BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER: Order/MC/VS/2022-23/16168-16177]

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

In respect of –

1. **Bhupesh Rathod** (AACPR3785K) having address at Labh Niwas,A Wing,1st Floor, Flat No 1, 4th Khetwadi Lane, Mumbai – 400004
2. **P. Srikanth** (AMOPP8554E) having address at Flat No 503 Block A Lake View Mirra Resi Brahmanwadi Begumpet Hyderabad – 500016
3. **Asha Sanjay Shah** (ANEPS1156J) having address at I. C. Room -203, Satrujay - 8, Gagan Sarita, Achole Road, Nallasopara (East) Thane - 401209
4. **Prasad Vitthal Dighe** (ANYPD9007D) having address at Anand Mangal Soc, Room No 3 V R Road, Sikka Nagar Khetwadi Mumbai – 400004
5. **Nilima N Patil** (AUNPP3749G) having address at 91J 1st Floor Room No.27 Koliwadi Sitaram Poddar Marg Nr Balaji Temple Fanaswadi Mumbai – 400002
6. **Animesh K Patel** (AOYPP1866M) having address at Shree Sai Bhavan Chs Block No 22 Khetwadi 12th Lane Bank Road 2nd Floor Mumbai Maharashtra India 400004
7. **Dhiraj N Rathod** (AUKPR2367M) having address at T/13, Riddhi Siddhi C.H.S., 3rd Flr, Sikka Nagar, Nanubhai Desai Road, Mumbai – 400004
8. **Hasmukhbhai M Shah** (EPXPS7552R) having address at Flat no. V 4//103 Vinay Nagar Mira bhayander road Mira road (e) Thane – 401107
9. **Priteshkumar H Shah** (AZQPS4031C) having address at H No V4/103, Vinay Nagar, Nr Jhankar Factory Mira Road (E), Thane – 401107

10. **Jalaram Finvest Ltd.** (AAACM8004B) having address at 168 3rd Floor Kalupur Sindhi Commercial Market Kabutarkhana Chokha Bazar Ahmedabad – 380002

In the matter of PFL Infotech Ltd.

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") initiated adjudication proceedings against Bhupesh Rathod **(Noticee 1),** P. Srikanth **(Noticee 2),** Asha Sanjay Shah **(Noticee 3),** Prasad Vitthal Dighe **(Noticee 4)**, Nilima Nitin Patil **(Noticee 5)**, Animesh K Patel **(Noticee 6)**, Dhiraj N Rathod **(Noticee 7),** Hasmukhbhai Shah **(Noticee 8),** Priteshkumar H Shah **(Noticee 9)** and Jalaram Finvest Ltd **(Noticee 10)** ("hereinafter together referred to as "**the Noticees**") under Section 15A (a) and Section 15HA of the Securities and Exchange Board of India Act, 1992 ("**the SEBI Act**") for alleged violation of the SEBI Act and the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 ("**PFUTP Regulations**"):-

APPOINTMENT OF ADJUDICATING OFFICER

2. The undersigned was appointed as Adjudicating Officer ("AO") under Section 15-I of the SEBI Act read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter be referred to as the "**Adjudication Rules**") vide order dated December 29, 2020 to inquire into, and adjudge under Section 15A(a) and Section 15 HA of the SEBI Act, the aforesaid alleged violations of the respective Noticees. The appointment of the undersigned as AO was communicated vide order dated January 5, 2021.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice No. EAD5/MC/VS/2021/11269/1-10 dated June 1, 2021 was issued to the Noticees for the following violations alleged to have been committed by the Noticees:-
    (a) Noticees 1, 2 and 3 under Section 15 A (a) of SEBI Act for failure to furnish the documents/information as required under section 11C (3) read with 11C (2) of SEBI Act, 1992
    (b) Noticees 4, 5 and 6 under Section 15 A (a) of SEBI Act for furnishing false or incorrect information to SEBI Summons dated November 27, 2019.
    (c) Noticees 3 to 10 under Section 15 HA of SEBI Act for acting as conduits to create misleading appearance of trading and thereby, fraudulently maintaining the price of the scrip, and for funding of trades disproportionate to income in violation of Sec. 12 A (a), (b), (c) of SEBI Act, 1992 r/w Reg. 3 (a), (b), (c) and (d) and 4(1), (2) (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ("PFUTP Regulations").

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

5. SEBI received an email dated August 29, 2016 from Joint Commissioner of Income Tax, Non-Corporate Range- 2, Chennai alleging that transactions of S. Uttamchand (Top net seller) in the scrip of PFL were fabricated to book bogus Long Term Capital Gain ("LTCG"). No documentary evidence was provided by DIT establishing the connection of S. Uttamchand with the company, its promoter and/or director and/or price manipulators. No connection could be established between S. Uttamchand and other Noticees.

6. Investigation was carried out to ascertain whether there was any violation of provisions of SEBI Act, 1992 and PFUTP Regulations in the trading in the scrip of PFL Infotech Ltd during the period July 01, 2013 to April 13, 2016 (hereinafter

referred to as '**Investigation Period or IP'**). The findings of the investigation are given below.

7. PFL Infotech Ltd., formerly known as Pioneer Farms Pvt Ltd was incorporated as a private limited company on December 11, 1986 and was converted into a public limited company on January 22, 1993. The company initially established a parent farm and a hatchery unit in 1986-87. In 1995-96, the company undertook a project to expand its capacity. Subsequently, it diversified into the field of software. The scrip was listed on BSE w.e.f. June 3, 1996.

8. The financial results of the Company were as follows:-

(Source: BSE website) (Rs in Million)

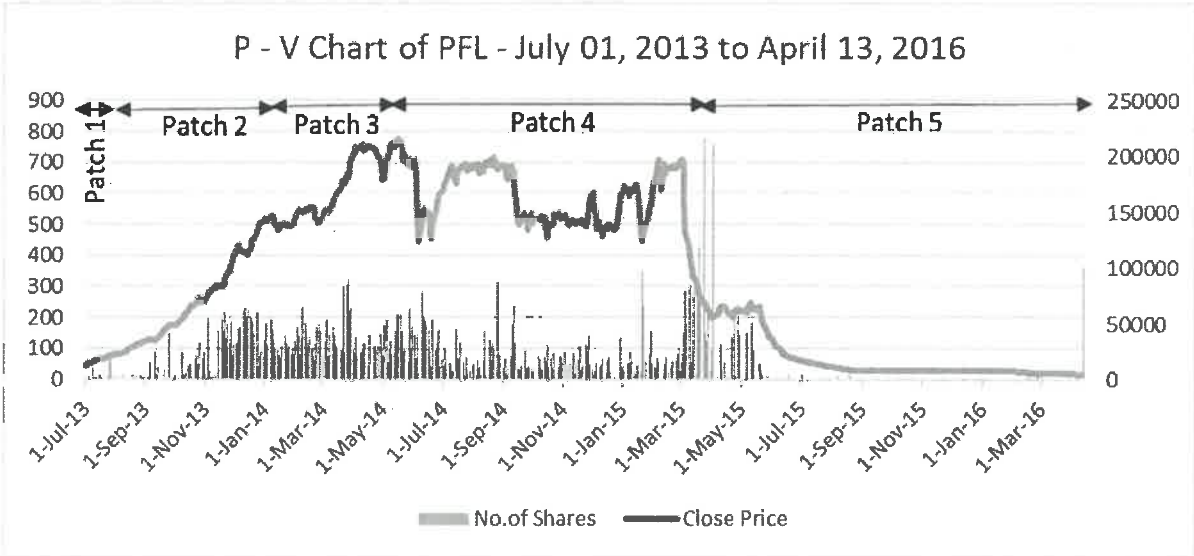
Description	Year Ended					Quarter Ended		
Particulars	31-Mar-13	31-Mar-14	31-Mar-15	31-Mar-16	31-Mar-17	Mar. 2013	Jun. 2013	Sep. 2013
Net Sales	4.06	4.96	4.08	5.58	5.98	1.16	1.29	1.07
Other Income	0	0	0	0	0	0	0	0
Total Income	4.06	4.96	4.08	5.58	5.98	1.16	1.29	1.07
Net Profit	2.21	2.7	1.91	2.75	3.36	1.06	1.09	0.66

Description	Quarter Ended							
Particulars	Dec. 2013	Mar. 2014	Jun. 2014	Sep. 2014	Dec. 2014	Mar. 2015	Jun. 2015	Sep. 2015
Net Sales	1.12	1.48	1.27	1.28	1.28	0.25	1.25	1.25
Other Income	0	0	0	0	0	0	0	0
Total Income	1.12	1.48	1.27	1.28	1.28	0.25	1.25	1.25
Net Profit	0.86	0.91	0.96	1.13	1.21	(0.54)	0.88	0.88

Description	Quarter Ended			
Particulars	Dec. 2015	Mar. 2016	Jun. 2016	Sep. 2016
Net Sales	1.25	1.84	1.84	1.84
Other Income	0	0	0	0
Total Income	1.25	1.84	1.84	1.84
Net Profit	0.89	1.53	0.95	1.33

9. The scrip is listed only on BSE and was trading in Periodic Call Auction Session (PCAS) for the period July 09, 2013 to January 12, 2014. Steady price rise in the scrip was seen till May 19, 2014 and sudden fall in the price was seen from February 28, 2015. Hence, the investigation period was divided into patches.

10. <u>Chart of Price movement at BSE:</u>



11. The price volume data of the scrip for the period before, during and after the investigation period is given below:

(Source: BSE website)

Period	Dates		Opening Price (volume) on first day of the period (Rs)	Closing price (volume) on last day of the period (Rs.)	Low price(volume) during the period (Rs.)	High Price(volume) during the period (Rs.)	Avg. no. of (shares) traded daily during the period
Before Investigation	April 01, 2013 to	Price	45.85	46.1	38.7 (April 09, 2013)	60.4 (June 05, 2013)	8,554

Period	Dates		Opening Price (volume) on first day of the period (Rs)	Closing price (volume) on last day of the period (Rs.)	Low price(volume) during the period (Rs.)	High Price(volume) during the period (Rs.)	Avg. no. of (shares) traded daily during the period
period	June 30, 2013	Vol	111	1,675	1 (May 11, 2013)	2,01,662 (June 14, 2013)	
During Investigation Period – Patch 1 (Price Rise)	July 01, 2013 to July 08, 2013	Price	44.2	53.1	44.05 (July 01, 2013)	54.80 (July 05, 2013)	3,127
		Vol	1,525	11,033	16 (July 02, 2013)	11,033 (July 08, 2013)	
During Investigation Period – Patch 2 (PCAS)	July 09, 2013 to January 12, 2014	Price	55.95	508	54 (July 10, 2013)	530 (January 07, 2014)	17,408
		Vol	25	27,100	25 (July 09, 2013)	63,819 (December 11, 2013)	
During Investigation Period – Patch 3 (Price Rise)	January 13, 2014 to May 19, 2014	Price	460	763.55	458.65 (January 14, 2014)	825 (May 19, 2014)	35,230
		Vol	21,739	58,489	5,675 (January 16, 2014)	89,162 (March 26, 2014)	
During Investigation Period – Patch 4 (Price Fall)	May 20, 2014 to February 27, 2015	Price	768	661	377.75 (January 20, 2015)	770 (May 20, 2014)	19,234
		Vol	43,284	8,485	8 (December 26, 2014)	96,503 (January 20, 2015)	
During Investigation Period – Patch 5 (Price Fall)	February 28, 2015 to April 13, 2016	Price	699	15	15 (April 13, 2016)	733 (March 02, 2015)	12,299
		Vol	15,315	1,02,100	1 (March 17, 2016)	2,16,642 (March 23, 2015)	
After investigation period	April 14, 2016 to July 14, 2016	Price	15.7	26.6	15 (April 18, 2016)	38.15 (June 07, 2016)	13,478
		Vol	1,35,770	20,250	1 (April 25, 2016)	1,35,770 (April 18, 2016)	

12. It was observed that the price of the scrip opened at Rs. 44.20, touched a high of Rs. 825, low of Rs. 15.00 and closed at Rs. 15.00 during the investigation period. The closing price of the PFL scrip as on August 20, 2019 was Rs. 9.50.

13. Upon examination of top 10 buyers, top 10 sellers, top 10 LTP contributors, Noticees 3 to 9 were found to be connected. Connections were established based on UCC database as updated by Brokers, Off-market transactions data (as obtained from CDSL, NSDL and RTA of the company) and analysis of bank statements, as shown below:

Sl.no.	PAN	Name	Basis of connection	Name of Group
1	ANEPS1156J	Asha Sanjay Shah	Noticees 3 to 9 at Sl.no. 1 to 7 are funded by Jalaram Finvest Ltd	**Group-1** (Sl.no. 1 to 12 including Noticees 2 to 8) (also referred to as **Jalaram Finvest Group**)
2	AUKPR2367M	Dhiraj Nirmal Rathod		
3	ANYPD9007D	Prasad Vitthal Dighe		
4	AUNPP3749G	Nilima N Patil		
5	AOYPP1866M	Animesh K Patel		
6	AZQPS4031C	Priteshkumar H Shah		
7	EPXPS7552R	Hasmukhbhai Manilal Shah		
8	AUKPP5801E	Nitin P Patil	Husband of entity at Sl.no. 4	
9	AVJPP3934G	Anand Shivaji Patil	Off-market transaction with entity at Sl.no. 3	
10	AOOPS7837M	Shobha Giri	Off-market transaction with entity at Sl.no. 5	
11	CNEPS7359R	Chetan Suvarna	Fund transfer with entity at Sl.no. 5	
12	AUZPB7670A	Mahesh Dinkar Bhosle	Off-market transaction with entity at Sl.no. 9	

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

Buyer Name	Gross Buy Vol.	% of Gross Buy to Mkt. Vol.	Seller Name	Gross Sell Vol.	% of Gross sell to Mkt. Vol.
Asha Sanjay Shah	732086	6.71	S Uttamchand	1794720	16.46
Priteshkumar H Shah	422446	3.87	Taradevi Ratanlal Bafna	324250	2.97
Dhiraj Nirmal Rathod	407574	3.74	Rajesh Kumar Gupta	268953	2.47
Animesh K Patel	398067	3.65	Arun Agarwal	250000	2.29
Prasad Vitthal Dighe	337507	3.09	Janak Nandini Gupta	236000	2.16
Nilima N Patil	267169	2.45	Krishna Parshuram Kamble	222111	2.04
Krishna Parshuram Kamble	253571	2.32	Ashroj Credit India Private Limited	200135	1.84
Hasmukhbhai Manilal Shah	191579	1.76	Nickunj Shah	192782	1.77
Mono Herbicides Pvt. Ltd.	181673	1.67	Aristro Capital Markets Private Limited	162597	1.49
Arcadia Share Stock Brokers Pvt. Ltd	175845	1.61	Priteshkumar H Shah	153278	1.41
Total of top 10	**3367517**	**30.88**	**Total of top 10**	**3804826**	**34.89**
Remaining	**7538867**	**69.12**	**Remaining**	**7101558**	**65.11**
Total	**10906384**	**100**	**Total**	**10906384**	**100**

15. It was observed that top 10 buy clients contributed 30.88% to market volume and top 10 sell clients contributed 34.89% to the market volume during the IP. Asha Sanjay Shah / Noticee 3 was the top client on the buy side who contributed 6.71% of the total market volume and S Uttamchand was the top client on the sell side who contributed 16.46% of the total market volume during the IP.

<u>Noticee 10/ Jalaram Finvest</u>

16. Noticees 3 to 9 have common source of funding viz. Noticee 10/ Jalaram Finvest Ltd. Upon investigation, it was found that following the bank a/c details of Noticee 10 were used to fund the aforementioned 7 Noticees:

Sl.no.	Name	Bank Name	A/c number
1	Jalaram Finvest Ltd	Axis bank	913020029043492
		Allahabad bank	50145879356

17. The aforesaid 7 Noticees funded by Jalaram Finvest Ltd contributed 25.27% to market volume on buy side. However, the value of trades of aforesaid Noticees 3 to 9 does not support their income (as provided in the KYC). The amount transferred and the income (as stated in the KYC) are represented in the chart below:

Jalaram Finvest Ltd

	Name	Income as per KYC
Rs 2,36,90,000	Asha Sanjay Shah	Rs 1 lakh to Rs 5 lakh
Rs 3,02,83,600	Dhiraj Nirmal Rathod	Below Rs 1 lakh
Rs 14,38,30,462	Hasmukhbhai M Shah	Rs 10 lakh to Rs 25 lakh
Rs 15,63,10,600	Priteshkumar H Shah	Rs 10 lakh to Rs 25 lakh
Rs 2,34,45,800	Animesh K Patel	Rs 10 lakh to Rs 25 lakh
Rs 13,89,500	Nilima N Patil	Rs 10 lakh to Rs 25 lakh
Rs 18,11,270	Prasad Vitthal Dighe	Rs 10 lakh to Rs 25 lakh

Total amount of Rs 38.07 Cr was transferred by Jalaram Finvest Ltd.

18. Analysis of bank statement:

   i. Axis bank:

   On analyzing the Axis bank account of Jalaram Finvest Ltd, it was observed that funds transferred to aforementioned Noticees 3 to 9 were majorly received from its Allahabad bank account via RTGS transactions.

   ii. Allahabad bank:

   On Oct 09, 2013, Rs 50 lakhs were transferred to Dhiraj N Rathod via two RTGS transactions.

19. Vide letter dated Sept 23, 2019 and reminder dated Oct 03, 2019, Jalaram Finvest Ltd was inter-alia asked rationale for fund transfers. However, no reply was received.

20. Vide summons dated November 27, 2019, Jalaram Finvest Ltd was inter-alia asked to provide rationale for fund transfers and details of connection, if any, with Noticees 3 to 9 and the Promoters and/or directors of PFL.

   i. With respect to fund transfers, Jalaram Finvest Ltd in its reply dated December 08, 2019 has stated that:

      a. *"The company is a NBFC company registered under the RBI and was carrying on the business of cheque discounting and earning the commission income there from."*

      b. *"None of the parties to whom the cheques / RTGS/NEFT issued or the parties whose cheques/RTGS/NEFT deposited have been known to the company."*

   ii. In the same reply, Jalaram Finvest Ltd has denied any connection with the suspected Noticees 3 to 9 and the Promoters and/or directors of PFL inter-alia stating that:

   "...neither the company itself not its directors know/knew and/or is/was associated/related/connected etc. in any capacity whatsoever whether directly or indirectly with promoters/directors/key management personnel/employees of PFL Infotech Ltd or the Noticees 2 to 9 enlisted in Point (b) of the summons."

21. It was also observed that vide Press Release dated October 26, 2018, Reserve Bank of India (RBI) has cancelled the Certificate of Registration (COR no: 01.00514) of Jalaram Finvest Ltd.

22. Jalaram Finvest Ltd has not directly traded in the scrip of PFL during the entire investigation period. However, the aforesaid 7 Noticees funded by Jalaram Finvest Ltd contributed 25.27% to market volume on buy side. The incomes (as provided in KYC) of aforesaid Noticees 3 to 9 do not justify 25.27% contribution to market buy volume. A total amount of Rs 38.07 Cr was transferred to Noticees 3 to 9.

23. Further, a trade at positive LTP leads to increase in the price of scrip. Similarly, a trade at negative LTP leads to decrease in the price of the scrip. On similar

lines, a trade at zero LTP maintains the price of the scrip. With respect to trades of aforesaid 7 Noticees, it was observed that 87.07 % of their trades and 76.04% of their traded quantity during the investigation period were at zero LTP and thereby, leading to maintaining the price of the scrip and contributing 25.27% to market volume on buy side. The same is tabulated below:

	All trades			Zero LTP trades			
Client Name	**Ltp Rate**	**Traded Qty**	**No. Of Trades**	**Traded Qty**	**No. Of Trades**	**% of Zero LTP trades to Total Trades**	**% of Zero LTP traded quantity to the Total Traded Quantity**
Asha Sanjay Shah	558.65	732086	2151	484432	1881	87.45	66.17
Animesh K Patel	256.5	398067	854	318120	700	81.97	79.92
Priteshkumar H Shah	189.4	422446	582	377231	499	85.74	89.30
Prasad Vitthal Dighe	167	337507	584	215240	463	79.28	63.77
Nilima N Patil	92.5	267169	516	175420	413	80.04	65.66
Dhiraj Nirmal Rathod	66	407574	1760	393656	1682	95.57	96.59
Hasmukhbhai Manilal Shah	58	191579	288	175607	255	88.54	91.66
Total	**1388.05**	**2756428**	**6735**	**2150013**	**5915**	**87.82**	**78.00**

24. Hence, Noticee 10 was alleged to have violated Sec. 12 A (a), (b), (c) of SEBI Act, 1992 r/w Reg. 3 (a), (b), (c) and (d) and 4(1), (2)(d) of SEBI (PFUTP) Regulations, 2003 by funding Noticees 3 to 9 whose incomes (as provided in KYC) did not justify their purchases and the aforesaid purchases have contributed to maintaining the price of the scrip. A

<u>Noticees 3 to 9 funded by Jalaram Finvest Ltd:</u>

25. As stated earlier, it was observed that Noticees 3 to 9 have received funds from Jalaram Finvest Ltd.

Sl.no.	PAN	Name
1	ANEPS1156J	Asha Sanjay Shah
2	AUKPR2367M	Dhiraj Nirmal Rathod
3	ANYPD9007D	Prasad Vitthal Dighe
4	AUNPP3749G	Nilima N Patil
5	AOYPP1866M	Animesh K Patel
6	AZQPS4031C	Priteshkumar H Shah
7	EPXPS7552R	Hasmukhbhai Manilal Shah

26. Upon LTP analysis, no adverse inference was drawn w.r.t trades of Asha Sanjay Shah, Dhiraj Nirmal Rathod, Prasad Dighe, Animesh Patel, Hasmukhbhai Shah, Priteshkumar Shah and Nilima Patil.

27. In view of the fund transfers, vide summons dated November 27, 2019 the above 7 Noticees 3 to 9 were inter-alia asked to provide comments on the receipt of funds from Jalaram Finvest Ltd. In addition to this, the aforesaid Noticees 3 to 9 were inter-alia asked to provide details of their connection/relationship/association with any of the other suspected entities, PFL Infotech Ltd and Promoters and / or Directors of PFL.

28. Replies of Noticees 4, 5 and 6 were analysed.
    a. Prasad Vitthal Dighe: In his reply dated Dec 06, 2019, Prasad Vitthal Dighe had inter-alia stated that: *"In this regard, I would like to submit that you should contact Mr Naresh Jain who had executed transactions in the account held in my name. I am totally unaware about the transactions executed in my name."*
    b. Nilima Patil: In her reply dated Dec 09, 2019, Nilima Nitin Patil had inter-alia stated that: *"In this connection, I would like to submit that my name has been used by Mr Naresh Jain. I am totally unaware about the fund received from M/s Jalaram Finvest Ltd in the bank account held in my name. I am not aware about the transactions executed in the trading account held in my name."*
    c. Animesh Patel: In his reply dated Dec 05, 2019, Animesh Patel had inter-alia stated that: *"I have not dealt in the scrip of PFL Infotech Ltd, the same was done by Mr. Bhupesh Rathod using my account."*

29. Order placement details w.r.t aforesaid 7 Noticees 3 to 9 were called from respective stock-brokers. The order placement details as provided by the stock-brokers (Annexure 6 to SCN) are tabulated below:

Sl.no.	Name	Broker Name	Mode of Order Placement	Name of person placing orders
1	Asha Sanjay Shah	MR Share Broking Pvt.Ltd.	Mobile- 9209538210	Asha Sanjay Shah
2	Dhiraj Nirmal Rathod	S.P.Jain Securities Pvt.Ltd.	In person	Bhupesh Rathod
3	Prasad Vitthal Dighe	B.Lodha Securities Ltd.	Mobile - 9969877674	Prasad Vitthal Dighe
4	Nilima N Patil	B.Lodha Securities Ltd.	Mobile - 8452889829	Nilima N Patil
5	Animesh K Patel	B.Lodha Securities Ltd.	Mobile - 9930373360	Animesh K Patel
6	Priteshkumar H Shah	B.Lodha Securities Ltd.	Mobile - 9028105579	Priteshkumar H Shah
7	Hasmukhbhai Manilal Shah	B.Lodha Securities Ltd.	Mobile - 9664782945	Hasmukhbhai Manilal Shah

30. In view of the details provided by the SEBI registered stock brokers, it is evident that Prasad Vitthal Dighe, Animesh Patel and Nilima Patil have themselves placed the orders which is contrary to their reply to SEBI summons dated November 27, 2019. Thus, Prasad Vitthal Dighe, Animesh Patel and Nilima Patil allegedly furnished false or incorrect information. Hence, it was alleged that Prasad Vitthal Dighe, Animesh Patel and Nilima Patil have violated Section 15A (a) of SEBI Act, 1992.

31. In response to SEBI's query dated 13.01.2020, S.P.Jain Securities Pvt., the broker of Dhiraj Rathod Ltd stated vide reply dated January 15, 2020, that written authorization was provided by Dhiraj Rathod to allow Bhupesh Rathod to trade/manage his account, and copy of the authorization letter was enclosed (copy at Annexure 7 to SCN).

32. The details of traded quantity and traded value for the Noticees 3 to 9 tabulated above is placed below:

Sl.no.	PAN	Name	Buy Quantity	Buy Value (in Rs)	Buy Value (in Rs Cr)	Broker Name
1	ANEPS1156J	Asha Sanjay Shah	732086	44,14,22,651.5	44.14	MR Share Broking Pvt.Ltd.
2	AUKPR2367M	Dhiraj Nirmal Rathod	407574	18,77,73,285.3	18.78	S.P.Jain Securities Pvt.Ltd.
3	ANYPD9007D	Prasad Vitthal Dighe	337507	23,14,57,869.3	23.15	B.Lodha Securities Ltd.
4	AUNPP3749G	Nilima N Patil	267169	18,12,73,118.1	18.13	B.Lodha Securities Ltd.
5	AOYPP1866M	Animesh K Patel	398067	24,43,08,114.8	24.43	B.Lodha Securities Ltd.
6	AZQPS4031C	Priteshkumar H Shah	422446	16,24,01,934.2	16.24	B.Lodha Securities Ltd.
7	EPXPS7552R	Hasmukhbhai Manilal Shah	191560	7,89,75,059.0	7.90	B.Lodha Securities Ltd.

33. Noticees 3 to 9 funded by Jalaram Finvest Ltd contributed 25.27% to market volume on buy side. The incomes (as provided in KYC) of Noticees 3 to 9 do not justify 25.27% contribution to market buy volume. A total amount of Rs 38.07 Cr was transferred to Noticees 3 to 9. With respect to trades of Noticees 3 to 9, it was observed that 87.07 % of their trades and 76.04% of their traded quantity during the investigation period were at zero LTP and thereby, leading to maintaining the price of the scrip and contributing 25.27% to market volume on buy side. The same is tabulated below:

	All trades			Zero LTP trades			
Client Name	Ltp Rate	Traded Qty	No. Of Trades	Traded Qty	No. Of Trades	% of Zero LTP trades to Total Trades	% of Zero LTP traded quantity to the Total Traded Quantity
Asha Sanjay Shah	558.65	732086	2151	484432	1881	87.45	66.17
Animesh K Patel	256.5	398067	854	318120	700	81.97	79.92
Priteshkumar H Shah	189.4	422446	582	377231	499	85.74	89.30
Prasad Vitthal Dighe	167	337507	584	215240	463	79.28	63.77
Nilima N Patil	92.5	267169	516	175420	413	80.04	65.66
Dhiraj Nirmal Rathod	66	407574	1760	393656	1682	95.57	96.59
Hasmukhbhai Manilal Shah	58	191579	288	175607	255	88.54	91.66
Total	**1388.05**	**2756428**	**6735**	**2150013**	**5915**	**87.82**	**78.00**

34. Hence, the Noticees 3 to 9 were alleged to have acted as conduits to create misleading appearance of trading and thereby fraudulently maintaining the price of the scrip and thus, have allegedly violated Sec. 12 A (a), (b), (c) of SEBI Act, 1992 r/w Reg. 3 (a), (b), (c) and (d) and 4(1), (2)(a) of SEBI (PFUTP) Regulations, 2003.

Non-compliance with Summons:

35. Vide summons dated November 28, 2019, the following director of PFL was inter-alia asked whether he was associated/related/connected in any capacity (directly/indirectly) with any of the suspected Noticees 3 to 9 (including price manipulators) -

P. Srikanth	Director	April 29, 2006	February 10, 2015	Delivered but not replied.

36. Summons dated November 28, 2019 were delivered to P. Srikanth / Noticee 2. But, no reply was received. Hence, Noticee 2 was alleged to have failed to furnish the documents/information as required under section 11C (3) read with 11C (2) of SEBI Act, 1992 in violation thereof. (The copy of summons and delivery receipt is placed at Annexure 8 to SCN).

37. Vide summons dated November 27, 2019 the Noticees 3 to 9 were inter-alia asked to provide comments on the receipt of funds from Jalaram Finvest Ltd., details of their connection/relationship/association with any of the other suspected entities, PFL Infotech Ltd and Promoters and / or Directors of PFL.

38. The status of the aforesaid summons is placed below:-

Sl.no.	PAN	Name	Status of Summons
1	ANEPS1156J	Asha Sanjay Shah	Delivered but not replied
2	AUKPR2367M	Dhiraj Nirmal Rathod	Returned undelivered
3	ANYPD9007D	Prasad Vitthal Dighe	Replied

Sl.no.	PAN	Name	Status of Summons
4	AUNPP3749G	Nilima N Patil	Replied
5	AOYPP1866M	Animesh K Patel	Replied
6	AZQPS4031C	Priteshkumar H Shah	Returned undelivered
7	EPXPS7552R	Hasmukhbhai Manilal Shah	Returned undelivered

39. As seen from the table above, summons were delivered to Asha Sanjay Shah/Noticee 3. However, no reply was received. Reminder summons were sent to Asha Sanjay Shah on December 19, 2019. However, no reply was received. Hence, Noticee 3 was alleged to have failed to furnish the documents/information as required under section 11C (3) read with 11C (2) of SEBI Act, 1992 in violation thereof.

40. Following replies of Noticees 4, 5 and 6 were examined on the basis of which further information was sought from Noticee 1.

    a. Prasad Vitthal Dighe: In his reply dated Dec 06, 2019, Prasad Vitthal Dighe had inter-alia stated that: *"In this regard, I would like to submit that you should contact Mr Naresh Jain who had executed transactions in the account held in my name. I am totally unaware about the transactions executed in my name."*

    b. Nilima Patil: In her reply dated Dec 09, 2019, Nilima Nitin Patil had inter-alia stated that: *"In this connection, I would like to submit that my name has been used by Mr Naresh Jain. I am totally unaware about the fund received from M/s Jalaram Finvest Ltd in the bank account held in my name. I am not aware about the transactions executed in the trading account held in my name."*

    c. Animesh Patel: In his reply dated Dec 05, 2019, Animesh Patel had inter-alia stated that: *"I have not dealt in the scrip of PFL Infotech Ltd, the same was done by Mr. Bhupesh Rathod using my account."*

41. In view of the above replies, vide summons dated December 19, 2019, Bhupesh Rathod /Noticee 1 was asked to provide details of their connection/relationship/association with any of the other suspected entities, PFL Infotech Ltd and Promoters and / or Directors of PFL.

42. Summons dated December 19, 2019 were delivered to Bhupesh Rathod. However, despite of sufficient passage of time, no information/documents as sought in aforesaid summons was provided by Bhupesh Rathod. Further, in his reply dated January 10, 2020, Bhupesh Rathod did not provid any information/documents as sought in aforesaid summons. It was, thus, alleged that Noticee 1 failed to furnish the documents/information as required under section 11C (3) read with 11C (2) of SEBI Act, 1992 in violation thereof. (The copy of summons and delivery receipt is placed at Annexure 11 to SCN.

43. The aforesaid alleged violations, if established, would make the respective Noticees liable for monetary penalty under Sections 15HA of the SEBI Act, and Section 15A (a) of the SEBI Act.

44. The SCN was served by SPAD on Noticees 1, 4, 5 and 6 on 08.06.2921 and on Noticees 2, 8 and 9 on 10.06.2021. The SCN was served upon Noticees 2 and 7 vide e-mails dated 11.06.2021. The SCN could not be served upon the Noticee 3 by SPAD or e-mail in terms of Rule 7 (a) and (b) of the Adjudication Rules as the SCN sent by SPAD had returned undelivered with the comment "addressee left". Accordingly, the SCN was served on Noticees 3 and 10 by publication of notice of SCN and hearing on 23.07.2021 in The Hindustan Times (English, Mumbai Edition), Nav Bharat Times (Hindi, Mumbai Edition), Loksatta (Marathi, Mumbai Edition), Times of India (English, Ahmedabad Edition), Gujarat Vaibhav (Hindi, Ahmedabad) and Gujarat Samachar (Gujarati, Ahmedabad).

45. Further vide hearing notices dated 29.10.2021 Noticees 1, 2 and 4-9 were granted opportunities of hearing by WebEx on 18.11.2021, 25.11.2021 and 10.12.2021. Since Hearing Notices despatched to Noticees 8 and 9 returned undelivered as "unclaimed", another set of Hearing Notices dated 17.02.2022 granting opportunities of hearing on 04.03.2022 were served on Noticees 8 and 9 by affixture in terms of Rule 7 (c) of the Adjudication Rules at their last known physical addresses on 21.02.2022.

46. Vide e-mail dated 15.06.2021 Noticee 1 submitted the following:-

(a) With respect to allegation in the SCN that he had been issued summons dated 19.12.2019 by the investigative authority but had not provided the information/documents sought therein in violation of S. 11C(3) read with 11C (2) of the SEBI Act, Noticee 1 denied the allegation and asked for inspection of documents.

(b) Further, Noticee 1 submitted that as far as he remembered he had submitted a response in February 2020 to the summons, and that SEBI should check with its inward section whether it had received any post from him in February 2020.

(c) Noticee 1 further submitted that he is not keeping health for last couple of years, and due to poor health his movements are restricted. He was seriously ill and in Rajasthan for some time during the relevant period. He has a problem of memory loss. His Advocate had drafted a reply on his instruction in February 2020 and sent the same to him on his e-mail id. He has proof of that and it can also be verified with his Advocate Mr. Vikas Bengani, who is also his Authorised Representative in the present proceedings.

47. Vide another e-mail dated 11.10.2021 the AR of Noticee 1 submitted that Noticee 1 is facing allegation of non-compliance with summons and requesting inspection of documents and verification regarding whether a reply to summons was received from him by SEBI in February 2020.

48. In response, vide e-mail dated 11.10.2021 the AR of Noticee 1 was informed that as per paras. 41 and 42 of the SCN, vide summons dated December 19, 2019, Bhupesh Rathod /Noticee 1 was asked to provide details of their connection/relationship/association with any of the other suspected entities, PFL Infotech Ltd and Promoters and / or Directors of PFL, but despite sufficient passage of time, no information/documents as sought in aforesaid summons was provided by Bhupesh Rathod. Even in his reply dated January 10, 2020,

Bhupesh Rathod did not provide any information/documents as sought in aforesaid summons. The AR of Noticee 1 was also asked to provide a copy of reply, if any, submitted by Noticee 1 in February 2020 to the summons dated 19.12.2019.

49. Vide e-mail dated 11.10.2021 the Authorised Representative ("AR") of Noticee 1 was also provided with details of Trade Integrated order log as well as order log in the scrip PFL Infotech Ltd for the period July 01, 2013 to April 13, 2016. With respect to the copy of the investigation report sought by Noticee 1, he was informed that all relevant and relied upon information on the basis of which charges have been framed against him - including relevant facts from investigation report – had already been provided to him in the SCN and Annexures thereto.

50. Vide hearing notice dated 29.10.2021, Noticee 1 was provided another opportunity of hearing by videoconferencing through WebEx on 18.11.2021. Upon the request of the AR of Noticee 1, the hearing date was advanced to 17.11.2021.

51. During the hearing conducted by videoconferencing through WebEx on 17.11.2021 the Authorised Representative of Noticee 1, Advocate Mr. Vikas Bengani submitted that the Noticee had responded to summons issued to him on 10.01.2020, stating that he was unwell. It was submitted that the Noticee believes he had also sent a reply dated 07.02.2020 specifically denying connection with PFL or executing transactions for Animesh Patel, but that he had no proof of delivery of the reply to SEBI. It was further submitted that the SCN did not allege violation of any Regulations by Noticee 1, and SAT Order in *Ashwin Bhandari v. SEBI* was cited to contend that those not involved in market violations should not be proceeded against merely for not providing the information sought through summons. The AR undertook to submit a consolidated reply on behalf of Noticee 1 by 30.11.2021.

52. Vide e-mail dated 18.11.2021 the AR of Noticee 1 was informed that his request for copy of the investigation report had been examined and it was found that all relevant and relied upon portions had already been extracted into the SCN, and that nothing outside of what was reproduced in the SCN was relevant or relied upon for the charges levelled against the Noticee/Bhupesh Rathod. Copies of replies of Noticees 4, 5 and 6 to summons issued to them were also provided to the AR of Noticee 1.

53. Vide another letter dated 03.12.2021 Noticee 1 submitted the following:-

(a) In summons dated 19.12.2019 Noticee 1 had not been asked whether he had traded using the accounts of Noticees 6 and 7, unlike what appears to have been mentioned in the SCN.

(b) From record it is not clear whether Noticee 7 was issued summons or not, and if so, why his reply had not been considered, if received.

(c) Noticee 1 was not provided with a copy of reply, if any, received from Noticee 7.

(d) Statement made by Noticee 6 was discarded by SEBI itself and found that Noticee 6 had furnished false information as per SCN. Thus, no reliance could be placed on his statement.

(e) SEBI did not provide Noticee 1 with inspection of documents and did not provide relied upon data.

(f) Allegation against Noticee 1 is based on replies of Noticees 4, 5 and 6 during investigation, but Noticees 4 and 5 have not made any accusations against Noticee 1 but against Naresh Jain. Reply of Noticee 6 has already been disproved by SEBI and member broker B. Lodha Securities Ltd. as SCN states that Noticee 6 was himself placing orders in his account.

(g) Noticee has bene keeping ill-health for last 7-8 years and is bed-ridden. He had instructed his counsel to prepare reply to summons in February 2020, and he received a draft by e-mail from counsel in February 2020. However, it seemed that due to memory loss he perhaps could not send the same to SEBI. He had no intention to not respond to summons.

(h) SEBI has failed to disclose which vital information Noticee 1 failed to provide to SEBI. SCN has failed to establish that by not providing so called information investigation of SEBI got hampered. Noticee 1 merely allegedly failed to provide information which has no relevance to ongoing investigation and did not hamper SEBI's investigation. In this regard, Noticee 1 placed reliance on order passed by the Securities Appellate Tribunal in the case of *Ashwin Bhandari v. SEBI* (dated 21.03.2018), which had become binding on SEBI as it had not challenged it before the Supreme Court.

(i) Noticee 1 is not facing allegation of violation of the PFUTP Regulations.

54. Further, vide e-mail dated 04.03.2022, a copy of relevant portions of the investigation report (including copies of relevant Annexures and barring portions pertaining to third parties not relevant to Bhupesh Rathod) was provided to the AR of Noticee 1.

55. Vide e-mail dated 05.03.2022, citing the judgment of the Hon'ble Supreme Court dated 18.02.2022 in the matter of *T. Takano v. SEBI*, a complete copy of the investigation report was sought. In response, vide e-mail dated 09.03.2022, the AR of Noticee 1 was informed that all relevant and relied upon material has been provided to Noticee 1 through the SCN and e-mails dated 11.10.2021 and 18.11.2021. Further, the investigation report (barring portions pertaining to third parties not relevant to Bhupesh Rathod) had also been provided to him vide e-mail dated 04.03.2022. Accordingly, Noticee 1 was granted time till 17.03.2022 to make any further submissions in respect of the charge of non-compliance with summons levelled against the Noticee, and that in the absence of a response on merits, adjudication proceedings in the matter will be proceeded with on the basis of material on record.

56. Vide e-mail dated 25.04.2022 Noticee 1 reiterated that –

(a) investigation failed to record any adverse finding in the IR that due to non-reply of the Summons issued to Mr. Bhupesh Rathod (Noticee), the investigation got hampered,

(b) Order passed by the Hon'ble SAT in the matter of Ashwin Bhandari v/s SEBI squarely applies in the case of the Noticee herein

(c) SEBI failed to provide complete copy of the investigation report which also prejudiced the Noticee. The extract of the IR merely records that Noticee failed to respond to the Summons issued by SEBI. Apart from this allegation, no other allegation or adverse finding has been recorded against the Noticee.

(d) The Noticee is not keeping well from last couple of years. In December, 2019, when the Summons were issued, the Noticee was not available in Mumbai and was in Rajasthan. The Noticee was returned to Mumbai in the first week of January, 2020 and was immediately admitted into Hospital. Relevant documents concerning to Noticee's health and his stay in Rajasthan and discharge summary of hospital have already been provided vide letter dated 03-12-2021. The Noticee was not in a sound condition at the relevant time to make his submissions. Indeed, he forgot to take his medicines on several occasions and due to that he seriously fallen sick.

57. Vide e-mail dated 14.06.2021, Noticee 2 submitted the following reply to the SCN:-

(a) He had not received the summons issued vide SEBI letter No. SEBI/HO/IVD/ID10/OW/P/1/31653/2019 dated 28.11.2019 mentioned in the SCN, and that copy of delivery receipt annexed as Annexure to the SCN was also not received by him and he had instead received a copy of the abovementioned summons thereby.

(b) The above-mentioned summons was sent to his old address where he was not residing since many years. He also provided his contact address for future communication in Hyderabad.

(c) Had he received the summons he would not have hesitated in in furnishing the information sought in the summons.

(d) His response to the summons was that he was not aware of any of the entities or any of the promoters/directors of the said entities specified in the list attached to the summons except for the following:-

(i) Mr. Abhinandan Suresh Jain (PAN AFFPJ2303D) as he was independent director of the Company since 19.09.2011 till 10.02.2015 the date from which Noticee 2 resigned as Director of the Company

(ii) Mr. Pulla Amresh Kumar who was Managing Director of the Company and the father of Noticee 2.

(iii) The details of directorships of Noticee 2 during FY 2012-13 and FY 2015-16 were as follows:-

S.No.	Company Name	Designation
1	PFL Infotech Ltd.	Director
2	Gensoft Solutions Ltd.	Director
3	Telangana Films Pvt. Ltd.	Director
4	Ranu Engineers Pvt Ltd	Director

58. Vide another letter dated 20.11.2021 Noticee 2 sought adjournment of hearing scheduled on 25.11.2021 by at least two months on grounds of ill health of his family, which request was acceded to in the interest of natural justice. Accordingly, vide e-mail dated 16.02.2021, Noticee 2 was provided another opportunity of hearing by videoconferencing on 03.03.2022.

59. During the hearing conducted by videoconferencing on 03.03.2022, Noticee 2-in-person and his Authorised Representative Mr. S.S. Marthi appeared for hearing. Noticee 2 submitted that he had not received the summons dated 28.11.2019 and that since 2015 he had been living at a new address. The old address at which summons was issued belonged to his mother and was

currently rented out to tenants. It was submitted that the summons was probably accepted by the security guard at the relevant time in 2019, but that the Noticee received the summons only through the SCN dated 01.06.2021. The Noticee further submitted that copy of acknowledgment of receipt of summons was not provided to him. The copy of acknowledgment of delivery was agreed to be provided to him. The AR undertook to make additional submissions within a week.

60. Copies of proof of delivery of summons was provided to Noticee 2 vide e-mail dated 04.03.2022.

61. Vide letter dated 05.03.2022, Noticee 2 submitted that he was not aware of the persons who had signed the acknowledgements on his behalf as they were neither associated with him nor his Company at any point of time. Noticee 2 reiterated that he had not been staying at the address to which the summons was sent. Further, Noticee 2 submitted copies of gas bill dated 23.03.2015, Aadhaar card copy dated 29.09.2017, Hyderabad Municipal Corporation receipt dated 20.09.2014, HDFC Insurance Policy dated 05.10.2013 and bank deposit receipt dated 01.09.2013 to show that his address at those points of time was not the one mentioned on the summons.

62. No reply to the SCN or Hearing Notice has been received from Noticee 3 (Asha Sanjay Shah), Noticee 4 (Prasad Dighe), Noticee 8 (Hasmukhbhai M Shah), Noticee 9 (Priteshkumar H shah) and Noticee 10 (Jalaram Finvest Ltd.).

63. During the opportunity of personal hearing provided to Noticee 5 (Nilima Patil) on 25.11.2021, Noticee 5 in-person alongwith her husband (also a Jalaram Finvest Group entity) appeared for the hearing and made the following submissions:-

    (i) Husband Nitin Patil (9004691156) used to work for Noticee 1 (Bhupesh Rathod) at his house in Labh Niwas, 1st floor, Khetwadi in end-2015. Nitin Patil was employed by Bhupesh Rathod for household chores such as carwash, tiffin delivery to his office in Chewda Bazaar etc. His present salary is Rs. 6000, and he works in a bank.

(ii) Nilima Patil (8452889829) works in a beauty parlour called Shrungar in Girgaum. Her salary is Rs. 8500.

(iii) All payments from Bhupesh Rathod were made to Nilima Patil and Nitin Patil in cash.

(iv) Bhupesh Rathod asked for Nitin Patil's driving license and Aadhaar card, and for Nilima Patil's Aaadhaar and PAN cards, which were accordingly given to him in early 2016.

(v) Nilima Patil and Nitin Patil do not know how to read English.

(vi) Nilima Patil did not recollect signing the letter or reply to SEBI, and she does not know Naresh Jain.

(vii) Nilima Patil has an account in Bank of Maharashtra and is not aware of any Axis Bank account through which funds were received and payments debited for impugned transactions in the scrip of PFL Infotech Ltd.

(viii) Nitin Patil has the contact number of Bhupesh Rathod (9322661198) saved on his phone.

(ix) All papers including those related to an account was opened with Lodha Securities (broker) and a bank account with Axis Bank in 2013 were forwarded to Bhupesh Rathod upon receipt.

(x) Nitin Patil is presently not working for Bhupesh Rathod

64. After the hearing, copies of the following documents were handed over to Nilima Patil and Nitin Patil for perusal:-

a. Copy of account statement of Axis Bank Account No. 913020044074688 for 01/01/2013 to 31/10/2013

b. Copy of letter from B. Lodha Securities dated 17.12.2019 to SEBI stating that Noticee 5 placed her own orders telephonically, while the orders were punched by Manish P. Shah, compliance officer of the said broker.

c. Copy of reply dated 09/12/2019 of Noticee 5 to SEBI summons

65. Noticee 5 and her husband Nitin Patil were granted another opportunity of hearing on 09.12.2021 at 4:30 p.m. However, the said Noticee did not avail this opportunity of hearing.

66. Vide e-mail dated 08.12.2021 Noticee 6 stated that he had authorised Advocate Mr. Saurabh Bachhawat to represent him during adjudication proceedings in the instant matter.

67. During the hearing conducted by videoconferencing through WebEx on 10.12.2021, the AR of Noticee 6 submitted that in respect of the allegation regarding violation of Section 15A (a) of the SEBI Act, the statement made by Noticee 6 to SEBI in response to the summons issued to him - that Bhupesh Rathod had entered into the impugned trades on his behalf- was true and borne out by statements made by Noticee 6 as well as Bhupesh Rathod himself to Income Tax authorities. Copies of the said statements were undertaken to be provided separately.

68. Vide reply dated 23.12.2021, Noticee 6 submitted the following:-

(a) Noticee 6 has been alleged to have (i) furnished false or incorrect information to SEBI in reply to Summons dated 27th November, 2019 and (ii) creating misleading appearance of trading in the scrip of PFL Infotech Ltd. and fraudulently maintained the price of the scrip

(b) With respect to the first allegation that Noticee 6 furnished false or incorrect information SEBI in reply to Summons dated 27th November, 2019, the information provided by him vide letter dated 05th December, 2019 was absolutely true and correct. Vide the said letter he had submitted that he had not dealt in the scrip of PFL and that the same was done by one Mr. Bhupesh Rathod.

(c) Attention was drawn to a statement made by Noticee 7 and Noticee 1 before the Income Tax Department in the matter of Risa International.

The relevant extract of the Statement made by Noticee 7 on 29th November, 2016 was -

""...

Q.7. What do you know about share market?

Ans. I don't know anything about share market.

Q.8. Since when are you dealing in shares?

Ans. I have given my D-mat Account to Shri Bhupesh Rathod, residing at 1, 1st floor, 4th Khetwadi, Labh Niwas, Girgaon, Mumbai-4 and he was dealing in shares on behalf of me in F.Y. 2013-14 and 2014-15. He works for someone called Naresh Bhai. I have no further idea as to the nature of his work.

...

Q.22. You have bought shares of Risa International Ltd. of 24,55,000/- from Mr. Nitin Amratlal Brahmbhatt, what was the source of investment? From which bank account was the amount paid? To whom was it paid?

Ans. I don't know. All the investments were made by Shri Bhupesh Rathod. He has opened my account in Axis Bank, Marine Lines. I used to sign documentation which Shri Bhupesh Rathod gave. I also signed blank cheques of my account in Axis Bank and gave the same to Mr. Bhupesh Rathod. I used to get Rs. 2,500/- per month in cash from Shri Bhupesh Rathod for six months."

(d) The relevant extract of the statement made by Mr. Bhupesh Rathod was also provided as follows:-

"Q. 3. In their statement recorded u/s. 131 of Smt. Sejal Rajesh Patel, Rajesh Patel, Animesh Patel, Pratik Shah, Harsh Sanjay Shah, they have stated that they had handed over their bank accounts and D-mat accounts to Mr. Bhupesh Rathod in exchange of monthly Rs. 2,500/- and that he conducted all transactions and dealings on their behalf. What do you have to say regarding this?

Ans. I agree that I had taken control of these D-mat accounts and bank accounts, however I immediately handed over the same to Mr.

Naresh Jain in exchange of a commission of 10 paise per hundred rupees of turnover on these accounts.""

(e) Copy of letter dated 07.11.2017 sent by Assistant Commissioner of Income Tax enclosing the above statements was enclosed as Annexure A to the reply.

(f) Even SEBI conducted investigation in the present matter post receipt of an email dated 29th August, 2016 from the Joint Commissioner of Income Tax, Non-Corporate Range-2, Chennai

(g) The fact that Noticee 6 had given control of his demat and bank account to Mr. Bhupesh Rathod has also been noted by a different adjudicating officer of SEBI while dealing in the scrip of Polytex India Limited. The Adjudicating Officer passed the order dated 05th November, 2019 and *inter alia* noted as under:

"*47. Further, as regards to the submissions made by the Noticee No. 5 that he allowed to use of his accounts for the purpose of trading in lieu of receipt of money on monthly basis is concerned, it is an admitted fact that Noticee No. 5 had knowingly lent his name and documents to operate for trading in the securities markets.*"

(h) The said order dated 05th November, 2019 was also challenged before the Hon'ble Securities Appellate Tribunal in Appeal No. 586 of 2019. The said appeal was disposed of vide order dated 24th June, 2021. The Hon'ble Tribunal also while disposing of the said appeal noted contention of Noticee 6 that his Demat Account was given at the rate of 2500/- per month to Bhupesh Rathod. The relevant part of the order dated 24th June, 2021 is reproduced herein below:

"*19. A contention was raised by noticee no. 6 Animesh Patel contending that the penalty of Rs. 5 lakhs was highly excessive. It was contended that the demat account was given at the rate of 2500/-per month to Bhupesh Rathod who was not a debarred entity. In this light it was urged, that even though the appellant has violated the provisions of SEBI Act and its Regulations by allowing someone to* *use the demat account the penalty should be reduced as he has no financial capacity.*"

(i) It is clear that the information furnished by Noticee 6 to SEBI was not false or incorrect information and thus the question of imposing any penalty on him under Section 15A(a) of SEBI Act, 1992 does not arise.

(j) With respect to the second allegation regarding volume manipulation and maintaining price of the scrip of PFL, based on the trade log provided vide email dated 10th December, 2021, trades executed in his Demat Account in the scrip of PFL were as under:

   (i) The sell trades were between 13th March, 2014 to 19th June, 2014 and the total sell quantity was 45175 in 37 trades.

   (ii) The buy trades were between 31st January, 2014 to 11th August, 2014 and the total buy quantity was 398067 in 854 trades.

(k) It was Mr. Bhupesh Rathod who was in control of Demat and Bank Account of Noticee 6 and it was him who had executed trades in the scrip of PFL. Noticee 6 was not aware as to what trades were executed in his Demat Account.

(l) Therefore, Noticee 6 cannot be alleged to have created misleading appearance of trading in the scrip of PFL or alleged to have fraudulently maintained the price of the scrip of PFL. At the highest he can be charged guilty of providing control of his Demat and Bank Account to Mr. Bhupesh Rathod.

(m)In the SCN itself it is noted that. "*26. Upon LTP analysis, no adverse inference was drawn w.r.t. trades of Asha Sanjay Shah, Dhiraj Nirmal Rathod, Prasad Dighe, Animesh Patel, Hasmukhbahi Shah, Pritesh Kumar Shah and Nilima Patil.*" It is submitted that since no adverse has been drawn against Noticee 6 along with the fact that it was Mr. Bhupesh Rathod who had traded in his demat account, a lenient view be taken against him in the present matter.

(n) SEBI, in a similar matter in the scrip of Axon Infotech Limited vide order dated 17th March, 2020 had imposed a penalty of merely Rs.20,000/- (Rupees Twenty Thousand Only) on the noticee who had lent her Demat Account to someone else. The relevant part of the said order is reproduced hereinbelow:

"35. Notwithstanding the culpability of the violation committed by the Noticee as mentioned above, I am inclined to take into account the submission of Noticee that the trades in her account were not done by her but by some other person and the documents made available to me thereof. I have taken note of the fact that the payment to the broker for the impugned trades was made from a bank account, which was not in the name of the Noticee. In view of the above peculiarities of the matter, I have taken a lenient view while determining the penalty. I am conscious of the fact that based on the peculiarities of the matter, the penalty has been decided and this cannot act as a precedence.

...

36.Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in Section 15J of the SEBI Act and 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. 20,000 (Rupees Twenty Thousand only) on the Noticee viz. Ms. Sheetal Kadam (now known as Ms. Tisha Tushar Rane) under the provisions of Section 15HA of the SEBI Act. I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticee.""

(o) The amendment to the SEBI Act, w.r.t. "Penalty for Fraudulent and unfair trade practices" was effected from 8th September, 2014, whereas the trades executed in Noticee 6's Demat Account were prior to the said amendment. Therefore, the applicable provision of Section

15HA of SEBI Act, which existed during the relevant period is: "*Penalty for fraudulent and unfair trade practices. 15HA.*

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

(p) Provisions of Section 15J should be given regard to while imposing any penalty. Noticee 6 has not made any disproportionate gain or unfair advantage by giving control of his Demat and Bank Account to Mr. Bhupesh Rathod. He was merely getting a sum of Rs. 2500/- per month for the same.

(q) Noticee 6 earns a salary of 8-10 thousand per month as a salesman in a cloth material shop. He has no other major source of income.

(r) No loss has been caused to any investor or group of investor as a result of his conduct.

(s) The conduct of Noticee 6 is not repetitive in nature.

69. Vide letter dated 30.06.2021 Noticee 7 Dhiraj Rathod submitted his physical address for service of SCN and Annexures, and stated that since para. 26 of the SCN mentioned that upon LTP analysis no adverse inference cold be drawn against Noticee 7, he could not understand the allegation against him. Noticee 7 further requested a copy of the investigation report and trade and order log data. Noticee 7 also stated that Advocate Mr. Harsh Kesharia was his Authorised Representative for the purpose of the instant proceedings.

70. In response to the letter received from Noticee 7, vide letter dated 06.07.2021 Noticee 7 was provided a physical copy of the SCN with Annexures at his present physical address. Further, vide letter dated 11.08.2021 a copy of trade integrated order log as well as order log in the scrip of PFL Infotech Ltd. for the investigation period were provided to Noticee 7. The said data on CD was collected by a representative of the Noticee 7 on 01.09.2021. Further, upon the request of the AR of Noticee 7, the trade and order log data converted into MS

Excel format was e-mailed to him on 01.09.2021. Regarding provision of investigation report Noticee 7 was informed that all relevant and relied upon information had on the basis of which charges had been framed against Noticee 7 had already been provided to him in the SCN and Annexures. Further, vide e-mail dated 11.08.2021 Noticee 7 was granted time till 26.08.2021 to submit his reply to the SCN. Upon the request of Noticee 7, an opportunity of hearing through WebEx was granted to him on 08.10.2021.

71. Vide reply dated 07.10.2021, Noticee 7 made the following submissions:-

(a) SCN did not explain how Noticee 7 acted as a conduit and how it was a violation of the PFUTP Regulations.

(b) Copy of the investigation report and other documents relied upon in the SCN have not been provided to Noticee 7.

(c) SCN had been issued to Noticee 7 after an inordinate delay of more than 5 years from the date of the execution of the trades.

(d) Noticee 7 denied that he belonged to any group named as Jalaram Finvest Group.

(e) Noticee 7 had no connection with any counterparty/seller.

(f) Noticee 7 has not manipulated the price of the scrip of the Company.

(g) SEBI in para. 26 of the SCN has categorically admitted that certain Noticees including me had not executed any manipulative trades in the scrip of the Company. SEBI itself has given clean chit to the trades of Noticees including Noticee 7. No adverse finding has been recorded against certain Noticees including Noticee 7 upon LTP analysis made by the Investigation Department, SEBI

(h) Noticee 7 had no connection with the Company, its Promoter and Director, and no such allegation has been made in the SCN.

72. During the hearing conducted by videoconferencing through WebEx on 08.10.2021, the Authorised Representative of Noticee 7 submitted that just because Noticee 7 had received funds of around Rs. 3 crore from Jalaram Finvest did not mean that Noticee 7 had carried out fraudulent trades. It was

averred that counterparties to the Noticee's zero LTP trades had been given a clean chit. It was further submitted that the SCN itself states that no adverse inference can be drawn against Dhiraj Rathod for LTP contribution. The Authorised Representative undertook to provide additional submissions within 10 days, including a response on how Noticee 7 traded for Rs. 3 crores with an income of Rs. 1 lakh as per KYC documents, since the trading profile of Noticee 7 was unusual. However, no such response has been received from Noticee 7.

73. I note that, through the SCN and hearing notices, the Noticees were advised to furnish their replies, if any, within stipulated time, failing which, it shall be presumed that the Noticees had no reply to submit and the matter will be proceeded on the basis of the material available on record. Since Noticees 3, 4, 8, 9 and 10 did not respond to the SCN or Hearing Notice despite sufficient opportunity granted to them to submit a reply and attend hearings, I hereby proceed to adjudicate *ex parte* and on the basis of material on record in respect of the allegations levelled against them.

74. Accordingly, in the light of the allegations contained in the SCN, the Noticees' submissions in respect of the allegations made in the SCN and relevant material available on record, I hereby proceed to decide the case on merits.

CONSIDERATION OF ISSUES AND FINDINGS

75. The issues arising for consideration in the instant proceedings are:-

I. Whether the following provisions have been violated by the Noticees –

(i) Section 12 A (a), (b), (c) of SEBI Act, 1992 r/w Reg. 3 (a), (b), (c) and (d) and 4(1), (2) (a) of the PFUTP Regulations by Noticees 3, 4, 5, 6, 7, 8 and 9 and Section 12 A (a), (b), (c) of SEBI Act, 1992 r/w Reg. 3 (a), (b), (c) and (d) and 4(1), (2) (d) of the PFUTP Regulations by Noticee 10

(ii) Section 11C (3) read with 11C (2) of SEBI Act, 1992 for failure to furnish the documents/information by Noticees 1, 2 and 3

(iii) Section 15 A (a) of SEBI Act by Noticees 4, 5 and 6 for furnishing false or incorrect information to SEBI Summons dated November 27, 2019.

II. If yes, whether Noticees 1-10 are liable for imposition of monetary penalty under Section 15A (a) and 15HA of the SEBI Act as applicable

III. If yes, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5 (2) of the Adjudication Rules, and Section 23-J of the SCRA read with Rule 5 (2) of the SCRA Adjudication Rules?

76. At the outset, a preliminary objection raised by Noticee 7 regarding delay of more than 5 years from date of impugned trades in issuance of the SCN needs to be addressed. I note that the investigation period was from 01.07.2013 to 13.04.2016. Investigation was completed on 30.09.2020 and Adjudicating Officer in respect of adjudication proceedings against the Noticees was appointed on 29.12.2020, which was communicated on 05.01.2021. The SCN was issued on 01.06.2021. I note that no limitation is prescribed under the SEBI Act or Regulations for issuance of SCN or completion of adjudication proceedings. Considering the circumstances, I do not find any inordinate delay in issuance of SCN or initiation of adjudication proceedings.

I. (i) Whether Section 12 A (a), (b), (c) of SEBI Act, 1992 r/w Regulations 3 (a), (b), (c) and (d) and 4(1), (2) (a) of the PFUTP Regulations has been violated by Noticees 3, 4, 5, 6, 7, 8 and 9 and whether Section 12 A (a), (b), (c) of SEBI Act, 1992 r/w Regulations 3 (a), (b), (c) and (d) and 4(1), (2) (a) of the PFUTP Regulations has been violated by Noticee 10

77. The allegations against Noticees 3 to 10 arise from the fact that Noticee 10 funded the trading activity of Noticees 3 to 9 over the IP, who based on their own income were not capable of making such large purchases as were made by

them. Their trading contributed to 25.27% to market volume on buy side. 87.07% of their trades and 76.04% of their traded quantity during the IP were at zero LTP. Thus it was alleged that they created misleading appearance of trading and fraudulently maintained the price of the scrip. Noticees 3-9 have been charged with violation of Section 12 A (a), (b), (c) of SEBI Act, 1992 r/w Regulations 3 (a), (b), (c) and (d) and 4 (1), (2) (a) of the PFUTP Regulations. Noticee 10 has been charged with violation of Section 12 A (a), (b), (c) of SEBI Act, 1992 r/w Regulations 3 (a), (b), (c) and (d) and 4(1), (2) (d) of the PFUTP Regulations.

78. The relevant legal provisions are reproduced below for reference:-

PFUTP Regulations

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

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

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

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves:—

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

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

79. Noticees 3-9 placed the impugned buy orders in the scrip between 18.07.2013 to 06.05.2015. The investigation period was divided into patches based on price-volume trends in the scrip during the said period namely, Patch 1 (01.07.2013-08.07.2013 – Price rise), Patch 2 (09.07.2013- 12.01.2014 – Period Call Auction Session), Patch 3 (13.01.2014 – 19.05.2014 – Price rise), Patch 4 (20.05.2014 – 27.02.2015 – Price fall), Patch 5 (28.02.2015 – 13.04.2016 – Price fall). The impugned buy orders of Noticees 3-9 span Patches 2, 3, 4 and a part of Patch 5 as well. A perusal of the trade log brings out that during Patch 3 which saw maximum price rise (from low of Rs. 458.65 to high of Rs. 825) in the scrip, 3219 buy orders of Noticees 3-9 out of a total of 15293 buy orders in the market at the time contributed to no change in Last Traded Price. Buy clients including Noticees 3-9 entered a total of 12328 buy orders with no LTP contribution.

80. During the period when the said Noticees 3-9 entered buy orders in the scrip, Noticees 3-9 were amongst the top 10 buyers in the scrip of PFL Infotech Ltd. in terms of gross buy volume during the investigation period. Noticee 9 is also mentioned as one of the top 10 sellers in terms of gross sell volume during the investigation period. Together Noticees 3-9 have contributed 25.27% to market buy volume on the buy side. I note from the trade log that the Noticees appear on both buy and sell side during the IP and that the net buy value of their trades is Rs.44 crores. The KYC documents of Noticees 3 to 9 clearly show that they did not have the capacity to make such purchases.

81. The bank account statements of Noticee 10 show that Noticees 3-9 received funds from Noticee 10 - Rs. 2,36,90,000/- (Noticee 3), Rs. 3,02,83,600/- (Noticee 7), Rs. 14,38,30,462/- (Noticee 8), Rs. 15,63,10,600/- (Noticee 9), Rs. 2,34,45,800/- (Noticee 6), Rs. 13,89,500/- (Noticee 5) and Rs. 18,11,270/- (Noticee 4) i.e. a total amount of Rs. 38.07 crores was received from Noticee 10.

82. Upon perusal of bank account statement of Noticee 10 for its account with Axis Bank, it is seen that Noticee 3 was paid Rs. 10,00,000/- by Noticee 10 on

13.09.2013. Another sum of Rs. 10,00,000/- was paid to her on 22.02.2014. A perusal of the trade log for the investigation period shows that she carried out 2151 buy trades between 03.01.2014 and 20.08.2014.

83. Noticee 4 carried out 584 buy trades in the scrip of the Company between 10.02.2014 and 30.05.2014, of which 463 trades contributed to no change in the Last Traded Price of the scrip. Noticee 4 was paid Rs. 6,48,840/- and Rs. 3,38,160 by Noticee 10 on 22.03.2014.

84. Similarly, the payments made were approximately around the time of the trades in respect of Noticees 5 – 9. While Noticees 3, 4, 8 and 9 did not respond to the SCN, replies of Noticees 5 and 6 have claimed that their accounts were not under their own control and were being used to carry out trading by Bhupesh Rathod/ Noticee 1. Noticee 7 has denied all allegations, but has not given any explanation regarding the funds received by him from Noticee 10.

85. Considering the volume of trading, the value of trades and the income levels as seen from KYC documents of Noticees 3-9 and as stated by Noticee 5 and 6, I am of the view that Noticees 3 to 9 allowed their trading accounts to be used for trading in the scrip of PFL, and that the trades were funded by Noticee 10. The trading by Noticees 3 – 9 contributed to 25.27% of the volume, creating a misleading impression of trading volumes in the scrip. Hence, it is established that by allowing their accounts to be used for creating trading volume in the scrip, Noticees 3 – 9 violated Section 12 A (a), (b), (c) of SEBI Act, 1992 r/w Regulations 3 (a), (b), (c) and (d) and 4 (1), (2) (a) of the PFUTP Regulations. Further, it is also established that by funding the trades of Noticee 3 to 9 to create artificial volumes in PFL, Noticee 10 has violated Section 12 A (a), (b), (c) of SEBI Act, 1992 r/w Regulations 3 (a), (b), (c) and (d) and 4(1), (2) (d) of the PFUTP Regulations.

(ii) Whether Section 11C (3) read with 11C (2) of SEBI Act, 1992 was violated by Noticees 1, 2 and 3

86. It has been alleged that Noticees 1, 2 and 3 failed to respond to summons dated 19.12.2019, 28.11.2019 and 28.11.2019 respectively, issued to them by SEBI. Thus, it is alleged that the Noticees 1-3 failed to furnish documents and information as required under Section 11C (3) read with 11C (2) of the SEBI Act.

87. The applicable legal provisions in this regard read as follows:-

<u>SEBI Act</u>

"Investigation.

11C.

(2) Without prejudice to the provisions of sections 235 to 241 of the Companies Act, 1956 (1 of 1956), it shall be the duty of every manager, managing director, officer and other employee of the company and every intermediary referred to in section 12 or every person associated with the securities market to preserve and to produce to the Investigating Authority or any person authorised by it in this behalf, all the books, registers, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.

(3) The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or registers, or other documents, or record before him or any person authorised by it in this behalf as it may consider necessary if the furnishing of such information or the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation."

88. It is seen that Sections 11C(2) read with 11C(3) of the SEBI Act place a legal obligation on Noticees 1, 2 and 3 as persons associated with the securities

market, to preserve documents in their custody or power and produce them before the Investigating Authority, when called upon do so.

89. The summons dated 19.12.2019 was served upon Noticee 1, seeking information and documentary evidence *inter alia* regarding whether the Noticee knew or was associated with PFL Infotech Ltd. or its directors/promoters and certain other entities including Noticees 3-9 at Annexure B to the summons. As per copy of tracking details of India Post summons dated 19.12.2019 was delivered to the Girgaon address of Noticee 1 on 23.12.2019. Noticee 1 has not contested that summons dated 19.12.2019 was received by him.

90. Noticee 1 has submitted that as far as he remembered he had responded to the summons in February 2020 and his Advocate had drafted a reply on his instruction and e-mailed it to the Noticee. However, the Noticee has not produced any documentation in support of his submissions, or to show that he had sent a response to the summons dated 19.12.2019, despite being specifically asked to do so through e-mail dated 11.10.20201 and during the hearing conducted on 17.11.2021.

91. With respect to the Noticee's contention that he has not been provided all the documents relevant to the charge levelled against him, I find that all relevant and relied upon information including relevant portions of the Investigation Report (barring portions pertaining to third parties not relevant to Bhupesh Rathod), replies of Noticees 4, 5 and 6 to summons issued to them, and copy of the summons and proof of delivery of summons to Noticee 1 were provided to him vide e-mails dated 11.10.2021, 18.11.2021, 04.03.2022, 09.03.2022 and 08.04.2022. Further, sufficient opportunity has been granted to Noticee 1 to refute the allegations levelled against him. Therefore, I am of the view that principles of natural justice have been duly complied with, and the submissions of the Noticee 1 regarding denial of documents are without merit.

92. Noticee 1 has also contended that it is not clear to him how the information not provided by him hampered investigation. In this regard I note that Noticees 6 and 7 both claimed in their reply or during hearing that their trading accounts were being operated by Noticee 1. This was also claimed by Noticee 6 during the investigation. It is established that Noticees 3 to 9 were lending their accounts for trading in PFL scrip and hence, it was important for investigation to determine who was controlling their trading accounts. As Noticee 1 was alleged by Noticee 6 to have been controlling his trading account, it was necessary for investigation to proceed to have a clear response from Noticee 1. Thus, by not responding to summons, Noticee 1 clearly hampered the investigation.

93. It has been held by the Hon'ble Securities Appellate Tribunal in *Tricon Business Pvt. Ltd. v. AO* SEBI decided on 03.12.2009 that it is the Investigating Authority's prerogative to decide which documents need to be sought based on relevance or necessity for investigation. The Noticee has cited the SAT ruling in the matter of *Ashwin Bhandari v. SEBI* dated 21.03.2018 in support of his submission. However, the said judgement in the case of *Ashwin Bhandari* is distinguishable from the facts of the instant case as in the said case of Ashwin Bhandari summons had been served beyond the date prescribed in the summons for furnishing the information, which weighed on the Tribunal when it reduced penalty of Rs. 2 lakhs to a warning. The Tribunal also held – *"fact that the summonses were served beyond the date prescribed in the summonses for furnishing the information cannot be a ground for the appellant not to furnish the information especially when the appellant himself had agreed to furnish the information by 30.04.2016. Similarly, fact that the investigation report concludes that the appellant was not involved in the violations relating to the scrip of the company, cannot be a ground to hold that the appellant has not violated Section 11(C)(2) and 11C(3) of SEBI Act…".*

94. In view of the aforesaid, the allegation that Noticee 1 violated Section 11C (3) read with Section 11C (2) of the SEBI Act by not providing a response to the summons stands established.

95. In respect of non-compliance of summons by Noticee 2, it is alleged that summons dated 28.11.2019 was delivered to Noticee 2 but he failed to provide the information and documents sought therein. From copies of the SPAD acknowledgement cards received from India Post in respect of summons dated 28.11.2019 issued to Noticee 2 at two of his addresses, it is seen that acknowledgment card for one of the addresses was signed by one P. Sireesha, but date of delivery is not mentioned on the card. The other card appears to have been signed by another person in Telugu, and mentions 02.12.2019 as date of delivery. Noticee 2 has submitted that neither of the signatures belong to him or any person representing him or the Company, and has produced evidence in the form of copies of Aadhaar card and bills submitted by Noticee 2 for the said period which show that at the relevant time he resided at an address different from the ones at which the summonses were issued to him. In view of the documents submitted by Noticee 2, I am inclined to accept his contention that the summons was not served upon him at the address at which he was residing at the time. Since he did not receive the summons, he could not have responded to it. Therefore, the allegation that Noticee 2 violated Section 11C (3) read with Section 11C (2) of the SEBI Act by not providing a response to the summons despite it being served on him, does not stand established.

96. In respect of Noticee 3, it is alleged that summons dated 27.11.2019 was issued to her seeking information and documents in respect of funds received from Noticee 10, rationale for trading in the scrip of PFL Infotech Ltd. during the investigation period, details of order placement in case of impugned trades, source of funds, associated with the Company or its connected entities or to Noticees 3-9. Noticee 3 was also asked to furnish a copy of her Income Tax Returns for FY 2012-13 to FY 2015-16. From a copy of the SPAD acknowledgement card received from India Post it is seen that a stamp indicating the date of delivery as 4.12.2019 alongwith a signature (which appears to be that of Noticee 3) acknowledging receipt is present on the card. It is also noted from material on record that a reminder summons dated

19.12.2019 was delivered to Noticee 3 on 23.12.2019 as per stamp of India Post on the SPAD acknowledgement card and duly acknowledged as per the signature on the acknowledgement card, but she failed to respond to that either. A copy of tracking details obtained from the website of India Post in respect of summons dated 19.12.2019 also show that the summons was delivered to her at her Nallasopara, Mumbai address on 23.12.2019. Further, I note that despite service of SCN and Hearing on Noticee 3 through public notice in terms of Rule 7 (d) of the Adjudication Rules, Noticee 3 has not responded to the allegations levelled against her. The material on record therefore leads to the inescapable conclusion that Noticee 3 failed to comply with the summons. Consequently, I find that the allegation of violation of Section 11C (3) read with Section 11C (2) of the SEBI Act by Noticee 3 stands established.

(iii) Whether Section 15 A (a) of SEBI Act was violated by Noticees 4, 5 and 6

97. The third set of allegations pertains to whether Noticees 4, 5 and 6 furnished false or incorrect information to SEBI when replying to SEBI summons dated 27.11.2019 which sought information on receipt of funds from Noticee 10, and details of Noticees' connection with other entities, the Company and its promoters/directors.

98. The relevant legal provision is as follows:-

"*Penalty for failure to furnish information, return, etc.*

15A.

If any person, who is required under this Act or any rules or regulations made thereunder,—

(a) to furnish any document, return or report to the Board, fails to furnish the same or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents, he shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one lakh rupees for

each day during which such failure continues subject to a maximum of one crore rupees."

99. The Noticees 4 and 5 in their replies dated 06.12.2019 and 09.12.2019 had respectively stated that one Mr. Naresh Jain had executed the impugned trades in the accounts held in the names of Noticees 4 and 5, and Noticee 6 vide letter dated 05.12.2019 had submitted that Mr. Bhupesh Rathod (Noticee 1) had executed trades in the account held in the name of Noticee 6.

100. However, as per order placement details contained in letter dated 17.12.2019 obtained from the broker of Noticees 4, 5 and 6 i.e. B. Lodha Securities Ltd., the said Noticees had themselves placed orders, contrary to their replies furnished in response to summons dated 27.11.2019. Based on the letter submitted by B. Lodha Securities, the Noticees 4-6 have been alleged to have provided false information to SEBI in response to summonses issued to them.

101. On perusal of the material on record, I find that actual records or log details regarding who placed the orders on behalf of the Noticees 4, 5 and 6 during the investigation period are not available. The broker B. Lodha Securities Ltd. has only submitted a letter without providing actual order placement details or logs. In the absence of such data, it is impossible to pit the statement of the broker against that of the client and decide the correctness of one vis-à-vis the other, as there is no objective basis for treating the statement of the broker as more credible than that of the client. Noticee 6 in reply dated 23.12.2021 also submitted copy of statement of Noticees 1 and 7 before the Income Tax Department in the matter of Risa International wherein Noticee 7 i.e. Dhiraj Rathod had stated that he had given his D-mat account to Bhupesh Rathod to deal in shares on his behalf and Bhupesh Rathod worked for Naresh Jain, and Bhupesh Rathod had stated that he had taken control of the D-mat account of Animesh Patel (Noticee 6). Accordingly, I find that there in insufficient material on record to conclude that the information provided by Noticees 4 and 5 and 6

vide letters dated 06.12.2019, 09.12.2019 and 05.12.2019 was false. In view of the same, I find that the charge regarding violation of Section 15A (a) of the SEBI Act is not established in respect of Noticees 4, 5 and 6.

II. If yes, whether the Noticees are liable for imposition of monetary penalty under Sections 15A (a) and 15 HA of the SEBI Act

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

102. As it has been established that Noticee 3-9 violated Section 12 A (a), (b), (c) of SEBI Act, 1992 read with Regulations 3 (a), (b), (c), (d) and 4 (1) and (2) (a) of the PFUTP Regulations, and Noticee 10 violated Section 12 A (a), (b), (c) of SEBI Act, 1992 read with Regulations 3 (a), (b), (c) and (d) and 4(1), (2) (d) of the PFUTP Regulations they are liable for imposition of penalty in terms of Section 15 HA of SEBI Act. Further, as it has been established that Noticee 1 and 3 violated Section 11C (3) read with Section 11C (2) of the SEBI Act, they are liable for imposition of penalty in terms of Section 15A (a) of SEBI Act.

103. Sections 15HA read as follows at the time of commission of the contravention by the Noticees:-

> ***SEBI Act***
>
> ***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].*
>
> ** Substituted for the words "twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.*

Penalty for failure to furnish information, return, etc.

15A. *If any person, who is required under this Act or any rules or regulations made thereunder,— (a) to furnish any document, return or report to the Board, fails to furnish the same *[or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents], he shall be liable to a penalty **[which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees];*

*** Substituted for the words "of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014*

104. While determining the quantum of penalty under Sections 15HA and 15A (a) of the SEBI Act, the following factors stipulated in Section 15J of the SEBI Act, have to be given due regard:

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.

105. Taking into account the facts and circumstances of this matter and mitigating factors, I am of the view that a penalty of Rs. 5,00,000/- (Rs. Five lakh only) payable jointly and severally by Noticees 3, 4, 5, 6, 7, 8 9 and 10 for violation of Section 12 A (a), (b), (c) of SEBI Act, 1992 read with Regulations 3 (a), (b), (c), (d) and 4 (1) and (2) (a) and (d) of the PFUTP Regulations as applicable, and of Rs. 1,00,000 (Rs. One lakh only) each payable by Noticees 1 and 3 for violation

of 11C (3) read with 11C (2) of SEBI Act, will be commensurate with the violations committed by the respective Noticees.

ORDER

106. After taking into consideration all the facts and circumstances of the case, in exercise of powers conferred upon me under Section 15 I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose the following penalty –

   (a) Rs. 5,00,000/- (Rupees five lakhs only) payable jointly and severally by Noticees 3, 4, 5, 6, 7, 8 9 and 10 i.e. Asha Sanjay Shah (Noticee 3), Prasad Vitthal Dighe (Noticee 4), Nilima Nitin Patil (Noticee 5), Animesh K. Patel (Noticee 6), Dhiraj N Rathod (Noticee 7), Hasmukhbhai Shah (Noticee 8), Priteshkumar H Shah (Noticee 9) and Jalaram Finvest Ltd (Noticee 10) in terms of Section 15HA of the SEBI Act for violation of Section 12 A (a), (b), (c) of SEBI Act, 1992 read with Regulations 3 (a), (b), (c), (d) and 4 (1) and (2) (a) and (d) of the PFUTP Regulations as applicable, and

   (b) Rs. 1,00,000/- (Rupees One Lakh only) each on Noticees 1 (Bhupesh Rathod) and Noticee 3 (Asha Sanjay Shah) in terms of Section 15A () of the SEBI Act for violation of for 11C (3) read with 11C (2) of SEBI Act.

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

ENFORCEMENT → Orders → Orders of AO → PAY NOW

108. The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid to the Enforcement Department – Division of Regulatory Action – 5 of SEBI.

109. The Noticees shall provide the following details while forwarding DD/ payment information:

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

110. Copies of this Adjudication Order are being sent to the Noticees and also to SEBI in terms of Rule 6 of the Adjudication Rules.

MANINDER CHEEMA
Digitally signed by MANINDER CHEEMA
Date: 2022.04.27 15:43:03 +05'30'

DATE: APRIL 27, 2022
PLACE: MUMBAI

MANINDER CHEEMA
ADJUDICATING OFFICER