BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/VV/AK/2021-22/15775

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

In respect of:

Shilpi Krishnakumar Modi (Now known as Shilpi Jayesh Chawla)

(PAN: AGDPM3368E)

In the matter of Mefcom Agro Industries Limited

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) conducted an investigation to ascertain the violation, if any, of the provisions of Securities and Exchange Board of India, Act 1992 (hereinafter referred to as the **"SEBI Act"**) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as the "**PFUTP Regulations**") by the **Shilpi Krishnakumar Modi (Now known as Shilpi Jayesh Chawla)** (hereinafter referred to as "**Noticee**") while trading in the scrip of Mefcom Agro Industries Limited (hereinafter referred to as "**Mefcom**") during the period from January 01, 2006 to June 30, 2007 (hereinafter referred to as "**Investigation Period/IP**").

2. It was noted from trade & order log that Noticee was 4th position in the list of top 10 buyers. Noticee had purchased 17,19,495 shares and sold 17,22,406 shares (net sale of 2,911 shares) during the IP. It was alleged that the Noticee was entered into repeated self-trade, at a rate higher than Last Trade Price (LTP) without intention of change in ownership. It was also alleged that the Noticee had manipulated the price of scrip by trading at a price higher than LTP. Further,

Noticee allegedly responsible for order book manipulation in the scrip of the Mefcom.

3. In view of all of the above, it was alleged that the Noticee violated the provisions of Regulation 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(e) &4(2)(g) of PFUTP regulation.

APPOINTMENT OF ADJUDICATING OFFICER

4. Shri **Jeevan Sonporate** was appointed as the Adjudicating Officer (hereinafter referred to as "**erstwhile AO**") by a communication-order dated January 18, 2018 under section 19 read with section 15-I(1) of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**Adjudication Rules**") to conduct adjudication proceedings in the manner specified under Rule 4 of Adjudication Rules read with section 15I (1) and (2) of SEBI Act, and if satisfied that the Noticee is liable, impose such penalty deemed fit in terms of Rule 5 of Adjudication Rules read with Section 15HA of SEBI Act. Pursuant to the transfer of erstwhile AO, *vide* communication order dated August 13, 2019 the case has been transferred to undersigned. It has been advised that except for the change of the Adjudicating Officer the other terms and conditions of the original orders '*shall remain unchanged and shall be in full force and effect*' and that the "*Adjudicating Officer shall proceed in accordance with the terms of reference made in the original orders*".

Show Cause Notice, Reply and Personal Hearing

5. A Show Cause Notice (hereinafter referred to as "SCN") EAD-8/JS/VRP/OW/5515/2018 dated February 21, 2018 was *inter-alia* issued to the Noticee under Rule 4 of the Adjudication Rules to show cause as to why an inquiry should not be initiated and penalty be not imposed under section 15HA of the SEBI Act, 1992 for the alleged violations specified in the SCN. The aforesaid SCN was returned undelivered. Therefore, the said SCN is once again sent to Noticee through the affixture in terms of Rule 7(2) of the Adjudication Rules. *Vide* letter dated May 27, 2019 requested for copy of SCN

along with all the enclosures. Subsequently, *vide* letter dated June 07, 2019, Noticee requested for inspection of documents. The inspection of documents completed on October 19, 2020. Thereafter, *vide* Hearing Notice dated November 12, 2021, an opportunity of hearing, in terms of 4(3) of Adjudication Rules, has been given to the Noticee on November 22, 2021.

6. The hearing was conducted on November 22, 2021. In view of the prevailing circumstances owing to COVID-19, the hearing was scheduled through video conferencing on WebEx platform. On the scheduled date of hearing, the authorized representative of Noticee appeared before me through video conference and made submissions on the lines of the reply dated November 19, 2021 of the Noticee in this matter. The hearing has been concluded. The AR also sought time to file a post hearing submission, which was acceded to. Accordingly, AR filed its post hearing by *vide* letter dated December 02, 2021.

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

Connected Entities

(a) Investigation observed that there were certain entities connected to each other. The details of these entities and their connections are as below:

Table 1

Sr.	Name of Entity	PAN NO.	Connection
1	Vijay Mehta	AAKPM 1588M	Promoter of Mefcom Agro Industries. Also Chairman of Mefcom
2.	Harsh Kumar Mehta	AAHPM 7953M	Promoter group entity-brother of promoter Vijay Mehta-(as per the documents submitted by Vijay Mehta, Harshkumar Mehta Expired in 2011)
3	Mefcom Capital Markets Ltd (MCML)	AAACM 7077N	Promoter of Mefcom. Also Vijay Mehta was the chairman of MCML
4	Rakesh Kumar Mishra (Cosmo Corporate Services Ltd-Cosmo)	AAACC 3529P	Off market transfer with Master Finlease. As per BSE database, phone number of Cosmo i.e. "23739998" is registered in the name of Vijay Jindal (Director of Avisha Credit Capital Ltd and Master Finlease Ltd, which shares the new address of Mefcom i.e.606 Kailash Building KG Marg,New Delhi).
5	Avisha Credit Capital Ltd ("Avisha")	AAACA 5715D	Shares new address of Mefcom. also the address of Master Finlease Limited viz., "606 Kailash Building, KG Marg, New Delhi"
6	Sunita Investments (Sunita Gupta)	AAHPG 4700E	Off market transfer with Cosmo Corporate Services Ltd
7	Vishvas Securities Limited	AACV 2921N	Shared same address as that of Mefcom during the Investigation period (viz., 912 Kailash Building KG Marg Delhi)

Sr.	Name of Entity	PAN NO.	Connection
			Off market transfer to Master Finlease Ltd., SIC Stock and Services Pvt. Ltd. and Avisha Credit Capital Ltd. During the IP, Avisha Credit capital Ltd. and Master Finlease Ltd. were holding 45% of share capital in Vishvas Securities Ltd. (Unlisted Co.) - as on 30/9/2006 Atul Joshi one of the present directors of Vishvas Securities Ltd., as on December 16, 2015, is also director in Mefcom Agro Industries Ltd.
8	Vijay Jindal (Master Finlease Limited-MFL)	AAACM 6050D	Shares new address of the company ("606 Kailash Buildibng , KG Marg, New Delhi) which is also the address of Avisha. Master Finlease Ltd. along with Avisha Credit capital Ltd. held 45% of share capital in Vishvas Securities Ltd. (Unlisted Co.). Off market transfer with Vishvas Securities limited
9	SIC Stocks & Services P Ltd	AAHCS 8176P	Off market transfer with Vishvas Securities Ltd (It was revealed during investigation that entity traded using its client's name- at sr.No.10,11, 12 & 13 - during IP) Financial transaction with Avisha
10	Purshottam Khandelwal	ADZPK 9831B	**It was observed that these entities were major counter parties to the sale by original promoters when the promoters exited the company. It was revealed during investigation that their broker (SIC) was trading using client's name**.
11	Pushpa Bansal	AMBPB 5527G	
12	Deepak Shantilal Rana	ABCPR 2985E	
13	**Shilpi Krishnakumar Modi**	**AGDP M3368 E**	
14	ISF Securities Ltd	AAACI1 667E	Off market trade with Master Finlease. Financial transaction with Avisha Credit Capital Ltd.
15	BP Comtrade P Ltd (BP)	AAACA 3758Q	During investigation period, BP had purchased 380432 shares and sold380313 shares. 79% of the counter parties to the buy trade and 67% of the counter parties to the sale trades were Mefcom group entities. Further the entity had indulged into price manipulation through LTP contribution.

Self-Trade

(b) It was observed that the connected entities executed self-trades during the investigation period is as under:

Table 2

S.N	Entity Name	Broker On Both Buy & Sell Side	Total Self Trade Vol	Total Self Trade Count	No of days of self trades
1	Purshottam Khandelwal	SIC Stocks & Services P Ltd	88309	690	79
2	**Shilpi Modi**	**SIC Stocks & Services P Ltd**	**19551**	**250**	**16**
3	Sunita Investments	Shri Parasram Holdings Pvt. Ltd	7723	15	8
4	Vishvas Securities Ltd	Sic Stocks & Services Pvt. Ltd.	3944	81	5
5	Master Finlease Ltd	Integrated Master Securities Pvt. Ltd.	1875	2	1
6	I S F Securities Ltd	Sam Global Securities Ltd.	1144	3	3
7	Cosmo Corporate Services Limited	Integrated Master Securities Pvt. Ltd.	500	2	1

S.N	Entity Name	Broker On Both Buy & Sell Side	Total Self Trade Vol	Total Self Trade Count	No of days of self trades
8	Sunita Investments	Shri Parasram Holdings Pvt. Ltd	250	2	2
9	Sunita Investments	Sam Global Securities Ltd.	25	5	1
10	Bp Comtrade Pvt Ltd	Babubhai Purshottamdas Stock Brokers Pvt. Ltd.	25	25	9

(c) It was observed from the trade and order log for the investigation period that two entities of the group had entered into self-trades for more than 10,000 shares for 2 or more days. In these self-trades, there was no transfer of beneficial ownership and it creates artificial volume.

(d) Based on the above criteria, it was observed that Noticee has entered into repeated self-trades without intention of change in ownership of such securities, hence fictitious in nature. It was observed that self-trades of Noticee had significant price impact.

Order Book Manipulation

(e) Analysis of order book in the scrip of Mefcom during IP revealed that there was substantial number of order deletion/ modification by SIC Stock and Services Pvt Ltd. (hereinafter referred to as "SIC") in the orders placed by it in the name of the Noticee which are discussed below:

(f) A summary of orders placed by SIC in the name of Noticee has given herein below:-

Table 3

Total buy orders placed by SIC		Buy Orders placed in the name of Shilpi		Shares Bought	Buy Orders updated		Orders deleted	
No of shares	Count	No of shares	Count	No of shares	No of shares	Count	No of shares	Count
57173092	7142	14902399 (26.06%	2883	1719495 (11.50%)	30656853	425	13062560 (88%)	389

(g) As it can been observerd from the above table, in total, Noticee placed 2,883 buy orders for aggregate initial order quantity of 1,49,02,399 shares. It was observed that subsequent to order placement, the order quantity was constantly being increased and the aggregate of such additions was 2,37,47,657 shares. This was despite the fact that the percent of order execution to order entry was a meagre 11.50%. This means that when the initial order quantity itself was not being executed, Noticee was constantly increasing the order quantity which reflects the intention of creating a misleading and artificial buy side depth. Also, the total number of shares bought by Noticee during the investigation period was only 17,19,495 shares, which is a meagre 4.45% of the initial and added buy order quantity(3,86,50,056).

(h) Further, on perusal of orders placed in the account of Noticee, it was observed that majority of orders were for small quantity except for 48 orders which were placed for quantity 1 Lakh shares or more. Of the 48 orders placed for 1 Lakh shares or more, 46 were buy orders and the balance 2 were sell orders. The summary of the said 46 orders is tabulated below:

Table 4

		No. of shares		
Particulars	**No. of orders**	**Initial Order Quantity disclosed**	**Traded Quantity**	**Modified Quantity of deleted Orders**
1 .Buy orders with orders placed for 1 Lakh shares or more	46	65, 10,000 56,63 141	209 684	
2.0ut of 1 above, orders deleted	36	50,10,000 (43,08,471)	131 916	51 40,917

(i) It was observed that from above, the total order quantity in the 46 buy orders, aggregated to 65.10 Lakh shares. Of the order quantity of 65.10 Lakh shares, only 2,09,648 shares were bought and order quantity of 51,40,917 in 36 orders were deleted leaving the remaining shares unexecuted. The initial order quantity in the 36 orders was 50.10 Lakh shares and the quantity deleted (including modified quantity in the 36 deleted orders) was 51,40,917 after trades having executed for 1,31,916 shares. Considering the average volume of 69,066 shares during the investigation period, disclosing substantial quantity in the order book and subsequent deletion of such orders, clearly indicates that such orders were placed with intent of creating of false depiction of depth in the market.

(j) On comparison of the order price and the LTP at the time of order entry, it was observed that only in 14 out of 46 buy orders, the buy order price was more than the LTP (in the range Rs. 0.05 to 0.10 or in terms of percentage 0.07-0.31%) and in the other cases, the price was at LTP or below (in the range of Rs 0.00 to Rs. 4.50 in terms of percentage 0.00-6.72%). The aggregate of such difference in the 46 buy orders in absolute rupee terms was Rs. -17.40 and the aggregate of percentage variation was 34.93%. Therefore, it is clear that the orders were placed far below from the prevailing market price and thus with the intent of not executing.

(k) Further, the average time between order entry and order deletion for the said 36 orders was 23 minutes and 59 seconds. Out of the 36 orders, the prevailing market price, at the time of order deletion increased from the price at the time of order entry in 29 cases and in remaining 7 orders, the price went down. In the said 29 orders, where the prices went up, it was observed that the increase in price was less than 2% in 24 cases and was in the range of 2.14%-2.76% in 4 cases and 4.31% in one case. In the 7 cases where orders were placed was far below the prevailing market price, it was observed that the orders were later deleted as the prevailing market price started reducing or approaching the order price. The same are tabulated below:

Table 5

Date	Order ID	Added Qty	Deleted Qty	Added Time	Deleted Time	Time difference	Order price	LTP At the time of order entry	Difference between Order price and LTP	LTP at order deletion	Price Fall	Price fall
16.03.07	92200500020226441	100,000	99,240	10:14:51	10:55:09	0:40:18	68.65	72.8	-4.15	68.8	4	5.49%
13.04.07	92200500020233068	100,000	200,000	9:56:04	10:54:41	0:58:3.7	27.55	28.95	-1.4	28.6	0.35	1.21%
13.04.07	92200500020233457	125,000	124,650	14:07:14	14:22:40	0:15:26	27.75	27.85	-0.1	27.8	0.05	0.18%

Date	Order ID	Added Qty	Deleted Qty	Added Time	Deleted Time	Time difference	Order price	LTP At the time of order entry	Differ ence betw een Order price and LTP	LTP at order deletion	Price Fall	Price fall
13.04.07	92200500020233463	250.000	246,843	14:10:22	14:22:40	0:12:18	27.8	27.85	-0.05	27.8	0.05	0.18%
16.04.07	92200500020233686	300,000	250,000	10:33:53	11:57:49	1:23:56	26.2	27.6	-1.4	26.7	0.9	3.26%
16.04.07	92200500020233786	100,000	250,000	10:56:28	11:57:49	1:01:21	26.2	26.75	-0.55	26.7	0.05	0.19%
17.04.07	92200500020234075	125,000	116,707	10:03:13	10:11:22	0:08:09	25.75	25.9	-0.15	25.75	0.15	0.58%

(l) It is observed from the above, in case of order no. 92200500020226441, the buy order for 1,00,000 shares was placed at Rs 68.65 when the LTP was Rs 72.80 and when the market price reduced to Rs 68.80, the order was deleted. Similar was the case in respect of other orders.

(m) Considering the aforesaid i.e., buy orders consistently placed far below the prevailing market price, majority of order quantity being disclosed, subsequent deletion of such orders and the fact that 46 order were buy orders and only 2 orders were sell orders out of the 48 orders (with order quantity of 1 Lakh shares or more). Thus, the buy orders were entered with the intention to inflate the buy side depth in the market and not to actually buy these shares. Therefore, these orders resulted in a false or misleading appearance of trading in the securities market.

8. **The relevant submission of Noticee is summarized as below:**

(a) Noticee Submitted that SCN is bad in law as the same has been issued after a period of more than 10-12 years from the last execution of trades by Noticee. For this purpose, Noticee placed reliance on the following judgments of appellate court:

a) SAT Order

1. Ashok Shivlal Rupani vs SEBI (Appeal Nos 417 and 440 of 2018, Date of Decision: August 22, 2019).
2. Mr. Ashlesh Gunvantbhai Shah & Ors (Order dated 31-01-2020), (Appeal Nos. 169, 171, 172, 231, 264, 266 and 277-281 of 2019).
3. Rajeev Bhanot vs SEBI (Appeal No. 396/2018, date of decision July 09, 2021).

b) Supreme Court Decision

1. SEBI vs Ashok Shivpal Rupani & Anr (Civil Appeal No. 8444-8445 of 2019)
2. SEBI vs Rajeev Bhanot & Ors (Civil Appeal No. 6441-6443 OF 2021)

(b) Noticee submitted that documents *viz* Trade Log data, Order Log data, details of alleged trades of the Noticee, Last Traded Price and copy of the Investigation Report have not been provided to Noticee. Therefore, the principle of Natural Justice has not been followed in the present proceeding. For this purpose, Noticee placed reliance on the following judgments of appellate court:

a) Order dated 15-06-2010 passed by SAT in Appeal No. 281 of 2009 filed by Mr. Vikas Gourihar Narnavar.
b) Order dated 19-02-2020 passed by the SAT in Appeal No. 414 of 2018 filed by Dhirajbhai vs Sanghvi HUF.
c) Adjudication Order dated 30-06-2021 (in the matter of KRBL Limited

(c) Noticee submitted that Noticee had executed 250 self- trades on 16 days and created artificial volume of 19,551 shares of Mefcom. However, no details of the alleged self-trades have been shared with Noticee at any stage of the proceeding. Noticee refutes and denies the allegation of execution of self-trade. Even if assumed that Noticee executed self-trade, since Noticee is not facing any allegation of execution of synchronized/reversal/structured trades in scrip of mefcom and further there is no finding that Noticee has manipulated the price of scrip by execution of self-trades. Therefore, SCN is liable to be dropped. Further, SEBI in a policy decision dated May 16, 2017, mentioned that if the intention of executing the self-trade is not malafide the entity may be exonerated. Also, while assessing the self-trade, the volume transacted of self-trade may be considered. Noticee place reliance on SEBI Adjudication Order viz EAD-2/AO/143/2013 dated February 14, 2013, EAD/AO-NP/JR/47/2017 dated May 19, 2017, EAD/NP/JS-AS/A0/25/2017 dated March 16, 2017 and AO/BJD /MAS/ EAD/76 /2017 dated December 08, 2017. The quantum of the trades executed by the entities mentioned in the above said Orders are comparably much higher than the alleged Self-Trade executed in the scrip of Mefcom in the account of Noticee. Therefore, allegation of self-trades against Noticee liable to be dropped.

(d) Noticee submitted that he had not employed any manipulative or deceptive device with respect to buy/sale of shares of Mefcom or neither has Noticee acted in contravention of the provisions of SEBI Act and Rules/Regulations made thereunder.

CONSIDERATION OF ISSUES

9. I have perused the SCN, written and oral submissions and other materials available on record. The issues that arise for consideration in the present case are:

    (a) Whether Noticee, by its act has violated the provisions of Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(e) and 4(2)(g) of PFUTP regulation.

    (b) If yes, then do the violations, if any, on the part of Noticee attract any monetary penalty under Section 15HA of the SEBI Act?

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

FINDINGS

10. Before moving forward, it is pertinent to refer to the relevant provision of the PFUTP Regulations which are alleged to have been violated. The said provisions are reproduced hereunder:

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 thereunder;*
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].*

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

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

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

*(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]*

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

*** Inserted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018 w.e.f. February 01, 2019.*

**** Inserted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Second Amendment) Regulations, 2020 w.e.f. October 19, 2020.*

***** Substituted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018 w.e.f. February 01, 2019. Before the substitution the words read as "fraud and may include all or any of the following, namely".*

11. I am of the view that, as seen from material before me, this delay is attributable to procedural issues. However, I note that there is no limitation prescribed in the SEBI Act and Regulations for the completion of investigations or for the issuance of a SCN. Further, I note that Noticee failed to show that what prejudice has been caused to him due to the delay in the issuance of SCN. For this purpose reliance has been placed on the order in the matter of **M/s. Adamina Traders Private Limited vs SEBI** (Appeal No. 331 and 366 of 2020), wherein SAT held that "*We do not find any evidence to hold that there was an inordinate delay in the issuance of the show cause notice. This contention is*

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

12. I note from the record that that Noticee was 4th position in the list of top 10 buyers. Noticee had purchased 17,19,495 shares and sold 17,22,406 shares (net sale of 2,911 shares). It was alleged that the Noticee was entered into repeated self-trade, at a rate higher than Last Trade Price (LTP) without intention of change in ownership. It was also alleged that the Noticee had manipulated the price of scrip by trading at a price higher than LTP. Further, Noticee allegedly responsible for order book manipulation in the scrip of the Mefcom. In this regard, I note that the aforesaid allegation rests on the premise that the aforesaid entities are part of a Mefcom Group. The said premise requires evaluation of the basis of connection amongst the entities. As per the SCN, Noticee was part of a larger group of 15 entities called the Mefcom Group and are related as per the connection shown in Table 1 of this order. I further note that Noticee is alleged to have been connected to the Mefcom Group on the premise of being a major counter party to the sale transactions of the original Promoters of the company, while providing an exit to them. In this regard, I note that there is no allegation of connection of Noticee with the promoters other than by being counter parties. Further, in my view the connection of Noticee with the Group has to be prior to / concurrent with its trading in the scrip unless there is evidence that the trading pattern of Noticee indicates meeting of minds with the counter parties, which in the given case has not been alleged. I also note that alleged group was actively trading in the scrip of the Company and so it was natural that other entities orders would match with its order. In the view of the above, I am of the view that there is no material on record to indicate that transaction/ trades between Noticee and the original Promoters was not in the normal course. In view of the above, there is no clear evidence regarding connection between the Noticee to the Mefcom Group and therefore, allegation of the positive contribution to LTP in the scrip of the Mefcom, cannot be casted upon the Noticee. In this regard reliance has been placed on judgement of the Hon'ble SAT in the matter of M/s **Nishit M. Shah**

Huf v SEBI decided on January 16, 2020, wherein it is held that "*Allegation that the appellant has contributed to the LTP cannot be upheld in the absence of any collusion with the buyer or promoter / director of the Company. One has to establish a connetion between a buyer and with the seller in order to infer a manipulation in the price of the scrip."* It further held that - "*the trading in small quantities in scrips is per se not impermissible as per the Ajmer's Case. If the trade in miniscule amount leads to an increase in the price of scips one can presume or infer that trading is manipulative but such trading cannot happen unilaterally. There must be evidence to show collusion between the buyer and seller. In the instant case there is none. The principle of preponderance of probability cannot be exercised in absence of any connection between the seller and buyer."*

13. I further note that Hon'ble SAT in the matters of **Jagruti Securities Limited v SEBI (Appeal No. 102 of 2006 decided on October 27, 2008)** and **Vikas Bengani v WTM, SEBI (Appeal No. 225 of 2009 decided on February 25, 2010),** held that the charge of raising price artificially has to be established with the element of collusion between the buyer and the seller is a *sine qua non*. In absence of any finding of collusion between the buyer and seller the charge contributing to the LTP cannot be sustained.

14. In this case, it has been further alleged that Noticee contributing to the LTP through repeated self-trades and indulging in order book manipulation. In this regard, I note that purpose of extant proceedings is to determine whether, Noticee being part of the Mefcom Group and in furtherance of the purported scheme, indulged in repeated self-trades, and order book manipulation while trading in the scrip of Mefcom. I note that, in above paras it has been found that the evidence available on records are not sufficient to establish connection among the Noticee and the original Promoters. Therefore, for the purpose of allegation of self-trades and order book manipulation, the first leg of the allegation i.e. connection of the Noticee with the Mefcom is absent. Further, I note from the material available on record, that there is no substantial additional evidence has been present for the purpose of establishing allegation with

respect to the self-trade other than trades of the Noticee. In this regard, I also want to brought out the SEBI's policy decision dated May 16, 2017, wherein *inter-alia* it is stated that *"...it is observed that intention is a sine qua non for establishing manipulation in case of self-trades and accidental/ unintentional self-trades are not covered under the said regulations. Accordingly, mere occurrence of self-trades should not be considered as per se illegal in the absence of any other additional evidence to prove manipulation or intent to defraud as is done in cases of synchronised trades. Therefore, in all matters of self-trade, an assessment has to be made regarding whether the said trade was intentional or unintentional on the basis of supporting evidence and the manipulation caused by indulging in self-trades should be clearly brought out. The quasi-judicial authority may assess on the basis on SCN/ Investigation report whether any manipulation is arising out of self-trade or any intention to enter into self-trade is evident from the material on record. If the manipulation or intent can be established the same may be proceeded with as approved. However if no intention or manipulation is evident from the case and only charge is mere occurrence of self-trades, then entity may be exonerated by quasi-judicial authority."*

15. I further note that in the parallel proceeding before Whole Time Member (hereinafter referred to as "**WTM**") under sections 11(1) and 11B(1) of the SEBI Act, WTM in her order[1] dated February 12, 2020 held that "*for the purpose of extant proceedings, the issue that has to be determined is whether, SIC, PK and Ms. Shilpi Modi being part of the Mefcom Group and in furtherance of the purported scheme, did indulge in repeated self-trades and order book manipulation in the scrip of Mefcom. It has already been held in the preceding paragraphs that SIC and PK are not part of the Mefcom Group……Thus*, *considering the aforesaid 3 entities are not part of Mefcom Group, for the purpose of extant proceedings which is to determine whether any manipulation took place in the scrip of Mefcom due to purported scheme of Mefcom Group, there arises no need to independently consider the allegations of repeated self-*

[1] In the matter of Mefcom Agro Industries Limited.

trades and order book manipulation as the first leg of the allegation regarding connection to the Mefcom Group has not been established."

16. Therefore, in totality of the above facts and circumstances, I am of the view that I do not find sufficient material to attribute the violation of PFUTP Regulations by the Noticee especially as no connection with the Mefcom Group has been brought on record and in view of the same benefit of doubt is given to the Noticee. I further note that the allegation in the present adjudication proceedings pertains to the investigation period of 2006 and 2007. Considering the above facts and circumstances, I am of the view that the allegation against the noticee with regard to repeated self-trade, manipulating the price of scrip by trading at a price higher than LTP, order book manipulation are not tenable.

Order

17. For the aforesaid reasons, Show Cause Notice EAD-8/JS/VRP/OW/5515/2018 dated February 21, 2018 alleging the violation of the provisions of Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(e) and 4(2)(g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 by the Noticee i.e., Shilpi Krishnakumar Modi (Now known as Shilpi Jayesh Chawla) is disposed of without imposition of penalty.

18. In terms of rule 6 of the SEBI Adjudication Rules, copies of this order are sent to the Noticee and also to SEBI.

Date: March 30, 2022 **Vijayant Kumar Verma**
Place: Mumbai **Adjudicating Officer**