BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/BM/DS/2022-23/17525-17534]

UNDER SECTION 15-I OF THE 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

Noticee no	Name of entity	PAN
1	CHP Finance Private Limited	AABCC5031H
2	Minshi Creation Private Limited	AAHCM7950M
3	IFL Promoters Limited	AAACI5322C
4	Advance India Shares and Securities Private Limited	AAFCA6229B
5	Darshana Exports Private Limited	AADCD1856D
6	Royal Theme Products India Private Limited	AAECR4581N
7	Adhunik Plastochem Private Limited	AAKCA4928J
8	Ashroj Credit India Private Limited	AABCA6849D
9	Ang Capital Services Private Limited	AACCA7060K
10	Shashi Garg	AIGPG7786F

In the matter of Sanco Industries Limited
(Noticees 1 to 10 are individually known by their respective name or Noticee no. and collectively referred to as the "Noticees")

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted investigation in respect of alleged manipulation in the scrip of Sanco Industries Limited (hereinafter referred to as "**Sanco / Company / SIL**") during the period January 01, 2016 to November 23, 2016 (hereinafter referred to as "***IP***"). Pursuant to the investigation, it was alleged that aforementioned Noticees 1 to 10 violated the provisions of Regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as "***PFUTP Regulations, 2003***") and Noticees 1, 2, 3, 5, 6, 7, 8, 9 and 10 also violated the provisions of Regulation 4(2)(e) of PFUTP Regulations, 2003.

APPOINTMENT OF ADJUDICATING OFFICER

2. In this regard, SEBI initiated Adjudication Proceedings against the Noticees and appointed the undersigned as Adjudicating Officer, conveyed vide communique dated September 23, 2021, under Section 15-I of the SEBI Act, 1992 and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as ***Adjudication Rules, 1995***) to inquire into and adjudge under Section 15HA of the SEBI Act, 1992, the alleged violations of provisions of Regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) and (g) of PFUTP Regulations, 2003 by Noticees 1 to 10 and Regulation 4(2)(e) of PFUTP Regulations, 2003 by Noticees 1, 2, 3, 5, 6, 7, 8, 9 and 10

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. A common Show Cause Notice with reference no. SEBI/EAD/BM/DS/29374/2021 dated October 21, 2021 (hereinafter referred to as ***SCN***) was issued to the Noticees

in terms of Section 15-I of the SEBI Act, 1992 read with Rule 4 of the Adjudication Rules, 1995 to show cause as to why an inquiry should not be held against them and why penalty, if any, under Section 15HA of the SEBI Act, 1992 be not imposed on the Noticees.

<u>Noticees 1, 2, 4, 5, 6, 7 and 10</u>

4. The SCN was dispatched to Noticees 1, 2, 4, 5, 6, 7 and 10 via SPAD and digitally signed email. As per the records, the emails were duly delivered to the Noticees. However, the SCN sent via SPAD had returned undelivered from the address of Noticees 1, 2, 4, 5, 6, 7 and 10. As the SCN was duly delivered by digitally signed email, it was considered to have been delivered to the Noticees.

5. It was observed that no reply was received from Noticees 1, 2, 4, 5, 6, 7 and 10 as on November 30, 2021. Hence, in the interest of natural justice, they were given an opportunity of hearing vide letter dated November 30, 2021. They were advised to appear for hearing on December 06, 2021. The hearing notice was sent to them via SPAD and digitally signed e-mail. As per the records, the emails were duly delivered to the Noticees via digitally signed email, but hard copies had returned undelivered for Noticees 1 to 8. Hence, affixtures/ hand delivery of SCN and HN were made to the addresses of these Noticees along with a letter advising the Noticees to appear before the undersigned for hearing on December 06, 2021. As per the records, the affixtures were duly made for Noticees 1,2,4,5,6 and 7 and hand delivery was made to Noticee 10. However, none of the noticees appeared for the scheduled hearing.

6. Another opportunity was given to Noticees 1, 2, 4, 5, 6 ,7 and 10 vide letter dated February 25, 2022, and they were advised to appear before the undersigned on March 09, 2022. However, due to typographical error, date for appearance was mentioned as February 09, 2022. Vide mail dated March 05, 2022, Noticee 3 highlighted the error. In view of the same, vide mail dated March 09, 2022, Noticees 1,2,4,5,6,7 and 10 were advised to appear before the undersigned on March 16, 2022 for hearing in the

captioned matter. It was also informed that it was the last and final opportunity of hearing being provided to them. However, Noticees 1, 2, 4, 5, 6, 7 and 10 did not appear for the hearing, and no communication has been made by them till date.

<u>Noticee 3</u>

7. The SCN was duly delivered to Noticee 3. It submitted its reply vide mails dated November 19, 2021 and November 22, 2021. Noticee 3 had stated in its reply that "*same reply may be treated for other connected entities also (noticees 1, 2, 4, 5, 6, 7, 10)*", except Noticees 8 and 9. The replies are summarized in forthcoming paragraphs.

8. In the interest of natural justice, an opportunity of hearing was given to Noticee 3 vide hearing notice dated November 30, 2021, wherein Noticee 3 was advised to appear before the undersigned on December 06, 2021. However, Noticee 3 did not appear for the hearing. In the interest of natural justice, vide letter dated December 10, 2021, Noticee 3 was advised to appear before the undersigned on December 21, 2021. However, Noticee 3 did not appear for the hearing.

9. Another opportunity was given to Noticee 3 vide letter dated February 25, 2022, and it was advised to appear before the undersigned on March 09, 2022. However, due to typographical error, date for appearance was mentioned as February 09, 2022. Vide mail dated March 05, 2022, Noticee 3 highlighted the error and requested for a new date of hearing after March 15, 2022. Vide mail dated March 09, 2022, Noticee 3 was also advised to appear before the undersigned on March 16, 2022 for hearing in the captioned matter. It was informed that it was the last opportunity of hearing being provided to Noticee 3. However, Noticee 3 did not appear for the hearing, and no communication has been made by it since March 05, 2022.

<u>Noticees 8 and 9</u>

10. The SCN was duly delivered to Noticees 8 and 9. Vide letters dated November 15, 2021 and November 09, 2021, respectively, Noticees 8 and 9 raised preliminary objections of inordinate delay of more than five years between date of transaction and

date of SCN, and submitted that it does not have all material and records to verify the contents of the SCN, to make their submissions. They relied upon judgement of Hon'ble SAT in the case of H B Stockholdings (Appeal No. 114 of 2012). It was also submitted that they have always complied with all the provisions of securities laws, that the tradings were made within their financial and risk bearing capacity, and that they have dealt in fair and transparent manner. Noticee 8 and 9 further, denied all the allegations levelled against it.

11. Vide the aforesaid letter, Noticee 8 and 9 requested for provision and inspection of certain documents and information that were relied upon by SEBI in the SCN.

12. Vide mail dated June 02, 2022 to Noticee 8 and mail dated May 12, 2022 to Noticee 9, the following was informed to Noticees 8 and 9 –

This is with reference to your letter dated November 15, 2021 / November 09, 2021 wherein you have requested for provision of certain documents.

1. Copy of investigation report along with all the annexures – ***relevant parts of the investigation report form part of the Show Cause Notice dated October 21, 2021 – enclosed herewith***

2. Documentary evidence of off-market trades with IFL Promoters Limited in the scrip of Virtual Global Education Limited – ***enclosed herewith***

3. Details of connection with other co-noticee of the SCN – ***already provided in the SCN***

4. Details of trades which led to negative LTP contribution in the scrip of SIL – ***Trade log already provided as annexure to the SCN***

5. Statement of all persons recorded during course of investigation conducted by SEBI – ***Not available***

*6. Details of complaints received by SEBI and stock exchange with respect to your dealings in SIL – **Not available***

*7. Details of persons who have been induced to sell/ purchase the shares of SIL as a result of your dealing in SIL – **Not available***

*8. Documents/ statements showing and establishing your intention to 'create artificial/ fictitious volume and giving false and misleading appearance of trading' in SIL – **Not available***

*9. Details of alerts/ triggers generated by stock exchange/ SEBI w.r.t dealings in scrip of SIL – **Not available***

*10. Any other additional documents referred to and relied upon by SEBI – **already provided as part of annexures to the SCN***

Noticee 9

13. Vide Hearing Notice dated May 31, 2022, Noticee 9 was advised to appear before the undersigned on June 08, 2022. Noticee 9, vide letter dated June 02, 2022 again sought the documents for which it had requested vide letter dated November 09, 2021. It also requested to adjourn the hearing to any date after July 10, 2022.

14. Vide mail dated June 07, 2022, Noticee 9 was informed that reply was already sent to it for the details required by Noticee 9 vide mail dated May 12, 2022 and his request for adjournment was not accepted.

15. Vide letter dated June 07, 2022, Noticee 9 requested for two weeks' time to make submissions and appoint an authorized representative. It was observed that Noticee 9 did not appear for hearing on June 09, 2022. In the interest of natural justice, Noticee 9 was granted last and final opportunity of hearing on June 15, 2022.

16. Submissions were made by Noticee 9 vide mail dated June 15, 2022. Noticee 9, through its authorized representative (AR), appeared before the undersigned on the

scheduled date and time, and reiterated the submissions made earlier that day. The AR requested for time till June 20, 2022 for making additional submissions to the SCN, which was granted by the undersigned. Additional submissions made by Noticee 9 vide letter dated June 15, 2022 was received on June 17, 2022. The submissions made by Noticee 9 have been summarized in forthcoming paragraphs.

Noticee 8

17. Vide Hearing Notice dated May 31, 2022, Noticee 8 was advised to appear before the undersigned on June 08, 2022. The notice was sent to Noticee 8 via digitally signed email on June 02, 2022.

18. Noticee 8, vide letter dated June 07, 2022 again requested for provision of documents for which it had requested vide letter dated November 15, 2021. It is pertinent to note that Noticee 8 did not seek inspection after mail dated June 02, 2022 was sent to it. It also requested to adjourn the hearing until two weeks of provision of the requested documents.

19. Vide mail dated June 07, 2022, Noticee 8 was informed that reply was already sent to it for the details required vide mail dated June 02, 2022 and his request for adjournment was not accepted.

20. Noticee 8, through its authorized representative (AR), appeared before the undersigned on the scheduled date and time. The AR requested for time till June 21, 2022 for making additional submissions to the SCN, which was granted by the undersigned. The AR also requested for some details present in the IR, which were not provided to it earlier. The same was agreed to be provided by the undersigned, and were provided to Noticee 8 vide mail dated June 10, 2022. Submissions were received from Noticee 8 vide mail dated June 20, 2022. The submissions made by Noticee 8 have been summarized in forthcoming paragraphs.

21. The allegations levelled against the Noticees in the SCN are mentioned hereunder*:*

i. It was observed that a group of 10 connected entities allegedly entered into synchronized trades, contributed to Negative and Positive Last Traded Price (LTP) and New High Price (NHP). The list of the connected entities (collectively referred to as **Noticees**) and basis of their connection is given below:

<u>Table - 1</u>

<table>
<tr><th>Noticee</th><th>Particulars</th><th>PAN</th><th>Connections</th></tr>
<tr><td>1</td><td>CHP Finance Private Limited</td><td>AABCC5031H</td><td rowspan="10">Noticees 1 to 7 and Noticee 10 are registered with the common trading member CPR Capital Services Ltd.
Noticees 2 and 7 have common mobile numbers i.e 9213092342
Noticees 1 and 2 have done off market trades
Noticees 1 and 2 are registered with common trading member Vishwas Fincap Services Pvt Ltd
Noticee 1 had done off market trades with Anurag Gupta, Sanjay Gupta (promoters) and Sanco Enterprises Ltd (promoter group)
Noticees 1, 3, 4 and 7 have common phone number (9560074580) and common address (A-66,IIIrd Floor, Guru Nanak Pura,laxmi Nagar Vikas Marg, Delhi, India, 110092
Noticees 5 and 7 have common phone number (4041519)
Noticees 3 and 7 have common director viz. Pankaj Singhla
Noticees 1 and 8 have done off market trades
Noticees 3 and 9 have done off market trades in the scrip of Virtual Global Education Ltd</td></tr>
<tr><td>2</td><td>Minshi Creation Private Limited</td><td>AAHCM7950M</td></tr>
<tr><td>3</td><td>IFL Promoters Limited</td><td>AAACI5322C</td></tr>
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<tr><td>5</td><td>Darshana Exports Private Limited</td><td>AADCD1856D</td></tr>
<tr><td>6</td><td>Royal Theme Products India Private Limited</td><td>AAECR4581N</td></tr>
<tr><td>7</td><td>Adhunik Plastochem Private Limited</td><td>AAKCA4928J</td></tr>
<tr><td>8</td><td>Ashroj Credit India Private Limited</td><td>AABCA6849D</td></tr>
<tr><td>9</td><td>Ang Capital Services Private Limited</td><td>AACCA7060K</td></tr>
<tr><td>10</td><td>Shashi Garg</td><td>AIGPG7786F</td></tr>
</table>

ii. Summary of the trading done by the Noticees during the Investigation Period is provided below:

Table - 2

Sr No	Client Name	Gross Buy	Gross Sell	Net Qty.	% of Gross Buy to Mkt. Volume	% of Gross Sell to Mkt. Volume	% of Net Qty. to Mkt. Volume
1	CHP FINANCE PVT. LTD.	2063400	12088000	-10024600	9.21	53.95	-44.74
2	MINSHI CREATION PRIVATE LIMITED	4424000	3128000	1296000	19.75	13.96	5.78
3	IFL PROMOTERS LIMITED	3561600	505600	3056000	15.90	2.26	13.64
4	ADVANCE INDIA SHARES AND SECURITIES PVT LTD	851200	220800	630400	3.80	0.99	2.81
5	DARSHANA EXPORTS PRIVATE LIMITED	556800	288000	268800	2.49	1.29	1.20
6	ROYAL THEME PRODUCTS INDIA PVT LTD	278400	96000	182400	1.24	0.43	0.81
7	ADHUNIK PLASTOCHEM PVT LTD	2280000	56000	2224000	10.18	0.25	9.93
8	ASHROJ CREDIT INDIA PRIVATE LIMITED	16000	169600	-153600	0.07	0.76	-0.69
9	ANG CAPITAL SERVICES PVT. LTD.	0	304000	-304000	0.00	1.36	-1.36
10	SHASHI GARG	233600	185600	48000	1.04	0.83	0.21
	Total	**14265000**	**17041600**	**-2776600**	**63.68**	**76.08**	**-12.41**

iii. It was alleged that the Noticees, while being connected entities, have traded during the investigation period. Noticees' contribution to gross sell volume was more in comparison to gross buy volume (trade log was given as annexure to the SCN in this regard). Noticees allegedly contributed 64% of the total gross buy side volume & 76% of total gross sell side volume at NSE during the Investigation Period.

Synchronized Trades

iv. It was alleged that Noticees executed synchronized trades i.e. where the buy and sell order quantity and rate are identical and placed within a very small or negligible time gap.

v. It was observed that trades with quantity of 8000 or more were executed on one or more days by Noticees 1-8 and 10, amongst themselves (trade log was given as annexure to the SCN) and it allegedly resulted in creation of artificial volume of 14.69% of total market volume.

vi. Further analysis of synchronized trades of connected entities who allegedly contributed more than 1% as individual was carried out and is given hereunder:

Table - 3

Particulars	**NSE**							
	Buy Side				**Sell Side**			
	Qty of Synch Trade	**% of Synchronized Vol. to Mkt. Vol.**	**No of days**	**No of Trades**	**Qty of Synch Trade**	**% of Synchronized Vol. to Mkt. Vol.**	**No of days**	**No of Trades**
CHP Finance Pvt Ltd (Noticee 1)	928000	4.14	27	105	408000	1.82	15	39
	0	0	0	0	656000	2.93	16	72
	0	0	0	0	496000	2.21	25	50
Minishi Creation Pvt Ltd (Noticee 2)	496000	2.21	25	50	320000	1.43	11	35
	0	0	0	0	928000	4.14	27	105
Ifl Promoters Ltd (Noticee 3)	408000	1.82	15	39	0	0	0	0
	320000	1.43	11	35	0	0	0	0
Advance India Shares and Securities Pvt Ltd (Noticee 4)	656000	2.93	16	72	0	0	0	0
Total	**2808000**	**12.53**	**94**	**301**	**2808000**	**12.53**	**94**	**301**

vii. It was alleged that 05 pairs of 04 connected entities contributed more than 1%, by which they contributed to 12.53% to market volume in 2808000 shares in 301 synchronized trades during the IP period which is significant.

viii. It was alleged that CHP Finance Private Limited (Noticee 1), Minshi Creation Private Limited (Noticee 2), IFL Promoters Limited (Noticee 3) and Advance India Shares and Securities Private Limited (Noticee 4) had repetitively indulged in synchronized trades and thereby allegedly the aforesaid Noticees had created artificial volume in the market.

ix. Hence, it was alleged that Noticees 1, 2, 3 and 4 have violated Regulations 3 (a), (b), (c), (d), 4 (1), 4 (2) (a) & (g) of PFUTP Regulations, 2003.

Last Traded Price Analysis

x. Based on the price movement, IP was divided into two patches, the details are as follows:

Table - 4

Patches	Period		Price Movement				Price Rise /fall
	From	To	Open	High	Low	Close	
Patch-I	01-01-2016	19-08-2016	37.10	53.45	20.00	31.00	Fall
Patch-II	22-08-2016	23-11-2016	33.90	115.00	33.90	108.90	Rise

Patch 1 – Price fall – January 1, 2016 to August 19, 2016

xi. The price of the scrip opened at ₹37.1 and touched period low of ₹20.0 and closed at ₹31.0. The connected entities allegedly traded as net sellers during the Patch-1.

xii. It was observed that the following connected entities had allegedly contributed 64.78% of total negative LTP in the market. Details of Negative LTP contribution of connected entities, where the counter parties were also the connected entities are given as under.

Table - 5

Buyers	Sellers					
	Chp Finance Pvt. Ltd (Noticee 1)	Ang Services Pvt. Ltd. (Noticee 9)	Darshana Private Limited (Noticee 5)	Advance India Shares And Securities Pvt Ltd (Noticee 4)	Minshi Creation Private (Noticee 2)	Total LTP as (No. of Trades)
Ifl Promoters Limited (Noticee 3)	-28.2(20)	-0.2(1)	-0.4(4)		-11.15(16)	-39.95(41)
Chp Finance Pvt. Ltd. (Noticee 1)		-0.15(2)			-22.9(42)	-23.05(44)
Advance India Shares And Securities Pvt Ltd (Noticee 4)	-4.2(21)				-0.4(4)	-4.6(25)
Minshi Creation Private Limited (Noticee 2)	-11.05(21)			-0.1(1)		-11.15(22)
Adhunik Plastochem Pvt Ltd (Noticee 7)	-4.9(2)					-4.9(2)
Shashi Garg (Noticee 10)	-0.1(1)	-1.15(3)				-1.25(4)
Total LTP as Sellers (No. of Trades)	**-48.45(65)**	**-1.5(6)**	**-0.4(4)**	**-0.1(1)**	**-34.45(62)**	**-84.9 (138)**

xiii. It was observed that Noticees allegedly traded among themselves and acted either as buyer and/or seller to each other's trades. The connected entities had contributed an amount of ₹ -84.90 (138 trades) to negative LTP.

xiv. It was inferred that Noticees 1, 2, 3, 7, 9 and 10 each contributed more than 1% of total market negative LTP. Hence, they were alleged to have manipulated the price of the scrip and created a misleading appearance of trading in the scrip, thus violating Regulation 3 (a), (b), (c), (d), Regulation 4(1), 4(2)(a), 4(2)(e) and 4(2)(g) of PFUTP Regulations.

Patch 2 - Price Rise – August 22, 2016 to November 23, 2016

xv. During Patch 2, price of the scrip opened at ₹33.9 and touched period high of ₹115.0 and closed at ₹108.9. The Noticees have traded as net buyers during Patch 2.

xvi. Details of Positive LTP contribution of connected entities, where the counter parties were also the connected entities are given as under.

Table - 6

	Buyers				
Sellers	Chp Finance Pvt. Ltd (Noticee 1)	Darshana Exports Private Limited (Noticee 5)	Royal Theme Products India Private Limited (Noticee 6)	Minshi Creation Private Limited (Noticee 2)	Total LTP as (No. of Trades)
Ifl Promoters Limited (Noticee 3)		1(1)	1.4(1)		2.4(2)
Ashroj Credit India Pvt Ltd (Noticee 8)		2.25(4)	5.3(3)	7(3)	14.55(10)
Chp Finance Pvt. Ltd (Noticee 1)				0.8(1)	0.8(1)
Advance India Shares And Securities Pvt Ltd (Noticee 4)	3.3(1)			6.45(3)	9.75(4)
Total LTP as Buyers (No. of Trades)	**3.3(1)**	**3.25(5)**	**6.7(4)**	**14.25(7)**	**27.5(17)**

xvii. It was alleged that the Noticees traded among themselves and acted either as buyer and/or seller to each other's trades. Noticees 1, 2, 5 and 6 had allegedly contributed total LTP of ₹27.5 (in 17 trades) to market positive LTP as buyers. Also, Noticee 8, being a connected entity, contributed to total LTP as sellers of ₹ 14.55 in 10 trades to counterparties.

xviii. Hence, Noticees 1, 2, 5, 6 and 8 were alleged to have manipulated the price of the scrip and created a misleading appearance of trading in the scrip, thus violating Regulation 3 (a), (b), (c), (d), Regulation 4(1), 4(2)(a), 4(2)(e) and 4(2)(g) of PFUTP Regulations, 2003.

xix. Further, it was observed that below mentioned Noticees had created New High Price during the IP in Patch 2. During this period, price of the scrip moved from open price of ₹33.9 to a high price of ₹115.0 and ₹81.10 NHP was created.

Table - 7

Client Name	NHP contribution (in ₹)	NHP Contribution to total NHP(in %)	NHP Qty	Number of Trades
MINSHI CREATION PRIVATE LIMITED (Noticee 2)	7.85	9.68	48000	5
ROYAL THEME PRODU INDIA PVT LTD (Noticee 6)	7.15	8.82	38400	4
CHP FINANCE PVT. LTD. (Noticee 1)	3.30	4.07	9600	1
DARSHANA EXPORTS PRIVATE LIMITED (Noticee 5)	2.60	3.20	48000	5
Total	21	26	144000	15
Market Total	**81.10**	**100.00%**	**460800**	**48**

xx. These entities allegedly contributed ₹ 21 to market NHP which was 26% of market NHP. It was observed that Noticee 2 contributed more than 5% to the NHP and all the counter-parties to the trades were also connected parties.

xxi. In view of the aforesaid, the Noticees (Noticees 1 to 10) were alleged to have created artificial volume in the market and created a misleading appearance of trading in the scrip, thus violating Regulations 3 (a), (b), (c), (d), 4 (1), 4 (2) (a) & (g) of PFUTP Regulations, 2003. Further, Noticees 1, 2, 3, 5, 6, 7, 8, 9 and 10 allegedly manipulated the price of the scrip, thus violating Regulation 4(2)(e) of PFUTP Regulations, 2003.

22. Submissions made by Noticee 3, vide mails dated November 19, 2021 and November 22, 2021, are summarized below:

i. *Noticee 3 stated that it never did the trades with the intention to do synchronized trades but traded only for arranging funds with M/s CPR Capital Services Ltd by selling the stock of SANCO INDUSTRIES LTD with some other brokers and getting the funds on the trading day itself by paying normal charges to the broker and utilizing the funds for making payment to M/s CPR Capital Services Ltd*

ii. *All the trades were executed simultaneously at the same time and at the same price to avoid loss due to fluctuation in price in the market. All the buy and sell trades are on the same price and there is no rigging in price at any point of time.*

iii. *Most of the trades done by the so called connected entities are matched trades meaning thereby if one entity sell the shares at one point of time with one broker the other entity buy the same quantity of shares at almost same price with another broker at the same time .*

iv. *The said entities neither manipulated the price of share and nor manipulated the volume of shares artificially for manipulating the price of the said share calling the trades to be synchronized one.*

v. *The total volume may cross 12 to 15 % of the total volume done by these entities but this was not done intentionally during the IP period.*

vi. *As regards the trade done in repetitive manner which resulted in creation of artificial volume in the market it was stated that they did trades for arranging funds almost on daily basis or one day gap meaning thereby t+1 basis when the shares received from* *exchanges of the previous trading done by the concern entity . In this way it resulted in repetitive trading in the market .*

vii. *All the entities never done or indulged in synchronized trades resulting in creating artificial volume in the market .This fact can be verified from the brokers copy of account where stock was sold regularly and payment was received on the same day from the broker.*

viii. *Regarding LTP Analysis – If open, high, low and close price in the said shares are analysed, no involvement will be found of these entities in price rigging or price fall of the said shares.*

ix. *Detailed transaction sheet of connected entities for the trades of buy and sell done by them was provided along with the reply and it was submitted that it shows that there is no hand of these entities either in fall or rise in price.*

x. *As far as price fall is concerned, neither IFL Promoters Ltd nor CHP Finance Ltd contributed to any extent in fall of price of the said shares . The figure of minus volume is reflected because these entities sold the stock for getting funds from the broker and other entities bought the stock at the same price at the same time with another broker so question of contribution in fall of price of these entities do not arise at all.*

xi. *Regarding New High Price - The movement of price from ₹33.9 to a high of ₹115.0 and ₹81.10 as stated cannot be done by these entities as price at which these entities did trades are never done with the intention to hike the prices but only for arrangement of funds and that too, buy and sell was done at the same time and at the same price prevailing in the market at the time of trade. There was no manipulation for rigging the price of the share of said stock.*

xii. *Further, all the allegations made in the SCN were specifically denied.*

xiii. *It was submitted that same reply may be treated for other connected entities also. However, copy of brokers account along with trade details is attached separately for all the entities excluding ANG Capital Services Pvt Ltd and Ashroj Credit India Private Ltd.* (such document was not provided by Noticee 3 with its reply)

xiv. *Only a few shares are either purchase or sold which are not more than .1% of the total purchase sale.*

23. Submissions made by Noticee 8, vide mail dated June 20, 2022 are summarized below:

i. *That upon perusal of Show Cause Notice, it appears that there is certain data, documents and information available with SEBI in connection with the matter, but which has not been available to Noticee 8, viz pending order book at the time of our inputting the selling order. The materials based on which the allegations have been against Noticee 8, were not provided in the SCN. Only certain selective information and data have been provided to it. Thus, it is feeling handicapped to submit effective defence and it is also contrary to to the settled principles of natural justice.*

ii. *It was submitted that the SCN is general and vague in nature and hence not valid in the eyes of law. It is humbly submitted that general allegation has been made out against Noticee 8 in the SCN, stating that it had done synchronised trades and created artificial volume. But it has not been shown in the SCN as to how it had done reversal trade without* ***prior meeting of mind*** *with counter party.*

iii. *Further, w.r.t. relation to other co-noticee nothing had been provided/ mentioned in the SCN, other than that it had done an off market dealing with one of the co-noticee i.e. M/s CHP finance private limited wherein Noticee 8 had purchased the shares from the counter party in purely commercial dealing on an arm length basis. The same can't be questioned and also should not be made the basis of including its name in group and part of any conspiracy.*

iv. That the SCN was issued after a lapse of more than 5 years from the dates of transactions carried out during the investigation period i.e. January 1, 2016 to November 23, 2016 and therefore much duress has been caused to Noticee 8 on the receipt of the same as it had acted in bonafide capacity while executing the trades at the relevant time and had settled all its settlement obligations qua its transactions. It may be appreciated that it is beyond comprehension or remembrance of a man under normal course of business or circumstances for trades executed more than 3 years earlier specifically in complex behaviour of derivatives segment.

v. That the broker has issued valid contract notes for each and every trade executed in stock which is alleged in the SCN as non-genuine and all relevant taxes / charges were paid by Noticee 8. All the alleged executed trades in scrip were settled by the clearing corporation of the exchange as per regulatory provisions. It shall be appreciated that the information displayed on exchange trading system with respect to alleged trades and trading history available in public domain, equally nurtures and meets with the requisition of investor wherein question of creation of artificial volume or misleading appearance does not arise at all.

vi. That all the transactions are recorded in its books of account, records and Income Tax Returns which clearly show that it had executed alleged trades in genuine and bonafide manner.

vii. It is indeed pertinent to mention that during the investigation period of 11 months; Noticee 8 had only traded for 10 days. The SCN is based on negligible trades executed by us.

viii. Noticee 8 would have continued trading for long period if it had employed any device, scheme or artifice to defraud to the investor or get undue gain in association of other entities and prior meeting of mind with counter party is essential for those activity.

There was no evidence available to show that there was prior meeting of mind with any counter party. It is pertinent to submit that there is no evidence to allege that there were any kinds of relation between us and any of our counter party in connection with alleged synchronised trades either during the investigation period or thereafter. Therefore, it was submitted that the allegation cannot be raised that it had violated so many regulations i.e. regulations 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(a), (e) and (g) of PFUTP regulations, 2003. It is quite unreasonable to allege that few transactions had resulted so many (8) violations of PFUTP Regulations in absence of any documentary evidence. Even if its trades have violated so many regulations, the SCN needs to explain how its alleged trades had violated each of these provisions separately. Allegations of aforesaid violation without concrete proof are condemned by the law and it is against the public policy of India. In Ghanashyam Das Baheti (Supra) matter, the Division Bench of Hon'ble High court at Calcutta held that "in order to get a temporary injunction although it is not necessary to prove concrete full proof case of fraud, but the plaintiff would be required to make out a prima facie case of fraud as to conduct of parties ……....."

ix. *But in the present matter, SCN has failed to make out prima facie case of manipulative, fraudulent and unfair trade practices. The allegation has been made out only on the basis of assumption.*

x. *Further, NSE did not alerted Noticee 8, or the broker or the counter party for alleged violation of SEBI regulation if any during the investigation period so that repetition of alleged violation can be stopped. It is pertinent to mention that the NSE, being the first level of regulator had not preferred any action during the course of alleged trading in stock which clearly shows that we had not violated regulatory provisions. If any wrong had been committed by Noticee 8, the question should be asked as why NSE has permitted to continue trade in wrongful manner? No action preferred by NSE also* *substantiates its submission that it had not committed any wrong while dealing in scrip at NSE during the investigation period.*

xi. *That on analysing the trade data provided with show cause notice, it appear that Noticee 8's trades have been matched with so many no. of parties with following member / broker of Exchange*

S.no.	***Name of the Member***
1	*BP EQUITIES PRIVATE LIMITED*
2	*CPR CAPITAL SERVICES LTD.*
3	*ARIHANT CAPITAL MARKETS LIMITED*
4	*J M GLOBAL EQUITIES PRIVATE LIMITED*
5	*PCS SECURITIES LTD.*
6	*MASTER CAPITAL SERVICES LIMITED*
7	*COIMBATORE CAPITAL LIMITED*
8	*MARFATIA STOCK BROKING PRIVATE LIMI*
9	*SHARE INDIA SECURITIES LIMITED*
10	*ARYAN SHARE & STOCK BROKERS LTD.*
11	*JM FINANCIAL SERVICES LIMITED*

xii. *That Noticee 8 has no 'connection' or 'relation' with any of counterparties to our trade dealing with aforesaid members mentioned in Table hereinabove. Its trading in scrip segment was independent of any other entities dealing in the same and based on its limited understanding of capital market.*

xiii. *That the allegation of the creation of any artificial volume against Noticee 8, is factually incorrect and not based on fundamentals. The trading in its account was carried out independently and it was denied that the same has been carried out in connection or collusion with the any counter party or any other entities whatsoever. Its trades were executed with various constituents of 11 different trading members.*

xiv. *That it had carried out all its trades on the trading platform of stock exchange. All the order was matched with counter parties on the automated driven order matching system on a price-time priority basis and hence it is not possible for anybody to have* *access over identity of counter party. Since counter party identity is not displayed, one can never have any choice with whom it wants to deal or not to deal.*

xv. *It was further submitted that, in order to establish charges of fraudulent trading or violation of PFUTP Regulations, it is a settled principle of law that the parties to these trades should collude amongst themselves. In this context, attention was drawn to the matter of M/s. Jagruti Securities Ltd vs. Securities Exchange Board of India, Appeal No. 184/2008 wherein the Hon'ble SAT has held that "… <u>we are of the view that in an artificial trade there has to be collusion between the buyer and the seller and in absence of any collusion, the trade cannot be termed as artificial."</u>. Further in the matter of Sanjay Agrawal vs. SEBI*, *order dated 18.05.2012; the Hon'ble Securities Appellate Tribunal has held that <u>"in order to establish an allegation of reversal trade between parties a cogent evidence or connection between the parties needs to be established".</u>*

xvi. *Further, there must be a reason behind any manipulative transactions by the person. Creation of artificial volume in any scrip segment does not have any purpose or benefit to the person who engaged in such practice.*

xvii. *It was submitted that Noticee 8 had performed all its obligation of resultant transactions as per mechanism of clearing corporation schedule. Further it submitted that all our trades in capital market segment were within prudential norms of exchange and as per procedures and guidelines as prescribed by regulator (NSE).*

xviii. *That it did not employ any device, scheme or artifice to defraud to the investor while dealing in stock at NSE. The dealing in stock by Noticee 8, was not detrimental to the interest of the investors. The SCN also does not made out a case against Noticee 8, that other investors were misled due to our trades, or that any third parties suffered any loss due such reversal trades.*

xix. It was submitted that the synchronisation of trades with counterparties was co-incidental. It did not executed trades deliberately in stock with any respective counter party.

xx. Further, only 5 trades are said to be been synchronised only on the basis that counter party order time and order quantity matched with Noticee 8's. In this regard, it was submitted that mere allegation of this matching may take place through the stock exchange mechanism. When it matches through the stock exchange, it may or may not be a synchronized deal depending on the time when the buy and sell orders are placed. It would, therefore, follow that a synchronized trade or a trade that matches off-market is per se not illegal. Merely because a trade was crossed on the floor of the stock exchange with the buyer and seller entering the price at which they intended to buy and sell respectively, the transaction does not become illegal. A synchronized transaction even on the trading screen between genuine parties who intend to transfer beneficial interest in the trading stock and who undertake the transaction only for that purpose and not for rigging the market is not illegal and cannot violate the regulations. As already observed 'synchronization' ipso facto is not illegal. A synchronized transaction will, however, be illegal or violate of the Regulations if it is executed with a view to manipulate the market or if it results in circular trading or is dubious in nature and is executed with a view to avoid regulatory detection or does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting the market equilibrium.

xxi. Furthermore, in clause c of para 10.2 of the SCN, wherein Patch 2 – Price rise – August 22 2016 to November 23, 2016, was discussed, it was said that we Noticee no. 8, being a connected entity had contributed to total LTP as sellers of 14.55 in 10 trades to counter parties

xxii. In this regard it was submitted that during the price rise Noticee 8 was net seller in the shares. How a seller can contribute to the LTP by selling the scrip.

xxiii. In earlier para it was said the only 5 trades were synchronised, here it is mentioned that we had contributed to Positive LTP by10 trades, how come all 10 trades which in which all or some these are genuine, can be alleged as order to sell the shares with pre conceived notion.

xxiv. Hence, the charges alleged in SCN are without any basis and based on surmised and conjectures.

xxv. Further, also in the SCN it also had been alleged against us that no ownership of this scrip had been changed vide trading in this scrip. In this regard it was submitted that Noticee 8 was lawful owner of all the scrip so purchased and sold on the stock exchange platform and moreover SCN had not brought out any fact/ record which proved to the contrary to fact.

xxvi. Further the SCN also failed to establish on what basis the alleged reversal trades had been executed in fraudulent manner.

xxvii. It is well known fact that a person gets involved in manipulative, fraudulent and unfair trade practices with specific purpose of some undue profits / gains which may occur on account of manipulative, fraudulent and unfair transactions. That the SCN has failed to establish what undue profits / gains occurred to me with alleged fraudulent and unfair trade practices. Further, it is pertinent to highlight that for any manipulative transaction for the purpose of undue gain, the person has to act continuously.

xxviii. That alleged trades had been executed occasionally and it was not on daily or continuous basis. It is self-explanatory that Noticee 8 was not involved in manipulative, fraudulent and unfair trade practices. Further, percentage contribution of its alleged trades was only miniscule in comparison to total turnover of the scrip on NSE. It is also self-explanatory that its negligible trades had not created any false or misleading appearance of trading in the scrip

xxix. *It submitted that it had transacted as per clearing corporation schedule w.r.t. alleged buy and sell trades as all trades had been settled as per market practice and clearing corporation mechanism and entered into no such transaction wherein ownership of securities was not changed.*

xxx. *Noticee 8 had not done any trade with the intention to manipulate/mislead the price of the scrip, we had placed the buy/sell order after looking/analysing the order book / best seller/buyer available at the point of placing the buy/sell order. It is pertinent to mention that normally every buy order always impacts on scrip on positive side and every sell order impacts the market on negative side.*

Noticee 9

24. Submissions made by Noticee 9, vide mail dated June 20, 2022 are summarized below:

i. *It was submitted that Noticee 9 is member of various Stock Exchanges including NSE, BSE NCDEX, MCX and MSEI, Registered with SEBI as a Stock Broker. Its Managing Director Mr. Santosh Agarwal is a Fellow Member of Institute of Chartered Accountants of India having vast experience of more than 30 years in various fields of financial markets.*

ii. *It stated that its role, involvement and participation in the trading in the scrip of Sanco is totally different, distinct and separate in comparison to other entity/persons to whom common SCN is issued along with us. Hence, great prejudice is caused to Noticee 9 by issuing common SCN to it.*

iii. *Without prejudice to anything stated hereinafter, Noticee 9 denied all the allegations made against it in SCN except to the extent specifically admitted herein. Further, it stated that nothing contained in the SCN may be deemed to be admitted by us by reason of non-traverse or otherwise, save and except what is expressly admitted herein. Besides, it denied all the statements, submissions, contentions, allegations* *and averments contained in the SCN that are contrary to and/or inconsistent with what is stated herein-below.*

iv. *It has been erroneously considered as part of alleged Group of 10 connected entities on the findings that "Noticees 3 and 9 have done off market trades in the scrip of Virtual Global Education Ltd." (Ref. Bullet point no. 10 in "Observation" column of Table – 1 on internal page no. 3 of SCN). In the regard it submitted that Noticee 9 had Broker – Client relationship with IFL Promoters Ltd (Noticee No. 3) ("IFL") and in the course of their dealings with Noticee 9, all the shares received by client are for sell and Noticee 9 has followed instructions of client and worked as Intermediary for executing the trades and all the trades has been sold in the Exchange Platform and Noticee 9 charged the brokerage for all the transactions, off market transfer of Virtual Global Education Ltd ("Virtual") shares had taken place between us. Precisely, the said off market transfer of Virtual Shares has no link or relationship to its dealings in scrip of Sanco.*

v. *Besides, on perusal of the Investigation Report ("IR"), we understand that 2 groups of suspected 17 entities had been identified. Notably Entity No. 4 had done off market deals with Sanco Enterprises Ltd (Promoter Group of Sanco). Besides off market deals/trades had taken place between Entity Nos. 6 and 11 and Entity No. 3 with Entity Nos. 10, 11 and 12 (Ref. Bullet point Nos. 6, 10, 11, 12 and 13 in "Observation" column in Table 10, Internal page No. 10 of IR). However proceedings are not initiated against entities listed at Sr. Nos. 4, 10, 11 and 12 in Table 10 on internal page no. 10 of IR. Hence great prejudice is caused to Noticee 9 since only on the ground of off market deal with Noticee No. 3 i.e. IFL, present proceedings are initiated against it.*

vi. *Further, Noticee 9 submitted that following entities had also sold shares during Investigation period. For ready reference, details of their trading are furnished as under*

Table - 8

Sr. No.	Name of Entity	Shares			
		Bought	**%**	**Sold**	**%**
1.	Keynote Capitals Ltd	4,65,600	2.08	6,24,000	2.79
2.	Kamna Industries Pvt. Ltd.	3,04,000	1.36	3,61,600	1.61
3.	Vikas Malu	3,76,000	1.68	4,51,200	2.01
4.	Mul Chand Malu	-	-	2,01,600	0.90
5.	KSJ Investment Co. Pvt. Ltd.	24,96,000	11.14	88,000	0.39
6.	Sr. No. 12 in Table No. 13 on page no. 13 of IR	-		1,92,000	
7	Sr. No. 14 in Table No. 15 on page no. 13 of IR			1,05,600	
Total ➔		36,41,600		20,24,000	

vii. *However, on perusal of SCN, proceedings are not initiated against aforesaid entities. Hence, great prejudice is caused to Noticee 9 since in its case merely because we sold 3,04,000 shares during Investigation period, proceeding are initiated against it.*

viii. *During the course of present proceedings, by our letters dated 09.11.2021 and 02.06.2022, it had sought inspection of documents. In response thereto, vide email dated 12.05.2022, it was informed about "Non – available" documents.*

ix. *It was submitted that great prejudice is caused to us for non-availability of important information / documents. In view of the aforesaid, we respectfully submit that we are handicapped and therefore are unable to defend our case in proper, complete and comprehensive manner.*

x. *During Investigation Period, Noticee 9 had sold 3,04,000 shares and had given delivery of shares. Datewise details are as under; All the shares received from client for sell, Noticee 9 has followed instructions of client and worked as Intermediary for executing the trades and all the trade has been sold in the Exchange Platform and the brokerage has been charged the for all the transactions.*

Date	Quantity
15.06.2016	48,000
16.06.2016	16,000
13.07.2016	1,68,000
14.07.2016	72,000
Total	3,04,000

xi. *Notably, in the SCN, Noticee 9 is not alleged to have executed Synchronised trades (Ref. Para 6 to 8, Internal Page Nos. 4 to 7 of SCN). Besides there is no allegation of creation of New High Price against it. (Ref. Para 11 on Internal Page Nos. 9 and 10 of SCN)*

xii. *It was stated that on perusal of trade and order log details, orders placed by Noticee 9 were purely on consideration of best buy orders at the relevant time and therefore on placement of orders, instantaneously trade got executed. Further it stated that it had fulfilled pay in obligations of shares and there was no default of any nature whatsoever. Noticee 9 submitted that for its trades, Pre trade, trade and post trade activities were properly carried out by Stock Exchange and Clearing Corporation as statutorily required.*

xiii. *Further, we furnish comparison of our volume and rate with market volume and price range of the relevant day alongwith relevant Price Volume Chart at NSE in Annexure – "2" enclosed hereto. On perusal of the same, we respectfully submit that our volume* *and average sell price falls within the market volume and within Open, High and Low price of the day. Hence no adverse inferences ought to be drawn against us in this regard.*

xiv. *Noticee 9 submitted that out of its total sale of 3,04,000 shares, only 1,44,000 (47%) had matched with co-noticees of SCN. Notably 1,60,000 shares had matched with the counter party who are not the co-noticees of SCN. In support of its aforesaid submissions, Noticee 9 submitted datewise details of counter party buyer with whom its sell orders got matched. In our humble submission, this is great pointer to show that it is not part of group as alleged in IR / SCN or otherwise.*

xv. *Further w.r.t. its contribution to negative LTP of ₹ 1.50 out of total negative LTP of ₹ 84.90 (64.78% of market negative LTP) Noticee 9 submitted that its negative LTP contribution of ₹1.50 is merely 1.2% of total market negative LTP of ₹ 131.05. It submitted that on comparison of its volume and average rate with market volume and price range, no adverse inferences be drawn against it since both sale quantity and average rate is quite commensurate to market volume and price range. For ready reference, the aforesaid comparison of its volume and rate with market volume and price range of the relevant day of our sale transactions alleged to have contributed to –ve LTP a/w Price volume chart of NSE was enclosed with its reply.*

xvi. *It was submitted that all buy orders placed by counter party preceeded our sale orders and therefore our sale orders got instantenously matched with then existing buy orders which resulted into trades. For ready references, datewise details of sale transactions alleged to have contribution to –ve LTP was enclosed with its reply. It was submitted that no adverse inferences ought to be drawn against Noticee 9 on alleged –ve contribution to LTP by them.*

CONSIDERATION OF ISSUES AND FINDINGS

25. Considering the findings of Investigation, the allegations made out in the SCN and the submissions made by the Noticees, I find that following issues require consideration in the present case:

ISSUE I - Whether the Noticees are connected entities?

ISSUE II - Whether the trades carried out by Noticees 1 to 4 in IP have resulted in violation of the provisions of Regulation 3(a)(b)(c)(d), 4(1), 4(2)(a) and (g) of the PFUTP Regulations, 2003?

ISSUE III - Whether the trades carried out by Noticees 1, 2, 3, 5, 6, 7, 8, 9 and 10 in IP have resulted in violation of the provisions of Regulation 3(a)(b)(c)(d), 4(1), 4(2)(a),(e) and (g) of the PFUTP Regulations, 2003?

ISSUE IV - Do the violations, if any, attract penalty under Section 15HA of the SEBI Act, 1992?

ISSUE V - If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act, 1992?

26. The relevant extracts of the provisions of law, allegedly violated by the Noticees, are mentioned as under:

PFUTP Regulations, 2003

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive

device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

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

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

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

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

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

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

27. Before moving forward, I note that the Noticees 8 and 9 have raised preliminary issue of inordinate delay in the present proceedings, which ought to be addressed, before proceeding with the merits of the case. Noticees have contended that there has been inordinate and unexplained delay of more than 6 years on part of SEBI, as the allegations are based on trading done in 2016. In this regard, I note that Investigation period in the present matter ended on November 23, 2016. Investigation was completed and the report was approved on August 27, 2021. Consequently, adjudication proceedings were approved and communication of order appointing AO

was dated September 23, 2021. Show Cause Notice dated October 21, 2021 was issued to the Noticees by the undersigned. I also note that Noticees were provided sufficient opportunities at their request, as described in preceding paragraphs, for submitting reply and personal hearing in the matter. Hence, there was no delay as contended by Noticees 8 and 9

28. Noticee 8 has also submitted that it is beyond comprehension or remembrance of a man under normal course of business or circumstances for trades executed more than 3 years earlier specifically in complex behavior of derivatives. I note that the contention seems out of place as there is no mention of derivatives segment in the instant matter.

29. Further, I would like to rely upon the judgement of Hon'ble SAT in the case of Ravi Mohan & Ors. vs. SEBI (SAT Appeal No. 97 of 2014, DoD 16/12/2015) wherein it was held that : -

"....................Based on decision of this Tribunal in case of HB Stockholdings Ltd. vs. SEBI (Appeal no.114 of 2012 decided on 27.08.2013) it is contended on behalf of the appellants that in view of the delay of more than 8 years in issuing the show cause notice, the impugned order is liable to be quashed and set aside. There is no merit in this contention, because, this Tribunal while setting aside the decision of SEBI on merits has clearly held in para 20 of the order, that delay itself may not be fatal in each and every case. Moreover, the Apex Court in case of Collector of Central Excise, New Delhi vs. Bhagsons Paint Industry (India) reported in 2003 (158) ELT 129 (S.C) has held that if there no statutory bar for adjudicating the matter beyond a particular date, the Tribunal cannot set aside the adjudication order merely on the ground that the adjudication order is passed after a lapse of several years from the date of issuing notice.................."

30. Noticees 8 and 9 have submitted that they are prejudiced as sufficient details have not been provided to the Noticees in the SCN. It is pertinent to mention that all relevant

details have been provided to the Noticees in the SCN along with annexures to the SCN. Noticees 8 and 9 had also requested for provision and inspection of certain documents, including the Investigation Report and evidence of their off-market transfers with other connected group entities. Noticees 8 and 9 were provided with relevant extracts of investigation report and also the evidence of their off-market transfers, which were the basis of connections alleged in the SCN. I note that Noticees 8 and 9 requested for the same documents again, as some of their requested documents could not be provided due to non-availability. In this regard, they were informed that the their request was already addressed through through previous mail communication to them vide mails dated May 12, 2022 to Noticee 9 and June 02, 2022 to Noticee 8. However, Noticees 8 and 9 did not request for inspection of documents thereafter. Further, based on the details provided in their replies, I find that they are very well in possession of sufficient information regarding the impugned transactions, which was required to submit their reply to the SCN. Besides, the SCN and its annexures cover all the relevant details on which reliance has been placed in the SCN. The conduct of the Noticees and their contention that great prejudice has been caused as the proceedings are delayed and sufficient details have not been provided to them, do not go well with each other.

31. Now, I proceed to deal with the merits of the matter.

32. I note that the scrip of Sanco is listed on NSE. SEBI conducted investigation for the period of January 01, 2016 to November 23, 2016 as regards alleged manipulation of the scrip price of Sanco. The details of price volume data in the scrip of Sanco during IP on NSE is as follows:

Table - 9

Particulars	January 01, 2016 to November 23, 2016		January 01, 2016 to August 19, 2016		August 22, 2016 to November 23, 2016	
	Investigation Period		**Patch – I**		**Patch – II**	
	Price	**Date**	**Price**	**Date**	**Price**	**Date**
Open	₹37.10	January 01, 2016	₹37.10	January 01, 2016	₹33.90	August 22, 2016
High	₹115	November 08, 2016	₹53.45	May 11, 2016	₹115	November 08, 2016
Low	₹20	March 16, 2016	₹20	March 18, 2016	₹33.90	August 22, 2016
Close	₹108.90	November 23, 2016	₹31	August 19, 2016	₹108.90	November 23, 2016
Average Daily Volume	120456 shares (NSE)		142412 shares (NSE)		69486 shares (NSE)	
Total Traded Volume	22404835 shares (NSE)		18513600 shares (NSE)		3891235 shares (NSE)	

33. As can be seen from the table above, price of the scrip of Sanco at NSE during the IP moved from ₹37.10/- on January 01, 2016 to a low of ₹20/- on March 18, 2016 which then increased to ₹115 on November 08, 2016 and closed at ₹108.90 on November 23, 2016.

ISSUE I: Whether the Noticees are connected entities?

34. It is alleged that Noticees were connected to each other *interalia* on the basis of common email IDs, phone numbers, off market transfers etc, and further that, by carrying out alleged synchronized trades and LTP trades, they contributed to artificial/

fictitious volume in the market and price manipulation and gave a false and misleading appearance of trading in the scrip of Sanco at NSE, allegedly violating Regulations 3(a), (b), (c), (d) and 4(1)(a), (e) and (g) of the PFUTP Regulations, 2003.

35. Noticees are alleged to be part of group of 10 connected entities, on the basis of details obtained from Unique client code (UCC) database updated by the brokers, MCA website (for common directors), off-market transfers, and their pattern of trading. The details of connections alleged are as follows:

<u>Table - 10</u>

<table>
<tr><th>Noticee</th><th>Particulars</th><th>PAN</th><th>Observation</th></tr>
<tr><td>1</td><td>CHP Finance Private Limited</td><td>AABCC5031H</td><td rowspan="10">Noticees 1 to 7 and Noticee 10 are registered with the common trading member CPR Capital Services Ltd.
Noticees 2 and 7 have common mobile numbers i.e 9213092342
Noticees 1 and 2 have done off market trades
Noticees 1 and 2 are registered with common trading member Vishwas Fincap Services Pvt Ltd
Noticee 1 had done off market trades with Anurag Gupta, Sanjay Gupta (promoters) and Sanco Enterprises Ltd (promoter group)
Noticees 1, 3, 4 and 7 have common phone number (9560074580) and common address (A-66,IIIrd Floor, Guru Nanak Pura,laxmi Nagar Vikas Marg, Delhi, India, 110092
Noticees 5 and 7 have common phone number (4041519)
Noticees 3 and 7 have common director viz. Pankaj Singhla
Noticees 1 and 8 have done off market trades</td></tr>
<tr><td>2</td><td>Minshi Creation Private Limited</td><td>AAHCM7950M</td></tr>
<tr><td>3</td><td>IFL Promoters Limited</td><td>AAACI5322C</td></tr>
<tr><td>4</td><td>Advance India Shares and Securities Private Limited</td><td>AAFCA6229B</td></tr>
<tr><td>5</td><td>Darshana Exports Private Limited</td><td>AADCD1856D</td></tr>
<tr><td>6</td><td>Royal Theme Products India Private Limited</td><td>AAECR4581N</td></tr>
<tr><td>7</td><td>Adhunik Plastochem Private Limited</td><td>AAKCA4928J</td></tr>
<tr><td>8</td><td>Ashroj Credit India Private Limited</td><td>AABCA6849D</td></tr>
<tr><td>9</td><td>Ang Capital Services Private Limited</td><td>AACCA7060K</td></tr>
<tr><td>10</td><td>Shashi Garg</td><td>AIGPG7786F</td></tr>
</table>

			Noticees 3 and 9 have done off market trades in the scrip of Virtual Global Education Ltd Noticee 3 has replied to the SCN on behalf of Noticees 1 to 7 and 10, and has admitted them to be 'connected entities'

36. Noticees 1 to 7 and 10 – I note that Noticees 1 to 7 and 10 are connected to each other in the following ways:

   i. through common phone numbers - Noticees 2 and 7 ; Noticees 1, 3, 4 and 7 ; Noticees 5 and 7
   ii. through common addresses – Noticees 1, 3, 4 and 7
   iii. through common directors – 3 and 7
   iv. through common trading member – Noticees 1 to 7 ; Noticees 1 and 2

37. Besides, Noticees 1 to 7 and 10 have traded cohesively with the group/ connected entities. Noticee 3, in its reply dated November 19, 2021, has stated in the SCN that it has replied on behalf of Noticees 1 to 7 and 10. It has not contended with evidence that they were not part of any group or were not connected with each other.

38. Therefore, I note that as alleged in Table 10 above, on the basis the evidences conveyed to Noticees 1 to 7 and 10, the material on record is sufficient to reasonably conclude that Noticees 1 to 7 and 10 in the instant matter were connected to each other directly or indirectly.

39. It is pertinent to note that Hearing Notice dated February 25, 2022 had also referred to 'Noticee 3's reply vide mail dated November 19, 2021 and November 22, 2021, on behalf of Noticees 1 to 7 and 10'. However, none of these notices appeared for the hearing and the reply of Noticee 3 on behalf of others was neither disputed, nor

affirmed by Noticees 1, 2, 4, 5, 6, 7 or 10. Hence, I note that Noticee 3's admission of connection with Noticees 1 to 7 and 10 can be relied upon.

40. I further note that Noticees 1 to 7 and 10 are alleged to have resulted in price manipulation and created artificial volume and misleading appearance of trading, on the basis of trading patterns exhibited by them which include synchronized trades, LTP trades and NHP trades. Also, based on the trades executed among Noticees 1 to 7 and 10, I find that they are connected to each other.

41. Noticee 8 – It has been alleged in the SCN that Noticee 8 is connected with Noticee 1, based on their off-market trades in the scrip of Sanco on October 19, 2016. Noticee 8 has contended that it has no connection with any of the entities with which it transacted in the scrip of Sanco during the IP. I note that Noticee 8 has done off market transaction with Noticee 1 in the scrip of Sanco during the investigation period. Unlike market transactions executed over exchange where there is anonymity of the parties to a transaction, the parties are known to each other in an off-market transaction. Also, Noticee 8 has not explained the nature and purpose for which the transaction has been executed, in its reply. Noticee 8 has generically stated that all its transactions in the scrip of Sanco were made independently, based on its understanding of capital market. Also, Noticee 8 has executed 4 synchronized trades with other group entities and it has also executed 10 trades with group entities, which has allegedly led to price rise in patch 2. Hence, I am of the view that Noticee 8, due to its connection with Noticee 1, and the trading pattern of Noticee 8 with other connected entities, is connected entity and part of the group for the violations alleged in the SCN.

42. Noticee 9 - It has been alleged in the SCN that Noticees 9 is connected with Noticee 3, based on their off-market trades in the scrip of Virtual Global Education Limited. Noticee 9 has submitted in its reply that it is a share broker, and Noticee 3 is its client.

In this regard, scanned copy of Noticee 3's account opening kit with Noticee 9 was also provided. Noticee 9 submitted that Noticee 3 had transferred shares to Noticee 9's pool account, which were delivered as market delivery in Exchange Account in respective settlements on same day as early pay-in. However, balance shares which remained unsold were kept by Noticee 9 in margin account to meet with upfront margin requirements. The said shares were transferred to Noticee 3 in off-market, as this was the only way to return the shares lying in its margin account. I note that the alleged connection is one off-market transaction, which was for the purpose of quarterly settling of securities account. I am of the view that it was a regular commercial transaction as Noticee 3 was client of Noticee 9, and it has taken place in normal course of business. Further, there is no other evidence of Noticee 9's connection with other entities and no trading pattern has been established in the tradings of Noticee 9 in the scrip of Sanco. Thus, the connection alleged in the SCN, is non-conclusive. In the absence of cogent evidence, I find merit in the submission of Noticee 9 and hence, connection of Noticee 9 with other connected entities is not established.

ISSUE II - Whether the trades carried out by Noticees 1 to 4 in IP have resulted in violation of the provisions of Regulation 3(a)(b)(c)(d), 4(1), 4(2)(a) and (g) of the PFUTP Regulations, 2003?

<u>Synchronized trades</u>

43. I note that synchronized trades involve matching of buy and sell orders, which are placed within an interval of one minute from each other, among connected entities.

44. It has been alleged that that Noticees have executed synchronized trades i.e. where the buy and sell order quantity and rate are identical and placed within a very small or negligible time gap.

45. During the investigation period, it was observed that trades with quantity of 8000 or more were executed on one or more days by Noticees 1-8 and 10, amongst themselves (trade log and Order log were enclosed to the SCN) and it resulted in creation of artificial volume of 14.69% of total market volume.

46. Further analysis of synchronized trades of connected entities, i.e. Noticees 1 to 8 and 10, who contributed more than 1% as individual was carried out and is given hereunder:

Table - 11

Particulars	NSE							
	Buy Side				Sell Side			
	Qty of Synch Trade	**% of Synchronized Vol. to Mkt. Vol.**	**No of days**	**No of Trades**	**Qty of Synch Trade**	**% of Synchronized Vol. to Mkt. Vol.**	**No of days**	**No of Trades**
CHP Finance Pvt Ltd (Noticee 1)	928000	4.14	27	105	408000	1.82	15	39
	0	0	0	0	656000	2.93	16	72
	0	0	0	0	496000	2.21	25	50
Minishi Creation Pvt Ltd (Noticee 2)	496000	2.21	25	50	320000	1.43	11	35
	0	0	0	0	928000	4.14	27	105
Ifl Promoters Ltd (Noticee 3)	408000	1.82	15	39	0	0	0	0
	320000	1.43	11	35	0	0	0	0
Advance India Shares and Securities Pvt Ltd (Noticee 4)	656000	2.93	16	72	0	0	0	0
Total	**2808000**	**12.53**	**94**	**301**	**2808000**	**12.53**	**94**	**301**

47. From the above, I note that 05 pairs of 04 connected entities contributed more than 1% for which they contributed to 12.53% to market volume in 2808000 shares in 301 synchronized trades during the IP period which is significant. Noticees had executed synchronized trades amongst themselves in repetitive manner which resulted in creation of artificial volume in the market. The details of 301 synchronized trades has been enclosed with this Order as **Annexure 1**.

48. Noticee 3 has contended that it never traded with the intention to do synchronized trades, but traded shares only for arranging funds with M/s CPR Capital Services Ltd by selling the stock of Sanco with some other brokers and getting the funds on the trading day itself by paying normal charges to the broker and utilizing the funds for making payment to M/s CPR Capital Services Ltd. Further, it submitted that the trades were executed simultaneously at the same time and at the same price to avoid loss due to fluctuation in price in the market. The total volume may cross 12 to 15 % of the total volume done by these entities but this was not done intentionally during the IP period. As regards the trade done in repetitive manner which resulted in creation of artificial volume in the market it is stated that it did trades for arranging funds almost on daily basis or one day gap meaning thereby t+1 basis when the shares received from exchanges of the previous trading done by the concern entity. In this way, it resulted in repetitive trading in the market.

49. From the submissions made by Noticee 3, I note that admittedly, the trades were done by them in a synchronized manner, which was repetitive and it has resulted in significant contribution to market volume. Also, Noticee 3 has stated that all connected entities had traded during the IP in the scrip of Sanco to arrange funds with CPR Capital Services Ltd. Thus, Noticee 3 states that, over a period of around 11 months, all connected entities were trading in a single scrip to arrange funds for CPR Capital Services Ltd. No reason has been attributed for arranging funds for CPR Capital Services Ltd. on daily basis. Hence, I note that this is an afterthought and I do not find any merit in the contention.

50. In view of the above, I find that CHP Finance Private Limited (Noticee 1), Minshi Creation Private Limited (Noticee 2), IFL Promoters Limited (Noticee 3) and Advance India Shares and Securities Private Limited (Noticee 4), contributing 4.14%, 2.21%, 3.25% and 2.93% of synchronized volume to market volume respectively, as buyers,

had repetitively indulged in synchronized trades, thus violating Regulations 3 (a), (b), (c), (d), 4 (1), 4 (2) (a) & (g) of PFUTP Regulations, 2003.

ISSUE III - Whether the trades carried out by Noticees 1, 2, 3, 5, 6, 7, 8, 9 and 10 in IP have resulted in violation of the provisions of Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a), (e) and (g) of the PFUTP Regulations, 2003?

<u>Last Traded Price analysis</u>

51. I note that based on the price movement, IP had been divided into two patches, the details are as follows:

<u>Table -12</u>

Patches	**Period**		**Price Movement**				**Price Rise /fall**
	From	**To**	**Open**	**High**	**Low**	**Close**	
Patch-I	01-01-2016	19-08-2016	37.10	53.45	20.00	31.00	Fall
Patch-II	22-08-2016	23-11-2016	33.90	115.00	33.90	108.90	Rise

52. It has been alleged that Noticees 1,2,3,5,6,7,8,9 and 10 manipulated the scrip price of Sanco on NSE, in Patch 1 and Patch 2 of the IP. The details of price volume data of the scrip on NSE in the two patches of IP is as follows:

<u>Table - 13</u>

Particulars	January 01, 2016 to November 23, 2016		January 01, 2016 to August 19, 2016		August 22, 2016 to November 23, 2016	
	Investigation Period		Patch – I		Patch – II	
	Price	Date	Price	Date	Price	Date
Open	₹37.10	January 01, 2016	₹37.10	January 01, 2016	₹33.90	August 22, 2016
High	₹115	November 08, 2016	₹53.45	May 11, 2016	₹115	November 08, 2016
Low	₹20	March 16, 2016	₹20	March 18, 2016	₹33.90	August 22, 2016
Close	₹108.90	November 23, 2016	₹31	August 19, 2016	₹108.90	November 23, 2016

Average Daily Volume	120456 shares (NSE)	142412 shares (NSE)	69486 shares (NSE)
Total Traded Volume	22404835 shares (NSE)	18513600 shares (NSE)	3891235 shares (NSE)

53. As can be seen from table – 15 above,

i. The scrip opened at a price of ₹37.10 on January 01, 2016, and reached to a low of ₹20 on March 16, 2016 and a high of ₹115 on November 08, 2016, before closing at ₹108.90 on November 23, 2016, i.e. last day of the IP.

ii. During Patch I, the scrip opened at a price of ₹37.10 on January 01, 2016, and reached to a low of ₹20 on March 16, 2016, before closing at ₹31 on August 19, 2016, i.e. last day of Patch 1 of the IP.

iii. The scrip opened at a price of ₹33.90 on August 22, 2016, and reached to a high of ₹115 on November 08, 2016, before closing at ₹108.90 on November 23, 2016, i.e. last day Patch 2 of the IP and also IP itself..

iv. It is pertinent to note that total traded volume in Patch 1 was more than 4.5 times of the traded volume in Patch 2, in the light of allegation of negative LTP contribution of 64.78% of total negative LTP.

54. It has already been established that Noticees 9 is not connected entity for the purpose of violations alleged in the SCN. Further, it is observed that its trades and contribution, are also miniscule (as can be seen from table 5). Also, Noticee 9 has not executed any synchronized trade with any of the connected entities. Hence, the allegation against Noticee 9 of violations of provisions of Regulations 3 (a), (b), (c), (d) and 4 (1), 4(2)(a),(e) and (g) of PFUTP Regulations, 2003 is not established.

55. Therefore, I hold that considering the trades executed by Noticees 1,2,3, 5, 6, 7, 8 and 10 as connected counterparties on NSE, during Patch 1 and 2 of the IP, is crucial for

establishing the violation of provisions of Regulations 3 (a), (b), (c), (d) and 4 (1), 4(2)(a),(e) and (g) of PFUTP Regulations, 2003 against them.

Patch 1 – Price fall – January 1, 2016 to August 19, 2016

56. I note that price of the scrip opened at ₹37.1 and touched period low of ₹20.0 and closed at ₹31.0. The connected entities have traded as net sellers during the Patch-1.

57. I note that the following Noticees 1, 2, 3, 5, 7, 8, 10 had contributed 62.37% of total negative LTP in the market, as can be seen from table-14 below. The LTP Analysis for trades of 7 connected entities as a seller is given below:

Table - 14

	All Trades			**LTP >0**			**LTP < 0**			**LTP = 0**		
Seller Name	**Net LTP**	**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**	**% Of negative LTP To Total Market Negative LTP**
Ifl Promoters Limited (Noticee 3)	-26.95	400000	44	0.75	80000	7	-27.7	144000	16	176000	21	10.52
Ashroj Credit India Private Limited (Noticee 8)	2.2	16000	1	2.2	16000	1	0	0	0	0	0	0.00
Chp Finance Pvt. Ltd. (Noticee 1)	9.9	11944000	938	80.9	1368000	99	-71	944000	82	9632000	757	26.97

	All Trades			LTP >0			LTP < 0			LTP = 0		
Seller Name	**Net LTP**	**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**	**% Of negative LTP To Total Market Negative LTP**
Darshana Exports Private Limited (Noticee 5)	-0.3	96000	8	0.1	8000	1	-0.4	64000	4	24000	3	0.15
Minshi Creation Private Limited (Noticee 2)	-13.55	2984000	336	32	752000	82	-45.55	632000	71	1600000	183	17.30
Adhunik Plastochem Pvt Ltd (Noticee 7)	-16.7	56000	7	0	0	0	-16.7	32000	4	24000	3	6.34
Shashi Garg (Noticee 10)	-2.6	80000	6	0.25	24000	2	-2.85	56000	4	0	0	1.08
Total Group	**-48**	**15576000**	**1340**	**116.2**	**2248000**	**192**	**-164.2**	**1872000**	**181**	**11456000**	**967**	**62.37**
Market total	**-5.2**	**18513600**	**1649**	**258.05**	**3296000**	**303**	**-263.25**	**2633600**	**251**	**12584000**	**1095**	**100**

58. From the above table, I note that Noticees 1, 2, 3, 5, 7, 8, 10 had contributed 62.37% of total negative LTP in the market during Patch 1.

59. Out of their total negative LTP contribution of 62.37%, details of Negative LTP contribution of connected entities, where the counter parties were also the connected entities are given as under.

Table - 15

Buyers	Sellers			
	Chp Finance Pvt. Ltd (Noticee 1)	Darshana Exports Private Limited (Noticee 5)	Minshi Creation Private Limited (Noticee 2)	Total LTP as buyers (No. of Trades)
Ifl Promoters Limited (Noticee 3)	-28.2(20)	-0.4(4)	-11.15(16)	-39.75(40)
Chp Finance Pvt. Ltd. (Noticee 1)			-22.9(42)	-22.90(42)
Minshi Creation Private Limited (Noticee 2)	-11.05(21)			-11.05(21)
Adhunik Plastochem Pvt Ltd (Noticee 7)	-4.9(2)			-4.9(2)
Shashi Garg (Noticee 10)	-0.1 (1)			-0.1 (1)
Total LTP as Sellers (No. of Trades)	**-44.25(44)**	**-0.4(4)**	**-34.05(58)**	**-78.70 (106)**

(Figures in brackets in table above indicate no. of trades)

60. It was observed that Noticees traded among themselves and acted either as buyer and/or seller to each other's trades. The connected entities had contributed an amount of ₹ -78.70 (106 trades) to negative LTP.

Patch 2 - Price Rise – August 22, 2016 to November 23, 2016

61. I note that during patch 2, price of the scrip opened at ₹33.9 and touched period high of ₹115.0 and closed at ₹108.9. Noticees 1 to 8 have traded as net buyers during the Patch 2.

62. The LTP Analysis for trades of Noticees 1, 2, 3, 5, 6, 10 as buyers during Patch 2 is given below:

Table - 16

	All Trades			LTP > 0			LTP < 0			LTP = 0		
Buyer Name	**Net LTP**	**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**	**% of +ve LTP to Total Market +ve LTP**
Chp Finance Pvt. Ltd. (Noticee 1)	3.6	29800	8	3.7	10075	2	-0.1	3000	1	16725	5	1.53
Darshana Exports Private Limited (Noticee 5)	7.9	460800	46	25.7	163200	17	-17.8	153600	15	144000	14	10.64
Ifl Promoters Limited (Noticee 3)	0	9600	1	0	0	0	0	0	0	9600	1	0
Minshi Creation Private Limited (Noticee 2)	17.4	192000	19	19.8	86400	9	-2.4	86400	8	19200	2	8.2
Royal Theme Products India Pvt Ltd (Noticee 6)	11.05	278400	29	22.55	86400	9	-11.5	96000	10	96000	10	9.34
Shashi Garg (Noticee 10)	-0.15	9600	1	0	0	0	-0.15	9600	1	0	0	0
Total Of Group	**39.8**	**980200**	**104**	**71.75**	**346075**	**37**	**-31.95**	**348600**	**35**	**285525**	**32**	**29.71**
Market total	**77.05**	**3891235**	**398**	**241.5**	**1105185**	**115**	**-164.45**	**1021125**	**104**	**1764925**	**179**	**100**

63. From the above table, I note that Noticees 1, 2, 3, 5, 6, 10 had contributed 29.71% of total negative LTP in the market during Patch 1.

64. Out of their total positive market LTP contribution of 29.71%, details of Positive LTP contribution of connected entities, where the counter parties were also the connected entities are given as under.

Table - 17

Sellers	Buyers			Total LTP as Sellers (No. Trades)
	Darshana Exports Private Limited (Noticee 5)	Royal Theme Products India Private Limited (Noticee 6)	Minshi Creation Private Limited (Noticee 2)	
Ifl Promoters Limited (Noticee 3)	1(1)	1.4(1)		2.4(2)
Ashroj Credit India Pvt Ltd (Noticee 8)	2.25(4)	5.3(3)	7(3)	14.55(10)
Chp Finance Pvt. Ltd (Noticee 1)			0.8(1)	0.8(1)
Total LTP as Buyers (No. of Trades)	**3.25(5)**	**6.7(4)**	**7.80(4)**	**17.75(13)**

65. Noticees 2, 5 and 6 had contributed total LTP of ₹17.75 (in 13 trades) to market positive LTP as buyers. Also, Noticees 1, 3 and 8, being connected entities, have contributed to total LTP as sellers of ₹ 17.75 in 13 trades to counterparties.

66. From Table 17 given above, I note that

i. Notice 2, being a buyer during patch 2, contributed to positive LTP of ₹7.80, through 7 trades, majorly with Noticee 8 and also with Noticee 1.
ii. Noticee 5, being a buyer during patch 2, contributed to positive LTP of ₹3.25.
iii. Noticee 6, being a buyer during patch 2, contributed to positive LTP of ₹6.70.
iv. Noticee 8 assisted Noticees 2, 5 and 6 in contributing to positive LTP by becoming counterparty to 10 such trades which contributed positive LTP of ₹14.55.

67. Noticee 8 has contended that as per the SCN, it has executed only 5 synchronized trades, then it cannot be alleged that it has contributed to total positive LTP of ₹14.55 through 10 trades. Also that trading for merely 10 days during the IP of 11 months does not show manipulative intent. Further, it was submitted that Noticee 8, being a seller cannot contribute to positive LTP, as it requires a buyer to place orders at a higher price.

68. In this regard, I note that firstly, Noticee 8 has not been alleged for executing synchronized trades. Secondly, Noticee 8, being a seller in the 10 impugned transactions, has contributed to positive LTP by assisting the other connected entities, i.e. Noticees 2, 5 and 6 by total positive LTP of ₹14.55. Noticee 8 has executed 10 trades, and these have contributed to total positive LTP of ₹14.55.

69. For example, in one of the trades of Noticee 8 with Noticee 2, on October 20, 2016, Noticee 8 had placed a sell order at 12:20:30 at a price of ₹94.15. At that time, LTP was ₹89.10. Thereafter, Noticee 2 placed buy order at 12:24:42 at ₹94.15, and the trade was executed. Thus, through this trade, there was positive LTP contribution of ₹5.05. In similar ways, 10 orders have been executed in the scrip of Sanco by Noticee 8 with Noticees 2, 5 and 6. This indicates that Noticee 8, while being a seller, has contributed to price rise, by being counterparty to connected entities.

70. Noticee 8 has also submitted that it has not been shown in the SCN as to how it has done reversal trades without prior meeting of minds. I note that there is no allegation against Noticee 8 of executing reversal trades. Hence, its contention is irrelevant.

New High Price

71. It is alleged that Noticees 1,2,5,6 had created New High price during the Investigation period in Patch 2. During this period, price of the scrip moved from open price of ₹33.9 to a high price of ₹115.0 and ₹81.10 NHP was created.

Table - 18

Client Name	NHP contribution (in ₹)	NHP Contribution to total NHP(in %)	NHP Qty	Number of Trades
MINSHI CREATION PRIVATE LIMITED (Noticee 2)	7.85	9.68	48000	5
ROYAL THEME PRODU INDIA PVT LTD (Noticee 6)	7.15	8.82	38400	4
CHP FINANCE PVT. LTD. (Noticee 1)	3.30	4.07	9600	1
DARSHANA EXPORTS PRIVATE LIMITED (Noticee 5)	2.60	3.20	48000	5
Total	20.90	26	144000	15
Market Total	**81.10**	**100.00%**	**460800**	**48**

72. From the above table, I note that

i. Noticee 2 made NHP contribution of ₹7.85 through 5 trades, accounting for 9.68% of total market NHP during the IP.

ii. Noticee 6 made NHP contribution of ₹7.15 through 4 trades, accounting for 8.82% of total market NHP during the IP.

iii. Noticee 1 made NHP contribution of ₹3.30 through 1 trade, accounting for 4.07% of total market NHP during the IP.

iv. Noticee 5 made NHP contribution of ₹2.60 through 5 trades, accounting for 3.20% of total market NHP during the IP.

v. In total, Noticees 1 ,2 , 5 and 6 made NHP contribution of ₹20.90, contributing approximately 26% of total market NHP during the IP.

73. In view of the above, I find that that Noticees 1, 2, 3, 7 and 10 have contributed towards negative LTP, either as sellers, or by assisting the connected entities by becoming counterparties to their trades. I also find that that Noticees 1, 2, 5, 6 and 8 have contributed towards positive LTP, either as buyers, or by assisting the connected entities by becoming counterparties to their trades. Also, I find that Noticees 2 and 6 contributed more than 5% to the NHP and all the counter-parties to the trades were also connected parties

74. In addition to contribution of Noticees 1,2,3,5,6,7,8 and 10 towards positive and negative LTP and NHP contribution, as established above, I note that, in total, Noticees 1,2,3,5,6,7,8 and 10 also contributed to artificial volume of 10.83% by indulging in trades with each other and matching the trades among themselves. I also note that the same has been admitted by Noticee 3 in its reply, where it has mentioned that the connected entities were trading among themselves, this has resulted in matching of their trades, thus creating artificial volume. Instances of creation of artificial volume through matching trades with negligible or very small time gap by these Noticees are enclosed as **Annexure 2** to this Order. I also note that during the IP, in both the patches, i.e. during price fall and also during price rise, the majority of trades in the market were executed by the Noticees 1,2,3,5,6,7,8 and 10 as they contributed around 60% of the gross total buy side volume and 74% of total gross sell side volume at NSE, which is very significant. Also, contribution of trades of Noticees 1, 2, 3, 5, 6, 7, 8 and 10 among themselves was around 54% of total market volume during the IP.

75. Noticee 8 also submitted that no evidence is available to show that there was prior meeting of minds with any counterparty. I note that this is not mere coincidence that Noticee 8 could match its trades with other connected entities as counterparties. It becomes even more difficult, when Noticee 8 has traded for only 10 days in the 11 months IP, as earlier stated by Noticee 8 itself. This indicates prior meeting of minds with a view to execute trades at a pre-determined price and it was a deliberate attempt to deal in such a manner. I note in matters dealing with violation of PFUTP Regulations, 2003, the reason as regards execution of non-genuine trades might not be immediately forthcoming. However, the correct test instead, is one of preponderance of probabilities. Here I would like to rely on the judgment of Hon'ble Supreme Court in SEBI v Kishore R Ajmera (AIR 2016 SC 1079) decided on February 23, 2016, wherein it was held that- *"...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 naïve to rest the final conclusions on the said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming...in the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of the violation of the Act or provision of the Regulations is concerned. The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors. The illustrations are not exhaustive..."*

76. The Hon'ble Supreme Court further held in the same matter that – *"It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred*

by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof, the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion."

77. To sum up the findings above, I conclude that the trading behaviour of Noticees 1 to 10 confirms that such trades were not normal, indicating that the trades executed by them during patch 1 and 2 were not genuine trades and being non-genuine, created an appearance of artificial trading volumes in the scrip of Sanco. I hold that the NHP trades executed by the Noticees 2 and 6 and the trades executed by Noticees 1, 2, 3, 5, 6, 7, 8 and 10, as connected counterparties on NSE during Patch 1 and 2 of the IP, contributed to price fall and rise in patches 1 and 2 respectively, establishing the violation of provisions of Regulations 3 (a), (b), (c), (d) and 4 (1), 4(2)(a), (e) and (g) of PFUTP Regulations, 2003 against them.

78. Also, it has been already established in paragraph 50 that Noticees 1 to 4, through synchronized trades, have violated provisions of Regulations 3 (a), (b), (c), (d), 4 (1), 4 (2) (a) & (g) of PFUTP Regulations, 2003.

Issue IV - Does the violation, if any, attract penalty under Section 15HA of the SEBI Act, 1992?

79. I am of the view that above violations make Noticees 1, 2, 3, 4, 5, 6, 7, 8 and 10 liable for monetary penalty under Section 15HA of the SEBI Act. The text of Section 15HA of SEBI Act, 1992 is reproduced hereunder:

SEBI Act, 1992

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.

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

Issue V - If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act, 1992?

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

SEBI Act, 1992

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.

82. I observe, that the material available on record does not quantify any disproportionate gains or unfair advantage, if any, made by the Noticees and the losses, if any, suffered by the investors due to such violations on the part of the said Noticees. Further, material available on record does not show that the said violation is repetitive. However, there have been violations of PFUTP Regulations, 2003, thus calling for appropriate penalty under section 15HA of the SEBI Act, 1992.

ORDER

83. Accordingly, taking into account the aforesaid observations and in exercise of power conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, 1995, I hereby impose following penalty under Section 15HA of the SEBI Act, 1992 on Noticees 1 to 4 under 3(a), (b), (c) & (d), 4(1) and 4(2)(a) and (g) of PFUTP Regulations, 2003 and Noticees 1, 2, 3, 5, 6, 7, 8 and 10 under 3(a), (b), (c) & (d), 4(1) and 4(2)(a), (e) and (g) of PFUTP Regulations, 2003

<table>
<tr><th>Sr. No.</th><th>Name of Noticee</th><th>Violation provisions</th><th>Penalty</th></tr>
<tr><td>1</td><td>CHP Finance Private Limited</td><td rowspan="7">Noticees 1 to 4 - Regulation 3(a),(b),(c),(d) and 4(1),(2)(a) and (g) of the PFUTP Regulations, 2003
Noticees 1,2,3,5, 6, 7,8 and 10 - Regulation 3(a),(b),(c),(d)</td><td rowspan="7">₹ 9,00,000 (Rupees Nine Lakh only) to be payable jointly and severally by Noticees 1 to 8 and 10</td></tr>
<tr><td>2</td><td>Minshi Creation Private Limited</td></tr>
<tr><td>3</td><td>IFL Promoters Limited</td></tr>
<tr><td>4</td><td>Advance India Shares and Securities Private Limited</td></tr>
<tr><td>5</td><td>Darshana Exports Private Limited</td></tr>
<tr><td>6</td><td>Royal Theme Products India Private Limited</td></tr>
<tr><td>7</td><td>Adhunik Plastochem Private Limited</td></tr>
</table>

8	Ashroj Credit India Private Limited	and 4(1),(2)(a), (e) and (g) of the PFUTP Regulations, 2003	
10	Shashi Garg		

84. The Noticees 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 online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → Orders → Orders of AO → PAY NOW.

85. The aforesaid Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid to "The Division Chief (Enforcement Department - DRA-1), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C – 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.". The Noticee shall also provide the following details while forwarding DD / payment information:

a) Name and PAN of the 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

86. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act, 1992 for realization of the

said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

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

Date: June 30, 2022 **BARNALI MUKHERJEE**

Place: Mumbai **ADJUDICATING OFFICER**