other noticees stands established.

68. I note that Noticees were connected with promoter group entities and SIL as Somani Overseas Ltd., Sumeet Menthol Pvt. Ltd., Sitaram Prints Pvt. Ltd., Ambaji Syntex Pvt. Ltd. had the common directors with SIL and individuals Urmila Sunder is wife of Bajranglal Somani, Ganga Somani is wife of Shankar lal Somani and Suman devi Somani is wife of Rajkumar Somani respectively.

69. It is observed that the shareholding of the promoter and promoter group of SIL had reduced from the quarter ending September 2006 to quarter ending March 2007. It is observed that their shareholding reduced from 79,78,832 shares (**45.86%**) in the quarter ended September 2006 to 67,57,677 (**38.84%**) in the quarter ended December 2006 to 49,38,010 shares (**28.38%**) in the quarter ended March 2007. The details of trading done by promoters/ directors/company related entities of SIL during the investigation period are as under:

Sr. No.	Entity Name	Name of the Directors of Company	Stock Broker Name	Relationship with SIL	Bought Qty	Period of purchase	Sold Qty	Period of sale
1	Btex India Ltd.	Mahesh Kumar Somani Maneesh Kumar Somani Raj Kumar Somani	Arihant Capital Markets Ltd	Promoter Group company	1,00,000	10.1.07	1,00,000	9.1.07
2	Somani Overseas P. Ltd	Susheel Kumar Somani Sumeet Kumar Somani Shankar Lal Somani Bajranglal Somani	Arihant Capital Markets Ltd	Promoter Group company	67,950	3.10.06 to 13.10.06	0	14.12.06 to 21.12.06
			Cil Securities Ltd.		0		1,95,000	
3	**Shanker Somani**		Cil Securities Ltd.	**Promoter / Chairman**	50,000	17.11.06	3,29,250	6.10.06 to 2.2.07
			Arihant Capital Markets Ltd		0		5,000	
4	**Rajkumar Somani**		Arihant Capital Markets Ltd	**Promoter / Managing Director**	50,000	2.11.06	1,50,000	17.11.06 to 18.1.07
			Cil Securities Ltd.		0		3,95,000	
5	Sumeet Menthol Pvt. Ltd. (formerly Mahesh Texturies Pvt Ltd)	Shankar lal Somani Mahesh Kumar Somani	Cil Securities Ltd.	Promoter Group company	0	-	6,00,000	15.12.06 to 20.12.06
6	Sumeet Silk Processors Pvt. Ltd	Raj Kumar Somani Ritesh Kumar Somani	Cil Securities Ltd.	Promoter Group company	0	-	3,00,000	13.12.06 to 20.12.06
7	Sitaram Prints Pvt ltd	Susheel Kumar Somani Sumeet Kumar Somani	Cil Securities Ltd.	Promoter Group company	0	-	3,00,000	13.12.06 to 9.1.07
8	Ambaji Syntex Pvt ltd	Mahesh Kumar Somani Manish Kumar Somani	Cil Securities Ltd.	Promoter Group company	0	-	1,50,000	15.12.06 to 21.12.06
9	**Urmila Sunder**		Cil Securities Ltd.	**Wife of Bajranglal Somani**	0	-	2,50,000	2.2.07

Sr. No.	Entity Name	Name of the Directors of Company	Stock Broker Name	Relationship with SIL	Bought Qty	Period of purchase	Sold Qty	Period of sale
10	**Bajranglal Somani**		Cil Securities Ltd.	**Promoter Group/ Director**	0	-	2,50,000	2.2.07
11	**Ganga Somani**		Cil Securities Ltd.	**Wife of Shankarlal Somani**	0	-	2,50,000	6.2.07
12	**Sumandevi Somani**		Cil Securities Ltd.	**Wife of Rajkumar Somani**	0	-	2,00,000	6.2.07
13	**Krishnadevi Lahoti**		Cil Securities Ltd.	**Wife of Director of SIL- Shri Mangilal Lahoti**	70000	8.12.06 to 8.3.07	20,000	26.12.06 to 7.3.07
			Arihant Capital Markets Ltd		336535		1,31,535	
					6,74,485		**36,25,785**	

70. It is noted from the above table that between October 3, 2006 and March 8, 2007, the promoter group and company related entities altogether bought 6,74,485 shares (ranging from 0.75% to 73% of the day's total traded volume and 1.12% of the market volume) in the price range of Rs.4.40 to Rs. 32.9 and sold 36,25,785 shares (ranging from 0.58% to 44% of the day's total traded volume and 6.01% of the market volume) in the price range of Rs.4.80 to Rs.31.35 during the investigation period, through brokers Cil Securities Ltd. and Arihant Capital Markets Ltd (details given in the aforesaid table). The day- wise trading activity of the promoter group was provided to the Noticees as Annexure-O to the SCN.

71. As can be seen from the above table :

   i. Somani Overseas P. Ltd bought 67950 shares and sold 195000 shares from December 14, 2006 to December 21, 2006.
   ii. Sumeet Menthol Pvt. Ltd. (one of the Promoter group entities) sold 600000 shares from December 15, 2006 to December 20, 2006.
   iii. Sumeet Silk Processors Pvt. Ltd. (one of the Promoter group entities) sold 300000 shares from December 13, 2006 to December 20, 2006.
   iv. Sitaram Prints Pvt. Ltd. (one of the Promoter group entities) sold 300000 shares from December 13, 2006 to January 9, 2007.

v. Ambaji Syntex Pvt. Ltd. (one of the Promoter group entities) sold 150000 shares from December 15, 2006 to December 21, 2006.

vi. Urmila Sunder (one of the Promoter group entities) sold 250000 shares on February 2, 2007

vii. Ganga Somani (one of the Promoter group entities) sold 250000 shares on February 6, 2007.

viii. Sumandevi Somani (one of the Promoter group entities) sold 200000 shares on February 2, 2007.

72. Analysis of the trades of the promoters/ company related entities further revealed that PK was counterparty to 11,53,032 shares (31.80%) of the promoter group sales (amounting to 1.91% of the market volume). Out of the above quantity, trades for 5,38,427 shares (14.85% of promoter group sales and 47% of the promoter group sales to PK) were synchronized i.e. buy and sell orders were placed within one minute of each other. Entity wise details of synchronized trading executed between promoter group/company related entities and PK was provided as Annexure-P to the SCN and the same is depicted in the below table :

		Quantity Sold			**Quantity synchronised with PK**		
Sr. No.	**Entity Name**	**Total (A)**	**Sold to PK (B)**	**% (A/B)**	**Total Sync Quantity with PK (C)**	**Sync qty as a % of total qty sold (C/A)**	**Sync qty as a % of qty sold to PK (C/B)**
1	Btex India Ltd.	1,00,000	79,190	79.19	0	0.00	0.00
2	Somani Overseas P. Ltd	1,95,000	1,45,000	74.36	1,45,000	74.36	100.00
3	Shanker Somani	3,34,250	49,078	14.68	48,545	14.52	98.91
4	Rajkumar Somani	5,45,000	2,53,716	46.55	100	0.02	0.04
5	Sumeet Menthol Pvt. Ltd. (formerly Mahesh Texturies Pvt Ltd)	6,00,000	2,10,835	35.14	54,897	9.15	26.04
6	Sumeet Silk Processors Pvt. Ltd	3,00,000	6,580	2.19	981	0.33	14.91
7	Sitaram Prints Pvt ltd	3,00,000	1,95,342	65.11	1,19,035	39.68	60.94
8	Ambaji Syntex Pvt ltd	1,50,000	4,011	2.67	2011	1.34	50.14
9	Urmila Sunder	2,50,000	10,001	4.00	1	0.00	0.01

10	Bajranglal Somani	2,50,000	53,845	21.54	43,958	17.58	81.64
11	Ganga Somani	2,50,000	89,404	35.76	89,404	35.76	100.00
12	Sumandevi Somani	2,00,000	34,495	17.25	34,495	17.25	100.00
13	Krishnadevi Lahoti	1,51,535	21535	14.21	0	0.00	0.00
Total		**36,25,785**	**11,53,032**	**31.80**	**5,38,427**	**14.85**	**46.70**
Market Volume (X)		**6,02,86,910**					

73. Two groups were identified who were major counterparties to the sales by the promoter group /company related entities viz. Purushottam Khandelwal group and Mefcom group. Analysis of the trade log reveals that, the major counter party to the total sales by the Promoter group/company related entities of 36,25,785 shares, were entities of the Purshottam Khandelwal Group (56% of promoter group sales) and Mefcom Group (30% of the promoter group sales). However, analysis of trading of Mefcom group did not reveal any attempt to manipulate the price or volume of the scrip. The Purshottam Khandelwal Group is identified as follows -

Purshottam Khandelwal Group:

Sr. No.	Entity Name	Broker Name	Connection with SIL/ PK	Bought Qty	Sold Qty
1	Purshottam Khandelwal	SIC Stock Service Ltd.	**In the scrip of Mefcom Agro Industries Ltd., PK had entered into off market transaction with Sumeet Industries Ltd.**	1,46,29,418	1,42,62,631
2	ISF Securities Ltd	Sam Global Securities Ltd.	Entered into off market transaction with Mahesh Agarwal	13,10,170	12,54,611
3	Sunita Gupta	Shri Parasram Holdings Pvt. Ltd.	Entered into off market transaction with PK	40,22,994	37,07,024
4	Mahesh Agarwal	Eureka Stock And Share Brokers P. Ltd.	Entered into off market transaction with PK and ISF Securities Ltd.	1,00,000	3,55,000
Total				**2,00,62,582**	**1,95,79,266**

74. Therefore, in view of the above it is clear that SIC and PK manipulated the price and volume of the scrip of SIL during the investigation period whereas Noticee number 2-14 (except Noticee no. 1(SIL), 4(Sumeet Kumar Somani) and 6(Mahesh

Kumar Somani)) sold the shares and benefitted from it. The profit earned by the Noticees is dealt in subsequent paragraphs.

75. I note that Noticees have contended that only a miniscule number of shares (0.89% of the market volume) sold by the promoter group of SIL allegedly matched in a synchronized manner with purchases by PK. In this regard, I note that trades for 5,38,427 shares (14.85% of promoter group sales and 47% of the promoter group sales to PK) were synchronized with PK i.e. buy and sell orders were placed within one minute of each other. I find the same to be significant and shows the manipulative intention of the parties.

76. Further, I note that the Noticees have contended that PK is alleged to have commenced trading only after December 6, 2006, however, the Promoter Group was already a seller in the scrip commencing from October 3, 2006 and therefore substantial volumes were already sold by the promoter group before PK commenced trading in the scrip. Further, it was submitted that PK is said to have traded in the scrip until March 1, 2007, however, the Promoter Group had not sold any substantial quantity after February 20, 2007. In this regard, I note that the counterparty of the trades of the promoters/ company related entities for 11,53,032 shares (31.80% of the promoter group sales) was PK. Further, I note that analysis of the trade log reveals that, the major counter party to the total sales of 36,25,785 shares by the promoter group, Btex India Ltd. and Krishnadevi Lahoti were entities of the PK Group (56% of promoter group sales). The same appears to be significant. Thus, I find no merit in the contentions of the Noticees.

77. Noticees have contended that brokers of the Noticees viz. CIL Securities Ltd. and Arihant Capital Markets Ltd have not even been questioned when the charge involved is a serious one of price manipulation, and that too through allegedly synchronized trades. I note that the same does not absolve the Noticees from the responsibility of trading in a genuine manner.

78. Noticees have contended that there was no intention on their part to incorrectly benefit in any manner from the impugned announcements and they have further contented that they have sold significantly prior to the announcements. In this regard, I note that noticees have continued to sell even after the announcements. Therefore, the contention that corporate announcements had no relevance to the trades of noticees is not acceptable.

79. Noticees have contended that the increase in price of the scrip of the Company during December 2006 to February 2007 was simply in consonance with the

Sensex movement and the positive market wave and there was nothing unusual in the alleged price and volume increase in the scrip of SIL. In this regard, I note that during the investigation period the scrip of the company was traded only at BSE. Price of the scrip went up by 507.4% while the Sensex recorded an increase of 3.4% during the same period (from 12,473.79 on 03/10/2006 to 12,902.63 on 12/03/2007). The price of the scrip mainly increased during the period from December 05, 2006 to February 21, 2007 where, in 52 trading sessions, the price of the scrip increased from Rs. 4.81 on December 05, 2006 to Rs. 34.25 on February 21, 2007 (a rise of 612%) along with volume spurt when the scrip was traded with an average volume of 9,78,304 shares. Thus, I find no merits in the above contentions of the Noticees.

80. I note that the Promoter group has benefited from the price manipulation done by PK in concert with other noticees by selling shares in the market during the investigation period. The profit earned by the promoter group was provided to the Noticees in the SCN. The Noticees in their reply to the SCN have contended that the amount of gains stated in the table at pages 19-20 of the SCN is incorrect and have inter alia disputed the same. It was further submitted by the Noticees that the same table was used for calculating profits in disgorgement against the Noticees in another order dated September 13, 2019 passed by the Whole Time Member (WTM) of SEBI which they have challenged before Hon’ble SAT and further that the said order has been stayed by the Hon'ble SAT vide its order dated October 25, 2019. The Noticees have further submitted that in the event that the calculation is proposed to be used for determining the profits allegedly made by the Noticees, the outcome of the appeal against the WTM's order ought to be awaited.

81. I have noted the above contentions of the Noticees. I note that the appeal of the Noticees has been decided by the Hon’ble SAT vide its order dated December 21, 2021 in Appeal no. 431 of 2019. Vide the aforesaid order, the Hon’ble Tribunal have held that the violations allegedly committed by the Noticees stand established and while upholding the directions as passed vide order dated September 30, 2019 of SEBI, including disgorgement of unlawful gains with interest, the Hon’ble SAT has remitted the matter to SEBI with a direction that unlawful gains should have been calculated while taking the average cost of acquisition of shares by the Noticees on October 03, 2006, i.e., INR 5.34. The exact findings of the Hon’ble SAT are being reproduced herein:

"11. We find that since the appellants purchased shares on 3rd October, 2006 the price per share on that date can easily be found out. From a perusal of table 3 of the impugned order we find that the appellants had purchased 1,67,950 shares valuing Rs.8,97460. As per the statement of the learned counsel for the appellant the valuation of one share on 3rd October, 2006 works out to Rs.5.34 per share.

12. Whereas the WTM has taken the opening price of 3rd October, 2006 as the cost price, namely, Rs.4.33. Since the appellants had purchased the shares on that date at a value of Rs.5.34 per share the same should be taken into consideration as the acquisition price.

13. To that extent the order of the WTM requires modification ....

17. For the reasons stated aforesaid the appeal is partly allowed. The WTM is directed to calculate the disgorgement amount taking the acquisition price as Rs.5.34/-per share as on 3rd October, 2006 and the sale price at Rs.18.98/-per share. The calculation shall be made by the WTM within four weeks from today alongwith interest."

82. Pursuant to the above order of the Hon'ble SAT, the amount of profits earned by the Noticees while trading in the scrip of the company is recalculated by considering the cost of acquisition as Rs. 5.34 per share instead of Rs. 4.33 per share and the sale price as Rs. 18.98 per share, and is presented below –

S. No.	Name	Sell Qty	Sell Value*	Buy Qty	Buy Value**	Net Sell Qty or Excess Shares	Net Sell Value	Acquisition price as per Hon'ble SAT order	Buy Value of excess shares	Unlawful gains for disgorgement INR)
		A	B	C	D	E = (AC)	F = (BD)	G	H = (E*G)	I = B-(D+H)
1	Sumeet Menthol Pvt. Ltd. (now Siddhipriya Poly Fab Pvt. Ltd.)	600000	11388000	0	0	600000	11388000	5.34	3204000	8184000
2	Rajkumar Sitaram Somani	545000	10344100	50000	267000	495000	10077100	5.34	2643300	7433800
3	Shankarlal Sitaram Somani	334250	6344065	50000	267000	284250	6077065	5.34	1517895	4559170
4	Sumeet Silk Processors Pvt. Ltd.	300000	5694000	0	0	300000	5694000	5.34	1602000	4092000

S. No.	Name	Sell Qty	Sell Value*	Buy Qty	Buy Value**	Net Sell Qty or Excess Shares	Net Sell Value	Acquisition price as per Hon'ble SAT order	Buy Value of excess shares	Unlawful gains for disgorgement INR)
5	Sitaram Prints Pvt. Ltd.	300000	5694000	0	0	300000	5694000	5.34	1602000	4092000
6	Urmila Shyam Sunder	250000	4745000	0	0	250000	4745000	5.34	1335000	3410000
7	Ganga Devi Somani	250000	4745000	0	0	250000	4745000	5.34	1335000	3410000
8	Bajranglal Siyaram Somani	250000	4745000	0	0	250000	4745000	5.34	1335000	3410000
9	Sumandevi Madan Somani	250000	4745000	0	0	250000	4745000	5.34	1335000	3410000
10	Somani Overseas Ltd.	195000	3701100	67950	362853	127050	3338247	5.34	678447	2659800
11	Ambaji Syntex Pvt. Ltd.	150000	2847000	0	0	150000	2847000	5.34	801000	2046000
	TOTAL	**3424250**	**64992265**	**167950**	**896853**	**3256300**	**64095412**		**17388642**	**46706770**

*Sell value has been calculated using sale price of Rs. 18.98 as per Hon'ble SAT's direction
**Buy value has been calculated using acquisition price of Rs. 5.34 as per Hon'ble SAT's direction

83. I note that Noticee 2 to 5 were directors of SIL (Noticee 1) and were involved not only in day-to-day affairs of the company but also decision making process of SIL. In this regard, I note that the Hon'ble Securities Appellate Tribunal (**SAT**) in the case of N. Narayanan v. The Adjudicating Officer, SEBI (Appeal No. 29 of 2012 decided on October 05, 2012), while commenting on the role of directors, had observed that: *"With the changing scenario in the corporate world, the concept of corporate responsibilities is also rapidly changing day by day. The director of a company cannot confine himself to lending his name to the company, but, taking light responsibility for its day to day management. While functions may be delegated to professionals, the duty of care, diligence, verification of critical points by directors cannot be abdicated. The directors are expected to have a hands on approach in the running of the company and take up responsibility not only for the achievements of the company, but, also the failings thereto."*

84. Additionally, I would also like to quote the observations of the Hon'ble Supreme Court of India in the matter of Shri N. Narayanan vs. SEBI decided on 26.04.2013, wherein it was 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.".* Further, Hon'ble High Court of Madras

in *Madhavan Nambiar vs Registrar of Companies (2002 108 CompCas 1 Mad)* has held that – *"… Section 5 of the Companies Act defines the expression "officer who is in default". The expression means either (a) the managing director or managing directors ; (b) the whole-time director or whole-time directors ; (c) the manager ; (d) the secretary ; (e) any person in accordance with whose directions or instructions the board of directors of the company is accustomed to act; (f) any person charged by the board with the responsibility of complying with that provision ; (g) any director or directors who may be specified by the board in this behalf or where no director is so specified, all the directors.*

… Section 29 of the Companies Act provides the general power of the board….Therefore it follows there cannot be a blanket direction or a blanket indemnity in favour of the petitioner or other directors who have been nominated by the Government either ex officio or otherwise. Hence the second point deserves to be answered against the petitioner…. There may be a delegation, but ultimately it comes before the board and it is the board and the general body of the company which are responsible..."

85. Further, I note that Section 27 of SEBI Act also deals with offences by Companies. In the said provision, Section 27(1) says that, in case of a default by a company, every person who at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

86. Thus, in view of the above, I note that Noticees 1 to 6 have acted in concert with SIC and PK to manipulate the price and volume of the scrip of SIL so as to enable promoters/directors/company related entities of SIL offload their shares at higher prices. I note that Noticee 1, 4 and 6 have not traded in the shares of SIL, while Noticee 2 and 5 have traded in the shares of SIL. Thus, I find that Noticee 1, 4 and 6 have violated the provisions of Regulations 3 (b),(c),(d) and 4(1) 4(2)(a),(d),(e),(f) and (r) of PFUTP Regulations read with Section 12A(a),(b) &(c) of the SEBI Act, 1992, and Noticees 2 and 5 have violated Regulations 3 (a),(b),(c),(d) and 4(1) 4(2)(a),(d),(e),(f) and (r) of PFUTP Regulations read with Section 12A(a),(b) &(c) of the SEBI Act, 1992.

87. I further, note that the promoter group viz. Noticees 7 to 14 have benefitted from the price manipulation done by SIC and PK in concert with SIL by selling shares in the market during the investigation period. In view of the above, I find that Noticee

7 to 14 have violated the provisions of Regulations 3 (a),(b),(c),(d) and 4(1) of PFUTP Regulations read with Section 12A(a),(b) &(c) of the SEBI Act, 1992.

88. I note the judgement of Hon'ble Supreme Court in the matter of *Securities and Exchange Board of India Vs. Rakhi Trading Pvt. Ltd.* dated February 08, 2018 held - "*43. In N. Narayanan's case, Supreme Court expressed a 'word of caution' that SEBI-the regulator is to ensure stringent enforcement, and efficacy of cleanliness of the market place; otherwise SEBI will be failing in their duty to promote orderly and healthy growth of the securities market. I am conscious as supervisory functionary/ regulating body, SEBI has the duty and obligation to protect ordinary genuine investors and SEBI is empowered to do so under the SEBI Act, 1992 so as to make security market a secure and safe place to carry on the business in securities. At the same time, under the guise of supervisory intervention, SEBI cannot affect the development of the market or market oriented creativity. Intense supervision might distort the path of securities market development; but SEBI cannot be a silent spectator to unfair trade practices/manipulative market for some ulterior purpose like tax evasion etc. To find the right balance between market forces and Regulatory body's intervention, SEBI has to deal sternly with those who indulge in manipulative trading and deceptive devices to misuse the market and at the same time ensuring the development of the market*."

Alleged violation of clause 35 of the listing agreement read with SEBI Circular no. SEBI/CFD/DIL/LA/2006/13/4 dated April 13, 2006 and section 21 of SCRA

89. It is alleged that SIL has made wrong disclosure to the stock exchanges in respect of SIL's group company, M/s Betex India Ltd.. lt is alleged that in the shareholding pattern filed in the exchanges for the quarter ending June 2007 Noticees have shown Betex India Ltd. under the classification "Public" and holding more than 1% of the Total No. of Shares. I note that in the filing of the shareholding pattern for the quarters prior to June 2007, Betex India Ltd. is shown under the classification "Promoter and Promoter Group". It is alleged that Noticees have moved Betex India Ltd. from "Promoter group" to "Public". It is further alleged that Noticees have not provided any clarification during the relevant period for moving Betex India Ltd. from the Promoter Group category to Public category in the June 2007 quarter. Thus, it is alleged that by the act of placing Betex India Ltd. under the classification Public, SIL has provided incorrect information. In this regard, I note that the

Noticees have submitted that they erroneously entered the name of Betex India Ltd under the classification “Public” and was a bonafide clerical error. The Noticees have submitted that this error was rectified as soon as it came to the notice of the Noticees. I note that subsequently the said error has been rectified by SIL. In view of the corrective action taken by SIL, I take a lenient view with regard to the allegation of violating provisions of clause 35 of the listing agreement read with SEBI Circular no. SEBI/CFD/DIL/LA/2006/13/4 dated April 13, 2006 and section 21 of SCRA.

Issue c) Whether the Noticees are liable for monetary penalty under sections 15HA of the SEBI Act, 1992 and Section 23E of SCRA, as applicable?

90. I note that the Hon’ble Supreme Court of India in the matter of *SEBI vs. Shri Ram Mutual Fund* 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.*”

91. Thus, the violation of provisions of PFUTP Regulations read with Section 12A(a),(b) &(c) of the SEBI Act, 1992 by the Noticees, as stated above, make them liable for imposition of penalty under Section 15HA of the SEBI Act, 1992.

    The text of the said provisions is reproduced below:

    <u>**SEBI Act**</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 of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

92. In this regard, the provisions of Section 15J of the SEBI Act and Rule 5 of the SEBI Adjudication Rules require that while adjudging the quantum of penalty, 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.

93. I also note that the Hon'ble SAT, in its order dated April 21, 2017 in the matter of *Sunita Gupta vs. SEBI*, has made the following observations:

"6. Where a person violates the provisions contained in the SEBI Act and the regulations made thereunder, then, SEBI is empowered to initiate penalty proceedings against that person under Chapter VIA of SEBI Act and also issue directions in the interests of investors or securities market as it deems fit under Chapter IV of SEBI Act. Thus, the powers conferred on the Board under Chapter IV are independent from the powers to impose penalty under Chapter VIA of SEBI Act. Accordingly, in the present case, since the appellant had indulged in synchronized/ circular trades in gross violation of SEBI Act/ PFUTP Regulations and the same was detrimental to the interests of the investors and securities market, the Board deemed it fit to issue direction under Chapter IV in addition to the penalty imposed under Chapter VIA of SEBI Act. Therefore, in the facts of present case, initiation of proceedings under Chapter IV even after initiating proceedings under Chapter VIA cannot be faulted."

94. I find that the profit earned by Noticees 2, 3, 5, and 7-14 have been tabulated in the previous paragraphs. Further, in light of recent order dated August 02, 2019 of Hon'ble SAT in the matter of P G Electroplast vs SEBI, I note that vide order dated May 21, 2014, Whole Time Member of SEBI has debarred Noticee 1, 4 and 6 for a period of 2 years, and rest of the Noticees for 3 years. Further, a disgorgement direction was passed against the promoter group entities to disgorge the wrongful gain made by them as specified in that order. Subsequently, vide Order dated September 30, 2019, passed by the Whole Time Member of SEBI a disgorgement direction had been passed in respect of Noticees (except Noticee 1, 4 and 6), which was challenged by the Noticees before the Hon'ble SAT. Pursuant to Hon'ble SAT's order dated December 21, 2021, an Order dated January 12, 2022 has been passed by the Whole Time Member of SEBI, wherein the gains made by the promoter group entities has been recomputed as per the directions of Hon'ble SAT's order dated December 21, 2021, and a net disgorgement amount of Rs. 8,72,66,716.60 has been arrived to be disgorged by Noticees (except Noticee 1, 4 and 6). I have considered the above disgorgement order dated January 12, 2022, while arriving at the penalties to be levied.

ORDER

95. In exercise of the powers conferred under Section 15 I of the Securities and Exchange Board of India Act, 1992, and Rule 5 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995, I hereby impose penalty as detailed hereunder :-

Noticee	Noticee	Penal Provision	Penalty
1	Sumeet Industries Limited	Section 15HA of SEBI Act, 1992	1. Rs. 5,00,000 /- (Rupees Five Lac only) to be payable jointly and severally by Noticees no. 1 to 6 (for violation of Regulation 3 (b),(c),(d) and 4(1) 4(2)(a),(d),(e),(f) and (r) of PFUTP Regulations read with Section 12A(a),(b) &(c) of the SEBI Act, 1992) 2. Rs. 25,00,000 /- (Rupees Twenty Five Lac only) to be payable jointly and severally by Noticees 2, 3, 5, 7 to 14 (for violation of Regulations 3 (a),(b),(c),(d) and 4(1) of PFUTP Regulations read with Section 12A(a),(b) &(c) of the SEBI Act, 1992)
2	Shankar Somani		
3	Rajkumar Somani		
4	Sumeet Kumar Somani		
5	Bajranglal Somani		
6	Mahesh Kumar Somani		
7	Somani Overseas Pvt. Ltd.		
8	Sumeet Menthol Pvt. Ltd.		
9	Sumeet Silk Processors Pvt. Ltd.		
10	Sitaram Prints Pvt. Ltd.		
11	Ambaji Syntex Pvt. Ltd.		
12	Urmila Sunder		
13	Ganga Somani		
14	Sumandevi Somani		

96. No Penalty is imposed on Noticee 1 under section 23E of SCRA for reasons discussed elsewhere in this order.

97. I am of the view that the said penalty is commensurate with the lapse on the part of the Noticees.

98. The aforesaid Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order through Demand Draft in favour of "SEBI -Penalties Remittable to Government of India", payable at Mumbai, or the online payment facility available on the website of SEBI, i.e., www.sebi.gov.inon the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of AO ->PAY NOW. In case of any difficulties in payment of penalties, they may contact the support at portalhelp@sebi.gov.in.

99. The aforesaid Noticees shall forward said Demand Draft or the details/confirmation of penalty so paid to the Enforcement Department of SEBI (EFD-DRA-1). They shall provide the following details while forwarding DD/payment information:

a) Name and PAN of the entity (Noticee)

b) Name of the case / matter

c) Purpose of Payment –Payment of penalty under AO proceedings

d) Bank Name and Account Number

e) Transaction Number

100. 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

101. In terms of Rule 6 of the SEBI Adjudication Rules and Rule 6 of SCR Adjudication Rules, copy of this order is sent to the Noticees and also to the Securities and Exchange Board of India.

Place: Mumbai **K SARAVANAN**

Date: February 04, 2022 **ADJUDICATING OFFICER**