BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO. AO/PKN/1/2019

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 BY ADJUDICATING OFFICER) RULES, 1995

In respect of

Sl. no.	Name	PAN
1.	Shri Chiranjilal Jayaram Vyas	ADGPV0696L
2.	Shri Namdeo H. More	AHZPM5440L
3.	Shri Kishore Bhikaji Giri	ALPPG4999L
4.	Shri Deendayal M. Bohara	AAEPB4676P
5.	Shri Kishorilal Amrutlal Bissa	AGOPB2274M
6.	Shri Jitendra Harivansh Joshi	ADLPJ6593K
7.	M/s. Shripal Shares and Securities Ltd.	AAECS9253L

In the matter of M/s. Sunteck Realty Ltd.

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI') on receipt of an alert in its surveillance system with regard to the price movement and trading pattern in the scrip of Sunteck Realty Limited (earlier known as Insul Electronics Limited) (hereinafter referred to as 'Sunteck' or 'the Company') conducted an Investigation for the period including April 2007 to August 2008 inter-alia to ascertain any violation of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003 (hereinafter referred to as 'PFUTP Regulations').

2. During the period of Investigation, the price of the scrip of Sunteck showed a substantial increase. It rose from ₹494.05 on April 02, 2007 to ₹579.40 on April 30, 2007 and further to as high as ₹1,630.90 on October 31, 2007. It touched a high of ₹1,957.10 on November 21, 2007 and closed at ₹1,725 on December 31, 2007. The scrip of Sunteck closed at ₹1,427.25 on August 31, 2008.

3. The Investigation prima facie revealed that Shri Chiranjilal Vyas (hereinafter referred to as Shri Chiranjilal/Noticee No.1), Shri Namdeo H. More (hereinafter referred to as Shri Namdeo/Noticee No.2), Shri Kishore Bhikaji Giri (hereinafter referred to as Shri Kishore/Noticee No.3), Shri Deendayal M. Bohara (hereinafter referred to as Shri Deendayal/Noticee No.4), Shri Kishorilal Amrutlal Bissa (hereinafter referred to as Shri Kishorilal/Noticee No.5), Shri Jitendra Joshi (hereinafter referred to as Shri Jitendra/Noticee No.6) and M/s. Shripal Shares and Securities Ltd. (hereinafter referred to as Shripal Shares/Noticee No.7) [collectively they are referred to as "the Noticees"] executed circular trades among themselves i.e. buying and selling among

themselves. They transferred shares through off-market route to a large number of other entities, who then sold the shares in the market so as to give an impression of widespread trading in the scrip of Sunteck. This contributed significantly to the market volume as well as price rise in the scrip of Sunteck during the period of Investigation. The contribution to the market volume of this group was 78.09% in February, 2007, 80.37% in April, 2007, 79.84% in May, 2007 and 77.8% in July, 2007.

4. The modus operandi of the group was to transfer the shares to some front entities in off-market and then these entities sold the same in the market. Further, some shares out of these were again bought back in the market by the group. The Investigation prima-facie revealed that the Noticees were guilty of creating misleading appearance of trading in the securities market and inflating the price of the scrip. The Noticees were found to have made unjust enrichment due to such transactions in the shares of Sunteck.

5. SEBI, therefore, initiated adjudication proceedings under the SEBI Act, 1992 against the Noticees to inquire into and adjudge the alleged violations of the provisions of Regulation 3(a), (b), and 4(2) (a), (b) of PFUTP Regulations.

APPOINTMENT OF ADJUDICATING OFFICER:

6. SEBI appointed Shri M.S. Ray as Adjudicating Officer vide Order dated December 26, 2008 to inquire into and adjudicate under Section 15HA of the SEBI Act, 1992 (hereinafter referred to as "Act") in respect of the Noticees, the alleged violation of provisions of Regulations 3(a) and (b), 4(2)(a) and (b) of PFUTP Regulations. Pursuant to repatriation of Shri M.S. Ray to his parent organization, the undersigned was appointed as the Adjudicating Officer vide Order dated August 07, 2009.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

7. Show Cause Notices, all dated September 18, 2009, (hereinafter referred to as 'SCNs') were issued to the Noticees Under Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as 'Adjudication Rules'), to show cause as to why an inquiry should not be held against them in terms of Rule 3 of the Adjudicating Rules read with Section 15I of the SEBI Act, 1992 and why penalty should not be imposed on them under Section 15HA of the SEBI Act, 1992.

8. The summary of allegations in the SCNs is as follows:
    - that there were circular trades among Noticees, who were transferring shares through off-market route to a large number of entities, who were then selling the shares in the market so as to give an impression of widespread trading in the scrip
    - that the Noticees were guilty of creating misleading appearance of trading in the securities market and inflating the price of the scrip

- that the Noticees are connected with each other by way of fund transfers, off-market transfer of shares, phone calls, text messages etc.
- that the Noticees made unjust enrichment
- that the Noticees allegedly violated the provisions of Regulations 3(a), (b), 4(2)(a) and (b) of PFUTP Regulations in respect of their dealings in the scrip of Sunteck.

9. The Noticees took substantial time in providing their replies to the SCNs, summary of which is as follows:

Sl. No.	Name	Date of reply	Date of receipt
1	Shri Chiranjilal / Noticee No.1	October 26, 2010	November 08, 2010
2	Shri Namdeo / Noticee No.2	October 26, 2010	November 08, 2010
3	Shri Kishore / Noticee No.3	October 7, 2010	November 08, 2010
4	Shri Deendayal/ Noticee No.4	October 26, 2010	November 08, 2010
5	Shri Kishorilal/ Noticee No.5	August 17, 2010	November 08, 2010
6 & 7	Shri Jitendra & Shripal Shares/ Noticee No.6 &7	October 3, 2010	November 08, 2010

10. Vide the said letters, the Noticees made similar submissions in response to the SCNs. The submissions made by the Noticees, inter-alia, are as follows:

- that the authorities have grossly violated the principles of natural justice since they did not provide them with a complete copy of Investigation report
- that merely stating that they have been transferring shares through off market route to various entities who in turn sold the same in the market to give an impression of wide spread trading in the scrip is not sufficient. That they have not been provided with details of the transactions such as with whom these transactions were carried out, quantity involved etc. and without establishing any nexus with these entities, they cannot be held responsible
- that the fact that a few of their trades matched with other entities who also happen to be the major traders in the scrip was a mere coincidence
- that certain off-market transfers were due to loan arrangements

11. All the Noticees, except Noticee no. 2, stated that they would like to opt for consent / settlement in the matter. I find that the consent applications of the Noticees were rejected in the month of March 2010 since the consent terms suggested by the Noticees were not acceptable. It was conveyed to the Noticees that the matter could not be settled in accordance with the terms proposed by them.

12. Thereafter, adjudication proceedings commenced again and several opportunities of personal hearings were granted to the Noticees. However, the Noticees did not attend the said hearings on some or other pretext till September 2014. Summary of the same is as follows:

- **Chiranjilal Vyas/ Noticee No.1**

Vide letter dated June 18, 2013, an opportunity of personal hearing was granted to Noticee No.1 on July 09, 2013. In the said letter, the reference of opportunity of personal hearing earlier granted to him was also made. It was also mentioned that the SCN alleges that he is guilty of creating misleading appearance of trading in the securities market and inflating the price of the scrip and based on his transactions in the shares of Sunteck, he made an unjust enrichment of ₹3.52 crore. However, he did not attend the said hearing. Another opportunity of personal hearing was granted to him on August 28, 2014 vide letter dated August 19, 2014. However, he requested for adjournment of hearing for a period of two weeks vide letter dated August 26, 2014.

- **Namdeo H. More/ Noticee No.2**

Vide letter dated June 18, 2013, an opportunity of personal hearing was granted to Noticee No.2 on July 09, 2013. In the said letter, it was mentioned that an opportunity of personal hearing was earlier granted to him. It was also mentioned that the SCN alleges that he is guilty of creating misleading appearance of trading in the securities market, inflating the price of the scrip and based on his transactions in the shares of Sunteck, he made an unjust enrichment of ₹2.69 crore. However, he did not attend the said hearing. Another opportunity of personal hearing was granted to him on August 28, 2014 vide letter dated August 19, 2014. However, he again requested for adjournment of hearing for a period of two weeks vide letter dated August 28, 2014.

- **Kishore Bhikaji Giri/ Noticee No.3**

Vide letter dated June 18, 2013, an opportunity of personal hearing was granted to Noticee No.3 on July 09, 2013. In the said letter, it was mentioned that an opportunity of personal hearing was earlier granted to him. It was also mentioned that the SCN alleges that he is guilty of creating misleading appearance of trading in the securities market, inflating the price of the scrip and based on his transactions in the shares of Sunteck, he made an unjust enrichment of ₹62 lacs. However, he did not attend the said hearing. Another opportunity of personal hearing was granted to him on August 28, 2014 vide letter dated August 19, 2014. However, he again requested for adjournment of hearing for a period of two weeks vide letter dated August 27, 2014.

- **Deendayal Bohara/ Noticee No.4**

Vide letter dated June 18, 2013, an opportunity of personal hearing was granted to Noticee No.4 on July 09, 2013. In the said letter, it was mentioned that an opportunity of personal hearing was earlier granted to him. It was also mentioned that the SCN alleges that he is guilty of creating misleading appearance of trading in the securities market, inflating the price of the scrip and based on his transactions in the shares of Sunteck, he made an unjust enrichment of ₹35.49 lacs. However, he did not attend the said hearing. Another opportunity of personal hearing was granted to him on August 28, 2014 vide letter dated August 19, 2014. However, he again requested for adjournment of hearing for a period of two weeks vide letter dated August 26, 2014.

- **Kishorilal Bissa/ Noticee No.5**

Vide letter dated June 18, 2013, an opportunity of personal hearing was granted to Noticee No.5 on July 09, 2013. In the said letter, it was mentioned that an opportunity of personal hearing was earlier granted to him. It was also mentioned that the SCN alleges that he is guilty of creating misleading appearance of trading in the securities market, inflating the price of the scrip and based on his transactions in the shares of Sunteck, he made an unjust enrichment of ₹4.47 lacs. However, he did not attend the said hearing. Another opportunity of personal hearing was granted to him on August 28, 2014 vide letter dated August 19, 2014. However, he again requested for adjournment of hearing for a period of two weeks vide letter dated August 26, 2014.

13. Vide letter dated September 2, 2014, another opportunity of personal hearing was granted to the Noticees on September 17, 2014. Five Noticees, i.e. Noticee no.1 to 5, vide separate letters, all dated September 16, 2014, authorized Shri Amit Dey (advocate) to act, appear, plead, inspect etc. and do all other incidental acts on their behalf before me. Personal hearing was held on September 17, 2014 and Shri Amit Dey, advocate on behalf of the said Noticees, attended the said hearing. Shri Dey sought specific details on the following findings of investigation communicated to the Noticees as part of the SCN:

    - The Noticees transferred shares of Sunteck in off-market deals to different entities who ultimately sold the shares in the market and the Noticees bought back some of the shares leading to circular trading and market manipulation. Details of such transactions in off-market and subsequent sale by them in the market and buying by the Noticees - date, no. of shares, price etc. of each transaction.
    - Details of any relationship / connection of Noticees with the persons to whom the shares were transferred in off-market deals as alleged.
    - For structure / synchronized deals among the Noticees and also the entities to whom shares were transferred in off-market deals and which led to price rise, details of only a few trades of small number of shares have been given. More instances of such structured transactions may be provided.
    - Rationale for using FIFO method for calculation of profit/ loss by the Noticees.

14. On the basis of the said submissions made by the authorized representative of the Noticees, vide letter dated September 26, 2014, the concerned department of SEBI, Integrated Surveillance Department (ISD), was requested to provide details / information sought by the Noticees through their authorized representative. It was also advised that while forwarding information to the Noticees, a copy may be forwarded to me. The Noticees were also advised to send additional reply, if they so desire, after receipt of such information.

15. Since no response was received from ISD, vide reminder dated January 20, 2015, ISD was requested to expedite the matter. Another reminder letter dated July 21, 2015 was also issued to ISD. Subsequently an opportunity for inspection of documents was provided on November 04, 2015 by another department of SEBI, the

Enforcement Department (EFD), to all the Noticees. However, no one attended the said inspection.

16. In the letter dated January 28, 2016 of EFD of SEBI addressed to the authorized representative of the Noticees, it was mentioned that the following documents were provided:

    - the relationship/ connection between the Noticees have been established through off market transfers, fund transfers and call records. Therefore, the following have been provided:
        - ➢ details of off market transfers as stated above
        - ➢ bank statements of the Noticees
        - ➢ call records of Noticees
    - price volume data of the scrip
    - the complete order log and trade log for the period providing details of all trades executed by the Noticees including structured trades.
    - It was also informed to the Noticees that no rationale for using FIFO method for calculation of profit/ loss is available in the files.

    Details of off-market transactions were provided by EFD subsequently to the Noticees vide email dated May 18, 2016.

17. I find that it took quite some time for the concerned departments to provide the necessary details and documents sought by the Noticees.

18. I note that in the matter of *SEBI Vs. Roofit Industries Ltd*., the Hon'ble Supreme Court of India, vide its Order dated November 26, 2015, held that the Adjudicating Officer has no discretion under Section 15J in deciding the quantum of penalty under certain sections for offences committed between 2002 and 2014. Subsequently, another Bench of the Hon'ble Supreme Court of India, in the matter of *Siddharth Chaturvedi vs. SEBI*, vide order dated March 14, 2016, stated that the matter deserved consideration by a larger Bench. Accordingly, since the period of alleged violation was for 2007-08, the current adjudication proceedings were kept on hold until the determination of the issue of applicability of Section 15J of SEBI Act, 1992.

19. However, I note that pursuant to the notification of the Finance Act, 2017 on March 31, 2017, the following Explanation has been inserted in Section 15J and the amendment made thereby to Section 15J of the SEBI Act:
    ''Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.''.

20. Thus, it is now settled that the Section 15J of SEBI Act also applies to Sections 15A(a), (b) and (c), 15B, 15C, 15D, 15E, 15F(b) and (c), 15G, 15H and 15HA of the

SEBI Act, for offences committed between 2002 to 2014. Hence, the matter was proceeded with.

21. I note that no reply was submitted by the Noticees despite SEBI providing the information/ clarification sought by them vide SEBI letter dated January 28, 2016 and email dated May 18, 2016. Therefore, vide email dated May 24, 2017, the Noticees were advised to provide further submissions, if any, latest by May 31, 2017. Vide letters dated July 24, 2017, the Noticees made the following identical submissions:
    - that the investigation carried out by SEBI resulted in two simultaneous proceedings, one under Section 11B and other being Adjudication proceeding.
    - that they have submitted reply dated May 04, 2016, giving detailed submissions to the SCN under Section 11B on the basis of various documents including the off-market transactions
    - that the submissions made in the reply to the SCN issued under Section 11B are more detailed and have more submissions made than the reply submitted in the adjudication proceedings
    - that they do not have any additional submissions to the SCN under adjudication proceeding and requested to consider the additional arguments advanced in the reply filed under Section 11B proceedings as the additional submissions

22. On my checking their submissions made in their reply dated May 04, 2016 (submissions to the SCN under Section 11B), the summary is as follows:
    a. The SCN has failed to provide the evidences on the basis of which the allegation of creation of artificial volumes and raising the price of the shares of the Company by executing structured deals and synchronized/ circular trades have been made.
    b. The SCN and annexures do not provide the basic details like counterparty name, party name, order-trade quantity, order- trade price and time. SCN has failed to show instances of up/ down LTP or setting a new high / low price on any given day.
    c. The SCN has failed to show a single instance of structured/ circular/ synchronized trade with any of the other entities.
    d. SCN has discussed about the sale and purchase of shares made by various individuals without even linking any of them.
    e. The trade-order log provided by SEBI are incomplete, vague and do not contain the client details (name, code, etc.). In absence of the same it is not possible to decipher that the particular trade is carried out by whom.
    f. On the basis of few phone calls and fund transfers between the Noticees, the allegation of collusion has been leveled in the SCN. They knew each other in the normal course of business and no adverse conclusion can be drawn. In absence of any evidence of collusion with other Noticees, no negative averments of relation/ connection with the other Noticees can be drawn. The SCN enlists several other persons/ entities which were part of the alleged scheme, however, there is no allegation leveled against these in the SCN.
    g. SEBI has violated the principle of natural justice by not providing the complete order log/ trade log for the relevant period for analyzing the allegations of circular/ synchronized trading, volume creation and price manipulation, statements of other

Noticees, investigation report and the details as to how the trades were attributed to price and volume manipulation.

h. They had not transferred any shares in off market during January to February 2007 and September to October 2007 i.e. the period of increase in total volume of market transactions, with the alleged intention to manipulate/ inflate the price. They had no role in the fall of price of the scrip during January 2008 to September 2008.
i. There is no significant correlation between the decline of the price of the scrip of the Company and other real estate stocks during the period of investigation. The same is for a *prima facie* reason that the relative volatility (beta) of the reality stocks in response to reality index is much higher than the scrip of the Company. Therefore, comparing the downward trend in the prices of the scrip of the Company with other frontline stocks of real estate sector and its index, at relevant point of time is not appropriate. There cannot be a comparison between unequal stocks, therefore, no negative inference can be drawn.
j. The movement of reality index is totally dependent upon the rise and fall of the prices of the big companies and cannot be used as a yard stick to measure the performance of all the companies, falling within its ambit.
k. SCN merely states the number of shares traded by a particular person/ entity, however, it does not mention the details of the price and time of such trades which are imperative to level a charge of fraud.
l. The Noticees while making such common submissions also relied on various case laws.

23. Opportunity of personal hearing was granted to the Noticees on March 01 and March 12, 2019. However, the Noticees failed to appear before me. I find that the Noticees also did not attend the opportunities of personal hearing granted in the proceedings under Section 11B and order has been passed by the WTM of SEBI on December 24, 2019.

CONSIDERATION OF ISSUES

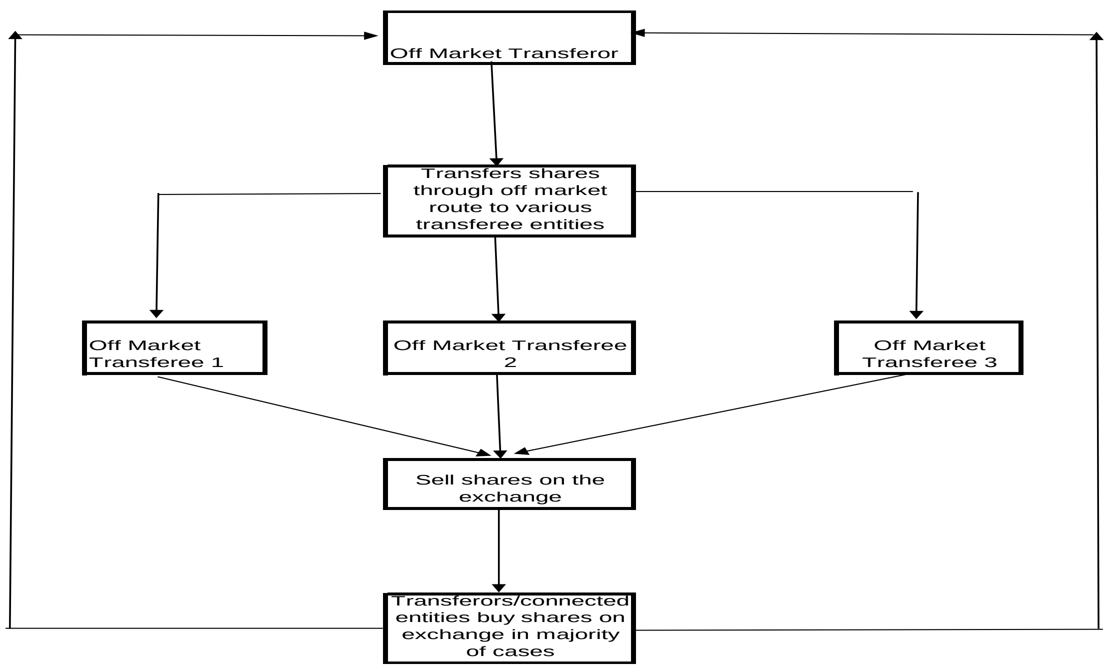
24. I find that substantial time has been taken to complete these proceedings. Firstly, the Noticees filed applications for consent which were rejected. They sought adjournments a number of times in filing their replies as well as appearing for personal hearings. Action was also initiated against the Noticees under Section 11B of SEBI Act, 1992. In the present adjudication proceedings, the Noticees have requested me to rely on their submissions made in the 11B proceedings which are more detailed. Therefore, I had to coordinate with the SEBI departments handling 11B proceedings also. The departments also took time in addressing the issues raised by the Noticees and thus the adjudication proceedings were kept on hold. .

25. I find that in the 11B proceedings, in compliance with principle of Natural Justice, several opportunities of personal hearing were granted to the Noticees in the 11B proceedings. However, they did not attend the personal hearings. The Noticees requested for documents, which I find have been provided to the Noticees. The concerned departments of SEBI also took their own time in providing information as

desired by the Noticees. Some of the Noticees kept on requesting for documents though the same were already provided to them, Findings of investigation were provided to them along with show cause notice. The clarity on applicability of Section 15 J of SEBI Act, 1992 also took some time.

26. I find that the order under Section 11B has now been passed on December 24, 2019. Therefore, the adjudication proceedings are being disposed of vide this order.

27. Having considered the above, I proceed further and note that the Noticees had transferred shares in off-market to various persons/ entities, such persons/ entities later sold such shares in the market. A diagrammatic representation of the process followed by the Noticees is as under:



28. The percentage contribution of the Noticees to the turnover in the scrip of Sunteck are as follows:

Month	Total one side Turnover on BSE	Weighted Average Price (VWAP) for the month	% of turnover of the connected entities	
			Buy	Sell
January 2007	7,350	338.48	24.50	-
Feb. 2007	5,250	441.90	78.09	10.47
March 2007	24,050	494.60	49.90	-
April 2007	24,200	537.82	80.37	5.37
May 2007	25,550	588.66	79.84	9.20
June 2007	31,800	584.06	42.45	23.11
July 2007	58,950	541.70	77.80	6.28
August 2007	46,450	500.01	37.25	24.65
Sept. 2007	14,500	538.92	31.38	36.20

Month	Total one side Turnover on BSE	Weighted Average Price (VWAP) for the month	% of turnover of the connected entities	
			Buy	Sell
Oct. 2007	47,200	964.93	22.14	22.78
Nov. 2007	41,550	1641.45	25.90	4.45

29. From the above, it can be seen that the Noticees had contributed significantly to the turnover in the scrip of Sunteck on the exchange which does not appear to be very liquid scrip at that time. Their contribution to the market volume was very high during four months i.e. 78.09% in February, 2007, 80.37% in April 2007, 79.84% in May, 2007 and 77.8% in July, 2007.

Price Impact Assessment

30. I find that the SCN issued to the Noticees provides the price impact of trades done by the Noticee no. 1, 2 and 4 during the period September 12, 2007 to October 17, 2007. During this period the price has risen from levels of ₹ 484.75 to ₹ 1,010.00 and it was found that these clients contributed substantially through their trading that established new prices of the scrip. They put orders at higher prices successively compared to last traded prices and the orders matched among the connected entities. When the price shows rising trend, other innocent investors also start investing in the scrip and then they suffer losses when the manipulators exit the scrip. Summary of the LTP contributions of the said Noticees is as follows:

Noticee	Contribution to price rise as compared to last traded price/close price (in ₹)	No. of instances when set up a new price
Noticee no. 1	199.90	29
Noticee no. 2	59.45	11
Noticee no. 4	42.25	3

31. Details of the trades contributing to the LTP are as follows:

Noticee no. 1 (Price/ value in ₹)

Date	Bid Price	Prev. Price	Trade Price	Time	Transaction Value	Transaction Volume	Change in price from last trade
12/9/2007	485	480.9	485	13:05:41	24250	50	4.1
14/9/2007	500	492.5	500	10:40:02	25000	50	7.5
17/9/2007	504.9	500	504.9	11:57:20	25245	50	4.9
17/9/2007	510.45	505	510.45	13:34:57	25522.5	50	5.45
17/9/2007	509.8	508.35	509.8	15:14:48	25490	50	1.45
18/9/2007	516.05	509.8	516.05	11:13:52	25802.5	50	6.25
19/9/2007	529.85	515.6	529.85	12:06:23	26492.5	50	14.25
20/9/2007	535.25	532.65	535.25	11:26:38	26762.5	50	2.6
21/9/2007	540	538.1	540	11:48:30	27000	50	1.9
21/9/2007	541	540	541	11:49:41	27050	50	1
21/9/2007	547	540	547	15:10:54	218800	400	7

Date	Bid Price	Prev. Price	Trade Price	Time	Transaction Value	Transaction Volume	Change in price from last trade
24/9/2007	560	551.4	560	12:40:39	28000	50	8.6
24/9/2007	563	560	563	14:19:37	56300	100	3
25/9/2007	572.5	563	572.5	12:43:28	28625	50	9.5
26/9/2007	581.25	570	581.25	12:30:07	29062.5	50	11.25
26/9/2007	592	580	590	15:52:42	118000	200	10
26/9/2007	592	590	591	15:52:42	118200	200	1
26/9/2007	592	591	592	15:52:42	118400	200	1
27/9/2007	595.45	591	595.45	13:32:13	29772.5	50	4.45
3/10/2007	690	682.3	690	10:45:12	34500	50	7.7
3/10/2007	696	671	696	15:38:06	69600	100	25
4/10/2007	708.15	702	708.15	11:14:52	35407.5	50	6.15
5/10/2007	736	734.5	736	14:28:01	368000	500	1.5
8/10/2007	746.05	720	746.05	10:49:56	37302.5	50	26.05
9/10/2007	740	735.15	740	12:29:44	37000	50	4.85
9/10/2007	750	740	750	12:29:51	37500	50	10
9/10/2007	763	757.65	763	15:20:17	38150	50	5.35
9/10/2007	769	762	769	16:04:59	192250	250	7
10/10/2007	808.1	807	808.1	13:27:09	161620	200	1.1
Total							199.9

Noticee no. 2 (Price/ value in ₹)

Date	Bid Price	Prev. Price	Trade Price	Time	Transaction Value	Transaction Volume	Change in price from last trade
27/9/2007	608.95	605.35	606.7	15:14:27	30335	50	1.35
27/9/2007	608.95	607.05	608.95	15:14:27	60895	100	1.9
27/9/2007	620	608.95	620	16:04:50	31000	50	11.05
5/10/2007	733.25	722.4	733.25	10:47:54	36662.5	50	10.85
5/10/2007	734.75	733.25	734.75	11:13:04	36737.5	50	1.5
8/10/2007	750.5	745.1	750.5	11:20:19	37525	50	5.4
8/10/2007	755	749.45	755	12:23:38	151000	200	5.55
8/10/2007	732	716.5	732	15:25:29	73200	100	15.5
8/10/2007	734	732	734	15:26:37	183500	250	2
8/10/2007	736	734	736	15:40:51	184000	250	2
8/10/2007	738	736	738	15:41:12	36900	50	2
Total							**59.1**

Noticee no. 4 (Price in ₹)

Date	Bid Price	Prev. Price	Trade Price	Time	Transaction Value	Transaction Volume	Change in price from last trade
1/10/2007	664.65	650.65	664.65	11:16:41	66465	100	14
1/10/2007	664.25	650	664.25	12:55:29	132850	200	14.25
1/10/2007	664	650	664	14:46:49	33200	50	14
Total							**42.25**

32. From the above, it can be seen that the three Noticees contributed to a significant portion of price rise by contributing for a total of ₹301.25 of positive LTP during September 12, 2007 and October 10, 2007. During the said period, price rose from ₹485 on September 12, 2007 to reach a high of ₹808.1 on October 10, 2007, a rise by ₹323. Therefore, it can be inferred that the said Noticees contributed to most of the price rise during the said period. The Noticees submitted that the SCN does not show instances of up/ down LTP or setting a new high/ low price on any given day. The details of all relevant trades in the market have already been provided to them. The details of the LTP contribution as mentioned above have been extracted from the same trade data, which has been shared with the Noticees. I find that some of these trades have been executed among the Noticees and in some cases among the persons to whom shares were transferred through off market routes for offloading in the market. These trades seem to have underlying objective of having a manipulative price impact during the period. As the scrip was not very liquid, it was not difficult for them to put orders in such a synchronized manner that they match with each other.

Connection among the Noticees

33. The SCN has alleged that the Noticees were connected to each other based on the off-market transfer of shares, phone calls and fund transfers among them. The details of their connections are as under:

a. Connection on the basis of off-market transfer of shares:

34. An analysis of the off-market transfer of shares of the company revealed as under:

Date	Transferee Client Name	Transferor Client Name	Quantity (no. of shares)
24/02/2007	Kishorilal A. Bissa	Chiranjilal J. Vyas	500
01/03/2007	Kishorilal A. Bissa	Chiranjilal J. Vyas	100
29/03/2007	Kishorilal A. Bissa	Chiranjilal J. Vyas	200
30/03/2007	Kishorilal A. Bissa	Chiranjilal J. Vyas	200
13/06/2007	Shripal Shares	Chiranjilal J. Vyas	800
14/06/2007	Namdeo H. More	Kishorilal A. Bissa	17,700
11/09/2007	Jitendra H. Joshi	Namdeo H. More	7,000
03/10/2007	Jitendra H. Joshi	Chiranjilal J. Vyas	5,000
11/09/2007	Jitendra H. Joshi	Deendayal Bohara	3,000
05/10/2007	Shripal Shares	Chiranjilal J. Vyas	3,600

10/12/2007	Chiranjilal J. Vyas	Jitendra H. Joshi	10,000
18/02/2008	Namdeo H. More	Chiranjilal J. Vyas	6,100
23/02/2008	Namdeo H. More	Chiranjilal J. Vyas	4,550
06/03/2008	Chiranjilal J. Vyas	Namdeo H. More	2,200
07/04/2008	Deendayal Bohara	Namdeo H. More	900
21/04/2008	Kishore B. Giri	Chiranjilal J. Vyas	900
21/04/2008	Chiranjilal J. Vyas	Shripal Shares	3,600

35. From the above, it can be seen that there were several off-market transfer of shares among the Noticees. I find that Shri Jitendra is the director and contact person for Shripal Shares and both were operating from the same premises. As per the KYC (know your client) form of Shri Kishorilal with the broker Shriram Insight Share Brokers Limited, Shri Kishorilal was referred to the broker by Shri Jitendra Joshi.

36. I find that the details of off-market transfers have been provided to the Noticees. However, they chose not to provide any response which means that they have no explanation to offer. They have not given any satisfactory reason why these shares were transferred so often in off-market deals among themselves.

b. Connection on the basis of phone call records:

37. The connections are further strengthened by the phone call records of the Noticees. The details of the telephonic communications among the Noticees, as detailed in the SCN, are as under:
    - Shri Namdeo and Shri Deendayal were in contact with each other and had communicated as many as 196 times during the period of April 2007 to November 18, 2007.
    - Shri Jitendra was in contact with Shri Namdeo and has spoken at least 3 times during May and August 2007.
    - Shri Deendayal and Shri Jitendra were in contact with each other through calls and SMSs as many as 37 times during the month of October 2007 and November 2007 and 232 times during February 2007 to November 2007.
    - Shri Jitendra and Shri Kishorilal were also in contact with each other at least 11 times during February 2007 to June 2007.
    - Shri Jitendra was also in touch with Shripal Shares.

38. I find that the Call Data Record (CDR) extracts have been provided to the Noticees. However, in their replies to the SCN, they have not given any explanations. Their frequent interactions on the phones indicates that they knew each other very well and are thus connected to each other.

c. Connection on the basis of fund transfers:

39. In addition to the above, the SCN has also discussed the sample instances of fund transfers among the Noticees. The details of the same is as under:

- A perusal of the annexures to the SCN reveals credit of huge funds in the account of Shri Chiranjilal from the bank account of Shri Kishorilal, Sumi Investment (prop: Deendayal), Shri Namdeo, Shri Kishore. Instances of huge debits to Sumi Investment (prop: Shri Deendayal) and Shri Namdeo are also observed from the bank account of Shri Chiranjilal.
- Similarly, huge credit entries were found in the bank account of Shri Namdeo from Shri Chiranjilal, Sumi Investment (prop: Deendayal) and Shri Kishore. The major debits from the account of Shri Namdeo were only to Sumi Investment (prop: Shri Deendayal).
- The bank accounts of Shri Deendayal and Shri Kishore also had credit and debit entries from the Noticees.
- Funds transfer between Shripal Shares and Sumi Investments (prop: Shri Deendayal) have also been observed. During the period of April 2007 to June 04, 2008, Shripal Shares had received ₹4.46 crore from Sumi Investments (prop: Shri Deendayal) and gave ₹1 crore to Sumi Investment.

40. Some of the bank statement extracts with details of the transferees are as follows:

➢ <u>Shri Chiranjilal Jayaram Vyas (Cust. ID- 100212581, A/c No.– 008620110000017, Bank of India)</u>

Date	Dr.	Cr.	Bal.	Name of A/c holder
			In ₹	
03.02.07		84,000.00	87,551.91	Kishorilal A. Bissa
07.02.07		500,000.00	502,491.91	Kishorilal A. Bissa
14.03.07		500,000.00	505,577.91	Sumi Investment
30.03.07	1,500,000.00		2,554,903.12	Sumi Investment
30.03.07	1,500,000.00		1,054,903.12	Sumi Investment
30.03.07	1,045,000.00		9,903.12	Sumi Investment
05.04.07	390,000.00		399,903.12	Sumi Investment
20.06.07	5,80,000.00		2573.12	Namdeo H.More
04.07.07		900000.00	902573.12	Namdeo H.More
31.07.07		165000.00	2513.12	Deendayal M. Bohara
19.09.07		350,000.00	955,198.12	Sumi Investment
04.10.07		150000.00	153198.12	Sumi Investment
15.10.07		250000.00	45611.88 Dr.	Deendayal M. Bohara
22.11.07		200000.00	205360.12	Sumi Investment
28.11.07		665,000.00	1,452,760.12	Kishore Giri, Sumi Investment, Deendayal Bohara
13.03.08		380,000.00	383,007.24	Kishore Giri

➢ Shri Namdeo H. More (Cust. ID-101433536, A/c No.–008620110000553, Bank of India)

Date	Dr.	Cr.	Bal.	Name of A/c holder
			In ₹	
20.06.07		580000.00	584640.00	Chiranjilal J. Vyas
04.07.07		1541000.00	2324640.00	Sumi Investment
18.08.07		400000.00	400200.00	Sumi Investment
18.07.07		400000.00	800200.00	Sumi Investment
19.03.08		1300000.00	1303900.00	Kishore B. Giri
27.03.08		750000.00	3051740.00	Sumi Investment
28.03.08	750000.00		6251740.00	Sumi Investment
03.04.08		400000.00	401010.00	Kishore B. Giri
17.04.08	1204000.00		1924.48	Sumi Investment
21.04.08	1109000.00		2311.23	Sumi Investment
02.06.08	1975000.00		7816327.55	Sumi Investment
02.06.08	1895000.00		5921327.55	Sumi Investment
02.06.08	1980000.00		3941327.55	Sumi Investment
02.06.08	1990000.00		1951327.55	Sumi Investment
02.06.08	1950000.00		1327.55	Sumi Investment
04.06.08	210000.00		491327.55	Sumi Investment

➢ Shri Deendayal M. Bohara (Cust. ID- 101559240, A/c No.– 008620110000601, Bank of India)

Date	Dr.	Cr.	Bal.	Name of A/c holder
			In ₹	
04.09.07		550000.00	1637640.00	Kishore B. Giri
13.09.07	95000.00		2345.21	Kishore B. Giri
03.04.08		230000.00	260466.21	Kishore B. Giri

➢ Shri Kishore Bhikaji Giri(Cust. ID- 101433490,A/c No.– 008620110000017, 008620110000552, Bank of India)

Date	Dr.	Cr.	Bal.	Name of A/c holder
			In ₹	
04.09.07	550000.00		6330.00 Dr.	Deendayal M. Bohara
05.09.07	800000.00		3015.00	Sumi Investment
13.11.07		95000.00	813395.34	Deendayal M. Bohara
16.11.07	100000.00		14395.34	Sumi Investment
04.12.07	450000.00		54736.34	Sumi Investment
07.03.08	2650000.00		2448373.46	Sumi Investment
13.03.08	380000.00		1273373.46	Chiranjilal J. Vyas
17.03.08		355000.00	2376373.46	Chiranjilal J. Vyas
19.03.08	1300000.00		1401373.46	Namdeo H. More
03.04.08	400000.00		3100373.46	Namdeo H. More
03.04.08	230000.00		2870373.46	Deendayal M. Bohara

41. I note that the copies of the bank statements were provided to the Noticees. However, they chose not to provide any satisfactory response or documents giving any reasons for transfer of funds.

42. The above discussion shows that the Noticees were in touch with each other as per the call data records and had share and fund transfers among themselves. I note that the Noticees namely Shri Namdeo, Shri Deendayal, Shri Kishorilal, Shri Jitendra and Shri Kishore were the clients of the broker Shriram Insight Share Brokers Limited. Shri Chrianjilal and Shripal Shares were the clients of broker namely B.R. Mehta Sons Shares Stock & Finance Brokers Pvt. Limited. The Noticees in their respective replies have not denied the connection among themselves. On the other hand, they have argued that merely on the basis of call records and fund transfers, which were done in normal course of business, no adverse conclusion can be drawn. However, they have not given details of purpose for which these transactions were carried out and have not provided any documents in support of their contention that these were on account of loan transactions.

43. I note from the SCN that the Noticees, namely Shri Chiranjilal, Shri Namdeo, Shri Deendayal, Shri Kishorilal and Shripal Shares were the major purchasers on the exchange, contributing 80.27% in April 2007, 79% in May 2007 and 77.80% in July 2007 to the turnover in the scrip of Sunteck on the exchange. The Noticee wise transactions in the scrip of Sunteck and their replies are summarized as under:

Shri Chiranjilal / Noticee No. 1

44. During January 01, 2007 to December 31, 2007 (hereinafter referred to as ‘period 1’), Shri Chiranjilal was one of the biggest clients in the scrip of Sunteck on the exchange both on buy and sell side. He purchased 74,750 shares (i.e. 20.30% of the gross buy) and sold 18,250 shares (i.e. 5% of the gross sale). He had transferred 39,200 shares in off-market to different persons/ entities and had received 15,000 shares from Shri Jitendra during April 01, 2007 to December 31, 2007.

45. Out of the said 39,200 shares of Sunteck, Shri Chiranjilal transferred 15,500 shares in off-market to Shri Namdeo, Shri Kishorilal, Shri Jitendra, Shripal Shares and one M.C. Jain. During the same period, he had also transferred 23,700 shares to 19 other persons/ entities. The said 19 transferees sold 21,100 shares on the exchange during April 01, 2007 to December 31, 2007 and the same were picked up as under:
    - 9,950 shares by Kishorilal; 1,400 shares by Namdeo; 4,450 shares by Chiranjilal; 1,900 shares by Deendayal; 1,750 shares by Shripal Shares and
    - 1,650 shares have been bought by others.

46. In effect 19,450 shares of Sunteck out of 21,100 shares went back to the stated Noticees in a circular manner. The remaining 2,600 shares were sold during the period of January 01, 2008 to July 31, 2008. The total trading volume in the scrip of Sunteck on BSE during the period April 1, 2007 to December 31, 2007 was 3,35,600 shares.

47. Further, during January 01, 2008 to July 31, 2008 (hereinafter referred to as 'period 2') Chiranjilal had sold 100 shares on his own account. He had transferred 44,800 shares to different entities and had received 10,800 shares from Shripal Shares, Namdeo and M.C. Jain. Out of the said 44,800 shares, 16,500 shares were transferred to Namdeo and Kishore. The remaining 28,300 shares were transferred to 40 different persons/ entities. These 40 persons/ entities sold 24,950 shares in the market.

48. In effect, a total of 27,550 shares (i.e. 2,600 shares out of the transfers made in period 1 and 24,950 shares from the transfers made in period 2) were sold by the transferees of Shri Chiranjilal (2,600 shares out of transfers made in previous period 1 and 24,950 shares from transfers made in this period)**.** Out of the said 27,550 shares, 8,350 shares were bought back by Shri Kishore.

49. I also note that the annual income of Shri Chiranjilal as stated in the KYC documents with the broker is less than ₹1,00,000. Further, while replying to the queries of SEBI regarding his occupation, Shri Chiranjilal has submitted that he is a small time trader and investor in equity market. I note that Shri Chiranjilal purchased shares worth ₹4.21 crore during the period of April to November 30, 2007 in the scrip of Sunteck alone. The trading of Chiranjilal in the scrip of Sunteck is unusually high especially taking into consideration his financial position as disclosed in the KYC as well as his statement regarding his status as a small investor.

50. Shri Chiranjilal has made the following submissions:
    a. the off-market transactions were in normal course of business and he is not aware about the trading of other entities/ individuals.
    b. The alleged circular trades constitutes mere 7.2% of the total shares among other entities/ individual.
    c. No allegations have been levelled in the SCN against M.C. Jain and 19/40 other persons who were part of the circle.
    d. The off-market transactions between him and Namdeo, Kishorilal and Jitendra were pursuant to various obligation arising out of various loan agreements.
    e. His net income is less than ₹1 lakh and not the gross income and there is nothing illegal in having a purchase turnover of ₹4.21 crore. Net profit of less than ₹1 lakh is arrived after adding and deducting other profits and losses out of the same.

Shri Namdeo / Noticee no. 2

51. The SCN has alleged that Shri Namdeo purchased 55,050 shares of Sunteck and sold 12,900 shares of Sunteck during the period of Investigation, trading through the broker Shriram Insight Share Brokers Limited. He transferred 42,550 shares of Sunteck to 33 different accounts during the months of June to November 2007 and also received 17,800 shares in off-market. Out of 42,550 shares of Sunteck transferred, Shri Namdeo transferred 7,000 shares to Shri Jitendra and the remaining 35,550 shares to 32 different entities as stated in the SCN. Out of 35,550 shares of

Sunteck transferred by Shri Namdeo through off-market route to various different entities, 34,750 shares were sold by the transferees through the stock exchange. Out of the said 34,750 shares sold on the exchange, while Shri Namdeo himself bought back 9,650 shares on the exchange, Shri Chiranjilal and Shri Deendayal bought back 18,800 shares and 1,600 shares respectively. 4,700 shares have been bought back by others. It is alleged in the SCN that 86% of the shares sold by the transferees of Shri Namdeo were repurchased by the Noticees. Further, Shri Namdeo, during June 2007 to November 2007, had received 17,700 shares and 100 shares from Shri Kishorilal and Shri Chiranjilal respectively.

52. During the period 2, Shri Namdeo had received 15,600 shares from Shri Chiranjilal and transferred 33,000 shares to 35 entities through off market trades, including 2,200 shares to Shri Chiranjilal and 900 shares to Shri Deendayal. 29,900 shares transferred to the 35 entities were sold by the transferees on the exchange. Out of these 29,900 shares, 3,150 shares were bought by Kishore and more than 800 shares have been bought back by Shri Namdeo himself. The repurchase of shares by connected entities even during this period completing the circular trading was to maintain volumes in the scrip in order to keep investor interest alive.

53. Shri Namdeo has made the following submissions:
    a. the off-market transactions were in normal course of business and he is not aware about the trading of other entities/ individuals.
    b. The alleged circular trades constitutes mere 0.28% of the total shares among other entities/ individual. His exchange purchases constitute a miniscule figure of 10,450 shares (i.e. 9,650 + 800) shares of the total market volume of 8,02,650 i.e. approx. 1.3% of the total volume traded during the investigation period.
    c. No allegations have been levelled in the SCN against M.C. Jain and 19/40 other persons who were part of the circular trading.
    d. The off-market transactions between him and other Noticees were pursuant to various obligation arising out of various loan agreements.
    e. He has not been provided with evidences showing that he was in connivance with any of the 19 transferees for the purposes of carrying out synchronized trades.
    f. The SCN only states the number of shares traded by a particular person/ entity. However, it does not mention the details of the time and price of such trades which are necessary to level a charge of fraud.
    g. The shares through off-market route were either given or taken as loan and the same were given or taken in the normal course of business.

54. I note that while replying to the queries of SEBI regarding his occupation, Shri Namdeo has submitted that he is a small time trader and investor in capital market and had not done any deal with Sunteck directly or indirectly. He has not clarified how he arrived at the figures as mentioned by him.

Shri Kishore / Noticee no. 3

55. Shri Kishore started trading in this scrip since November 2007 and had purchased 23,950 shares of Sunteck during the period of November 2007 to July 2008. He sold 150 shares during such period. Shri Kishore received 3,850 shares in off-market from 3 different persons including 900 shares from Shri Chiranjilal and has made off-market transfers amounting to a total of 27,650 shares to 25 entities during the period of January 01, 2008 to August 31, 2008. The entire lot of 27,650 shares has been sold by the transferees on the Exchange. Of these 27,650 shares 3,400 shares were bought back by Shri Chiranjilal, 2000 shares were bought back by Shri Namdeo and 1,250 shares were bought by Shri Deendayal.

Shri Deendayal / Noticee no. 4

56. During the period from July 01, 2007 to July 31, 2008, Shri Deendayal had purchased 14,900 shares of Sunteck and sold 3,700 shares of Sunteck on the exchange, trading through the broker Shriram Insight Share Brokers Limited. During period 1, between July 01, 2007 and December 31, 2007, he had transferred 5,500 shares in off-market to 8 persons. Out of 5,550 shares, 3,000 shares were transferred to Shri Jitendra. Out of remaining 2,550 shares, 2,100 shares were sold by transferees on the exchange and Shri Chiranjilal bought 1,550 shares. It is alleged in the SCN that 79% of the shares sold by front entities of Deendayal were repurchased by his associates.

57. During the second period, Shri Deendayal transferred 6,500 shares of Sunteck to 9 entities through off-market transfers. These 6,500 shares were then sold by the transferees in the exchange. Of these, 1,600 shares were bought by Shri Kishore and 1,650 shares were bought back by Shri Deendayal himself.

58. Shri Deendayal in his submissions has argued that his percentage in the total volume of trade is a meager approximately 2%. Further, it has also been submitted that all the shares transferred by him through the off-market route were either given or taken as loan and the same were given or taken in the normal course of business. As regards the phone calls and sms, he has submitted that the same was for general purpose. The fund transfers between him and Shri Chiranjilal were in lieu of a short term loan which was received on piecemeal as per the requirement and no negative inference can be drawn from the same. He had transferred less than ₹4 crore to Shripal Shares between April 2007 and June 04, 2008 in lieu of a short term loan which was received on piecemeal basis as per the requirement.

Shri Kishorilal/ Noticee no. 5

59. Shri Kishorilal bought 26,450 shares and sold 3,150 shares of Sunteck on the exchange between April 01, 2007 and June 30, 2007 through the broker Shriram Insight Share Brokers Limited. During this period Shri Kishorilal received 1,000 shares of Sunteck in off-market from Shri Chiranjilal and had transferred 23,700 shares to different persons, out of which 17,700 shares were transferred to Shri

Namdeo, who in turn transferred these to various persons. Remaining 6,000 shares were sold by transferees and Shri Chiranjilal is the major buyer on the exchange, accounting for 3,250 shares

60. Shri Kishorilal himself bought back 1,800 shares, while Shri Namdeo bought back 50 shares. Shri Kishorilal made an unjust enrichment of ₹4.47 lakhs. He has submitted that all the shares transferred by him through the off-market route were either given or taken as loan and the same were in the normal course of business.

Shri Jitendra & Shripal Shares/ Noticee no. 6 & 7

61. As discussed above, Shri Jitendra is the promoter, director and authorized person of Shripal Shares and they both were operating from the same premises. A common reply has been sent by Shri Jitendra and Shripal Shares, signed by Shri Jitendra. It is alleged that Jitendra and Shripal Shares had purchased 9,200 shares and sold 9,050 shares of Sunteck in the market. Further, Jitendra transferred 15,000 shares in off-market to Shri Chiranjilal in the month of December 2007. Shripal Shares transferred 3,600 shares to Shri Chiranjilal during April 2008. During the said period Shri Jitendra also received 5,000 shares from Shri Chiranjilal; 7,000 shares from Shri Namdeo and 3,000 shares from Shri Deendayal. Shripal Shares had received 4,400 shares from Shri Chiranjilal during the period June to October 2007.

62. Shri Deendayal, through his proprietorship firm, Sumi Investments, transferred over ₹4 crore to Shripal Shares between April 2007 and June 04, 2008. Shri Jitendra Joshi provided funds to Shri Chiranjilal, which was used for trading in the scrip of Sunteck.

63. It has been argued that the shares transferred by him through the off-market route were either given or taken as loan and the same were given or taken in the normal course of business. It has also been argued that they have incurred loss to the tune of about ₹11.74 lakh and have not earned any profits.

64. The Noticees have taken a common argument that all the shares transferred by these through the off-market route were either given or taken as loan and the same were given or taken in the normal course of business. In support of such claim they have submitted document titled as ‘money bond for money borrowed’ and ‘bond for shares borrowed’.

65. I have perused the said money bonds and share bonds and my observations are as follows:

Agreement Between	Summary of money bonds/ Bond for Shares borrowed	Observations on the bonds
Chiranjilal Vyas and Jitendra H Joshi	Shri Chiranjilal was indebted to Shri Jitendra to the extent of ₹40 lacs on account loan extended to him for his personal and business, and he promise to transfer the said sum on demand or within a period of 15 years of this date with interest thereon from the date of this bond at the rate of 18% per annum.	The money bond was on a plain paper without any date and there is no witness signature. Though interest is shown to accrue from the date of the bond, no date is mentioned in the said bond. The bond was signed only by Shri Chiranjilal. The period of the bond is fifteen years, which appears to be unusual.
Chiranjilal Vyas and Jitendra H Joshi	Shri Chiranjilal borrowed 15000 shares of Sunteck from Shri Jitendra and promised to repay the said shares on demand or within a period of 5 years from this date whichever is later. In case Shri Jitendra seeks a payment in cash the same would be made based on the closing value of these shares on today's date as declared by BSE.	The money bond was on a plain paper and there is no witness signature. There is no date for the bond though the period of the bond and the date for calculating the payment was to be calculated from the date of the bond. The bond was signed only by Shri Chiranjilal.
Jitendra H Joshi and Deendayal Bohara	Shri Jitendra borrowed 3000 shares of Sunteck from Shri Deendayal and promised to repay the said shares on demand or within a period of 11 months from this date whichever is later. In case Shri Deendayal seeks a payment in cash the same would be made based on the closing value of these shares as on this date as declared by BSE.	The money bond was on a plain paper without any date. Though the period of the bond and amount of repayment in cash was to be calculated on the basis of date of the bond, there is no date mentioned on the bond. The bond was signed only by Shri Chiranjilal.
Chiranjilal Vyas and Namdeo More	Shri Chiranjilal borrowed 2200 shares of Sunteck from Shri Namdeo and promised to repay the said shares on demand or within a period of 5 years from this date whichever is later. In case Shri Namdeo seeks a payment in cash the same would be made based on the closing value of these shares on this date as declared by BSE.	The money bond was on a plain paper and there is no witness signature. There is no date for the bond though the period of the bond and the date for calculating the repayment amount was to be based on the date of the bond.
Jitendra H Joshi and Namdeo More	Shri Jitendra borrowed 7000 shares of Sunteck Realty from Shri Namdeo and promised to repay the said shares on demand or within a period of 5 years from this date whichever is later. In case Shri Namdeo seeks a payment in cash the same would be made based on the closing value of these shares as on this date as declared by BSE.	The money bond was on a plain paper and there is no witness signature. There is no date for the bond though the period of the bond and the date for calculating the repayment amount was to be based on the date of the bond. The bond was signed only by Shri Jitendra.
Namdeo More and	Shri Namdeo borrowed 17700 shares of Sunteck from Shri Kishorilal and promised to repay the said shares on demand or	The money bond was on a plain paper and there is no witness signature. There is no date for

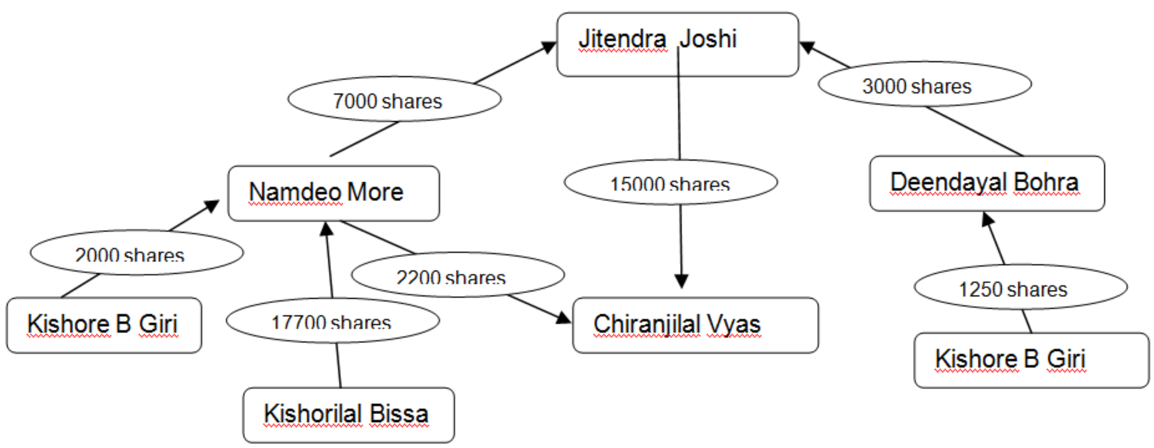
Agreement Between	Summary of money bonds/ Bond for Shares borrowed	Observations on the bonds
Kishorilal Bissa	within a period of 5 years from this date whichever is later. In case Shri Kishorilal seeks a payment in cash the same will be made based on the closing value of these shares as on this date as declared by BSE.	the bond though the period of the bond and the date for calculating the repayment amount was to be based on the date of the bond. The bond was signed only by Shri Namdeo
Chiranjilal Vyas and Kishorilal A Bissa	Shri Chiranjilal was indebted to Shri Kishorilal to the extent of ₹3 lacs on account of loan extended to him for his personal and business, hereby promises to transfer the said sum on demand or within a period of 10 years of this date with interest thereon from the date of this bond at the rate of 18% per annum.	The money bond was on a plain paper without any date and there is no witness signature. Though interest is shown to accrue from the date of the bond, no date is mentioned in the said bond The period of the bond is ten years, which appears to be unusual.
Chiranjilal Vyas and Namdeo More	Shri Chiranjilal was indebted to Shri Namdeo to the extent of ₹40 lacs on account of loan extended to him for his personal and business, hereby promises to transfer the said sum on demand or within a period of 10 years of this date with interest thereon from this date at the rate of 25% per annum.	The money bond was on a plain paper without any date and there is no witness signature. Though interest is shown to accrue from the date of the bond, no date is mentioned in the said bond The period of the bond is ten years and interest rate is 25%, which appears to be unusual.
Deendayal Bohara and Kishore B Giri	Shri Deendayal borrowed 1250 shares of Sunteck from Shri Kishore and promised to repay the said shares on demand or within a period of 5 years from this date whichever is later. In case Shri Kishore seeks a payment in cash the same will be made based on the closing value of these shares as on today's date as declared by BSE.	The money bond was on a plain paper and there is no witness signature. There is no date for the bond though the period of the bond and the date for calculating the repayment amount was to be based on the date of the bond.
Namdeo More and Deendayal Bohara	Shri Namdeo was indebted to Shri Deendayal to the extent of ₹5.5 lacs on account loan extended to him for his personal and business, hereby promises to transfer the said sum on demand or within a period of 10 years of this date with interest thereon from this date at the rate of 18% per annum.	The money bond was on a plain paper without any date and there is no witness signature. Though interest is shown to accrue from the date of the bond, no date is mentioned in the said bond The period of the bond is ten years which is very unusual.
Namdeo More and Kishore Giri	Shri Namdeo borrowed 2000 shares of Sunteck from Shri Kishore and promised to repay the said shares on demand or within a period of 5 years from this date whichever is later. In case Shri Kishore seeks a payment in cash the same will be made based on the closing value of these shares as on today's date as declared by BSE	The money bond was on a plain paper and there is no witness signature. There is no date for the bond though the period of the bond and the date for calculating the repayment amount was to be based on the date of the bond.

66. The summary of the money bond/ bond for share transactions is as follows:

Debtor	Creditor	Amount (in ₹)/ no. of shares of Sunteck
Chiranjilal Vyas	Jitendra H Joshi	40 lacs
Chiranjilal Vyas	Jitendra H Joshi	15000 shares
Chiranjilal Vyas	Kishorilal A Bissa	3 lacs
Chiranjilal Vyas	Namdeo More	40 lacs
Chiranjilal Vyas	Namdeo More	2200 shares
Jitendra H Joshi	Deendayal Bohara	3000 shares
Jitendra H Joshi	Namdeo More	7000 shares
Namdeo More	Kishorilal Bissa	17700 shares
Namdeo More	Deendayal Bohara	5.5 lacs
Deendayal Bohara	Kishore B Giri	1250 shares
Namdeo More	Kishore B Giri	2000 shares

67. From the above, it can be seen that in support of the financial transactions and share transfers among them, the Noticees have produced money bonds/ bond for shares, which are in plain paper and undated. Most of such bonds do not contain any witness signature and the tenure is as high as 15 years. Though the period of the bond and amount of repayment in cash was to be calculated on the basis of date of the bond, there is no date mentioned at all on the bonds.

68. A pictorial representation of the share movement is provided as below:



69. From the above, it can be seen that there have been movement of shares among all the Noticees and they have provided copies of the undated money bonds in plain paper in support of these transactions. There are also movement of funds among the Noticees. Therefore, the movement of funds and shares as well as exchange of calls among the Noticees indicate the close relation/ association among the Noticees.

70. Regarding the submissions of the Noticees that they have not been supplied with complete order log trade log and investigation report, it is seen that all the documents

relied upon by SEBI have already been provided to the Noticees along with the SCN and vide SEBI letter dated January 28, 2016 and email dated May 18, 2016.

71. I find that the replies submitted by the Noticees countering the allegations are far from realty. For instance, Shri Kishorilal submitted that all the alleged trading mentioned do not pertain to him and he denied having entered into any of the trades attributed to him in the show cause notice. The Noticee submitted that he never transferred 15,000 shares to Shri Chiranjilal as alleged. He also submitted that neither he had bought 9,200 shares nor sold 9,050 shares on the floor of the exchange. The Noticee also attached a copy of the depository account statement for the period 2007 and 2008 and claimed that a plain reading of the statement would indicate that the transactions under reference do not form part of his trades. I find that the document provided by Shri Kishorilal seems to be an agreement and not a depository account statement as stated by him. Therefore, the said submission is misleading. I also observe that the group including Shri Kishorilal transferred shares in off market and bought back in the market in a preplanned manner.

72. From the SCN I note that all the details required for arriving at the figure of unjust enrichment have been provided and dealings of the Noticees in the scrip have been illustrated figuratively. Further, the documents requested by the authorized representative of the Noticees were provided. I find that the Noticees have requested to consider their replies to the SCNs issued under section 11B and they do not have anything further to submit.

73. With regard to the contention of the Noticees that the SCN enlists several other persons/ entities which were part of the alleged scheme and there is no allegation leveled against them in the SCN, it may be mentioned here that the instant proceedings before me are in connection with the violations committed by the Noticees, as alleged in the SCN. Action has been initiated against the Noticees on the basis of their pattern of trades in the scrip of Sunteck which are alleged to be manipulative and their culpability. Regarding other entities, SEBI would take action as considered appropriate based on seriousness of violation and evidence available.

74. With regard to the contention of the Noticees that SCN has not demonstrated any instance of circular trading, I note that names of the parties as well as the pattern of trading have been clearly laid out in the SCN. Therefore, I do not find any merit in the submissions of the Noticees.

75. The explanations provided appear to be just afterthoughts. It is clear that the Noticee transferred shares of Sunteck in off-market transactions and again bought back the shares from the market. The method and the manner in which the market transactions and the off-market transactions were executed are the most crucial factors to be considered under these circumstances. The motive behind such transactions appears to be only to create artificial trading volume and price rise in the scrip.

76. I note that for off market transfers, the entities need to be known / related to each other. As mentioned earlier, there were several off market transfers among the Noticees and also with other transferees.

77. In this regard, I rely on the observations of the Hon'ble Supreme Court of India in civil appeal no.8769 OF 2012 (SEBI Vs. Networth Stock Broking Ltd.) and others. The relevant extract is as reproduced below:
"It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and leveled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion there from. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion.
Let us apply the aforesaid test to the facts of the present cases before us wherein admittedly there in no direct evidence forthcoming. The first relevant fact that has to be taken note of is that the scrips in which trading had been done were of illiquid scrips. While it is correct that trading in such illiquid scrips is per se not impermissible, yet, voluminous trading over a period of time in such scrips is a fact that should attract the attention of a vigilant trader engaged/engaging in such trades."

78. Further, the Hon’ble Supreme Court of India in SEBI vs. Kishore R. Ajmera[(2016) 6 SCC 368] has observed the following
“According to us, knowledge of who the 2nd party/ client or the broker is, is not relevant at all. While the screen based trading system keeps the identity of the parties anonymous it will be too naive to rest the final conclusions on said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned.

79. In the present case, the Noticees, which are found to be connected to each other, contributed significantly to the market volume in the scrip of Sunteck during the period of investigation, which was as high as around 75-80% in four months. The modus operandi of the group was to transfer the shares to some entities in off market and then these front entities sold the same in the market and some shares out of these were again bought back in the market by the group. I note that during the investigation period the scrip of Sunteck was illiquid and the Noticees contributed to the majority of the trading in the scrip of SRL. After creating trading interest in the scrip by creating volumes, they entered orders at higher prices which resulted in rise in price of the scrip. I also note that Noticees did not execute any transactions in the scrip of Sunteck

either on the exchange or off-market prior to the investigation period and after the investigation period in this manner.

80. I further find that the EPS of Sunteck during the FY 2006-07 was only ₹1.47 and the company had not declared any dividend during the preceding years. Therefore, I find that the financial performance of Sunteck was not impressive for such trading interest in the scrip.

81. The Noticees have not provided any explanation for their pattern of trading and such unusual trading interest in the scrip of Sunteck. I note that three of the Noticees contributed for total price rise of ₹301.25 in the scrip during two months of high price rise. The Noticees also contributed to significant volume in the scrip of Sunteck. Such trading pattern misleads the genuine investors who also start investing in the scrip and later suffer losses when the manipulators stop their operations after earning undue and illegal profits. Therefore, the Noticees are liable for monetary penalties.

82. In view of the above, it is concluded that the Noticees violated provisions of Regulation 3(a), (b), and 4(2) (a), (b) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003.

Penalty for violations

83. The Hon'ble Supreme Court of India in the matter of SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216(SC) held that "In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant...".

84. In view of the foregoing, I am convinced that it is a fit case to impose monetary penalty under 15HA of the SEBI Act, 1992 on all the Noticees which reads as under:

    15HA- Penalty for fraudulent and unfair trade practices

    If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

    While determining the quantum of penalty under section 15HA of SEBI Act, as applicable, it is important to consider the factors stipulated in section 15J of SEBI Act, which reads as under:-

    15J - Factors to be taken into account by the adjudicating officer

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

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
(b) the amount of loss caused to an investor or group of investors as a result of the default;
(c) the repetitive nature of the default."

85. I note that the Noticees have made the following profit/ loss by trading in the scrip of Sunteck during the investigation period:

Name of Noticee	Purchase		Sale				Total Sale (B+C)	Ill-gotten gains / (loss) (in ₹)
	No. of shares	Purchase Cost (A)	Own Account		Through Transferees			
			No. of shares	Value (B)	No. of shares (C)	Value (D)		
Chiranjilal Vyas	74,750	4,85,47,860.00	18,350	1,13,72,415.00	48,650	6,06,99,647.50	7,20,72,062.50	3,52,95,642.50
Namdeo More	55,050	4,59,62,990.00	12,900	89,92,465.00	64,650	6,38,86,567.50	7,28,79,032.50	2,69,16,042.50
Kishore Giri	23,950	3,59,98,387.50	150	2,32,800.00	27,650	4,19,66,200.00	4,21,99,000.00	62,00,612.50
Deendayal Bohara	14,900	1,34,58,440.00	3,700	25,35,092.00	8,600	1,09,21,432.50	1,34,56,525.00	35,49,660.00
Kishorilal Bissa	26,450	1,49,81,567.50	3,150	17,77,942.50	6,000	35,32,605.00	53,10,547.50	4,47,525.50
Jitendra Joshi & Shripal Shares	9,200	94,88,932.50	9,050	66,61,225.00			9,050	(25,44,307.50)

86. On the issue of rationale for calculating profits under FIFO (First in First Out) method, I find that the Noticees had some shares unsold during the investigation period. Therefore, it is more appropriate for using FIFO method for calculating profits. I also find that as per section 45(2A) of the Income-tax Act, 1961, the cost of acquisition and the period of holding of any securities shall be determined on the basis of the first-in-first-out method. Therefore, I do not find any fault with the method of calculation of profits. I find that the Noticees have not suggested any other appropriate and legally tenable method for calculating the profits.

ORDER

87. I find that in the proceedings under Section 11B, vide order dated December 24, 2019, the Noicees have been debarred from accessing the securities markets for a period of one year. After considering all the facts and circumstances of the case as well as the debarment order issued against the Noticees, I am of the view that a penalty amount twice the ill-gotten gains may be appropriate. Therefore, in exercise of the powers conferred upon under Section 15 I of the SEBI Act I hereby impose the following penalties under Section 15HA of SEBI Act, 1992.

Name	Ill-gotten gains (in ₹)	Penalty imposed (In ₹)
Chiranjilal Vyas	3,52,95,642.50	7,05,91,285.00
Namdeo More	2,69,16,042.50	5,38,32,085.00
Kishore Giri	62,00,612.50	1,24,01,225.00
Deendayal Bohara	35,49,660.00	70,99,320.00
Kishorilal Bissa	4,47,525.50	8,95,051.00
Total amount	7,24,09,483.00	14,48,18,966.00

88. Though Shri Jitendra Joshi and Shripal Shares and Securities Limited have incurred losses, it does not mean that their violation is not serious. In fact, they were part of the group and played an active role in facilitating the manipulation in the scrip of Sunteck. This is common knowledge that during manipulation when the entities trade among themselves, some of the entities may earn profit and others may incur losses. But the ultimate objective is to earn profit on net basis. Therefore, considering the role played by them, penalty of ₹5 lacs each is imposed on them, under Section 15HA of SEBI Act, 1992.

89. I am of the view that the said penalty would be commensurate with the violations committed by the Noticees.

90. 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 favor of "SEBI-Penalties Remittable to Government of India", payable at Mumbai, or through e-payment facility into Bank Account, the details of which are given below:

Account No. for remittance of penalties levied by Adjudication Officer	
Bank Name	State Bank of India
Branch	Bandra - Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI–Penalties Remittable to Government of India
Beneficiary A/c No	31465271959

91. The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment to the General Manager, Enforcement Department, SEBI. The Format for forwarding details / confirmations of e-payments made to SEBI shall be in the form as provided at Annexure A of Press Release No. 131/2016 dated August 09, 2016 shown at the SEBI Website which is produced as under:

Case Name	
Name of Payee	
Date of payment	
Amount Paid	
Transaction No	
Bank Details in which payment is made	

Payment is made for (like penalties/disgorgement/recovery/Settlement amount and legal charges along with order details)	

92. In terms of rule 6 of the Adjudication Rules, copies of this order are sent to the Noticees and also to SEBI.

Date: December 30, 2019
Place: Mumbai

P K NAGPAL
ADJUDICATING OFFICER