BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/MC/HP/2021-22/14368]

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

In respect of –

Mohan Lal Jain (PAN: AAGPJ8244F) having address at - T-3V-1 La Tropicana, Magazine Road, Khyber Pass, Civil Lines, New Delhi - 110054 **and**

House No-206, Welcome Apartment, Plot No-32, Sector-9, Rohini, New Delhi - 110085

In the matter of PMC Fincorp Limited

BACKGROUND

1. Securities and Exchange Board of India (hereinafter be referred to as, **'SEBI'**) initiated adjudication proceedings under Section 15HA of the SEBI Act, 1992 (hereinafter referred to as, **'SEBI Act'**), against Mohan Lal Jain (**Noticee/You**) for the alleged violations of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a), (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as, **'PFUTP Regulations'**) pursuant to investigation in the scrip of PMC Fincorp Limited (**PMC/Company/Scrip**) for the period from March 29, 2012 to March 31, 2015 (**IP/investigation period**).

APPOINTMENT OF ADJUDICATING OFFICER

2. SEBI appointed the undersigned as Adjudicating Officer (hereinafter referred to as "**AO**") under Section15-I of the SEBI Act read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter be referred to as the **'Adjudication Rules'**), vide order dated June 26, 2020 to inquire into and adjudge under section 15HA of the SEBI Act, the aforesaid alleged violations against the Noticee. The appointment of the AO was communicated vide order dated June 30, 2020.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice No. EAD5/MC/DPS/11978/2020 dated July 21, 2020 (hereinafter be referred to as, the "**SCN**") was served upon the Noticee under Rule 4(1) of the Adjudication Rules read with Section 15-I of the SEBI Act, to show cause as to why an inquiry should not be held and penalty not be imposed against the Noticee under Section 15HA of SEBI Act for the aforesaid alleged violations of PFUTP Regulations.

4. The allegations levelled against the Noticee in the SCN are summarized as below:

5. PMC is registered as a Public Limited Company in the State of Uttar Pradesh, Kanpur. The company was incorporated on 4th February 1985, to undertake business of Financial Services. The company is registered with Reserve Bank of India as a Non-Banking Financial Company (NBFC) and engaged in activities including Corporate and Personal Finance, Debt Syndication, Private Placement, Arranger, Distribution & Marketing of Financial Products and Dealing & Investment in Stock Market. The company offered its shares in Indian Capital Market through an IPO in the year 1988. The shares of company were listed on UP Stock Exchange Ltd (UPSE) and subsequently got listed on Bombay Stock

Exchange Ltd (BSE) on March 12, 2012. As per the MCA website, Company's registered office is at B-10, VIP Colony, Civil Lines, Rampur, Uttar Pradesh.

6. The details of the management of the company during the investigation period are as follows:-

Sl. No.	Name	Designation	Date of Appointment	Date of Cessation
1.	Pramod Gupta	Director	30-Apr-2010	Till date
2.	Raj Kumar Modi	Managing Director	27-Jan-2003	Till date
3.	Rekha Modi	Director	17-Dec-2009	Till date
4.	Vishnu Bhagwan Aggarwal	Director	30-Apr-2010	16-Dec-2018
5.	Dhirendra Kumar Gupta	Director	27-Jan-2003	16-Nov-2012

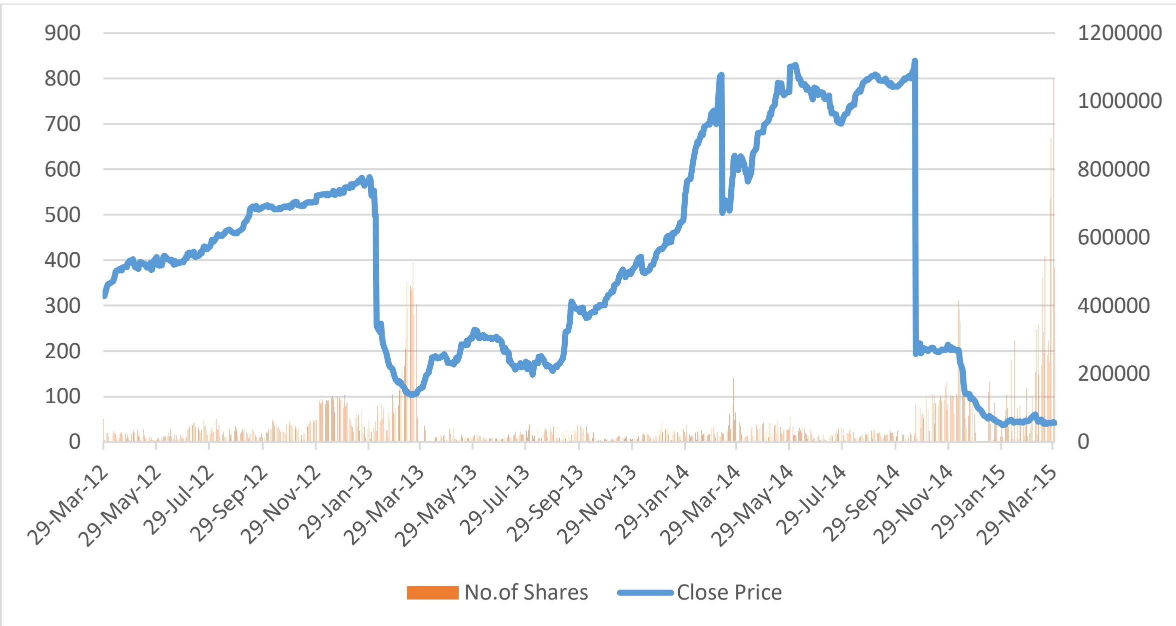
7. During IP, price of the scrip on BSE moved from Rs. 315 to Rs. 41.90 reaching a high of Rs. 880 and a low of Rs. 34.85. The closing market price of the scrip at BSE as on January 22, 2020 was Rs. 0.39. The IP was divided into 5 patches as given below:

Period	Duration		Opening Price/ vol on 1st day of period(Rs.)	Closing Price/ Vol on last day of period(Rs.)	Low Price/Vol during the Period(Rs.)	High Price/Vol during the Period(Rs.)	Avg no of shares traded daily during the period
Pre-Investigation	**13/03/2012 - 28/03/2012 (*)**	**Price (in Rs.)**	**355**	**307.95**	**300.50 (28/03/2012)**	**424 (16/03/2012)**	**56064**
		Volume	**11275**	**109795**	**11275 (13/03/2012)**	**109795 (28/03/2012)**	
IP	**Patch 1 29/03/2012-06/02/2013**	**Price (in Rs.)**	**315**	**499.65**	**313.50 (29/03/2012)**	**585 (28/01/2013)**	**40619**
		Volume	**67975**	**59563**	**2810 (18/05/2012)**	**138987 (01/01/2013)**	
		Sub division of equity shares of the company in the ratio 1:2 w.e.f. 07/02/2013					
	Patch 2 07/02/2013 – 19/03/2013	**Price (in Rs.)**	**244**	**103.15**	**101 (18/03/2013)**	**269 (08/02/2013)**	**161854**
		Volume	**32331**	**1505**	**12543 (20/02/2013)**	**468416 (14/03/2013)**	
	Patch 3 20/03/2013-12/03/2014	**Price (in Rs.)**	**103**	**807.75**	**99.55 (20/03/2013)**	**848.90 (10/03/2014)**	**25353**
		Volume	**453379**	**29393**	**1 (02/04/2013)**	**524490 (21/03/2013)**	

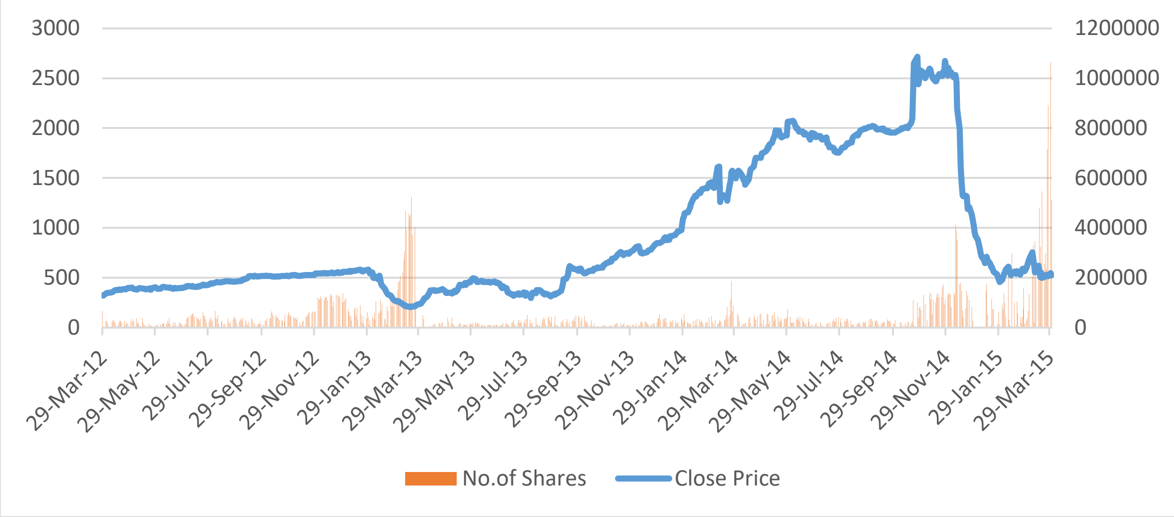
Period	Duration		Opening Price/ vol on 1st day of period(Rs.)	Closing Price/ Vol on last day of period(Rs.)	Low Price/Vol during the Period(Rs.)	High Price/Vol during the Period(Rs.)	Avg no of shares traded daily during the period
		Issue of bonus shares in the ratio 8:10 w.e.f. 13/03/2014					
	Patch 4 13/03/2014 - 21/10/2014	Price (in Rs.)	430	838.90	425 (13/03/2014)	880 (11/06/2014)	28388
		Volume	24266	25756	882 (30/06/2014)	186959 (26/03/2014)	
		Sub division of equity shares of the company in the ratio 1:5 w.e.f. 22/10/2014					
	Patch 5 22/10/2014 - 31/03/2015	Price (in Rs.)	170	41.90	34.85 (02/02/2015)	244.70 (27/10/2014)	141716
		Volume	110367	511983	765 (12/01/2015)	1064414 (30/03/2015)	
Post-Investigation	01/04/2015 - 30/06/2015	Price (in Rs.)	41.05	6.48	5.93 (29/06/2015)	43 (01/04/2015)	421830
		Volume	899783	481419	14996 (12/06/2015)	2027173 (16/04/2015)	

**The scrip got listed on BSE on March 12, 2012*

8. The price volume chart during the IP is as follows:-



9. The adjusted price volume chart after accounting for the stock splits during the IP is as under:-



10. Details of Top 10 buy broker and sell broker concentration on BSE during the IP are tabulated as follows:

Buy Broker Name	**Total Buy Volume**	**%age of Trd Vol**	**Selling Broker Name**	**Total Volume**	**%age of Trd Vol**
Integrated Master Securities Pvt.Ltd.	8041423	20.48	Integrated Master Securities Pvt.Ltd.	6039396	15.38
Fairwealth Securities Ltd.	3490327	8.89	Centillion Capital Private Limited (Formerly known as Pelf Finstock Limited)	3067620	7.81
Mindex Capital Market Private Limited (Formerly known as MKN Equity Brokers Pvt. Ltd.)	3115802	7.93	SS Corporate Securities Ltd.	2599724	6.62
Smc Global Securities Ltd.	2979274	7.59	Smc Global Securities Ltd.	1683228	4.29
India Infoline Ltd.	2416219	6.15	Ncj Share & Stock Brokers Ltd.	1616085	4.12
Kumar Share Brokers Limited	1893758	4.82	Kk Securities Ltd.	1468734	3.74
The Calcutta Stock Exchange Ltd.	1151112	2.93	Alankit Assignments Ltd.	1298675	3.31
Comfort Securities Ltd.	973631	2.48	Mindex Capital Market Private Limited (Formerly known as MKN Equity Brokers Pvt. Ltd.)	1265138	3.22
Sw Capital Pvt. Ltd.	892496	2.27	India Infoline Ltd.	1021616	2.60
Ase Capital Markets Ltd.	890429	2.27	Comfort Securities Ltd.	973631	2.48
Top 10 Buy Brokers	**25844471**	**65.81**	**Top 10 Buy Brokers**	**21033847**	**53.56**
Remaining Brokers	**13429446**	**34.19**	**Remaining Brokers**	**18240070**	**46.44**
Total Traded Volume	**39273917**	**100**	**Total Traded Volume**	**39273917**	**100**

11. From the table above, it was observed that top 10 trading members contributed 65.81% of gross buy volume and contributed 53.56% of gross sell volume during IP.

12. Details of top 10 buy clients and sell clients concentration on BSE during the IP are tabulated as below:

Buy Client Name	Total Buy Volume	%age of Trd Vol	Selling Client Name	Total Volume	%age of Trd Vol
Seabird Vincon Private Limited	3150159	8.02	Raghav Bahl	3455444	8.80
Economy Suppliers Private Limited	2760019	7.03	Golden Chariot Recreations Pvt Ltd	1276156	3.25
Seabird Retails Private Limited	2606958	6.64	Mukesh Dhirajlal Mahetalia	677468	1.73
Seabird Distributors Private Limited	2555220	6.51	Seabird Vincon Private Limited	601402	1.53
Embassy Sales Private Limited	2349219	5.98	Anoop Jain	600000	1.53
Famous Investment Consultants Pvt Ltd	1622494	4.13	Embassy Sales Private Limited	549734	1.40
Shivdarshan Sales Private Limited	1485972	3.78	Godavari Corporation Private Limited	510515	1.30
Rolex Vinimay Private Limited	1440312	3.67	Anoop Jain HUF	453100	1.15
Sankatmochak Tieup Private Limited	772480	1.97	Kabira Bharat Kalabhai	445004	1.13
Mukesh Dhirajlal Mahetalia	686218	1.75	Veena Jain	430665	1.10
Top 10 Buy Clients	**19429051**	**49.47**	**Top 10 Buy Clients**	**8999488**	**22.92**
Remaining Clients	**19844866**	**50.53**	**Remaining Clients**	**30947201**	**77.08**
Total Traded Volume	**39273917**	**100**	**Total Traded Volume**	**39273917**	**100**

13. It was observed from above table that top 10 buy clients contributed 49.47% of gross buy volume and top 10 sell clients contributed 22.92% of gross sell volume during IP.

14. Based on UCC details by BSE/KYC details from brokers, off-market transfers, details from MCA website and bank account statements (those who contributed more than 5% to the market LTP) of top 10 buyers/sellers and LTP contributors and the off market transfers, a group of 92 entities were found to be connected to one another on the basis of fund transfers, off market transactions, common directors, same address etc. Connection of the Noticee is depicted below:

Sr. No.	Entity Name	Basis of connection
1	Mohan Lal Jain (Noticee)	As per the reply from Satish Singhal (another Noticee to the SCN) vide email dated January 10, 2020, Noticee, chartered accountant and financial advisor to Mr. Raghav Bahl (another Noticee to the SCN) is known to him to whom he recommended that SS Corporate Securities Ltd is a good and fair stock broker for dealing in stock market. Noticee had fund transfers with PMC.

15. **<u>Trading by the Noticee during IP:</u>**

Sr. No.	Client Name	Sum of Buy Qty.	Sum of Sell Qty.	Net Trade	Gross Buy % to total buy volume	Gross Sell % to total sell volume
1	Mohan Lal Jain (Noticee)	0	125000	-125000	0	0.32

16. **Patch 1 - Price Rise - 29/03/2012 to 06/02/2013:**

During this period, the price of the scrip opened at Rs.315, reached a high of Rs.585 and closed at Rs.499.65 i.e., a rise of 58.61%. Buy LTP analysis of the 30 connected entities during this period is tabulated below –

Sr. No.	Buyer Name	All trades			LTP Diff. >0			LTP Diff. < 0			LTP Diff. =0		% of +ve LTP to Total Market +ve LTP
		Sum of LTP diff	Sum of QTY	No of trades	LTP impact	QTY traded	No of trades	LTP impact	QTY traded	No of trades	QTY traded	No of trades	
1	Seabird Vincon Pvt Ltd	307.75	1407307	17488	663.65	100267	960	-355.90	82729	536	1224311	15992	14.69
2	Economy Suppliers Pvt Ltd	233.90	1323665	13195	480.35	91559	733	-246.45	66319	360	1165787	12102	10.64
3	Embassy Sales Private Limited	127.05	915079	11639	620.95	71541	776	-493.90	47543	492	795995	10371	13.75
4	Seabird Retails Pvt Ltd	103.70	1126453	15525	683.80	84712	965	-580.10	90119	744	951622	13816	15.14
5	Seabird Distributors Pvt Ltd	72.55	956200	14105	432.50	45371	618	-359.95	61232	507	849597	12980	9.58

6	Mindex Capital Market Private Limited (Formerly known as MKN Equity Brokers Pvt. Ltd.)	0.40	536	10	0.40	61	1	0	0	0	475	9	0.01
7	Suresh Kumar Aggarwal	0	8	1	0	0	0	0	0	0	8	1	0
8	Krishan Kumar Aggarwal	0	9	2	0	0	0	0	0	0	9	2	0
9	Nitin Aggarwal HUF	0	8	1	0	0	0	0	0	0	8	1	0
10	Nitin Aggarwal	0	8	2	0	0	0	0	0	0	8	2	0
11	Manoj Kumar Aggarwal	0	7	1	0	0	0	0	0	0	7	1	0
12	Kusum Lata Aggarwal	0	8	1	0	0	0	0	0	0	8	1	0
13	Suchita Aggarwal	0	7	1	0	0	0	0	0	0	7	1	0
14	Meena Aggarwal	0	9	1	0	0	0	0	0	0	9	1	0
15	Dhirendra Kumar Gupta	0	2	1	0	0	0	0	0	0	2	1	0
16	Kiran Aggarwal	0	8	1	0	0	0	0	0	0	8	1	0
17	Dhirendra Kumar Gupta and Sons HUF	-1.95	2002	8	0	0	0	-1.95	500	1	1502	7	0
18	M K N Commodity Brokers Private Limited	-4.30	181857	4242	201.50	12093	281	-205.80	30211	329	139553	3632	4.46
19	Anita Gupta	-4.50	5525	35	1	25	1	-5.50	3015	12	2485	22	0.02
20	Sulekha Gupta	-4.75	1900	19	0.50	5	1	-5.25	1001	6	894	12	0.01
21	Mohan Lal Jain HUF	-5.40	2000	1	0	0	0	-5.40	2000	1	0	0	0
22	Radhu Developers Pvt Ltd	-6.90	60700	218	1.80	3698	4	-8.70	4985	25	52017	189	0.04
23	S K Aggarwal HUF	-12.60	15783	201	3.45	580	10	-16.05	1973	22	13230	169	0.08
24	K Aggarwal HUF	-12.75	5339	64	1.50	71	2	-14.25	1605	12	3663	50	0.03
25	J M S Financial Services Ltd.	-13.85	206459	4634	161.60	9217	242	-175.45	26353	275	170889	4117	3.58
26	Rakesh Kumar Gupta	-14.05	26610	213	13.65	1286	16	-27.70	9579	39	15745	158	0.30
27	Umesh Goyal	-32.70	11293	260	13.35	985	22	-46.05	1160	24	9148	214	0.30
28	Golden Chariot Recreations Private Limited	-35.25	667616	3416	151.50	50186	219	-186.75	99630	358	517800	2839	3.35
29	Mudit Jain HUF	-49.95	34213	342	6.60	2312	20	-56.55	6006	68	25895	254	0.14
30	M K Aggarwal HUF	-51.35	14345	223	7.50	510	12	-58.85	2600	35	11235	176	0.17
Total of connected entities having Net +ve LTP contribution		**845.35**	**5729240**	**71962**	**2881.65**	**393511**	**4053**	**-2036.30**	**347942**	**2639**	**4987787**	**65270**	**63.81**
Total of connected entities		**595.05**	**6964956**	**85850**	**3445.60**	**474479**	**4883**	**-2850.55**	**538560**	**3846**	**5951917**	**77121**	**76.29**
Total of Mkt		**178**	**8773718**	**99367**	**4516.20**	**709694**	**6019**	**-4338.20**	**760944**	**5329**	**7303080**	**88019**	**100**

17. The connected entities contributed Rs.3445.60 (76.29% of the market +ve LTP) to the market +ve LTP.

18. The connected entities listed at Sr. No. 1 to 6, having net +ve LTP contribution, contributed Rs.2881.65 (63.81% of the market +ve LTP) to the market +ve LTP.

It was also observed that the net LTP contribution by entities listed at Sr. No. 1 to 6 was Rs. 845.35 whereas the net LTP contribution of the market was Rs. 178.

19. From trading analysis, it was observed that the following 26 entities had traded among themselves and the details are as follows -

Sr. No.	Buyer → / Seller ↓	+LTP in Rs.					Total +LTP in Rs.
		Economy Suppliers Pvt Ltd	**Embassy Sales Pvt Ltd**	**Seabird Retails Pvt Ltd**	**Seabird Vincon Pvt Ltd**	**Seabird Distributors Pvt Ltd**	
1	J M S Financial Services Ltd.	77.45	131.50	126.65	73.50	63	472.10
2	M K N Commodity Brokers Pvt Ltd	46.50	85.30	81.35	69.65	48.50	331.30
3	Anoop Jain	22.15	26.65	29.80	26.25	12.50	117.35
4	Anoop Jain HUF	13.05	21.55	19.75	9.70	7.95	72
5	Embassy Sales Private Limited	7.95	5.25	29.45	16.50	12.85	72
6	Rakesh Kumar Gupta	2.05	8.80	10.55	16.50	2.40	40.30
7	**Mohan Lal Jain (Noticee)**	2.80	9	3.45	5.90	9.70	30.85
8	Seabird Retails Private Limited	6.20	10.65	4.55	2.75	4.70	28.85
9	Seabird Distributors Private Limited	4.65	7.40	3.70	2.15	1.95	19.85
10	S K Aggarwal HUF	6.50	3.75	0.50	4.15	2.45	17.35
11	Seabird Vincon Private Limited	3.30	5.50	5.60	0.70	2.20	17.30
12	Centillion Capital Private Limited (Formerly Known As Pelf Finstock Ltd)	1.60	5.50	3.70	1.75	2.30	14.85
13	Economy Suppliers Private Limited	0.90	1.50	3.15	4.15	3.70	13.40
14	M K Aggarwal HUF	1.35	1.30	6.10	2.85	1.25	12.85
15	Raghav Bahl	1.80	0.25	2.05	7.25	0.75	12.10
16	Mudit Jain HUF	-	3.15	0.85	4.35	1.50	9.85
17	Umesh Goyal	0.60	4.65	1.10	0.25	1.25	7.85
18	Ritu Kapur	0.75	0.50	0.30	0.80	0.05	2.40
19	K Securities Ltd	-	-	0.50	0.50	-	1
20	Dhirendra Kumar Gupta & Sons HUF	-	-	-	0.95	-	0.95
21	Anita Gupta	-	-	-	0.50	-	0.50
22	Mindex Capital Market Private Limited (Formerly known as MKN Equity Brokers Pvt. Ltd.)	0.35	-	-	-	-	0.35
23	Sulekha Gupta	0.05	0.30	-	-	-	0.35
24	Parmod Aggarwal	-	-	0.05	-	0.25	0.30
25	K Aggarwal HUF	-	0.15	-	-	0.10	0.25
26	Pardeep Aggarwal	-	-	-	-	0.05	0.05
TOTAL		**200**	**332.65**	**333.15**	**251.10**	**179.40**	**1296.30**

20. From the table above, it was observed that Noticee along with other 25 entities traded among themselves and contributed Rs. 1296.30 (1867 trades) to the market +ve LTP, which is 28.70% of the market +ve LTP.

21. Entities at Sr. No. 1 to 26 (Sellers) including Noticee aided five connected entities (buyers) namely Economy, Embassy, Seabird Vincon, Seabird Retails and Seabird Distributors, by selling shares to them to increase the price of the scrip.

22. In view of the significant +ve LTP contribution by the entities by trading among themselves it was alleged that the Noticee along with the aforesaid 25 entities created misleading appearance of trading and manipulated the price of the scrip by contributing to the price rise and thereby violated Section 12 A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulation 4(1), 4(2) (a), (e) of PFUTP Regulations.

23. **<u>New High Price (NHP) Analysis:</u>**

NHP contribution by connected entities who have traded in the scrip and their contribution in the new price established during the price rise patches is tabulated as follows:

24. **Patch 1 - Price Rise – 29/03/2012 to 06/02/2013:**

	BSE			
Entity Name	**Qty**	**No. of Trades**	**NHP (Rs.)**	**% of total mkt NHP**
Embassy Sales Private Limited	4363	36	44.50	16.53
Seabird Retails Private Limited	4294	37	23.90	8.88
Economy Suppliers Private Limited	6491	33	19.90	7.37
Seabird Distributors Private Limited	1920	23	12.10	4.52
Seabird Vincon Private Limited	4426	42	25	9.33
M K N Commodity Brokers Pvt Ltd	253	3	2.10	0.78
J M S Financial Services Ltd.	100	1	2	0.74
Golden Chariot Recreations Pvt Ltd	2075	9	3	1.09
S K Aggarwal HUF	75	1	0.75	0.28
Total of connected entities	**23997**	**185**	**133.25**	**49.52**
Market Total	**29971**	**218**	**270**	**100**

25. From the table above, it was observed that contribution to NHP by nine connected entities mentioned above was Rs.133.25 (49.52% of market NHP).

26. From trading analysis, it was observed that the connected entities had traded among themselves and the details are as follows -

Sr. No.	Buyer → / Seller ↓	+LTP In Rs.							Total +LTP in Rs.
		Economy Suppliers Pvt Ltd	**Embassy Sales Pvt Ltd**	**Golden Chariot Recreations Pvt Ltd**	**M K N Commodity Brokers Pvt Ltd**	**Seabird Retails Pvt Ltd**	**Seabird Vincon Pvt Ltd**	**Seabird Distributors Pvt Ltd**	
1	J M S Financial Services Ltd.	2	5.35	-	-	7	2.95	0.70	18
2	Centillion Capital Private Limited	0.25	-	-	-	-	-	0.10	0.35
3	Anoop Jain HUF	1	-	-	-	-	-	-	1
4	Embassy Sales Private Limited	-	-	-	0.10	-	-	-	0.10
5	Anoop Jain	-	1	-	-	-	-	-	1
6	M K N Commodity Brokers Private Limited	0.25	12.45	1.50	-	1.10	6.15	1.60	23.05
7	Mohan Lal Jain (Noticee)	-	-	-	-	0.50	0.50	-	1
8	Raghav Bahl	-	-	-	-	0.15	0.25	0.25	0.65
TOTAL		**3.50**	**18.80**	**1.50**	**0.10**	**8.75**	**9.85**	**2.65**	**45.15**

27. From the table above, it was observed that by trading among themselves Noticee alongwith 12 entities contributed Rs. 45.15 (62 trades) to the market NHP, which is 16.72% of the market NHP.

28. Entities at Sr. No. 1 to 8 (sellers) namely Noticee, JMS, Centillion, Anoop Jain HUF, Embassy, Anoop, MKN and Raghav had aided other seven entities (buyers) namely Economy, Embassy, Golden, MKN, Seabird Retails, Seabird Vincon and Seabird Distributors by selling shares to increase the price of the scrip by contributing to NHP. Thereby, seven entities (buyers) namely Economy, Embassy, Golden, MKN, Seabird Retails, Seabird Vincon and Seabird Distributors contributed Rs. 130.50 (48.33% of the market NHP) to the market NHP.

29. In view of the significant NHP contribution by the entities by trading among themselves it was alleged that Noticee alongwith aforesaid 12 entities i.e. JMS, Centillion, Anoop Jain HUF, Embassy, Anoop, MKN, Raghav, Economy, Golden, Seabird Retails, Seabird Vincon and Seabird Distributors created misleading appearance of trading and manipulated the price of the scrip by contributing to the NHP and thereby violated Section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulation 4(1), 4(2) (a), (e) of PFUTP Regulations.

30. From the account opening form ("AOF") of Mr. Raghav Bahl provided by SS Corporate Securities Limited (another Noticee to the SCN) it was observed that 'Mr. Satish Singhal' was mentioned as introducer in the aforesaid AOF. Mr. Mohan Lal Jain (Noticee) was a chartered accountant providing financial and tax advisory services to Mr. Raghav Bahl and Ms. Ritu Kapoor and also held the directorship/shares in certain companies owned and controlled by them.

31. It was observed that Noticee and M J Softech Pvt Ltd (company owned and controlled by the Noticee) had taken a loan from PMC. It was further observed that Mohan Lal Jain HUF (Savings a/c no. 5-125318-22, Citibank) had a fund transaction of Rs. 25,00,000 with PMC Fincorp Ltd./ Priti Mercantile Company Limited on 01/10/2010.

32. It was also observed that Noticee has purchased 1,00,000 shares of PMC before the company was listed on BSE. Subsequently, the Noticee sold the shares of PMC in the market during IP.

33. In view of the above, it was alleged that Noticee was connected to other Noticees and from LTP analysis of connected Noticees mentioned in the SCN, it was alleged that by trading with other Noticees, the Noticee created misleading appearance of trading and manipulated the price of the scrip and thereby violated

Section 12 A(a),(b),(c) of SEBI Act, 1992 read with Regulation 3(a),(b),(c),(d) and Regulation 4(1), 4(2) (a), (e) of PFUTP Regulations.

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

35. SCN was duly served to the Noticee. Noticee filed his reply to the SCN on March 08, 2021.

36. The key submissions of the Noticee are summarised below:

a) Noticee submitted that he is a chartered accountant and an active investor who has been trading in the securities market since 1990s. Till date, except for the present SCN, SEBI has not initiated any disciplinary proceedings and/or passed any adverse orders against the Noticee.

b) The Noticee was the karta of Mohan Lal Jain HUF which had traded in the scrip of PMC during the Investigation Period; and the Noticee, MLJ HUF and MJ Softech Pvt. Ltd. (company owned and controlled by the Noticee) had secured loans from PMC and certain other companies owned and controlled by Mr. Raj Kumar Modi (another Noticee in the SCN).

c) The events to which the SCN pertains to transpired during 2012-13. However, the present SCN was issued to the Noticee only on July 21, 2020, i.e. after an undue delay of more than 7 years. The inordinate delay in the initiation of adjudication proceedings against the Noticee has deeply prejudiced the Noticee and severely impaired his ability to defend himself against the grave charges levied against him in the SCN. As a considerable amount of time has elapsed from the dates of the purported violations, the Noticees' memory of the circumstances (including his rationale for buying and selling shares of PMC) has severely dimmed and the documents /information required to defend oneself against the serious charges of price manipulation are not easily accessible. At this stage it is onerous for the

Noticee to reconstruct the events that occurred 7 years ago and this has caused grave prejudice to the Noticee. In this regard, Noticee relied upon Order of Hon'ble Supreme Court in the matter of **Government of India v. Citadel Fine Pharmaceuticals Madras & Ors.** and Orders of Hon'ble SAT in the matter of **Ashok Shivlal Rupani and Anr. v. SEBI** and **Bharat J. Patel v. SEBI**.

d) On limited ground of an inordinate delay of 7 years in the issuance of the SCN, the present show cause proceedings should be quashed and the SCN should be disposed of. The continuance of the present proceedings would be prejudicial to the Noticee and the same would be in a gross violation of the principles of natural justice as well as the canons of reasonableness, fairness and justness.

e) Noticee submitted that the SCN is vague and unclear, and deserves to be disposed of on this limited ground. The SCN fails to establish any association/connection between the Noticee and the Patch 1 counterparties and the SCN does not show how the Noticee colluded with the other Noticees in allegedly artificially raising the price of scrip of PMC. Instead, the SCN bases its allegations merely on certain minuscule trades executed by the Noticee with the Patch 1 counterparties who he did not know of and a vague attempt has been made to establish a connection with certain entities/ individuals that were never counterparties to the Noticee's trades during the Investigation Period.

f) In the SCN, there is no allegation regarding the meeting of mind or collusion between the Noticee and the other Noticees to the SCN with whom the Noticee has traded during Patch 1 which are purported to have resulted in price manipulation. The absence of anything (communication between parties, transfer of funds, etc.) to suggest a fraudulent motive, mala-fide or any connection whatsoever with the entities with whom the Noticee traded makes the SCN unsubstantiated and consequently vague.

g) In this regard, Noticee relied upon Order of Hon'ble Supreme Court in the matter of **Commissioner of Central Excise, Bangalore v. Brindavan**

Beverages (P) Ltd and Ors and Orders of Hon'ble SAT in the matter of **Vikas G Bengani v. Adjudicating Officer, SEBI** and **Jatin Manubhai Shah v. Adjudicating Officer**.

h) Noticee submitted that in the SCN, SEBI in a cursory manner, without any substantive evidence has erroneously alleged that the Noticee was connected to a group of 92 entities/individuals out of which 86 entities/ individuals (including the Noticees) indulged in price manipulation in the scrip of PMC during the Investigation Period.

i) Noticee further submitted that the Noticee did not share any association/ connection with any of the 5 Patch 1 counterparties during the Investigation Period. In the present matter, SEBI has not placed on record any direct or indirect evidence (communication between parties, transfer of funds, etc.) to demonstrate any association/connection/relationship between the Noticees and the 5 Patch 1 counterparties. In this regard, Noticee relied upon Hon'ble SAT Order in the matter of **SPJ Stock Brokers v. SEBI** and **Nishant M Shah HUF v. SEBI**.

j) Further, the SCN has failed to establish any association/ connection/ relationship or collusion between the Noticee and the 5 Patch 1 counterparties. For the grave charge of price manipulation to hold, it is quintessential to establish the connection and collusion between the buyer and the seller. However, in the present matter, SEBI has failed to do the same and has raised allegations against the Noticee based on mere surmises and conjectures.

k) Noticee further submitted that SEBI has made a vague attempt to establish connections between the Noticee with certain entities/individuals that were not counterparties to the Noticee's trades during the Investigation Period and therefore, such associations/connections do not substantiate the charge of price manipulation that has been levied against the Noticee.

l) With respect to Satish Singhal (another Noticee to the SCN) the Noticee submitted that he had no association/connection/relationship with him. The association with Satish Singhal was strictly limited to Satish Singhal, recommending the name of a stock broker, SS Corporate Securities Ltd. to set up brokerage accounts for Raghav Bahl and Ritu Kapur (another Noticees to the SCN), to whom the Noticee was providing financial and tax advisory services. Noticee submitted that he did not collaborate with Satish Singhal to manipulate the share price of PMC, and SEBI has not placed on record any direct or indirect evidence (communication between parties, transfer of funds, trades, etc.) to prove otherwise.

m) With respect to Raghav Bahl and Ritu Kapur, the Noticee submitted that he shared a professional relationship with them. He was providing financial and tax advisory services to Raghav Bahl and Ritu Kapur in his personal capacity. Further, the Noticee held directorship and shares in certain companies owned and controlled by them. The Noticee did not collaborate with them to manipulate the share price of PMC, and SEBI has not placed on record any direct or indirect evidence (communication between parties, transfer of funds, trades, etc.) to prove otherwise.

n) With respect to Raj Kumar Modi and PMC, the Noticee submitted that he had not shared any direct association/connection/relationship with them. However, Noticee and M J Softech Pvt. Ltd. (company owned and controlled by him) had in the ordinary course of business secured loans from PMC and 2 companies, owned by Raj Kumar Modi. The Noticee had secured loans from PMC (in the FY-11-12), (Dinkar Commercials Pvt. Ltd. (in the FY-16-17 and FY-17-18) and Amarendra Financial Pvt. Ltd. (in the FY-16-17). M J Softech Pvt. Ltd. had secured loans from PMC (in the FY-10-11 and FY-11-12), (Dinkar Commercials Pvt. Ltd. (in the FY-17-18) and Amarendra Financial Pvt. Ltd. (in the FY -17-18). The aforementioned short term/interim loans were taken only for business purposes including to bridge financing for the purchase of a property. Further, the loans taken from the aforementioned entities were not used to invest in the securities market. During his tenure with the Network18 Group, the Noticee engaged with several people from the banking industry. Based on the Noticee's limited recollection, the Noticee was introduced to the aforementioned entities through people belonging to the banking industry. The loans secured from PMC and Dinkar Commercials Pvt. Ltd. have been repaid by the Noticee and M J Softech Pvt. Ltd. in the FY-12-13, FY-13-14, FY-17-18 and FY-18-19. Further, the loan taken from Amarendra Financial Pvt. Ltd. has also been repaid.

o) Noticee submitted that he did not collaborate with Raj Kumar Modi or PMC to manipulate the share price of PMC, and SEBI has not placed on record any direct or indirect evidence (communication between parties, transfer of funds for trading in the securities market, etc.) to prove otherwise. This is further supported by the submission made by Raj Kumar Modi before SEBI wherein he has categorically claimed that he did not share any personal association/connection with the Noticee. Further, apart from the aforementioned limited associations, Noticee did not share any association/connection with past or present directors and/or promoters of PMC. Merely on account of the aforementioned loan transactions undertaken in the ordinary course of business, it cannot be superficially alleged that the Noticee was connected to and colluded with the other Noticees to manipulate the share price of PMC.

p) Noticee is the karta of MLJ HUF which executed a purchase and sale of only 2000 shares of PMC during the Investigation Period. The minuscule trades executed by MLJ HUF during the Investigation Period did not lead to any positive LTP and consequently, the said entity has not been show caused by SEBI in the present matter for any allegation of price manipulation in the shares of PMC.

q) Noticee submitted that the inconsequential associations highlighted in the SCN do not substantiate the grave charges of price manipulation alleged against the Noticee. In absence of any evidence showing a direct or indirect nexus with the other Noticees to the SCN to manipulate the share price of PMC, SCN relied merely on the aforementioned relations to allege that the Noticee was connected to and conspired with the other Noticees to manipulate the share price of PMC.

r) Noticee submitted that he undertook bona fide trades in the shares of PMC based on independent investment analysis to make lawful gains. Noticee is a seasoned investor who has been regularly investing in the stock markets for the last 30 years and he had undertaken trades in the securities of PMC in a routine manner. Further, Noticee had a positive forecast of the financial industry and therefore had also invested in other companies (for instance Geefcee Finance Ltd.) engaged in financial services.

s) During August 2009, when PMC was listed on Uttar Pradesh Stock Exchange, the Noticee acquired 1,00,000 equity shares of PMC through an off-market transaction. Subsequently, the Noticee was allotted 50,000 bonus shares of PMC in October 2011.

t) In March 2012, BSE allowed PMC to get listed on the exchange. Post PMC's listing on BSE, the Noticee independently decided to sell his shareholding in with an intent to make lawful gains on his investments, as the Company was performing well and the Noticee had held on to his investments in PMC for several years. During March 19, 2012 to January 17, 2013, the Noticee in a bona fide manner, sold all his shares of PMC on the trading platform of BSE through a series of transactions with the help of a licensed stock broker. The Noticee had sold 25,000 shares of PMC prior to the Investigation Period. Noticee submitted that the aforementioned transactions were not undertaken by the Noticee with an intent to violate the provisions of the SEBI Act or PFUTP Regulations. The Noticee did not collude with the entities/individuals named in the SCN to manipulate the share price of PMC.

u) Noticee submitted that during the Investigation Period, the Noticee had sold a total of 1,25,000 shares of PMC Ltd. to several buyers on the anonymous trading platform of BSE Ltd. Out of the 1,25,000 shares the 5 Patch 1 counterparties had purchased only 4,890 shares of PMC Ltd. which formed a minuscule quantity of the total shares sold by the Noticee during the Investigation Period (i.e. 3.91% of total shares sold by the Noticee). If the Noticee had intended to manipulate the share price of PMC, a majority of the Noticee's shares (96% of the total shares sold by the Noticee) would not have been purchased by entities/individuals who do not form part of the SCN. Further, the average rate at which the alleged 45 trades (amounting to total of 4890 shares) have been executed is Rs. 469.05/. The largest trade, amongst the alleged 45 trades of the Noticees (i.e. 1345 out of the said 4890 shares) was executed at Rs. 390.05/- when the highest price of the scrip during Patch 1 reached Rs. 585/. Further, during Patch 3 of the Investigation Period, the price of the scrip of PMC opened at Rs. 103/- on March 20, 2013 and closed at Rs. 807.75 on March 12, 2014. During Patch 3 the price of the scrip had reached a high of Rs.848.90/-. If the Noticee had a mala fide intention to make any illicit gains by manipulating the share price of PMC, he would not have sold all his PMC shares in Patch 1 and sold most of them in Patch 3 to make higher profits.

v) Noticee submitted that placing sell orders at a higher price than LTP is not *ipso facto* illegal. In fact, it is economically rational for a seller to place order rates above the LTP. In this regard, Noticee relied upon SEBI Orders in respect of **Deepa Saurabh Shah & Ors**. **in the matter of Unisys Software and Holding Industries Ltd.** and **Nirshilp Securities Ltd. in the matter of Winsome Yarns Limited.** Noticee also relied upon Order of Hon'ble SAT in the matter of **Kalpana Dharmesh Chedda v. SEBI.**

w) Further, for the 45 trades undertaken by the Noticee with the Patch 1 counter parties, the rate at which the Noticee had placed orders were not significantly higher than the LTP, but averaged out to a mere Rs. 0.685/-. SEBI has not placed on record any direct or indirect evidence to demonstrate any association or collusion/fraudulent motive between the Noticees and the 5 counterparties. Further, the sell trades of the Noticee formed only 0.68% of the total positive LTP during Patch 1. Also, the Noticee sold 1,25,000 shares of PMC in Patch 1, amounting to only 0.32% of the total volume traded in the scrip of PMC on the exchange platform during the Investigation Period. Therefore, the quantum of trades executed by the Noticee were negligible and per-se not capable of having any impact on the price of the shares of PMC.

x) Noticee submitted that in the SCN, it has been alleged that the Noticee along with 25 Noticees to the SCN traded among themselves and contributed Rs.1296.30/- to the +ve LTP which was 28.70% of market +ve LTP in Patch 1 of the Investigation Period. However, SEBI has failed to establish any relevant connection between the Noticee and the other Noticees to the SCN (including Patch I Counter Parties), the Noticee cannot be clubbed with other Noticees of the SCN for purpose of LTP analysis. In the absence of any evidence establishing a connection and collusion between the Noticee and the other Noticees in Patch 1, the total LTP variation caused by the Noticee cannot be calculated cumulatively with that allegedly caused by the other 25 Noticees.

y) Noticee submitted that his trades allegedly contributed to minuscule Rs. 1 to the NHP out of a total contribution of Rs. 45.15/- based on trades with only 2 other Noticees. SEBI has failed to demonstrate any connection or collusion between the Noticee and any of the other Noticees (including the counter parties). SEBI has not placed on record any direct or indirect evidence to demonstrate that the Noticee had placed sell orders in the shares of PMC in a synchronized manner along with any of the Noticees in the SCN. Therefore, the allegation of the Noticee contributing to NHP by selling the shares of PMC to counterparties at a higher price cannot be sustained.

z) The 2 trades executed with 2 Noticees pertained to the sale of 25 shares at Rs. 375.5/- and 30 shares at Rs. 376.5 respectively on April 13, 2012 (i.e. on one day). Apart from the aforementioned trades in the SCN there are no allegations against the Noticee in relation to contribution to NHP. In this regard, Noticee relied upon the SEBI Order in the matter of **Rich Capital and Financial Services Limited**.

aa) Noticee submitted that allegations against him are merely based on conjectures and surmises and without any direct or indirect evidence to demonstrate any connection or collusion between the Noticee and the other Noticees (including the Patch 1 counterparties) to the SCN. There are no specific averments in the SCN against the Noticee related to his involvement in an alleged fraudulent scheme. In cases of share price manipulation, the element of collusion between the buyer and the seller is *sine qou non* to establish the charge of price manipulation. In absence of any finding of collusion between the buyer and the seller, the charge of fraudulently contributing to the price rise of a scrip cannot be sustained. In this regard, Noticee relied upon Order of Hon'ble SAT in the matter of **Jagruti Securities v. SEBI** and **Bharti Goyal v. SEBI**.

bb) Noticee submitted that no prior relationship existed between the Noticee and the Patch 1 counterparties who had purchased 4,890 shares of PMC from the Noticee thorough the anonymous trading platform of BSE.

cc) Further, of the 45 trades between the Noticee and Patch 1 counterparties, there was a sufficient time gap between the placement of sell order by the Noticee and the placement of the corresponding buy order by the concerned entity. The delay between the placement of the sell order and the buy order demonstrates that the Noticee did not synchronize his trades with the Patch 1 counterparties to artificially and manipulatively increase the share price PMC. Further, in the SCN there is no allegation of synchronized trading, reversal trading, circular trading or unilateral manipulation of price against the Noticee.

dd) Noticee submitted that allegation of fraud is a grave charge and a fraudulent act cannot be imputed merely based on surmises, probabilities, conjectures and refutable evidence. Charges of fraud are serious violations and should not be made casually by the regulatory agencies. Various judicial pronouncements have unequivocally stated that fraud is a serious offence and therefore the standard of proof must be of a higher degree and mere conjectures and surmises will not be sufficient to hold a person liable for fraud. Noticee relied upon judgment of Hon'ble SAT in the matter of **KSL & Industries v. Chairman, SEBI**, **Kanaiyalal Baldevbhai Patel & Ors. v. SEBI and Ors.** and **Narendra Ganatra v. SEBI**.

37. Opportunity of hearing was provided to the Noticee through video conferencing and Authorized Representative (AR) attended the hearing on behalf of the Noticee. Mr. Rahul Das and Ms. Manal Shah appeared for the hearing on August 06, 2021 as AR of the Noticee. AR of the Noticee reiterated the submissions made in his reply dated March 08, 2021.

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

CONSIDERATION OF ISSUES AND FINDINGS

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

Issue No. I	Whether Noticee is in violation of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a), (e) of PFUTP Regulations?
Issue No. II	If yes, whether the failure, on the part of the Noticee would attract monetary penalty under Section 15HA of the SEBI Act?
Issue No. III	If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

Issue No. I **Whether Noticee is in violation of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a), (e) of PFUTP Regulations as alleged in the SCN?**

40. Before going into the merits of the case, I note the contention of the Noticee that the present SCN is issued after an undue delay of more than 7 years. In this regard, I note that no limitation is prescribed in SEBI Act or Regulations for

issuance of SCN or for completion of the Adjudication proceedings. I further note that the investigation in the matter of PMC was initiated pursuant to a specific reference received by SEBI dated October 26, 2018, and the investigation was completed in June 2020. The AO was appointed on June 26, 2020 and the SCN was issued on July 21, 2020. Hence, I note that there is no inordinate delay in completion of investigation or initiation of the instant proceedings.

41. The allegations against the Noticee in the SCN are based upon its LTP contribution in Patch 1 and his connections with other Noticees. The allegations in the SCN against the Noticee are as follows:

    a) In Patch-1, the price of the scrip opened at Rs.315, reached a high of Rs.585 and closed at Rs.499.65. Noticee along with other 25 sellers aided the top 5 positive LTP contributing buyers, by selling shares to them to manipulate the price of the scrip.
    b) In Patch-1, Noticee along with other 12 entities created misleading appearance of trading and manipulated the price of the scrip by contributing to the NHP.

42. It was alleged in the SCN that Noticee had connection with other Noticees in the SCN. In his submissions Noticee admitted that he and M J Softech Pvt. Ltd. (company owned and controlled by him) had in the ordinary course of business secured loans from PMC and 2 companies, owned by Raj Kumar Modi (Managing Director of PMC and another Noticee to the SCN). Further, he was providing financial and tax advisory services to Raghav Bahl and Ritu Kapur (another Noticee to the SCN) in his personal capacity. Further, the Noticee held directorship and shares in certain companies owned and controlled by them.

43. Aforesaid submissions of the Noticee, at the very least establishes a relationship of Noticee with PMC and Raj Kumar Modi.

44. On examination of the trades of the Noticee during IP, I find that Noticee appeared on sell side in Patch 1. I have examined the net LTP contribution of the trades by the Noticee and find the following:

Patch 1 - Price Rise - 29/03/2012 to 06/02/2013:

45. In Patch 1, Noticee sold 1,25,000 shares in 1593 trades. Sell trades of the Noticee contributed to positive LTP during this period. The following is noted from the trade log:

Name	Trade	Quantity Traded	LTP Contribution
Noticee	Sell	125000	18.65

46. As seen from the table above, net LTP contribution for his sell trades is positive Rs.18.65 during this period. Thus, during a price rise period, the sell tades of the Noticee contributed to positive LTP. The sell trades of the Noticee were spread across 23 days during the period between April 2012 to January 2013.

47. The trading pattern of the Noticee establishes that he contributed to trading volumes through his sell trades. Further, he traded in the direction of market movement in the scrip price, with majority trades at current market price and 65 trades contributing to positive LTP during price rise period.

48. Having examined the trading pattern and LTP contribution of the Noticee as above, the issue before me is to decide whether the Noticee colluded with other entities in causing price rise as alleged in the SCN.

49. Noticee submitted that out of the 1,25,000 shares, the 5 Patch 1 counterparties had purchased only 4,890 shares of PMC, which formed a minuscule quantity of the total shares sold by the Noticee during the Investigation Period (i.e. 3.91% of

total shares sold by the Noticee). Noticee also stated that if the Noticee had intended to manipulate the share price of PMC, a majority of the Noticee's shares (96% of the total shares sold by the Noticee) would not have been purchased by entities/individuals who do not form part of the SCN.

50. I have carefully perused the trade log of the Noticee and I find that out of total 1,25,000 shares sold by the Noticee during Patch 1, counterparty buyers for 91,850 (around 73%) were Economy, Embassy, Seabird Distributors, Seabird Vincon and Seabird Retails. In view of the above, I note that on the contrary to the aforesaid submissions of the Noticee, a majority of the Noticee's shares (i.e. 73% of the total shares sold by the Noticee) were purchased by the aforesaid 5 Noticees to the SCN.

51. As far as connection with other entities is concerned, I note that admittedly Noticee is connected to PMC and Raj Kumar Modi. I note that Order dated May 31, 2021 has been passed against PMC and its Promoters/Directors holding that they were party to funding or routing of funds to Economy/Embassy/Seabird Retail/Seabird Distributor/Seabird Vincon. I further note that Order dated February 26, 2021 has been passed in respect of Economy, Embassy, Seabird Distributors, Seabird Vincon, Seabird Retails, Famous, Rolex and Shivdarshan holding that these entities created artificial demand in the scrip of PMC during the IP by continuously buying shares at increasing prices and then holding on to the shares purchased by them, thereby also reducing the shares held by the public and that their trades were manipulative in nature, leading to an artificial price rise. It is also mentioned in the said Order that Economy, Embassy, Seabird Distributors, Seabird Vincon, Seabird Retails, Famous, Rolex and Shivdarshan had net purchases of 1.54 crore shares and held around 52.5% of the public shareholding by December 2014 in PMC. It is therefore, a corollary that in respect of the trades by the Noticee, Economy, Embassy, Seabird Distributors, Seabird Vincon and Seabird Retails appear as major counterparties. The trades of the Noticee therefore provided the necessary counterparty and liquidity required to

maintain volumes of trading in the scrip and enable the entities Economy, Embassy, Seabird Distributors, Seabird Vincon and Seabird Retails to continuously buy in the scrip at increasing prices in price rise patch.

52. Therefore, from the trading pattern of the Noticee as described above, I find that the Noticee aided the entities Economy, Embassy, Seabird Distributors, Seabird Vincon and Seabird Retails in manipulating the price of the scrip by providing liquidity as well as being counterparty to their trades.

53. Noticee have placed reliance on certain judgments of Hon'ble Supreme Court, Hon'ble SAT and SEBI Orders. Broadly, reference has been made to the judgments wherein it was held that fraud is a serious offence and therefore the standard of proof must be of a higher degree and mere conjectures and surmises will not be sufficient to hold a person liable and in absence of any finding of collusion between the buyer and the seller, the charge of fraudulently contributing to the price rise of a scrip cannot be sustained. I note that, in the instant case it is established that Noticee had close relationship with PMC. It was also established in Adjudication Orders referred in above paragraphs that Economy, Embassy, Seabird Retail, Seabird Distributor and Seabird Vincon created artificial demand in the scrip of PMC during the IP by continuously buying shares at increasing prices. It was also established that PMC played a part in funding or routing of funds to Economy/Embassy/Seabird Retail/Seabird Distributor/Seabird Vincon to trade in the scrip of PMC. Noticee is connected to PMC and Raj Kumar Modi, Managing Director of PMC. Further, Noticee through selling in the scrip of PMC during Patch 1, provided the necessary counterparty and liquidity required to maintain volumes of trading in the scrip and aided the entities Economy, Embassy, Seabird Distributors, Seabird Vincon and Seabird Retails in manipulating the price of the scrip.

54. In view of the above, I find that the allegations of violation of Section 12 A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulation 4(1), 4(2) (a), (e) of PFUTP Regulations stand established against the Noticee.

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

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

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

<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 which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

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

Factors to be taken into account by the adjudicating officer

15J.*While adjudging quantum of penalty under Section 15-I, the adjudicating officer shall have due regard to the following factors, namely: -*

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

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

(c) the repetitive nature of the default.

57. I note that the material on record has not brought out any disproportionate gain made by the Noticee or loss caused to investors by the Noticee. In view of the above, taking into account the facts and circumstances of this matter, I find that a penalty of Rs.5,00,000/- (Rupees Five Lakh only) under Section 15HA of the SEBI Act upon the Noticee will be commensurate with the violations committed by him.

ORDER

58. After taking into consideration all the facts and circumstances of the case, in exercise of powers conferred upon me under Section 15-I of SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose a penalty of Rs.5,00,000/- (Rupees Five Lakh only) upon the Noticee i.e. Mohan Lal Jain under Section 15HA of the SEBI Act for violation of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a), (e) of PFUTP Regulations.

59. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through online payment facility available on the SEBI website www.sebi.gov.in on the following path, by clicking on the payment link

ENFORCEMENT → Orders → Orders of AO → PAY NOW

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

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

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

DATE: November 26, 2021
PLACE: MUMBAI

MANINDER CHEEMA
ADJUDICATING OFFICER