BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/JS/YK/2025-26/31675-31682]

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

In respect of:

Noticee No.	Noticee Name	PAN
1	Shubham Mittal	HEXPS2161N
2	Skylarge Realcon Pvt. Ltd.	AARCS6421P
3	Mr. Gaurav Narang	ADTPN0347H
4	Bigsea Trading Company Pvt. Ltd.	AAFCB0528E
5	Rekha Narang	AGKPN9369D
6	Superfast Media Pvt. Ltd.	AARCS6419D
7	Jagtarni Traders Pvt. Ltd.	AACCJ1260C
8	Tilak Raj	AFVPR9331P

*(The Noticees are individually referred to by their respective Noticee No. as mentioned above and collectively referred to as **"Noticees")***

In the matter of trading activities of certain entities in the scrip of Max Heights Infrastructure Ltd.

BACKGROUND

1. Max Heights Infrastructure Ltd. (hereinafter referred to as "**MHIL**") is a company listed in BSE Ltd. (hereinafter referred to as **"BSE"**). BSE, based on its internal alert, carried out an investigation in respect of trading activities in the scrip of MHIL. Thereafter, the Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted further investigation in the matter. The investigation undertaken in the matter was for the period from October 31, 2022 to March 15, 2023 (hereinafter referred to as "**Investigation Period/IP**").

2. Pursuant to the investigation, it was alleged that Noticee 1 (independent director of MHIL) in connivance with Noticees 2 to 8 had introduced a misleading proposal of share split of MHIL (approved in board meeting but later rejected by shareholders) that resulted in an increase in the price and volume of the shares of MHIL and subsequently, Noticees 2 to 8 took advantage by offloaded their holdings in the scrip of MHIL at the increased price. Therefore, it was alleged that Noticees had violated the provisions of sections 12A (a), (b), (c) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") and regulations 3(a), (b), (c), (d), 4(1) and 4(2)(d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**").

APPOINTMENT OF ADJUDICATING OFFICER

3. Pursuant to the superannuation of the erstwhile Adjudicating Officer (hereinafter referred to as ''**AO**'') who had been appointed so vide communiqué dated September 13, 2024, the undersigned was appointed as AO in this matter vide communiqué dated April 04, 2025 under section 15-I of the SEBI Act read with rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"Rules"**), to inquire into and adjudge under the provisions of section 15HA of the SEBI Act for the aforementioned violations alleged to have been committed by Noticees.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice Ref. No. SEBI/HO/EAD-2/NH/YK/2024/34608 dated November 08, 2024 (hereinafter referred to as **"SCN"**) was issued to Noticees by erstwhile AO in terms of rule 4 of the Rules read with section 15-I of the SEBI Act to show cause as to why an inquiry should not be held against Noticees and why penalty, if any, should not be imposed on them in terms of the provisions of section 15HA of the SEBI Act for the aforementioned violations alleged to have been committed by Noticees.

5. The SCN dated November 08, 2024, *inter alia*, alleged the following:

<u>Price Volume analysis for the IP</u>

a. The Price Volume Analysis of MHIL is as under:

Table 1

Period	*Dates*		*Opening Price (vol.) on first day of the period (Rs)*	*Closing price (vol.) on last day of the period (Rs.)*	*Low price (vol.) during the period (Rs.)*	*High Price (volume) during the period (Rs.)*	*Avg. no. of (shares) traded daily during the period*
Before Investigation period	*(01/08/2022 - 28/10/2022)*	*Price*	*12.75*	*13.85*	*12.5 (05/08/22)*	*20.5 (16/09/22)*	*1,432*
		Vol	*25*	*8*	*55*	*24*	
During Investigation period	*(31/10/2022 - 15/03/2023)*	*Price*	*13.85*	*97.40*	*13.85 (31/10/22)*	*99.99 (14/03/23)*	*41,395*
		Vol	*2*	*7,937*	*2*	*48,044*	
After Investigation period	*(16/03/2023 - 22/09/2023)*	*Price*	*98.45*	*37*	*37 (22/02/23)*	*98.45 (16/03/23)*	*7,667*
		Vol	*42,943*	*647*	*647*	*42,943*	

b. From the aforesaid Table 1, it was observed that the average traded quantity in the scrip of MHIL during the IP was 41,395 shares per day. It was further observed that the IP (October 31, 2022 to March 15, 2023) is considered as one patch which is price rise.

c. The Price Volume during the IP is presented in the graphical chart below:

Pictorial Presentation 1

Trading summary of Noticees 2 to 8 during the IP

d. *Summary of the trading done by the Noticees 2 to 8 in the scrip of MSIL during the IP were as under:*

Table 2

Sr. No.	Noticee Name	Shares Purchased during IP	Shares Sold during IP
2	Skylarge Realcon Pvt. Ltd.	NIL	3,67,878
3	Mr. Gaurav Narang		50,000
4	Bigsea Trading Company Pvt. Ltd.		4,19,882
5	Rekha Narang		45,000
6	Superfast Media Pvt. Ltd.		66,618
7	Jagtarni Traders Pvt. Ltd.		89,485
8	Tilak Raj		27,700

Connection among Noticees 1 to 8

e. *It was observed that connection among Noticee 1 (Independent Director at MHIL) and Noticees 2 to 8 was alleged on various grounds, which are dealt with in the following paragraphs.*

Connection based on Unique Client Code (UCC)/ Know Your Client (KYC) documents

f. *It was observed from the KYC documents that Skylarge Realcon Pvt. Ltd. (Noticee 2), Mr. Gaurav Narang (Noticee 3), and Bigsea Trading Company Pvt. Ltd. (Noticee 4) exhibit common Mobile No., i.e., 92XXXXXX91. It was further observed from KYC documents that Mrs. Rekha Narang (Noticee 5) is the spouse of Mr. Gaurav Narang (Noticee 3). Further, both of them share a common address, i.e., 814-C/25, Patel Nagar, Rohtak, Haryana.*

g. *It was observed from the KYC documents that Superfast Media Pvt. Ltd. (Noticee 6) and Bigsea Trading Company Pvt. Ltd. (Noticee 4) share a common Mobile No., i.e., 99XXXXXX90.*

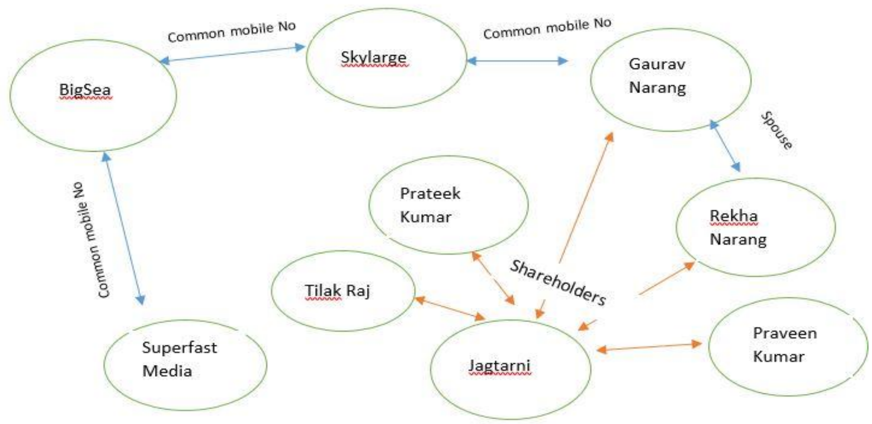
h. *It was observed that the following entities were shareholders in Jagtarni Traders Pvt. Ltd. (Noticee 7):*

Table 3

Sr. No.	Name of shareholders	No. of Shares	% of shares
1	Mr. Gaurav Narang (Noticee 3)	20,000	0.73
2	Mr. Tilak Raj (Noticee 8)	3,40,000	12.42
3	Mr. Prateek Kumar	3,60,000	13.15
4	Mr. Praveen Kumar	2,72,000	9.93
5	Mrs. Rekha Narang (Noticee 5)	50,000	1.83
Total		10,42,000	38.06

i. *The graphical representation of the above alleged connection is given below:*

Pictorial Presentation 2



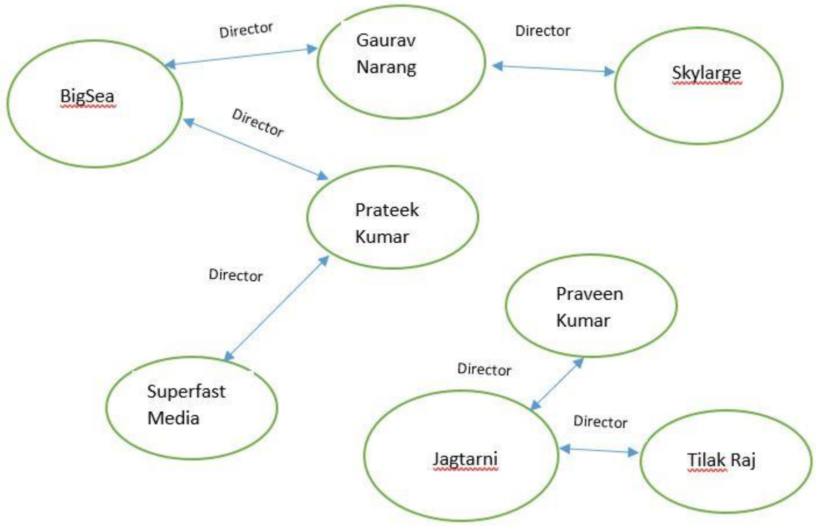
<u>Connection based on common directorship:</u>

j. It was observed from the KYC documents that Mr. Gaurav Narang (Noticee 3) was a director who was common in the boards of Skylarge Realcon Pvt. Ltd. (Noticee 2) and Bigsea Trading Company Pvt. Ltd. (Noticee 4). It was further observed that Mr. Prateek Kumar was a director who was common in the boards of Bigsea Trading Company Pvt. Ltd. (Noticee 4) and Superfast Media Pvt. Ltd. (Noticee 6).

k. It was observed that Mr. Praveen Kumar and Mr. Tilak Raj (Noticee 8) were common directors at Jagtarni Traders Pvt. Ltd. (Noticee 7). Further, Mr. Praveen Kumar, during his statement recorded on February 08, 2024 had, inter alia, stated that "I know his (Mr. Gaurav Narang) another company Skylarge Realcon, in which Mr. K.C. Ahuja has acquired shares in my name". Therefore, it was alleged that Mr. Praveen Kumar also knows Mr. Gaurav Narang.

l. The graphical representation of the above alleged connection is given below:

Pictorial Presentation 3



Connection based on bank account transactions:

Bank account statement analysis of Noticee 2 and Noticee 4:

m. It was observed from the trade log that the Noticee 2 had sold shares of MHIL during the period from December 20, 2022, to January 20, 2023, for a consideration of Rs. 259.54 Lakh. It was further observed from the bank account statement of Noticee 2 that Rs. 85 Lakh were transferred to the account of Pahwa Buildwell Pvt. Ltd. (owned by Mr. Rakesh Pahwa) during the period from December 29, 2022, to January 09, 2023. It was further observed that subsequently an amount of Rs. 7.90 Lakh was transferred to the bank account of Mr. Rakesh Pahwa and Rs. 14.00 Lakh was transferred to the bank account of Mrs. Achala Pahwa's account (spouse of Mr. Rakesh Pahwa) from Pahwa Buildwell Pvt. Ltd. during the period from December 29, 2022, to January 13, 2023.

n. The details of the transactions have been provided below:

Table 4

Credited from Quest Securities		*Amount transferred to Pahwa Buildwell by Skylarge*		*Amount transferred to Mr. Rakesh Pahwa and his spouse, Mrs. Achala by Pahwa Buildwell*	
28/12/2022	*Rs. 20,00,000*	*29/12/2022*	*Rs. 20,00,000*	*29/12/2022*	*Rs. 14,00,000*
03/01/2023	*Rs. 50,00,000*	*05/01/2023*	*Rs. 24,00,000*	*30/12/2022*	*Rs. 50,000*
06/01/2023	*Rs. 15,00,000*	*07/01/2023*	*Rs. 25,00,000*		
		09/01/2023	*Rs. 16,00,000*	*13/01/2023*	*Rs. 7,40,000*

o. It was observed from the trade log that the Noticee 4 had sold shares of MHIL during the period from December 12, 2022, to January 02, 2023, for a consideration of Rs. 257.69 Lakh. It was further observed from the bank account statement of Noticee 4 that Rs. 65 Lakh was transferred to the account of Pahwa Buildwell Pvt. Ltd. (owned by Mr. Rakesh Pahwa) during the period from December 23, 2022, to December 27, 2022. It was further observed that subsequently the amount of Rs. 61.50 Lakh was transferred to the bank account of Mr. Rakesh Pahwa from Pahwa Buildwell Pvt. Ltd. The details of the transactions are as below:

Table 5

Credited from Quest Securities		*Amount transferred to Pahwa Buildwell by Bigsea*		*Amount transferred to Mr. Rakesh Pahwa by Pahwa Buildwell*	
22/12/2022	*Rs. 1,00,000*				
23/12/2022	*Rs. 19,00,000*	*23/12/2022*	*Rs. 20,00,000*	*23/12/2022*	*Rs. 20,00,000*
23/12/2022	*Rs. 20,00,000*	*26/12/2022*	*Rs. 20,00,000*	*26/12/2022*	*Rs. 20,00,000*
26/12/2022	*Rs. 25,00,000*	*27/12/2022*	*Rs. 25,00,000*	*27/12/2022*	*Rs. 21,50,000*

p. It was further observed that Noticee 3 (Director of Noticee 2 and Noticee 4) during his statement recorded on February 05, 2024 had, inter alia, stated that, "I took loan from Mr. Rakesh Pahwa of Pahwa Buildwell Pvt. Ltd. of around 2.50cr in the last 10-12 years ago and invested the amount into buying shares of Max Heights Infrastructure Pvt. Ltd. on advise of a friend."

q. It was further observed that Mr. Prateek Kumar (Director of Noticee 4) during his statement recorded on February 07, 2024 had, inter alia, stated that, "I have met Mr. Rakesh Pahwa in relation to my job of providing home loan to customers through Banks and NBFCs in around 2011-12. He is still in touch with me for loan related matter……...I was working as a director at Bigsea Trading Pvt. Ltd. I joined Bigsea around 7-8 years ago. Mr. Rakesh Pahwa has provided loan to Mr. Gaurav Narang and his company Bigsea Trading Pvt. Ltd. and Skylarge Realcon Pvt. Ltd. on my personal guarantee. However, Mr. Gaurav Narang could not service the loan on time, hence I joined at Bigsea for providing assistance to Gaurav and also for assuring Mr. Rakesh Pahwa that I along with Gaurav will ensure complete repayment for his loan to him."

r. It was observed that the above statements have been confirmed by Mr. Rakesh Pahwa during his statement recorded on January 24, 2024 wherein he stated that, "I know Bigsea Trading company and Skylarge Realcon Pvt. Ltd. I have provided loan to both. These companies used to provide help to parties from banks buying real estate in my project or flats sold by me. Mr. Gaurav Narang and Mr. Prateek were the directors in this company and contacted me. I offered them loan of around Rs. 2.30cr in total in around 8-10 years ago and in return they offered 12% interest rate returns annually." However, when asked to provide loan agreement to support his statement he, inter alia, stated that, "No I don't have any loan agreement or any proof of the loan given to them. Hence I am not able to initiate any legal action against them."

s. From the aforesaid, it was observed that Noticees 2 and 4 have transferred part amount to Pahwa Buildwell Pvt. Ltd. (owned by Mr. Rakesh Pahwa) after selling shares of MHIL.

Bank account statement analysis of Noticee 6:

t. From the bank account statement of Noticee 6, it was observed that there were regular fund transactions with EKS Consultants Pvt. Ltd. As per MCA records, it was observed that Mr. Gaurav Narang (Noticee 3) was a director of EKS Consultants Pvt. Ltd.

u. It was further observed that Mr. Prateek Kumar when asked about EKS Consultants Pvt. Ltd. during his statement recorded on February 07, 2024 had, inter alia, stated that, "It is Gaurav's company and it is involved in providing tax related works. I used to avail service from it on my taxation related works."

Bank account statement analysis of Noticee 7:

v. From the bank account statement of Noticee 7, it was observed that there were regular fund transactions with EKS Consultants Pvt. Ltd. As per the bank statement, around Rs. 8,14,250 was transferred by Noticee 7 to the bank account of EKS Consultants Pvt. Ltd. between September 2022 and April 2023.

w. It was further observed that Mr. Praveen Kumar (Director of Noticee 7) when asked about EKS Consultants Pvt. Ltd. during his statement recorded on February 08, 2024 had, inter alia, stated that, "I know Mr. Gaurav Narang, as I used to avail tax related services from his company EKS Consultant for Jagtarni company."

Connection based on Call Data Records (CDRs):

x. The CDRs of Noticees were sought from the respective telecom service providers.

y. From the CDR records, it was observed that Noticee 1, who had proposed the split of shares of the MHIL, had exchanged several calls with Noticees 2, 3, 4, and 7. The contact number of Noticee 2 belongs to Mr. Gaurav Narang (Noticee 3), and the contact number of Noticee 4 belongs to Mr. Prateek Kumar.

Bigsea Trading Company Pvt. Ltd. (Noticee 4) and Mr. Gaurav Narang (Noticee 3)

z. The Noticee 4 sold shares of MHIL during the period from December 12, 2022, to January 02, 2023. The orders for Noticee 4 were placed by Mr. Prateek Kumar (Director of Noticee 4) through a phone call to his broker. Mr. Prateek Kumar (99XXXXXX90), exchanged 4 calls with Noticee 1 (95XXXXXX32) on September 10, 2022, November 28, 2022, and March 01, 2023. Noticee 3 (Director of Noticee 4) with his number 92XXXXXX91 also exchanged 41 calls with Noticee 1 (95XXXXXX32) between January 05, 2023 and May 16, 2023. Hence, it was alleged that Noticee 1 was in contact with Noticees 3 and 4.

Skylarge Realcon Pvt. Ltd. (Noticee 2), Mr. Gaurav Narang (Noticee 3), and Ms. Rekha Narang (Noticee 5)

za. Noticee 2 sold shares of MHIL during the period from December 20, 2022, to January 20, 2023. The orders for Noticee 2 were placed by Noticee 3 (Director of Noticee 2) by making a call to the broker. Noticee 3 and Noticee 5 (Spouse of Noticee 3) also sold shares of MHIL during the period from December 26, 2022, to December 28, 2022. Noticee 3 (Director of Noticee 2) with his number 92XXXXXX91 also exchanged 41 calls with Noticee 1 (95XXXXXX32) between January 05, 2023, to May 16, 2023. Hence, it was alleged that Noticee 1 was in contact with Noticees 2, 3, and 5.

Superfast Media Pvt. Ltd. (Noticee 6)

zb. Noticee 6 sold shares of MHIL during the period from December 28, 2022, to January 06, 2023. The orders for Noticee 6 were placed online with the broker, SS Corporate Securities Ltd. Mr. Prateek Kumar (Director of Noticee 6) through his number 99XXXXXX90 exchanged 4 calls with Noticee 1 (95XXXXXX32) on September 10, 2022, November 28, 2022, and March 01, 2023. Hence, it was alleged that Noticee 1 was in contact with Noticee 6.

Jagtarni Traders Pvt. Ltd. (Noticee 7) and Mr. Tilak Raj (Noticee 8)

zc. Noticee 7 sold shares of MHIL during the period from November 24, 2022, to December 26, 2022. The orders for Noticee 7 were placed by Mr. Praveen Kumar (Director of Noticee).

zd. Mr. Praveen Kumar (99XXXXXX76[1]) exchanged calls with Noticee 1 (95XXXXXX32) on September 10, 2022, and November 28, 2022. Further, Noticee 8 sold all his shares of MHIL on December 12, 2022. Noticee 1 (95XXXXXX32) and Noticee 8 (98XXXXXX16) exchanged 4 calls with each other during January to March 2023. Hence, it was alleged that Noticee 1 was in contact with Noticees 7 and 8.

Connection based on Geo-location of entities

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[1] *Mr. Praveen Kumar in his statement recorded on February 08, 2024 mentioned his Mobile No. as 99XXXXXX76.*

ze. *It was observed that, from the CDRs of the Noticees, the geo-location of the calls was analysed for the period between November 01, 2022, to January 31, 2023 during which Noticees 2 to 8 have sold their shareholding in MHIL.*

zf. *In this regard, it was observed that Noticee 1 shares a total of 33 common meeting points[2] as per tower location with Noticee 7 (number registered in the name of Noticee 8) and Noticee 2 (number registered in the name of Noticee 3).*

zg. *In view of the aforesaid connections based on common directorship, bank account analysis, CDRs, and Geo-location, it was alleged that the Noticees 1 to 8 are connected and in regular contact with each other.*

Corporate Announcement for Split/Sub-division of Shares:

zh. *Some of the important corporate announcements made by MHIL during the IP are mentioned below:*

Table 6

Announcement Date	Announcement Time	News Subject	News Body	Comments
November 12, 2022	17:38:17	Unaudited Financial Results (Standalone & Consolidated) For The Quarter And Half Year Ended September 30, 2022	Unaudited Financial Results (Standalone & Consolidated) for the quarter and half year ended September 30, 2022	Price of the scrip on 2022-11-14 closed 3.32% above its previous day's closing price
November 27, 2022	19:27:56	Board Meeting Intimation for Intimation Of Board Meeting	MAXHEIGHTS INFRASTRUCTURE LTD. has informed BSE that the meeting of the Board of Directors of the Company is scheduled on 06/12/2022, inter alia, to consider and approve 1. To consider various options for raising funds; 2. To consider sub division/ split of the Equity Shares of the Company; 3. To consider making investment/ loan to the Subsidiary Company; 4. Any other matter with the permission of the Chairman.	Price of the scrip on 2022-11-28 closed 4.98% above its previous day's closing price
December 06, 2022	19:13:14	Corporate Action-Outcome of Sub division / Stock Split	Board approves Sub division Stock Split	Price of the scrip on 2022-12-06 closed -4.91% above its

[2] *Meeting point is a place where the entities share same tower around the same time.*

Announcement Date	Announcement Time	News Subject	News Body	Comments
				previous day's closing price
December 07, 2022	*12:54:59*	*Corporate Action-Outcome of Sub division / Stock Split*	*Sub Division / Stock Split*	*Price of the scrip on 2022-12-07 closed 4.85% above its previous day's closing price*
January 03, 2023	*11:56:37*	*Closure of Trading Window*	*Closure of Trading window*	*Price of the scrip on 2023-01-03 closed 4.87% above its previous day's closing price*

zi. The MHIL was asked by SEBI to provide information related to stock split announcement and who introduced it. The MHIL, vide email dated January 23, 2024, has, inter alia, informed as under:
"Our Independent Director, Mr. Shubham Mittal vide his letter dated 22/11/2022 proposed to the then Company Secretary to include the agenda of splitting of the shares. Accordingly, the Company Secretary in consultation with the Managing Director has included the same in the agenda."

zj. The MHIL has also provided the copy of the minute book wherein it was, inter alia, stated as under:
"The Chairman invited Mr. Shubham Mittal, Independent Director of the company to brief the Board about the stock split and the sub-division of equity shares. Mr. Shubham Mittal explained the pros and cons of the stock split and sub division and the queries of the board were duly answered by Mr. Shubham Mittal."

zk. The MHIL has also provided a copy of the letter dated November 22, 2022, through which Noticee 1 proposed to include the agenda of splitting of the shares. It was observed that the letter dated November 22, 2022, inter alia, stated as under:
"As you are aware that most of the companies are carrying out sub-division/ splitting of the shares as the splitting of the shares/ sub-division attracts various investors in regularly trading shares. It also helps in increasing the base of the shareholders and also helps in attracting various investors towards the company as the price of the shares becomes affordable."

zl. It was alleged in the IR that from perusal of the aforesaid letter dated November 22, 2022, it was observed that Noticee 1 had proposed the splitting of shares of MHIL after thoroughly understanding about splitting/sub-division of shares. However, during the statement recording of Noticee 1, it was observed that he does not know about the basics of splitting of shares.

zm. In view of the above, it was alleged in the IR that Noticee 1 in his letter dated November 22, 2022 mentioned that splitting of shares helps in increasing the base of the shareholders and attract various investors. However, during his statement recorded on

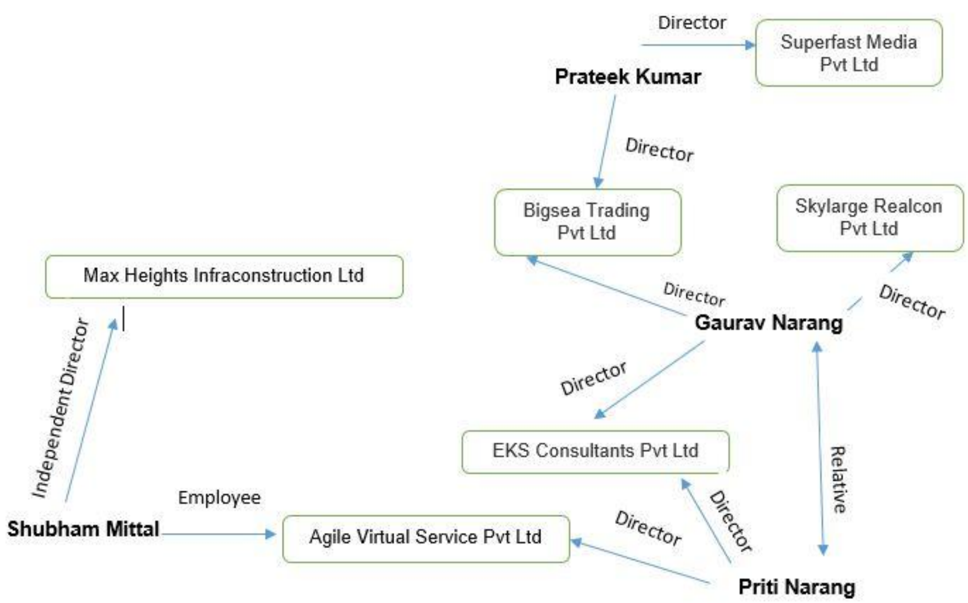
June 11, 2024, he was not able to answer the basic questions of splitting/sub-division of shares. Even he does not know that splitting of shares and sub-division of shares are the same. He also does not know that proposal got accepted in the board meeting, and later proposal of splitting of shares was placed for voting by all shareholders.

zn. It was further observed that the Noticee 1 in his statement recorded on June 11, 2024, and vide email dated June 24, 2024 stated that since January 2022, he has been working at Agile Virtual Service Pvt. Ltd. It was further observed from the bank statement of Noticee 1) that he was regularly receiving salary from Agile Virtual Services Pvt. Ltd. of Rs. 25,000 every month. Moreover, from the MCA database, it was observed that Ms. Priti Narang is director in Agile Virtual Service Pvt. Ltd. and she is also a director in EKS Consultant Pvt. Ltd., wherein Mr. Gaurav Narang (Noticee 3) was also a director.

zo. It was further observed that Mr. Gaurav Narang (Noticee 3), during his statement recorded on February 05, 2024, stated that EKS Consultant belongs to his sister-in-law, Ms. Priti Narang, who is the spouse of Mr. Deepak Narang (cousin of Noticee 3). Further, Mr. Gaurav Narang (Noticee 3) is also director at Bigsea Trading Company Pvt. Ltd. (Noticee 4), and Skylarge Realcon Pvt. Ltd. (Noticee 2).

zp. The graphical representation of directorship is given below:

Pictorial Presentation 4



zq. It was further observed that during the course of recording the statement on June 11, 2024, Noticee 1 was asked to provide the name of the person, if any, who has asked him to bring the proposal of stock split. However, he had denied the same. Instead, he stated that he, along with other independent directors, have brought the proposal for stock split. However, MHIL has submitted that the proposal was introduced by Noticee 1 only. Moreover, as mentioned in the preceding paragraphs, from the perusal of his statement recording, it was alleged that he was not able to answer basic questions of splitting/sub-

division of shares. Therefore, it was alleged that he was not much aware about split of shares or subdivision of shares, which shows that the proposal was not his own brainchild.

Impact of announcement of split/ sub-division of shares:

zr. *It was observed that the Noticee 1 through a letter dated November 22, 2022 to the company secretary of MHIL recommended to include the agenda of split of shares/ sub-division of shares in the board meeting. Accordingly, MHIL made a corporate announcement on November 27, 2022, regarding the board meeting to be held on Decemebr 06, 2022, which contained an agenda on considering a split of shares. The price of the share had increased from Rs. 25.12 on November 25, 2022, to Rs. 26.37 on the next trading day, i.e., November 28, 2022, i.e, an increase of 4.98%. The board meeting was held on December 06, 2022, in which Noticee 1 put forward the proposal on split of shares in front of board members. Despite the proposal being dissented by managing director and CFO and promoter Mr. Naveen Narang and non-executive director and promoter Ms. Mansi Narang (spouse of Mr. Naveen Narang), the proposal for the spilt of shares was approved by the board, and subsequently, disclosure was made on the exchange website on December 06, 2022, at 19:13:14 hours.*

zs. *The next day, i.e., December 07, 2022, there was an increase in share price of 10.20% from Rs. 30.40 (opening price) to Rs. 33.50 (closing price). On the basis of board approval, the proposal for the split of shares was opened for e-voting from February 15, 2023, to March 16, 2023. During this period, the price of shares increased from Rs. 80.45 on February 15, 2023, to Rs. 99 on March 15, 2023.*

zt. *The details of trading volume are given below:*

Table 7

Date	Open Price	High Price	Low Price	Close Price	No.of Shares
05-Dec-22	33.6	33.6	33.6	33.6	5,826
06-Dec-22	35.25	35.25	31.95	31.95	23,757
07-Dec-22	30.4	33.5	30.4	33.5	56,067

zu. *From the above table, it was observed that before the date of the board meeting on December 06, 2022, the trading volume was 5,826 shares, and after the board meeting, the trading volume increased to 56,067 shares.*

zv. *It was further observed that from the date of announcement of stock split by MHIL on the stock exchange on December 7, 2022, the price of shares started increasing, and during the same period, Noticees 2 to 8 started selling the shares of MHIL. It was also observed that they have not acquired a single share after the announcement.*

Trades of Noticees 2 to 8 during the IP

zw. *It was observed that the Noticees 2 to 8 held shares of MHIL before IP, and the exit was provided to them during the IP. The Noticee 3 (Mr. Gaurav Narang) during his statement recorded on February 05, 2024 has, inter alia, stated that, "I took loan from Mr. Rakesh Pahwa of Pahwa Buildwell Pvt. Ltd. of around 2.50 cr in the last 10-12 years ago and invested the amount into buying shares of Maxheights Infrastructure Ltd. on advice of a friend." He also stated that his friend Mr. Prateek Kumar has introduced him to Mr. Rakesh*

Pahwa. It was observed that Mr. Prateek Kumar was common director between Noticee 2 (Skylarge Realcon Pvt. Ltd.) and Noticee 6 (Superfast Media Pvt. Ltd.). The shares of MHIL were acquired by Noticee 6 (Superfast Media Pvt. Ltd.) as well.

zx. Noticee 3 (Mr. Gaurav Narang) was common director of Noticee 2 (Skylarge Realcon Pvt. Ltd.) and Noticee 4 (Bigsea Trading Company Pvt. Ltd.). The shares of MHIL were acquired by Noticees 2 and 4 since 2014. Further, Noticee 3 (Mr. Gaurav Narang) and Noticee 5 (Ms. Rekha Narang) also acquired the shares of MHIL in the year 2018.

zy. As mentioned in the aforesaid paras, Noticee 1 vide letter dated November 22, 2022 proposed to include a split of shares in the agenda of the board meeting to be held on December 06, 2022. Accordingly, MHIL made a corporate announcement on exchange on November 27, 2022, regarding the board meeting, which contained the agenda of consideration of a split of shares. It was alleged that Noticee 1 was in contact with Noticee 3 (Mr. Gaurav Narang), Mr. Prateek Kumar, and Noticee 8 (Mr. Tilak Raj), as they have shared regular calls and shared common meeting points as shown in geo-location analysis.

zz. Since the announcement of the split of shares, it was observed that price and volume increased in the scrip of MHIL. However, during the same period, Noticees 2 to 8 had sold almost all their shareholding in the scrip of MHIL. The details of trading by Noticees 2 to 8 in the scrip of MHIL during the IP are given below:

Table 8

Name	*Buy Qty.*	*%Buy Qty. to Market Vol.*	*Sell Qty.*	*Sell value (in Rs.)*	*%Sell Qty. to Market Vol.*
Bigsea Trading Company Pvt. Ltd. (Noticee 4)	*0*	*0.00%*	*4,19,882*	*2,57,68,791.30*	*10.79%*
Skylarge Realcon Pvt. Ltd. (Noticee 2)			*3,67,878*	*2,59,54,161.00*	*9.45%*
Jagtarni Traders Pvt. Ltd. (Noticee 7)			*89,485*	*49,00,754.87*	*2.30%*
Superfast Media Pvt. Ltd. (Noticee 6)			*66,618*	*53,68,396.90*	*1.71%*
Mr. Gaurav Narang (Noticee 3)			*50,000*	*32,22,500.00*	*1.28%*
Ms. Rekha Narang (Noticee 5)			*45,000*	*28,88,000.00*	*1.16%*
Mr. Tilak Raj (Noticee 8)			*27,700*	*17,00,780.00*	*0.71%*
Total (Noticees 2 to 8)			*10,66,563*	*6,98,03,383.07*	*27.40%*
Market total	*38,91,175*	*100.00%*	*38,91,175*		*100.00 %*

zaa. It was observed from the statement recordings of Mr. Gaurav Narang (Noticee 3) and Mr. Rakesh Pahwa that Noticees 2 and 4 had taken loans from Mr. Rakesh Pahwa, out of which they had invested some amount for purchasing shares of MHIL. It was alleged that in order to repay the loan, Noticees 2 and 4 wanted to sell the shares of MHIL. However, as the price of the MHIL shares was low, they could not effectively repay the loan by selling *the shares. Hence, it was alleged that they floated a scheme in connivance with Noticee 1, independent director at MHIL, through which they sought to increase the price of shares. It was alleged that in order to increase price and create volume in the market, Noticee 1, who is known to Noticees 2-8 as brought out in the preceding paragraphs, proposed the splitting of shares post announcement of which an increase in price and volume in the scrip was witnessed. Consequently, it paved the way for Noticees 2 and 4 to sell their MHIL shares at higher prices and repay the loan to Mr. Rakesh Pahwa. It was further alleged that in this scheme, the entities, viz., Noticee 3, his spouse Noticee 5, Noticee 6, Noticee 7, and its director Noticee 8 also took advantage by selling their shares at the inflated price.*

zbb. It was observed that the proposal for splitting of shares was introduced by Noticee 1 despite the dissent of Mr. Naveen Narang, Managing Director and promoter of MHIL, and Mrs. Mansi Narang, promoter of MHIL. However, the proposal was passed by the requisite majority as it was accepted by the other two independent directors, resulting in three directors out of five directors accepting the proposal. Subsequently, the outcome of the meeting was informed to BSE on December 7, 2022. The proposal was placed for e-voting for shareholders from February 15, 2023, to March 16, 2023. Accordingly, the e-voting was conducted, and 99.99% of the total number of valid votes were cast against the resolution on sub-division/ split of share. Only 0.01% voted in favor of the resolution. The promoter and promoter groups have voted against the proposal. It was observed that the promoter holding in the company is 52.78%, so any proposal could not have passed, which was opposed by the promoter and promoter group. Hence, it was alleged that bringing a proposal on sub- division/ split of shares despite the dissent of the promoters in the board and also the fact that the promoter can vote against it as they have dissented and the majority of shareholding was with them shows that the attempt of Noticee 1 to bring a proposal on sub-division/ split of shares was deliberate to induce the investors into buying the shares. It was further alleged that this proposal resulted in an intended increase in price and volume in the scrip of MHIL, consequently giving opportunity to Noticees 2 to 8 to exit from the market by selling shares of MHIL to retail investors at higher prices.

zcc. In view of the above, it was alleged that the Noticees 2 to 8 have violated the provisions of Sections 12A (a), (b), (c) of the SEBI Act and Regulations 3(a), (b), (c), (d), 4(1), and 4(2)(d) of the PFUTP Regulations.

6. The SCN was duly served upon Noticees in consonance with the Rules. Noticees submitted their replies in the following manner:

Table 9

Noticees	**Replies submitted vide letter/e-mail dated**
Noticee 1	November 22, 2024
Noticee 2	November 22, 2024
Noticee 3	November 22, 2024
Noticee 4	November 22, 2024
Noticee 5	November 22, 2024
Noticee 6	November 26, 2024

Noticees	Replies submitted vide letter/e-mail dated
Noticee 7	November 25, 2024

7. Vide e-mail dated November 26, 2024, it was submitted that Noticee 6 ceased to exist as the company has been struck off by ROC w.e.f June, 2024.

8. Thereafter, hearings were held on January 07, 2025 and January 08, 2025 before the erstwhile AO. Authorized representatives (hereinafter referred to as **"AR"**), Mr. Shashank Bajpai (for Noticees 1 and 7) and Mr. Shaurya Gupta (for Noticee 2, 3, 4 and 5), attended the hearing and reiterated the submissions made by Noticees vide aforementioned letters. Noticees 1 to 5 and 7 made additional submissions vide letter dated January 24, 2025.

9. Further, Noticee 8 filed his submissions vide letter dated January 23, 2025. Thereafter, pursuant to the appointment of the undersigned as AO, opportunity of hearing was granted to Noticees 1 to 5, 7 and 8. The hearings was held on April 24, 2025 and April 25, 2025 wherein AR of Noticees, Mr. Shashank Bajpai (for Noticee 1), Mr. Shaurya Gupta (for Noticee 2, 3, 4 and 5) and Mr. Devender Kumar (for Noticees 7 and 8), attended the hearing and reiterated the submissions made by Noticees vide aforementioned letters/e-mails. AR of Noticee 1 had also relied on the Judgment of Hon'ble SAT in the matter of Piyush P. Avlani v. SEBI (Appeal No. 131 of 2012 decided on July 16, 2012) and Mr. Jayesh S Patel v. SEBI (Appeal No. 456 of 2015 decided on April 25, 2018). Thereafter, Noticees 7 and 8 submitted their additional submissions vide e-mail dated April 28, 2025.

10. The relevant extracts of aforementioned Noticees' replies are reproduced as under:

*"**Noticee 1***

a.) The Noticee No. 1, joined the Company 'Max Heights Infrastructure Ltd.' on 14.11.2021 as 'Independent Director'. Noticee No. 1, was not involved in the day to day operations of the Company.

b.) It was expected from the independent director to put forth proposals before the board of directors of the company from time to time. In his endeavor to undertake appropriate induction of new mechanism, ways and steps for expansion of investors base noticee No.

1 made a proposal on 22.11.2022 for splitting of the scrip/shares of the company so as to make the same more affordable and in process to increase the members base.

c.) The said proposal was independent, bona fide and without any influence.

d.) The allegation in the present SCN that the proposal to split the share led to many fold growth in the price of the share of MHIL. The allegation that news of a split in share leading to 600% growth in the price of the share/equity is preposterous and is ex facie unfounded and frivolous.

e.) The said proposal for sub division of shares proposed and added in the agenda was neither at behest of Noticee No. 2 to 8 but was for the overall benefit of all 903 shareholders of the Company.

f.) Before 22.11.2022 the company was having 903 shareholders despite total equity of 1,56,09,225 issued and paid up shares of Rs. 10 face value.

g.) The stock split does not change the Company's value, it simply redistributes ownership into smaller, more affordable units. The total valuation of investors holding remains constant. There is no correlation between the split of shares and the price rise of the stock.

h.) The corporate intimation of the proposed board of directors meeting was already circulated on the portal of BSE in the morning of 28.11.2022 at 9.49.20 am itself, still the price of the scrip of MHIL remained unchanged i.e. the scrip opened at Rs. 26.37 and closed at Rs. 26.37. Thus there was no effect of the insertion of the proposed agenda of sub division/Splitting Shares of MHIL in board agenda of the board meeting for 6.12.2022.

i.) That the said agenda of sub division of the share along with other agendas was put before the board of directors of the company and approved by a split majority. Intimation thereof about the board of directors resolution was submitted with the exchange on 7.12.2022 wherein it was also intimated that the Extra Ordinary General meeting being scheduled on February 8, 2023.

j.) The Noticee No. 2 to 8 has collectively had less than 30% of the transactions in the total transactions of the shares of MHIL during the investigation period. Thus the exposure of the noticee No. 2 to 8 individually was marginal to the total transactions of the shares of MHIL during IP.

k.) If the news of splitting of the shares could bring about such a multiplying effect on the valuation of the price of the shares the said proposal would have been approved by 99.99% shareholders as it would have a multiplying effect on their wealth.

l.) There is nothing on record that any prospective shareholder was ever approached by the Noticees to buy shares of the company MHIL.

m.) There is no misleading proposal for splitting of shares of MHIL. The procedure followed for splitting of the shares was in compliance with and was in conformity with the applicable provisions of the companies act, the SEBI rules and regulations as applicable.

n.) All the relevant information was duly intimated by the Company to the exchange as disclosed in Annexure 22 appended with the SCN.

o.) The section 61 of the Companies Act, 2013 gives power to the companies to alter its share capital.

p.) The proposal of splitting the share was duly approved by the board of directors of the company by split majority and was duly served upon the exchange i.e. BSE.

q.) There are five directors of the Company out of which three are independent directors and two from promoters' group. That all directors of the board of directors attended the board meeting and the Noticee No.1 being an independent director has no control or influence over two other independent directors and the directors from promoters' group.

r.) A perusal of Price Chart of subject stock of M/s. MHIL will show that it started moving upwards from 1.11.2022 and continued the trend till mid January 2023. Thereafter mid

January there was a small fall in Price till 1.3.2023 and again it had a steep rise from 1.3.2023 to 15.3.2023.

s.) The price of the stock thereafter remains static with marginal/little fall till June 2023. A perusal of this chart demonstrates that the price of the scrip has remained around Rupees 90 mark till June 2023 despite the fact that the sub division /split had been rejected by the General Body Meeting by 99.99 % and intimation to this effect was already submitted/circulated on 16.3.2023.

t.) This fact in itself is testament to the fact that there is no relation between the proposal of split of shares dated 22.11.2022 and the alleged rise in the price and volume of the Stock of MHIL.

u.) If there was any understanding between the Noticee number one and Noticee No. 2 to 8 as alleged in SCN then there would have been corresponding Purchases of shares by these Noticee No. 2 to 8 to maximise their profit by purchasing maximum number of shares at substantially low price which could have been sold subsequently.

v.) The noticee No. 1 has no connection with Noticee No. 2 to 8. However in connection with his employment with M/s. Agile Virtual Services Pvt. Ltd. Noticee No.1 interacted with Noticee No. 3, director of Noticee No. 4 and director of Noticee No. 7 as part of his job with M/s. Agile Virtual Services Pvt. Ltd. in respect of their TDS and ROC Returns and not for any ulterior purposes.

w.) However the noticee No. 1 was not even aware of their shareholdings in M/s. MHIL.

x.) It was only after receipt of Notice from the SEBI that the Noticee No. 1 came to know about the shareholdings of the aforementioned noticee number 3, Noticee No. 4 and Noticee No. 7, in MHIL.

y.) The stated calls have nothing to do with any discussion with respect to the affairs of MHIL or its shares. The calls with the Noticee No. 3 are allegedly from a period i.e. 05.01.2023 to 16.05.2023 when admittedly the Noticee No.3 and Noticee No. 4 have already sold off their shareholdings in MHIL.

z.) Noticee No. 3 and 5 had sold off their shareholding during 26.12.2022 to 28.12.2022. Thus stated calls have nothing to do with any discussion with Noticee No. 3 with respect to the affairs of MHIL or its shares.

za.) It is stated that even in the matter of the Noticee No. 2 the said entity has apparently sold off its shareholding in MHIL from a period from 20.12.2022 to 20.1.2023. Apparently the said Noticee has also sold off its shares of MHIL before the alleged calls were exchanged with Noticee No. 3.

zb.) The noticee No. 6 has sold off its shareholding during the period from 28.12.2022 to 6.1.2023. There is no call exchanged between the said Prateek Kumar alleged director of Noticee No. 6 at the relevant times i.e. when the said shares of MHIL were sold off by Noticee No. 6.

zc.) The Noticee No. 1 being an independent director of the Company MHIL was competent to make a proposal for the sub division / splitting of the shares.

zd.) The said proposal was inducted in the agenda for the board meeting by the company secretary after consulting the Managing Director of the company.

ze.) There is no violation of any provision either by the Company MHIL or by the Noticee No.1.

zf.) The procedure followed for splitting of the shares was in compliance with and was in conformity with the applicable provisions of the companies act, the SEBI rules and regulations as applicable.

zg.) The statement of the Noticee No. 1 recorded by the SEBI when the Noticee No. 1 was under tremendous psychological stress that’s why it is not in the synced with the *documents i.e. the letter dated 22.11.2022 and the minutes of the board of directors meeting of MHIL dated 6.12.2022.*

zh.) *The noticee No. 1 is still working in the company M/s Agile Virtual Services Pvt. Ltd. and drawing his salaries regularly.*

zi.) *If there was any correlation between the price rise and the proposal of the splitting of the shares then the persons /investors who allegedly acquired the shares on account of this news would have voted in favour of the splitting of the shares. But the facts remain that 99.99% voted against the proposal and as per the SEBI allegations brought down their own wealth/investments.*

zj.) *There is no material on record to remotely suggest any fraudulent or unfair trade practice on the part of the Noticee No. 1. The above facts and circumstances as explained hereinabove in the reply and the material facts elaborated ex facie demonstrates that the undersigned noticee No. 1 has neither violated the provisions of Section 12A (a), (b), (c) of the SEBI Act, 1992 nor violated the provisions of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003.*

zk.) *That the adjudication proceedings are penal in nature therefore SEBI has to bring on record strict, specific and unreputable proof/evidence. The SEBI investigation has failed to substantiate the allegations in the SCN as there is no proof altogether as to any link between the alleged rise in the price of the scrip of MHIL and the proposal of split of the share. Furthermore, there is no alleged link between the noticee No. 1 with other Noticees collectively or individually at the relevant times. In fact, the SEBI investigation and the investigation report per say are based on conjunction and surmises. The Investigation officer had unnecessary read into and drawn inference which could not be inferred in ordinary course of events. The findings of the investigation officer and the allegations in the SCN are contrary to catena of cases more particularly the case titled as SEBI v. Mega Corporation Limited (2023) 12 SCC 802.*

zl.) *And to conclude it is respectfully submitted that the proposal of split of shares was accented and supported by all three independent directors whereas, only the Noticee No. 1 have been issued the SCN. No action has been initiated against the other two independent directors that in itself testament of the fact that there was no infirmity or illegality in the said proposal for splitting of the share and its approval by split majority by the board of directors.*

Noticee 2

a.) *The data compiled with the SCN also in itself testament to the fact that there is no acquisition of shares by the Noticee No. 2 during the relevant period i.e. IP. This in itself is testament that the Noticee No. 2 was not even aware of any such proposal for split of shares/boar resolution to this effect till it was made public through.*

b.) *That the said proposal for splitting of the shares of MHIL was defeated by a majority of almost all i.e. 99.99% shareholders and intimation submitted to exchange on 16.3.2023, despite that, there was no corresponding fall in the price of the shares of MHIL as the same was traded over Rs. 85 till June 2023 indicating that the said proposal for splitting of shares was not having any impact on the rise of the share earlier.*

c.) *The facts remain that 99.99% shareholders voted against the proposal and in the process brought down their own wealth/investments, if the news of split of the share lead to 900% as alleged in the SCN. The falsehood of the allegations is writ large in the fact that if there is an iota of truth in the allegations of the SEBI than at least the shareholders who* *purchased the shares on the expectations of the split of the share and that too at substantial high price, also voted against the proposal for slit of shares.*

d.) *That the Noticee No. 2 sold shares of MHIL held by it and the decision was taken independently in accordance with established independent market assessment and future prospects. The Noticee No. 2 purchased 4,62,486 shares of MHIL from 2012 to 2014 at a total purchase cost of Rs. 1,35,25,354 and were holding the same till they sold the portion of its shareholding from 21.12.2022 to 23.1.2023 in 12 tranches when it was observed that the share was traded on the exchange at reasonable and at saleable price. The Noticee No. 2 did not sell 94,608 shares from its holdings and is still holding the same.*

e.) *If the Noticee No. 2 had any mala fide intention in that case it would have sold all its shares of MHIL and would have maximised gain.*

f.) *This is contrary to the natural functioning of the securities market and if the splitting of the shares could bring about such a multiplying effect on the valuation of the price of the shares the said proposal would have been approved by 99.99% shareholders as it would have a multiplying effect on their wealth. Since there was no correlation between the proposal for splitting the share and the rise in its valuation/price therefore the proposal was defeated with a majority of 99.99% of total votes cast on the proposal by its shareholders including its promoters having 52.78 % shareholding. Thus, it is clear that there is no substance in the allegations in the SEBI investigation Report and the present SCN.*

g.) *Be that as it may, the procedure followed for splitting of the shares as reflected from Annexure 22 and 23 was in compliance with and was in conformity with the applicable provisions of the Companies Act, the SEBI rules and regulations as applicable. All the relevant information was duly intimated by the Company to the exchange as disclosed in Annexure 22 appended with the SCN.*

h.) *The allegation in the SCN against the Noticee No. 2 is primarily based upon unfounded presumption drawn by SEBI in its Investigation Report that Noticee No. 2 had any influence or say in the proposal moved by Noticee No. 1 dated 22.11.2022 to split /division of the share of the MHIL or the board of directors approving the same vide split vote in board resolution dated 6.12.2022. The said allegation is absolutely false, frivolous, unfounded and contrary to record.*

i.) *It is pertinent to note that as per the documents appended with the SCN, the agenda of subdivision of shares was approved vide board resolution dated 06.12.2022 upon a majority of 3:2 wherein the independent directors including Noticee no.1 voted in favour of the proposal whereas the two directors from the promoter group voted against the proposal. It is clear that the said proposal could not have been approved without the approval of the two other independent directors. It is important to note here that the other two directors have not been arrayed as Noticees in the present adjudication proceedings, therefore no mala fide intent has been attributed on their action of approving the said proposal for subdivision of shares.*

j.) *The allegation in the present SCN that the proposal to split the share of MHIL led to its many folds' growth in the price of the share of MHIL from less than Rs. 12 as on 1.11.2022 to a high of Rs. 99.99 on 15.3.2023 is absolutely unfounded. The allegation that news of a split in share leading to 900% growth in the price of the share/equity is preposterous and is ex facie unfounded and frivolous. As stated above the share of MHIL having face value of Rs. 10 was traded at BSE during 2020 till October 2022 between Rs. 10 to Rs. 18. Had it been so, the Promoters of the MHIL who had more than 52 % shareholding in the company as stated in the SCN would have been the biggest beneficiary of the split of the* *shares and its sub division however as reflected from the SCN the promoters group dissented the proposal of split and voted against it.*

k.) This material and factual situation along with all above stated information/records were very much available with the SEBI, however, the same was not considered as reflected from the Investigation Report. The Noticee No. 2 has neither violated the provisions of Section 12A (a), (b), (c) of the SEBI Act, 1992 nor violated the provisions of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003.

l.) The letter of the Company M/s MHIL dated 23.01.2024 to SEBI, Annexure 23 of the SCN, is self-explanatory. Proposal for the sub division / splitting of the shares was inducted in the agenda for the board meeting by the company secretary after consulting the Managing Director of the company. Thus there is no violation of any provision either by the Company MHIL or by the Noticee No.1. The allegations in the SCN are absolutely without any substance and are unfounded. There is nothing on record that any prospective shareholder was ever approached by the Noticees to buy shares of the company MHIL. There is no misleading proposal for splitting of shares of MHIL. The Annexure 22 and 23 demonstrates that the procedure followed for splitting of the shares was in compliance with and was in conformity with the applicable provisions of the companies act, the SEBI rules and regulations as applicable. All the relevant information was duly intimated by the Company to the exchange as disclosed in Annexure 22 appended with the SCN.

m.) The decision of selling of the shares of MHIL was taken independently by the Noticee No. 2 considering their own financial requirements, the price movement of the scrip over the period of time and future prospects.

n.) The allegations in the SCN that directors of Noticee No. 2 had few call exchanges with Noticee No. 1 an employee of M/s Agile Virtual Services Pvt. Ltd. However the Noticee No. 2 or its directors were not even aware that the Noticee No. 1 a small time employee of M/s Agile Virtual Services Pvt. Ltd. was an Independent Director of MHIL. It was only after receipt of Notice from the SEBI that the Noticee No. 2 came to know about this. Furthermore, there is no such communications or call exchanges at the relevant times i.e. when the said proposal was put on 22.11.2022 and approved by the board of directors dated 6.12.2022 vide split majority.

o.) The Noticee No. 2 sold its shareholding during the period from 21.12.2022 to 23.01.2023. That when the Noticee No. 2 has started to sell its shareholding from MHIL and had already sold off substantial part till 5 of January 2023 when its director had allegedly had a call with Noticee No. 1. The stated calls have nothing to do with any discussion with respect to the affairs of MHIL or its shares. The calls with the Noticee No. 3 are allegedly from a period i.e. 05.01.2023 to 16.05.2023 when admittedly the Noticee No.2 had already sold of substantial shares. Thus stated calls have nothing to do with any discussion with Noticee No. 1 with respect to the affairs of MHIL or its shares. The Noticee No. 2 has also sold off its shares of MHIL before the alleged calls were exchanged between Noticee No. 3 and Noticee No. 1. Thus ex facie the subject call exchanges has nothing to do with the decision of Noticee No. 2 with respect to selling of its equity in the MHIL.

p.) The material fact that the Noticee No. 2 did not buy any share of MHIL during the Investigation Period or period prior to that to maximise their profits is a material circumstance the Investigating officer of SEBI has blissfully ignored. More so when the price of the scrip of MHIL was hovering between Rupees 12 to 15 just prior to the Investigation period and even during the investigation period. If there was any understanding between the Noticee No. 1 and Noticee No. 2 as alleged in SCN then there would have been corresponding Purchases of shares of MHIL by Noticee No. 2 to *maximise its profit by purchasing maximum number of shares at substantially low price which could have been sold subsequently. The investigating officer has also not considered the material fact that the Noticee number 2 was holding the equities mentioned therein for quite some time i.e. since 2014. Thus, when the price of the Shares had raised the Noticee No. 2 disposed of some of its Shares at the BSE in tranches. Thus, the allegation that the noticee no. 2 was working in concert with the noticee no.1 or other Noticees is absolutely unfounded.*

q.) *The abovementioned facts and circumstances as explained hereinabove ex facie demonstrates that the Noticee No. 2 has neither violated the provisions of Section 12A (a), (b), (c) of the SEBI Act, 1992 nor violated the provisions of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003.*

Noticees 3 and 5

a.) *The data compiled with the SCN also in itself testament to the fact that there is no acquisition of shares by the Noticee No. 3 and 5 during the relevant period i.e. IP. This in itself is testament that the Noticee No. 3 and 5 were not even aware of any such proposal for split of shares/boar resolution to this effect till it was made public through corporate disclosure after. Rather as a matter of fact the noticee No. 3 and 5 came to know much latter.*

b.) *That the proposal for splitting of the shares of MHIL was defeated by a majority of almost all i.e. 99.99% shareholders and intimation submitted to exchange on 16.3.2023, despite that, there was no corresponding fall in the price of the shares of MHIL as the same was traded over Rs. 85 till June 2023 indicating that the said proposal for splitting of shares was not having any impact on the rise of the share earlier.*

c.) *The facts remain that 99.99% shareholders voted against the proposal and brought down their own wealth/investments if the news of split of the share lead to 900%. The falsehood of the allegations is writ large in the fact that if there is an iota of truth in the allegations of the SEBI than the shareholders who purchased the shares on the expectations of the split of the share and at substantial high price, also voted against the proposal for split of shares.*

d.) *That the Noticee No. 3 and 5 sold shares of MHIL held by them and the decision was taken independently in accordance with established independent market assessment and future prospects. The Noticee No. 3 and 5 purchased the shares of MHIL before 2014 and were holding the same till they sold the same in December 2022 when it was observed that the share was traded on the exchange at reasonable and at saleable price. The Noticee No. 3 sold 50000 shares of MHIL on 27.12.2022 for Rs. 32,13,000/- and The Noticee No. 5 sold 45000 shares of the MHIL in two tranches on 26.12.2022 and 28.12.2022 for a total sale consideration of Rs. 28,79,500/-. The Noticee No. 3 is still holding 1,77,500 shares as on date whereas the Noticee No. 5 is still holding 5000 shares of MHIL as on date.*

e.) *These 1,82,500 shares of MHIL were also with the Noticee No 3 and Noticee no 5 during 2022-2023. If they had any mala fide intention in that case they would have sold all their shares of MHIL and would have maximise their gain.*

f.) *This is contrary to the natural functioning of the securities market and if the splitting of the shares could bring about such a multiplying effect on the valuation of the price of the shares the said proposal would have been approved by 99.99% shareholders as it would have a multiplying effect on their wealth. Since there was no correlation between the proposal for splitting the share and the rise in its valuation/price therefore the proposal* *was defeated with a majority of 99.99% of total votes cast on the proposal by its shareholders including its promoters having 52.78 % shareholding. Thus, it is clear that there is no substance in the allegations in the SEBI investigation Report and the present SCN.*

g.) *Be that as it may, the procedure followed for splitting of the shares as reflected from Annexure 22 and 23 was in compliance with and was in conformity with the applicable provisions of the Companies Act, the SEBI rules and regulations as applicable. All the relevant information was duly intimated by the Company to the exchange as disclosed in Annexure 22 appended with the SCN.*

h.) *The allegation in the SCN against the Noticee No. 3 and 5 is primarily based upon unfounded presumption drawn by SEBI in its Investigation Report that Noticee No. 3 and 5 had any influence or say in the proposal moved by Noticee No. 1 dated 22.11.2022 to split /division of the share of the MHIL. The said allegation is absolutely false, frivolous, unfounded and contrary to record.*

i.) *The allegation in the SCN with respect to the alleged calls stated to between Noticee No. 3 and Noticee No. 1 in January 2023 or thereafter are concerned has nothing to do with the said proposal for the split share dated 22.11.2022 or the resolution of the company dated stated calls have nothing to do with any discussion with respect to the affairs of MHIL or its shares. The calls with the Noticee No. 3 are allegedly from a period i.e. 05.01.2023 to 16.05.2023 when admittedly the Noticee No. 3 and 5 had already sold the shares. Thus stated calls have nothing to do with any discussion with Noticee No. 1 with respect to the affairs of MHIL or its shares.*

j.) *It is pertinent to note that as per the documents appended with the SCN, the agenda of subdivision of shares was approved vide board resolution dated 06.12.2022 upon a majority of 3:2 wherein the independent directors including Noticee no.1 voted in favour of the proposal whereas the two directors from the promoter group voted against the proposal. It is clear that the said proposal could not have been approved without the approval of the two other independent directors. It is important to note here that the other two directors have not been arrayed as Noticees in the present adjudication proceedings, therefore no mala fide intent has been attributed on their action of approving the said proposal for subdivision of shares.*

k.) *The allegation in the present SCN that the proposal to split the share of MHIL led to its many folds' growth in the price of the share of MHIL from less than Rs. 12 as on 1.11.2022 to a high of Rs. 99.99 on 15.3.2023 is absolutely unfounded. The allegation that news of a split in share leading to 900% growth in the price of the share/equity is preposterous and is ex facie unfounded and frivolous. As stated above the share of MHIL having face value of Rs. 10 was traded at BSE during 2020 till October 2022 between Rs. 10 to Rs. 18. Had it been so, the Promoters of the MHIL who had more than 52 % shareholding in the company as stated in the SCN would have been the biggest beneficiary of the split of the shares and its sub division however as reflected from the SCN the promoters group dissented the proposal of split and voted against it.*

l.) *This material and factual situation along with all above stated information/records were very much available with the SEBI, however, the same was not considered as reflected from the Investigation Report. The Noticee No. 3 and 5 have neither violated the provisions of Section 12A (a), (b), (c) of the SEBI Act, 1992 nor violated the provisions of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003.*

m.) *The letter of the Company M/s MHIL dated 23.01.2024 to SEBI, Annexure 23 of the SCN, is self-explanatory. Proposal for the sub division / splitting of the shares was inducted in* *the agenda for the board meeting by the company secretary after consulting the Managing Director of the company. Thus there is no violation of any provision either by the Company MHIL or by the Noticee No.1. The allegations in the SCN are absolutely without any substance and are unfounded. There is nothing on record that any prospective shareholder was ever approached by the Noticees to buy shares of the company MHIL. There is no misleading proposal for splitting of shares of MHIL. The Annexure 22 and 23 demonstrates that the procedure followed for splitting of the shares was in compliance with and was in conformity with the applicable provisions of the companies act, the SEBI rules and regulations as applicable. All the relevant information was duly intimated by the Company to the exchange as disclosed in Annexure 22 appended with the SCN.*

n.) The decision of selling of the shares of MHIL was taken independently by the Noticee No. 3 and 5 considering their own financial requirements, the price movement of the scrip over the period of time and future prospects.

o.) The above mentioned facts and circumstances as explained hereinabove ex facie demonstrates that the Noticee No. 3 and 5 has neither violated the provisions of Section 12A (a), (b), (c) of the SEBI Act, 1992 nor violated the provisions of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003.

Noticee 4

a.) The data compiled with the SCN also in itself testament to the fact that there is no acquisition of shares by the Noticee No. 4 during the relevant period i.e. IP. This in itself is testament that the Noticee No. 4 was not even aware of any such proposal for split of shares/boar resolution to this effect till it was made public through.

b.) That the said proposal for splitting of the shares of MHIL was defeated by a majority of almost all i.e. 99.99% shareholders and intimation submitted to exchange on 16.3.2023, despite that, there was no corresponding fall in the price of the shares of MHIL as the same was traded over Rs. 85 till June 2023 indicating that the said proposal for splitting of shares was not having any impact on the rise of the share earlier.

c.) The facts remain that 99.99% shareholders voted against the proposal and in the process brought down their own wealth/investments, if the news of split of the share lead to 900% as alleged in the SCN. The falsehood of the allegations is writ large in the fact that if there is an iota of truth in the allegations of the SEBI than at least the shareholders who purchased the shares on the expectations of the split of the share and that too at substantial high price, also voted against the proposal for slit of shares.

d.) That the Noticee No. 4 sold shares of MHIL held by it and the decision was taken independently in accordance with established independent market assessment and future prospects. The Noticee No. 4 purchased shares of MHIL from 2012 to 2013 and on 1 April 2019 it had 5,90,834 at a total of purchase cost of Rs. 1,72,02,839 and were holding the same till 2020 when they sold the portion of its shareholding from 20.2.2020 to 19.3.2020. During that period the Noticee No. 4 sold 1,70,952 shares of MHIL. That again in December 2022 i.e. from 13.12.2022 to 3.1.2023 the Noticee No. 4 sold the remaining shares in 12 tranches since the shares were fetching appropriate price when it was observed that the share was traded on the exchange at reasonable and at saleable price.

e.) The price rise and the volume of sale has nothing to do with the proposal of split of the shares or the boar resolution to approve the same.

f.) This is contrary to the natural functioning of the securities market that the splitting of the shares could bring about such a multiplying effect on its price. If the price of the shares if could grow 900% on account of proposal for split five folds the said proposal would have *been approved by 99.99% shareholders as it would have a multiplying effect on shareholders wealth. Since there was no correlation between the proposal for splitting the share and the rise in its valuation/price therefore the proposal was defeated with a majority of 99.99% of total votes cast on the proposal by its shareholders including its promoters having 52.78 % shareholding. Thus, it is clear that there is no substance in the allegations in the SEBI investigation Report and the present SCN.*

g.) Be that as it may, the procedure followed for splitting of the shares as reflected from Annexure 22 and 23 was in compliance with and was in conformity with the applicable provisions of the Companies Act, the SEBI rules and regulations as applicable. All the relevant information was duly intimated by the Company to the exchange as disclosed in Annexure 22 appended with the SCN.

h.) The allegation in the SCN against the Noticee No. 4 is primarily based upon unfounded presumption drawn by SEBI in its Investigation Report that Noticee No. 4 had any influence or say in the proposal moved by Noticee No. 1 dated 22.11.2022 to split /division of the share of the MHIL or the board of directors approving the same vide split vote in board resolution dated 6.12.2022. The said allegation is absolutely false, frivolous, unfounded and contrary to record.

i.) It is pertinent to note that as per the documents appended with the SCN, the agenda of subdivision of shares was approved vide board resolution dated 06.12.2022 upon a majority of 3:2 wherein the independent directors including Noticee no.1 voted in favour of the proposal whereas the two directors from the promoter group voted against the proposal. It is clear that the said proposal could not have been approved without the approval of the two other independent directors. It is important to note here that the other two directors have not been arrayed as Noticees in the present adjudication proceedings, therefore no mala fide intent has been attributed on their action of approving the said proposal for subdivision of shares.

j.) The allegation in the present SCN that the proposal to split the share of MHIL led to its many folds' growth in the price of the share of MHIL from less than Rs. 12 as on 1.11.2022 to a high of Rs. 99.99 on 15.3.2023 is absolutely unfounded. The allegation that news of a split in share leading to 900% growth in the price of the share/equity is preposterous and is ex facie unfounded and frivolous. As stated above the share of MHIL having face value of Rs. 10 was traded at BSE during 2020 till October 2022 between Rs. 10 to Rs. 18. Had it been so, the Promoters of the MHIL who had more than 52 % shareholding in the company as stated in the SCN would have been the biggest beneficiary of the split of the shares and its sub division however as reflected from the SCN the promoters group dissented the proposal of split and voted against it.

k.) This material and factual situation along with all above stated information/records were very much available with the SEBI, however, the same was not considered as reflected from the Investigation Report. The Noticee No. 4 has neither violated the provisions of Section 12A (a), (b), (c) of the SEBI Act, 1992 nor violated the provisions of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003.

l.) The letter of the Company M/s MHIL dated 23.01.2024 to SEBI, Annexure 23 of the SCN, is self-explanatory. Proposal for the sub division / splitting of the shares was inducted in the agenda for the board meeting by the company secretary after consulting the Managing Director of the company. Thus there is no violation of any provision either by the Company MHIL or by the Noticee No.1. The allegations in the SCN are absolutely without any substance and are unfounded. There is nothing on record that any prospective shareholder was ever approached by the Noticees to buy shares of the company MHIL.

There is no misleading proposal for splitting of shares of MHIL. The Annexure 22 and 23 demonstrates that the procedure followed for splitting of the shares was in compliance with and was in conformity with the applicable provisions of the companies act, the SEBI rules and regulations as applicable. All the relevant information was duly intimated by the Company to the exchange as disclosed in Annexure 22 appended with the SCN.

m.) The decision of selling of the shares of MHIL was taken independently by the Noticee No. 4 considering their own financial requirements, the price movement of the scrip over the period of time and future prospects.

n.) The allegations in the SCN that directors of Noticee No. 4 had few call exchanges with Noticee No. 1 an employee of M/s Agile Virtual Services Pvt. Ltd. However the Noticee No. 4 or its directors were not even aware that the Noticee No. 1 a small time employee of M/s Agile Virtual Services Pvt. Ltd. was an Independent Director of MHIL. It was only after receipt of Notice from the SEBI that the Noticee No. 4 came to know about this. Furthermore, there is no such communications or call exchanges at the relevant times i.e. when the said proposal was put on 22.11.2022 and approved by the board of directors dated 6.12.2022 vide split majority.

o.) The Noticee No. 4 sold its shareholding before 3.01.2023. That is much before 5.1.2023 when its director had allegedly had a call with Noticee No. 1. The stated calls have nothing to do with any discussion with respect to the affairs of MHIL or its shares. Thus stated calls have nothing to do with any discussion with Noticee No. 1 with respect to the affairs of MHIL or its shares. The Noticee No. 4 has also sold off its shares of MHIL before the alleged calls were exchanged between Noticee No. 3 and Noticee No. 1. Thus ex facie the subject call exchanges has nothing to do with the decision of Noticee No. 4 with respect to selling of its equity in the MHIL.

p.) The material fact that the Noticee No. 4 did not buy any share of MHIL during the Investigation Period or period prior to that to maximise their profits is a material circumstance the Investigating officer of SEBI has blissfully ignored. More so when the price of the scrip of MHIL was hovering between Rupees 12 to 15 just prior to the Investigation period and even during the investigation period. If there was any understanding between the Noticee No. 1 and Noticee No. 4 as alleged in SCN then there would have been corresponding Purchases of shares of MHIL by Noticee No. 4 to maximise its profit by purchasing maximum number of shares at substantially low price which could have been sold subsequently. The investigating officer has also not considered the material fact that the Noticee No. 4 was holding the equities mentioned therein for quite some time i.e. since 2014. Thus, when the price of the Shares had raised the Noticee No. 4 disposed of some of its Shares at the BSE in tranches. Thus, the allegation that the noticee no. 4 was working in concert with the noticee no.1 or other Noticees is absolutely unfounded.

q.) The abovementioned facts and circumstances as explained hereinabove ex facie demonstrates that the Noticee No. 4 has neither violated the provisions of Section 12A (a), (b), (c) of the SEBI Act, 1992 nor violated the provisions of Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(d) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003.

Noticee 7

a.) That allegations made by SEBI against our client, Noticee No. 7, are entirely false, baseless, and contrary to the evidence on record. The allegations in the SCN and the Investigation Report are categorically denied as false, frivolous, and unfounded.

b.) That our client, Noticee No. 7, is a company that has been regularly trading in the shares of MHIL for many years.

c.) The records attached to our reply clearly demonstrate that Noticee No. 7 consistently sold shares of MHIL during the period from April 1, 2021, to November 25, 2022, when the share price was very low.

d.) The proposal for the subdivision/splitting of MHIL shares was added to the agenda of the MHIL board meeting independently, without any request or influence from Noticee No. 7.

e.) There is no correlation between the share split proposal and the rise in the stock price. In fact, share splits have become an obsolete/outdated phenomenon and no longer significantly impact stock valuation.

f.) It is important to note that the price of the script increased between January and March 2023, a period during which Noticee No. 8 did not sold any shares of MHIL.

g.) That the addition of the share split proposal to the agenda of the MHIL board meeting on December 6, 2022, had no effect on the stock price. The corporate intimation about the proposed board meeting was circulated early on November 28, 2022, at 9:49:20 AM, yet the stock price remained unchanged on that day, opening and closing at Rs. 26.37, as disclosed in the Investigation Report.

h.) That the agenda for the subdivision of shares was approved through a board resolution dated December 6, 2022, with a majority vote of 3:2. The independent directors, including Noticee No. 1, voted in favor of the proposal, while the two directors from the promoter group voted against it. Importantly, the proposal could not have been approved without the support of the other two independent directors. Notably, these two independent directors have not been made Noticees in the present adjudication proceedings, and no malafide intent has been attributed to their decision to approve the proposal for the subdivision of shares.

i.) That the proposal to split the shares did not impact the rise in the share price, as shown in Pictorial Presentation 1 of the SCN. The price of the script stayed above Rs. 80 until June 1, 2023, even though the General Body Meeting of MHIL had declined the share split proposal.

j.) That there was no link between the rise in the share price and the share split proposal. If the share split had truly influenced the price, the investors who allegedly bought shares based on this news would have supported the proposal. Contrary, 99.99% of shareholders, including promoters holding 52.78% of the shares, voted against it. This clearly shows that the share split had no impact on the share's value or price increase.

k.) M/s. Eks Consultant Pvt. Ltd. had been doing ROC filing and TDS matters for the Noticee No. 7. In this connection certain payments were made by M/s. Eks Consultant Pvt. Ltd. with concerned authorities for and on behalf of the Noticee No. 7 Company. The copy of the ledger account and Taxpayers Counterfoil with respect to the payments made by M/s. Eks Consultant Pvt. Ltd. for and on behalf of Noticee No. 7 for the financial year commencing from 1.4.2022 to 31.3.2023 are enclosed herewith as Annexure B. The company Noticee No. 7 were not even aware that Noticee No. 1 was one of the Independent Director of a listed company M/s. MHIL till they received the notices from SEBI. Thus the payments made by the Noticee No. 7 are for the payments made by M/s. Eks Consultant Pvt. Ltd. and not for any other cause as alleged in the SCN.

l.) The directors of Noticee No. 7, i.e. Mr. Praveen Kumar had stated in his statement before SEBI that he did not know Mr. Subham Mittal, i.e. Noticee No. 1. Mr. Praveen Kumar has already left the Noticee No. 7 Company w.e.f. 12.4.2023 and he may have casual acquaintance with Noticee No. 1. The company Noticee No. 7 has no records of any such *communication between its former director i.e. Mr. Praveen Kumar with said Noticee No. 1.*

m.) *Furthermore as stated hereinabove the Noticee No. 7 had been selling its shares of MHIL much before the stated calls. Thus ex facie the subject call exchanges has nothing to do with the decision of Noticee No. 7 with respect to selling of its equity in the MHIL.*

n.) *That the Noticee No. 7 is unaware of the trading by other Noticees, and this reply is based solely on the contents of the SCN.*

o.) *The details of purchase and sale of shares of MHIL by Noticee No. 7, M/s. Jagtarni Traders Pvt. Ltd., are summarized as follows:*

Period	*Purchases*	*Sales*	*Balance*
2016-17	*118,200*	*---*	*118,200*
2018-19	*108,867*	*80,203*	*146,864*
2019-20	*58,811*	*32,500*	*173,175*
2021-22	*100*	*61,818*	*111,457*
2022-23 till 31.10.2022	*---*	*20,472*	*90,985*

Noticee 8

a.) *At the outset it is stated that the allegations levelled by the SEBI against our abovementioned client i.e. the Noticee No. 8 are absolutely false, unsubstantiated and contrary to records. The allegation of the SEBI, in respect of Noticee No. 8 trading in the Shares of MHIL in collusion with the Noticee No. 1 or any other Noticees is absolutely unfounded, patently erroneous and is figment of imagination and is therefore outrightly and vehemently denied. A perusal of the SCN will show that the same is based on the Investigation Report appended as Annexure 2 of the SCN. The findings of the Investigating officer viz-a-viz the Noticee No. 8 are absolutely unfounded and the conclusion is based on surmises, conjectures, presumptions and inference. The Investigating Report is devoid of any merit and is oblivious of the material facts and circumstances that goes into the roots of the matter.*

b.) *The Noticee No. 8 was a director in the Company Noticee No. 7 and had resigned from the Noticee No. 7 with effect from 26.2.2022 i.e. much before the alleged violations. The Noticee No. 8 was holding 28,800 shares of M.H.I.L. for many years. The noticee No. 8 sold 27,700 shares on 26.12.2022 and before that he has no interaction or communication with any other the noticee in general and Noticee No. 1 in particular. The noticee No. 8 had made all sales of the shares of MHIL on 26.12.2022 and till then there was no communication between the Noticee No. 8 with Noticee No. 1. That the Noticee No. 8 do not recollect any call made to Noticee No. 1. Be that as it may the alleged calls are all in during January 2023 and March 2023 when there was no shares sold by the Noticee No. 8. It is worth stating that the Noticee No. 8 has no direct acquaintance with Noticee No. 1 and the alleged call exchanges may have been with the employee of the firm from which the Noticee No. 8 had sought advice viz a viz deposit of advance tax etc.*

c.) *The abovementioned transaction/sale of the shares of MHIL was carried out by the Noticee No. 8 at his own discretion and considering the price of the scrip at the exchange was traded at reasonably good rates i.e. about Rs. 61. It defies logic that the price of the scrip of MHIL remained to be traded at over Rs. 80 till June 2023 (Pictorial Presentation 1 of SCN) when the proposal of division /sub division of the share was defeated by a majority of 99.99% and intimated to the exchange on 16.3.2023. Ex Facie the price rise of the scrip had no correlation with the proposal of the company i.e. MHIL to split /sub divide its shares. The Noticee No. 8 had no collusion / understanding or any prior information of any possibility of humongous growth in the prices of the share of MHIL.*

d.) The selling of the shares by the Noticee No. 8 on 26.12.2022 was bona fide transaction and no mala fide could be attributed for the said transaction. That the decision to sell the shares of MHIL was independent decision of the Noticee No. 8 without any external influence and was based only for the commercial reasons that the price of the shares was rising. Prior to selling of the shares of MHIL the Noticee No. 8 had no prior information as alleged in SCN.

e.) The allegation in the present SCN that the proposal to split the share of MHIL led to its many folds' growth in the price of the share of MHIL from less than Rs. 11 on 1.11.2022 to a high of Rs. 99.99 on 15.3.2023 is absolutely unfounded. The allegation that news of a split in share leading to 900% growth in the price of the share/equity is preposterous and is ex facie unfounded, frivolous and unheard of. Moreover as stated above that the price of the scrip remained high till June 2023 while the proposal for splitting shares was already defeated by thumping majority of 99.99 % and already known to everyone concern after intimation to the exchange on 16.3.2022.

f.) The said proposal for sub division/splitting of shares of MHIL was proposed and added in the agenda for the board meeting of the MHIL neither at behest of Noticee No.8 nor at his asking. The allegation in the SCN and the Investigation Report is outright denied being false, frivolous and unfounded.

g.) The price volume data in Pictorial Presentation 1 of the SCN show that the price of the subject stock of M/s. MHIL started moving upwards from 1.11.2022 and continued the trend till mid-January 2023 when it was over and above Rs. 80. From mid January there was little stagnations in the prices and the price of the share remained stranded at around Rs. 80 till 1.3.2023 thereafter it had another steep rise from 1.3.2023 to 15.3.2023 when it raced to above Rs. 99 from around Rs. 80. The price of the stock thereafter remains static with marginal/little fall till June 2023. A perusal of this chart demonstrates that the price of the scrip has remained around Rupees 85 mark till June 2023 despite the fact that the sub division /split of the shares of MHIL had been rejected by the General Body Meeting of the company through e.voting started from 15.2.2023 and culminated on 16.3.2023 and intimation to this effect was already submitted/circulated by the Company MHIL to the BSE on 16.3.2023 by the Company MHIL. Thus it can be safely inferred that the said proposal for the split/sub division of shares of MHIL had nothing to do with its phenomenal more the 900% growth at the exchange.

h.) A perusal of the Investigation Report i.e. Annexure 2 of the SCN under reply discloses that the promoters' group of the company MHIL was consisting of 11 entities. The Promoters group has about 52.78% shareholding in the company MHIL. It is also reflected in the IR that prior to 22.11.2022 MHIL had about 892 other shareholders having about 47.22% shareholding. Thus before 22.11.2022 the company MHIL was having a total of 903 shareholders whereas the company was having total equity of 1,56,09,225 shares and relatively very small members / shareholders base despite being listed at BSE since June, 2012. As a matter of fact, stock split does not change the Company's value, it simply redistributes ownership into smaller, more affordable units though make the stock more accessible to smaller investors, potentially broadening the shareholder base. The total valuation of investors holding remains constant. There is no correlation between the split of shares and the price rise of the stock. That is why of late the split share phenomena have become obsolete.

i.) The 'corporate disclosure' dated 28.11.2022 being the intimation forwarded by the MHIL to the BSE appended with the SCN as Annexure 22 will demonstrate that the board meeting intimation with the agenda to consider sub division/split of shares of the company was duly circulated on the portal of BSE at 09:49:20 am. The other agenda of the meeting *was to consider various options for raising funds and to consider making investment /loan to the subsidiary company. That 28.11.2022 being Monday was a trading day and the corporate intimation of the proposed board of directors meeting was already circulated in the morning of 28.11.2022 at 9.49.20 am itself, still the price of the scrip of MHIL remained unchanged i.e. the scrip opened at Rs. 26.37 and closed at Rs. 26.37 as disclosed in the Investigation Report. Thus, there was no effect of the insertion of the proposed agenda of sub division/Splitting Shares of MHIL in the agendas of the board meeting for 6.12.2022. The proposal of sub division/split of shares on the price of the share/stock of M/s. MHIL has no effect on its price as alleged in the SCN. That the inference drawn by the SEBI that the price increased on account of the intimation to the exchange of board meeting with one of the agenda being sub division / split of share is unfounded and contrary to record.*

j.) The Investigation Report of the SEBI will demonstrate that the same is not objective and is based on inference, surmises and conjectures and is apparently oblivious of material and facts that goes into the root of the matter. That as per the Annexure appended with the SCN, the said agenda of sub division of the share along with other agendas was put before the board of directors of the company and approved by a split majority. Intimation thereof about the board of directors' resolution was submitted with the exchange on 7.12.2022 wherein it was also intimated that the Extra Ordinary General meeting being scheduled on February 8, 2023. Moreover, it is pertinent to note that the agenda of subdivision of shares was approved vide board resolution dated 06.12.2022 upon a majority of 3:2 wherein the independent directors including Noticee no.1 voted in favour of the proposal whereas the two directors from the promoter group voted against the proposal. It is clear that the said proposal could not have been approved without the approval of the two other independent directors. It is important to note here that the other two directors have not been arrayed as Noticees in the present adjudication proceedings, therefore no malafide intent has been attributed to their action of approving the said proposal for subdivision of shares. Then SEBI's allegation of attributing such malafide intention of Noticee No.1 alleging that this fraudulent scheme which allegedly led to the rise in the share value is completely baseless and frivolous given that the proposal could only be approved when the majority was in favor. Hence, no malafide intention can be attributed to any Noticee of this impugned show cause notice. Therefore, the impugned show cause notice should be set aside. When as per the impugned show cause notice the alleged scheme is violating the provisions of SEBI Act and regulations it is entirely based on the subdivision of shares.

k.) That despite the proposal for splitting of the shares of MHIL was defeated by a majority of almost all i.e. 99.99% shareholders of the company MHIL, despite that, there was no corresponding fall in the price of the shares of MHIL traded at BSE indicating that the said proposal for splitting of shares was not having much impact on the rise of the share earlier. It is matter of record and duly reflected in the Pictorial Presentation 1 of the SCN that the price of the scrip remained over Rs. 80 till 1.6.2023 i.e. well after the split of the share was declined by the General Body Meeting of MHIL through e voting and duly communicated to BSE on 16.3.2023. That in itself ex facie proves that the proposal of split of share was not the reason for the rise of the share of the MHIL as made out to be in the SCN and the SEBI investigation report appended thereof.

l.) The selling of the shares by the Noticee No. 8 is around 0.71% of the transactions in the scrip during the IP. Thus the exposure of the Noticee No. 8 was marginal to the total transactions of the shares of MHIL during said period.

m.) The falsehood of the allegation made in the SEBI investigation report is ex facie established from the reading of Para 8.6 of the SCN wherein it is stated that the Promoter *group having 52.78 % shareholding in the equity of the company dissented to the proposal of splitting of the share and also voted against the proposal during the e voting. The price of the scrip had already had upward swing at the time of E Voting during the course of SGBM from 15.2.2023 to 16.3.2023 and if the proposed split of shares had any positive impact on the multiple growth in price of the share and increase in the volumes of trade then 99.99% of the shareholders would not have dissented against the proposal of splitting of the shares and voted against it. If there was any correlation between the price rise and the proposal of the splitting of the shares then the persons /investors who allegedly acquired the shares on account of this news would have voted in favour of the splitting of the shares. But the facts remain that 99.99% voted against the proposal and as per the SEBI allegations brought down their own wealth/investments. This is contrary to the natural functioning of the securities market and if the splitting of the shares could bring about such a multiplying effect on the valuation of the price of the shares the said proposal would have been approved by 99.99% shareholders as it would have a multiplying effect on their wealth. Since there was no correlation between the proposal for splitting the share and the rise in its valuation/price therefore the proposal was defeated with a majority of 99.99% of total votes cast on the proposal by its shareholders including its promoters having 52.78 % shareholding. Thus, it is clear that there is no substance in the allegations in the SEBI investigation Report and the present SCN. The allegations are figments of imagination of the investigating officer of SEBI.*

n.) That noticee No. 8, Mr. Tilak Raj, had purchased 28,800 shares of MHIL through physical mode during 2018–2019, out of which 27,700 shares were sold on December 26, 2022.

o.) Thus the allegations against the Noticee No. 8 are absolutely unfounded and unsubstantiated. All the allegations and averments made against the Noticee No. 8 are denied unless and until specifically admitted hereinafter or are matter of record. Mere non denial of any allegation or averment of the SCN hereinafter shall not be construed as admission.

CONSIDERATION OF ISSUES AND FINDINGS

11. Before dealing with the issues involved, I would like to address the submission made on behalf of Noticee 6 vide aforesaid e-mail dated November 26, 2024. I note that in the said e-mail, it was submitted that Noticee 6 has been struck off by Registrar of Companies (ROC) with effect from June, 2024.

12. The status of the Noticee 6 was ascertained from the Ministry of Corporate Affairs (MCA) website wherein it is shown as “Strike Off”. It was observed that the name of the Noticee 6 had been struck off from the register of the companies by the office of Registrar of Companies, Haryana as on August 13, 2024. As per the Public Notice[3] (Form No. STK-7) issued in terms of sub-section (5) of section 248 of the Companies Act, 2013 and rule 9 of the Companies (Removal of Names of Companies from the

[3] https://egazette.gov.in/WriteReadData/2024/256451.pdf

Register of Companies) Rules, 2016, I find that the name of the Noticee (CIN: U22130DL2012PTC235629) was mentioned in the said list. The said Notification, *inter alia*, reads as follows:

> *"Notice is hereby published that pursuant to sub-section (5) of Section 248 of the Companies Act, 2013 the name of following Companies have been struck off on this day 13/08/2024 from the Register of the Companies and the said Companies are dissolved: —*

S. No.	*Work Item*	*CIN*	*Company Name*
30	*AA8224105*	*U22130DL2012PTC235629*	*Superfast Media Private Limited*

"

13. In this regard, the applicable provisions of the Companies Act, 2013 are reproduced for reference:

> *"**250.Effect of company notified as dissolved***
> *Where a company stands dissolved under section 248, it shall on and from the date mentioned in the notice under sub-section (5) of that section cease to operate as a company and the Certificate of Incorporation issued to it shall be deemed to have been cancelled from such date except for the purpose of realising the amount due to the company and for the payment or discharge of the liabilities or obligations of the company."*

14. In this context, reference is drawn to the following judgments:
   (a) Hon'ble Delhi High Court in the matter of *Commissioner of Income Tax (CIT) v. Vived Marketing Services (P) Ltd.* (IT Appeal No. 273/2009 dated September 17, 2009) held that *"When the Assessing Officer passed the order of assessment against the respondent company, it had already been dissolved and struck off the register of the Registrar of companies under Section 560 of the Companies Act. In these circumstances, the Tribunal rightly held that there could not have been any assessment order passed against the company which was not in existence as on that date in the eyes of law it had already been dissolved. We are of the opinion that the view taken by the Tribunal is perfectly valid and in accordance with law."*

   (b) Hon'ble Madras High Court in the matter of *Pandian Anbalagan v. Income Tax Officer* (W.P.No.11841 of 2022 dated October 03, 2023) held that "*Further, Section 176 of the Income Tax Act states that if any company discontinued from business and had not carried on any other business, the re-assessment order can be passed against the Principal Officer of the Company*. *However, the assessment order cannot be passed once the company is struck off, since the same will be construed as passing of order against a dead person." (emphasis supplied)*

15. In view of the aforesaid Judgments, it is evident that when a company is struck-off, it ceases to exist as a legal entity leading to formal dissolution of the company. In view of the fact that Noticee 6 has been struck-off and liabilities in respect of the present

proceedings had not accrued as on the date of dissolution of Noticee 6, it would not be appropriate to determine liability against a company which no longer exists. Hence, the proceeding against Noticee 6 is hereby disposed of without going into the merits of the case. Should the Noticee 6 stand revived or restored at any stage, SEBI shall have the liberty to initiate proceedings afresh at that stage.

16. I shall now proceed to deal with the issues involved on merits for the Noticees 1 to 5, 7 and 8.

17. After careful perusal of the material on record, I note that the issues that arise for consideration in the present case are as follows:

I. Whether Noticees 2 to 5, 7 and 8, in connivance with Noticee 1, induced retail shareholders to buy the shares of MHIL by a misleading proposal of a share split of MHIL, that resulted in an increase in the price and volume of the shares of MHIL and subsequently, Noticees 2 to 5, 7 and 8 took advantage by selling their shares at the increased price, thereby, violating the provisions of sections 12A (a), (b), (c) of the SEBI Act and regulations 3(a), (b), (c), (d), 4(1) and 4(2)(d) of the PFUTP Regulations?

a. Whether there was connection among Noticees 1 to 5, 7 and 8 as alleged in the SCN?

b. Whether Noticee 1, in connivance with Noticees 2 to 5, 7 and 8, introduced the misleading proposal of stock split of MHIL that was subsequently rejected by shareholders?

c. Whether there was a spurt in the share price of MHIL on account of the announcement of such stock split proposal on the stock exchange?

d. Whether Noticees 2 to 5, 7 and 8 took advantage of the announcement of the said stock split proposal by offloading their holdings in the scrip of MHIL at the increased price?

II. Does the violation, if any, on the part of Noticees 1 to 5, 7 and 8 attract monetary penalty under section 15HA of the SEBI Act?

III. If so, what would be the quantum of monetary penalty that can be imposed on Noticees 1 to 5, 7 and 8 after taking into consideration the factors stipulated in section 15J of the SEBI Act?

18. Before proceeding further, it is pertinent to refer the relevant provisions of law, allegedly violated by Noticees. The same are reproduced as under:

SEBI Act
"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;"

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 manipulative, fraudulent or an unfair trade practice in securities markets.
(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;
………………
(e) any act or omission amounting to manipulation of the price of a security including, influencing or manipulating the reference price or bench mark price of any securities;"

Issue 1: Whether Noticees 2 to 5, 7 and 8, in connivance with Noticee 1, induced retail shareholders to buy the shares of MHIL by a misleading proposal of a share split of MHIL, that resulted in an increase in the price and volume of the shares of MHIL and subsequently, Noticees 2 to 5, 7 and 8 took advantage by selling their shares at the increased price, thereby, violating the provisions of sections 12A (a), (b), (c) of the SEBI Act and regulations 3(a), (b), (c), (d), 4(1) and 4(2)(d) of the PFUTP Regulations?

19. From the material on record, it is noted that the allegation levelled against these Noticees in the SCN was that Noticee 1 (independent director of MHIL) in connivance with Noticees 2 to 5, 7 and 8 had introduced the misleading proposal of share split of MHIL (approved in board meeting but later rejected by shareholders) that resulted in an increase in the price and volume of the shares of MHIL and subsequently, Noticees 2 to 5, 7 and 8 offloaded their holdings in the scrip of MHIL at the increased price. For the sake of convenience, issue has been divided into 4 sub-issues and the aforementioned submissions of these Noticees are discussed under those sub-issues.

Issue I(a): Whether there was connection among Noticees 1 to 5, 7 and 8 as alleged in the SCN?

20. The connections among Noticees 1 to 5, 7 and 8 as alleged in the SCN and the submissions of these Noticees against those alleged connections are discussed in the tables below. For the sake of convenience, these Noticees are classified under groups:

Table 10

<table>
<tr><th colspan="3">Connections within groups</th></tr>
<tr><th>Group</th><th>Noticees</th><th>Basis of connection</th></tr>
<tr><td>Group 1</td><td colspan="2">Shubham Mittal (Noticee 1)</td></tr>
<tr><td rowspan="4">Group 2</td><td>Skylarge Realcon Pvt. Ltd. (Noticee 2)</td><td rowspan="4">a) Noticee 3 is spouse of Noticee 5 – Admitted by Noticees 3 and 5.
b) Noticees 3 and 5 were directors of Noticees 2 and 4 – Admitted by Noticees 2 and 4.
c) Noticees 2, 3 and 4 had common mobile no. in the KYC documents – Not disputed by Noticees.
d) Trading orders for Noticee 2 was placed by Noticee 3 by making a call to the stock broker - Not disputed by Noticees.</td></tr>
<tr><td>Mr. Gaurav Narang (Noticee 3)</td></tr>
<tr><td>Bigsea Trading Company Pvt. Ltd. (Noticee 4)</td></tr>
<tr><td>Rekha Narang (Noticee 5)</td></tr>
<tr><td rowspan="2">Group 3</td><td>Jagtarni Traders Pvt. Ltd. (Noticee 7)</td><td rowspan="2">a) Noticee 8 was director in Noticee 7 – Admitted by Noticee 8 that he was director in Noticee 7 and resigned from the directorship of Noticee 7 with effect from February 26, 2022.
b) Noticee 8 was a shareholder in Noticee 7 holding 12.42% of shares of Noticee 7 as on March 31, 2023 – Not disputed by Noticees.</td></tr>
<tr><td>Tilak Raj (Noticee 8)</td></tr>
</table>

Table 11

Basis of connections among groups 1 and 2
a) From CDR records, it was observed that Noticee 1 had exchanged several calls with Noticees 2, 3 and 4. The contact number of Noticee 2 belongs to Mr. Gaurav Narang (Noticee 3), and the contact number of Noticee 4 belongs to Mr. Prateek Kumar (director of Noticee 4) – Noticees admitted that calls as stated in SCN were exchanged. However, claimed that calls were exchanged as part of other part time employment of Noticee 1. b) From the CDRs of the Noticees, the geo-location of the calls was analysed for the period between November 01, 2022, to January 31, 2023, wherein it was observed that Noticee 1 shared common meeting points[4] with Noticee 2 (number

[4] *Meeting point is a place where the entities share same tower around the same time.*

Basis of connections among groups 1 and 2
registered in the name of Noticee 3) as per tower location (Details of meeting points were provided to Noticees as annexure 21 to the SCN)– Noticees admitted the geo location of the entities as stated in the SCN and stated that their residential/registered addresses were in close proximity. c) From the bank statement of Noticee 1, it was observed that he was regularly receiving funds from Agile Virtual Services Pvt. Ltd. It was observed that Ms. Priti Narang was common director in Agile Virtual Service Pvt. Ltd. and EKS Consultant Pvt. Ltd. (Noticee 3 was director in this company). It was further observed that Noticee 3 during his statement recorded on February 05, 2024 admitted that Ms. Priti Narang is his sister-in-law – Admitted by Noticees.

Table 12

Basis of connections among groups 1 and 3
a) From CDR records, it was observed that Noticee 1 had exchanged several calls with Mr. Praveen Kumar (director of Noticee 7) and Noticees 8 – Noticees admitted that calls as stated in SCN were exchanged. However, claimed that calls were exchanged as part of other part time employment of Noticee 1. b) From the CDRs of the Noticees, the geo-location of the calls was analysed for the period between November 01, 2022, to January 31, 2023, wherein it was observed that Noticee 1 shared common meeting points[4] with Noticee 7 (number registered in the name of Noticee 8) as per tower location (Details of meeting points were provided to Noticees as annexure 21 to the SCN)– Noticees admitted the geo location of the entities as stated in the SCN and stated that their residential/registered addresses were in close proximity.

Table 13

Basis of connections among groups 2 and 3
a) Noticees 3 and 5 were shareholders in Noticee 7 holding 2.56% shares of Noticee 7 as on March 31, 2023 – Not disputed by Noticees. b) Mr. Praveen Kumar who was director in Noticee 7 in his statement recorded on February 08, 2024 had, *inter alia*, stated that *"I know his (Mr. Gaurav Narang) another company Skylarge Realcon, in which Mr. K.C. Ahuja has acquired shares in my name"* and *"I know Mr. Gaurav Narang, as I used to avail tax related services from his company EKS Consultant for Jagtarni company." -* Noticee 7 admitted that Mr. Praveen Kumar was director in Noticee 7 and resigned from the directorship of Noticee 7 with effect from April 12, 2023. c) From the bank account statement of Noticee 7, it was observed that there were regular fund transactions with EKS Consultants Pvt. Ltd. It was observed that Mr. Gaurav Narang (Noticee 3) was a director of EKS Consultant Pvt. Ltd.- Admitted by Noticee 7 that payment was made for ROC filing and TDS related work.

21. From the holistic view of the basis of connection as mentioned above, it is established that Noticees 1 to 5, 7 and 8 were connected to each other. The contention of Noticee 1 that he became aware of the shareholdings of Noticees 3, 4 and 7 in MHIL only after receiving SEBI's notice, and similar argument of other Noticees that they were unaware of Noticee 1's role as an independent director of MHIL until issuance of SEBI's notice, lacks merit. In addition to the connections as established in the aforesaid paragraphs between the Noticees, as far as Noticee 1 is concerned, his role as an independent director of MHIL speaks volumes about his involvement as pivotal link between all the Noticees. As per the annual reports of MHIL, Noticee 1 joined MHIL in November 14, 2021 and he was appointed as the Chairman of the Audit Committee, member of the Nomination and Remuneration Committee and Stakeholders Relationship Committee. In the said background, it relevant to note the submissions of Noticee 1 wherein he stated that it was expected from the independent director to put forth proposals before the board of directors of the company from time to time, particularly ways and steps for expansion of investors base/increase the members base. This invariably points to the fact that Noticee 1 knew that MHIL had less than thousand investors where Noticees 2, 3 and 4 were the public shareholders whose names appeared in the disclosures of MHIL to the stock exchange for the reason that they were holding more than 1 per cent shares of MHIL. Noticee 1 later claimed in the submissions that his proposal for share split had resulted in increases in the investor base. Taken together, these statements make it clear that Noticee 1 knew the shareholding pattern in MHIL before making his proposal and after the proposal was made public.

22. As per BSE filings, Noticees 2, 3, and 4 together held about 7.11% of MHIL's total shares as of September 2022. Further, the material on record shows that Noticees 2 to 5, 7, and 8 collectively sold approximately 6.41% of MHIL's total shares during the IP. In the aforesaid circumstances, the claim of ignorance of Noticee No.1 about the shareholding of Noticees 2, 3 and 4 in MHIL is implausible, especially since this information is publicly available through statutory filings and annual reports. For a

director who is a member of the Stakeholders Relationship Committee to plead ignorance about the top public shareholders of his own company coupled with the fact that he was concurrently a part-time employee in another company (Agile Virtual Service Pvt. Ltd.) whose director (Ms. Priti Narang) is related to one such top pubic shareholder (Noticee 3), his employer (Agile Virtual Service Pvt. Ltd.) had business relationships with Noticees 2 to 4, 7 and 8 and Noticee 1 in his reply had admitted exchange of calls as part of his part time employment with other Noticees/directors of other Noticees named as public shareholders in MHIL's disclosures to BSE, appears to be an attempt to evade responsibility in the given circumstances. Therefore, Noticee 1's assertion of unawareness regarding the holdings of Noticee 3 and his related entities in MHIL is untenable.

23. Further, with respect to submission that calls between Noticee 1 and other Noticees as stated in the SCN were made after the sale of shares of MHIL during the IP, it is noted that such call records have been referred to solely for the limited purpose of demonstrating the connections between the concerned parties and not as an evidence of communication of any information. Moreover, from the material on record, it is noted that some calls were also exchanged between Noticee 1 with Mr. Prateek Kumar (director of Noticee 4) and Mr. Praveen Kumar (director of Noticee 7) on September 10, 2022 and November 28, 2022, i.e., before the sale of shares during the I.P. Hence, the submission in this regard is misplaced.

24. In this context, reference is drawn to the order of Hon'ble SAT in the matter of ***Bhavesh Patel and Ors. v. SEBI*[5]*,*** wherein Hon'ble SAT*, inter alia,* held that*:*

> *"Some specific submissions have been made by some of the Appellants before us. These include that ………mere call records are not sufficient to prove the connection; staying in the same locality is not an indicator of a connection; giving a small amount of loan to a relative is not connected to manipulation in trade etc…………****Further, residing in a location or telephone calls between people also in itself do not make one party to a fraudulent scheme; but all associated factors together do make them parties.*** *Therefore, given the factual matrix perused by us we find no merit in the submissions of the Appellants."*

[5] *MANU/SB/0183/2018 decided on April 25, 2018*

25. In this context, the basis of connection is derived from a cumulative assessment of multiple corroborative circumstances including Noticee 1's position in MHIL and its committees, the call data records indicating regular communication between Noticees, the proximity of their residential or registered addresses, their association through employment in a company whose director is related to another Noticee, some Noticees being top public shareholders who are named in disclosures made to BSE, Noticee 1's employer (Agile Virtual Service Pvt. Ltd.) having business relationship with other Noticees and other such interlinking facts as mentioned above. Viewed collectively, these factors provide a reasonable basis to conclude that the Noticees 1 to 5, 7 and 8 were connected.

Issue I(b): **Whether Noticee 1, in connivance with Noticees 2 to 5, 7 and 8, introduced the misleading proposal of stock split of MHIL that was subsequently rejected by shareholders?**

26. From the material on record, it is noted that Noticee 1 (independent director of MHIL) vide letter dated November 22, 2022 proposed to the company secretary of MHIL to include the agenda of splitting of shares in the board meeting. Accordingly, MHIL made a corporate announcement on BSE on November 27, 2022, regarding the board meeting to be held on December 06, 2022, which contained an agenda on considering a split of shares. The board meeting was held on December 06, 2022 wherein the proposal for the split of shares was approved by the board (dissented by promoters and managing director, approved by 3 independent directors including Noticee 1). The outcome of board meeting was disseminated on BSE on December 06, 2022. On the basis of board approval, the proposal for the split of shares was opened for voting of shareholders through postal ballot from February 15, 2023, to March 16, 2023. Subsequently, the proposal was rejected by shareholders and the outcome of postal ballot was disseminated on BSE on March 16, 2023.

27. Noticees 1 to 5, 7 and 8 in their replies did not dispute the fact that Noticee 1 introduced the proposal of share split, its approval in the board meeting and

subsequent rejection by the shareholders. They have submitted that the procedure followed for splitting of shares was in compliance with the applicable provisions of the Companies Act and SEBI rules and regulations as applicable.

28. In this regard, it is pertinent to note that allegation in the present proceedings is not about the procedural flaws in the share split proposal, rather it was used as a tool to manipulate the market. In this context, I would also like to refer to the judgment of Hon’ble Supreme Court in the matter of *Sonamati Devi & Ors. v. Mahendra Vishwakarma & Ors.* (C.A. No. 5717 of 2021 decided on September 15, 2021) wherein Hon’ble Supreme Court*, inter alia,* stated that *“It is well known that fraud vitiates every solemn act.”* The fact that a procedure was followed does not make an action valid if the intent behind the action was fraudulent. Hence, this submission does not merit any consideration.

29. Noticee 1 further submitted that he independently, without any outside influence made this proposal of sub-division of shares to the board of directors to increase the member base of MHIL. Apparently, while making those bold claims, Noticee 1 turned a blind eye to the fact that sub-division of shares as such cannot increase the member base unless some existing member decides to dilute his holding. This becomes crucial where the promoters kept their holding intact at 52.78% throughout and they continue to hold the same till date. As discussed in the preceding paragraphs, Noticee 1 cannot be oblivious of the shareholding pattern in MHIL where promotors hold the majority stake. The voting of promoter directors in the board meeting reaffirmed the fact that they were not aligned with the Noticee 1 intention and the only means to achieve Noticee 1’s goal as against that of promoters was dilution of shareholding of some public shareholders, which was actually the motive as written large from the conduct of the Noticees. Noticee 1 knew very well in advance that his proposal of sub-division of shares cannot succeed without the backing of promoters for the reason that he was part of the board of MHIL, being an independent director who is a member of the committees of MHIL. In this background, the answer to the question as to whose behalf Noticee 1 made the proposal of sub-division of shares while knowing that the

same would not succeed, could be found from the fact as to who were the real beneficiaries of the said proposal.

30. Considering the facts and circumstances as above, the attempt of Noticee 1 to portray the proposal as an independent act is not convincing, particularly in light of his connection with other Noticees as established in preceding paragraphs, the timing and pattern of offloading of shares by Noticees 2 to 5, 7 and 8 and profiting out of the same, the fact that promoter directors collectively holding more than 50% shareholding in MHIL had dissented from the proposal in the board meeting and the fact that in his statement recorded during investigation, he failed to explain even basic aspects of splitting of shares.

31. The AR of Noticee 1 during the hearing had submitted that mere association or corporate event, in the absence of trading benefits or manipulative conduct, does not constitute a violation of SEBI rules and regulations. He placed reliance on orders of Hon'ble SAT in the matter of Jayesh S Patel v. SEBI (Appeal No. 456 of 2015 decided on April 25, 2018) and Piyush P. Avlani v. SEBI (Appeal No. 131 of 2012 decided on July 16, 2012). Noticee 1 has also placed reliance on the judgment of Hon'ble Supreme Court in the matter of SEBI v. Mega Corporation Limited (2023) 12 SCC 802. From the perusal of the cases relied upon by Noticee, it is noted that in the matter of Jayesh S Patel v. SEBI, Hon'ble SAT upheld the findings of SEBI that promoters and related parties of a company had manipulated the price of its illiquid shares through small buy orders at upper circuits, however, exonerated one person, noting that she had only received gifted shares and played no role in the scheme. In the matter of Piyush P. Avlani v. SEBI, Hon'ble SAT held that the role of Noticee in that matter was confined to advancing a loan against shares kept as security, without indulging in any trading or being connected to the promoters, and therefore he was treated as a mere financier with no manipulative intent. Further, in the matter of SEBI v. Mega Corporation Limited, respondent in that matter was exonerated due to lack of evidence. In contrast, in the present matter, Noticee 1 plays an active role in the scheme devised by Noticees since Noticee 1 was directly involved in introducing the

misleading stock split proposal. Further, the connection among the Noticees 1 to 5, 7 and 8 has also been established in the present proceedings. Accordingly, the reliance placed by Noticee 1 on the aforesaid cases is misplaced and not applicable to the facts and circumstances of the present matter.

32. In view of the aforesaid discussions and considering the peculiar facts and circumstances of the case, it is established that Noticee 1, in connivance with Noticees 2 to 5, 7 and 8, introduced the misleading proposal of stock split of MHIL that was subsequently rejected by shareholders.

Issue I(c): **Whether there was a spurt in the share price of MHIL on account of the announcement of such stock split proposal on the stock exchange?**

33. From the material on record, it is noted that MHIL made a corporate announcement on BSE on November 27, 2022, regarding the board meeting to be held on December 06, 2022, which contained an agenda on considering a split of shares. The closing price of the share had increased from Rs. 25.12 on November 25, 2022(Friday) to Rs. 26.37 on the next trading day, i.e., November 28, 2022, i.e., an increase of 4.98%. The outcome of board meeting wherein the proposal for the split of shares was approved by the board was disseminated on BSE on December 06, 2022. The next day, i.e., December 07, 2022, there was an increase in share price from Rs. 30.40 (opening price) to Rs. 33.50 (closing price), i.e., 10.20% increase. On the basis of board approval, the proposal for the split of shares was opened for voting of shareholders through postal ballot from February 15, 2023, to March 16, 2023. During this period, the price of shares increased from Rs. 80.45 on February 15, 2023, to Rs. 99 on March 15, 2023. It is relevant to note that before the date of the board meeting on December 06, 2022, the trading volume was 5,826 shares and after the board meeting, the trading volume increased to 56,067 shares.

34. In regard to the increase in share price of MHIL pursuant to announcement of proposal for share split, Noticees 1 to 5, 7 and 8 in their replies submitted that stock splits do not change the overall value of a company instead redistribute ownership into smaller

and more affordable units. It was argued that there is no correlation between the act of splitting shares and an increase in stock price. Had it been so, the promoters of MHIL, who held over 52% of the MHIL's shares, would have been the biggest beneficiaries of the share split. However, as reflected in the SCN, the promoters opposed the proposal and voted against it. They further submitted that vide intimation dated November 28, 2022, MHIL informed BSE regarding the board meeting to be held on December 06, 2022 that contained an agenda to consider sub-division/split of shares of MHIL. However, the stock price remained unchanged at Rs. 26.37 throughout that day, indicating no significant market reaction to the proposed agenda. Further, if the proposed split of shares had any positive impact on the price of the share and increase in the volumes of trade, then 99.99% of the shareholders would not have dissented against the proposal of splitting of the shares. They further argued that the unaudited financial results announced on November 12, 2022, resulted in an increase in the share price of MHIL, which exhibited an upward trend throughout November and continued until February 2023. Even after the rejection of proposal, share price on the BSE remained stable above Rs. 80 until June 01, 2023, indicating that the proposal of split of share was not the reason for the rise of the share of the MHIL.

35. The submission of Noticees 1 to 5, 7 and 8 that there is no correlation between the act of splitting shares and an increase in stock price since stock splits do not change the overall value of a company is devoid of merit. In this context, reference is drawn to the order of Hon'ble SAT in the matter of ***Affluence Fincon Service Pvt. Ltd. and others v. SEBI***[6], wherein it has been categorically held that:

> *"…splitting of stock per se is a Price sensitive information, since splitting of stock is an important decision for a company, (requiring approval of general body of shareholders under Section 61 of the companies Act, 2013), which is intended to improve the liquidity of stock and its affordability, which is likely to make an impact on price.* ***In our considered view, splitting of shares results in shares of smaller face value, which makes the shares affordable, and thereby allows new sets of shareholders to come into picture with the resulting impact on***

[6] *Appeal No. 314 of 2021 decided on October 10, 2024*

***demand and liquidity, that is likely to influence the price trends.**" (Emphasis Supplied)*

36. Accordingly, it is a settled position that a stock split, by enhancing affordability and liquidity, has the potential to influence the price of a share. Further, from the perusal of the price–volume data of MHIL in conjunction with its corporate announcements, the following movement in the share price is noted:

Table 14

Date	**Disseminated Time, if any**	**Major announcement, if any**	**Closing Price (in Rs.)**
12/11/2022		Quarter result	17.49
27/11/2022	19:27:56	Intimation of Board meeting on December 06, 2022, *inter alia*, to consider and approve the proposal for stock split	25.12
28/11/2022			26.37
06/12/2022	19:03:26	Outcome of Board Meeting that, *inter alia*, contained approval of proposal for stock split. EGM convened on February 08, 2023	31.95
07/12/2022			33.50
12/01/2023	19:48:36	Intimation of Board meeting. Deferment of EGM scheduled on February 08, 2023	84.90
20/01/2023	19:05:48	Outcome of Board Meeting that, *inter alia*, contained postal ballot for shareholder approval	87.05
05/02/2023	17:11:36	Intimation of Board meeting on February 14, 2023 to consider and approve the financial results for the quarter ended December 31, 2022	81.65
11/02/2023	17:34:39	Intimation of Notice of Postal Ballot	82.00
14/02/2023	17:16:41	Quarter result	80.00
15/02/2023			79.60
16/03/2023	20:23:29	Outcome of postal ballot (resolution not passed in favour of stock split)	94.63
17/03/2023			94.94
31/03/2023			90.33
30/04/2023			89.68

Date	Disseminated Time, if any	Major announcement, if any	Closing Price (in Rs.)
28/05/2023	17:22:03	Quarter result	86.28
31/05/2023			80.50
30/06/2023			57.51

37. Further, on the submission of Noticees that when MHIL informed BSE about the board agenda to consider stock split on November 28, 2022, the price remained unchanged at Rs. 26.37, it is pertinent to note that the intimation regarding board agenda to consider stock split was disseminated on November 27, 2022 and not November 28, 2022. As a result, price of the scrip of MHIL increased from Rs. 25.12 on November 27, 2022 to Rs. 26.37 on November 28, 2022, i.e., a rise of 4.98% in the share price of MHIL immediately after the announcement on November 27, 2022. Moreover, the crucial event was the approval of stock split in the board meeting held on December 06, 2022. As evident from the aforesaid price movement, the closing price of the scrip of MHIL increased from Rs. 31.95 on December 06, 2022 to Rs. 33.50 on December 07, 2022, reflecting a 4.85% rise immediately after the announcement of approval of stock split in the board meeting. Thereafter, the share price continued to increase at regular intervals, reaching Rs. 80.00 by February 14, 2023, i.e., till the announcement of quarterly results. It is also relevant to observe that during the period from December 06, 2022 to February 14, 2023, there was no major corporate announcement by MHIL. The quarterly results referred to by the Noticees were in fact announced much earlier, on November 12, 2022, which cannot explain the subsequent rise in price. It is further noted that the quarterly results announced on November 12, 2022, showed a decline in profits of MHIL, as MHIL's profit fell from Rs. 29.16 Lakh for the quarter ended June 30, 2022 to a loss of Rs. 0.08 Lakh for the quarter ended September 30, 2022. Therefore, the argument of the Noticees that announcement of quarterly results resulted in price rise has no basis.

38. In this connection, reference is drawn to Pictorial Representation 1 given as paragraph 5 above. It is explicit from the said Table that there had been a spurt in the price on the news of sub-division of shares in November 2022 upon introduction of split of

shares. The maximum prices were recorded during January 2023 and there had been substantial increase in volumes of shares traded. The trading volumes peaked on the conclusion on e-voting where the proposal was rejected and the trading volumes decreased gradually thereafter. This obvious movement of price and volume, negates the claim of the Noticees that the proposal of sub-division of the shares did not affect the shares price of MHIL. Furthermore, when the outcome of the postal ballot (resolution not passed in favour of stock split) was intimated on March 16, 2023, the closing price of MHIL was Rs. 94.63, which subsequently declined to Rs. 90.33 by March 31, 2023.

39. The Noticees further contended that if the proposal of share split can cause an increase in price, then the promoters, who were holding more than 50% of the shares, would not have rejected the proposal. In this regard, as already discussed above, the very proposal of a share split led to a sharp increase in the price and volume of the scrip, thereby influencing retail investors. The choices of individual shareholders including the promoters, do not determine how the market will behave in response to such news. The promoters may have had their own commercial reasons for not diluting their holdings or not agreeing to the split. In fact, as per the information available in the website of BSE, the promoter and promoter group shareholding remained intact at 52.78% during the IP and they did not sell their shares despite the price increase. However, this does not negate the finding that misleading proposal regarding the split created a spurt in the price of the scrip of MHIL. Hence, the submission of Noticee in this regard is not tenable.

40. With respect to the argument of Noticees that if the proposed split of shares had any positive impact on the price and trading volumes, then 99.99% of the shareholders would not have dissented from the proposal of splitting of the shares, it is pertinent to refer to the pattern of voting of shareholders through postal ballot from February 15, 2023, to March 16, 2023, as under:

Table 15

Category	No. of shares held	No. of votes polled
Promoter and Promoter Group	81,78,347	80,38,847
Public- Non Institutions	74,30,878	537
Total	**1,56,09,225**	**80,39,384**

41. From the aforesaid table, it is noted that out of 74,30,878 shares of MHIL held by the public shareholders, only shareholders holding 537 shares participated in the voting process. Shareholders of remaining 74,30,341 shares, i.e., 99.99% of the public shareholding, did not participate in the voting. Thus, merely 0.007% of the total public shareholders actually exercised their voting rights. In these circumstances, the argument of the Noticees that 99% of the shareholders should not have dissented from the proposal, if it had any positive impact does not appears to be sound.

42. In light of the aforesaid discussions and in view of the order of Hon'ble SAT as mentioned above, the submission of the Noticees 1 to 5, 7 and 8 that the price rise was unrelated to the stock split cannot be accepted. On the contrary, the sequence of events and price movement establish that the stock split proposal influenced the price of MHIL shares.

Issue I(d): Whether Noticees 2 to 5, 7 and 8 took advantage of the announcement of the said stock split proposal by offloading their holdings in the scrip of MHIL at the increased price?

43. As discussed in preceding paragraphs, since the announcement of the split of shares, price and volume increased in the scrip of MHIL. It was alleged that Noticees 2 to 5, 7 and 8 had offloaded their holdings in the scrip of MHIL at the increased price. The details of trading done by Noticees 2 to 5, 7 and 8 in the scrip of MHIL during the IP are given in the table below:

Table 16

Noticee	No. of shares sold	Sell value (in Rs.)	% to Market Volume
Noticee 2	3,67,878	2,59,54,161.00	9.45%
Noticee 3	50,000	32,22,500.00	1.28%
Noticee 4	4,19,882	2,57,68,791.00	10.79%
Noticee 5	45,000	28,88,000.00	1.16%
Noticee 7	89,485	49,00,755.00	2.30%
Noticee 8	27,700	17,00,780.00	0.71%
	9,99,945	6,44,34,987.00	

44. Noticees 1 to 5, 7 and 8 did not dispute the aforementioned sale of shares of MHIL. However, Noticees submitted that they had purchased shares of MHIL prior to 2014 and sold part of their holdings in December 2022 purely for commercial reasons owing to rising prices. It was argued that they had not acquired any shares around the time of the stock split proposal of November 22, 2022. According to them, had they anticipated the price rise, they would have bought more shares earlier in October or November 2022 to maximize profits. It was further argued that they continue to hold a portion of their shareholding. If they had any mala fide, they would have sold their entire shareholding and maximized their profits. Additionally, Noticee 7 submitted that it had sold shares even before the stock split proposal, including 14,000 shares on November 25, 2022 and argued that such sales at lower prices negate any allegation of collusion or prior knowledge of the subsequent price rise.

45. In this regard, it is pertinent to note that the quantity of the shares purchased, sold or retained, cannot be a ground to dilute the allegation levelled against these Noticees as highlighted in the preceding paragraphs. What is material in the present proceeding is the entirety of the scheme beginning from the proposal of stock split introduced by Noticee 1 till the offloading of shares held by Noticees 2 to 5, 7 and 8 at the increased price. It is further noted that Noticees 3, 5 and 8 are individuals and Noticees 2, 4 and 7 are companies owned (as shareholders) or managed (as directors) by these individual Noticees 3, 5 and 8, as such, they are a group acting together who had liquidated substantial part of their holdings in MHIL amounting to 9,99,945 shares (~76-77% of their shareholdings in MHIL) and 6.41% of fully paid up shares of MHIL

for a total consideration of Rs. 6.44 crore as discussed above. Hence, this submission of Noticees that they would have sold off their entire holdings has no merit. Similarly, the argument that had the Noticees expected a price rise, they would have bought more shares earlier in October 2023, has no merit for the reason that the Noticees had no funds to purchase the shares as evident from their own submissions. On the contrary, they had an obligation to pay up huge sum to Mr. Rakesh Pahwa from whom they had availed loans.

46. It was further submitted that the board resolution approving the sub-division/split of shares on December 06, 2022 was passed with a majority of 3:2, with the independent directors including Noticee 1 voting in favor, while two promoter directors opposing it. The proposal could not be approved without the approval of the other two independent directors, who were not part of the current adjudication proceedings. It was also argued that the contribution of Noticees 2 to 5, 7 and 8 to the total market volume during the said period is marginal, i.e., ranging from 0.71% to 10.79% while the SEBI investigation report is silent on the entities who had more than 72.6% transactions in the shares of MHIL during the IP.

47. In this regard, it is noted that present proceeding is based on the specific nexus between the Noticees 1 to 5, 7 and 8 unlike other independent directors and the pattern of offloading of shares of MHIL by Noticees 2 to 5, 7 and 8, at the increased price. It is further noted that scope of present proceeding is limited to alleged violations committed by the these Noticees against whom explicit connections, connivance and profit making could be observed. Hence, the contention in this regard is beyond the consideration of this proceeding.

48. From the foregoing discussions, it is evident that the proposal of stock split was introduced by Noticee 1 that later rejected by shareholders and the price–volume data clearly demonstrates that following the dissemination of information regarding share sub-division proposal in BSE, there was an upward movement in the price of the scrip/trading volumes and Noticees 2 to 5, 7 and 8 having connection with Noticee 1

had offloaded their shares during the said period at increased prices resulted from the aforesaid proposal of sub-division of shares.

49. In this context, reference is drawn to the order of the Hon'ble Supreme Court in the matter of ***SEBI v. Kishore R Ajmera***[7]**,** wherein the Hon'ble Supreme Court, *inter alia*, held as under:

> *"22. 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.*
> *…..*
> *26………The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned. Prosecution under Section 24 of the Act for violation of the provisions of any of the Regulations, of course, has to be on the basis of proof beyond reasonable doubt…."*

50. Reference is also drawn to the order of the Hon'ble SAT in the matter of ***Ketan Parekh v. SEBI***[8]**,** wherein the Hon'ble SAT, *inter alia*, stated as under:

> *"The nature of transactions executed, the frequency with which such transactions are undertaken, the value of the transactions........., the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn."*

51. In view of the aforesaid discussion and the totality of the attending facts and circumstances, it is established that Noticees 1 to 5, 7 and 8 had acted in concert to take undue advantage of the inflated price levels created by the stock split proposal.

[7] Civil Appeal No. 2818 of 2008 dated February 23, 2016
[8] *Appeal No. 02 of 2004 decided on July 14, 2006*

52. Further, reliance is placed on the judgement of Hon'ble Supreme Court in the matter of ***SEBI v. Shri Kanaiyalal Baldevbhai Patel***[9]**,** wherein the Hon'ble Supreme Court, *inter alia*, held that *"The definition of 'fraud', which is an inclusive definition and, therefore, has to be understood to be broad and expansive, contemplates even an action or omission, as may be committed, even without any deceit if such act or omission has the effect of inducing another person to deal in securities. Certainly, the definition expands beyond what can be normally understood to be a 'fraudulent act' or a conduct amounting to 'fraud'. The emphasis is on the act of inducement and the scrutiny must, therefore, be on the meaning that must be attributed to the word "induce".*

………..

The difference between inducement in criminal law and the wider meaning thereof as in the present case, is that to make inducement an offence the intention behind the representation or misrepresentation of facts must be dishonest whereas in the latter category of cases like the present the element of dishonesty need not be present or proved and established to be present. In the latter category of cases, a mere inference, rather than proof, that the person induced would not have acted in the manner that he did but for the inducement is sufficient. No element of dishonesty or bad faith in the making of the inducement would be required."

53. In view of the foregoing, it is a settled position that inducement is a key factor in determining whether an act can be categorized as "fraudulent." In this context, from the discussions above, it is observed that following the dissemination of information regarding the proposal for share split on BSE, there was a noticeable upward movement in both the price and trading volume of the scrip. This indicates that the proposal for sub-division/split of shares had induced investors to purchase the shares. In this context, reference is drawn to the order of the Hon'ble Supreme Court in the matter of ***SEBI v. Rakhi Trading and other connected Civil Appeals***[10]**,** wherein the Hon'ble Supreme Court, *inter alia*, observed as under:

> *"If the factum of manipulation is established, it will necessarily follow that the investors in the market have been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so widespread that it may not be humanly possible for the Board to track the persons who were actually induced to buy or sell securities as a result of manipulation and the Board cannot be imposed with a burden which is impossible to be discharged."*

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[9] Civil Appeal No. 2595 of 2013 dated September 20, 2017
[10] Civil Appeal No. 1969 of 2011 dated February 08, 2018

54. Even though establishing motive is not a prerequisite for holding a violation under the PFUTP Regulations, in the instant matter, the statements of Noticee 3 (Director of Noticees 2 and 4), Mr. Prateek Kumar (Director of Noticee 4) and Mr. Rakesh Pahwa, along with the analysis of the bank account statements of Noticees 2 and 4, reveal existence of motive where they were in dire need of money to repay a loan availed from Mr. Rakesh Pahwa. As per their own submissions, Noticees 2 and 4 had taken such a loan from Mr. Rakesh Pahwa and this fact remains undisputed.

55. Further, the Noticees in their submissions have not disputed the findings recorded in IR and SCN that during the period from December 23, 2022 to January 09, 2023, an amount of Rs. 85 Lakh and Rs. 65 Lakh were transferred to the account of Pahwa Buildwell Pvt. Ltd. (Mr. Rakesh Pahwa was director in this company) by Noticee 2 and Noticee 4 respectively. Subsequently, an amount of Rs. 69.40 Lakh and Rs. 14.00 Lakh were transferred by Pahwa Buildwell Pvt. Ltd. to the account of Mr. Rakesh Pahwa and Ms. Achala Pahwa (spouse of Mr. Rakesh Pahwa) respectively. It is pertinent to note that period of these funds transfers coincides with the period during which Noticees 2 and 4 offloaded their shareholdings in the scrip of MHIL. Details of transactions are given in table below:

Table 17 (Paragraphs 5.4.1. and 5.4.2. of the SCN)

Amount credited to the account of Noticee 2 by its stock broker		**Amount transferred to Pahwa Buildwell Pvt. Ltd. by Noticee 2**		**Amount transferred to Mr. Rakesh Pahwa and his spouse, Ms. Achala Pahwa by Pahwa Buildwell Pvt. Ltd.**	
Date of transaction	**Amount (in Rs.)**	**Date of transaction**	**Amount (in Rs.)**	**Date of transaction**	**Amount (in Rs.)**
December 28, 2022	20,00,000	December 29, 2022	20,00,000	December 29, 2022	14,00,000
January 03, 2023	50,00,000	January 05, 2023	24,00,000	December 30, 2022	50,000
January 06, 2023	15,00,000	January 07, 2023	25,00,000		
		January 09, 2023	16,00,000	January 13, 2023	7,40,000
Amount credited to the account of Noticee 4 by its stock broker		**Amount transferred to Pahwa Buildwell Pvt. Ltd. by Noticee 4**		**Amount transferred to Mr. Rakesh Pahwa by Pahwa Buildwell Pvt. Ltd.**	
Date of transaction	**Amount (in Rs.)**	**Date of transaction**	**Amount (in Rs.)**	**Date of transaction**	**Amount (in Rs.)**
December 22, 2022	1,00,000				
December 23, 2022	19,00,000	December 23, 2022	20,00,000	December 23, 2022	20,00,000
December 23, 2022	20,00,000	December 26, 2022	20,00,000	December 26, 2022	20,00,000
December 26, 2022	25,00,000	December 27, 2022	25,00,000	December 27, 2022	21,50,000

56. The aforesaid facts and circumstances, therefore, indicate that Noticees were under financial compulsion to discharge their loan liabilities towards Mr. Rakesh Pahwa apparently to the tune of ~ Rs. 1.5 crore. In this backdrop, the misleading proposal of sub-division of shares was floated in connivance with Noticee 1, to fraudulently increase the price of shares of MHIL. Consequently, Noticees 2 to 5, 7 and 8, being connected entities, offloaded their holdings at the inflated prices.

57. Therefore, in light of the above, it is established that Noticees 1 to 5, 7 and 8 had violated the provisions of sections 12A (a), (b), (c) of the SEBI Act and regulations 3(a), (b), (c), (d), 4(1) and 4(2)(d) of the PFUTP Regulations.

Issue II. Does the violation, if any, on the part of Noticees 1 to 5, 7 and 8 attract monetary penalty under section 15HA of the SEBI Act?

Issue III. If so, what would be the quantum of monetary penalty that can be imposed on Noticees 1 to 5, 7 and 8 after taking into consideration the factors mentioned in section 15J of the SEBI Act?

58. As it is established that Noticees 1 to 5, 7 and 8 had violated the provisions of sections 12A (a), (b), (c) of the SEBI Act and regulations 3(a), (b), (c), (d), 4(1) and 4(2)(d) of the PFUTP Regulations, these Noticees are liable for payment of a monetary penalty in terms of section 15HA of the SEBI Act.

59. Section 15HA of the SEBI Act is reproduced below:

> *"**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."*

60. While determining the quantum of penalty under section 15HA, the following factors stipulated in section 15J of the SEBI Act are taken into account:

> ***"Factors to be taken into account while adjudging quantum of penalty.***
> *15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or 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."

61. The material available on record has neither quantified the amount of disproportionate gain or unfair advantage, if any, made by Noticees 1 to 5, 7 and 8 nor the amount of loss, if any, caused to an investor/clients as a result of the default of these Noticees. As regards the repetitive nature of the default, there is nothing on record to show that the nature of default by these Noticees is repetitive.

62. The aforementioned factors have been taken into consideration while adjudging the penalty.

ORDER

63. Having considered the facts and circumstances of the case, the material available on record, the factors mentioned in preceding paragraphs and in the exercise of powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Rules, I hereby impose following monetary penalty on Noticees 1 to 5, 7 and 8 under section 15HA of the SEBI Act and the adjudication proceeding initiated against Noticee 6 vide SCN dated November 08, 2024 is hereby disposed of without imposition of any penalty.

Table 18

Noticee	Penalty imposed under	Penalty (in Rs.)
Noticee 1	Section 15HA of the SEBI Act	Rs. 10,00,000/- (Rupees Ten Lakh Only)
Noticee 2		
Noticee 3		
Noticee 4		
Noticee 5		
Noticee 7		
Noticee 8		

64. Noticees 1 to 5, 7 and 8 are jointly and severally liable to pay the said penalty. I am of the view that the said penalty is commensurate with the lapses/omissions on the part of Noticees 1 to 5, 7 and 8.

65. Noticees 1 to 5, 7 and 8 shall remit/pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW.

66. In terms of the provisions of rule 6 of the Rules, a copy of this order is being sent to Noticees and also to the SEBI.

JAI SEBASTIAN

Digitally signed by JAI SEBASTIAN
Date: 2025.09.22 16:41:32 +05'30'

Date: September 22, 2025 **JAI SEBASTIAN**

Place: Mumbai **ADJUDICATING OFFICER**