BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO: Order/PM/PA/2021-22/14275-14290

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

S.N.	Name of the Entity	PAN No.
1	Voltaire Leasing and Finance Ltd.	AAACV1794R
2	Dilip Rajkumar Patodia	AAAPP9584A
3	Amlesh Sadhu	BEZPS8956R
4	Harivallabh Mundra	AAAPM8378D
5	Chandrakant Babu Mohite	ANKPM2741H
6	Rajesh Tukaram Dambre	AHAPD8240L
7	Archana Tiwari	AHPPT8658M
8	Awadhraj Badrinath Chaubey	AJQPC9829G
9	Reshma Rajesh Dambre	ARNPD4171D
10	Mukesh Kumar Purohit	ATSPP7576M
11	Reeta Sanjay Sharma	BMWPS6864D
12	Jaya Ramchand Kotwani	AQUPK1024G
13	Ajay Niranjan Thaker	AEVPT3698G
14	Mangesh Madhukar Dhotre	AJPPD8297E
15	Looklike Trade Pvt. Ltd.	AACCL2013K
16	Badriprasad Chiripal	ADUPC9547M

In the matter of Voltaire Leasing and Finance Limited

BACKGROUND OF THE CASE

1. The Securities and Exchange Board of India (hereinafter referred to as **SEBI**) conducted an investigation into the trading and dealings in the scrip of Voltaire Leasing & Finance Limited (hereinafter referred to as **VLFL or the Company**) pursuant to receipt of a reference from Department of Income Tax, Chandigarh, for

possible violation, if any, of the provisions 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, 1992**) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as the **PFUTP Regulations, 2003**). Investigation was conducted in the scrip of VLFL for the period August 12, 2014, to July 31, 2015 (hereinafter referred to as **Investigation Period/ IP**). The company is listed on BSE. During the IP the price of the scrip opened at Rs. 2.42 and reached a high price of Rs. 32.10 and closed at Rs.32.10. On the basis of the said investigation, it is alleged that by Voltaire Leasing and Finance Limited (Company**/** Noticee 1), Amlesh Sadhu (Noticee 2), Dilip Rajkumar Patodia (Noticee 3), Harivallabh Mundra (Noticee 4), Chandrakant Babu Mohite (Noticee 5), Rajesh Tukaram Dambre (Noticee 6), Archana Tiwari (Noticee 7), Awadhraj Badrinath Chaubey (Noticee 8), Reshma Rajesh Dambre (Noticee 9), Mukesh Kumar Purohit (Noticee 10), Reeta Sanjay Sharma (Noticee 11), Jaya Ramchand Kotwani (Noticee 12), Ajay Niranjan Thaker (Noticee 13), Mangesh Madhukar Dhotre (Noticee 14), Looklike Trade Private Limited (Noticee 15) and Badriprasad Chiripal (Noticee 16) (hereinafter collectively referred to as you / Noticees') manipulated the price of this scrip. In view of the above, adjudication proceedings were initiated against the Noticees under the provisions of section 15HA of the SEBI Act, 1992, for the alleged violation of the provisions of regulations 3(a), 3(b), 3(c), 3(d) and regulations 4(1), 4(2)(a) and 4(2)(e) of PFUTP Regulations, 2003.

APPOINTMENT OF ADJUDICATING OFFICER

2. The undersigned was appointed as the Adjudicating Officer under section 15-I of the SEBI Act, 19932 r/w rule 3 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules,1995 (hereinafter referred to as **Adjudication Rules, 1995**) to inquire into and adjudge under the provision of section 15HA of the SEBI Act, 1992, the alleged violation of the provisions regulations 3(a), 3(b), 3(c), 3(d) and regulations 4(1), 4(2)(a) and 4(2)(e) of PFUTP Regulations, 2003.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. A common Show Cause Notice dated April 27, 2018 (hereinafter referred to as **SCN**) was issued to the Noticees under rule 4(1) of the Adjudication Rules, 1995 to show cause as to why an inquiry should not be initiated against the Noticees and why penalty, if any, should not be imposed on the Noticees under section 15HA of the SEBI Act, 1992, for the alleged violations of violation of the provisions regulations 3(a), 3(b), 3(c), 3(d) and regulations 4(1), 4(2)(a) and 4(2)(e) of PFUTP Regulations, 2003. The allegations against the Noticees are as follows:

a) *Securities and Exchange Board of India (SEBI) conducted investigation pursuant to the receipt of reference from the Department of Income Tax, Chandigarh, with respect to the Trading Activities of Certain Entities in the scrip of Voltaire Leasing & Finance Limited **("VLFL" or "the company")** for the period between August 12, 2014 to July 31, 2015 (hereinafter referred to as 'Investigation Period/IP'). The company is listed on BSE Limited (BSE). During the investigation period, price of the scrip opened at Rs. 2.42 and reached a high price of Rs 32.10 and closed at Rs.32.10.*

b) *During the investigation period, the board of directors of the company were as follows:-*

(Source: Annual Reports of the company/MCA/Company's Reply)

DIN/PAN	***Name***	***Designation***	***Appointment Date***	***Cessation Date***
01357786/ AAAPP9584A	*Dilip Patodia*	*Independent Director ^*	*29-Oct-2013*	*03-Jun-2016*
00239377/ AMEPM2160M	*Nirmal Kr. Manna*	*Independent Director*	*29-Oct-2012*	*Still continuing*
05165741/ CDVPS3594R	*Ravi Saraswat*	*Independent Director*	*03-Jul-2014*	*Still continuing*
07245292/ AIAPC41772B	*Uma Chatterjee*	*Independent Director*	*28-Mar-2015*	*Still continuing*
00235198/ BEZPS8956R	*Amlesh Sadhu*	*Chairman &Managing Director*	*03-Sept-2012*	*13-Apr-2015*
00434785/ AAAPM8378D	*Harivallabh Mundra*	*Executive Director*	*21-Jun-1990*	*29-Sept-2014*
00434820	*Shreevallabh Mundra*	*Independent director*	*17-Feb-1994*	*29-Sept-2014*

Chairman & Managing Director from 13/4/ 2015 till 3/3/2016. Dilip Patodia was also Chief Financial Officer till 16/10/2014.

c) *The profits of the company decreased in the F.Y 2014-15 and 2015-16. The Profit After Tax of VLFL is as follows:*

Description	***2013-14***	***2014-15***	***2015-16***
Profit After Tax (Rs. lakhs)	*24.5*	*20.1*	*4.2*

(Source: BSE website)

d) *Investigation observed that the company registered decreasing profits during the investigation period. Further, the total shareholding of the company during the period was 41,18,000 shares and the high price during IP was observed as Rs. 32.10 /-. Accordingly, the market capitalization of the VLFL scrip on the high price day was Rs. 13.21 crores. Therefore, the profit of Rs 20.1 lakh and 4.2 lakhs registered by the company during the F.Y 2014-15 and 2015-16 does not justify the price rise in its scrip's price during the investigation period.*

e) *Investigation observed that the company had come out with 3 preferential allotment of shares during the period November 2012 to August 2013.*

f) *Investigation observed, that most of the corporate announcements pertained to shareholding pattern, closure of trading window, change in compliance officer, financial results, open offer, limited review report, board meeting, book closure for AGM, change of CFO, etc. Thus, it is observed that there were no major announcements or developments which could support the price rise in the scrip during the investigation period.*

g) *It was observed that the scrip (VLFL) was suspended by BSE prior to the investigation period, from July 19, 2010 for non-compliance with certain clauses of Listing Agreement. The suspension was revoked w.e.f July 26, 2010. Post-revocation, the scrip was traded for just 2 days i.e on February 28, 2011 and May 31, 2013 for a total traded volume of 700 shares. Thereafter, on August 12, 2014, the scrip opened at Rs.2.42.*

h) *During the investigation period, the shares of VLFL were traded for an average volume of 15 shares per day and a total volume of 1326 shares in a total of 88 trading days. The price movement of the scrip during the investigation is as follows:-*

Period of investigation	*Details*	*Open*	*High*	*Low*	*Close*	*Average Volume*
*Price Rise 12/8/2014 to 26/06/2015**	*Price*	*2.42*	*32.1 (26/6/2015)*	*2.42 (12/8/2014)*	*32.1*	*15*
	Volume	*1*	*65 (29/12/2014)*	*1 (12/8/2014 to 27/8/2014)*	*15*	

**last traded date during investigation period. No trades between 27/6/2015 to 03/08/2015.*

i) *Investigation observed that there were 16 buyers and 22 sellers in the scrip during the investigation period. Further, out of the 22 sellers, a group of 17 sellers was found to be connected on the basis of KYC/UCC data, off-market transactions and MCA data. Out of these 17 connected sellers, 14 sellers received shares in the off-market from three other entities namely, Badriprasad Chirpal, Richi Consultants Private Limited and Looklike Trade Private Limited (hereinafter referred to as "off-market transferors") The details of connections of the 17 sellers along with off –market transferors are as follows:*

Table 1

S.n	Name Of The Entity	PAN	Basis Of Connection	Seller / Off-market transferor	Receipt of shares in the off-market by Seller
1	Badriprasad Chiripal	ADUPC9547M	As per SoT provided by NSDL, Badriprasad Chiripal (Entity 1) has received shares in the off market from Looklike Trade Private Limited (Entity 14). He has transferred shares in the off market to Goldensight Traders Private Limited (Entity 2), Richi Consultants Private Limited (Entity 15), Goodness Trading Private Limited (Entity 16) and Reachsmart Dealtrade Pvt.Ltd. (Entity 10).	Off-market transferor	Not applicable
2	Goldensight Traders Private Limited	AAFCG4773J	Goldensight Traders Private Ltd. (Entity 2) has received shares in the off-market from Badriprasad Chiripal (Entity 1) and has transferred shares to Chandrakant Mohite (Entity 3), Rajesh Tukaram Dambre (Entity 4) and Mangesh Madhukar Dhotre (Entity 5), Jaya Ramchand Kotwani (Entity 6), Ajay Dadhich HUF (Entity 7) and Ajay N Thaker (Entity 8). Further as per the KYCs provided by CSE, Goldensight Traders (Entity 2) and Reachsmart Dealtrade (Entity 10) have common	Seller	Received shares from Badriprasad Chiripal (399), and Looklike Trade Pvt.Ltd. (800).

S.n	**Name Of The Entity**	**PAN**	**Basis Of Connection**	**Seller / Off-market transferor**	**Receipt of shares in the off-market by Seller**
			telephone No.9748808656.		
3	*Chandrakant B Mohite*	*ANKPM2741H*	*As per transaction statements provided by NSDL and CDSL, Chandrakant Mohite (Entity 3), Rajesh Tukaram Dambre (Entity 4), Mangesh Madhukar Dhotre (Entity 5), Jaya Ramchand Kotwani (Entity 6), Ajay Dadhich HUF (Entity 7) and Ajay N Thaker (Entity 8) have received shares in the off-market from Goldensight Traders Pvt.Ltd. (Entity 2).*	*Seller*	*Received shares from Goldensight Traders Private Limited (100)*
4	*Rajesh Tukaram Dambre*	*AHAPD8240L*		*Seller*	*Received shares from Goldensight Traders Private Limited (100)*
5	*Mangesh Madhukar Dhotre*	*AJPPD8297E*		*Seller*	*Received shares from Goldensight Traders Private Limited (100)*
6	*Jaya Ramchand Kotwani*	*AQUPK1024G*		*Seller*	*Received shares from Goldensight Traders Private Limited (100)*
7	*Ajay Dadhich Huf*	*AALHA7559M*		*Seller*	*Received shares from Goldensight Traders Private Limited (100)*

S.n	Name Of The Entity	PAN	Basis Of Connection	Seller / Off-market transferor	Receipt of shares in the off-market by Seller
8	Ajay N Thaker	AEVPT3698G		Seller	Received shares from Goldensight Traders Private Limited (100)
9	Reshma Rajesh Dambre	ARNPD4171D	Rajesh Tukaram Dambre (Entity 4) has transferred shares in the off-market to Reshma Rajesh Dambre (Entity 9). Further, as per KYCs forwarded by the broker, Wellworth Shares and Stock Broking Ltd., Rajesh Tukaram Dambre and Reshma Rajesh Dambre have common telephone No. 9320791110 and email ID. rajeshdambre@rediffmail.com.	Seller	Received shares from Rajesh TukaramDambre (25)
10	Reachsmart Dealtrade Private Limited	AAFCR9881C	As per MCA data, Reachsmart Dealtrade Pvt. Ltd (Entity 10)., Sebika Commodities Private Limited (Entity 11) and Hanshika Dealers (Entity 12) have common address i.e 4,N S Road,1st Floor, Kolkata WB 700001	Seller	Received shares from Badriprasad Chiripal (100)
11	Sebika Commodities Private Limited	AARCS9144H	Sebika Commodities Private Limited (Entity 11) and Reachsmart Dealtrade (Entity 12) have common email ID.kolkatakolkata1402@gmail.com.	Seller	Did not received shares in off-market
12	Hanshika Dealers Private Limited	AADCH3599R		Seller	Did not received shares in off-market
13	Overarching Dealers Private Limited	AABCO6949E	As per the KYCs, Overarching Dealers Private Limited (Entity 13) and Reachsmart Dealtrade (Entity 10) have common address ie. 12, Kapalitolla Lane, Ground Floor, Kolkata 700012.	Seller	Did not received shares in off-market

S.n	Name Of The Entity	PAN	Basis Of Connection	Seller / Off-market transferor	Receipt of shares in the off-market by Seller
14	*Looklike Trade Private Limited*	*AACCL2013K*	*From the bank statement of Voltaire Leasing and Finance Ltd. with ICICI Bank (Account No.000405102589), Looklike Trade Private Ltd. is connected to Voltaire Leasing and Finance Ltd. through fund transaction. Further the entity has also received shares in preferential allotment from the company. The entity has also transferred shares to Badriprasad Chiripal (Entity 1) and Richi Consultants (Entity 15) in off market.*	*Off-market transferor*	*Not applicable*
15	*Richi Consultants Private Ltd.*	*AADCR9667C*	*As per MCA data, Richi Consultants Pvt.Ltd. (Entity 15) and Goodness Trading Private Limited (Entity 16) have same email ID workoffice1974@gmail.com. Richi Consultants (Entity 15) also has off market transactions with Looklike Trade Private Limited (Entity 14).*	*Off-market transferor*	*Not applicable*
16	*Goodness Trading Private Limited*	*AACCG8008R*		*Seller*	*Received shares from Badriprasad Chiripal (100)*
17	*Archana Tiwari*	*AHPPT8658M*	*Archana Tiwari (Entity 17), Mukesh Kumar Purohit (Entity 18), Awadhraj Badrinath Chaubey (Entity 19) and Reeta Sanjay Sharma (Entity 20) have received shares in the off market from Richi Consultants Private Limited (Entity 15).*	*Seller*	*Received shares from Richi Consultants Private Limited (150)*
18	*Mukesh Kumar Purohit*	*ATSPP7576M*		*Seller*	*Received shares from Richi Consultants Private Limited (100)*
19	*Awadhraj Badrinath Chaubey*	*AJQPC9829G*		*Seller*	*Received shares from Richi Consultants Private*

S.n	Name Of The Entity	PAN	Basis Of Connection	Seller / Off-market transferor	Receipt of shares in the off-market by Seller
					Limited (200)
20	Reeta Sanjay Sharma	BMWPS6864D		Seller	Received shares from Richi Consultants Private Limited (100)

j) Investigation further observed that trades by 16 sellers contributed to increase in the price from the last trade price (LTP increase). The connected sellers except Ajay Dadhichi HUF (hereinafter referred to as "16 connected sellers group") contributed Rs.28.38 i.e. 95.27% increase in Positive and Net LTP during the price rise. It was observed that trades by Ajay Dadhichi HUF did not contribute to increase in Positive and Net LTP. The LTP contribution by the 16 connected sellers group was analysed. The details are as follows at Table 2:

Table 2										
Sl. No.	PAN	Seller Name	Net LTP				Positive LTP			
			LTP (Rs.)	LTP (%)	Traded Qty	No.of Trades	LTP (Rs.)	LTP (%)	Traded Qty	No.of Trades
1	ANKPM2741H	Chandrakant Babu Mohite	8.32	27.93	100	8	8.32	27.93	100	8
2	AHAPD8240L	Rajesh Tukaram Dambre	3.39	11.38	75	9	3.39	11.38	50	5
3	AHPPT8658M	Archana Tiwari	2.62	8.79	70	5	2.62	8.79	55	4
4	AJQPC9829G	Awadhraj Badrinath Chaubey	2.54	8.53	185	16	2.54	8.53	160	14
5	ARNPD4171D	Reshma Rajesh Dambre	2.15	7.22	25	2	2.15	7.22	25	2
6	AAFCG4773J	Goldensight Traders Private Limited	2	6.71	126	13	2	6.71	71	8
7	AAFCR9881C	Reachsmart Dealtrade Private Limited	1.85	6.21	93	12	1.85	6.21	73	10
8	ATSPP7576M	Mukesh Kumar Purohit	1.24	4.16	100	10	1.24	4.16	70	7
9	BMWPS6864D	Reeta Sanjay Sharma	1.11	3.73	100	9	1.11	3.73	55	5

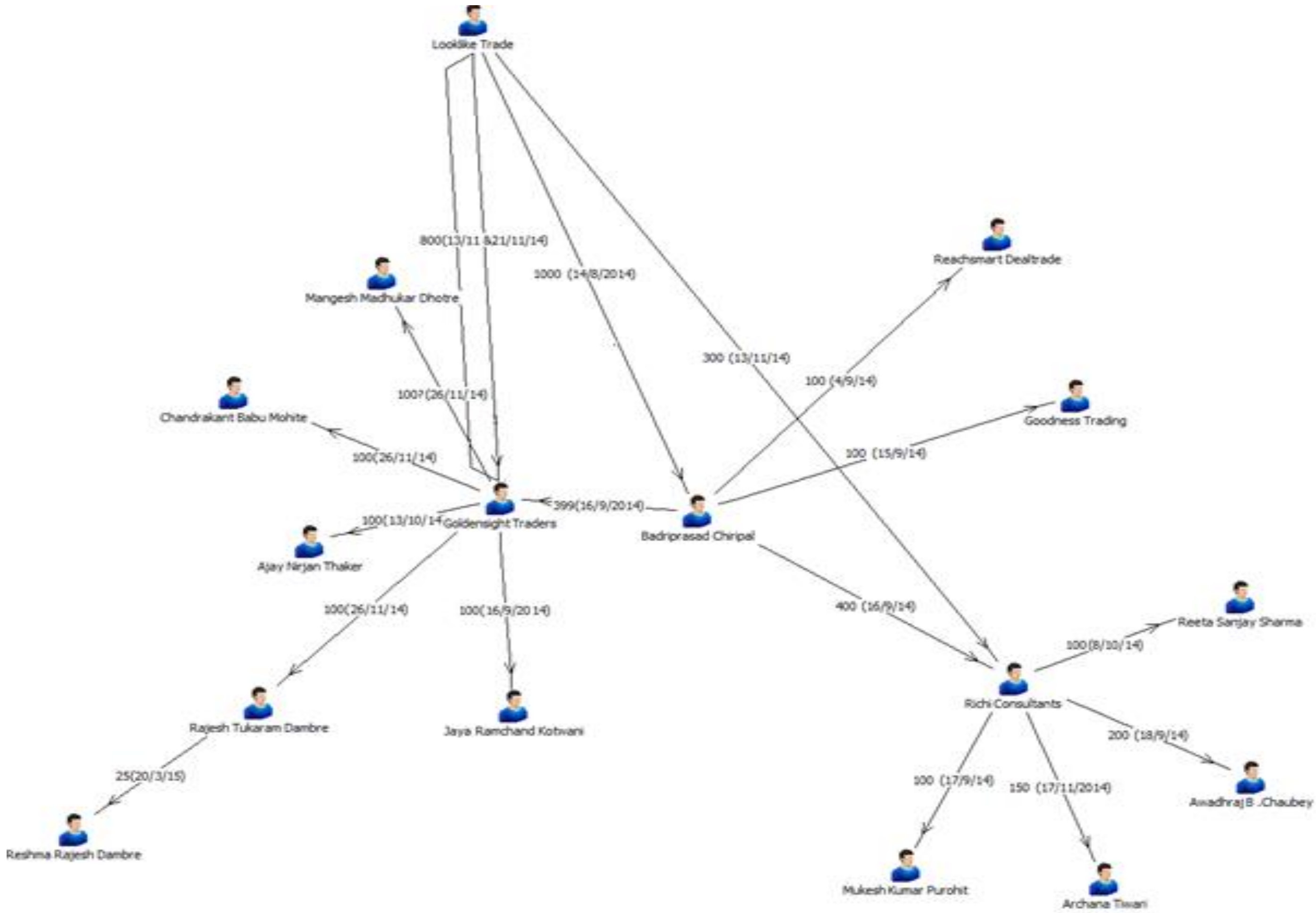
Table 2										
Sl. No.	***PAN***	***Seller Name***	***Net LTP***				***Positive LTP***			
			LTP (Rs.)	***LTP (%)***	***Traded Qty***	***No.of Trades***	***LTP (Rs.)***	***LTP (%)***	***Traded Qty***	***No.of Trades***
10	*AQUPK1024G*	*Jaya Ramchand Kotwani*	*1*	*3.36*	*100*	*8*	*1*	*3.36*	*77*	*6*
11	*AEVPT3698G*	*Ajay Niranjan Thaker*	*0.8*	*2.69*	*70*	*6*	*0.8*	*2.69*	*55*	*5*
12	*AARCS9144H*	*Sebika Commodities Private Limited*	*0.68*	*2.28*	*5*	*5*	*0.68*	*2.28*	*5*	*5*
13	*AJPPD8297E*	*Mangesh Madhukar Dhotre*	*0.25*	*0.84*	*10*	*1*	*0.25*	*0.84*	*10*	*1*
14	*AADCH3599R*	*Hanshika Dealers Private Limited*	*0.16*	*0.54*	*1*	*1*	*0.16*	*0.54*	*1*	*1*
15	*AABCO6949E*	*Overarching Dealers Private Limited*	*0.15*	*0.5*	*1*	*1*	*0.15*	*0.5*	*1*	*1*
16	*AACCG8008R*	*Goodness Trading Private Limited*	*0.12*	*0.4*	*50*	*3*	*0.12*	*0.4*	*20*	*1*
Sub total			***28.38***	***95.27***	***1111***	***109***	***28.38***	***95.27***	***828***	***83***

k) Investigation observed that 13 entities (Sr. Nos. 1-11, 13 and 16 of Table 2), out of the 16 connected sellers group have received shares in the off market from 3 entities namely Badriprasad Chiripal, Richi Consultants Private Limited and Looklike Trade Private Limited (hereinafter referred to as "3 off market transferors")(refer table 1).

l) It was further observed that Badriprasad Chiripal and Richi Consultants Private Limited also received shares in the off market from Looklike Trade Private Limited who is connected to the company by way of fund transaction. Investigation observed that Looklike Trade Private Limited also received shares in the preferential allotment made by the company.

m) Further, one of the sellers, i.e. Goldensight Traders Private Limited (entity at serial No.6 of Table 2) who received shares in off market from Badriprasad Chiripal and Looklike Trade Private Limited, transferred some of those shares to 6 other connected sellers as well as traded on the market during the investigation period.

n) The Pictorial representation of off-market transfers of shares between the 3 off market transferors and the 13 entities is given below:-



o) *Investigation also observed that these 13 entities who received shares in the off market, sold those shares in the market over a period of 6 months. The details of the shares received by the sellers in the off market and their sale on market thereafter, are tabulated below at Table 3:*

Table 3					
Sl. No.	***Name of seller who received shares in off market***	***Period of trading with the LTP contributors***		***Name of Entity who transferred shares to sellers in off market (Qty)***	***Date of receipt***
		Beginning date	***End date***		
	A	***B***	***C***	***D***	***E***
1.	*Chandrakant Babu Mohite*	*11/12/2014*	*26/06/2015*	*Goldensight Traders Private Limited (100)*	*26/11/2014*
2.	*Rajesh Tukaram Dambre*	*01/12/2014*	*12/03/2015*	*Goldensight Traders Private Limited (100)*	*26/11/2014*
3.	*Archana Tiwari*	*20/11/2014*	*12/05/2015*	*Richi Consultants Private Limited (150)*	*17/11/2014*
4.	*Awadhraj Badrinath Chaubey*	*19/09/2014*	*16/12/2014*	*Richi Consultants Private Limited (100) & (100)*	*18/09/2014 & 3/11/2014*
5.	*Reshma Rajesh Dambre*	*25/03/2015*	*06/05/2015*	*Rajesh Tukaram Dambre (25)*	*20/03/2015*
6.	*Goldensight Traders Private Limited*	*19/08/2014**	*18/12/2014*	*Badriprasad Chiripal (399)* *Looklike Trade Pvt.Ltd. (300)* *Looklike Trade Pvt.Ltd. (500)*	*16/09/2014* *13/11/2014* *21/11/2014*
7.	*Reachsmart Dealtrade Private Limited*	*12/08/2014**	*17/11/2014*	*Badriprasad Chiripal (100)*	*04/09/2014*
8.	*Mukesh Kumar Purohit*	*18/09/2014*	*13/11/2014*	*Richi Consultants Pvt.Ltd. (100)*	*17/09/2014*
9.	*Reeta Sanjay Sharma*	*09/10/2014*	*09/12/2014*	*Richi Consultants Private Limited (100)*	*08/10/2014*
10.	*Jaya Ramchand Kotwani*	*17/09/2014*	*10/11/2014*	*Goldensight Traders Private Limited (100)*	*16/09/2014*
11.	*Ajay NiranjanThaker*	*14/10/2014*	*28/10/2014*	*Goldensight Traders Private Limited (100)*	*13/10/2014*
12.	*Mangesh Madhukar Dhotre*	*27/11/2014*	*27/11/2014*	*Goldensight Traders Private Limited (100)*	*26/11/2014*
13.	*Goodness Trading Private Limited*	*15/09/2014*	*24/09/2014*	*Badriprasad Chiripal (100)*	*15/09/2014*

** Entities Goldensight Traders Private Limited and Reachsmart Dealtrade Private Limited did not hold shares at the beginning of the trading and hence shares were auctioned.*

p) Investigation also observed that the remaining 3 entities of the 16 connected sellers group i.e. Sebika Commodities Private Limited, Hanshika Dealers Private Limited and Overarching Dealers Private Limited (mentioned at sr. no. 12,14 and 15 of Table 1) who did not receive shares in the off-market, traded during the first 11 days of the investigation period. These three entities placed sell orders for 1 share each day even though they did not hold shares in their demat accounts during these 11 days. Investigation observed that since they were unable to meet the pay-in obligations for their transactions, the shares were auctioned by BSE to *complete the settlement process. Further, since there was no offer in the auction, those shares went in for close out. Details of the shares traded by the connected group entities which were subsequently auctioned are given below at Table 4:-*

Table : 4				
Name of seller	***Dates when entity has traded (sell orders)***	***Qty sold & Shares auctioned***	***Trade Rate (Rs.)***	***LTP (Rs.)***
Reachsmart Dealtrade Private Limited	*12/08/2014*	*1*	*2.42*	*0*
Sebika Commodities Private Limited	*13/08/2014*	*1*	*2.54*	*0.12*
Sebika Commodities Private Limited	*14/08/2014*	*1*	*2.66*	*0.12*
Sebika Commodities Private Limited	*18/08/2014*	*1*	*2.79*	*0.13*
Goldensight Traders Private Limited	*19/08/2014*	*1*	*2.92*	*0.13*
Sebika Commodities Private Limited	*20/08/2014*	*1*	*3.06*	*0.14*
Overarching Dealers Private Limited	*21/08/2014*	*1*	*3.21*	*0.15*
Reachsmart Dealtrade Private Limited	*22/08/2014*	*1*	*3.37*	*0.16*
Hanshika Dealers Private Limited	*25/08/2014*	*1*	*3.53*	*0.16*
Sebika Commodities Private Limited	*26/08/2014*	*1**	*3.7*	*0.17*
Reachsmart Dealtrade Private Limited	*27/08/2014*	*1*	*3.88*	*0.18*
**settlement obligation made from the demat account of Badriprasad Chiripal-connected entity of Group 2.*				

q) *During the investigation, the order book analysis of connected sellers group revealed that there were relatively large demand (buy order quantity) for VLFL shares during the investigation period in which connected sellers group sold VLFL shares in the market. However, it was observed that despite availability of large demand, the connected sellers group repeatedly placed sell orders for smaller quantity (in many instances for 10 shares) at upper limit of daily price band of the VLFL scrip. For instance, analysis of the orders of one of the seller entity, Chandrakant Babu Mohite is given below at Table 5:-*

Table : 5								
Order date	***Order time***	***Order No.***	***Client Name Sell***	***Sell order rate***	***sell order quantity***	***pending buy order at this price***	***LTP***	***Shareholding before sell order***
11/12/2014	*14:48:19*	*1418268600001021013*	*Chandrakant Babu Mohite*	*15.64*	*10*	*10406*	*0.30*	*100 (received hares in off market)*
12/12/2014	*15:16:53*	*1418355000001007015*	*Chandrakant Babu Mohite*	*15.95*	*10*	*8550*	*0.31*	*90*
12/02/2015	*13:24:47*	*1423711800001040002*	*Chandrakant*	*18.10*	*5*	*2500*	*0.86*	*80*

Table : 5								
Order date	***Order time***	***Order No.***	***Client Name Sell***	***Sell order rate***	***sell order quantity***	***pending buy order at this price***	***LTP***	***Shareholding before sell order***
			Babu Mohite					
13/05/2015	*15:21:20*	*1431487800002042002*	*Chandrakant Babu Mohite*	*26.50*	*15*	*2200*	*1.25*	*75*
16/06/2015	*14:12:53*	*1434425400008096001*	*Chandrakant Babu Mohite*	*27.80*	*15*	*2000*	*1.30*	*60*
22/06/2015	*14:03:48*	*1434943800011113001*	*Chandrakant Babu Mohite*	*29.15*	*15*	*2000*	*1.35*	*45*
24/06/2015	*14:42:32*	*1435116600008115006*	*Chandrakant Babu Mohite*	*30.60*	*15*	*1840*	*1.45*	*30*
26/06/2015	*14:04:31*	*1435289400006436701*	*Chandrakant Babu Mohite*	*32.10*	*15*	*185*	*1.50*	*15*

r) Investigation from the above analysis observed that Chandrakant Babu Mohite was repeatedly placing sell orders for very small quantity as compared to the number of shares held by him when sufficient buy orders were pending. Further, investigation also observed that the sell orders placement by the remaining 15 sellers were similar. Complete trade log and order log for VLFL scrip for the period provided.

s) In view of all of the above, it is observed that the trades of the 16 connected sellers group (Sr. Nos. 1-16 at Table 2) contributed Rs. 28.38 i.e. 95.27% increase to the Positive and Net LTP in 83 trades. These entities were sellers in 83 out of the 88 positive LTP trades during the investigation period when the price increased from Rs.2.42 to Rs.32.10 i.e. an increase of over 1226%. Details of their sell order log analysis provided.

t) In view of all of the above, it was alleged that the 16 connected sellers group along with the three off market transferors were part of a manipulative scheme wherein three off market transferors transferred shares in off-market to the 16 connected sellers who sold these shares in small quantities over a period of 1-6 months at progressively higher prices. The trades were done in a manner to mark a new high price every day with the lowest possible volume. Hence, the 16 connected seller entities contributed Rs. 28.38 i.e 95.27% increase to the Positive and Net LTP by indulging in manipulative and non-genuine trades as part of a scheme to manipulate the price of VLFL scrip along with 3 connected entities who provided them the shares for indulging in the manipulative trading.

u) Further, investigation observed that the company had come out with 3 preferential allotments of shares during the period November 2012 to August 2013. Investigation observed that Looklike Trade Private Limited, one of the *preferential allottees received 80,000 shares in the allotment and the same were under lock-in up to August 4, 2014. Further, investigation observed that Looklike Trade Private Limited had financial dealings with the company, other than for the preferential allotment. It was observed from the bank account statement of the company with ICICI Bank Limited (Account No. 000405102589) that the company on January 9, 2015 had transferred funds (Rs.27.25 lacs) to Looklike Trade Private Limited*

v) Investigation observed that upon completion of the lock-in period in respect of the shares allotted in the preferential allotment, Looklike Trade Private Limited transferred shares in the off market to other entities i.e. Badriprasad Chiripal and Richi Consultants Private Limited as well as Goldensight Traders Private Limited who was one of the connected seller. Thereafter, the entities who received shares from Looklike Trade Private Limited transferred those shares to the other connected sellers who then sold shares in small quantities in the market and manipulated the price in the scrip of VLFL scrip as discussed in the above paragraphs.

w) In view of all of the above, investigation observed that the company and its non-independent directors were also a part of the scheme for manipulating the price in the scrip of VLFL as one of its connected entity (Looklike Trade Private Limited) has been instrumental in providing shares to the sellers who have then by their trades manipulated the price of the scrip by 1226%.

x) In view of all of the above, it is alleged that the company and its directors namely Amlesh Sadhu who was the Chairman and Managing Director, Dilip Patodia, who initially was CFO and later became the Chairman and Managing Director as well as Harivallabh Mundhra, Executive Director of the company during the investigation period, were part of the scheme to manipulate the price of this scrip.

y) In view of all of the above, it is alleged that the Noticees have violated the provisions of Regulations 3(a), 3(b), 3(c), 3(d) and Regulation 4(1), 4(2)(a) and 4(2)(e) of SEBI (PFUTP) Regulations, 2003.

4. I note from the material available on record that the SCN was served to the Noticees through speed post acknowledgement due/e-mail/ Newspaper publication. Noticee 4 requested for inspection of documents and the same was availed by the said Noticee on March 22, 2021. Reply was received only from five entities, i.e. Noticee Nos. 1, 2, 3, 4 and 14. Subsequently, in compliance with the principle of natural justice, opportunities of personal hearing was accorded to the Noticees on December 01,

2021, December 02, 2021, December 03, 2021 vide hearing notice dated November 06, 2020. Further, vide hearing notice dated January 08, 2021, hearing opportunity was given on January 27, 2021, January 28, 2021 and January 29, 2021. Noticee 4 was granted hearing on April 08, 2021 and he requested for another date of hearing. Accordingly, Noticee 4 was granted hearing on May 10, 2021. From the records, I note that Noticee nos. 1, 2, 3, 4, 11 and 14 attended the hearing. Noticee 11 attended the hearing scheduled on December 02, 2020 and requested for the SCN and Annexures and the same was acceded to. Accordingly, vide e-mail dated December 21, 2020, the SCN alongwith the Annexures forwarded to the Noticee 11 to submit reply to the SCN. However, Noticee 11 has not submitted any reply to the SCN till date.

5. I note that the Noticee nos. 5 to 10, 12, 13, 15 and 16 have neither filed any reply nor availed the opportunities of personal hearing despite service of Notices as aforesaid. It is also a case that the charges and allegations have been levelled based upon the trades of the Noticees and supporting material had been provided in the SCN. I, therefore, in absence of response of the aforesaid Noticees presume that the allegations/charges have been admitted by the Noticees. In this regard, it is pertinent to note that the Hon'ble Securities Appellate Tribunal ('SAT') in the matter of Classic Credit Ltd. vs. SEBI (Appeal No. 68 of 2003 decided on December 08, 2006) has, inter-alia, observed that, "............ *the appellants did not file any reply to the second showcause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them*". It is also pertinent to note that the Hon'ble SAT in the matter of Sanjay Kumar Tayal (File Ref No.: EAD-2/SS/VS/64/111/2019-20) & Others vs SEBI (Appeal No. 68 of 2013 decided on February 11, 2014), has also, inter alia, observed that: "........... *appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore,*

appellants are presumed to have admitted charges leveled against them in the show cause notices..."

6. Noticees 1 to 3 vide letter dated May 18, 2018, November 18, 2020, Noticee 4 vide letter dated May 08, 2021 and Noticee 14 vide letter dated November 20, 2020 submitted their reply to the SCN. The submissions of the Noticees No. 1 to 4 and 14 are summarized below:

<u>Reply of Noticees No. 1, 2 and 3</u>

i. *After a thorough and detailed perusal of your SCN, it is evident that SEBI has conducted investigation pursuant to the receipt of reference from the Department of Income Tax, Chandigarh with respect to the trading activities of certain entities in our scrip between periods August12, 2014 to July 31, 2015.In absence of any details of the communication that you have received from department of Income Tax we are unable to comment on that specific subject. You are kindly requested to forward us the aforesaid communication so as to enable us to give more comprehensive reply.*

ii. *With regards to the trading activity of our scrip for the period between August 12, 2014 to July 31 2015, we wish to state that a total volume of 1326 shares has taken place as is available from the website of the BSE and the price range has been from Rs. 2.42/- to Rs. 32.10/-. This is a matter of record available publically for which we have no comment to offer. We would like to state that our total Paid Share Capital as also observed by your good self is 4118000 share of Rs.10 each fully paid up. Percentage wise approximately only 0.033% of our equity has been traded during the Investigation Period.*

iii. *With regards to our profitability we would like to state that the company is taxed and assessed regularly with our respective Income Tax jurisdiction. The quarterly and annual compliances are done as per the guidelines laid down with strict adherence to law. We are sure that profitability alone cannot be the criteria for deciding the market price of the shares of any company. The future prospects, the management background and a host of other factors determine the demand and supply which in turn determine the price of shares on the Stock Exchange. It is pertinent to mention that you have overlooked the fact that the book value of our company for the previous Financial Years are substantially higher compared to the. Market price prevailing. We present the following table for your consideration depicting the Book.*

Value of our shares.

S.no	***Financial Year***	***Book Value***
1	*2013-14*	*47.06*
2	*2014-15*	*47.55*
3	*2016-16*	*47.68*
4	*2016-17*	*46.51*

iv. *Moreover the fact was that an intimation of an open offer for acquiring the shares of the company had been made by the acquirer along with PAC on dated January 29, 2014 at the price of Rs.50/- per share and the market price at the same time was Rs2.42/- per shares. The investigation period mentioned in your notice is as August 12, 2014 to July 31, 2015 and the market price on the respective dates was Rs.2.42/- and Rs.32.10/- per share. Further the open offer was opened on dated March 12, 2015 and closed on 25 March 2015 at a price of Rs.50/- per shares which was at substantial premium over the prevailing Market and at the same time the market price was Rs 21.9/- and Rs 22.93/- respectively.*

v. *The company would like to draw the attention of SEBI that the event of open offer was happened during the Investigation period i.e. between 12/08/2014 to 31/07/2015 which could also be the reason of spike in the prices of the shares but this fact was also overlooked by your good self while considering the reasons for price increase of shares of the company. Further the investigation period mentioned in your notice also relates to the period when the new promoter took over the management of the company in April 2015, which has not been mentioned in your observations.*

vi. *As per the trading done in our scrip, we would like to state that except for one Looklike Trading Private limited with which we have had a business transaction, we are not known to any of the buyer/seller. It is our company policy as not to comment on the trading pattern of our own scrip. We had paid a sum of Rs.27,25,000/- which has been duly and fully reflected in our books of account. This payment was made as our company owed money to Looklike Trade Private limited.*

vii. *We strongly deny and refute all the allegations that either our company or its directors were part of a scheme for manipulating the price of our own scrip. The allegations seems far over stretched. It is amusing that the company and the director be accused of fraudulent and unfair trade practices when none of the directors or the promoters have sold any shares in the market nor pledged any shares. At the risk of being repetitive we would once again state that a mere 1326 shares have been traded during the Investigation period compared to our capital* *size of 41,181000/- shares. Our company has always adhered to the rules, regulations and guidelines laid down by the regulatory authorities. We do not have any investor complains pending against our company.*

viii. *Company had made 3 preferential allotments on 02-11-2012, 28-02-2013 and 03-08-2013 to 123 investors including Looklike Trade Pvt. Ltd (Look.like) in accordance with applicable provisions of SEBI Regulations. Looklike had been allotted 80,000 shares of the Company which were under lock-in till 03-08-2014. In all these allotments, the shares were issued by the Company at the rate of Rs.50/-per share and these shares were under lock-in for a period of one year. After completion of the lock in period, Our Company had no right over the shareholding of Looklike and as owner of these shares, Looklike could transfer its shareholding to anyone. It is an admitted fact that our Company as a company cannot control the action of a shareholder.*

ix. *Company had received Rs. 25 lakhs and Rs.12.5 lakhs during FY 2013-14 from Looklike towards sale of shares held by our Company as investments. Thereafter, our Company had sold shares worth Rs. 25,000/- to Looklike on 20-11-2013, and shares worth Rs 2 lakhs on 25-03-2014. Details of these shares are borne out in ledger statement for FY 2013-14 of our Company. Thereafter, balance advance amount of Rs.27.25 lakhs and Rs.8 lakhs had been refunded on 09-02-2015 and 06-01-2016 by our Company to Looklike as the deal could not be fully materialized. The same is evident from the bank statement I ledger statement for FY 2013-14 to 2015-16 of our Company. We are also enclosing herewith a clarification from Chartered Accountant, certifying that the amount received from Looklike during FY 2013-14 was towards an advance and the balance amount of Rs. 35.25 lacs was repaid by our Company to Looklike by FY 2015-1.6. The aforesaid transactions were bonafide transactions and nothing to do with trades executed in the scrip of our Company. Hence, no adverse inference should have been drawn against our Company that we had any nexus with Looklike in the alleged scheme.*

x. *We further wish to submit that except for one Looklike with which our Company have had a business transaction and was one of the preferential allottee, our Company and its Promoters I Directors were not known to any of the buyer I seller in the scrip of our Company. The SCN failed to prove any nexus of our Company with the other Noticees who had executed trades in the scrip of our Company.*

xi. *We further submits that the actions of Looklike regarding transfer of 1000 shares of our Company through off market transactions to Badriprasad Chiripal and Richi Consultants Pvt. Ltd. and further transfer of these shares by the said entities to the alleged sellers or trading by Buyers and Sellers cannot be fastened upon our*

Company. Our Company had no role in the transfer of shares through off market transactions and further sell in the market.

xii. *We further submits that the financial transactions with Looklike has nothing to do with the increase in the price of the scrip of our Company. Looklike was not buyer to the 16 sellers and it was not an allegation against our Company that the buyers in the scrip of the Company had any type of the connection I relation I nexus I connivance with our Company. Under these circumstances, no adverse inference should be drawn against our Company.*

xiii. *We further submits that the financial transaction with Looklike have no concern to the alleged manipulation in the price of the scrip of our Company. We further submits that no allegation has been made against the buyers though the buyer had placed the buying orders in the trading system first. It is an admitted fact that there were huge demand in the shares of our Company.*

xiv. *In the SCN it is stated that increase in the price of the scrip was not justified as the profit of the Company was declining. It is further stated in the SCN, the other factors i.e. Book Value of our Company around Rs. 47/- and open offer at Rs. 50/- per shares were not much significant factors to influence the price of the scrip. In this regard, we submits that demand and supply in the shares of a company decide the price of the scrip in the market. There are several factors i.e. profit, book value, management control, growth of the sector, assets, investment, market sentiments, news in the company etc. which influence demand and supply in the scrip of any company. The profit is a factor but not the only factor to decide the price of the scrip. Every investor in the market has his own opinion and the said opinion influence from several factor(s). Therefore, giving preference to only one factor (profit) and at the same time ignoring the other factors (Book Value of the Company and open offer by the acquirer i.e. the Noticee No. 3) in the SCN is not justified.*

xv. *We further submits that increase in the price of the scrip of our Company was well supported by the fundamental of the Company and prevailing circumstances. Our Company has book value of around Rs. 47 during the Financial Years 2013-2014 to 2016-2017 which includes the period of investigation. Further an intimation of an open offer for acquiring the shares of the Company had been made by the Acquirer i.e. Mr. Dilip Patodia along with PAC on dated 29-01-2014 at the price of Rs. 501-:per share and the market price at the same time was Rs. 2.42/- per share. Further, the open offer was opened on dated 12-03-2015, and closed on 25-03-2015 at a price of Rs. 50/- per share which was substantial premium over the prevailing market price i.e. Rs. 21.9 and Rs. 22.93 respectively on these dates. Our Company is taxed and assessed regularly for income tax.*

However, during investigation, the investigative authority totally overlooked these admitted facts.

xvi. *We further submits that none of the Directors or the Promoters of our Company had sold any shares in the market nor pledged any shares during the period of the investigation and no such allegation has been in the SCN. Thus, the question of their involvement in the purported scheme to manipulate the price of our Company does not arise.*

xvii. *We further submits that on 29-11-2014, a public announcement under Takeover Regulations was made by Mr. Dilip Patodia (Noticee No.3) for acquiring 26% shares of the Company at Rs. 50/- per share. As per the post offer advertisement dated 01-04-2015, the Acquirer i.e. the Noticee No.3 had acquired around 103,684 shares at offer price of Rs. 50/- in the public offer. This was not a small event. On the contrary, in the SCN it is stated that this event cannot influence the price of the scrip. Such .findings in the SCN are vague and based on without application of judicious mind.*

xviii. *We further wish to submit that the reference received from IT Department regarding misuse of stock exchange platform to convert unaccounted money into legitimate Long Term Capital Gain (LTCG) which is not genuine in the scrips of certain companies including our Company i.e. the Noticee No.1 is vague as it could be. In the case of our Company, the preferential allotment was done at Rs. 50/- and the maximum price of the scrip of our Company since 2014 was Rs. 40.55/-Thus, there is a possibility ofloss not profit, in case, Preferential Allottees sell their shares. Most of the Preferential Allottees are still holding their shares therefore the question of conversion of unaccounted money into legitimate LTCG does not arise. The foundation of the whole investigation was the reference received from the IT Department i.e. absolutely vague in the case of our Company and therefore the purpose of whole investigation vitiated.*

xix. *In the SCN, allegation of price manipulation against our Company is made by taking into the account factors such as off-market transfer of shares to the sellers and the trading pattern of the sellers, etc. In this regard we submits that our Company was not involved in the off market transactions. Our Company was not controlling the trading of the sellers therefore we had no control over the increase in the price of the scrip of our Company. Thus, the allegations made against our Company in the SCN are on the basis of surmises and conjectures and therefore liable to be dropped.*

xx. *It is further submitted that the connection in the Annexure 2 provided with the NOH dated 06-11-2020 has been produced in a way that it became an allegation. Mere connection cannot be an allegation. The SCN failed to prove any connivance in* *between our Company and other Noticees who had executed on/off market transactions in the scrip of our Company. Noticees cited the case laws the Hon'ble SAT such as Vipul Mohan Joshi v/s SEBI Appeal no. 105 of 2019 dated 07.11.2019, Smitaben N Shah vs. SEBI dated 30.07.2010, HB Stock Holdings Vs. SEBI dated 27.08.2013. Noticees denied violations of provisions as alleged in the SCN.*

<u>Reply of Noticee 4</u>

i. *At the outset and without prejudice to anything stated hereinafter, our client denies all the allegations and charges made in the SCN; nothing contained therein may be considered as having been accepted or admitted by our client merely on account of non - traverse and unless specifically admitted.*

ii. *At the further outset, our client submits that the present proceedings are vitiated by delay and laches. In this regard, our client submits as under: -*

   a) *The alleged irregularities took placed during the period between August 12,2014 to July 31, 2015 i.e. almost 3 years prior to the initiation of proceedings against our client.*
   b) *Our client submits that he had ceased to be involved in the affairs of the Company since 2011 after the Company was taken over by Mrs.Madhuri Damani and that he had formally resigned from the Company on March 31, 2014 i.e. prior to the investigation period.*
   c) *Therefore, our client was neither involved nor in charge of day- to-day operations or decision-making processes of the Company even before the investigation period. Furthermore, after submitting hi resignation, he has not been associated with the Company. Hence, the ability of our client to access the relevant records is severely limited; despite several requests, the Company has refused to provide relevant records such as minutes of Board Meetings etc., which would show that our client did not participate in meetings where the preferential issue of shares was considered as approved.*
   d) *Thus, our client has been severely prejudiced to submit a comprehensive reply to the SCN and the allegations therein by the delay and laches on the part of SEBI and the present proceedings ought to be terminated and our client ought to be discharged from the present proceedings on this ground alone.*

iii. *Our client submits that the present proceedings are sub judice and hence must be kept in abeyance for the following reasons:*

a) *Our client submits that he received a Show Cause Notice dated October 13, 2017 ("the 11B SCN") issued under Sections 11 (1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 ("the SEBI Act") on the basis of the identical investigation and allegations as are contained in the SCN under reply. Our client filed his reply to the 11B SCN vide letter dated October 15, 2019 and a Whole Time Member of SEBI passed an order dated April 13, 2020. Our client filed a review petition dated May 11, 2020; but the same was rejected.*

b) *Aggrieved by the said rejection and the order, our client filed an appeal before the Hon'ble Securities Appellate Tribunal ("SAT"). Vide its order dated August 10, 2020, the Hon'ble SAT was pleased to set aside the order passed by the Whole Time Member and to remand the matter back to her.*

c) *Thereafter, our client was given an opportunity of personal hearing on August 27, 2020 and vide Order dated February 15, 2021, the Whole Time Member passed directions against our client restraining him from accessing the securities market for a period of 2 years.*

d) *Our clients, being aggrieved by the said Order, filed an Appeal before the Hon'ble SAT on March 31, 2021 bearing Lodg. No.268 of 2021. However, due to the COVID pandemic and certain procedural objections, the said matter is yet to be placed on board for admission/hearing.*

e) *Since the 11B Order, which arises from an identical show cause notice, is under challenge before the Hon'ble Securities Appellate Tribunal and any order passed therein would have a direct bearing on the present proceedings, our client submits that the present proceedings constitute a violation of the doctrine of sub judice and sought to pre-empt any orders passed by the SAT.*

f) *In view of the above, our client submits t ha t the pending the hearing and final disposal of the proceedings before the Hon'ble SAT, no orders may be passed, and that the present proceedings may be kept in abeyance.*

iv. *Pursuant to the receipt of the SCN; vide letters dated July 5, 2018 and July 25, 2018, our client sought inspection of the documents and records relied upon by SEBI in order to arrive at the allegations and charges in the SCN. However,it is only on March 22, 2021 an opportunity of inspection of the said documents was provided to our client.*

a) *Our client through their authorized representative attended the said inspection of documents granted on March 22, 2021. During the course of inspection, the following documents were not provided/refused:*

b) The Investigation Report, on the basis of which, the SCN was issued and the allegations against our client were determined.

c) The Company's Reply and MCA data which is referred to in the SCN and is used as source to derive the alleged tenure and position our client held in the Company.

v. The said information is critical in determining the alleged role of our client in light of the allegations in the SCN and failure to provide the said documents result in severally curtailing the ability of our client to submit a comprehensive reply to the allegations in the SCN. The same amounts to a violation of the principles of natural justice and on this ground alone the said proceedings against our client are liable to be set aside.

vi. Without prejudice to the above, our client submits that the SCN is silent in attributing a specific role to him with regards to the allegations against the Company. The SCN wrongfully suggests that our client was an Executive Director during the investigation period and hence is responsible for the acts of the Company. The same is vague, ambiguous and does not meet the applicable evidentiary standard required in establishing the contravention. Therefore, failing to attribute and to substantiate a specific role to our client in the alleged contraventions against the Company, the said SCN cannot form the basis to pass any Order against our client.

vii. The only allegation in the SCN against our client is that he was an Executive Director of the Company during the investigation period and that he, along with other non-independent directors of the Company were part of the scheme to manipulate the price of the scrip of the Company. Without prejudice to anything stated hereinabove, our client submits that:

a) Our client was a director of the Company from June 21, 1990 to March 31, 2014. However, after 2011, our client ceased to be involved in the management and decision-making activities of the Company and in March 2014, he resigned as a Director of the Company. The resignation letter was sent by our client on March 31, 2014; however, the same was delivered late to the Company on June 17, 2014. A copy of the said resignation letter and postal acknowledgment thereof is hereto annexed and marked as Annexure 'A'.

b) (In this regard, it may be noted that Section 168 of the Companies Act 2013, requires a resigning director to submit Form DIR 11 with the Registrar of Companies ("ROC"); however, the said provision became effective only from April 1,2014. Since our client resigned on March 31, 2014, he was given to understand that he was not required to file Form DIR 11 *with the ROC. In fact, in the resignation letter our client has specifically requested the Company to file the requisite form No. 32 with the ROC as per the Companies Act, 1956. However, it is not clear whether the Company has done so.*

c) *In its Annual Report for the Financial Year 20-114 as downloaded from the website of BSE Limited, the Company has wrongly recorded that our client is retiring by rotation and not offering himself for reappointment. In the Annual Report for the Financial Year 2014-15 as downloaded from the website of BSE Limited, it is seen that the Company has recorded that our client who was an Independent Director resigned on September 26, 2014. Evidently, the Company has wrongly stated in its said Annual Report that our client resigned on September 26, 2014; it is a matter of record that the resignation letter dated March 31, 2014 was delivered to the Company on June 17, 2014. It is also pertinent to note that the Company failed to inform the stock exchanges and investors about the resignation of our client despite admittedly having received the letter of resignation from him. A copy of the Annual Report of the Company for the Financial Year 20la-14 is annexed hereto and marked as Annexure 'B' and a copy of the Annual Report of the Company for the Financial Year 2014-15 is annexed hereto and marked as Annexure 'C'.*

d) *Our client further submits that after the change m management change in 2011, he was not involved in nor was he in charge of any of the day to day operations of the Company. In fact, as can be seen the Annual Report for the FY 2013-14 (Pg. 26), the Company had removed our client from decision-making positions; he was replaced from the Investor Grievance Committee by one Mr. Amlesh Sadhu.*

e) *Our client submits that during the FY 2014-15, he did not attend a single Board Meeting or Annual General Meeting of the Company (Despite several requests and reminders the Company and SEBI have failed to provide the relevant record including attendance sheets and minutes of the board meetings held to substantiate the same). A director attending any Board Meeting is entitled to sitting fees which is stated in their annual reports. No such fee or remuneration was received by our client for the FY 2013-14 & 2014-15; this confirms his recollection that he did not attend any board meetings during the relevant time. Our client repeats, reiterates and submits that despite his requests, the Company has not made available to him copies of the Minutes of the Board Meetings and AGM/EGM for the FYs 2013-14 or 2014-15.*

f) *The Annual Report of the Company for Financial Year 2014-15 wrongly mentions that our client was present during 7 of the 13 Board Meetings in the said year; the said Annual Report also mentions that the Noticee is a Non-Executive director; since the Company was well aware of our client's resignation letter, this is contrary to their own record. It is also pertinent to note that in its Annual Report for the year 2014-15, the Company records that our client was an Independent Director and that he resigned on September 26, 2014. It is clear from the above that the records of the Company are not reliable and are self-contradictory. In these circumstances, the benefit of the doubt ought to be given to our client.*

g) *Our client submits that it is only after receipt of the 11B SCN, he became aware that he was shown as an attendee during such meetings and as a non -executive director in the Annual Report. Our client addressed a letter dated July 02, 2018 to the Company seeking clarifications as to why his name was mentioned as an attendee to the said meetings in the Annual Report and further called upon the Company to provide him with the minutes of meetings for the said meetings and details of the purported transactions that are the subject matter of the current proceedings. A copy of the said Letter dated July 03, 2018 is hereto annexed and marked as Annexure 'D'. However, till date, the Company has not replied to the said letter.*

h) *Thereafter, based on the aforesaid misrepresentations of the Company in their Annual Reports and due to failure of the Company to file the requisite Form No. 32 with the ROC, our client was constrained to file a Complaint with the ROC detailing the above and seeking investigation and action against the Company for the same. A copy of the said Complaint dated March 23, 2021 is hereto annexed and marked as Annexure 'E'.*

viii. *Therefore, our client submits that he was not part of the management and decision-making processes of the Company during the relevant period and had in fact already resigned from the Company prior to the investigation period and much before the alleged fund transfer between the Company and Looklike and hence the allegations in the SCN as against our client are unsustainable and liable to set aside.*

<u>Reply of Noticee 14</u>

Noticee 14 submitted that he was not aware about the transaction of the Company for which he was charged. He does not have any record in this regard or remember any such transaction in the scrip. He has no knowledge about the share dealings in the said scrip.

CONSIDERATION OF ISSUES AND FINDINGS:

7. I have taken into consideration the facts and circumstances of the case, reply of the Noticees and the material available on record, the issues that arise for consideration in the present case are:
    - **(a) Whether the Noticees violated the provisions of regulations 3(a), 3(b), 3(c), 3(d) and regulations 4(1), 4(2)(a) and 4(2)(e) of PFUTP Regulations, 2003?**
    - **(b) Does the violations, if any, on the part of the Noticees would attract monetary penalty under section 15HA of the SEBI Act, 1992?**
    - **(c) If so, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors mentioned in section 15J of SEBI Act, 1992?**

8. Before moving forward, it is pertinent to refer to the relevant provisions of PFUTP Regulations, 2003 which read as under:

PFUTP Regulations, 2003

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;

…

(d) any act or omission amounting to manipulation of the price of a security;

9. I have perused the allegations made in the SCN and considered the submissions made by the Noticees in their replies. Before dealing with various contentions raised by the Noticees regarding merits of the case, it would be appropriate to deal with preliminary objections raised by them. Noticee 4 raised a preliminary objection to the issuance of SCN in the present matter that the inordinate delay in the instant proceedings. I note that investigation in the present matter was initiated by SEBI, after a reference being received from Income Tax. Investigation involved examining the analysis of price volume in the scrip. In order to carry out the aforesaid investigation, various activities are involved like 1) Examination of trades of various entities, 2) collecting data from various sources such as exchanges, depositories, banks, etc. 3) Examination of funds flows, 4) Seeking responses from various delinquent entities, etc. and thereafter, various dots were connected to get the complete picture and thus, investigation was concluded. Thus investigation in the matter was onerous, time consuming and complex owing to involvement of funds. After conclusion of the investigation, SCN was issued and served upon the Noticees in the matter. I note that there is no 'unexplained delay' that would vitiate the entire proceedings per se. Notwithstanding the same, I also note that there is no provision in the SEBI Act, 1992, which may have the effect of prohibiting SEBI from taking action beyond a particular period of time in a given case. In Ravi Mohan & Ors. vs. SEBI and other connected appeals decided on August 08, 2013, the Hon'ble Securities Appellate Tribunal (SAT), Mumbai while referring to its own decision in HB Stockholdings Ltd. v. SEBI (Appeal no. 114 of 2012) decided on August 27, 2013 and decision of Hon'ble Supreme Court in Collector of Central Excise, New Delhi v.

Bhagsons Paint Industry (India) reported in 2003 (158) ELT 129 (S.C.), held that: *"....Based on decision of this Tribunal in case of HB Stockholdings Ltd. vs. SEBI (Appeal no. 114 of 2012 decided on 27.08.2013) it is contended on behalf of the appellants that in view of the delay of more than 8 years in issuing the show cause notice, the impugned order is liable to be quashed and set aside. There is no merit in this contention, because, this Tribunal while setting aside the decision of SEBI on merits has clearly held in para 20 of the order, that delay itself may not be fatal in each and every case. Moreover, the Apex Court in case of Collector of Central Excise, New Delhi vs. Bhagsons Paint Industry (India) reported in 2003 (158) ELT 129 (S.C) has held that if there no statutory bar for adjudicating the matter beyond a particular date, the Tribunal cannot set aside the adjudication order merely on the ground that the adjudication order is passed after a lapse of several years from the date of issuing notice...."* The observations made by Hon'ble SAT in the aforesaid case, were reiterated by it, in a subsequent order in the matter of Kunal Pradip Savla & Ors. v. SEBI. (Appeal no. 231 of 2017) decided on April 04, 2018. Further, I note that, while all relevant information relied on for crystallizing the allegations against the Noticee 4 have been provided to them. In view of the above, I am unable to accept the preliminary submissions made regarding delays in the instant proceedings.

10. Further, Noticee 4 has submitted that he has filed an appeal against the WTM Order dated March 31, 2021 in the similar matter under section 11(1), 11(4) and 11B of the SEBI Act, 1992 and in view of the same, the Adjudication Proceedings be kept under abeyance. In this regard, I note that no stay proceedings have been taken by the said Noticee against the Adjudication Proceedings and in view of the same, Adjudication Proceedings against the said Noticee shall follow.

11. Also, Noticee 4 raised the issue regarding non furnishing of documents /informations causing breach of Principle of Natural Justice and prejudice to it. In this respect, it is noted that documents which have been relied upon in the SCN to make

allegations against the Noticee 4, have been provided to the said Noticee as annexures to the SCN. It is noted that the law on the issue of not giving the copy of the investigation report etc. are well settled to the effect that providing of documents which have been relied upon in the SCN to frame allegations/charges are treated as sufficient compliance of the principles governing the Natural Justice. In this connection, your attention is drawn to the observations of the Hon'ble SAT in the matter of Mayrose Capfin Private Limited Vs. SEBI (decided on 30.03.2012), wherein SAT held that:*".....................the principles of natural justice require that the inquiry officer should make available such document and material to the delinquent on which reliance is being placed in the inquiry. It is not necessary for the inquiry officer to make available all the material that might have been collected during the course of investigation but has not been relied upon for proving charge against the delinquent. No prejudice can, therefore, be said to have been caused to the appellant on this count...."*

Further, the Hon'ble SAT, in its order dated February 12, 2020, in the matter of Shruti Vora vs. SEBI held that:

"Reliance was also made of a decision of the Supreme Court in Union of India and Others vs E. Bashyan (1988) 2 SCC 196 which has no bearing to the controversy involved in the present context, in as much as, the said decision relates to a disciplinary proceedings wherein the Supreme Court observed that the inquiry report was required to be made available to the delinquent. An inquiry report is totally distinct and different from an investigation report. The inquiry report considers all the materials in the inquiry proceedings which form the basis of the final order and therefore the said report is required to be made available to the delinquent. In the instant case, the show cause notice relies upon certain documents which have been made available. Thus the investigation report is not required to be supplied".

"The learned counsel has also placed reliance upon a minority view of this Tribunal in Price Waterhouse vs Securities and Exchange Board of India decided by this Tribunal in Appeal No. 8 of 2011 on June 1, 2011 wherein it was observed that fairness demands that the entire material collected during the course of investigation should be made available for inspection to the person whose conduct was in question and that said material should also be supplied. In our opinion, the said minority view is directly against the decision of the Supreme Court in Natwar Singh case (supra)".

"A bare reading of the provisions of the Act and the Rules as referred to above do not provide supply of documents upon which no reliance has been placed by the AO, nor even the principles of natural justice require supply of such documents which has not been relied upon by the AO. We are of the opinion that we cannot compel the AO to deviate from the prescribed procedure and supply of such documents, which is not warranted in law. In our view, on a reading of the Act and the Rules we find that there is no duty cast upon the AO to disclose or provide all the documents in his possession especially when such documents are not being relied upon."

Further, the Hon'ble SAT in the matter of Anant R Sathe Vs SEBI (Appeal No. 150 of 2020) vide Order dated July 17, 2020 has reaffirmed the principle elucidated in the judgment of Shruti Vora's case, which was reproduced herein above and ruled that: *"the Authority is required to supply the documents that they rely upon while serving the show cause notice which in the instant case has been done and which is sufficient for the purpose of filing an efficacious reply in his defence".*

In view of the above, since all the documents which were relevant and relied upon in the instant proceedings have been provided in the SCN, the principles of natural justice have been duly complied with, in the instant proceedings and that the interest of the Noticee 4 has not been prejudiced in any manner. After having addressed the issues raised by the Noticee 4, I now deal with the case on merit basis.

Issue (a): Whether the Noticees violated the provisions of regulations 3(a), 3(b), 3(c), 3(d) and regulations 4(1), 4(2)(a) and 4(2)(e) of PFUTP Regulations, 2003?

a) The SCN alleged that the company and its directors were part of the scheme for manipulating the price in the scrip of VLFL as one of its connected entity namely Looklike Trade Private Limited has been instrumental in providing shares to the sellers who have then by their trades manipulated the price of the scrip. The Noticees can be grouped together in the groups (on the basis of allegations) like, Group 1: Noticee Nos. 15, 16 and Richi Consultants Pvt. Ltd., who are the 3 off-market transferors, Group 2: Noticee Nos. 5 to 14, Goldensight Traders Private Ltd., Reachsmart Dealtrade Pvt. Ltd., Goodness Trading Private Limited, Sebika

Commodities Private Limited, Hanshika Dealers Private Limited and Overarching Dealers Private Limited, who are the 16 connected sellers and Group 3: Noticee Nos. 1, 2, 3 and 4 who are the Company and its Directors.

b) I note that the premeditated scheme, as alleged in the SCN, is that the entities in Group 1 i.e., the off-market transferors, have transferred shares of the Company through off-market transfers to the entities in Group 2. These Group 2 entities are the sellers who, allegedly, through their trading pattern during the investigation period, have contributed to an increase in the net and positive LTP of the share price of the Company. The Group 3 entities i.e., the Company and its Directors, are also alleged to be a part of this scheme by virtue of a connection between the Company and one of the off-market transferors.

c) From the available record, it is noted that the Group 1 entities are connected to each other and to the sellers. This group 1 comprises of Looklike Trade Pvt. Ltd., Badriprasad Chiripal and Richi Consultants Private Limited, who are the three off-market transferors. The details of these three Noticees are as below:

<table>
<tr><th>S.N.</th><th>Name</th><th>Comment</th></tr>
<tr><td></td><td>Looklike Trade Pvt. Ltd.</td><td>Connected to the Company by way of fund transfer and has received shares of the Company in preferential allotment</td></tr>
<tr><td>2</td><td>Badriprasad Chiripal</td><td rowspan="2">Received shares from Looklike by way of off-market transfer. These shares were further transferred to the 16 sellers by way 3 of off-market transfers</td></tr>
<tr><td>3</td><td>Richi Consultants Pvt. Ltd.</td></tr>
</table>

d) I note that these Noticees have transferred shares of VLFL through off-market transfers to the 13 sellers (three sellers did not receive shares through off-market). I note that for off-market transactions to be executed successfully, the following four parameters are essential: (a) the buyer and seller should know each other, (b) the buyer must have knowledge of the fact that seller is holding the shares of the scrip which the buyer is interested to buy, (c) the buyer must have knowledge of the fact that seller is willing to sell the shares in that scrip and (d) the buyer must have knowledge of the price at which the seller is willing to sell the shares. In case of off-market transfer of shares, only when the buyer and seller are known to each other and the buyer knows about the holding of such shares by the seller, they can negotiate the price and quantity of shares. In view of the above and off-market transfers from Looklike Trade Pvt. Ltd. to Badriprasad Chiripal and Richi Consultants Pvt. Ltd., I note that it can be reasonably concluded that these three entities knew each other and thus, are connected to each other through off-market transfers. Further, in view of the off-market transfers from Badriprasad Chiripal and Richi Consultants Pvt. Ltd. to the remaining the 13 sellers, it can be reasonably concluded that the 13 sellers and these off-market transferors are connected to each other.

e) Group 2 consists of the 16 connected sellers. As already noted above, except Noticee 14, other Noticees in this group have not submitted any reply to the SCN. In the absence of any reply, though I am inclined to conclude that the allegations made against these Noticees stand established; however, I deem it fit to consider on merits the available material on record against these Noticees. As per the SCN, during the investigation period, there was a relatively large demand for shares of VLFL and during this period, these seller Noticees sold VLFL shares in the market. However, despite the large demand, it was seen that these seller Noticees placed sell orders for very small quantities (in many instances for 10 shares) at upper limit of daily price band for the VLFL scrip. These seller Noticees have also acquired the shares of VLFL through off-market transactions.

f) At the time when the price of the scrip was going up, I note that there were no corporate announcements or news in relation to the company which would justify such a steep rise in the prices of the shares. I now proceed to analyze the transactions of a few of the Noticees, as below:

Noticee No. 5 - Chandrakant Babu Mohite

Order date	**Order time**	**Order No.**	**Sell order rate**	**Sell order quantity**	**Pending buy order at this price**	**LTP**	**Shareholding before sell order**
11/12/2014	14:48:19	1418268600001021013	15.64	10	10406	0.3	100 (received hares in off market)
12/12/2014	15:16:53	1418355000001007015	15.95	10	8550	0.31	90
12/02/2015	13:24:47	1423711800001040002	18.1	5	2500	0.86	80
13/05/2015	15:21:20	1431487800002042002	26.5	15	2200	1.25	75
16/06/2015	14:12:53	1434425400008096001	27.8	15	2000	1.3	60
22/06/2015	14:03:48	1434943800011113001	29.15	15	2000	1.35	45
24/06/2015	14:42:32	1435116600008115006	30.6	15	1840	1.45	30
26/06/2015	14:04:31	1435289400006436701	32.1	15	185	1.5	15

Noticee No. 6 - Rajesh Tukaram Dambre

Order date	**Order** time	Order No.	Sell order rate	Sell order quantity	Pending buy order at this price	LTP	Shareholding before sell order
01/12/2014	11:45:44	1417404600001005037	13.65	5	2330	0.26	100*
01/12/2014	12:18:39	1417404600001005040	13.65	5	6775	0	100
08/12/2014	12:51:29	1418009400001005014	14.75	10	8760	0.28	90
09/12/2014	15:27:07	1418095800001009019	15.04	10	9260	0	80
12/02/2015	13:51:24	1423711800001040003	18.1	5	2495	0	70
13/02/2015	15:13:33	1423798200005040002	19	5	2500	0.9	65
13/02/2015	15:16:51	1423798200005040003	19.95	5	2495	0	65
24/02/2015	15:09:59	1424748600001047003	19	15	2035	0.95	55
12/03/2015	13:37:01	1426131000001042008	21.9	15	4212	1	40

Noticee No. 8 - Awadhraj Badrinath Chaubey

Order date	Order time	Order No.	Sell order rate	Sell order quantity	Pending buy order at this price	LTP	Shareholding before sell order
19/09/2014	14:33:12	1411097400001008023	5.97	15	49235	0	100*
22/09/2014	14:00:39	1411356600001023025	6.08	15	57161	0.11	85
25/09/2014	14:10:05	1411615800001027017	6.44	14	40935	0.12	70
29/09/2014	14:42:52	1411961400001026020	6.69	15	58000	0.13	56
01/10/2014	15:12:25	1412134200001024018	6.95	11	54590	0.13	41
08/10/2014	14:34:19	1412739000001006021	7.22	10	57700	0	30
09/10/2014	15:12:19	1412825400001024021	7.36	10	59990	0.14	20
10/10/2014	13:37:42	1412911800001028026	7.5	10	65720	0.14	10
03/11/2014	13:58:38	1414985400001005019	9.63	10	42160	0.18	0
05/11/2014	14:37:14	1415158200001008019	9.82	10	43060	0.19	100*
07/11/2014	14:09:08	1415331000001005019	10.01	10	44940	0.19	80
11/11/2014	14:31:36	1415676600001027022	10.41	15	37780	0.2	70
14/11/2014	15:15:54	1415935800001001015	11.03	10	16620	0.21	55
19/11/2014	14:53:58	1416367800001004012	11.69	10	20423	0.22	45
03/12/2014	14:06:41	1417577400001005018	14.19	10	15471	0.27	35
16/12/2014	13:40:37	1418700600001013010	16.26	10	22920	0.31	25

g) From the above three tables, it can be observed that these seller Noticees were placing sell orders for very small quantities although the pending buy orders were substantially large. Further, the holding of these Noticees was more than the amount of sell quantity they placed. Investigation has revealed that the sell order placement of all other seller entities was similar. I also note here that these Noticees have not provided any reply to justify this trading pattern except Noticee 14, who replied that he was not aware about the transactions made in the scrip, which is not acceptable to me. Based on the above, I note the trades of these 16 seller entities has led to contribution to the increase in positive LTP and Net LTP, as mentioned in the SCN. In this regard, it needs to be pointed out that under normal circumstances, the trading pattern of these Noticees may not be considered as manipulative. However, in the present case, there are certain factors which indicate that there is a connection between these seller Noticees and these factors cannot be mere coincidences. These factors are as below:

i. The scrip was suspended by BSE from July 19, 2010, which was revoked on July 26, 2010. Post-revocation and before the investigation period, the scrip traded on only two occasions and that too for a total traded volume of 700 shares. Hence, the scrip was not a frequently traded one.

ii. The financials of the Company did not justify the rise in the scrip price.

iii. Out of the 16 sellers, 13 sellers have received shares through off-market mode transfers from the same three transferors.

iv. Further, three sellers, namely Sebika Commodities Pvt. Ltd., Hanshika Dealers Pvt. Ltd. and Overarching Dealers Pvt. Ltd., have not received shares of the Company through off-market transfers. However, they have sold shares of the Company even though they did not hold these shares. Investigation has noted that the settlement obligation for one trade of Sebika Commodities Pvt. Ltd. was met from the demat account of one of the off-market transferors, namely Badriprasad Chiripal. From the same, it can be reasonably concluded that these two entities were connected to each other.

v. The trading pattern of these Noticees, even if considered independent of each other, is similar, as borne out by the investigation, and none of them have provided any submissions to justify the same.

vi. These Noticees have traded in small quantities and frequently, with steady contribution to the LTP.

vii. It is noted from the trade details of these Noticees that all these trades were executed well after the market opening hours. Since the Noticees' trades were the only sell trades on the trading days, it becomes clear that they placed the sell orders after carefully noticing the pending buy orders and therefore were able to match the buy order at highest possible price.

viii. Further, between these Noticees, I note that the following connections:

- Chandrakant B Mohite, Rajesh Tukaram Dambre, Mangesh Madhukar Dhotre, Jaya Ramchand Kotwani and Ajay N Thaker are connected to each other by virtue of having received shares through off-market transfers from Goldensight Traders Pvt. Ltd. (also one of the 13 sellers), who in turn has received shares through off-market from two of the off-market transferors, Badriprasad Chiripal and Looklike Trade Pvt. Ltd.
- Rajesh Tukaram Dambre, who has received shares in off-market transfers from Goldensight Traders Pvt. Ltd., has transferred shares through off-market to Reshma Rajesh Dambre. Rajesh Dambre and Reshma Dambre have a common telephone number and email ID, as can be seen from their KYC documents.
- Goldensight Traders Pvt. Ltd. and Reachsmart Dealtrade Pvt. Ltd. have a common phone number.
- Reachsmart Dealtrade Pvt. Ltd. and Sebika Commodities Pvt. Ltd. have a common address and email ID, while Hanshika Dealers Pvt. Ltd. also has a common address with these two Noticees.
- Reachsmart Dealtrade Pvt. Ltd. and Overarching Dealers Pvt. Ltd. also have a common address.
- Archana Tiwari, Mukesh Kumar Purohit, Awadhraj Badrinath Chaubey and Reeta Sanjay Sharma are connected to each other by virtue of having received shares in off-market transfers from one of the offmarket transferors, Richi Consultants Pvt. Ltd.
- Goodness Trading Pvt. Ltd. has a common email ID with one of the off-market transferors, Richi Consultants Pvt. Ltd.

h) Any rational investor, being in the position of these seller entities and holding the shares of a scrip like VLFL, would sell his/ her entire or substantial shareholding when there are buyers readily available in the market. Contrary to that it is observed that these seller entities in the present case, entered into only single sell trades for miniscule quantities like 5, 10, 15, 20 shares on several days with each trade establishing a new high price. Hence, I find that the trading behaviour of the seller entities was not genuine even as individuals. It will be too much of a coincidence when 16 entities behave in the same manner and exhibit similar trading pattern. Considering the above, the preponderance of probability leads us to the conclusion that all these 16 sellers were connected to each other and took part in a premeditated scheme wherein they placed orders in such a manner so as to raise the LTP of the scrip of VLFL to the maximum limit possible.

i) While these seller Noticees except Noticee 14 have not replied to the SCN, at this juncture I take note of the order of the Hon'ble SAT referred in the following paragraphs and in the matter of *Nishith M. Shah HUF v. SEBI*, wherein it has been held that establishing a connection between the buyer and seller is a *sine qua non* for establishing price manipulation. In this regard, it is relevant to mention that while in a conventional case of synchronized or circular trading, in order to establish price manipulation, establishing the connection between the buyer and seller may be essential, but there can be instances wherein a buyer or a seller alone can manipulate the price or volume of a scrip. In my view, the overall scheme of PFUTP Regulations also envisages unilateral commission of fraud by a person. The definition of fraud under Regulation 2(1)(c) lists out various acts / omissions by a person such as known misrepresentation, active concealment, reckless and careless representation, deceptive behaviour, false statement, etc., which do not presuppose the connection of the person committing the same with another.

j) Further, Regulations 3 and 4 of the PFUTP Regulations also use phrases such as no person shall use or employ, no person shall indulge, etc. and do not at all places stipulate the requirement of a connection between two parties to a transaction in order to establish a violation. Further the prohibition of fraudulent dealing in securities includes an act of fraudulent buying or selling. It may be noted that the unilateral act of fraudulent buying or selling is also included in the definition of fraud under FUTP Regulations. There can be instances where artificial demand and price rise can be created choosing to buy unilaterally without any collusion with the counterparties. Therefore, the Regulations make it clear that unilaterally by virtue of fraudulent selling a person can manipulate the price of a security. In this context, I find it important to mention that the order passed by the Hon'ble SAT in the matter of *Nishith Shah* has to be viewed in light of other orders passed by Hon'ble SAT in relation to cases involving violations by sellers on account of miniscule trading in shares. The relevant portions of these orders are quoted below:

- ***Jayprakash Bohra v. SEBI*** (order dated November 05, 2019):
  "… The modus operendi, according to the learned counsel, is to revive, on paper, a dormant listed company with very little share capital; go for a preferential allotment and by trading in very small number of shares at inflated prices or far away prices from LTP between the group entities to show considerable activity of trading in the scrip and thereby induce the retail/other investors and thereby provide an exit route to the group entities, including the preferential allottees. All these symptoms are present in this matter.
  …
  *The submission that all the holdings of the appellant are in normal course of business has no merit as the entire issue in the matter is not normal course of business….Moreover, out of 1,050 shares of Gromo obtained off-market in an inexplicable way by the appellant more than half of it was sold in small tranches; most of the time placing sell order at far away prices than LTP**.** The said trading pattern and the other connections as explained above is sufficient enough to prove that the appellant was part of the group that created the artifice/scheme and therefore finding in the impugned order that the appellant has violated the stated provisions of the PFUTP Regulations cannot be faulted."*

- ***Giriraj Kumar Gupta HUF v. SEBI*** (Order dated February 25, 2020):
  "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. The appellants have not given the details of their off-market transactions with an entity which is also found to be part of the group which manipulated the scrip of RMCL. The unwillingness of the appellants in giving the details of those off-market transactions and in turn placing buy orders above LTP in the market subsequently cannot be viewed in isolation. The argument submitted by the learned counsel for the appellants that no further connection has been established therefore has no merit in the totality of the facts and circumstances of the case. 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."

- ***Mrs. Kalpana Dharmesh Chheda v. SEBI*** *(*Order dated February 25, 2020):
  "5. The crux of the charge against the appellants is, that the appellants have placed sell orders in single shares or in very small quantities at higher and higher price on 55 days during the relevant period thereby contributed to a total of Rs. 320.45 to market positive LTP through 52 trades. Therefore, it has been held that appellants' trade had been of a market manipulative nature and therefore appellants have violated the stated provisions of the PFUTP Regulations, 2003.
  …
  9. We do not find much merit in the submissions made by the learned counsel for the appellants though generally it can be stated that selling at a price higher than the LTP particularly when buy orders are available in the system cannot be considered as manipulative in itself. However, looking at the pattern of trading done by the appellants and the fact that the appellants have derived considerable financial benefit through that particular scheme or nature of trading we are of the view that the trading pattern adopted by the appellants is of a manipulative and unfair nature and would squarely fall within the ambit of the PFUTP Regulations.

  The pattern of trade clearly establishes this as it is on 49 occasions that the appellants sold 1 to 5 shares, mostly one share, when in fact the buy orders available in the system was much higher. This behaviour cannot be justified in terms of normal rational expectations of a seller. It is on record that the appellants were among the top two net sellers during the relevant period.

Therefore, when the appellants were holding a large number of shares (Appellant No. 1 – 15045 shares and Appellant No. 2 – 1009 shares), their selling miniscule quantity of one share each on more than four dozen occasions is nothing but a strategy of manipulation and unfairly benefiting by off-loading the entire shareholding after raising the price to considerable levels. The Appellant No. 1 was able to sell off 7000 shares on 17th, 18th, and 19th February, 2014 at prices ranging from 182.45 to 189.75. Similarly, on 21st, 24th and 25th March, 2014 the appellants together sold 10174 shares at prices in the range of 226.05 to 249.20."

k) Having perused the above judgments of the Hon'ble SAT, I am of the view that all the orders passed by the Hon'ble SAT quoted in this order in relation to alleged manipulative trading by sellers, have been decided by the Hon'ble SAT on the basis of specific facts of each case. A combined reading of the above mentioned orders of the Hon'ble SAT indicates that in the opinion of the Hon'ble SAT, there is no "single" or "only" test to determine the charge of price manipulation in cases wherein the primary charge is emanating from miniscule trading by the sellers over a period of time at the highest possible price on each day. Thus, while establishing the connection between the buyer and the seller may be one approach for determining price manipulation as has been held in Nishith Shah case, there can also be other approaches as adopted by the Hon'ble SAT in the cases of Mrs. Kalpana Dharmesh Chheda, Giriraj Kumar Gupta HUF and Jayprakash Bohra through which price manipulation can be established. It is relevant to mention here that in the present case, reliance is being placed on the behaviour of the sellers, which when viewed comprehensively, as discussed above, establishes the price manipulation.

l) With regard to Group 3, the allegation is that the Company along with its Directors, the 16 connected sellers group and the off-market transferors, has been part of the scheme to manipulate the price of the scrip. As mentioned in the SCN, VLFL is connected to one of the off-market transferors, namely, Looklike Trade Pvt. Ltd., by virtue of a fund transfer that took place between them in January 2015. Looklike Trade Pvt. Ltd. was also allotted shares of VLFL through preferential allotment and these shares, after completion of lock-in period, were transferred through off-market transfers to the other transferors. I shall now proceed to examine the submissions of VLFL in this regard.

m) VLFL has submitted that the reference received from the IT Department may be forwarded to it so that it can reply more comprehensively. I note from the records available that the relevant extract of this reference has been provided to the Noticee. Further, this reference has only acted as a trigger for SEBI's own investigation and the documents/ information relied upon by SEBI have also been provided to the Noticee. Hence, I am not inclined to accept the submission of the Noticee that it has been prejudiced as SEBI has not provided it the reference received from the IT Department. VLFL has submitted that profitability alone cannot be the criteria for deciding the market price of the shares of any company and has provided figures of its Book Value to justify its market price. I note here a comparison of the Book Value figures submitted by the Noticee vis-à-vis the corresponding average share price:

Financial Year	Book Value	Average Share Price
2013-14	47.06	2.13
2014-15	47.55	9.66
2015-16	47.68	33.92
2016-17	46.51	35.80

As can be seen from the above, the Book Value of the Company has remained almost stagnant from 2013-14 to 2016-17, while during the same period, the average share price of the Company has increased from Rs. 2.13 to Rs. 35.80/-. This rise in the share price cannot be justified entirely on account of the Book Value of the Company, which has remained the same. The rise in the share price also has to be considered in the backdrop of the falling profits after tax of the Company, as mentioned below:

Financial Year	Profit after Tax (Rs.)
2013-14	24.5 lacs
2014-15	20.1 lacs
2015-16	4.2 lacs

n) Further, the market also looks at another important parameter, namely, the Price to Earnings ratio for a company, which provides a fair valuation of the share price. During the investigation period, the highest share price achieved by the scrip was Rs. 32.1/- on June 26, 2015. For the year ended March 31, 2015, the Company had a Profit after Tax of Rs. 20.1 lacs. As the total shareholding of the Company during the period as 41,18,000 shares, the trailing P/E ratio works out to be approximately 65. For the year ended March 31, 2016, assuming that the projected earnings of the Company were to be Rs. 4.2 lacs i.e., the actual Profit after Tax, then for this period, the forward P/E ratio works out to be approximately 314. There is no justification for such high P/E ratios, especially in view of the falling profits of the Company.

o) I note that the Company has attributed the reasons for the increase in its share price are: (a) Event of open offer that occurred during the investigation period and New promoter took over the management of the Company during the investigation period. I note that the announcement of the open offer was made on January 29, 2014, when the scrip price was only Rs. 2.42/-. The open offer was made at Rs. 50/- per share i.e., at a substantial premium over the prevailing market price. As per of the Noticee, the open offer was opened on March 12, 2015, when the scrip price was Rs. 21.9/- and was closed on March 25, 2015, when the scrip price was Rs. 22.93/- I note here that between the announcement of the open offer i.e., January 29, 2014, till the start of the investigation period i.e., August 12, 2014, there has been no trading in the scrip of the Company. From August 12, 2014, till the end of open offer i.e., March 25, 2015, the price of the scrip rose from Rs. 2.42/- to Rs. 22.93/-. Even if it is accepted that the price of the scrip rose due to the open offer, it still does not explain why the scrip price continued to increase even after the open offer was concluded (the share price continued to increase from Rs. 22.93/- to Rs. 32.10, till the end of the investigation period). Further, any rational shareholder would have held on to the shares of the Company and tendered them in the open offer rather than behaving like the group of sellers who have traded in the manner mentioned above. Even after the open offer concluded, the group of sellers continued the same trading pattern as mentioned above and this indicates that the manipulation of the scrip price has continued after the open offer as well. Hence, taking into account all factors, such as, the off-market transfer of shares to the sellers, the trading pattern of the sellers, increase in scrip price even after the open offer concluded, there is a preponderance of probability that the scheme to manipulate the scrip price was in place from the very beginning of the investigation period i.e., even before the open offer opened.

p) As regards the change in management, I note from the Company's Annual Report for FY 2014-15 that the acquirer, Mr. Dilip Patodia, took over the management of the Company after the open offer in March 2015. I note here that as per the Company's Annual Report for FY 2014-15 and MCA records, Mr. Dilip Patodia was already acting as the Joint Managing Director of the Company from October 01, 2014. Prior to this, as per the Company's Annual Report, he was also an Independent Director on the Board of the Company from October 29, 2013. Hence, I note that Mr. Dilip Patodia was already involved in the management of the affairs of the Company and therefore, the increase in the scrip price of 1226% (during the investigation period) cannot be solely attributed either to the open offer or to the "change" in management.

q) As regards, the financial transaction with Looklike Trading Pvt. Ltd., the Company submitted that Looklike was allotted 80,000 shares at the rate of Rs.

50/- per share in preferential allotments which was under lock-in till 03-08-2014. During FY 2013-14, VLFL received Rs. 37.5 lacs from Looklike towards sale of shares held by VLFL as investments. Thereafter VLFL sold shares worth Rs. 2.25 lacs to Looklike in 2013-14. The balance amount of Rs. 35.25 lacs was returned to Looklike in two transactions, Rs. 27.25 lacs in January 2015 and Rs. 8 lacs in January 2016. This was done as the deal between VLFL and Looklike could not be fully materialized.

r) From the available record, VLFL has submitted bank statement / ledgers to substantiate the above claims as well as a clarification on current liabilities and trade payables from a Chartered Accountant. I note here that as per the ledger submitted by VLFL, the funds were received from Looklike on September 16, 2013 and the same were returned in two parts after more than 18 months. Further, these ledgers do not bear the seal of VLFL and signature of the authorized signatory of VLFL. The Noticee has also not submitted any details or documentary evidence of the deal/ transaction that was to take place between it and Looklike and has not provided any reason as to why this deal could not fructify. In my view, a sum of Rs. 37.5 lacs cannot be transferred from one entity to another without any underlying documentation/ agreement, unless both the entities are connected with each other. VLFL has not submitted any agreement copy for the purported sale of investments to Looklike. VLFL has also not submitted the bank statement showing that Rs. 35.25 lacs were indeed received from Looklike in September 2013, despite being specifically given an opportunity to do so. Further, I note that the clarification from the CA firm is on the basis of the Audited financial statements, groupings and books of accounts of VLFL and not on the basis of any independent, third party verifiable documents, such as, actual bank statements, demat account statements, copy of agreement entered into between VLFL and Looklike, etc.

s) In view of the above, I note that the Company has not been able to provide a satisfactory explanation for the fund transfer made to Looklike during the investigation period. Further, as per the own submissions of the Noticee, it has made another fund transfer to Looklike in January 2016 i.e., after the investigation period. While Looklike has neither replied to the SCN nor availed the opportunity of personal hearing, I note here that the Company has not been able to provide a satisfactory explanation for its connection with Looklike through the fund transfer made in January 2015. It is also pertinent to note here that when this fund transfer was made to Looklike, the scrip price of VLFL had already been increased from Rs. 2.42/- to Rs. 17.24/-. I also note that apart from the aspect of connection through fund transfer, Looklike is connected to the Company as preferential allottee.

t) While there is no direct material on record to show that VLFL was acting in concert with the 16 seller Noticees, I note that there need not be any direct connection between VLFL and the sellers. The connection between VLFL and the sellers is through Looklike, which has transferred shares of VLFL through off-market to these sellers. I note that VLFL has relied on certain SAT orders to justify its submissions. In this regard, I note that a clear connection has been established between VLFL and Looklike in view of the fund transfer made during the investigation period along with the preferential allotment of shares made to Looklike. Seeing all these factors comprehensively, I conclude that this fund transfer is unambiguous and clear evidence of the connection between the Company and Looklike. Therefore, in my view, the SAT orders quoted by VLFL are not relevant in the present case.

u) I note here that VLFL, though a legal entity cannot act by itself, it can act only through its Directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence. In terms of Section 179 of the

Companies Act, 2013, the Board of Directors of a company shall be entitled to exercise all such powers and do all such acts and things as the company is authorized to exercise and do. Therefore, the Board of Directors being responsible for the conduct of the business of a company are liable for any non-compliance of law and such liability shall be upon the individual directors also. Hon'ble Supreme court while describing what is the duty of a Director of a company held in *Official Liquidator* v. *P.A. Tendolkar* (1973) 1 SCC 602 that *"A Director may be shown to be so placed and to have been so closely and so long associated personally with the management of the Company that he will be deemed to be not merely cognizant of but liable for fraud in the conduct of the business of a Company even though no specific act of dishonesty is proved against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the Company even superficially".* Further, in cases of fraud, it is a settled position of law that the corporate veil can be lifted and the directors can be held liable for the fraud of the Company.

v) In this regard, I place reliance on the decision of Hon'ble Supreme Court (Larger Bench) in the matter of LIC vs. Escorts Limited (1986 AIR 1370), wherein while discussing the doctrine of corporate veil, the Court had observed:

"90. … the corporate veil may be lifted where a statute itself contemplates lifting the veil, or fraud or improper conduct is intended to be prevented, or a taxing statute or a beneficent statute is sought to be evaded or where associated companies are inextricably connected as to be, in reality, part of one concern. It is neither necessary nor desirable to enumerate the classes of cases where lifting the veil is permissible, since that must necessarily depend on the relevant statutory or other provisions, the object sought to be achieved, the impugned conduct, the involvement of the element of the public interest, the effect on parties who may be affected, etc."

w) Hence, in view of the above, the Directors of the Company i.e., Noticee Nos. 2, 3 and 4 are party to this scheme of price manipulation. During the investigation period, I note the following details regarding the Directors of VLFL from MCA records/ Annual reports of Company:

DIN/PAN	Name	Designation	Appointment Date	Cessation Date
00235198/ BEZPS8956R	Amlesh Sadhu	Chairman & Managing Director	03-Sept-2012	13-Apr-2015
01357786/ AAAPP9584A	Dilip Patodia	Joint Managing Director	01-Oct-2014	12-Apr-2015
		Chairman & Managing Director	13-Apr-2015	03-Jun-2016
00434785/ AAAPM8378D	Harivallabh Mundra	Executive Director	21-Jun-1990	26-Sept-2014

x) The violations committed by VLFL, which have been discussed above, pertain to the time periods when these persons were acting as Executive Directors of VLFL and were in charge of the affairs of the Company. The connection of the Company to the remaining Noticees is by way of the dealings of VLFL with Looklike. I note that Looklike was allotted shares of VLFL in a preferential allotment in August 2013 and there is a fund transfer between VLFL and Looklike in January 2015. I note that Noticee Nos. 2 and 3, i.e., Mr. Dilip Patodia and Mr. Amlesh Sadhu were in charge of the affairs of the Company for a substantial part of the investigation period. Mr. Amlesh Sadhu was the Managing Director when the preferential allotment of shares was done to Looklike. Further, Mr. Dilip Patodia and Mr. Amlesh Sadhu were also in charge of the affairs when the fund transfer has been made to Looklike. Hence, they are responsible for the acts of the Company and for having facilitated the premeditated scheme, through Looklike, to increase the LTP to the maximum possible.

y) As regards the Noticee no. 4, it is mentioned in the SCN that he was the Executive director from 21-Jun-1990 to 26-Sept-2014. In this contest, Noticee 4 has denied that he was an Executive Director in VLFL during the investigation period or that he was aware of any transactions between the Company and Looklike or that he was involved in the said alleged manipulation of the scrip price. He has claimed that he formally submitted his resignation as a Director to the Company vide letter dated March 31, 2014, which was delivered to the Company on June 17, 2014 and requested the Company to file Form 32 with ROC. I have seen the documents submitted by the Noticee 4 along with the acknowledgement card of its receipt. The letter is dated March 31, 2014, and is addressed to the Board of Directors of VLFL. The Noticee 4 has mentioned that he is resigning as a Director due to personal reasons with immediate effect. While the acknowledgement card mentions the receipt date as June 17, 2014, and is addressed to the Board of Directors of VLFL, I note the following points:

a) The date on the letter is written by hand, while the rest of the letter is typed.
b) There is no stamp of the post office that is delivering the letter to the addressee.
c) There is no signature of the person who may have accepted the letter on behalf of the addressee.
d) The resignation letter and the print out of the acknowledgement card has an initial on it but it is not clear who the initials belong to. The Noticee 4 has also not elaborated on the same.
e) The resignation letter is dated March 31, 2014, and addressed to the Board of VLFL at their Fort, Mumbai address, while the address on the acknowledgement card is of Malad.
f) The letter is an intra-city letter; however, as per submissions of Noticee 4, it has been received by VLFL on June 17, 2014, i.e., after two and a half months of being posted.

z) In view of the above observations, I am of the view that the evidence provided by the Noticee 4 is not sufficient to show that his resignation letter was received by VLFL on June 17, 2014. Hence, I am inclined to hold that the Noticee 4 ceased to be a Director of the Company on September 26, 2014 as recorded in

MCA records. It is important to note that the Noticee 4 did not provide any explanations for the evident discrepancies observable in the copy of the resignation letter and acknowledgement card while he submitted those documents to SEBI. I further note that even if, I were to accept that the Noticee 4 has resigned on March 31, 2014, or that the resignation letter was indeed received by VLFL on June 17, 2014, as already mentioned above, the pre-meditated scheme of price manipulation was set in motion in FY 2013-14 i.e., when admittedly, the Noticee 4 was a Director in VLFL.

aa) With regard to his claim that his resignation was accepted on June 17, 2014, I note that the Noticee 4 has denied that he was an Executive Director in VLFL during the investigation period, which starts from August 12, 2014, and extends till July 31, 2015. In view of the finding at Paragraph above, the resignation of the Noticee 4 has taken effect from September 26, 2014, i.e., after the start of the investigation period. While the investigation period covers the period starting from the first off- market transfer of shares from Looklike and the manipulation in the price of the scrip, I note that the pre-meditated scheme also includes the preferential allotment of shares made to Looklike in August 2013. Here, I would like to refer the following material which is available from the Annual Reports of VLFL:

a) As per the Annual Reports of the Company, the Noticee 4 has been a Director in the Company since June 21, 1990
b) As per the Annual Report for FY 2012-13, the Noticee 4 has been designated as ‘Executive Director’ and has also been referred to as the Whole-Time Director and a Key Management Personnel as part of Related Party Disclosures.
c) The Board of Directors of the Company in its meeting dated July 02, 2013, approved the allotment of shares through preferential allotment and the

resolution to allot the shares to Looklike Trade Pvt. Ltd. was approved by the Board in its meeting held on August 03, 2013.

d) As per the Annual Report for FY 2013-14, i.e., for the period when the preferential allotment was made to Looklike Trade Pvt. Ltd., the Noticee 4 is designated as 'Executive Director' as on March 31, 2014, though the same annual report also mentions his designation as 'Non-Executive Director'.

e) As per the Annual Report for FY 2014-15, the Noticee 4 has been designated as an 'Independent Director' as well as an 'Non-Executive Director'.

bb) Form the available record, I note that the Noticee 4 has not denied that he was an Executive Director in VLFL during FY 2013-14 i.e., during the period when the preferential allotment of shares was made to Looklike and when the pre-meditated scheme to manipulate the price of the scrip of VLFL was put into place. The Noticee 4 has also not denied that he was a Director in VLFL since 1990 and hence, I note that he has been closely and for a long period associated personally with the management of the Company. Here, I once again refer to the judgment of the Hon'ble Supreme Court in the matter of *Official Liquidator vs. P.A. Tendolkar (1973) 1 SCC 602*, wherein it has described the duty of a Director of a company (relevant extract of the judgment is referred to in Paragraph above). However, the Noticee has submitted that he had ceased to be involved in the affairs of the Company since 2011. He has also submitted that he was removed from decision making positions viz., he was replaced from the Investor Grievance Committee by one Mr. Amlesh Sadhu. Hence, I proceed to determine the role of the Noticee in FY 2013-14 and FY 2014-15 (till his resignation) in VLFL on the basis of the material available in the annual reports.

cc) As per Item I, Para A, Sub-clause (iii) of Clause 49 of the Listing Agreement specified by SEBI vide its circular dated SEBI/CFD/DIL/CG/1/2004/12/10 dated October 29, 2004, as amended from time to time, I note the following conditions are to be satisfied for an Independent Director:

"I. Board of Directors

(A) Composition of Board

(i) The Board of directors of the company shall have an optimum combination of executive and non-executive directors with not less than fifty percent of the board of directors comprising of non-executive directors.

(ii) Where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors and in case he is an executive director, at least half of the Board should comprise of independent directors.

Provided that where the non-executive Chairman is a promoter of the company or is related to any promoter or person occupying management positions at the Board level or at one level below the Board, at least one-half of the Board of the company shall consist of independent directors.

Explanation-For the purpose of the expression "related to any promoter" referred to in sub-clause (ii):

a. If the promoter is a listed entity, its directors other than the independent directors, its employees or its nominees shall be deemed to be related to it;

b. If the promoter is an unlisted entity, its directors, its employees or its nominees shall be deemed to be related to it."

(iii) For the purpose of the sub-clause (ii), the expression 'independent director' shall mean a non-executive director of the company who:

a. apart from receiving director's remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director;

b. is not related to promoters or persons occupying management positions at the board level or at one level below the board;

c. <u>has not been an executive of the company in the immediately Preceding</u> <u>three financial years;</u> (emphasis supplied)

d. is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:

i) the statutory audit firm or the internal audit firm that is associated with the company, and

ii) the legal firm(s) and consulting firm(s) that have a material association with the company.

e. is not a material supplier, service provider or customer or a lessor or lessee of the company, which may affect independence of the director;

f. is not a substantial shareholder of the company i.e. owning two percent or more of the block of voting shares;

g. is not less than 21 years of age."

dd) I note that all the above-mentioned conditions are required to be satisfied and non-satisfaction of even one condition would render a director ineligible to be an Independent Director. With respect to the Noticee 4, there is no material to show that he either does not meet or meets any of the conditions mentioned at points (a), (b), (d), (e) and (f), while he does meet the condition mentioned at point (g). However, as noted earlier, the Annual Report of the Company for the year 2012-13, designates him as an Executive Director and also refers to him as the Whole-Time Director and a Key Management Personnel as part of Related Party Disclosures. Therefore, it is clear that the Noticee 4 held an 'executive' role in the Company in the year 2012-13 and if he did so, then, by virtue of the condition at point (c) above, he was not eligible to be an Independent Director in the Company for the next three financial years i.e., FY 2013-14, FY 2014-15 and FY 2015-16. The Annual Report for FY 2012-13 clearly designates the Noticee 4 as an Executive Director and Key Management Personnel for VLFL and no material has been provided by the Noticee 4 to show that he never received this report or that he has taken up the issue of his designation with the Company. Hence, I hold that the Noticee 4 was not an 'Independent Director' in the Company in FY 2013-14 and FY 2014-15.

ee) If he was a 'Non-Executive Director' in 2013-14 and 2014-15, then the same would be possible when he was reappointed as a 'Non-Executive Director' in the Annual General Meeting (AGM) held in September 2013. I note from the Annual

Reports of 2012-13 and 2013-14 that no such resolution has been approved in the AGM of 2013-14. In fact, the Annual Report of 2013-14 mentions that in the AGM held on September 26, 2014, the Noticee 4 will retire by rotation as he does not offer himself for re-appointment. Therefore, in the absence of any such records, there is a preponderance of probability that the Noticee 4 has continued to act as an 'Executive Director' in FY 2013-14 and continued in that role till the time he chose to retire by rotation. In view of the above fact and circumstances, the inconsistent designations of 'Non-Executive' and 'Independent' Director mentioned against his name in the Annual Reports appear to be erroneous and therefore, not acceptable. In view of the above, I am of the view that the Noticee 4 was an Executive Director in the Company: (a) When the preferential allotment of shares to Looklike took place i.e., in FY 2013-14 and (b) When the off-market transfer of 1000 shares of VLFL took place from Looklike to Badriprasad Chiripal (August 14, 2014) i.e., before the date of his cessation from the Board of VLFL i.e., September 26, 2014.

ff) However, as already mentioned above, even if it is accepted that he ceased to be a member of the Board from March 31, 2014/ June 17, 2014, i.e., prior to start of the investigation period, he was an Executive Director in VLFL when the preferential allotment of shares was made to Looklike i.e., when the pre-mediated scheme to manipulate the scrip price was already put in place. While the fund transfer between VLFL and Looklike took place in January 2015 i.e., after the date of his cessation, I note that this fund transfer is not the only basis to allege connection between VLFL and Looklike. In view of the observations made at Paragraph above, the Noticee 4 was an Executive Director in VLFL when the pre-meditated scheme was put in place and therefore, he is also responsible for the acts of the Company. Noticee 4 has not provided any concrete evidence to substantiate his claim that he was not involved in the affairs of the Company since 2011. With respect to his submission that in FY 2013-14, he was replaced in the Investor Grievance Committee of the Company, I note that the role of this committee is confined to resolving investor/ shareholder grievances and that the committee is not involved directly in the affairs of the Company. Hence, merely because he was replaced in the committee, it cannot be categorically said that the Noticee 4 did not continue to be involved in the affairs of the Company or that he was not involved in decision making roles in the Company. On the other hand, from documents uploaded to the MCA website it is noted that in the meeting of the Board of Directors held on May 20, 2014, resolutions were passed wherein the documents i.e. the Annual Audited Financial Accounts for the quarter and year ended March 31, 2014 and the report of the Board of Directors together with the Corporate Governance Report and Management Discussion & Analysis were approved by the Board.

gg) I note from the resolutions passed that the Noticee 4, in his capacity as a Director, along with the Managing Director of VLFL, was jointly and severally authorized to sign the above mentioned documents on behalf of the Board and to do all necessary acts to give effect to the resolutions. Management Discussion & Analysis is one of the vital piece of information placed before the Board for determination of strategy to be adopted by the Company going forward. The resolution indicates that the Noticee 4 has been given the assignment for giving effect to the resolution, which includes deciding on the strategic way forward for the company. Therefore, the Noticee 4 was not only directly involved in the affairs of the Company but involved in strategic decision making for the future of the company. Hence, in view of the above the Noticee 4 continued to be an Executive Director in the Company till his cessation from the Board, I cannot accept the submissions of the Noticee 4 that he had ceased to be involved in the affairs of VLFL or that he was removed from decision making positions in FY 2013-14. As long as he continues to be an

Executive Director in VLFL, he remains in a decision making role and is responsible for all acts of VLFL, unless he provides specific credible evidence to the contrary.

hh) I note that the Noticee 4 has sought certain clarifications from VLFL regarding the date of his resignation and on the contents of the annual report for FY 2014-15, wherein it has been stated that he has attended the Board Meetings and AGMs for that year. As submitted by him, he is yet to receive this information from VLFL. I note here that this information acquires importance if the Noticee was an Independent Director to show whether he was part of the Board process. The Noticee has submitted that to the best of his recollection, during FY 2014-15 he has not attended a single Board Meeting/ AGM and has not received any sitting fees for the same. I am not inclined to accept these submissions of Noticee 4 as no evidence in this regard, including relevant bank statements, have been submitted by him. I also note that Noticee 4 has not provided any evidence to show that he has lodged a complaint against VLFL with the appropriate authorities or served a legal notice or taken any legal action on VLFL for the alleged misrepresentations in their Annual Reports. In any case, as held above, Noticee 4 was an Executive Director in the Company in FY 2013-14 when the preferential allotment of shares was made to Looklike. Therefore, I am of the view that Noticee 4, by virtue of being an Executive Director of the Company, was in charge of its affairs at the time of the violations, and along with the other entities party to the SCN, is part of the scheme, which was set in motion right from the allotment of shares to Looklike in FY 2013-14, in the matter of Voltaire Leasing & Finance Limited manipulating the price of the scrip of VLFL during the period August 12, 2014, to July 31, 2015.

ii) In view of the reasoning given above, I find that the Noticee Nos. 15, 16 (i.e., Looklike Trade Pvt. Ltd. and Badriprasad Chiripal) and Richi Consultants by making off-market transfers of the shares of VLFL to the sellers, have facilitated the premeditated scheme to raise the LTP of the scrip to the maximum limit possible. The above discussed trading behaviour of the 16 sellers does not in any manner answer to be genuine. In this present case, this trading pattern in light of the circumstances discussed above, exhibits an act of marking a new high price every day with significantly low volumes. Considering the above, the preponderance of probability leads us to the conclusion that all these 16 sellers were connected to each other and acted under a premeditated scheme wherein they placed orders in such a manner so as to raise the LTP of the scrip of VLFL to the maximum limit possible.

jj) In view of the above, I hold that all the entities i.e., the group of off-market transferors, the group of sellers and the Company and its Directors in charge of its affairs at the time of the violations, have manipulated the price of the scrip of VLFL during the period August 12, 2014, to July 31, 2015. Further, w.r.t. the entities namely, Richi Consultants Pvt. Ltd., Goldensight Traders Private Ltd., Reachsmart Dealtrade Pvt. Ltd., Goodness Trading Private Limited, Sebika Commodities Private Limited, Hanshika Dealers Private Limited and Overarching Dealers Private Limited, it is noted that the said entities have been struck off from the list of companies by the Office of Registrar of Companies and also dissolved. As the entities were struck off, the same were dealt in separate orders.

kk) As already held above, the Noticees, by being party to a scheme to manipulate the share price of VLFL, have indulged in a fraudulent activity, which is covered under the definition of fraud as per Regulation 2(1)(c) of the PFUTP Regulations, which is as under:

(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;

ll) Further, I note that this activity of all the Noticees is covered under the provisions of the regulations 3(a), 3(b), 3(c), 3(d) and regulations 4(1), 4(2)(a) and 4(2)(e) of PFUTP Regulations, 2003. As already held above, the Noticees have, together, through a premeditated scheme, manipulated the price of the scrip of VLFL and that this act on their part falls within the definition of fraud as per the PFUTP Regulations. This act of the Noticees is also prohibited under the above provisions of the PFUTP Regulations. In view of the above, I note that scheme in the instant matter has been fructified by various participants, such as the Company its directors, off-market transferors and sellers. With regard to the off-market transferors, I note that the main off-market transferor is Looklike, which has transferred shares in off-market to Badriprasad Chiripal and others. Further, the Company, VLFL and its Directors i.e. Mr. Dilip Kumar Patodia, Mr. Amlesh Sadhu and Mr. Harivallabh Mundra, who were in charge of the affairs of the Company at the time of these violations. As regards the group of sellers, I note that they have contributed to the increase in net and positive LTP in the scrip price through their trading pattern. By executing manipulative trades, as has been executed by these Noticees in the instant matter, the price discovery system itself is affected. It also has an adverse impact on the fairness, integrity and transparency of the stock market. In view of the above, I find that Noticees have violated the provisions of regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a) and 4(2)(e) of PFUTP Regulations, 2003.

Issue (b): Does the violations, if any, on the part of the Noticees would attract monetary penalty under section 15HA of the SEBI Act, 1992?

a) It has been established in the foregoing paragraphs that Noticees have violated the provisions of regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a) and 4(2)(e) of PFUTP Regulations, 2003 and therefore, the aforesaid violations committed by the Noticees attract monetary penalty under section 15HA of the SEBI Act, 1992.

b) In this regard, reliance is placed upon the order of the Hon'ble Supreme Court of India in the matter of Chairman, SEBI Vs Shriram Mutual Fund { [2006]5 SCC 361 } – wherein the Hon'ble Supreme Court of India 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 and hence the intention of the parties committing such violation becomes wholly irrelevant…………...*"

c) In view of the above, I conclude that the Noticees are liable for monetary penalty under the provision of section 15HA of the SEBI Act, 1992, which reads as under during the relevant period:

The SEBI Act, 1992
***Penalty for fraudulent and unfair trade practices*.**

15HA. *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

Issue (c): If so, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors mentioned in section 15J of SEBI Act, 1992?

a) While determining the quantum of penalty under section 15HA of the SEBI Act, 1992, it is important to consider the factors relevantly as stipulated in section 15J of the SEBI Act, 1992 which reads as under:-

Factors to be taken into account by the adjudicating officer.

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.*

b) In the present matter, the material made available on record has not quantified the amount of disproportionate gain or unfair advantage made by the Noticees and also the loss suffered by the investors as a result of these Noticees' default. The consequences resulting from violations committed by the said Noticees are of grave nature and are prejudicial to the interests of investors in the securities market. If violations of this nature and magnitude are not dealt with seriously with a firm hand then investors will lose faith in the Indian Securities Market.

c) The Hon'ble SAT, in its order dated August 02, 2019 in the matter of P G Electroplast vs SEBI, has held that the Order passed in corresponding proceedings before the Whole Time Member should be factored in while fixing the quantum of penalty. In this regard, I note that, a separate and parallel proceeding was initiated against the Noticees under the provisions of section 11(1), 11(4) and 11B of the SEBI Act, 1992 under the same facts. In the said proceedings, vide Order dated April 13, 2020, Hon'ble Whole Time Member of SEBI has inter-alia restrained Noticee Nos. 1 to 4 for a period of two (2) years, Noticee Nos. 5 to14 for a period of six (6) months and Noticee Nos. 15 and16 for a period of one (1) year from accessing the securities market and further prohibited them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner from the date of the aforesaid order.

ORDER

12. After taking into consideration the facts and circumstances of the case, material/facts on record, case laws submitted by the Noticees and also the factors mentioned in the preceding paragraphs, I, in exercise of the powers conferred upon me under section 15-I of the SEBI Act, 1992 r/w rule 5 of the Adjudication Rules, 1995, hereby impose the following penalty on the Noticees under section 15HA of the SEBI Act, 1992, for the failure on their part to comply with the provisions of PFUTP Regulations, 2003:

Name of the Noticees	Penalty Section	Penalty Amount (Rs.)
Voltaire Leasing and Finance Ltd.	Section 15HA of the SEBI Act, 1992	10,00,000/-
Dilip Rajkumar Patodia		15,00,000/-
Amlesh Sadhu		15,00,000/-
Harivallabh Mundra		15,00,000/-
Chandrakant Babu Mohite		5,00,000/-
Rajesh Tukaram Dambre		5,00,000/-
Archana Tiwari		5,00,000/-
Awadhraj Badrinath Chaubey		5,00,000/-
Reshma Rajesh Dambre		5,00,000/-

Name of the Noticees	Penalty Section	Penalty Amount (Rs.)
Mukesh Kumar Purohit		5,00,000/-
Reeta Sanjay Sharma		5,00,000/-
Jaya Ramchand Kotwani		5,00,000/-
Ajay Niranjan Thaker		5,00,000/-
Mangesh Madhukar Dhotre		5,00,000/-
Badriprasad Chiripal		5,00,000/-
Looklike Trade Pvt. Ltd.		5,00,000/-

I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticees.

13. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order through Demand Draft in favour of "SEBI -Penalties Remittable to Government of India", payable at Mumbai, or the 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, the Noticees may contact the support at portalhelp@sebi.gov.in.

14. The Noticees shall forward said Demand Draft or the details/confirmation of penalty so paid to the Division Chief, Enforcement Department-I, DRA-V, SEBI. The Noticees shall provide the following details while forwarding DD/payment information:

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

15. In terms of the provision of rule 6 of the Adjudication Rules, 1995, a copies of this order are being sent to the Noticees and also to SEBI.

Place: Mumbai **PRASANTA MAHAPATRA**

Date: November 24, 2021 **ADJUDICATING OFFICER**