BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/SM/S./2023-24/26106-26110]

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

In respect of

Noticee No.	Name of Noticees	PAN
1.	Om Hari Mahabir Halan HUF	AAAHO0139A
2.	Vanshika Om Hari Halan	ACUPH3232P
3.	Harshit Pavankumar Halan	ACUPH3234M
4.	Ayushi Hansraj Halan	FIBPS3818G
5.	Naresh Saraaf	AALPS7124C

In the matter of trading in the scrip of Shree Global Tradefin Limited

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FACTS OF THE CASE IN BRIEF

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an investigation in the matter of alleged manipulation in the scrip of Shree Global Tradefin Limited (hereinafter referred to as '**the company/SGTL/ by name'**) during the period from April 15, 2021 to September 16, 2021 (hereinafter referred to as '**Investigation Period/IP'**). Pursuant to the investigation, SEBI observed certain violations of the provisions of SEBI Act, 1992 ("**SEBI Act**") and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 ("**PFUTP Regulations**") by some entities in respect of their trading in the scrip of SGTL.

APPOINTMENT OF ADJUDICATING OFFICER

2. Vide order dated January 18, 2023, SEBI appointed the undersigned as the Adjudicating Officer under Section 15-I of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to inquire into and adjudge under Section 15HA of the SEBI Act, the alleged violations of Section 12A(a), (b), (c) of SEBI Act r/w Regulations 3(a), (b), (c) and (d) and Regulations 4(1), 4(2)(a) and (g) of PFUTP Regulations by Noticee 1 to 5 (Hereinafter Noticees 1, 2, 3, 4 and 5 are collectively referred to as 'Noticees').

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. A Show Cause Notice dated February 20, 2023 (hereinafter referred to as '**SCN**') was issued to Noticees under Rule 4 of the Adjudication Rules to show-cause as to why an inquiry should not be initiated against Noticees and penalty, if any, not be imposed upon them under the provisions of 15HA of SEBI Act, as applicable, for the aforesaid violations alleged to have been committed by them.

4. The SCN was despatched to the Noticees 1 to 4 by Speed Post Acknowledgement Due ('**SPAD**'), and through Digitally Signed Email dated February 21, 2023, sent to the email IDs of the aforesaid Noticees. Subsequently, Noticees 1 to 4 were granted an opportunity of hearing in the matter on March 15, 2023, vide Hearing Notices dated March 08, 2023. Thereafter, vide emails dated March 13, 2023 and letters dated March 09, 2023, Noticees 1-4 requested for inspection of documents in connection with the adjudication proceedings. Considering the said request, vide SEBI's email dated March 15, 2023, Noticee 1-4 were granted an opportunity of inspection of documents and the following comments were conveyed to the Noticees with respect to the documents requested by them:

Table- 1

S. No.	Documents requested	Comments

1	Complete Market Order log and Trade Log file in excel format	"*W.r.t. your request for complete Market Order log and Trade Log [as stated in para (i) of Annexure-1 to your letter], it is stated that the complete BSE Order log and Trade Log form part of the annexures to the Investigation Report and copies of the same shall be provided to you during inspection of documents*."
2	Copy of statement of all persons recorded during course of investigation conducted by SEBI in captioned matter w.r.t. our trades in SGTL during pre SMS patch	*"W.r.t. your request for copies of statements recorded of any person/entity [as stated in para (ii) and para (v) of Annexure-1 to your letter], it is stated that no recorded statements have been relied upon in the adjudication proceedings. Further, recorded statements do not form part of the records of investigation. Therefore, the said request is not tenable."*
3	Details of complaint(s) received by SEBI and stock exchange with respect to our dealing in the scrip of SGTL. The complaints as provided along with the SCN are w.r.t. trades during the SMS period and our trades which are alleged to be fraudulent in nature are during pre SMS patch	*"W.r.t. your request for copies of complaints received by SEBI [as stated in para (iii) of Annexure-1 to your letter], it is stated that the copies of relevant complaints which were received by BSE and forwarded to SEBI, and form part of records of investigation shall be provided during inspection of documents with suitable redaction of third party sensitive information. In this regard, reliance is placed on the Hon'ble Supreme Court's judgement in T. Takano vs. SEBI (Decided on February 18, 2022) wherein it has been held as under: -* *"45. We cannot be oblivious to the wide range of sensitive information that the investigation report submitted Under*

		Regulation 9 may cover, ranging from information on financial transactions and on other entities in the securities market, which might affect third-party rights. The report may contain market sensitive information which may impinge upon the interest of investors and the stability of the securities market. The requirement of compliance with the principles of natural justice cannot therefore be read to encompass the right to a roving disclosure on matters unconnected or as regards the dealings of third parties. The investigating authority may acquire information of sensitive nature bearing upon the orderly functioning of the securities market. The right of the noticee to disclosure must be balanced with a need to preserve any other third-party rights that may be affected. *50. However, while directing that there should be a disclosure of the investigation report to the Appellant, it needs to be clarified that this would not permit the Appellant to demand roving inspection of the investigation report which may contain sensitive information as regards unrelated entities and transactions.* *52. The Board shall be duty-bound to provide copies of such parts of the report which concern the specific allegations which have been levelled against the Appellant in the notice to show cause. However, this does not entitle the Appellant to receive*

		sensitive information regarding third parties and unrelated transactions that may form part of the investigation report."
4	Details of persons who have been induced to sell/ purchase the shares of SGTL as a result of our dealing in said scrip	*"W.r.t. your request for details of persons who have been induced to sell/purchase the shares of SGTL as a result of your dealing in said scrip [as stated in para (iv) of Annexure-1 to your letter], it is stated that the said documents do not form part of the records of investigation. Therefore, the said request is not tenable."*
5	Documents/statements showing and establishing our intention to create artificial/fictitious volume in the scrip of SGTL	*"W.r.t. your request for documents or statements showing and establishing your intention to create artificial/fictitious volume in the scrip of SGTL and details of alerts/triggers generated by stock exchange [as stated in para (v) and para (vi) of Annexure-1 to your letter], it is stated that there are no specific documents on record of the kind being requested by you. In respect of the statements requested by you, please refer to the comments at para c(ii) above. Therefore, the said request is not tenable."*
6	Details of alerts/triggers generated by stock exchange/ SEBI w.r.t our dealings in scrip of SGTL	"*W.r.t. your request for documents or statements showing and establishing your intention to create artificial/fictitious volume in the scrip of SGTL and details of alerts/triggers generated by stock exchange [as stated in para (v) and para (vi) of Annexure-1 to your letter], it is stated that there are no specific documents on record of the kind being requested by you. In respect of the statements requested by you, please*

		refer to the comments at para c(ii) above. Therefore, the said request is not tenable."
7	Any other and additional documents referred to and relied upon by SEBI on subject matter of present proceedings	*"W.r.t. your request for any other and further documents in the possession of SEBI [as stated in para (vii) of Annexure-1 to your letter], it is stated that the copies of all annexures to the Investigation Report shall be provided to you during the inspection of documents. Kindly note that in accordance with the principles laid down by Hon'ble Supreme Court of India in T. Takano vs. SEBI (Supra), all relied upon and relevant documents have been/would be provided to you."*

5. Noticees 1-4 attended the inspection on March 20, 2023, through their Authorised Representatives (**ARs**) Kinjal Mahesh Shah & Meit Shah, and as requested by the said Noticees, the following documents were provided to them:

S. No.	Documents
1.	BSE order log and trade log pertaining to the scrip of SGTL
2.	Relevant complaints which were received by BSE and forwarded to SEBI
3.	All Annexures to the Investigation Report ("**IR**")

6. During the aforesaid inspection, the ARs of Noticees 1-4 stated that they shall submit a reply to the SCN by April 10, 2023. Thereafter, Noticees 1-4 submitted their reply to the SCN vide email dated April 07, 2023 enclosing letter dated April 06, 2023. Thereafter, Noticees 1-4 were granted an opportunity of hearing in the matter on April 19, 2023 vide SEBI's email dated April 10, 2023. Subsequently, Noticees 1-4 appeared for the hearing held on April 19, 2023 and reiterated their submissions made in their reply vide letter dated April 06, 2023. The relevant extracts of the submissions made by Noticee 1-4 vide letters dated April 06, 2023 and April 27, 2023 are given hereunder:-

a) *“In our humble submission, we have carried out transaction in SGTL bonafidely and had no knowledge, information or awareness of any wrongdoing happening in the shares in SGTL at the relevant time.”*
b) *“Our transactions in SGTL are independent and totally in isolation to the transactions carried out by other entities/person in the shares of SGTL.”*
c) *“Further, there is no allegation of any price manipulation alleged against us which means our trades were executed on the price which was traded in the market and our trades haven't had any negative or positive impact on the price of SGTL.”*
d) *“We submit that we are connected to Vanshika Om Hari Halan, Harshit Pavankumar Halan & Ayushi Hansraj Halan. They are all our Karta's relatives.”*
e) *“We submit that our purchase and sell transaction is spread over a period of 14 days and is not concentrated. Further, it is not the case that we have traded only during particular patch of the investigation period. We have traded throughout the investigation period.”*
f) *“We humbly submit that we have traded in the scrip of SGTL in normal course of our business activity and nothing adverse in this regard can be alleged against us.”*
g) *“It is humbly submitted our transactions in SGTL were independent and totally in isolation to the transactions as carried out by other entities/person in scrip of SGTL.”*
h) *“Our transactions in SGTL were at the then prevailing market price and had no impact on market equilibrium. Therefore, we fail to understand as to how our transactions are termed to be 'fraudulent' in nature. In our humble submission, since volume and price of SGTL was not affected due to our dealings in the said scrip, allegation of any manipulation in SGTL is not sustainable on facts and in law hence the same is erroneously made applicable in our case.”*
i) *“We submit that the volume of shares traded in the scrip of SGTL during investigation Period was as huge as 8,08,23,454 shares on BSE which was insignificant and not capable of disturbing the market so as to create artificial price/volume or misleading appearance of trading in said scrip.”*
j) *“Further, we submit that we have entered into number of trades and out of that only certain trades have allegedly been synchronized.”*
k) *“We further submit that we had no idea who was counter party to our shares of SGTL since all the transactions were executed through normal screen based trading system of stock exchange.”*

l) *"We have been informed that in case of screen based trading, the automated system itself matches orders on a price-time priority basis and hence it is not possible for anybody to have access over the identity of counter party dealing in any transaction. Since the counter party identity is not displayed; one can never have any choice with whom it wants to deal or not to deal."*

m) *"SGTL scrip had been liquid throughout and highly traded. The price and volume of SGTL shares during investigation period is not in much variance. Therefore, no adverse inferences ought to be drawn against us for carrying out trades which had no impact on the market."*

n) *"There is no investor loss or complaint in respect of our dealing in the scrip of SGTL. Further, there is no allegation of any price manipulation against us w.r.t. our trading in the scrip of SGTL. Since all our trades are based on the prudential norms of Stock Exchanges, all our transactions were placed on the trading terminal of the Exchange at their prevalent market price only and without disturbing the market equilibrium in the trading in the scrip of SGTL"*

o) *"Further, all our trades in SGTL were placed via telephone with the dealer of the broker who executed the said trades. We follow similar mode of placing order in most of the scrips that we trade in. Our mode of placing orders in SGTL was not Internet Based Trading (IBT) but orders were placed via telephone with the dealer of the broker."*

p) *"Further, there is a time difference of around 2 and 3 minutes wherein the counter party sell order was first placed at 12:41:15 & 13:46:38 and we had put our sell order at 12:43:05 & 13:49:56 i.e. around 2 and 3 minutes apart from counter party order. As there was considerable time difference of 2 & 3 minutes between the said orders orders, no allegation of any."*

q) *"We would like to state that it is well-settled law that the taint of 'fraud' cannot be attached or charged on preponderance of probability. In fact, compelling evidence should be brought on record for a person/entity to be held liable for 'fraud'. We would like to draw your attention to the case of Ram Sharan Yadav v/s Thakur Muneshwar Nath Singh [(1984) 4 sec 649 (AIR 1985 SC 24)]."*

r) *"In the matter of Parsoli Corporation v/s SEBI (Appeal No 146/2011 decided on 12.08.2011); Hon'ble Securities Appellate Tribunal had observed that since charge of 'fraud' is serious, higher has to be degree of probability to establish the same.*

Thus, same cannot be pressed against an individual on random allegations based on surmises and conjectures.

s) *"We humbly submit that it is wholly untenable for any authority to arrive at a finding of 'fraud' solely on the basis. We would like to draw your kind attention to R. K. Global v/s SEBI (Appeal no. 158/2008 decided on 16.09.2010), Narendra Ganatra v/s SEBI (Appeal No 47 of 2011 decided on 29.07.2011) and Sterlite Industries (India) Ltd. v. SEBI (2001) 34 SCL 485 (SAT)."*

t) "*It is also pertinent to note that the broker through whom we traded is different from the broker through whom Naresh Saraaf executed his trades.*"

7. SCN was despatched to Noticee 5 by Speed Post Acknowledgement Due ('**SPAD**'), and through Digitally Signed Email dated February 21, 2023, sent to the email ID of Noticee 5. Subsequently, Noticee 5 was granted an opportunity of hearing in the matter on March 15, 2023 vide Hearing Notice dated March 08, 2023. Vide email and letter dated March 13, 2023, Noticee 5 submitted his reply to the SCN. Subsequently, Noticee 5 appeared for the hearing held on March 15, 2023 and reiterated his submissions made in his reply dated March 13, 2023. The relevant extracts of the submissions made by Noticee 5 vide email and letter dated March 13, 2023 are given hereunder:-

a) *"In the said SCN, I have been erroneously clubbed / grouped with other unrelated unconnected entities and their alleged violations have been the apparent basis to draw adverse inferences against me resulting into the issuance of the present Notice."*

b) *"The sales were done by me through my broker on the stock exchange's screen based online trading mechanism. At no point in time was I aware of the alleged counter party seller."*

c) *"It is a matter of concern that my response by email dated 14.12.2022 to the queries raised by SEBI through its email dated 13.12.2022 has been taken adversely against me without verifying or establishing that this noticee having friendly relationship with Om Hari Mahabir Halan HUF and Bharat Kumar Vimal Hari Halan does not automatically tantamount to establishment or admission of my involvement in the alleged violations as mentioned in the SCN."*

d) *"I have sold my shares in the scrip on various dates in different quantities based on my understanding and commercial wisdom."*

e) *"It is denied that I had any call on December 15, 2021 with entity at Sr.No.6 (in Table at para 4.1 page 11 of SCN). It is submitted that calls during October, 2021 to December, 2021 between this Noticee and entity at Sr.No.1 (in Table at para 4.1 page 10-11 of SCN) cannot be taken as basis to establish the allegations of my trades during the investigation period."*

f) *"It is further submitted that it is not mandatory for the Learned Adjudicating Officer to impose a penalty every time the Ld. AO comes to a conclusion that any person/entity has failed to comply with the specified requirement under the Act and/or the Regulations. Even though Section 15HA of the Act contain the words "shall be liable to a penalty" there is no strict or mandatory obligation on the part of the Learned Adjudicating Officer to levy the said penalty."*

g) *"In Superintendent and Remembrancer Legal Affairs to Government of West Bengal vs. Abani Maity (1979) 4 SCC 85, the Hon'ble Supreme Court held that:*
"…..Accordingly, the word "liable" occurring in many statutes, has been held as not conveying the sense of an absolute obligation or penalty but merely importing a possibility of attracting such obligation, or penalty, even where this word is used along with the words "shall be"……"."

h) *"Further, the Hon'ble Supreme Court of India in the case of Adjudicating Officer vs. Bhavesh Pabari (dated 28th February, 2019) has held that section 15J of SEBI Act are illustrative in nature and depends from situation to situation:*
"..This dictum, however, does not mean that factum of continuing default is not a relevant factor, as we have held that clauses (a) to (c) in Section 15-J of the SEBI Act are merely illustrative and are not the only grounds/factors which can be taken into consideration while determining the quantum of penalty."

i) *"It is further submitted that in the matter of SEBI vs. Cobot International Capital Corporation Limited [2004 51 SCL 307 (BOM)],the Hon'ble High Court of Bombay stated that where the breach of the regulation is unintentional, not deliberate, technical, minor and based on a bonafide belief, then strict enforcement of the regulations may not be warranted. The Hon'ble High Court has stated that the authority may refuse to impose penalty for justifiable reasons."*

j) *Similarly, the Hon'ble Supreme Court's decision in the case of Hindustan Steel vs. State of Orissa (AIR 1970 SC 253), where it was held that:*
"An order imposing penalty for failure to carry out a statutory obligation is the result of a quasi-criminal proceeding and penalty will not be ordinarily imposed unless

the party obliged either acted deliberately in defiance of law or was guilty of conduct contumacious or dishonest, or acted in conscious disregard of its obligation. Penalty will not also be imposed merely because it is lawful to do so. Whether penalty should be imposed for failure to perform a statutory obligation is a matter of discretion of the authority to be exercised judicially and on a consideration of all the relevant circumstances. Even if aminimum penalty is prescribed, the authority competent to impose the penalty will be justified in refusing to impose penalty, when there is a technical or venial breach of the provisions of the Act or where the breach flows from a bonafide belief that the offender is not liable to act in the manner prescribed by the statute."

k) *"Further, the Hon'ble Supreme Court in the case of Ex-Naik Sardar Singh vs. Union of India (1991) 3 SCC 212) inter alia held that:*
"the penalty imposed must be commensurate with the gravity of the misconduct and that any penalty disproportionate to the gravity of the misconduct would be violative of Article 14 of the Constitution."

l) *"Similarly, in the matter of Ranjit Thakur vs. Union of India (AIR 1987 SC 2386) it was held that:*
"The sentence has to suit the offence and the offender. It should not be vindictive or unduly harsh. It should not be so disproportionate to the offence as to shock the conscience and amount in itself to conclusive evidence of bias. The doctrine of proportionality, as part of the concept of judicial review would ensure that even on an aspect which is, otherwise, within the exclusive province of Court Martial, if the decision of the Court even as to sentence is an outrageous defiance of logic then the sentence would not be immune from correction. Irrationality and perversity are recognized ground of judicial review. The penalty imposed must be commensurate with the gravity of the misconduct and that any penalty disproportionate to the gravity of the misconduct would be violative of Art. 14 of the Constitution. The point to note and emphasis is that all powers have legal limits."

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

8. I have carefully perused the charges levelled against the Noticees, replies/submissions filed by Noticees and other documents/evidence available on record. The issues that arise for consideration in the present case are:

    I) Whether Noticees have violated Section 12A(a), (b), (c) of SEBI Act r/w Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) and 4(2)(g) of PFUTP Regulations?

    II) Does the violation, if any, attract a monetary penalty under Section 15HA of SEBI Act?

    III) If the answer to the aforesaid issues is in the affirmative, then what should be the quantum of monetary penalty?

9. The relevant applicable provisions of the SEBI Act and PFUTP Regulations, are reproduced as under:

Relevant provisions of SEBI Act:

"

CHAPTER VA
PROHIBITION OF MANIPULATIVE AND DECEPTIVE DEVICES, INSIDER TRADING AND SUBSTANTIAL ACQUISITION OF SECURITIES OR CONTROL

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;"

Relevant provisions of PFUTP Regulation:

*"**3**. Prohibition of certain dealings in securities No person shall directly or indirectly—*

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

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

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

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

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

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

…

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

Issue No. I - Whether Noticees have violated Section 12A(a), (b), (c) of SEBI Act r/w Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) and 4(2)(g) of PFUTP Regulations?

10. It has been alleged in the SCN that Noticees 1 to 5 have indulged in synchronized trades with a manipulative intention of matching their trades with group entities for creating false and misleading appearance of trading in the scrip of SGTL without intention to change the beneficial ownership in shares. In this regard, from the Price-Volume data pertaining to the scrip of SGTL, I observe the following movement in the Price and Volume of the said scrip before, during and after the IP:

Table-2

Patch/ Period	Dates		Opening Price & Vol. on first day of the period	Closing Price & Vol. on last day of the period	Low Price & Vol. during the period	High Price & Vol. during the period	Total no. of shares traded during the period	Average no. of shares traded daily during the period
Patch 1 (Price Rise)	15/04/2021 - 16/08/2021	Price (Rs.)	2.80	9.50	2.46 (16/04/2021)	9.52 (16/08/2021)	59,835,086	703,942
		Volume	12,328	1,241,553	1,369 (03/05/2021)	5,799,306 (28/07/2021)		
Patch 2 (Price Fall)	17/08/2021 - 16/09/2021	Price (Rs.)	9.25	5.55	5.55 (16/09/2021)	9.50 (17/08/2021)	20,988,368	999,446
		Volume	1,215,013	75,040	14,893 (01/09/2021)	4,630,411 (07/09/2021)		

11. I also observe from the Unique Client Code (‘**UCC’**) details received from BSE, bank account statements received from banks, call data records (‘CDR’) received from telecom service providers (‘TSP’) and letters received from entities during investigation that Noticees 1 to 5 were connected entities. The connection between Noticees 1 to 5 is stated as under:-

Table-3

Sr. No	PAN	Name	Basis of Connection
1	AAAHO0139A	Om Hari Mahabir Halan HUF	**As per UCC details, it is observed that** • Entities at Sr. No. 1 and 3, are sharing common address “20 BHATIA NIWAS 233 235 SAMUEL STREET MUMBAI 400003”. • Entities at Sr. No. 1 & 2 are sharing common address “A 601 KESHAV MANSION EVERSHINE NAGAR MALAD" **As per CDRs received from TSP, it is observed that** • Entities at Sr. No. 1, 2, 3, & 4 have multiple calls among themselves during April, 2021 to January, 2022 • Entities at Sr. No. 1 & 5 have multiple calls between them during October, 2021 to December, 2021 **As per bank statement, it is observed that** • Entity at Sr. No. 1 had bank transactions with entities at Sr. No. 2, 3, 4 **From the letters received from entities, it is observed that** • Entity at Sr. No. 5 had submitted that he has friendly relationship with entity at Sr. No. 1 • Entity at Sr. No. 1 had submitted that entity at Sr. No. 4 is its related entity
2	FIBPS3818G	Ayushi Hansraj Halan	
3	ACUPH3232P	Vanshika Om Hari Halan	
4	ACUPH3234M	Harshit Pavankumar Halan	
5	AALPS7124C	Naresh Saraaf	

I further note that the respective Noticees 1-4 have not disputed the aforesaid connection amongst themselves and have admitted to the same. Noticee 5 has contended that he had not made any phone call to Sujata Vimalhari Halan (PAN: AASPH8023J) as alleged in the SCN. Noticee 5 has also contended that that calls during October, 2021 to December, 2021 between himself and Noticee 1 cannot be taken as basis to establish the allegations of trades during the investigation period. Noticee 5 has also contended that his response by email dated 14.12.2022 to the queries raised by SEBI through its email dated 13.12.2022 has been taken adversely against him but the fact that Noticee has friendly relationship with Om Hari Mahabir Halan HUF and Bharat Kumar Vimal Hari Halan does not automatically tantamount to establishment or admission of involvement in the alleged violations. In regard to the aforesaid contention of Noticee 5, I note that Sujata Vimalhari Halan (PAN: AASPH8023J) is not a Noticee in the instant case. I further note that the aforesaid contention amounts to an admission of the connection between Noticee 5 and Noticee 1. I further note that Noticees 2 to 4 are members of Om Hari Mahabir Halan HUF (Noticee 1). Therefore, I note that Noticees 1 to 5 were connected to each other. Thus, I find that the aforesaid contention of Noticee 5 is not tenable. Therefore, I find that Noticees 1 to 5 were connected to each other.

12. From the BSE trade log and order log during the IP, I note the following volume of trades executed by Noticees 1 to 5 in the scrip of SGTL:-

S. No.	PAN No.	Name of the suspected entity	Buy Qty	% of buy to the total market buy	Sell Qty	% of sell to the total market sell
1	AAAHO0139A	Om Hari Mahabir Halan HUF	1,04,50,000	16.10%	17,55,614	2.70%
2	ACUPH3232P	Vanshika Om Hari Halan	41,00,000	6.32%	41,00,000	6.32%
3	ACUPH3234M	Harshit Pavankumar Halan	32,00,000	4.93%	32,00,000	4.93%
4	FIBPS3818G	Ayushi Hansraj Halan	25,50,000	3.93%	25,50,000	3.93%
5	AALPS7124C	Naresh Saraaf	6,40,000	0.99%	5,20,867	0.80%
Total (S. No. 1-5)			**2,09,40,000**	**32.27%**	**1,21,26,481**	**18.68%**
Market Total			**6,49,05,803**	**100.00%**	**6,49,05,803**	**100.00%**

13. As observed from the above table, during the IP, Noticees had purchased 2,09,40,000 shares (32.27% of total market volume) and sold 1,21,26,481 shares (18.68% of total market volume) of SGTL.

14. I observe from the BSE trade log and order log that during the IP, Noticees traded among themselves in the scrip of SGTL by placing buy and sell orders with identical order quantity, Counter-party Order quantity as well as identical buy rates and sell rates. The aforesaid trades are as under:

Table-4 Trades with identical Order quantity and Counter-Party Order quantity as well as identical buy and sell rates

Date	Client Name	CP Client Name	Order Time	CP Order Time	Trade Time	Trade Rate	Order Rate	CP Order Rate	Traded Qty	Order Qty	CP Order Qty
21/05/2021	NARESH SARAAF	OM HARI MAHABIR HALAN HUF	12:43:59	12:43:05	12:43:59	4.91	4.91	4.91	**100000**	100000	100000
24/05/2021	NARESH SARAAF	OM HARI MAHABIR HALAN HUF	13:50:15	13:49:56	13:50:15	5.00	5.00	5.00	**148730**	150000	150000
25/06/2021	OM HARI MAHABIR HALAN HUF	VANSHIKA OM HARI HALAN	09:26:16	09:26:13	09:26:16	6.09	6.09	6.09	**2499979**	2500000	2500000
28/07/2021	OM HARI MAHABIR HALAN HUF	AYUSHI HANSRAJ HALAN	11:26:54	11:26:54	11:26:54	7.44	7.44	7.44	**2490685**	2500000	2500000
28/07/2021	OM HARI MAHABIR HALAN HUF	HARSHIT PAVANKUMAR HALAN	11:32:57	11:32:56	11:32:57	7.44	7.44	7.44	**2499319**	2500000	2500000

15. I note that Noticees 1 to 5 had bought and sold 77,38,713 shares among themselves during the I.P. by executing synchronized trades, i.e. trades wherein the buy and sell order quantity and rate are identical and orders for these transactions are placed within a time gap of one minute and the volume of shares traded in the said synchronised trades constituted 11.92% of the total market volume in the scrip of SGTL. The details of the alleged synchronized trades among Noticees as given in the SCN are as under:-

Table-5 Summary of synchronised trades

Buyer PAN	Buyer Name	Seller PAN	Seller Name	Synchronized traded Qty	Number of Days	Number of Trades	% of Total market volume
AAAHO0139A	Om Hari Mahabir Halan HUF	ACUPH3232P	Vanshika Om Hari Halan	24,99,979	1	1	3.85%
AAAHO0139A	Om Hari Mahabir Halan HUF	ACUPH3234M	Harshit Pavankumar Halan	24,99,319	1	1	3.85%
AAAHO0139A	Om Hari Mahabir Halan HUF	FIBPS3818G	Ayushi Hansraj Halan	24,90,685	1	1	3.84%
AALPS7124C	Naresh Saraaf	AAAHO0139A	Om Hari Mahabir Halan HUF	2,48,730	2	2	0.38%
Total				**77,38,713**	**4**	**5**	**11.92%**
Market Total				**6,49,05,803**			

16. I note from Table-4 that for trades executed on May 21, 2021 between Noticees 1 and 5, there was a time gap of less than one minute between the buy order of Noticee 5 and the sell order of Noticee 1. I also note that the buy and sell rate as well as the buy order & sell order quantity placed by Noticees 5 and 1 was exactly identical. I further note from the BSE trade log and order log that during the IP, Noticees 1-5 had executed 5 trades among themselves which followed similar pattern wherein identical buy and sell orders were placed within a gap of one minute, at the same rate, and for the same volume of shares. I

also note that the total quantity bought and sold by Noticees 1-5 was 77,38,713 shares on four days constituting 11.92% of total market volume in the scrip of SGTL during the IP.

17. In this regard, it is pertinent to refer to the judgement of the Hon'ble Securities Appellate Tribunal ('**Hon'ble SAT**') in Ketan Parekh vs. SEBI (Appeal No. 2 of 2004; Order dated 14.07.2006) in which synchronised trades have been discussed. In the aforesaid judgment, it was held as follows:

"*There are yet another type of transactions which are commonly called synchronised deals. The word 'synchronise' according to the Oxford dictionary means "<u>cause to occur at the same time; be simultaneous</u>". A synchronised trade is one where the buyer and seller enter the quantity and price of the shares they wish to transact at substantially the same time…A synchronised transaction will, however, be illegal or violative of the Regulations if it is executed with a view to manipulate the market or if it results in circular trading or is dubious in nature and is executed with a view to avoid regulatory detection or does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting the market equilibrium. Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal. Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, 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*".

18. From the foregoing, I note that a synchronised trade is one where the buyer and seller enter the quantity and price of the shares they wish to transact at substantially the same time such that the buy and sell order quantity and rate are identical and orders for these transactions are placed within a time gap of one minute, with a view to manipulate the trading volume in the scrip. Therefore, considering the pattern of the aforesaid trades and

placing reliance on the criteria laid down in the aforesaid judgement of Hon’ble SAT in Ketan Parekh vs. SEBI, I am of the view that the trades executed by Noticees amounted to synchronised trades. It has been established in the earlier part of the order that Noticees 1 to 5 were connected entities. Thus, considering the pattern of the aforesaid trades, I find that Noticees 1 to 5 have followed a common, uniform trading strategy of engaging in synchronised trades amongst themselves for a substantial volume in the scrip of SGTL during the IP. Therefore, it stands established that these synchronized trades were executed for manipulating the trade volume upwards in respect of the scrip of SGTL, thereby creating a misleading appearance of trade.

19. I have perused the contentions filed by the Noticees 1-5. I note that Noticees 1-5 have not disputed the aforesaid findings on the trading pattern adopted by them. However, Noticees 1-5 have denied the allegation that their trades were manipulative and created a false or misleading appearance of trading in the scrip of SGTL. Noticees 1-5 have also contended that their respective trades were executed in the normal course of trading on the floor of the exchange and in case of screen-based trading, the automated system matches orders on a price-time priority basis and hence it is not possible for anybody to have access to identity of counter party and accordingly Noticees contend that they had no idea as to who was a counter party to their trades. Thus, Noticees 1 to 5 have contended that they were not aware of the counterparties to their trades and the charge of manipulation does not stand against Noticees 1-5 as the same is not supported by any cogent evidence. Noticees 1 to 5 have also contended that since counterparty identity is not displayed, one can never have any choice with whom it wants to deal or not deal. Noticees 1-4 in their replies have contended that they have carried out transaction in SGTL bonafidely and had no knowledge, information or awareness of any wrongdoing happening in the shares in SGTL at the relevant time. Noticees 1-4 have contended that transactions in SGTL are independent and totally in isolation to the transactions carried out by other entities/person in the shares of SGTL. In regard to the aforesaid contentions of Noticees 1-5, I note that it has been established on the basis of trading pattern and the inter se connection amongst Noticees 1 to 5 that the said Noticees had executed synchronised trades which contributed to 11.92% of volume in the scrip of SGTL during Patch 1 (April 15, 2021 to August 16, 2021) of the IP as part of a common strategy to manipulate the trading volume of the scrip upwards during the IP. In this regard, I also place reliance upon the judgement of the Hon’ble Supreme Court in the matter of SEBI vs. Kishore R. Ajmera (2016) 6 SCC 368

(Judgment dated February 23, 2016) wherein it was held that, "*While the screen based trading system keeps the identity of the parties anonymous it will be too naive to rest the final conclusions on said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned*". Placing reliance upon the aforesaid judgement, I note that considering the precise matching of trades after placing of buy and sell orders within less than one minute between the said Noticees coupled with the fact that there was connection between Noticees 1-5, and the fact that such trades contributed to 11.92% of the trading volume in the scrip, I find that the aforementioned manipulative trading pattern was not a mere coincidence but was the outcome of meeting of minds between Noticees 1 to 5 as part of a common strategy to manipulate the trading volume of the scrip upwards during the IP at BSE. Therefore, it will not be wrong to conclude that the counterparties to the trades were known to Noticees 1-5 and thus they were able to bypass the screen-based automated trading mechanism of the exchange on the basis of prior meeting of minds in order to indulge in such manipulative synchronised trades in the scrip of SGTL. In this regard, I also place reliance upon the judgement of Hon'ble SAT in the matter of Ketan Parekh vs. SEBI (*Supra*) in which it was held that execution of synchronised trades with a view to upset the market equilibrium is tantamount to fraudulent and unfair trade practice. Therefore, the contention that Noticees 1-5 were unaware of the counter parties to their trades is self-contradictory on the part of Noticees 1-5. Thus, I am not inclined to accept the aforesaid contentions of Noticees 1-5.

20. Noticees 1-4 have also contended that there is no allegation of any price manipulation alleged against them which means their trades were executed on the price which was traded in the market and their trades did not have any negative or positive impact on the price of SGTL. In regard to the aforesaid contentions, I note that in the instant matter, it is not SEBI's case that Noticees have indulged in price manipulation in the scrip of SGTL. Therefore, I find that the aforesaid contention of Noticees 1-4 is not tenable.

21. Noticees 1-4 have further contended that their purchase and sell transaction was spread over a period of 14 days and was not concentrated and that it is not the case that they have traded only during particular patch of the investigation period but have traded

throughout the investigation period. Noticees 1-4 have also contended that the transactions in SGTL, which was a highly traded liquid scrip, were at the then prevailing market price and had no impact on market equilibrium since all their trades are based on the prudential norms of Stock Exchanges and were placed on the trading terminal of the Exchange at the prevalent market price only. Noticees 1-4 have further contended that volume of shares traded in the scrip of SGTL during investigation Period was as huge as 8,08,23,454 shares on BSE and the percentage of their trading volume was insignificant and not capable of disturbing the market so as to create artificial price/volume or misleading appearance of trading in said scrip. In a similar vein, Noticees 1-4 have also contended that they have entered into number of trades and out of that, only certain trades have allegedly been synchronized. Noticees 1-4 have also contended that since volume and price of SGTL was not affected due to their dealings in the said scrip, allegation of any manipulation and fraudulent trade in SGTL is not sustainable on facts and in law. I note that Noticee 5 has also contended that he sold shares of SGTL based on movement in the price of the scrip and that his trades were genuine and duly accounted. The aforesaid Noticees have also contended that their total trading volume and LTP contribution, if any, was negligible in comparison to the total quantity traded in the scrip. Noticees 1-5 have contended that its trading volume in the shares was insignificant and thus, it could not have manipulated the price or volume in the scrip. I note that in support of their contentions, Noticees 1-5 have placed reliance on the judgements of Hon'ble SAT in the matter of Sterlite Industries (India) Ltd. v. SEBI (2001) 34 SCL 485, RK Global. v. SEBI [Appeal No. 158/2008 decided on September 16, 2010], Narendra Ganatra v. SEBI (Appeal No 47 of 2011 decided on July 29, 2011), Parsoli Corporation v. SEBI (Appeal No. 146 of 2011 decided on August 12, 2011), Ketan Parekh Vs. SEBI (Appeal No. 14.07.2006), and judgements of Hon'ble Supreme Court in the matter of Ram Sharan Yadav v. Thakur Muneshwar Nath Singh [(1984) 4 SCC 649] Hindustan Steel v. State of Orissa (AIR 1970 SC 253), Adjudicating Officer vs. Bhavesh Pabari [Decided on 28th February, 2019] and Superintendent and Remembrancer Legal Affairs to Government of West Bengal vs. Abani Maity [(1979) 4 SCC 85], SEBI Vs. Kishore R Ajmera (Civil Appeal No. 2818 of 2008), SEBI Vs. Rakhi Trading Pvt Ltd (Civil Appeal No. 1969 of 2011). In regard to the aforesaid contentions, I note that in the instant case, the allegations made in the SCN pertain to the synchronised trades executed by Noticee during patch 1 of the IP. I further note that it is not SEBI's case that SGTL was an illiquid scrip. From a perusal of the BSE trade log and order log, I note that during patch 1 of the IP, Noticees 1 to 5 had bought and sold

77,38,713 shares among themselves during the IP in 5 trades executed on May 21, 2021, May 24, 2021, June 25, 2021 and July 28, 2021, wherein Noticees placed buy and sell orders within less than one minute and such trading by the Noticees constituted 11.92% of the total trading volume in the scrip during the patch 1 of the IP. I note that before the IP, during the month of March 2021, the scrip had traded on 21 trading days and average number of shares traded on these 21 trade days was about 11,295 shares with closing price in the range of ₹2.60/- to ₹2.33/-. Thus, I note that there was insignificant trading volume in the scrip during March 2021, in the scrip of SGTL which showed that it was a thinly traded scrip. I further observe that on March 31, 2021, only 16 trades for 1313 shares had taken place with close price of ₹2.33. However, after the start of IP, i.e., April 15, 2021 onwards, there was a marked increase in the volume of shares traded in the scrip as a result of which total trading volume in the scrip increased from 12,328 on April 15, 2021 to 57,99,306 on July 28, 2021 and the closing price reached a high of ₹9.52. I further note that the average daily trading volume in the scrip increased from mere 11,295 shares in the pre-IP period in the month of March 2021 to 676,102 shares during the patch 1 of the IP. I find that the period during which there was this significant increase in the traded volume in the shares of SGTL in the market corresponded with the period during which Noticees had, through the synchronised trades contributed to a significantly high percentage of total traded volume of shares in the market i.e. constituting 11.92% of the total trading volume in the scrip during patch 1 of the IP. I also note that on July 28, 2021, the synchronised trades executed by Noticees 1, 3 and 4 contributed to as much as 86.04% of the total trading volume in the scrip on the said trading day. I further note that on May 21, 2021, the synchronised trade executed by Noticees 1 and 5 contributed to 13.57% of the total trading volume in the scrip on the said trading day. The aforesaid facts clearly demonstrate that the aforesaid synchronised trades by Noticees led to an increase in the trading volume in the scrip during the IP i.e. the aforesaid trades of Noticees contributed to a misleading appearance of liquidity and trading volume in the market in the scrip of SGTL. Therefore, I am of the view that based on the misleading impression of high liquidity and trading volume in the otherwise thinly traded scrip of SGTL, on account of the aforesaid synchronised trades executed by Noticees, investors were induced into trading in the scrip. At this juncture, I find it pertinent to refer to decision of Hon'ble Supreme Court of India in the matter of SEBI vs. Shri Kanaiyalal Baldevbhai Patel (Civil Appeal No. 2595 of 2013; Decided on September 20, 2017). In the aforementioned judgment, the Hon'ble

Supreme Court of India while discussing the ambit of fraud under PFUTP Regulations has held as under:

"*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… To attract the rigor of Regulations 3 and 4 of the 2003 Regulations, mens rea is not an indispensable requirement and the correct test is one of preponderance of probabilities… The inferential conclusion from the proved and admitted facts, so long the same are reasonable and can be legitimately arrived at on a consideration of the totality of the materials, would be permissible and legally justified.*"

22. In this regard, I also find it pertinent to note that fraud has been defined in Regulation 2(1)(c) of PFUTP Regulations, which is reproduced hereunder:

"(c) "fraud" includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

(1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;

(2) a suggestion as to a fact which is not true by one who does not believe it to be true;

(3) an active concealment of a fact by a person having knowledge or belief of the fact;

(4) a promise made without any intention of performing it;

(5) a representation made in a reckless and careless manner whether it be true or false;

(6) any such act or omission as any other law specifically declares to be fraudulent,

(7) deceptive behaviour by a person depriving another of informed consent or full

participation,

(8) a false statement made without reasonable ground for believing it to be true.

(9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.

And "fraudulent" shall be construed accordingly."

23. From the aforementioned definition of 'fraud' as given in Regulation 2(1)(c) of PFUTP Regulations, I note that for an act or omission to be considered as fraud under the aforesaid definition, the same has to be done in order to induce another person or his agent to deal in securities. In this respect, I place reliance on the judgement of Hon'ble Supreme Court of India in SEBI and Ors v. Kanaiyalal Baldevbhai Patel (*Supra*), discussed above, where it has been held that inducement is required to constitute 'fraud' under PFUTP Regulations. Thus, placing reliance on the aforesaid judgement, I find that the aforesaid synchronised trades executed by Noticees induced investors to trade in the scrip of SGTL which was tantamount to fraud. I also place reliance upon the judgement of Hon'ble SAT in the matter of Ketan Parekh vs. SEBI (*Supra*) in which it was held that execution of synchronised trades with a view to upset the market equilibrium is tantamount to fraudulent and unfair trade practice. Therefore, placing reliance on the aforesaid judgement, I do not find any merit in the aforesaid contentions of Noticees 1-4.

24. Noticees 1-4 have contended that there is a time difference of around 2 and 3 minutes w.r.t. trades executed on May 21, 2021 and May 24, 2021 between Noticee 1 and Noticee 5. Noticees 1-4 have contended that w.r.t the trade executed on May 21, 2021, the buy order of Noticee 5 was placed at 12:41:15 and Noticee 1 had placed its sell order at 12:43:05 as per the Order Time and CP Order Time in the BSE trade log i.e. around 2 and 3 minutes apart from counter party order. Noticees 1-4 have also contended that on May 24, 2021, the buy order of Noticee 5 was placed at 13:46:38 and Noticee 1 had placed its sell order at 13:49:56 as per the Order Time and CP Order Time in the BSE trade log i.e. around 2 and 3 minutes apart from counter party order. In regard to the aforesaid contention, I note that it is the last modified time of order placement given in the trade log which is relevant in accurately determining the time difference between the respective buy and sell orders of the Noticees. I note from the BSE trade log, that as per the last modified

time of order placement by the Noticees, the respective buy and sell orders were placed within a minute from each other. Thus, I note that Noticees 1-4 have not specified the correct particulars of the trades executed by them. Therefore, I do not find merit in the aforesaid contention of Noticees 1-4.

25. Noticees 1-4 have contended that their trades in SGTL were placed via telephone with the dealer of the broker who executed the said trades and that they follow similar mode of placing orders in respect of their trades. Noticees 1-4 have contended that they had not executed trades through Internet Based Trading. Noticees 1-4 have also contended that the broker through whom they traded is different from the broker through whom Noticee 5 executed his trades. In regard to the aforesaid contention, I note that the Noticees' contention pertains to mode of placing orders which does not have any bearing on the merits of the allegations in the instant case. I further note that a broker does not act on its own but on the basis of instructions from its client. In this regard, I place reliance on the judgement of Hon'ble SAT in the matter of Rajendra Kumar Dabriwala vs. SEBI (Appeal No.616 of 2019; Decided on July 05, 2021) in which Hon'ble SAT has held as follows,

"*The only issue is as to whether the transactions entered by the broker on his behalf can be said to be the trading made not by himself but by the broker… It is a common knowledge that a broker does not act on his own but on the basis of instructions from his client. This defence cannot be accepted. It was the appellant's duty to instruct the broker in this regard because the broker is nothing but an extension of the client. The argument is like blaming only the hand of waving itself in the air when a punch occurs. The broker is the agent of the principal, namely, the appellant. The appellant, being the principal is bound by the acts of his agent, namely, the broker and therefore the appellant cannot escape the action committed by the broker. In the circumstances, the argument cannot be accepted*."

Therefore, placing reliance on the aforesaid judgement, I find that the respective brokers of Noticees 1-5 could not have acted on their own but on the basis of instructions from the said Noticees. Thus, the respective brokers of Noticees 1 - 4 and Noticee 5 had acted on their instructions and accordingly Noticees 1-5 are responsible for their trades. I also note that since the Noticees were connected to each other, the mere fact that the broker of Noticees 1-4 and the broker of Noticee 5 were different is of no consequence in view of the trading pattern which has been established in the earlier part of the order. Thus, I do not find merit in the aforesaid contention of Noticees 1-4.

26. I note that Regulations 3(a)–(d) of the PFUTP Regulations, *inter alia,* prohibit employment of any manipulative/deceptive device, scheme, or artifice to defraud in connection with dealing in securities; engaging in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with dealing in securities. Regulation 4(1) of the PFUTP Regulations provides for prohibition on indulging in fraudulent or unfair trade practices in securities. Regulations 4(2)(a) and (g) of the PFUTP Regulations provide that dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves indulging in an act that creates a false or misleading appearance of trading in the securities market or entering into a transaction in securities without the intention of change of ownership of such security.

27. I also find it pertinent to note that in cases of market manipulation, where direct evidence may not be available, transactions, as stated above, are to be tested for any manipulative intent based on the conduct of parties and the abnormal nature of transactions. In other words, I find that the requirement under PFUTP Regulations is that fraud must be proved on a preponderance of probabilities. In this regard, I note the judgement of Hon'ble Supreme Court of India in SEBI vs. Kishore R. Ajmera (2016) 6 SCC 368 (Judgment dated February 23, 2016), wherein it had held that: *"It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion…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… The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in*

trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors." I also find it pertinent to refer to the judgement of Hon'ble SAT in the matter of Neetu Gupta vs. SEBI (Appeal No. 423 of 2019; Order dated February 25, 2020) wherein it was held as follows, *"Having heard the learned counsel for the parties, we are of the considered view that the impugned transactions, in the facts and circumstances of the matter, would fall in the realm of violations of PFUTP Regulations. Individual argument that each entity's trade is miniscule and only on a few days alone etc. is not sufficient to rebut the findings in the impugned order… In such matters, the preponderance of probability based on the totality of circumstances, as held by the Apex Court in the matter of Kishore R. Ajmera (2016) 6 SCC 368 squarely applies. The orders in Jayprakash Bohra (Supra) and Shri Lakhi Prasad Kheradi (Supra) also apply the same ratio."*

28. I further note the judgement of Hon'ble SAT in the matter of Shri Lakhi Prasad Kheradi vs. SEBI (Appeal No. 232 of 2017; Order dated June 21, 2018) wherein it was held that: "*As held by the Apex Court in the case of SEBI V/s Kishore R. Ajmera reported in (2016) 6 SCC 368, in the absence of direct evidence, by taking into account immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded it is open to an AO to arrive at a reasonable conclusion that the trade executed were manipulated trades. In the facts of the present case, in our opinion, no fault can be found with the decision of the AO that the trades executed by the appellant were manipulative trades and hence, the appellant was guilty of violating the SEBI Act and the PFUTP Regulations*."

29. I further refer the judgement of Hon'ble SAT in the matter of M/s Rajesh N. Jhaveri vs. SEBI (Appeal No. 49 of 2012; Order dated April 16, 2012) wherein it was held as follows:

"*The charge is one of synchronization in the scrip of the company during a short interval of 10 days out of 19 days of trade. The adjudicating officer has brought on record the details of the transactions, the trades done by the connected entities, percentage rate of synchronization to the quantity traded and the sample trade logs… The fact remains that the appellant has entered into synchronized trades during the period under investigation… What is relevant is the conduct of the parties in effecting the trades… facts of the case would show that the appellant and the connected entities have placed orders in such a* *way as to ensure matching of the buy and sell quantity and the price with the same counter parties and the difference in time is zero to a few seconds. In view of the discussion above, we hold that the adjudicating officer has brought on record sufficient material to show that the appellant's wrong doing falls under regulation 4 of the PFUTP Regulations.*"

30. Similarly, in the judgment of Hon'ble SAT in the matter of Sparkline Mercantile Co. Pvt. Ltd. vs. SEBI (Appeal No. 171 of 2011; Order dated January 16, 2012), it was held as follows:

    "*…It is difficult to get direct evidence with regard to synchronization of trades for the purpose of upsetting the market equilibrium or to manipulate the market. It is only on the basis of circumstantial evidence that such a connection can be proved. Looking at the details provided in the investigation report, the show cause notice and the findings recorded by the adjudicating officer, we are convinced that the adjudicating officer has brought enough material on record in support of the conclusion that the entities mentioned in the tables above are connected entities and traded among themselves with prior arrangement resulting in creation of artificial volume and distorting the market equilibrium. … trades were executed among the group entities within a minute of placing the order. This cannot happen without prior meeting of minds among the connected entities. From the details of the trades executed and having regard to the trading system, we do not think that such large number of trades could match between the same parties unless the trading system was being abused. Therefore, we have no hesitation in upholding the findings recorded by the adjudicating officer in the impugned order.*"

31. Thus, placing reliance on the aforesaid judgements, I am of the view that the crucial factor in determining violation of PFUTP Regulations is the manipulative trading pattern, irrespective of the quantum of actual volume traded. Therefore, I find that the common manipulative trading pattern of Noticees 1 to 5 in the scrip of SGTL and the inter se connection amongst Noticees 1 to 5, prove that Noticees 1 to 5, in collusion, had created a misleading appearance of trading in the scrip of SGTL and manipulated the volume of the scrip upwards during the IP, and thereby violated PFUTP Regulations. It has been established in the earlier part of the order that Noticees 1 to 5 were connected entities and had indulged in synchronised trades which significantly contributed to and manipulated the trading volume upwards in the scrip of SGTL. Thus, placing reliance on the aforesaid judgements, I am of the view that Noticees 1 to 5 have followed a common, uniform and

manipulative trading strategy of engaging in synchronised trades amongst themselves in the scrip of SGTL during the IP. Therefore, it stands established that these synchronized trades were executed for generating substantial volume of trading in the scrip of SGTL during the IP, thereby creating a misleading appearance of trade. Thus, based on the facts and circumstances established above, I find that the aforesaid synchronised trades, in the scrip of SGTL amounted to fraudulent trades.

32. I also note from the BSE trade log and order log that the aforesaid synchronised trades did not involve execution of any reversal trades between the Noticees, which indicates that these trades had been settled. Thus, I find that the Investigation Report as well as evidence placed on record do not demonstrate that Noticees had executed trades without intention of transferring beneficial ownership. Thus, in view of the foregoing, I find that the allegation that Noticees have violated 4(2)(g) of PFUTP Regulations does not stand established.

33. Therefore, in view of the foregoing, I find that the allegation that Noticees have violated Sections 12A(a), (b), (c) of SEBI Act, and Regulations 3(a), (b), (c), (d) and 4(1) & 4(2)(a) of PFUTP Regulations stands established.

Issue No. II- Does the violation, if any, attract a monetary penalty under Sections 15HA of SEBI Act?

34. It has been established in the foregoing paragraphs that the Noticees 1 to 5, have violated Sections 12A(a), (b), (c) of SEBI Act, and Regulations 3(a), (b), (c), (d) and Regulations 4(1), and 4(2)(a) PFUTP Regulations. Noticee 5 has contended that it is not mandatory for the Learned Adjudicating Officer to impose a penalty every time the AO comes to a conclusion that any person/entity has failed to comply with the specified requirement under the Act and/or the Regulations. Noticee 5 has contended that even though Section 15HA of the Act contain the words “shall be liable to a penalty” there is no strict or mandatory obligation on the part of the Learned Adjudicating Officer to levy the said penalty. In this regard, Noticee has relied upon the judgements of Hon’ble Supreme Court in the matter of Superintendent and Remembrancer Legal Affairs to Government of West Bengal vs. Abani Maity (1979) 4 SCC 85, Adjudicating Officer vs. Bhavesh Pabari (dated 28th February, 2019), Hindustan Steel vs. State of Orissa (AIR 1970 SC 253) Ex-Naik Sardar Singh vs. Union of India (1991) 3 SCC 212), Ranjit Thakur vs. Union of India (AIR 1987

SC 2386) and judgement of Hon’ble Bombay High Court in SEBI vs. Cobot International Capital Corporation Limited [2004 51 SCL 307 (BOM)]. In the context of the above, I refer to the observations of Hon’ble Supreme Court in the matter of Chairman, SEBI vs. Shriram Mutual Fund {[2006] 5 SCC 361} wherein the Hon’ble Court had held that: “*In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established...….*”

35. I also find it relevant to rely upon the judgement of the Hon’ble Supreme Court in the matter of SEBI vs. Sandip Ray (Decided on February 13, 2023) wherein it had ruled that once a finding of violation of provisions of SEBI Act has been reached by SEBI, there is no justification for SEBI to impose a penalty below the penalty stipulated under SEBI Act. The Hon’ble Supreme Court held as follows:

“The grievance of the appellant is that once a finding of violation of Section 15HB of SEBI Act, 1992 has been recorded, there appears no justification for the Tribunal to reduce the penalty below Rs. 1,00,000/- which is the minimum as permissible under Section 15HB of SEBI Act, 1992... Taking into consideration the facts and circumstances of this case, there appears no justification in calling upon the respondent and we modify the order impugned dated 29.07.2022 and the penalty of Rs.75,000/- as inflicted upon noticee no.5 (Mr. Sandip Ray) and noticee no.6 (Mr. Rajkumar Sharma), as referred to in para no. 13 of the order impugned, is modified and substituted to Rs.1,00,000/- in terms of Section 15HB of SEBI Act, 1992 and with this modification the present appeals stand disposed of.”

36. Therefore, in view of the foregoing findings and placing reliance on the above judgments of Hon’ble Supreme Court, I find that the aforesaid violations of Sections 12A(a), (b), (c) of SEBI Act, and Regulations 3(a), (b), (c), (d) and 4(1) & 4(2)(a) of PFUTP Regulations will attract monetary penalty under Section 15HA of SEBI Act. The respective provisions as applicable at the time of the violations are reproduced as under:

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.*

<u>Issue No. III - What should be the quantum of monetary penalty</u>?

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

<u>SEBI Act</u>

Factors to be taken into account by the adjudicating officer.

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

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

38. In view of the charges as established, the facts and circumstances of the case, the quantum of penalty would depend on the factors listed in Section 15J of SEBI Act. In the instant case, having regard to the factors listed in Section 15J of SEBI Act, it is noted that the material available on record does not demonstrate any quantifiable gain or unfair advantage accrued to the Noticees or the extent of loss suffered by the investors as a result of the default. I note that Noticees 1-5 have contended that no loss was caused to investors as a result of their trades and no unfair gain or advantage was obtained by them on account of their trades. Noticees 1-5 has also contended that there were no investor complaints in respect of their trades in the scrip of SGTL. I observe that even though there are no other records to show repetitive defaults of a similar nature by Noticees, it has been established that the Noticees, by executing a series of synchronised trades among themselves which created a misleading appearance of trading. I am of the view that such manipulative acts of the Noticees have the potential to mislead and induce genuine investors to trade in the scrip and harm them and therefore such acts violate the fundamental tenets of market integrity. Such acts of Noticees, if dealt with lightly, could

seriously undermine investors' confidence in the securities market and therefore, merit stringent penalty commensurate with such serious violations.

39. In view of the foregoing findings, I find that an appropriate penalty should be imposed on the Noticees, so as to serve as a deterrent against the aforesaid violations, considering the interest of investors and integrity of securities market.

ORDER

40. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by Noticees, and also the factors mentioned in Section 15J of SEBI Act, as enumerated above, I, in the exercise of the powers conferred upon me under Section 15-I of SEBI Act read with Rule 5 of the Adjudication Rules, hereby impose the following penalties on Noticees 1 to 5, jointly and severally, under Section 15HA of SEBI Act for the violations as specified hereunder:

Penalty for violation of PFUTP Regulations

<table>
<tr><th>Name of Noticee</th><th>Penalty under Section 15 HA of SEBI Act</th><th>For the violation of the following provisions</th></tr>
<tr><td>Om Hari Mahabir Halan HUF</td><td rowspan="5">Rs. 5,00,000 /- (Rupees Five Lakhs only) jointly and severally</td><td rowspan="5">Sections 12A(a), (b), (c) of SEBI Act, and Regulations 3(a), (b), (c), (d), 4(1) & 4(2)(a) of PFUTP Regulations.</td></tr>
<tr><td>Vanshika Om Hari Halan</td></tr>
<tr><td>Harshit Pavankumar Halan</td></tr>
<tr><td>Ayushi Hansraj Halan</td></tr>
<tr><td>Naresh Saraaf</td></tr>
</table>

41. Noticees 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. In case of any difficulties in payment of penalties, said Noticees may contact the support at portalhelp@sebi.gov.in.

42. The Noticees shall forward the said confirmation of e-payment made in the format as given in the table below which should be sent to "The Division Chief, EFD – DRA - 4, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C- 7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051" and also to e-mail id:- tad@sebi.gov.in

1. Case Name:	

2. Name of payee:	
3. Date of payment:	
4. Amount paid:	
5. Transaction no.:	
6. Bank details in which payment is made:	
7. Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details)	

43. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under Section 28A of SEBI Act for the realisation of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties of Noticees.

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

Place: Mumbai **SOMA MAJUMDER**

Date: April 28, 2023 **ADJUDICATING OFFICER**