BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. : Order/VV/NK/2021-22/15007]

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

In respect of:

Sterling International Enterprises Ltd.
(CIN: L72300MH2003PLC142575)

IN THE MATTER OF STERLING INTERNATIONAL ENTERPRISES LIMITED

BACKGROUND

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

2. Pursuant to the Investigation, SEBI initiated adjudication proceedings under Section 15HA of the Securities and Exchange Board of India Act, 1992, (hereinafter referred to as **"SEBI Act"**) against Sterling International Enterprises Ltd. (hereinafter referred to as **"Noticee/Company"**) for alleged violation of the provisions of the Section 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of Securities and Exchange Board of India

(Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as 'PFUTP Regulations').

APPOINTMENT OF ADJUDICATING OFFICER

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

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. A common Show Cause Notice dated February 12, 2020 (hereinafter referred to as **"SCN"**) was issued to the Noticee in terms of Rule 4 (1) of the Adjudication Rules read with Section 15-I of the SEBI Act, to show cause as to why an inquiry should not be initiated and penalty should not be imposed under Section 15HA of the SEBI Act, on the Noticee for the alleged violation of provisions of Section 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations

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

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

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

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

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

d. *Shareholding Pattern (source: BSE website) during investigation period was as under:*

Particular	*Quarter ended Mar 2008*			*Quarter ended Jun 2008*			*Quarter ended Sep 2008*			*Quarter ended Dec 2008*		
	No. Of Shareholders	*No. Of shares*	*%*	*No. Of Shareholders*	*No. Of shares*	*%*	*No. Of Shareholders*	*No. Of shares*	*%*	*No. Of Shareholders*	*No. Of shares*	*%*
Promoter Holding	*18*	*109407340*	*58.58%*	*18*	*109407340*	*58.58%*	*18*	*109407340*	*58.58%*	*18*	*109407340*	*58.58%*
Non Promoter Holding	*757*	*77342660*	*41.42%*	*767*	*77342660*	*41.42%*	*770*	*77342660*	*41.42%*	*754*	*77342660*	*41.42%*
Total share	*775*	*186750000*	*100%*	*785*	*186750000*	*100%*	*788*	*186750000*	*100%*	*772*	*186750000*	*100%*

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

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

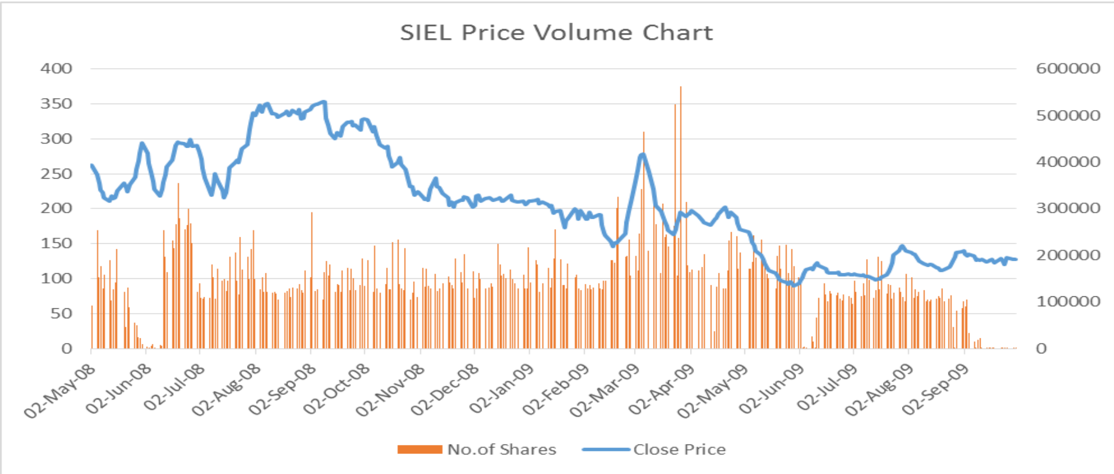
f. *SIEL's financial results during investigation period are as under (source: BSE website):*

Amount (Rs. In crore)

Description	*Year Ended*	*Year Ended*	*Year Ended*	*Quarter Ended*							
	Jun 2008	*Jun 2009*	*Jun 2010*	*Mar 2008*	*Jun 2008*	*Sep 2008*	*Dec 2008*	*Mar 2009*	*Jun 2009*	*Sep 2009*	*Dec 2009*
Net sales	*201.37*	*279.05*	*219.81*	*54.88*	*131.19*	*100.11*	*68.43*	*53.39*	*57.10*	*57.63*	*54.99*
Other Income	*0.05*	*0*	*0*	*0.01*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total income	*201.42*	*279.05*	*219.81*	*54.89*	*131.19*	*100.11*	*68.43*	*53.39*	*57.10*	*57.63*	*54.99*

Description	Year Ended	Year Ended	Year Ended	Quarter Ended							
	Jun 2008	Jun 2009	Jun 2010	Mar 2008	Jun 2008	Sep 2008	Dec 2008	Mar 2009	Jun 2009	Sep 2009	Dec 2009
Expenditure	145.19	219.69	167.06	49.30	85.44	82.21	45.21	42.81	49.45	47.41	39.46
Profit after tax	52.46	51.10	52.49	5.48	42.76	15.31	17.66	10.56	7.56	10.18	15.49

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



<u>Price Volume Data</u>

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

			(01/10/2009)	***(18/12/2009)***	***(12/10/2009)***	***(31/12/2009)***	

Connection:

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

Details of Connection of 29 entities

<table>
<tr><th>Sr. No.</th><th>Entity Name</th><th>PAN</th><th>Basis of Connection</th></tr>
<tr><td>1</td><td>Sterjet Trading Company Pvt Ltd</td><td>AAJCS5512K</td><td rowspan="19">Entities at sr. no. 1 & 2 have common address - APJ MARKET ROOM NO305 DR C H S LANE DHOBI TALAV MUMMBAI (Arihant Capital Markets Ltd. & Brics Securities Ltd.)

Entities at sr. no. 5 & 6 have common address - B6 RISHIKESH CO OP HSG SOCIETY LTD EVERSHINE NAGAR MALAD WEST MUMBAI (IIFL Securities Ltd. & HSBC Invest Direct Securities (India) Ltd.)

Entities at sr. no. 3, 5, 7 & 8 have transferred funds to entity at sr. no. 4 (Axis Bank)

Entities at sr. no. 1, 2 & 6 have common mobile no. – 9821012921 (Arihant Capital Markets Ltd. & IFCI Financial Services Ltd.)

Entities at sr. no. 8 & 9 have common address –1-16, LALITA BHAVAN, 7-A, JAWAHAR NAGAR, GOREGAON (WEST), MUMBAI - 400062 (MCA website)

Entities at sr. no. 10 & 11 have common address – ROOM NO.322 LANE NO.21 BHARAT NAGAR BANDRA EAST MUMBAI, MAHARASHTRA 400051 (MCA website)

Entities at sr. no. 10 & 12 were having common director – Dayanand Chandapa Holkar (MCA website)

Entities at sr. no. 8, 13 to 17 have a common introducer in AoF – Nikhil Udani (ANS Pvt. Ltd.)</td></tr>
<tr><td>2</td><td>Adore Merchantile Company Pvt Ltd</td><td>AAFCA5699H</td></tr>
<tr><td>3</td><td>Waterbase Mercantile Company Private Limited</td><td>AAACW5073A</td></tr>
<tr><td>4</td><td>Faith Finstock Private Limited</td><td>AAACF7046E</td></tr>
<tr><td>5</td><td>Fotosoft Multimedia Pvt. Ltd.</td><td>AAACF1497M</td></tr>
<tr><td>6</td><td>Prolific Mercantile Company Pvt Ltd</td><td>AADCP8003G</td></tr>
<tr><td>7</td><td>Francisca Investment Pvt Ltd</td><td>AAACF5670Q</td></tr>
<tr><td>8</td><td>Kingfisher Trading Company Private Limited</td><td>AACCK3056H</td></tr>
<tr><td>9</td><td>Dollex Capital & Finance Pvt. Ltd.</td><td>AABCD4543R</td></tr>
<tr><td>10</td><td>Robosoft Trading Co. Pvt. Ltd.</td><td>AACCR9863K</td></tr>
<tr><td>11</td><td>Akhila Mercantie Pvt. Ltd.</td><td>AAGCA6077J</td></tr>
<tr><td>12</td><td>Meghana Mercantie Pvt. Ltd.</td><td>AAFCM2750F</td></tr>
<tr><td>13</td><td>Dinesh V Makwana</td><td>ANOPM9543M</td></tr>
<tr><td>14</td><td>Rahul H Jain</td><td>AIOPJ9425A</td></tr>
<tr><td>15</td><td>Charu Multitrade Pvt. Ltd.</td><td>AADCC1953C</td></tr>
<tr><td>16</td><td>HKG Capital Services Pvt. Ltd.</td><td>AAACH5568D</td></tr>
<tr><td>17</td><td>Yatin Pandya HUF</td><td>AAAHY6896C</td></tr>
<tr><td>18</td><td>Ankit B Mehta</td><td>ALCPM8512E</td></tr>
<tr><td>19</td><td>Parag B Mehta</td><td>ANCPM8699L</td></tr>
</table>

Sr. No.	Entity Name	PAN	Basis of Connection
20	Rama N Raval	AKBPR8550R	Entity at sr. no. 18 was director of entity at sr. no. 15 (MCA website) Entities at sr. no. 18 & 19 have common address – 5/A-405, 4TH FLOOR, ESSBEE APARTMENT, SAIBABA NAGAR, BORIVALI (W), MUMBAI – 400092 (Mehta Equities Ltd.) Entity at sr. no. 20 has transferred funds to entity at sr. no. 19 (Axis Bank) Entities at sr. no. 18 & 21 were introduced by Chirag B. Mehta, who is having common address with entities at sr. no.18 & 19 (Indiabulls Securities Ltd.) Entities at sr. no. 21 & 22 were introduced by Anupam Gupta (Multiplex Capital Ltd.)
21	Ashok H Shah HUF	AACHA7911C	
22	Madhukar N Vora	AAAPV5284B	
23	Dinesh Rathod HUF	AAFHD1015F	Entities have executed circular trades with the above connected entities
24	Manish Buta HUF	AAFHM4558L	
25	Sonal H Desai	ABQPD8951N	
26	Rita Deepak Negandhi	AETPN2046J	
27	Manjula M Doshi	AMZPD7424L	
28	Vitesh B Shah	AQFPS0836F	
29	Anushi A Shah	CBAPS5104G	

h. Allegation for indulging in Circular Trades:

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

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

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

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

16/05/2008	*Faith Finstock Pvt. Ltd.*	*AAACF7046E*	*18100*	*17900*	*18106*	*17905*	*99.97%*	*99.97%*	*213614*	*8.47%*	*8.38%*
	Prollfic Mercantile Co. Pvt. Ltd.	*AADCP8003G*	*17900*	*18100*	*18000*	*19100*	*99.44%*	*94.76%*		*8.38%*	*8.47%*
	Kingfisher Trading Co. Pvt. Ltd.	*AACCK3056H*	*18100*	*18100*	*18377*	*18100*	*98.49%*	*100.00%*		*8.47%*	*8.47%*
20/05/2008	*Faith Finstock Pvt. Ltd.*	*AAACF7046E*	*29201*	*28981*	*31032*	*28983*	*94.10%*	*99.99%*	*122415*	*23.85%*	*23.67%*
	Prollfic Mercantile Co. Pvt. Ltd.	*AADCP8003G*	*28981*	*28574*	*29545*	*29545*	*98.09%*	*96.71%*		*23.67%*	*23.34%*
	Adore Mercantile Co. Pvt. Ltd.	*AAFCA5699H*	*28574*	*29201*	*30394*	*30000*	*94.01%*	*97.34%*		*23.34%*	*23.85%*
26/05/2008	*Faith Finstock Pvt. Ltd.*	*AAACF7046E*	*15000*	*14970*	*15403*	*14790*	*97.38%*	*101.22%*	*54553*	*27.50%*	*27.44%*
	Adore Mercantile Co. Pvt. Ltd.	*AAFCA5699H*	*14970*	*14987*	*15114*	*15002*	*99.05%*	*99.90%*		*27.44%*	*27.47%*
	Prollfic Mercantile Co. Pvt. Ltd.	*AADCP8003G*	*14987*	*15000*	*15000*	*15000*	*99.91%*	*100.00%*		*27.47%*	*27.50%*

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

   1. *May 16, 2008*

      On analysis of UCC details, KYC, Off-market transactions and bank statement, connection was observed amongst all 3 entities, Faith Finstock Pvt. Ltd., Prolific Mercantile Co. Pvt. Ltd. and Kingfisher Trading

Co. Pvt. Ltd. On analysis of trading pattern, it was observed that the trades were executed in a circular motion. Thus, these trades were circular in nature.

2. *May 20, 2008*

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

3. *May 26, 2008*

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

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

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

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

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

Patch - II	*16/07/2008-05/08/2008*		*Client's Circular volume*		*Client's Traded volume*		*% of Client's Circular volume in terms of day's trading Vol.*		*Market Volume*	*% of Client's Circular volume in terms of day's market Vol.*	
Date	*Client Name*	*PAN No*	*Buy*	*Sell*	*Buy*	*Sell*	*Buy*	*Sell*		*Buy*	*Sell*
18/07/208	*Faith Finstock Pvt. Ltd.*	*AAACF7046E*	*24993*	*24997*	*25797*	*24997*	*96.88%*	*100.00%*	*196604*	*12.71%*	*12.71%*

	ProlIfic Mercantile Co. Pvt. Ltd.	AADCP8003G	24997	24989	25001	25001	99.98%	99.95%		12.71%	12.71%
	Kingfisher Trading Co. Pvt. Ltd.	AACCK3056H	24989	24993	24993	24993	99.98%	100.00%		12.71%	12.71%
18/07/208	Rita Deepak Negandhi	AETPN2046J	30108	30100	30108	30108	100.00%	99.97%		15.31%	15.31%
	Manjula M Doshi	AMZPD7424L	30100	30100	30100	30100	100.00%	100.00%		15.31%	15.31%
	Vitesh B Shah	AQFPS0836F	30100	30100	30100	30100	100.00%	100.00%		15.31%	15.31%
	Dinesh V Makawana	ANOPM9543M	30100	30108	30108	30108	99.97%	100.00%		15.31%	15.31%
24/07/2008	Rama N Raval	AKBPR8550R	39510	39510	39510	39510	100.00%	100.00%	239447	16.50%	16.50%
	Parag B Mehta	ANCPM8699L	39510	39512	39512	39512	99.99%	100.00%		16.50%	16.50%
	Rahul H Jain	AIOPJ9425A	39512	39510	39512	39512	100.00%	99.99%		16.50%	16.50%
25/07/2008	Akhila Mercantile Pvt. Ltd.	AAGCA6077J	30010	30000	30010	30010	100.00%	99.97%	168911	17.77%	17.76%
	Parag B Mehta	ANCPM8699L	30000	30000	30000	30000	100.00%	100.00%		17.76%	17.76%
	Rama N Raval	AKBPR8550R	30000	30000	30000	30000	100.00%	100.00%		17.76%	17.76%
	Sonal H Desai	ABQPD8951N	30000	30010	30010	30010	99.97%	100.00%		17.76%	17.77%

30/07/2008	*Sonal H Desai*	*ABQPD8951N*	*36980*	*31990*	*36980*	*36980*	*100.00%*	*86.51%*	*213818*	*17.30%*	*14.96%*
	Rita Deepak Negandhi	*AETPN2046J*	*31990*	*31987*	*31990*	*31990*	*100.00%*	*99.99%*		*14.96%*	*14.96%*
	Dinesh V Makawana	*ANOPM9543M*	*31987*	*31987*	*31987*	*31987*	*100.00%*	*100.00%*		*14.96%*	*14.96%*
	Fotosoft Multimedia Pvt. Ltd.	*AAACF1497M*	*31987*	*36980*	*31988*	*41983*	*100.00%*	*88.08%*		*14.96%*	*17.30%*
05/08/2008	*Dinesh Rathod HUF*	*AAFHD1015F*	*35000*	*34950*	*35000*	*35000*	*100.00%*	*99.86%*	*152801*	*22.91%*	*22.87%*
	Rama N Raval	*AKBPR8550R*	*34950*	*34950*	*34950*	*34950*	*100.00%*	*100.00%*		*22.87%*	*22.87%*
	Dinesh V Makawana	*ANOPM9543M*	*34950*	*34990*	*34990*	*34990*	*99.89%*	*100.00%*		*22.87%*	*22.90%*
	Sonal H Desai	*ABQPD8951N*	*34990*	*35000*	*35085*	*35085*	*99.73%*	*99.76%*		*22.90%*	*22.91%*

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

   1. *July 18, 2008*

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

      b. *On analysis of UCC details, KYC, Off-market transactions and bank statement, no connection was observed amongst all these 4 entities, Rita*

Deepak Negandhi, Manjula M Doshi, Vitesh B Shah and Dinesh V Makwana. Sonal H Desai and Rita Deepak Negandhi aided and abetted other connected entities in execution of circular trade on 30/07/2008. Further, as per UCC data, Manjula M Doshi and Sonal H Desai are connected entities. On analysis of trading pattern, it was observed that the trades were executed in a circular motion. Thus, it can be inferred that Rita Deepak Negandhi, Manjula M Doshi and Vitesh B Shah aided and abetted connected entity Dinesh V Makwana in execution of circular trades.

2. *July 24, 2008*

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

3. *July 25, 2008*

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

4. *July 30, 2008*

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

5. *August 05, 2008*

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

6. *Pictorial representation of the above trades is given at "Annexure 3".*

Patch III - Circular Trade Analysis (February 17, 2009 to March 05, 2009)

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

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

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

19/02/2009	Waterbase Mercantile Co. Pvt. Ltd.	AAACW5073A	29250	28250	29250	29250	100.00%	96.58%	301045	9.72%	9.38%
	Anushi A Shah	CBAPS5104G	28250	29040	29040	29040	97.28%	100.00%		9.38%	9.65%
	Sterjet Trading Co. Pvt. Ltd.	AAJCS5512K	29040	29250	29285	29270	99.16%	99.93%		9.65%	9.72%
20/02/2009	Rahul H Jain	AIOPJ9425A	32015	31970	32015	32015	100.00%	99.86%	325133	9.85%	9.83%
	Vitesh B Shah	AQFPS0836F	31970	32000	32000	32000	99.91%	100.00%		9.83%	9.84%
	Manish Buta HUF	AAFHM4558L	32000	32015	32015	32015	99.95%	100.00%		9.84%	9.85%

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

    1. *February 19, 2009*

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

    2. *February 20, 2009*

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

From the analysis of circular trades carried out during Patch I - May 15, 2008 to June 02, 2008, Patch II - July 16, 2008 to August 05, 2008 and ***Patch III - February 17, 2009 to March 05, 2009,****it is alleged in the SCN that circular trades were observed on 11 instances during Patch I, II and III of the investigation period. Out of total 29 connected entities, there were 19 entities who had executed circular trades on 10 trading days (May 16, 20 and 26, 2008 during Patch I, July 18, 24, 25, 30 and August 05, 2008 during Patch II and February 19 and 20 2009 during Patch III amongst 19 connected entities) during the different patches of the investigation period. It is therefore alleged that these 19 connected entities have contributed in the range of 25.33%-82.41% of the day's market volume through circular trades on these respective 10 trading days, which is substantial compared to the day's total market volume. Thus, it is alleged that these 19 connected entities and Directors of connected entities (in case of corporate entity) namely Faith Finstock Pvt. Ltd. and its Directors Pankaj Kanaiyalal Parikh, Mayuri Kalpesh Pandya & Kalpesh R Pandya, Prolific Mercantile Co. Pvt. Ltd. and its Directors Prakash Shamrao Dalvi & Rajendra Mahadev Kelakr, Kingfisher Trading Co. Pvt. Ltd. and its Directors Dinesh Jivrajbhai Vajar, Sangeeta Dinesh Vajar & Ayush Rameshwar Gaur, Adore Mercantile Co. Pvt. Ltd. and its Directors Yogendra Janardhan Bangera & Ashok Sakharam Pilke, Akhila Mercantile Pvt. Ltd. and its Directors Dayanand Chandapa Holkar & Prabhakar Dattaram Kudaskar Rita Deepak Negandhi, Manjula M Doshi, Vitesh B Shah, Dinesh V Makwana, Rama N Raval, Parag B Mehta, Rahul H Jain, Sonal H Desai, Fotosoft Multimedia Pvt. Ltd. and its Directors Balkrishna Amritlal Oza & Sudha Balkrishna Oza, Dinesh Rathod HUF, Waterbase Mercantile Co. Pvt. Ltd. and its Directors Satyendrakumar*

Ramshankar Pandey (Noticee No. 41) & Niranjani Satyendrakumar Pandey, Anushi A Shah, Sterjet Trading Co. Pvt. Ltd. and its Directors Janibabu Ahmadkhan Chauhan & Kamlesh Premraj Borse and Manish Buta HUF have created misleading appearance of trading by creating artificial volume through circular trades, thereby violated the provisions of Section 12A(a), (b), (c) of SEBI Act read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations.

i. Allegation against the following for trading amongst themselves in groups and created misleading appearance of trading:

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

Trading Details of Connected Entities

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

13	*AAFCM2750F*	*Meghana Mercantie Pvt. Ltd.*	*652342*	*630643*	*1.30%*	*1.26%*
14	*AAACH5568D*	*HKG Capital Services Pvt. Ltd.*	*629058*	*681947*	*1.25%*	*1.36%*
15	*AAACF5670Q*	*Francisca Investment Pvt Ltd*	*598340*	*775978*	*1.19%*	*1.55%*
16	*AMZPD7424L*	*Manjula M Doshi*	*563788*	*649760*	*1.12%*	*1.30%*
17	*AACCK3056H*	*Kingfisher Trading Co. Pvt. Ltd.*	*523539*	*600025*	*1.04%*	*1.20%*
18	*AKBPR8550R*	*Rama N Raval*	*503156*	*502769*	*1.00%*	*1.00%*
19	*AAACF7046E*	*Faith Finstock Pvt. Ltd.*	*457203*	*549813*	*0.91%*	*1.10%*
20	*ANCPM8699L*	*Parag B Mehta*	*438101*	*438821*	*0.87%*	*0.88%*
21	*AAFCA5699H*	*Adore Merchantile Co. Pvt Ltd*	*345220*	*272616*	*0.69%*	*0.54%*
22	*AAACW5073A*	*Waterbase Mercantile Co. Pvt. Ltd.*	*276177*	*241208*	*0.55%*	*0.48%*
23	*AACCR9863K*	*Robosoft Trading Co. Pvt. Ltd.*	*203391*	*311723*	*0.41%*	*0.62%*
24	*AADCP8003G*	*Prolific Mercantile Co. Pvt Ltd*	*177280*	*145915*	*0.35%*	*0.29%*
25	*AAFHD1015F*	*Dinesh Rathod HUF*	*105000*	*104950*	*0.21%*	*0.21%*
26	*AABCD4543R*	*Dollex Capital & Finance Pvt. Ltd.*	*92513*	*248266*	*0.18%*	*0.50%*
27	*AACHA7911C*	*Ashok H Shah HUF*	*86050*	*86102*	*0.17%*	*0.17%*
28	*CBAPS5104G*	*Anushi A Shah*	*49118*	*49903*	*0.10%*	*0.10%*
29	*AAFHM4558L*	*Manish Buta HUF*	*32000*	*32015*	*0.06%*	*0.06%*
Group Total			*23791393*	*23791393*	*47.46%*	*47.46%*
Market Volume			*50127939*	*50127939*	*100.00%*	*100.00%*

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

30.02% of the total market volume on that day. Similarly, other connected entities have also traded continuously amongst themselves throughout the investigation period and cumulatively contributed 2,37,91,393 shares to total market volume i.e. 47.46% of the market volume during the investigation period.

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

iii. *As brought out in the preceding para-10, 19-connected entities were indulging in circular trading during Patch I, II and III of the investigation period and have created misleading appearance of trading by creating artificial volume through circular trades. These 19-entities are part of 29-connected entities who have traded amongst themselves and contributed substantial to the total market volume. These 29-connected entities have traded amongst themselves with the intent to create false and misleading appearance of trading in the scrip of SIEL.*

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

j. <u>Allegation against following for indulging in Synchronized Trades:</u>

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

ii. *During Patch-1 of Investigation Period it was observed from the analysis that 5-connected entities executed circular trades on 5 trading days for 52,774 shares of SIEL which was 9.31% of the five day's market volume. Summary of the same the same are as follows:*

Synchronized Trading Details of 5-Connected Entities

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

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

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

k. *<u>Allegation against SIEL and its directors:</u>*

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

ii. *It is alleged that SIEL and its Directors viz. Nitin Jayantilal Sandesara, Chetan Jayantilal Sandesara, Rajbhushan Omprakash Dixit, Hiteshkumar Narendrabhai Patel, Ramani Subramanian Iyer and Ronald Peter Dsouza through the various connected entities created artificial volume in the scrip of SIEL by indulging in circular trades, synchronized trades and trading among themselves during the investigation period. In view of the above, it is alleged that SIEL and its aforementioned directors were part of the scheme to create artificial volume in the scrip. Hence, it is alleged that the SEIL and its six directors have violated provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) & (g) of PFUTP Regulations.*

6. The SCN was sent to the Noticee through SPAD which was duly delivered to Noticee. Noticee vide letter dated March 11, 2020 sought inspection of documents. In this regard, Noticee vide Hearing Notice dated December 24, 2020 was informed that all the documents relied upon in the SCN have been provided to it alongwith the SCN dated February 12, 2020. Further, in the interest of natural justice, Noticee was provided an opportunity of personal hearing through the said hearing Notice. In view of Covid-19 Pandemic, the hearing was held on February 24, 2021 through videoconference on WebEx platform. Mr Rajesh Khandelwal (hereinafter referred to as "Authorised Representative/AR"), appeared before me on behalf of the Noticee on the scheduled date and time of hearing through WebEx platform and reiterated the written submissions on behalf of the Noticee made by the Noticee in its letter dated January 20, 2021. Following is the submission made by Noticee vide its letter:

*A Show Cause Notice bearing no. **EAD-9/ADJ/VKV/HKS/5688/3/2020** dated 12th February 2020 ("**said Show Cause Notice/SCN**") has been served on the notice company i.e Sterling International Enterprises Limited (the Company) wherein it has been arrayed as Noticee no.1. and the following is in reply to the said Show Cause Notice. At the outset, it is submitted that the Company has been relegated to Insolvency proceedings vide order dated 16.07.2018 of the Hon'ble NCLT, Mumbai and is under Resolution/Liquidation. The undersigned has been appointed as the Resolution Professional (RP). Therefore any/all proceedings against the Company be abated.*

WITHOUT PREJUDICE TO THE ABOVE, IT IS STATED AS HEREUNDER *:*

1. *It is submitted that the Company have not violated any provisions of section 12A(a), (b), (c) of SEBI Act read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations 2003*

(hereinafter referred to as "PFUTP Regulations") or any other law as alleged in the Show Cause Notice.

2. *It is stated that the investigation period dates back to the years 2008-2009 i.e. the said SCN was issued only after a lapse of almost 12 years. Hence, there has been inordinate delay in issuing the said SCN. Moreover the Company is under resolution process. I am unable to collate exact circumstances and situations which may have happened in the distant past. Therefore, on this ground alone it is requested that a lenient view be taken and the aforesaid SCN against the Company may be withdrawn or alternatively may be exonerated as also upheld by Hon'ble SAT in various appeals.*
3. *I shall endeavor to reply to each and every allegation contained in the Show Cause Notice and that non-denial or non-replying of any particular allegation may not be treated as our admission in any manner for want of denial.*
4. *It is submitted that the Company is a separate legal person from the directors and/or other officers of the company in the eyes of the law and therefore cannot be held liable for the wrongdoings or torts committed by the directors without consent or knowledge. It is further submitted that all the alleged trades would have been undertaken by the promoters and directors (involved in day to day affairs of the company then) at their own discretion by the virtue of their position. Thus the Company cannot be held responsible for the negligence or willful misconduct or contravention of provisions of law by the promoters and /or directors. It is respectfully submitted that Section 2(30) of the Companies Act, 1956 provides that an officer includes any Director, Manager, Secretary or any person in accordance with whose directions or instructions, the Board of Directors or any one or more of the directors is or are accustomed to act. Section 2(30) of the Companies Act, 1956 provides that an officer of the company who is in default shall be liable to punishment or penalty and defines "officer who is in default" which shall mean all the following officers of the Company, namely*

(a) the Managing Director or Managing Directors;

(b) ....

(g) where any company does not have any of the officer specified in clauses (a) to (c), any director or directors who may be specified by the Board in this behalf or where no director is so specified all the directors;

5. *It is submitted that neither the Company has consented nor connived with promoters and the directors who were in-charge or control of the day-to-day affairs of the Company in the transactions creating misleading appearance as alleged in the said SCN and hence the Company can never be held responsible.*
6. *From the discussion in the aforesaid paragraphs it would be amply convincing that it is only the directors who are concerned with the day to day management of the company that should ordinarily be held liable for company's offences and no liability could ever be cast on the Company.*
7. *It is submitted that the Company per se have not committed any act in defiance of any regulations or any provisions of law and not liable to be proceeded against with an inquiry and penalty.*
8. *This reply to setting out submissions to the observations/contentions/allegations as against the Company. I am therefore not dealing with each and every paragraph of the SCN. Right to file additional submissions, if necessary is reserved.*

9. *The Promoters/Directors are incharge of the day to day affairs of the company and thus responsible for the conduct of its business. The Company is neither aware nor consented to any arrangements/transactions which led to contravention of the legal provisions as alleged in the said SCN. The mere fact that the company is incorporated by the promoters/directors who are alleged to have contravened the legal provisions shall not make the Company liable for the offences committed by the Promoters/Directors involved in day to day affairs of the company. The SCN has grossly failed to*

bring out anything on record to show the Company's involvement in the allegations made therein. There are no allegations of the Company making any monetary gains even for sake of assumptions.

10. *Herein below is the parawise reply to the said SCN:*

   a. *With reference to para 1 of the SCN, all the allegations as specified against the Company are denied and are not maintainable. The Company is neither concerned or have connection of any kind with the trades as alleged in the said SCN as the same were carried on by the Promoters and Directors in charge of the day to day affairs of the Company. Thus the allegations relating to violation of the PFUTP Regulations against the Company are denied in toto.*

   b. *With reference to Para 2, 3 & 4, it is stated that the Company is neither concerned nor responsible for the contents in the said para. It is further stated that no allegations have been made out against the Company in the said paras and therefore do not merit any comments on the same.*

   c. *With respect to the para 5 it is stated that even the contents in the para under reply admits that the Promoters/Directors are incharge of the day-to-day affairs of the Company. The Company did not possess knowledge of any transactions as carried out by the promoters/directors as alleged in the said SCN.*

   d. *With reference to Para 6 to 9, it is stated that the contents may be a matter of record and the Company is neither concerned nor responsible for the contents in the said paras. It is stated that no allegations have been made out against the Company in the said paras and therefore do not merit any comments on the same.*

   e. *With reference to para 10 to 32 it is stated that none of the paras, its contents, tables, patches of trades, alleged persons, entities make any allegations against us in any manner. The Company has not traded in any shares of the Company/SIEL in any manner whatsoever.*

f. *With reference to Para 33, all the allegations specified therein are denied and it is stated that the Company has been arrayed merely by the reason of being incorporated by the Promoters/Directors who have been charged with various allegations. it is stated that the Company has neither carried out trades of any kind whatsoever in the scrips nor did the Company make any monetary gains by the way of trading in the said scrips and therefore cannot be held liable for the negligence or willful misconduct or offences committed by the promoters/directors involved in day-to-day affairs of the company. Therefore, even for sake of assumptions, the Company had neither any idea nor any intent to create any misleading appearance of trading in the scrip through circular trades or synchronized trades as alleged. On the basis of the allegations in the show cause notice, it is clear that no such case has been made out and further there is no evidence to suggest that there is an indication of Company duties and obligations or collusion and therefore the Company should not be held liable for acts of other officers/persons/Executive Directors acting for and on behalf of the company.*

g. *With reference to para 34 of the SCN it is denied that the Company has any role to play in being a part of any of the alleged 29 entities who indulged in trading amongst themselves or the 19 entities out of it who indulged in circular trades or 5 entities out of it who indulged into synchronized trades. Even the SCN does not make such allegations against the Company. It is reiterated that the trades were carried out by the promoters and directors or such other officers involved in day to day affairs of the company and thus the Company cannot be held responsible for the acts committed by such officers. Therefore, it is submitted that the provisions of section 12A(a), (b), (c) of SEBI Act read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations 2003 do not apply to the Company.*

h. With reference to paras 35 to 39 it is denied that the Company has violated 12A(a), (b), (c) of SEBI Act read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations or any other provisions thereof and hence not liable for any monetary penalty.

i. With reference to para 40, please find enclosed herewith the Company's PAN card copy. The company email id is sterling.int.ip@gmail.com and its correspondence address is : 43, Atlanta Building, Nariman Point, Mumbai-400 021

11. Thus, it is submitted that the instant SCN is contrary to the material on record relied upon, referred to and gathered during investigation and therefore is unsustainable and thus liable to be set aside qua the Company.

12. It is stated that in view of our aforesaid submissions and the settled position in law, no liability may be fastened on the Company for the alleged violation of 3 (b), (c), (d) and 4(1), 4(2) (a) of PFUTP Regulations read with Section 12 A (a), (b) and (c) of the SEBI Act, 1992 or any other regulations thereof. In the circumstances as herein above stated, it is requested that the said SCN be withdrawn qua the Company.

7. Noticee vide email dated December 01, 2021 has made the following additional submissions.

"In furtherance to the reply and submissions made during the hearing, under instructions of the Resolution Professional for the Company Sterling International Limited., it is respectfully stated that the Company has gone into liquidation and the Hon'ble NCLT has allowed the liquidation vide order dated 18.11.2021.

Copy of the order of Hon'ble NCLT as received from the Resolution Professional is attached herewith for your ready reference. ."

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

ISSUES FOR CONSIDERATION AND FINDINGS

9. I have carefully perused the SCN, the documents / material available on record and submissions of the Noticee. The issues that arise for consideration in the present case are:

    I. Whether the Noticee has violated the provisions of Regulation 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations?

    II. Whether the Noticee is liable for imposition of monetary penalty under Section 15HA of the SEBI Act?

    III. If yes, then what should be the quantum of monetary that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

10. It is pertinent to mention here the relevant provisions of 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations, allegedly violated by the Noticee:-

SEBI Act, 1992

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. *No person shall directly or indirectly—*

(a) *use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

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

(c) *engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

<u>PFUTP Regulations, 2003</u>

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 markets.

Explanation.–For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.

(2) Dealing in securities shall be deemed to be a manipulative, fraudulent or an unfair trade practice if it involves any of the following:—

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

…..

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

<u>**Issue – I**</u>:- **Whether the Noticee has violated the provisions of Section 12A (a), (b), (c) and Regulation 3 (a), (b), (c), (d), and Regulation 4(1), 4(2) (a) and (g) of the PFUTP Regulations?**

11. It is pertinent to mention here that SCN dated February 12, 2020 was issued against the Noticee pertaining to the alleged violations of various provisions of the PFUTP Regulations and SEBI Act. I note that the allegations levelled in the SCN against the Noticee is mainly to the effect that SIEL(Noticee) and its 6 directors were part of

the scheme wherein the entities connected to it created artificial volume in the scrip by indulging in circular trades, synchronized trades and trading among themselves, thereby violating the provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 r/w Regulation 4(2) (a), (b), (e) & (g) of SEBI (PFUTP) Regulations, 2003.

12. From the abovementioned reply of the Noticee, I note that Corporate Insolvency Resolution Process(CIRP) was initiated against Noticee vide order dated July 16, 2018 after company petition filed under section 7 of the Insolvency and Bankruptcy Code, 2016("IBC/Code") being admitted by National company Law Tribunal, Mumbai Bench ("NCLT/Tribunal"). NCLT has also ordered liquidation of Noticee vide its liquidation order dated October 18, 2021.Further, Noticee has stated that, *"The undersigned has been appointed as the Resolution Professional (RP). Therefore, any/all proceedings against the Company be abated*." In this regard, I have noted the contentions of the Noticee and would like to mention that, the limited purpose of these proceedings is to determine if the Noticee has violated securities laws and determine the penalty in order to enable SEBI to crystallise its claim, and to lodge the said claim with the liquidator.

13. Thus, I would proceed with respect to preliminary objections of Noticee and findings on merit.

14. With regard to the contention of Noticee with respect to delay of 12 years in initiating the proceedings against it, I note from the material available on record that, Integrated Surveillance Department of SEBI recommended the instant case to Investigation Department (hereinafter referred to as "IVD") of SEBI on September 17, 2010 to carry out investigation in the scrip of SIEL based on the examination carried out by BSE in the matter for the period May 01, 2008 to September 30, 2009.IVD carried out investigation for the suspected violation of price manipulation, circular trading and synchronised trading by entities during the period from May 01, 2008 to September 30, 2009. On March 22, 2013, competent authority approved

the adjudication proceedings under section 15 HA of SEBI Act, 1992 in the matter and AO (first AO) was appointed on April 03, 2013. First AO on May 10, 2013, sought clarification / information on entities being charged for circular trading and requested to provide the depiction of circular trading for all four patches after deleting the names of the persons not being charged. The clarification was provided to First AO on parameters that had been adopted for charging the entities in the investigation report on July 26, 2013.thereafter, another AO (Second AO) was appointed on August 02, 2013 in place of first AO due to internal transfer, then Second AO referred back the matter on August 05, 2013 for further examination to reconsider charging the entities forming part of the circular trades in light of the SAT Order in the matter of *Ajmera Associates Pvt Ltd. vs SEBI*. In view of the Second AO's observation, the role of other entities facilitating the circular trades was found necessary for investigation.

Hence, on September 29, 2016, a fresh investigation was proposed to be initiated to investigate the role of the other entities who were not charged in the earlier investigation report but abetted in circular trading with those entities who were charged during the period from May 01, 2008 to September 30, 2009. investigation was then carried out during 2013-16. On October 10, 26, 31 and November 20, 2017, information was sought from BSE and various brokers to provide the copy of KYC documents and details of the bank account of their clients who have traded in the scrip of SIEL during the Investigation Period. On April 20, 2017, Reminder emails were again sent to the various brokers. to provide the information sought vide earlier emails. On October 10, 2017, Email was sent to BSE to provide UCC and other details of few entities who have traded in the scrip of SIEL during the investigation period. Thus, during October 31 – December 11, 2017, after analysing the replies received from brokers with respect to KYC documents, bank statements, UCC details, trade logs and trading connections between various entitles were established. On January 08, 2018, Circular trades executed by the connected entities and other entities mentioned in the earlier investigation report were analysed. During Sept - Oct 2018, BSE provided further UCC details and related data sought via emails. Emails and reminders were again sent to various banks in November 2018 to provide KYC, bank statements and counter party details of certain transfers for other entities which indulged in circular trading in the scrip of SIEL. On November 29, 2018, Off Market transaction details were received from NSDL and CDSL for trades in the shares of SIEL. On May 08, 2019, Investigation was completed in respect of 61 entities and the proposed actions were approved. Accordingly, as per approved action, Adjudication Proceedings has been initiated against the 61 entities and another AO (Third AO) was appointed as Adjudicating officer on May 09, 2019. Enforcement department of SEBI (EFD) proposed that, as Shri Sahil Malik was already appointed as AO due to internal transfer of Second AO in respect of previously initiated Adjudication Proceedings against 25 entities pursuant to IR-1. Thus, AO (Sahil Malik) be appointed as AO in respect of all the 61 entities in place of Third AO. Therefore, AO (Sahil Malik) appointed as AO (Fourth AO) in the matter on May 31, 2019. a communique was issued on June 24, 2019 to erstwhile Adjudicating officer, Shri Sahil Malik regarding appointment as Adjudicating Officer to initiate inquiry and adjudication in the matter. Thereafter on internal transfer of erstwhile AO, undersigned has been appointed as AO (Fifth AO) vide communique dated August 13, 2019. undersigned then issued a Show Cause Notice (SCN) to 61 entities on February 12,2020. Undersigned also undertook several efforts to deliver the SCNs and hearing notices to 61 entities including Noticee during lockdown in the scenario of ongoing COVID-19 pandemic where SCNs and Hearing Notices sent to entities through SPAD returned undelivered.

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

15. Noticee has also stated that, *it is unable to collate exact circumstances and situations which may have happened in the distant past. Therefore, on this ground alone it is requested that a lenient view be taken and the aforesaid SCN against the Company may be withdrawn or alternatively may be exonerated as also upheld by Hon'ble SAT in various appeals*, I note that, the Noticee is charged for serious violation under the SEBI (PFUTP Regulations) and SEBI Act,1992 and was a fact finding exercise. Further, I note that there is no provision in the SEBI Act which lays down any limitation period for initiating any proceedings/ action under the SEBI Act. Therefore, citing such arguments is flawed in itself and having considered appeals upheld by Hon'ble SAT, I don't find the ratio applicable to facts and circumstances of the instant matter. For establishing the delay, if any, in the matter, the date when the violation came to the notice of the SEBI would be the relevant point and not the date of violation. Whether a delay in a particular case is justified or not depends on the facts and circumstances of each case.

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

"23. It is no doubt true that no period of limitation is prescribed in the Act or the Regulations for issuance of a show cause notice or for completion of the adjudication proceedings. The Supreme Court in Government of India vs, Citedal Fine Pharmaceuticals, Madras and Others, [AIR (1989) SC 1771] held that in the absence of any period of limitation, the authority is required to exercise its powers within a reasonable period. What would be the reasonable period would depend on the facts of each case and that no hard and fast rule can be laid down in this regard as the determination of this question would depend on the facts of each case. This proposition of law has been consistently reiterated by the Supreme Court [..]."

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

I am of the view that present proceedings do not suffer from any infirmity on the ground of delay. Further, the Noticee has failed to show that, how delay, if any, in the instant matter have caused prejudice to it. It is trite law that, in order to question an order on the basis of delay and latches, the Noticee must point out cogent and definable prejudice caused to it, as has been held in the judgements of the Hon'ble Tribunal in the matters of *Appeal No. 152 of 2019 Pooja Vinay Jain vs SEBI decided on March 17, 2020*.

I further place reference to the Order of the Hon'ble SAT in *M/s. Adamina Traders Private Limited vs SEBI* (Order dated December 15, 2021)" wherein it was held that,
"We do not find any evidence to hold that there was an inordinate delay in the issuance of the show cause notice. This contention is accordingly rejected. Further,

nothing has been shown as to how this delay has prejudiced the appellant. In the absence of any prejudice the delay, if any, cannot be set aside."

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

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

Therefore, in the facts of the present case, merely a plea of delays and latches will not be sufficient to withdraw the SCN against Noticee or set aside the Impugned Order, especially when the same has not caused any material / definable prejudice to the Noticee and all the documents relied upon in the SCN has been provided to the Noticee in the instant matter alongwith the SCN as Annexures thus, I find that the principles of natural justice have been adequately complied with in the present matter, as all the documents which have been relied upon in the SCN and used against the Noticee have been duly provided to Noticee. I, therefore, hold that there is no protracted delay as contended and hence, the contention of the Noticee in this regard is not acceptable to me.

16. With respect to allegation mentioned in the SCN against Noticee, Noticee has contended that it has neither consented nor connived with the promoters and directors who were in-charge or control of the day-to-day affairs of the Company in transactions creating misleading appearance, and hence Noticee can never be held responsible. Building on this argument , Noticee asserts that the Company being a separate legal person from the directors and/or other officers of the company in the eyes of the law and therefore cannot be held liable for the wrongdoings or torts committed by the directors without consent or knowledge, I also note that Noticee has also stated that it cannot be held responsible for the negligence or wilful misconduct or contravention of provisions of law by the promoters and /or directors and also mentioned Section 2(30) of the Companies Act, 1956 which *inter-alia* states the definition of an officer of the company. Further, Noticee erroneously mentioned Section 5 of the Companies Act, 1956 as Section 2(30) of the Companies Act, 1956 which *inter-alia* mentions that an officer of the company who is in default shall be liable to punishment or penalty.

17. In this regard, I would like to refer Section 27(1) of SEBI Act which *inter-alia* states as follows:

"27. (1) Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who at the time the contravention was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the 166[contravention] and shall be liable to be proceeded against and punished accordingly: Provided that nothing contained in this sub-section shall render any such person liable to any punishment provided in this Act, if he proves that the contravention was committed without his knowledge or that he had exercised all due diligence to prevent the commission of such contravention.

(2) Notwithstanding anything contained in sub-section (1), where an contravention under this Act has been committed by a company and it is proved that the contravention has been committed with the consent or connivance of, or is attributable to any neglect on the part of, any director, manager, secretary or other officer of the company, such director, manager, secretary or other officer shall also be deemed to be guilty of the contravention and shall be liable to be proceeded against and punished accordingly.

Explanation : For the purposes of this section,—

(a) "company" means any body corporate and includes a firm or other association of individuals; and

(b) "director", in relation to a firm, means a partner in the firm."

18. From the abovementioned Section 27(1) of SEBI Act, I note that the said section of SEBI Act deals with offences by Companies. In the said provision, Section 27(1) says that, in case of a default by a company, every person who at the time the offence was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly. I further note that, in Companies Act,1956, a company in

default is also being held liable to penalty along with every officer of the company who is in default for not complying with the provisions of certain sections of Companies Act, 1956.

19. It is trite law that a company works through its directors. In this respect, Section 291 of the Companies Act, 1956 reads as: "…*the Board of directors of a company shall be entitled to exercise all such powers, and to do all such acts and things, as the company is authorised to exercise and do*". It is in this clearly laid out structure that a company operates. In the present case, I note that, Adjudication Proceedings u/s 15HA of SEBI Act, 1992 were initiated against Noticee and its 6 directors for being part of scheme wherein the entities connected it created artificial volume by indulging in circular trades, synchronized trades and trading among themselves, thereby violating the provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 r/w Regulation 4(2) (a) & (g) of SEBI (PFUTP) Regulations, 2003. In view of the aforesaid, Noticee being the company cannot avoid the liability with respect to the acts done by its promoters/directors in view of the Latin maxim, " *Qui facit per alium facit per se"*, which means that he who acts through another does the act himself.

20. With respect to adjudication proceedings against promoters/directors of Noticee, it may be noted that, an adjudication order dated January 31, 2022 has been passed with respect to promoter/director of Noticee viz. Nitin J Sandesara and Chetan J Sandesara. Being the director of Noticee, they were held responsible for all the acts and omissions of the company and concluded to have violated provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 r/w Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) & (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 and thereby, penalty was imposed upon them under Section 15HA of SEBI Act.

21. With respect to adjudication proceedings against 4 independent directors of Noticee, it may be noted that, undersigned has exonerated the independent

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

22. I note that, material on record has not shown any trading executed by Noticee or its directors, However, I note that, during the investigation period, a group of connected entities was observed to be dealing in the scrip and created misleading appearance of trading by creating artificial volume through circular trades, synchronized trades and trading among themselves. Adore Mercantile Company Pvt. Ltd. is part of the connected entities which traded in the scrip of Noticee and investigation has observed from the shareholding pattern which was sourced from SIEL Annual Report 2009-10 and MCA website that, Yogendra Bangera, who was director of Adore Mercantile Company Pvt. Ltd. which has traded in the scrip as a client was appearing in the Promoter and Promoter Group category of SIEL during the quarter ended December 2007 along with Nitin J Sandesara and Chetan J Sandesara. Thus, it was inferred in the investigation that the entity Adore Mercantile Company Pvt. Ltd. is connected with SIEL and therefore, Noticee was part of the scheme to create artificial volume in its scrip through the entities connected to it, by indulging in circular trades, synchronized trades and trading among themselves during the investigation period.

23. Having brought out the acts undertaken by the Company, it remains for examination as to whether the acts of the Company in respect of the artificial volume generated in its scrip through the entities connected to it, by indulging in circular trades, synchronized trades and trading among themselves were fraudulent, as alleged in the SCN. Thus, Findings with respect to the same are as follows:

Findings w.r.t Circular Trades

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

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

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

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

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

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

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

Patch - I	*15/05/2008-02/06/2008*		*Client's Circular volume*		*Client's Traded volume*		*% of Client's Circular volume in terms of day's trading Vol.*		*Market Volume*	*% of Client's Circular volume in terms of day's market Vol.*	
Date	*Client Name*	*PAN No*	*Buy*	*Sell*	*Buy*	*Sell*	*Buy*	*Sell*		*Buy*	*Sell*
20/05/2008	*Faith Finstock Pvt. Ltd.*	*AAACF7046E*	*29201*	*28981*	*31032*	*28983*	*94.10%*	*99.99%*	*122415*	*23.85%*	*23.67%*
	Prolific Mercantile Co. Pvt. Ltd.	*AADCP8003G*	*28981*	*28574*	*29545*	*29545*	*98.09%*	*96.71%*		*23.67%*	*23.34%*
	Adore Mercantile Co. Pvt. Ltd.	*AAFCA5699H*	*28574*	*29201*	*30394*	*30000*	*94.01%*	*97.34%*		*23.34%*	*23.85%*

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

Patch - I	*15/05/2008-02/06/2008*		*Client's Circular volume*		*Client's Traded volume*		*% of Client's Circular volume in terms of day's trading Vol.*		*Market Volume*	*% of Client's Circular volume in terms of day's market Vol.*	
Date	*Client Name*	*PAN No*	*Buy*	*Sell*	*Buy*	*Sell*	*Buy*	*Sell*		*Buy*	*Sell*
26/05/	*Faith Finstock Pvt. Ltd.*	*AAAC*	*15000*	*14970*	*15403*	*14790*	*97.38%*	*101.22%*	*54553*	*27.50%*	*27.44%*

2008		*F7046E*									
	Adore Mercantile Co. Pvt. Ltd.	*AAFCA5699H*	*14970*	*14987*	*15114*	*15002*	*99.05%*	*99.90%*		*27.44%*	*27.47%*
	Prolific Mercantile Co. Pvt. Ltd.	*AADCP8003G*	*14987*	*15000*	*15000*	*15000*	*99.91%*	*100.00%*		*27.47%*	*27.50%*

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

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

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

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

Date	Client Name	PAN No	Buy	Sell	Buy	Sell	Buy	Sell		Buy	Sell
18/07/208	*Faith Finstock Pvt. Ltd.*	*AAACF7046E*	*24993*	*24997*	*25797*	*24997*	*96.88%*	*100.00%*	*196604*	*12.71%*	*12.71%*
	Prolific Mercantile Co. Pvt. Ltd.	*AADCP8003G*	*24997*	*24989*	*25001*	*25001*	*99.98%*	*99.95%*		*12.71%*	*12.71%*
	Kingfisher Trading Co. Pvt. Ltd.	*AACCK3056H*	*24989*	*24993*	*24993*	*24993*	*99.98%*	*100.00%*		*12.71%*	*12.71%*

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

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

	Manjula M Doshi	*AMZPD7424L*	*30100*	*30100*	*30100*	*30100*	*100.00%*	*100.00%*		*15.31%*	*15.31%*
	Vitesh B Shah	*AQFPS0836F*	*30100*	*30100*	*30100*	*30100*	*100.00%*	*100.00%*		*15.31%*	*15.31%*
	Dinesh V Makawana	*ANOPM9543M*	*30100*	*30108*	*30108*	*30108*	*99.97%*	*100.00%*		*15.31%*	*15.31%*

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

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

iii. On July 25, 2008, Akhila Mercantile sold 30000 shares to Parag B Mehta during 11:01:18 -11:02:27 AM, Parag B mehta then sold 30000 shares to Rama N Raval during 11:05:02-11:05:19. Rama N Raval then sold 30000 shares to Sonal H Desai during 11:31:29-11:32:15 AM. Akhila Mercantile then bought back the

30010 shares from Sonal H desai during 12:09:53-12:09:59 PM. I note that, connection was observed between Akhila Mercantile Pvt. Ltd., Parag B Mehta and Rama N Raval. However, no connection was observed between these 3 entities and Sonal H Desai. On analysis of trading pattern, it was observed that Sonal has executed 9 trades of 60200 shares on the day out of which 6 trades of 60010 shares were execute in this circular trade, which was 99.68% of her total traded volume on the day. I Further note that the percentage of these client's circular volume in terms of day's buy and sell market volume was as high as 17.77% respectively. Thus, Sonal H Desai was part of circular trades and aided and abetted Akhila Mercantile Pvt. Ltd., Parag B Mehta and Rama N Raval in execution of circular trades.

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

iv. On July 30, 2008, Sonal sold 31990 shares to Rita at 12:42:23 PM. Rita sold 31987 shares to Dinesh Makwana at 12:51:53 PM, Dinesh Makwana then sold these 31987 shares to fotosoft Multimedia at 12:55:16 PM. fotosoft multimedia then sold 36980 shares to Sonal during 13:08:14-13:46:16 PM. I note that, connection was observed only between Dinesh V Makwana and Fotosoft

Multimedia Pvt. Ltd. I further note that, sonal executed 5 trades of 73960 shares out of which 3 trades of 68970 shares were executed in this circular trade, which was 93.25% of her total traded volume on the day. Similarly, Rita executed 5 trades of 63980 shares out of which 2 trades of 63977 trades were executed in this circular trade, which was 99.99 % of her total traded volume on the day. I Further note that the percentage of these client's circular volume in terms of day's buy and sell market volume was as high as 17.30% respectively Thus, Sonal H Desai and Rita Deepak Negandhi aided and abetted Dinesh V Makwana and Fotosoft Multimedia Pvt. Ltd. in execution of circular trades.

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

v. On August 05, 2008, Sonal sold 35000 shares to Dinesh Rathod HUF during 11:26:56-12:18:18PM. Dinesh Rathod HUF then sold 34950 shares to Rama during 11:47:28-11:47:45 AM. Rama then sold 34950 shares to Dinesh V Makwana at 12:13:25 PM. Dinesh V makwana then sold 34990 shares to Sonal during 13:33:53-15:01:57 PM. I note that, connection was observed only between Rama N Raval and Dinesh V Makwana. I further note that, Dinesh Rathod executed 70000 shares in 6 trades out of which 5 trades consisting of 69950 trades were executed in this circular trade which was 99.99% of his total traded volume on the day. similarly, Sonal executed 70170 shares in 9 trades out of which 4 trades of 69990 shares were executed in this circular trade which was 99.74% of her total traded volume on the day. I Further note that the percentage of these client's circular volume in terms of day's buy and sell market volume was as high as 22.91 % respectively Thus, Dinesh Rathod HUF and Sonal H Desai were also part of these connected entities and aided and abetted in execution of circular trades.

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

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

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

Sterjet Trading Co. Pvt. Ltd. in execution of circular trades. In this regard, I note from the trade log that, Anushi has executed 19 trades of 58080 shares on the day and 7 trades out of 19 trades of 57290 shares were traded by Anushi in circular motion with waterbase and Sterjet only which forms 98.63% of shares traded by Anushi on this day.

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

Patch - III	*17/02/2009-05/03/2009*		*Client's Circular volume*		*Client's Traded volume*		*% of Client's Circular volume in terms of day's trading Vol.*		*Market Volume*	*% of Client's Circular volume in terms of day's market Vol.*	
Date	*Client Name*	*PAN No*	*Buy*	*Sell*	*Buy*	*Sell*	*Buy*	*Sell*		*Buy*	*Sell*
19/02/2009	*Waterbase Mercantile Co. Pvt. Ltd.*	*AAACW5073A*	*292500*	*282500*	*292500*	*292500*	*100.00%*	*96.58%*	*301045*	*9.72%*	*9.38%*
	Anushi A Shah	*CBAPS5104G*	*282500*	*290400*	*290400*	*290400*	*97.28%*	*100.00%*		*9.38%*	*9.65%*
	Sterjet Trading Co. Pvt. Ltd.	*AAJCS5512K*	*290400*	*292500*	*292850*	*292700*	*99.16%*	*99.93%*		*9.65%*	*9.72%*

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

Patch - III	*17/02/2009-05/03/2009*		*Client's Circular volume*		*Client's Traded volume*		*% of Client's Circular volume in terms of day's trading Vol.*		*Market Volume*	*% of Client's Circular volume in terms of day's market Vol.*	
Date	*Client Name*	*PAN No*	*Buy*	*Sell*	*Buy*	*Sell*	*Buy*	*Date*	*Client Name*	*PAN No*	*Buy*
20/02/2009	*Rahul H Jain*	*AIOPJ9425A*	*32015*	*31970*	*32015*	*32015*	*100.00%*	*99.86%*	*325133*	*9.85%*	*9.83%*
	Vitesh B Shah	*AQFPS0836F*	*31970*	*32000*	*32000*	*32000*	*99.91%*	*100.00%*		*9.83%*	*9.84%*
	Manish Buta HUF	*AAFHM4558L*	*32000*	*32015*	*32015*	*32015*	*99.95%*	*100.00%*		*9.84%*	*9.85%*

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

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

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

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

VIII. Therefore, in view of the above and placing reliance on the abovementioned order of Hon'ble SAT, It note that, these 19 entities connected to Noticee namely Faith Finstock Pvt. Ltd., Prolific Mercantile Co. Pvt. Ltd., Kingfisher Trading Co. Pvt. Ltd., Adore Mercantile Co. Pvt. Ltd., Rita Deepak Negandhi, Manjula M Doshi, Vitesh B Shah, Dinesh V Makwana, Rama N Raval, Parag B Mehta, Rahul H Jain, Akhila Mercantile Pvt. Ltd., Sonal H Desai, Fotosoft Multimedia Pvt. Ltd., Dinesh Rathod HUF, Waterbase Mercantile Co. Pvt. Ltd., Anushi A Shah, Sterjet Trading Co. Pvt. Ltd. and Manish Buta HUF indulged in circular trades, which had resulted in creation of artificial volume in the scrip of SIEL, leading to false and misleading appearance of trading in the scrip.

Findings w.r.t Trading by Connected Entities amongst themselves:

IX. Following 27-connected entities connected to Noticee have traded among themselves repeatedly on a daily basis during the investigation period. Out of 345 trading days during the investigation period, the following 27 connected entities have traded among themselves on 295 trading days. These connected entities were trading amongst themselves in a group of 3 to 6 entities similar to circular trades. The trading details of the said 27-connected entities are as follows:

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

15	*AMZPD7424L*	*Manjula M Doshi*	*563788*	*649760*	*1.12%*	*1.30%*
16	*AACCK3056H*	*Kingfisher Trading Co. Pvt. Ltd.*	*523539*	*600025*	*1.04%*	*1.20%*
17	*AKBPR8550R*	*Rama N Raval*	*503156*	*502769*	*1.00%*	*1.00%*
18	*AAACF7046E*	*Faith Finstock Pvt. Ltd.*	*457203*	*549813*	*0.91%*	*1.10%*
19	*ANCPM8699L*	*Parag B Mehta*	*438101*	*438821*	*0.87%*	*0.88%*
20	*AAFCA5699H*	*Adore Merchantile Co. Pvt Ltd*	*345220*	*272616*	*0.69%*	*0.54%*
21	*AAACW5073A*	*Waterbase Mercantile Co. Pvt. Ltd.*	*276177*	*241208*	*0.55%*	*0.48%*
22	*AACCR9863K*	*Robosoft Trading Co. Pvt. Ltd.*	*203391*	*311723*	*0.41%*	*0.62%*
23	*AADCP8003G*	*Prolific Mercantile Co. Pvt Ltd*	*177280*	*145915*	*0.35%*	*0.29%*
24	*AAFHD1015F*	*Dinesh Rathod HUF*	*105000*	*104950*	*0.21%*	*0.21%*
25	*AABCD4543R*	*Dollex Capital & Finance Pvt. Ltd.*	*92513*	*248266*	*0.18%*	*0.50%*
26	*CBAPS5104G*	*Anushi A Shah*	*49118*	*49903*	*0.10%*	*0.10%*
27	*AAFHM4558L*	*Manish Buta HUF*	*32000*	*32015*	*0.06%*	*0.06%*
Group Total			*23076285*	*23023344*	*46.03%*	*45.93%*
Market Volume			*50127939*	*50127939*	*100.00%*	*100.00%*

X. I note that, Vitesh B Shah was the top entity amongst the 27 connected entities who had bought maximum number of shares from the other connected entities. For instance, on August 28, 2008, Vitesh B Shah sold 29,907 shares to Fotosoft Multimedia Pvt. Ltd., which accounted for 24.95% of the total market volume on that day. On May 12, 2008, Fotosoft Multimedia Pvt. Ltd. bought 29,900 and 26,900 shares (total 56800 shares) from Rahul H Jain and Akhila Mercantile Pvt. Ltd. respectively, which accounted for 30.02% of the total market volume on that day. Similarly, other connected entities have also traded continuously amongst themselves throughout the investigation period and cumulatively contributed 2,30,76,285 shares to total market volume i.e. 46.03% of the market volume on the buy side during the investigation period and on sell side, cumulatively contributed 2,30,23,344 shares to total market volume i.e. 45.93% of the market volume during the investigation period.

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

XII. These entities connected to Noticee have traded amongst themselves with the intent to create false and misleading appearance of trading in the scrip of SIEL and contributed substantially to the total market volume

Findings w.r.t Synchronized trades

XIII. During the Investigation Period five connected entities namely Faith Finstock Pvt. Ltd., Prolific Mercantile Co. Pvt. Ltd., Kingfisher Trading Co. Pvt. Ltd., Adore Mercantile Co. Pvt. Ltd., Akhila Mercantile Pvt. Ltd., carried out synchronized trades which were manipulative in nature.

XIV. In so far as issue of synchronisation of trades is concerned, I note that mere synchronisation of trades *per se* is not illegal. To elaborate, all trades executed on the stock exchange platform are the result of synchronisation that emerged between buyer and seller of scrip, at a particular price point. However, in the genuine trades, such synchronisation emerges from the market mechanism and its underlying principle of demand and supply. For example, a person wants to sell 1000 shares of Company ABC, which the other person wants to buy. In case the orders of the aforesaid two people, match on the exchange platform on price-time priority, they will be exchanging the shares/money, through the established mechanism. However, there have been notable instances which have triggered regulatory actions, where a group of persons, who are connected to a common thread by various factors like common directorship, group companies, common address, contact numbers, e-mail ids etc., deliberately and repeatedly synchronise their trades, by using the market platform. The vested interest of such persons can carry any shade of manipulation like to increase the volume, to maintain trading every day, to increase the price, to circulate same set of shares within a limited group and indicate trading to general public.

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

XVI. I would like to highlight the observations of the Hon'ble Supreme Court in the matter of *SEBI Vs. Kishore Ajmera* with respect to synchronized trades and market manipulations, wherein following was held by Hon'ble Supreme Court: -
"It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/ charges made and levelled. While direct evidence is a more certain basis to

come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion…

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

XVII. Further, Hon'ble Securities Appellate Tribunal ("**SAT"**) in the matter of ***Magnum Equity broking Ltd. Vs SEBI***, held the following:

"Synchronized trades in the history of the securities market have always been shunned for the simple reason that they create a misleading appearance of artificial volume in a particular scrip by giving the public the impression that a lot of trading activity is being conducted with respect to that scrip, making it seem like a good investment opportunity. Such artifices, if allowed to grow in number in the market, hurt the sanctity of market mechanism and hinder the ongoing constant process of the market righting and restoring itself."

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

Synchronized Trading Details of 5-Connected Entities

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

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

"… *in order to find out whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism, will depend upon the intention of the parties which could be inferred from the attending circumstances of the cases, because direct evidence in such cases may not be available*."

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

Trade Date	*Buyer Name*	*Seller Name*	*Buy order time*	*Sell order time*	*Trade time*	*Trade price*	*Traded quantity*	*Buy order original vol.*	*Sell order original vol.*	*Buy/ sell order price*
16.05.2008	*FAITH FINSTOCK PVT LTD*	*KINGFISHER TRADING COMPANY PVT LTD*	*12:15:29 PM*	*12:15:35 PM*	*12:15:35 PM*	*223.80*	*2000.00*	*2000.00*	*2000.00*	*223.80*
16.05.2008	*FAITH FINSTOCK PVT LTD*	*KINGFISHER TRADING COMPANY PVT LTD*	*12:16:39 PM*	*12:16:41 PM*	*12:16:41 PM*	*223.90*	*3000.00*	*3000.00*	*3000.00*	*223.90*
16.05.2008	*KINGFISHER TRADING COMPANY PVT LTD*	*PROLIFIC MERCANTILE CO. (P) LT*	*2:52:30 PM*	*2:52:34 PM*	*2:52:34 PM*	*224.00*	*2800.00*	*2800.00*	*2800.00*	*224.00*
16.05.2008	*KINGFISHER TRADING COMPANY PVT LTD*	*PROLIFIC MERCANTILE CO. (P) LT*	*2:53:28 PM*	*2:53:33 PM*	*2:53:33 PM*	*225.30*	*3000.00*	*3000.00*	*3000.00*	*225.30*
16.05.2008	*KINGFISHER TRADING COMPANY PVT LTD*	*PROLIFIC MERCANTILE CO. (P) LT*	*2:53:46 PM*	*2:53:50 PM*	*2:53:51 PM*	*225.30*	*2800.00*	*2800.00*	*2800.00*	*225.30*
16.05.2008	*KINGFISHER TRADING COMPANY PVT LTD*	*PROLIFIC MERCANTILE CO. (P) LT*	*2:55:13 PM*	*2:55:20 PM*	*2:55:20 PM*	*225.80*	*1300.00*	*1300.00*	*1300.00*	*225.80*
16.05.2008	*PROLIFIC MERCANTILE CO. (P) LT*	*FAITH FINSTOCK*	*1:14:05 PM*	*1:14:16 PM*	*1:14:17 PM*	*223.90*	*2000.00*	*2000.00*	*2000.00*	*223.90*

		PVT LTD								
16.05.2008	*PROLIFIC MERCANTILE CO. (P) LT*	*FAITH FINSTOCK PVT LTD*	*1:14:40 PM*	*1:14:59 PM*	*1:14:59 PM*	*223.90*	*200.00*	*200.00*	*200.00*	*223.90*
16.05.2008	*PROLIFIC MERCANTILE CO. (P) LT*	*FAITH FINSTOCK PVT LTD*	*1:08:42 PM*	*1:08:59 PM*	*1:09:00 PM*	*223.90*	*800.00*	*800.00*	*800.00*	*223.90*
16.05.2008	*PROLIFIC MERCANTILE CO. (P) LT*	*FAITH FINSTOCK PVT LTD*	*1:13:18 PM*	*1:13:29 PM*	*1:13:29 PM*	*224.00*	*4200.00*	*4200.00*	*4200.00*	*224.00*
20.05.2008	*ADORE MERCANTILE COMPANY PVT L*	*PROLIFIC MERCANTILE CO. (P) LT*	*3:20:25 PM*	*3:20:46 PM*	*3:20:47 PM*	*237.00*	*4174.00*	*5000.00*	*5000.00*	*237.00*
20.05.2008	*FAITH FINSTOCK PVT LTD*	*AKHILA MERCANTILE PRIVATE LIMITED*	*11:20:04 AM*	*11:19:21 AM*	*11:20:05 AM*	*237.30*	*500.00*	*500.00*	*500.00*	*237.30*
20.05.2008	*PROLIFIC MERCANTILE CO. (P) LT*	*FAITH FINSTOCK PVT LTD*	*2:07:52 PM*	*2:07:41 PM*	*2:07:52 PM*	*237.00*	*2500.00*	*2500.00*	*2500.00*	*237.00*
21.05.2008	*KINGFISHER TRADING COMPANY PVT LTD*	*FAITH FINSTOCK PVT LTD*	*11:58:11 AM*	*11:58:10 AM*	*11:58:11 AM*	*238.50*	*3200.00*	*3200.00*	*3200.00*	*238.50*
21.05.2008	*KINGFISHER TRADING COMPANY PVT LTD*	*FAITH FINSTOCK PVT LTD*	*11:58:47 AM*	*11:58:46 AM*	*11:58:48 AM*	*238.25*	*3300.00*	*3300.00*	*3300.00*	*238.25*
21.05.2008	*KINGFISHER TRADING COMPANY PVT LTD*	*FAITH FINSTOCK PVT LTD*	*11:59:34 AM*	*11:59:34 AM*	*11:59:35 AM*	*239.25*	*4100.00*	*4100.00*	*4100.00*	*239.25*

21.05.2008	KINGFISHER TRADING COMPANY PVT LTD	FAITH FINSTOCK PVT LTD	12:00:22 PM	12:00:21 PM	12:00:22 PM	239.10	1890.00	1890.00	1890.00	239.10
21.05.2008	KINGFISHER TRADING COMPANY PVT LTD	FAITH FINSTOCK PVT LTD	11:57:47 AM	11:57:44 AM	11:57:47 AM	237.50	2500.00	2500.00	2500.00	237.50
22.05.2008	ADORE MERCANTILE COMPANY PVT L	FAITH FINSTOCK PVT LTD	11:45:11 AM	3:00:26 PM	3:00:27 PM	221.50	3514.00	5000.00	5000.00	219.25
26.05.2008	PROLIFIC MERCANTILE CO. (P) LT	ADORE MERCANTILE COMPANY PVT L	2:01:12 PM	2:01:23 PM	2:01:23 PM	245.70	4996.00	5000.00	5000.00	245.70

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

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

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

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

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

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

XXVII. The Hon'ble Supreme Court in its Order dated April 26, 2013 in the matter of N. Narayanan ***Vs. Adjudicating Officer, SEBI,*** has laid down that "*Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law. Section 12A read with Regulations 3 and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'. The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. 'Market abuse' impairs economic growth and erodes investor's confidence. Market abuse refers to the use of manipulative and deceptive devices, giving out incorrect or misleading information, so as to encourage investors to jump into conclusions, on wrong premises, which is known to be wrong to the abusers. The statutory provisions mentioned earlier deal with the situations where a person, who deals in securities, takes advantage of the impact of an action, may be manipulative, on the anticipated impact on the market resulting in the "creation of artificiality"*

XXVIII. In view of the forgoing, aforementioned connected entities namely, Faith Finstock Pvt. Ltd., Kingfisher Trading Co. Pvt. Ltd., Prolific Mercantile Co. (P) Ltd., Adore Mercantile Co. Pvt. Ltd. and Akhila Mercantile Pvt. Ltd. were involved in 'Synchronized Trades' in pre-determined manner as found in this case which had an adverse impact on the fairness, integrity and transparency in the securities market and which altogether constitute 9.31% of the five day's market volume.

24. The definition of fraud as given under Regulation 2(1) (c) of PFUTP Regulations 2003 and as interpreted by the Hon'ble Supreme Court of India in *Securities and Exchange Board of India and Ors v. Kanaiyalal Baldevbhai Patel and Ors*. (2017) 15 SCC 753, makes it clear that 'inducement' is required to constitute 'fraud' under PFUTP Regulations 2003 and must be made while 'dealing in securities' and must be made for the purpose 'to induce others to deal in securities'. I note that, the allegations made in the SCN is to effect that Noticee was part of the scheme to create artificial volume in its scrip through the entities connected to it by indulging in circular trades, synchronized trades and trading among themselves during the investigation period. Though I note that neither Noticee nor its directors have executed aforementioned alleged trades. However, as the connections of the Noticee to the abovementioned connected entities who traded in its scrip to create artificial volume in its scrip through the entities connected to it by indulging in circular trades, synchronized trades and trading among themselves has already been dealt with, therefore, having considered the submissions of the Noticee to substantiate its arguments. I find the submissions of the Noticee untenable as sufficient evidence has been put forward in the above paras with regard to connection and how Noticee was part of the scheme through the entities connected to it have resorted to artificial inflation of the trading volumes in its scrip by indulging in circular trades, synchronized trades and trading among themselves in order to create misleading appearance of trading.

25. A company cannot act by itself, but only through its directors who are expected to exercise their powers on behalf of the company with utmost care, skill and diligence and their acts are attributed to the Company which is Noticee in the instant case. from the aforementioned findings and connection established, I find that Noticee was part of a fraudulent device, scheme or artifice in creating the artificial volume in

its scrip and creating misleading appearance of trading successful. the modus operandi of Noticee was with an intention to entice gullible investors to deal in the shares and thereafter take advantage. the same has adverse impact on the fairness, integrity and transparency in the securities market. Thus, in view of the same and aforesaid findings, I conclude that, Noticee has violated provisions of Section 12A(a), (b), (c) of SEBI Act, 1992 r/w Regulations 3(a), (b), (c),(d) and Regulations 4(1), 4(2) (a) & (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003.

ISSUE -2: Does the violation, if any by the Noticee, attract monetary penalty under Section 15HA of SEBI Act,1992?

26. Regulation 3(a) of PFUTP Regulations prohibits person to buy, sell or otherwise deal in securities in a fraudulent manner. Section 12A(a) of SEBI Act and Regulation 3(b) of PFUTP Regulations prohibits person to use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under. Section 12A(b) of SEBI Act and Regulation 3(c) of PFUTP Regulations prohibits person to employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange. Section 12A(c) of SEBI Act and Regulation 3(d) of PFUTP Regulations prohibits person to engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under. Regulation 4(1) of PFUTP Regulations lays that no person shall indulge in a fraudulent or an unfair trade practice in securities. Regulation 4(2)(a) of PFUTP Regulations, inter alia, prohibits a person from indulging in an act which creates false or misleading appearance of trading in the securities market. Regulation 4(2)(g) of PFUTP Regulations, inter alia,

prohibits a person to enter into a transaction in securities without intention of performing it or without intention of change of ownership of such security.

27. It is pertinent to refer the Hon'ble Supreme Court's Order dated April 26, 2013 in the matter of ***N. Narayanan Vs. Adjudicating Officer, SEBI,*** has laid down that "*Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law. Section 12A read with Regulations 3 and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'. The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. 'Market abuse' impairs economic growth and erodes investor's confidence. Market abuse refers to the use of manipulative and deceptive devices, giving out incorrect or misleading information, so as to encourage investors to jump into conclusions, on wrong premises, which is known to be wrong to the abusers. The statutory provisions mentioned earlier deal with the situations where a person, who deals in securities, takes advantage of the impact of an action, may be manipulative, on the anticipated impact on the market resulting in the "creation of artificiality"*

28. Further, In the matter of ***SEBI Vs. Kishore R. Ajmera,*** *(supra)* the Hon'ble Supreme Court observed that *"the SEBI Act and the Regulations framed there under are intended to protect the interests of investors in the Securities Market which has seen substantial growth in tune with the parallel developments in the economy. Investors' confidence in the Capital/Securities Market is a reflection of the effectiveness of the regulatory mechanism in force. All such measures are intended to pre-empt manipulative trading and check all kinds of impermissible conduct in order to boost the investors' confidence in the Capital market. The primary purpose of the statutory*

enactments is to provide an environment conductive to increased participation and investment in the securities market which is vital to the growth and development of the economy. The provisions of the SEBI Act and the Regulations will, therefore, have to be understood and interpreted in the above light.

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

Penalties and Adjudication

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.*

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

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

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

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

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

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

(c) the repetitive nature of the default."

***Explanation**: For removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under Sections 15A to 15E, Clauses (b) and (c) of Section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.*

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

nature, it is difficult to quantify with mathematical precision the disproportionate gains or unfair advantage enjoyed by Noticee and the consequent losses suffered by the investors, pursuant to scheme of artificial volume deployed by the Noticee. I note that the modus operandi of Noticee was primarily to create artificial volumes with an intention to entice gullible investors to deal in the shares and thereafter take advantage. People who indulge in manipulative, fraudulent and deceptive transaction or abet the carrying-out of such transactions which are fraudulent and deceptive should be suitably penalized for such acts of omissions and commissions. Considering the fact that Noticee has indulged in the fraudulent and deceptive practice as stated above on many days collectively with the entities connected to it created artificial volume through circular trades, synchronized trades and trading among themselves and hence the nature of default was also repetitive.

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

<u>ORDER</u>

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

In view of the same, I am inclined to consider that the Noticee is responsible for the aforesaid violations and therefore, I impose an appropriate penalty on the Noticee.

35. Further, from the perusal of Liquidation order dated October 18, 2021, submitted by Noticee in its email dated December 01, 2021, I note that, Tribunal vide its liquidation order dated October 18, 2021, has directed Liquidator to initiate liquidation process of the Corporate Debtor, M/s. Sterling International Enterprises Limited, under Section 33(2) as envisaged under Chapter-Ill of the Code by following the liquidation process given in the Insolvency & Bankruptcy Board of India (Liquidation Process) Regulations, 2016.

36. Point 8(h) of the said Liquidation order read as follows:
"That on having liquidation process initiated, subject to section 52 of the Code, no suit or other legal proceeding shall be instituted by or against the Corporate Debtor save and except the liberty to the liquidator to institute suit or other legal proceeding on behalf of the corporate debtor with prior approval of this Adjudicating Authority."

I note that aforesaid directions in the Liquidation Order are in line with Section 33(5) of Insolvency and Bankruptcy Code, 2016.

37. In view of the above, I note that, there is a bar of institution/ continuance of instant adjudication proceedings before me in terms of the para 6 (III) of order dated July 16, 2018 and also as per aforesaid Liquidation Order. Further, there was moratorium from July 16, 2018 till the date of liquidation order i.e., October 18, 2021. However, it may be noted that the limited purpose of these proceedings is to determine if the Noticee company has violated any of the provisions of securities laws and if so, to assess and determine the penalty in order to enable SEBI to crystallise its claim with the liquidator.

38. Having considered all the facts and circumstances of the case, violations established, the factors mentioned in Section 15J of the SEBI Act, I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I, hereby impose a penalty of Rs. 2,00,000/- (Rupees Two Lakh only) upon Noticee i.e., Sterling International Enterprises Limited in terms of the provisions of section 15HA of SEBI Act for violation of provisions of Section 12A (a), (b) and (c) of the SEBI Act r/w Regulation 3 (a), (b), (c) and (d), Regulation 4(1), 4(2)(a) and 4(g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Markets) Regulations, 2003, I am of the view that the said penalty is commensurate with the violations committed by the Noticee in this case.

PENALTY PAYMENT OPTIONS

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

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

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

(like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details)	

41. Noticee shall pay the penalty determined with respect to it within a period of forty-five (45) days, from the date the penalty becomes payable by Noticee.

42. In terms of Rule 6 of the Adjudication Rules, 1995, copy of this Order is sent to the appointed Liquidator of Noticee, Mr. Vishal Ghisulal Jain and also to the Securities and Exchange Board of India.

Date : February 17, 2022 **Vijayant Kumar Verma**

Place : Mumbai **Adjudicating Officer**