BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/BM/DS/2022-23/21472-21478]

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

In respect of

Noticee no	Name of entity	PAN
1	Udayan Kanubhai Mandavia	ADKPM4202F
2	Hitesh Rasiklal Joshi	ACQPJ4626D
3	Kedar Ranjitbhai Mehta	ABWPM1374Q
4	Dimple Pandey	BKZPK8520M
5	Ashlesh Gunvantbhai Shah HUF	AAMHA7856E
6	Saurin Jayantilal Shah	ASPPS4308E
7	Webczar Solutions	CDSPK4538E

In the matter of Interactive Financial Services Limited
(Noticees 1 to 7 are individually known by their respective name or Noticee no. and collectively referred to as the "Noticees")

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted investigation in respect of alleged manipulation in the scrip of Interactive Financial Services Limited (hereinafter referred to as **"Company"** / **"IFSL"**) during the period

November 01, 2020 till December 15, 2020 (hereinafter referred to as "**IP**"). Pursuant to the investigation, it was alleged that aforementioned Noticees 1 to 7 violated the provisions of Regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) and (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations, 2003**") read with Section 12A (a), (b) and (c) of SEBI Act, 1992.

APPOINTMENT OF ADJUDICATING OFFICER

2. In this regard, SEBI initiated Adjudication Proceedings against the Noticees and appointed the undersigned as Adjudicating Officer vide Order dated April 18, 2022, under Section 15-I of the SEBI Act, 1992 and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 *(*hereinafter referred to as ***Adjudication Rules, 1995***) to inquire into and adjudge under Section 15HA of the SEBI Act, 1992, the alleged violations of provisions of Regulations 3(a),(b),(c),(d), 4(1), 4(2)(a) and (e) of PFUTP Regulations, 2003 read with Section 12A (a, (b) and (c) of SEBI Act, 1992.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

3. A common Show Cause Notice with reference no. SEBI/EAD/BM/DS/44992/2022 dated August 24, 2022 (hereinafter referred to as "**SCN**") was issued to the Noticees in terms of Section 15-I of the SEBI Act, 1992 read with Rule 4 of the Adjudication Rules, 1995 to show cause as to why an inquiry should not be held against them and why penalty, if any, under Section 15HA of the SEBI Act, 1992 be not imposed on the Noticees.

Noticees 1, 2, 3 and 4

4. The SCN was dispatched and duly delivered to Noticees 1, 2, 3 and 4 via SPAD and digitally signed email. Vide mail dated September 23, 2022, Noticees 1, 2, 3 and 4 requested for inspection of documents, which was agreed to be provided to them vide

mail dated September 28, 2022, whereby Noticees 1, 2, 3 and 4 were advised to appear for inspection on October 06, 2022. Their authorized representative (AR) appeared for the scheduled inspection and inspected all relevant and relied upon documents. The AR also requested for a copy of relevant extracts of the investigation report and order and trade log for IFSL during the IP, which was provided vide mail dated October 10, 2022. As no reply was received by Noticees 1, 2, 3 and 4 as on October 17, 2022, in the interest of natural justice, they were provided an opportunity of hearing vide notice dated October 17, 2022, whereby they were advised to appear before the undersigned on November 02, 2022. Vide mail dated October 31, 2022, the AR requested for rescheduling of the hearing. The request was acceded to by the undersigned and the AR was advised to submit its reply to the SCN by November 08, 2022 and appear for the hearing on November 11, 2022. The AR submitted the reply to the SCN vide mail dated November 08, 2022 and appeared for the scheduled hearing. The AR reiterated submissions already made vide letter dated November 08, 2022. The AR was asked to submit a copy of public notices issued by Interactive Financial Services Limited in relation to the bulk SMS circulation, which he submitted on November 15, 2022.

<u>Noticee 5 and 6</u>

5. The SCN was dispatched and duly delivered to Noticee 5 and Noticee 6 via SPAD and digitally signed email. Vide mail dated September 13, 2022, Noticee 5 requested for a copy of investigation report and trade and order log of Noticee 5, copy of annexures 4, 5, 7 and 8 to the SCN and any other documents relied upon by SEBI. Vide mail dated September 19, 2022, Noticee 5 was provided a copy of relevant extracts of investigation report, order and trade log for IFSL during IP and PDF files of Annexures 4, 5, 7 and 8 to the SCN. Noticee 5 was also informed that all relevant and relied upon documents had already been provided and he was advised to submit his reply by September 26, 2022. As no reply was received till September 29, 2022, in the interest

of natural justice, an opportunity of hearing was provided to Noticee 5 and Noticee 6 vide notice dated September 29, 2022, whereby they were advised to appear before the undersigned on October 07, 2022. Vide mails dated October 07, 2022, Noticee 5 and 6 submitted their reply to the SCN and their authorized representative (AR) appeared for the scheduled hearing. The AR reiterated submissions already made vide mails dated October 07, 2022. The AR requested for details of NHP (New High Price) trades and first trades of Noticees 5 and 6. The same were agreed to be provided by the undersigned. The AR sought time till October 14, 2022 for making additional submissions, which was granted by the undersigned. Vide mail dated October 10, 2022, Noticee 5 and 6 were provided with NHP trade details of Noticees 5 and 6. They were informed that details of first trade were already provided in the SCN. Vide mail dated October 19, 2022, additional submissions were made by Noticee 5.

<u>Noticee 7</u>

6. The SCN was dispatched and duly delivered to Noticee 7 via SPAD and digitally signed email. Vide mail dated September 19, 2022, Noticee 7 submitted its reply to the SCN. In the interest of natural justice, Noticee 7 was provided an opportunity of hearing vide notice dated September 29, 2022, whereby it was advised to appear before the undersigned on October 07, 2022. Authorised representative (AR) of Noticee 7 appeared for the scheduled hearing. The AR reiterated submissions already made vide letter dated September 19, 2022. The AR was asked to submit certified true copy of details of all the bulk SMS/ Emails sent by the Noticee between November 16, 2020 and November 20, 2020. The AR sought time till October 14, 2022 for submitting the details sought from the Noticee, which was granted by the undersigned. Vide mail dated October 14, 2022, Noticee 7 submitted the details of all the bulk SMS/ Emails sent by Noticee 7 between November 16, 2020 and November 20, 2020 along with notarized self-signed affidavit that the details are complete and correct. Noticee 7 also made additional submissions vide mail dated October 17, 2022.

7. The allegations levelled against the Noticees in the SCN are mentioned hereunder*:*

i. It was observed that overall price of the scrip of IFSL has moved from Rs.13.00 on November 01, 2020 to Rs.25.17 (i.e. 93.62% rise) on November 23, 2020 and fell to a low of Rs.12.63 on December 15, 2020 and closed at the same price on December 15, 2020.

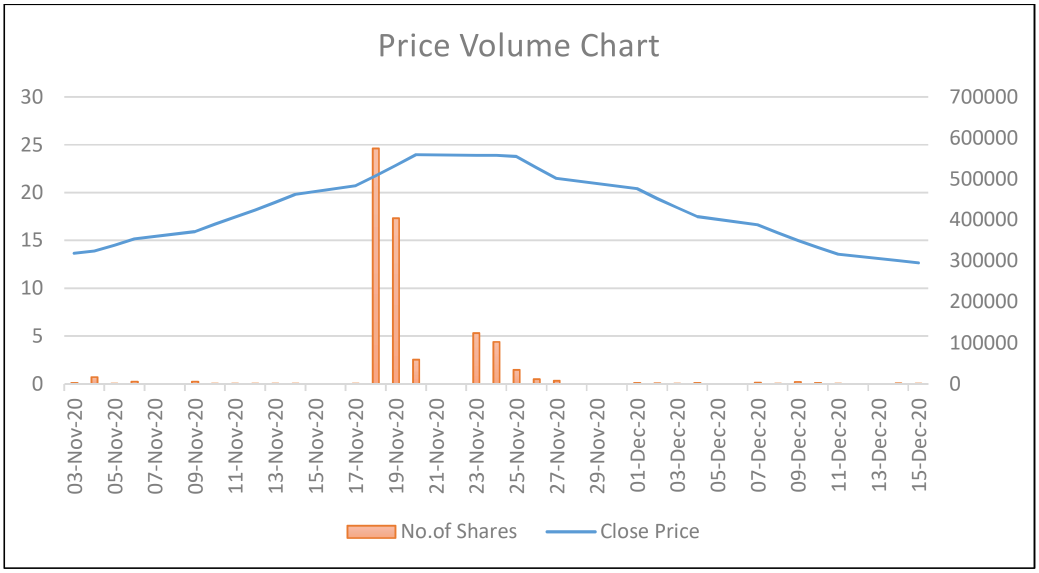
ii. It was also observed that there was circulation of SMS on November 18, 2020 to November 19, 2020 (hereinafter referred to as "SMS period"), recommending buying of shares of IFSL. It was inter alia recommended as *Buy "Interactive Financial Services Ltd." IFINSER (BSE Code:539692) CMP:21.73 BTST Target:22.80++Short Term Target:50++Final Target:80++Buy Minimum 5000 Quantity Now Don't Miss it. Buy in Bulk*.

iii. There were no major corporate announcements made by the company during the investigation period. Price Volume Analysis given below shows the changes in price and rise in volumes during the investigation period.

Period	**Price & V**	**Opening (volume) on firs the period (Rs)**	**Closing price (v on last day period (Rs)**	**Lowest price (v during the peri (Rs)**	**Highest (volume) durir period (Rs)**	**Total Volume no. of shares daily durin period)**
Pre Investigati (Oct 01, 2020 31, 2020)	Price	13	13	13	13	37 (8)
		(09.10.2020)	(29.10.2020)	Remained same throughout C 2020		
	Volume	12	1	-	-	
		(09.10.2020)	(29.10.2020)	-	-	
Investigation pe (Nov 01, 2020 15, 2020)	Price	13	12.63	12.63	25.17	1374564 (45819)
		(03.11.2020)	(15.12.2020)	(15.12.2020)	(23.11.2020)	
	Volume	1890	831	831	124348	
		(03.11.2020)	(15.12.2020)	(15.12.2020)	(23.11.2020)	
Post Investiga (Dec 16, 2020 15, 2021)	Price	12.38	8.34	8.34	12.38	15360 (732)
		(16.12.2020)	(15.01.2021)	(15.01.2021)	(16.12.2020)	
	Volume	209	1570	1570	209	

Period	Price & V	Opening (volume) on firs the period (Rs)	Closing price (v on last day period (Rs)	Lowest price (v during the peri (Rs)	Highest (volume) durii period (Rs)	Total Volume no. of shares daily durin period)
		(16.12.2020)	(15.01.2021)	(15.01.2021)	(16.12.2020)	

iv. The Price Volume Chart during the investigation period is as under:



v. On the basis of price movement in the scrip, the IP was divided into two patches. The patch wise PV details are as follows:-

Period	Price & Vol		Opening price (volume) on first day of the period (Rs)	Closing price (volume) on last day of the period (Rs)	Lowest price (volume) during the period (Rs)	Highest price (volume) during the period (Rs)	Total Volume (Avg. no. of shares traded daily during the period)
Patch I - Price rise patch (01.11.2020 to 20.11.2020)	Price		13	23.98	12.97	23.98	1071000
			(03.11.2020)	(20.11.2020)	(04.11.2020)	(20.11.2020)	(76500)
	Volume		1890	59204	16643	59204	
			(03.11.2020)	(20.11.2020)	(04.11.2020)	(20.11.2020)	
Patch II - Price fall patch	Price		23.45	12.63	12.63	25.17	303564
			(23.11.2020)	(15.12.2020)	(15.12.2020)	(23.11.2020)	(18973)

Period	Price & Vol	Opening price (volume) on first day of the period (Rs)	Closing price (volume) on last day of the period (Rs)	Lowest price (volume) during the period (Rs)	Highest price (volume) during the period (Rs)	Total Volume (Avg. no. of shares traded daily during the period)
(21.11.2020 to 15.12.2020)	Volume	124348	831	831	124348	
		(23.11.2020)	(15.12.2020)	(15.12.2020)	(23.11.2020)	

Patch I (November 01, 2020 to November 20, 2020)

vi. It was observed that top 10 clients contributed 91.85% of the gross sell respectively. Noticee 1 (Udayan Kanubhai Mandavia) was the highest contributor to gross sell with 45.75% of the total traded quantity. Also, Noticees 1, 2, 3 and 4 contributed to gross sell with 81.17% of the total traded quantity by top 10 clients.

vii. The gross buy, gross sell and net traded volume of Noticees 1 to 4 during the investigation period are as follows:

Sr. No.	Pan No.	Name of the Client	Gross Buy	Gross Sell	Net Buy/(Net Sell)	Gross Buy as % of total buy volume	Gross Sell as % of total sell volume
1	ADKPM4202F	Udayan Kanubhai Mandavia	0	490015	(490015)	0.00	35.65
2	ACQPJ4626D	Hitesh Rasiklal Joshi	0	20000	(20000)	0.00	1.46
3	ABWPM1374Q	Kedar Ranjitbhai Mehta	0	12000	(12000)	0.00	0.87
4	BKZPK8520M	Dimple Pandey	0	347326	(347326)	0.00	25.27
	Total		**0**	**869341**	**(869341)**	**0.00**	**63.24**
	Market Total		**1374564**	**1374564**		**100.00**	**100.00**

viii. It was observed that Noticees 1 to 4 contributed 63.24% to sell volume through trades at BSE.

ix. <u>Last Traded Price Analysis</u> - During this period, the price moved from Rs. 13/- on November 03, 2020 to Rs.23.98/- on November 20, 2020. Since it was a price rise patch, LTP analysis was carried out on the buy side. From the analysis, it was observed that the top 10 entities contributed Rs.13.25/- to net LTP in 88 trades and Rs.14.43/- to positive LTP (52.43% to market positive LTP) in 25 trades. The analysis of the trades contributing to positive LTP by Noticee 5, which contributed 12.10% to market positive LTP are given in forthcoming paragraphs.

x. <u>Alleged Price rise by Noticees 5 and 6</u> – It was observed that there were 10 trades of 541 shares, contributing Rs.3.33/- to positive LTP i.e. 12.10% to market positive LTP. On the basis of his bank account statement (A/c No.: 03051490011918, HDFC Bank), it was observed that he made a debit transaction of Rs. 10,00,000/- on May 21, 2020 in the favour of Vanesh Panchal (who is a director in the company, IFSL). It was further observed that there was a credit transaction of Rs.10,00,000/- on June 02, 2020 in his said bank account, which was credited by Vanesh Panchal. In this regard, summon was issued to Noticee 5 and Vanesh Panchal. Noticee 5 submitted in its response that he knew Vanesh Panchal since 2005 and he took a hand loan of Rs.15,00,000/- from Vanesh Panchal during the initial stage of lockdown in the Covid-19 pandemic for which Vanesh Panchal credited Rs.10,00,000/- in the bank account of Noticee 5 and Rs.5,00,000/- in the bank account of Swati Ashlesh Shah (wife of Ashlesh Gunvantbhai Shah). Further, Vanesh Panchal in his response submitted that Ashlesh Shah is the Karta of Ashlesh Gunvantbhai Shah HUF and they have professional terms. On the basis of the said transactions and the response of Ashlesh Gunvantbhai Shah (Karta of Noticee 5) and Vanesh Panchal to SEBI summons, it was alleged that Noticee 5 was connected to Vanesh Panchal (director in the company, IFSL).

xi. Order analysis was also carried out in order to ascertain any manipulative pattern in the trading by Noticee 5. It was observed that Noticee 5 traded between November 10, 2020 and November 20, 2020. He bought 3519 shares and sold 3519 shares during the investigation period. From the order pattern of the Noticee 5, the following observations are made:

- All the orders placed by the Noticee 5 were limit orders and not market orders to raise the price of the scrip.
- The share price steadily went up from November 10, 2020 to November 18, 2020. In the said period, there were a total of 7 trading sessions. Out of the 7 trading sessions, Noticee 5 placed first order in 4 trading sessions i.e. on November 10, 12, 13 and 14. Further, in one session i.e. on November 17, Noticee 6 placed first order. On the basis of bank account statements, it was observed that karta of Noticee 5 and Noticee 6 are connected to each other. Further, Noticee 5, in his response to SEBI summon dated March 28, 2022 submitted that Noticee 6 is his friend since 15 years. In each of the said orders, the Noticee 5 put buy price significantly above (more than 4%) the closing price of the previous day. The details of the same are as follows:

Date	**Closing price on previous day**	**Buy price**	**% of Positive LTP contribution**
November 10	15.90	16.68	4.91
November 12	17.43	18.20	4.42
November 13	18.18	18.99	4.46
November 14	18.98	19.83	4.48
November 17	19.83	20.72	4.49

xii. Upon analysing the order log, it was further observed that there was no sell order before the buy order was placed by Noticees 5 and 6. The details of the first order (buy order) placed by Noticees 5 and 6 and first sell order are as follows:

Date	**Time at which buy order was placed**	**Time at which 1st sell order was placed**
November 10	9:37	11:29
November 12	9:15	9:18
November 13	9:15	9:25

November 14	9:20	9:22
November 17	9:15	9:22

xiii. It was further observed that between November 10 and November 18 Noticees 5 and 6 were the major contributor to the buy volume i.e. when the said entities purchased the shares and the price of the shares went up. The details of the same are as follows:

Date	**Buy volume by the entity**	**Total market buy volume**	**% of buy volume contribution by the entity**
November 10	531	531	100.00
November 11	311	420	74.05
November 12	712	830	85.78
November 13	150	150	100.00
November 14	51	51	100.00
November 17	100	105	95.24

xiv. The price effect made by Noticees 5 and 6 can be seen on the candlestick chart pattern of the scrip between the period November 10, 2020 and November 20, 2020 as follows:

xv. From the above chart pattern, it was observed that the share price of the company went up by 5% daily from Nov 10, 2020 to Nov 17, 2020. It was further observed that the upper price band of the scrip was 5%.Hence, the share price of the scrip could have been increased only by 5% on the higher side. It was further observed that the entities, Noticee 5 and Noticee 6 together entered in 5 first trades (35.71% of total instances) and also contributed Rs.4.01/- (36.53%) to the total NHP during Patch I.

xvi. New High Price Analysis - New High Price (NHP) is the price which is higher than the price already established in the scrip during the examination period. During the IP, the price opened at Rs. 13/- on November 03, 2020 and closed at Rs. 23.98/- on November 20, 2020. Thus, there was an increase in price of Rs.10.98/-. It was observed that in 21 trades, a new high price was discovered. It was observed that the entities namely, Noticees 5 and 6 together contributed Rs.4.01/- (36.53%) to the total NHP during Patch I.

xvii. First Trade Analysis: It was observed that Noticees 5 and 6 together entered in 5 first trades (35.71% of total instances). Positive LTP contribution by both the entities together was Rs.4.10/- which was 14.9% to total market positive LTP.

xviii. Based on the aforesaid observations and connections of Noticees 5 and 6 described in forthcoming paragraphs, it is alleged that Noticees 5 and 6 indulged in an act which manipulated the price of the scrip by increasing LTP, establishing new high price and conducting first trades.

xix. Matter related to SMS in the scrip of IFSL – It was observed that several SMSs were circulated during the period November 18 and 19, 2020, which read as "*Buy "Interactive Financial Services Ltd." IFINSER (BSE Code:539692) CMP:21.73 BTST Target:22.80++Short Term Target:50++Final Target:80++Buy Minimum 5000 Quantity Now Don't Miss it. Buy in Bulk*." Investigation observed that the said SMSs were sent using the sender ID – *BP-Growth.* It was further observed that the volume and price was increased during the SMS period. In view of the same, the data for the SMS sender (end user) was sought from the Telephone operator (BSNL) for the following headers:

Sr. No.	Sender ID	Service Provider
1	BP-Growth	BSNL

xx. Vide its email dated September 16, 2021, BSNL provided the KYC details of SMS originator. Based on the said information, it was observed that a company named 'Webczar Solutions' (Noticee 7) was the SMS originator in the instant matter. Vide email dated September 17, 2021, details were sought from Noticee 7 regarding its connection with Interactive Financial Services Ltd./its promoters/directors/KMPs and on whose behalf the bulk SMSs were sent. Noticee 7, in its response vide its email dated September 24, 2021, October 08, 2021 and October 21, 2021, stated that though the header "Growth" belongs to it but no such SMSs were delivered by it. Noticee 7 further responded that the header might have been used by some other entity also or the SMSs might have been sent with the header "GROWTH". It further stated that, the headers "Growth" and "GROWTH' are different and can be allotted to different entities.

xxi. In this regard, clarification was sought from BSNL regarding the SMS sender ID. The telecom operator, BSNL, vide its email dated November 15, 2021, stated that the SMS header is unique for an entity i.e. both the headers "Growth" and "GROWTH" are same and can only be allotted to one entity at a time. The telecom operator further stated that there is no possibility of having the same header registered/being used by some other entity also.

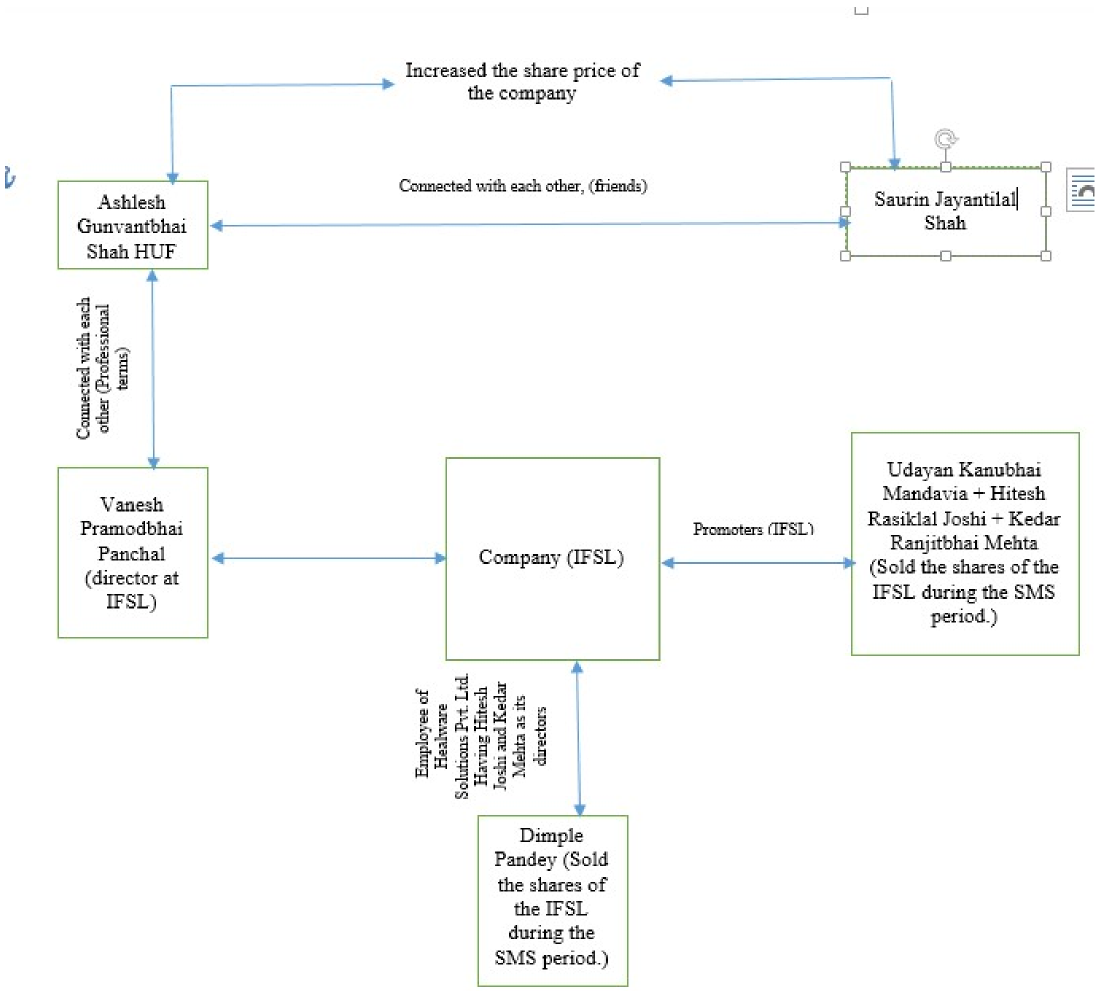
xxii. In view of the aforesaid, it was alleged that the SMSs were sent using the bulk SMS services provided by Noticee 7. From the trading pattern of Noticees 5 and 6, it was also observed that the said entities did not sell any shares between the periods November 10, 2020 to November 17, 2020 i.e. prior to the SMS period. However, they sold their entire shareholding on November 18, November 19 and November 20 i.e. when the SMSs were circulated and the price had already increased significantly.

xxiii. Role of the Promoters - It was observed that the promoters of the company viz. Noticee 1 (Udayan Kanubhai Mandavia), Noticee 2 (Hitesh Rasiklal Joshi) and Noticee 3 (Kedar Ranjitbhai Mehta) sold 490015 shares, 20000 shares and 12000 shares respectively on November 18, 2020 and November 19, 2020 i.e. during SMS period. Further, shareholders, holding more than 1% of the total holding, viz. Noticee 4 (Dimple Pandey) (holding 12.13% of total shares of the company) and Sarojini Santosh Randhawa (holding 1.34% of total shares of the company) sold 347326 shares and 40390 shares respectively on November 18 and November 19, 2020 only i.e. during the SMS period. Further, based on the selling concentration of 25% and above, payout of funds were withheld by the trading member Globe Capital Market Ltd. for Noticees 1 and 4.

xxiv. In view of the above, connections among the Noticees are as follows:

S.No.	**Entity Name**	**Connection**
1.	Udayan Kanubhai Mandavia	Promoter
2.	Hitesh Rasiklal Joshi	Promoter/Promoter Group
3.	Kedar Ranjitbhai Mehta	Promoter/Promoter Group
4.	Dimple Pandey	Employee of iPatientCare Pvt. Ltd. (new name – Healware Solutions Pvt. Ltd.), in which Hitesh Joshi (entity at sr. no.2) and Kedar Mehta (entity @ sr.no.3) are directors. Also, connected to Interactive Financial Services Ltd. on the basis of bank transactions.
5.	Ashlesh Gunvantbhai Shah HUF	Connected with Vanesh Panchal (director in IFSL) on the basis of bank transactions.
6.	Saurin Jayantilal Shah	Connected with Noticee 5 on the basis of bank transactions.

xxv. The schematic representation of the alleged connection and their dealing in the shares of the company is as follows:



xxvi. <u>Details of dealings of promoters of the Company during November 18, 2020 to November 19, 2020.</u> – It was observed that promoters' shareholding of IFSL was reduced from 13,59,050 shares as on September 30, 2020 to 8,37,035 shares as on December 31, 2020 i.e. a reduction of 17.32% (5,22,015 shares) in shareholding.

Name of the Shareholders	PAN No.	Sep 20		Dec 20	
		No. of Shares	% of Total no. of Shares	No. of Shares	% of Total no. of Shares
Udayan Mandavia	ADKPM4202F	1175000	38.99	684985	22.73
Hitesh Joshi	ACQPJ4626D	36700	1.22	16700	0.55
Kedar Mehta	ABWPM1374Q	147350	4.89	135350	4.49
Total		1359050	45.10	837035	27.77
No. of Shareholders		3		3	

xxvii. It was observed that all the 3 promoters of the company reduced their shareholding by selling shares through on-market transactions during quarter ended December 31, 2020. It was observed that the promoters of the company, Noticees 1, 2 and 3 sold 490015, 20000 and 12000 shares respectively during the SMS period. In this regard, trading details of the promoters for the investigation period were sought from BSE. The details of the same are as follows:

Name of the entity	Scrip : IFSL		Other Scrips	
	Gross Traded no. of shares	% activity in this scrip to total shares traded across market	Gross Traded shares	% activity in other scrips to total shares traded across market
Udayan Kanubhai Mandavia	490015	100.00%	0	0.00%
Hitesh Rasiklal Joshi	20000	100.00%	0	0.00%
Kedar Ranjitbhai Mehta	12000	100.00%	0	0.00%

xxviii. It was further observed that Noticees 1, 2 and 3 traded only in the scrip of IFSL during the SMS period i.e. on November 18, 2020 and November 19, 2020. It is further observed that the entities only sold the shares during that period. Based on the purchase value of the shares obtained from RTA (Satellite Corporate Services Pvt. Ltd.) of the company, the profit made by the entities is as follows:

S.No.	**Name**	**PAN**	**Avg. Buy Price**	**Avg. Sell Price**	**No. of shares sold during the SMS period**	**Profit**
1.	Udayan Kanubhai Mandavia	ADKPM4202F	Rs.3.71/-	Rs.22.11/-	490015	Rs.90,16,276/-
2.	Hitesh Rasiklal Joshi	ACQPJ4626D	Rs.8.00/-	Rs.22.84/-	20000	Rs.2,96,800/-
3.	Kedar Ranjitbhai Mehta	ABWPM1374Q	Rs.8.00/-	Rs.21.76/-	12000	Rs.1,65,120/-

xxix. Vide email dated November 10, 2021, details were sought from the promoters (at email id info@ifinservices.com) regarding SMSs, including rationale for selling shares during the SMS period. Since no response was received, various reminders were also sent vide email dated November 24, 2021 and December 09, 2021. Noticees 1 to 3 did not submit any reply to the reminders too.

xxx. <u>Analysis of shareholders holding more than 1% shares in the company</u> – It was observed that Noticee 4 held 12.13% (365350 shares) of total shares of the company. It was also observed that Noticee 4 sold 347326 shares (i.e. 95.07% of total shares held by her) during the SMS period. Investigation further observed that Noticee 4 traded only in the scrip of IFSL during the SMS period i.e. on November 18, 2020 and November 19, 2020.

xxxi. Vide email dated November 10, 2021, details were sought from Noticee 4 regarding SMSs, including rationale for selling shares during the SMS period. However, no response has been received from Noticee 4. In this regard, summon was also issued to her on March 14, 2022, however, the same has been returned undelivered. Based on the Linkedin profile search, Investigation observed that Noticee 4 is HR manager at iPatientCare. It was further observed that iPatientCare was previously known as Healware Solutions Private Limited and Noticees 2 and 3 are also the directors in Healware Solutions Private Limited. Thus, Noticee 4 was employee of Healware Solutions Private Limited. Further, upon analyzing the bank statements of Noticee 4 (A/c No.:312802010045433, Union Bank of India), a credit transaction of Rs.3400/- on April 29, 2020, was present in favor of Noticee 4 by IFSL. Hence, it is alleged that Noticee 4 is connected with IFSL and its directors

xxxii. It was observed that price of the scrip of IFSL increased from ₹13 on November 03, 2020 to ₹ 25.17 on November 23, 2020 and Noticees 5 and 6 allegedly contributed to price rise by manipulating the price of the scrip by increasing LTP, establishing new high price and executing first trades. It was also observed that bulk SMS were being sent by Noticee 7, allegedly to lure investors in the scrip of IFSL and generate volume in the scrip, and thereby providing exit opportunity to Noticees 1 to 4. Hence, it was alleged that a scheme or artifice was orchestrated for increasing price of the scrip by increasing LTP, establishing new high price and executing first trades by Noticees 5 and 6; allegedly luring investors and generating volume in the scrip of IFSL by sending bulk SMS by Noticee 7; thus providing exit opportunity to Noticees 1 to 4, being promoter, director and connected entity, which sold their shares during the IP

xxxiii. Noticees 1 to 3 were alleged to have orchestrated a scheme to manipulate the price in the scrip wherein Noticees 5 and 6 manipulated price of the scip of IFSL by increasing LTP, establishing new high price and executing first trades; Noticee 7 circulated bulk SMS recommending buying in the scrip of IFSL, thus generating volume in the scrip of IFSL; thereafter Noticees 1 to 4 sold the shares of scrip of IFSL during the SMS period. Hence, it was alleged that Noticees 1 to 7 violated provisions of Regulation 3 (a), (b), (c), (d), 4 (1), 4 (2) (a) & (e) of PFUTP Regulations 2003 read with Section 12A (a), (b) and (c) of SEBI Act, 1992.

8. Submissions made by Noticee 7, vide mails dated September 19, 2022, October 14, 2022 and October 17, 2022, are summarized below:

i. *Noticee 7 is a Digital Marketing and IT Services provider company who are working in the same field from last 6 years. The Services provided by Noticee 7 includes website design and Development, Social Media Marketing, Application Design and Development, Bulk SMS Promotional & Transactional, IVR Solutions etc. Noticee 7 is a SMS reseller who takes SMS services from aggregators SMS Vendors. No bulk SMSs (as alleged in the Notice) have been sent by Noticee 7 or its clients as Noticee 7 was not even having any knowledge of the alleged bulk SMSs and came to know for the first time on 06.04.2021 when the complaint was sent to the Noticee 7 by BSNL. Pertinently, the Header name (Growth) & PE –ID (1401856260000019479) of the client of the undersigned is different from the Header ID (GROWTH) & PE-ID (1409160217271762152) from where the alleged Bulk SMSs have been sent. Furthermore, Noticee 7 is having two header ID'S for same Header name "Growth" provided by BSNL. Copies of Header ID sent by BSNL through email and uploaded over portal were enclosed along with.*

ii. *The The Header ID'S are as following*
   a. *Header ID provided by BSNL (by Email)- 1405159169449572366*
   b. *Header ID provided by BSNL (by panel)-1405158132617613011*
   c. *Header ID approved by VMIPL (V con) - 145158132617613011*

iii. *A Header ID provided by BSNL through Email and the Header ID uploaded by BSNL on DLT portal is different for the reasons best known to BSNL which well demonstrates that there was some technical fault on DLT Portal due to which Noticee 7 has suffered. Furthermore, the Header ID uploaded by BSNL on portal is actively used by Noticee 7.*

iv. Noticee 7 deals in Promotional & Transactional SMSs. Pertinently, During January 2020, the DLT (Distributed Ledger Technology) Block Chain Technology notification came qua all Promotional and Transactional SMSs. It was notified that all the users including the Aggregators/Resellers/Vendors/Customers need to Register themselves on any operator as Telemarketers and the Principle Entity (PE) has to register the Header.

v. During April 2020, the operator initiated the process of registration of the Headers name. For Transactional SMSs were registered like SKPROP & Promotional SMSs like 125467. The Client of the undersigned also applied for registration of the Header. Pertinently, the operator apprised the applicants/companies that there will be no duplicacy of the header. Meaning thereby, different Principle Entities will have different Headers and no two Principle Entities will get the same Header. Considering the directions, the Noticee 7 provided number of headers to the operator for approval. However, there was a hitch of same header name with Capital letters and small letters. Meaning thereby, when the Noticee 7 applied with header GROWTH (Capital letters) it flashed as already registered but when the same header name was applied with small letters i.e. "Growth " it got approved. Furthermore, many headers were approved after May/June 2020 under entity ids, PE-ID's which were open in the market by all the operators/Aggregators and any company (whether registered or not) can misuse/hack the Header Name, without the knowledge of the actual header owner as the aggregators/operators have all the confidential information of PE-IDs of the companies who buys SMSs from them. Meaning thereby, "prior to March/April 2021" the header could be misused by anyone when the template restriction was open. It is not out of place to mention here that due to Header Name and PE-IDs hacking by aggregators/operators the DLT came into existence in April 2021. Noticee 7 have apprehensions that he has been targeted by other users by hacking the Header name and PE-ID of the client of the undersigned as there was no template/SMS Content restrictions when the alleged Bulk SMSs were sent (November 2020) and Noticee 7 *was flourishing in his work and had maintained his goodwill due to his relentless and honest efforts. Noticee 7 has approached the cyber crime and has filed a complaint (Online) on National Cyber Crime reporting Portal. The Copy of the same is enclosed herewith. Pertinently, the complaint filed by Noticee 7 well demonstrates its innocence.*

vi. *A the Header Registration request of the client of the undersigned was approved and the same was received by the client of the undersigned as following :*
   - *APPROVED ON 12 JUNE 2020 - Header Name : Growth (BSNL)*
     Entity ID 1401856260000019479

     TWO Header ID'S BY BSNL :140515916944572366 (through Email) & 1405158132617613011 (uploaded on Panel)
   - *APPROVED ON 15TH JUNE 2020 Header Name : Growth (VMIPL)(V-CON)*
     Entity ID :1401856260000019479

     Header ID: 1405158132617613011

vii. *Noticee 7 also enclosed copies of approval of header registration along with its reply.*

viii. *Noticee 7, being unaware of the alleged bulk SMS (though not admitted) came to know about the same when complaint was received from BSNL and RTM Violation complaint was shared with Noticee 7. Noticee 7 apprised the BSNL that PE-ID does not belong to his company and the SMSs were also not delivered from his SMS Panel and SMS Line. Furthermore, Noticee 7 requested the BSNL to raise the issue with the concerned Department. The Copy of the Email Dated 06.04.2021 is enclosed.*

ix. *Furthermore, the client of the undersigned again received an Email dated 17.09.2021 from the Investigation Department SEBI (despite of the fact that clarification was given to BSNL) stating that the company of the client of the undersigned have sent bulk SMSs from the sender id BP-Growth with respect to the scrip of Interactive Financial Services Limited during the period Nov. 03, 2020 –Dec 20, 2020 and asked the client of the undersigned to provide complete details. Pertinently, the E-mails were properly and timely replied by the client of the undersigned. The Client of the undersigned after checking the data base reports for September 2020, October 2020, November 2020* *as well as December 2020 months apprised the Investigation Department vide Email dated 24 September 2021 that "NO SMSs" were sent by the client of the undersigned.*

x. *Pertinently, in the absence of knowledge or intention, the client of the undersigned cannot be held liable for any fraud or unfair trade practice. Knowledge is the main ingredient of unfair trade practice as well and Fraud which is missing in the present case.*

xi. *Vide email dated October 14, 2022, Noticee 7 submitted notarized affidavit that the Reports of users delivered from Header " Growth" from 16th Nov. 2020 - 20th Nov. 2020, as asked by the undersigned were true and correct and nothing was concealed therewith. Vide the same mail, files containing details of all the SMS sent by Noticee 7 and through his headers were received by the undersigned.*

xii. *Vide mail dated October 17, 2022, Noticee 7 demonstrated, by giving a link which he later created, that two Header IDs, created by different entities with same name but one in upper case and another in lowercase are still permitted, and can be used. Noticee 7 submitted that during the hearing on 07.10.2022, the undersigned apprised that BSNL has conveyed that 1 Header Name with any small or capital combination would be allotted to a single entity only and no other entity can take the same header name. Noticee 7 sent some screenshots, videos, images for the same demonstrating Webczar and Other entity having the same header name as given below*

- *Webczar PE ID: 1401856260000019479 Having Header approved jbwalk*
- *Other entity with PE ID: 1201159237277193308 having header approved JBWALK*
- *Both Header can send sms with any small and capital combinations*
- *The above shared documents corroborates the fact that Header growth was misused by someone during the 2020-2021 period*
- *Noticee 7 also provided a link to log in and send SMS using two different headers registered with different entities, with same name, but different cases*

9. Submissions made by Noticee 5, vide mails dated October 07, 2022 and October 19, 2022 are enclosed herewith.

i. Investigation period has been divided in the SCN into two patches. In Patch 1, Noticee 5's Buy Volume (3519 shares) and Sell Volume (3520 Shares) are 0.32% each, as the market volume during Patch 1 is 1071000 shares.

ii. Noticee 5, vide reply dated March 23, 2022 to the summons dated March 14, 2022 submitted that it has no connection with IFSL and its promoters, directors and key managerial person (KMP) and the karta of the Noticee knows Mr. Vanesh Panchal since 2005 and had only financial dealing with him in the month of May 2020 when Mr. Panchal had approached the Karta for a handloan of INR 15,00,000 Lacs. This was during the initial stage of lockdown in the COVID-19 pandemic as he informed the Karta that he was facing certain financial crisis because of the lockown and COVID-19 pandemic and had requested the Karta personally for financial help. Further, he had promised to return the money within a short period of time. Hence, INR 10,00,000 were transferred from the Noticee's account and INR 5,00,000 from the Karta's wife viz. Mrs. Swati Shah to him. As can be seen from the bank statements, the monies that has been paid as a hand loan on May 21, 2020 had been returned within seven days i.e., on June 02, 2020. The bank transaction in question if of May 21, 2020 and June 02, 2020 i.e., prior to the Investigation period which is from November 01, 2020 to December 15, 2020.

iii. Noticee 5 pointed out that it is incorrectly recorded in the SCN that notice 5 took a loan from Vanesh Panchal, whereas, actually, Noticee 5 and his wife had lent to Vanesh Panchal.

iv. Mr. Vanesh Panchal became a director of IFSL on July 01, 2021 i.e., almost after a period of 7 months from the investigation period which is ended on December 15, 2020. Thus, the Noticee's connection with Mr. Vanesh Panchal is of no consequence to the Noticee's trading in the scrip of IFSL during the investigation period and also *cannot be used to establish any indirect connection of the Noticee with Noticee Nos. 1 to 4.*

v. *Mr. Vanesh Panchal although a director of IFSL. However, neither Mr. Vanesh Panchal nor IFSL is a Noticee in the captioned SCN. Mr. Vanesh Panchal has not traded a single share during the investigation period.*

vi. *There is nothing on record to even remotely suggest the Noticee's involvement in the circulation of SMS on November 18, 2020 to November 19, 2020 recommending Buying of shares of IFSL.*

vii. *Noticee 5 referred and quoted from the judgement of Hon'ble SAT in the matter of Ashlesh Gunvantbhai Shah (Appeal No. 375 of 2019) dated September 15, 2021 and also in the matter of Baldevsinh Vijaysinh Zala, dated August 12, 2021.*

viii. *Noticee Nos. 1, 2, 3, 4 and 6 are not counter-parties to any of the trades (Buy + Sell) of Noticee 5. Also, there is no connection of Noticee 5 with the counter-parties to its 10 positive LTP trades. Hence, in the absence of any connection between the Buyer and the seller, preponderance of probability cannot be applied. In this regard, Noticee 5 referred to and quoted from the judgement of Hon'ble SAT in the matter of Nishith M. Shah HUF v. SEBI (Appeal No. 97 0f 2019) dated January 13, 2020.*

ix. *It is submitted that the scrip of IFSL witnessed a price rise of Rs.10.98/- during Patch-1 of the investigation period. It is pertinent to mention that the market positive LTP during Patch-1 was Rs. 10.98/- and the price rise during Patch-1 was also Rs. 10.98/-. Thus, the Noticee's alleged 10 Buy trades with Rs. 3.33/- LTP cannot be made responsible for the price rise as the market positive LTP and the price rise is identical and the Noticee's LTP contribution was only 12.10% of the market positive LTP.*

x. *Noticee 5 placed its buy orders within permissible market limits. His trades allegedly resulted into +ve LTP of Rs. 3.33 in 10 trades which is which is 12.10% of the total market +ve LTP. Thus, the purported LTP contribution is minute, insignificant, irrelevant and of no consequence to the total market +LTP and no cognizance can be taken thereof. Further, it is pertinent to note that the entire volume of Noticee 5 in the* *scrip of IFSL during the investigation period was 3519 shares, however only 541 shares (0.05% of the market volume) only have been considered towards positive LTP contribution and therefore, the 10 alleged objectionable LTP trades of the Noticee for 541 shares is miniscule to have any impact on the price of the scrip of IFSL.*

xi. *As per table 9 at page 12 of the Show Cause Notice, on Nov 10, 12, 13, 14 and 17 of 2022, Noticee 5 placed Buy orders at a price higher than the previous day closing price of the scrip of IFSL and as per table 10, there were no sell orders before the buy orders were placed by Noticee 5. It was submitted that the price of the scrip of IFSL was continuously moving since November 03, 2020.*

xii. *Prior to November 10, 2020, on 5 consecutive days, the scrip opened at a higher level than the previous day closing. Looking at the upwards momentum of the scrip for 5 consecutive days, Noticee 5 wanted to buy shares and therefore he used to place orders at a slightly higher price than the previous day closing. Noticee 5 was a genuine buyer and the same can be seen from the fact that the Notice placed its Buy orders within 15-20 minutes after the opening of the market as can be seen from the table no. 10 of the SCN.*

xiii. *As per para 22 and 24 of the SCN, during Patch-1 of the investigation period, it was observed that NHP of Rs. 10.9/- was discovered in 21 trades, out of which Noticee 5 contributed to NHP of Rs. 3.12 in 6 instances. Out of the NHP of Rs. 3.12 in 6 instances, in 4 instances the NHP contribution was through first trades.*

(i) The actual price rise during Patch-1 is Rs. 10.98/-;

(ii) Market Positive LTP during Patch-1 is Rs. 10.98/-;

(iii) New High Price during Patch-1 is Rs. 10.9/-.

xiv. *It was submitted that there is no co-relation between Price rise, LTP and NHP and therefore, the 10 alleged objectionable Positive LTP trades of the Appellant contributing Rs. 3.33/- (out of which 3.23 is towards NHP) cannot be responsible for the price rise of the scrip and hence cannot be termed manipulative.*

xv. *The trades of Noticee 5 in the scrip of IFSL were independent, standalone and based upon his own research and analysis and Noticee 5's volume of 3519 shares was 100 % deliveries based with change in beneficial ownership. Hence the entire SCN is misconceived.*

xvi. *Noticee 5 also submitted various mitigating factors including Noticee 5 is not guilty of conduct which is contumacious or dishonest or acted in conscious disregard of law. Noticee 5 has not acted in defiance of law. The actions of Noticee 5 are not in any manner detrimental to the securities market and Noticee 5 has conducted all his operations with integrity and in the best interest of its shareholders; transactions were delivery based and hence there was a change in beneficial ownership and thus it cannot be said to be manipulative; the scrip of SML was in 'T' group and thus under continuous surveillance / supervision. Hence, there was no scope for manipulation in the scrip; None of the remaining Noticees are counter-parties to any of the trades (Buy + Sell) of Noticee 5; no role of Noticee 5 has been identified in the sending the SMSs. Noticee 5 also relied and quoted from the judgement of Hon'ble Supreme Court in M/s Hindustan Steel Ltd. v. State of Orissa reported in 1969 (2) SCC 627.*

xvii. *Vide mail dated October 19, 2022, while reiterating the submissions already made by Noticee 5, it was also submitted that the NHP trades were placed at a higher price as the price of the scrip was increasing and it was seller's market and thus, to buy the shares, it placed the trades at a higher price.*

10. Submissions made by Noticee 6, vide mail dated October 07, 2022 are summarized as under:

i. *Investigation period has been divided in the SCN into two patches. In Patch 1, Noticee 6's Buy Volume (2380 shares) and Sell Volume (2380 Shares) are 0.22% each, as the market volume during Patch 1 is 1071000 shares.*

ii. *Noticee 6 submitted basis of connection between him and Noticee 5 is on the basis of bank transaction, the details of which have not been provided in the SCN. It was also* *submitted that the AO is entirely misplaced in establishing the Noticee 6's connection with remaining Noticee Nos. 1 to 4 and 7 on the basis of Noticee's alleged connection with Mr. Ashlesh Gunvantbhai Shah. Noticee 6 referred and quoted from the judgement of Hon'ble SAT in the matter of Ashlesh Gunvantbhai Shah (Appeal No. 375 of 2019) dated September 15, 2021 and also in the matter of Baldevsinh Vijaysinh Zala, dated August 12, 2021.*

iii. *Noticee Nos. 1, 2, 3, 4 and 5 are not counter-parties to any of the trades (Buy + Sell) of Noticee 6. Also, there is no connection of Noticee 6 with the counter-party to its single positive LTP trade. Hence, in the absence of any connection between the Buyer and the seller, preponderance of probability cannot be applied. In this regard, Noticee 6 referred to and quoted from the judgement of Hon'ble SAT in the matter of Nishith M. Shah HUF v. SEBI (Appeal No. 97 0f 2019) dated January 13, 2020.*

iv. *No connection of the Noticee is established with Webczar Solutions and there is nothing on record to even remotely suggest the Noticee's involvement in the circulation of SMS on November 18, 2020 to November 19, 2020 recommending Buying of shares of IFSL.*

v. *Noticee 6's contribution to price rise was only of ₹0.89 and that he was not even one of the top 10 Buyers and Sellers during Patch-1 of the Investigation period.*

vi. *It was submitted that the scrip of IFSL witnessed a price rise of Rs.10.98/- during Patch-1 of the investigation period. It is pertinent to mention that the market positive LTP during Patch-1 was Rs. 10.98/- and the price rise during Patch-1 was also Rs. 10.98/-. Thus, the Noticee's alleged 1 Buy trade with Rs. 0.89/- LTP cannot be made responsible for the price rise as the market positive LTP and the price rise is identical and the Noticee's LTP contribution was only 3.23 % of the market positive LTP.*

vii. *Noticee 6 submitted that it placed its buy orders within permissible market limits. The Noticee further states that only a single trade of the Noticee allegedly resulted into +ve LTP of Rs. 0.89 in 1 trade which is which is 3.23% of the total market +ve LTP. Thus, the purported LTP contribution is minute, insignificant, irrelevant and of no* *consequence to the total market +LTP and no cognizance can be taken thereof. Further, it is pertinent to note that the entire volume of the Noticee in the scrip of IFSL during the investigation period was 2380 shares, however only 100 shares (0.01% of the market volume) only have been considered towards positive LTP contribution and therefore, the single alleged objectionable trade of the Noticee for 100 shares is miniscule to have any impact on the price of the scrip of IFSL.*

viii. *Further, Noticee 6 laid emphasis on the fact that only a single trade executed by him is considered objectionable on account of positive LTP contribution. In this regard, Noticee 6 relied and quoted from the judgement of Hon'ble SAT vide its order dated 05thOctober, 2020 in Appeal No. 253 of 2020 in the matter of Indivar Traders Pvt. Ltd.*

ix. *As per table 9 at page 12 of the Show Cause Notice, on Nov 17, 2022, the Noticee placed Buy orders at a price higher than the previous day closing price of the scrip of IFSL and as per table 10, there were no sell orders before the buy orders were placed by the Noticee. It is submitted that the price of the scrip of IFSL was continuously moving since November 03, 2020. The relevant extract of the Price Volume data is produced below:*

Date	Open Price	High Price	Low Price	Close Price
03-Nov-20	13	13.65	13	13.65
04-Nov-20	14.33	14.33	12.97	13.9
05-Nov-20	14.1	14.55	13.25	14.5
06-Nov-20	15	15.2	14.85	15.17
09-Nov-20	15.92	15.92	14.8	15.9
10-Nov-20	16.68	16.69	16.67	16.69
11-Nov-20	17.5	17.5	17.4	17.43
12-Nov-20	18.2	18.21	18.14	18.18
13-Nov-20	18.99	18.99	18.98	18.98
14-Nov-20	19.83	19.83	19.83	19.83
17-Nov-20	20.72	20.73	20.72	20.73
18-Nov-20	19.7	21.76	19.7	21.76

x. *From the aforesaid, it can be seen that that the price of the scrip of IFSL was continuously moving since November 03, 2020 onwards. It is pertinent to note that* *prior to November 17, 2020, on 10 consecutive days, the scrip opened at a higher level than the previous day closing and in fact on Nov 13 and 14 there was upper circuit in the scrip. Noticee to the best of his recollection states that November 14 was the last trading session of the week on which there was upper circuit in the scrip and looking at the same, the Noticee in order to make sure that his buy order gets matched, on November 17 placed his buy order at a slightly higher price than the previous day closing of November 14. Pertinently, on November 17 as well there was upper circuit in the scrip.*

xi. *Noticee states that he was a genuine buyer and the same can be seen from the fact that the Notice placed its Buy order at 09:15 AM i.e., immediately at the time when the market opened as can be seen from the table no. 10 of the SCN. Thus, a single instance of the Noticee placing order at a slightly higher price than the previous day closing especially when there was upper circuit in the last two trading sessions, cannot be treated as manipulative.*

xii. *As per para 22 and 24 of the SCN, during Patch-1 of the investigation period, it was observed that NHP of Rs. 10.9/- was discovered in 21 trades, out of which the Noticee contributed to NHP of Rs. 0.89 in 1 instance which is also a first trade. It is humbly submitted that:*

(i) The actual price rise during Patch-1 is Rs. 10.98/-;

(ii) Market Positive LTP during Patch-1 is Rs. 10.98/-;

(iii) New High Price during Patch-1 is Rs. 10.9/-.

xiii. *It is submitted that there is no co-relation between Price rise, LTP and NHP and therefore, the 10 alleged objectionable Positive LTP trades of the Appellant contributing Rs. 0.89/- which was also towards NHP cannot be responsible for the price rise of the scrip and hence cannot be termed manipulative as already explained in paras 23 and 24 of the present reply.*

xiv. *The trades of the Noticee in the scrip of IFSL were independent, standalone and based upon his own research and analysis and Noticee' volume of 2380 shares were 100 %*

deliveries based with change in beneficial ownership. Hence the entire SCN is misconceived.

xv. *Noticee 6 also submitted various mitigating factors including Noticee 6 is not guilty of conduct which is contumacious or dishonest or acted in conscious disregard of law. Noticee 6 has not acted in defiance of law. The actions of Noticee 6 are not in any manner detrimental to the securities market and Noticee 6 has conducted all his operations with integrity and in the best interest of its shareholders; transactions were delivery based and hence there was a change in beneficial ownership and thus it cannot be said to be manipulative; the scrip of SML was in 'T' group and thus under continuous surveillance / supervision. Hence, there was no scope for manipulation in the scrip; None of the remaining Noticees are counter-parties to any of the trades (Buy + Sell) of Noticee 6; no role of Noticee 6 has been identified in the sending the SMSs. Noticee 6 also relied and quoted from the judgement of Hon'ble Supreme Court in M/s Hindustan Steel Ltd. v. State of Orissa reported in 1969 (2) SCC 627.*

11. Submissions made by Noticees 1, 2, 3 and 4, vide mail dated November 08, 2022, are summarized as under:

i. The findings and allegations set out in the SCN are not based on any specific breach by Noticees 1, 2, 3 and 4 of any applicable laws. The allegations made above is not based on any *inter-se* connection between Noticees 1, 2, 3 and 4 and Noticee Nos. 5 to 7. In absence of any connection, the charge of orchestrating a scheme to manipulate the price of IFSL is *ex-facie* erroneous and baseless. Further, there is not a single piece of evidence which suggest that Noticee Nos. 1 to 3 had orchestrated a scheme or artifice to increase the price of the scrip by increasing the LTP. As such, the trades of the Noticees are not indicative of any fraudulent activity. The trades were entered into at the price available and, therefore, Noticees 1, 2, 3 and 4 were the price taker. In the circumstance, the trades were genuine and cannot be questioned. Thus, the allegations hereinabove qua the Noticees 1, 2, 3 and 4 are baseless and without any merits.

ii. Following chronology of events was submitted in their reply.

Date	***Particulars***
2015	*Noticee No. 1 considered making investment in IFSL, which was a listed company. The company was incorporated and listed with the Ahmedabad Stock Exchange in October 1994 and was thereafter listed on the BSE Limited ("**BSE**") in March 2016.*
June 19, 2015	*Noticee No. 2 was associated with IFSL as he had just been appointed as CFO of IFSL.*
July 2015	*Noticee No. 1 met with one Mr. Mayur Parikh, who had been Noticee No. 1's friend as well as a financial advisor, to discuss investment opportunity in IFSL.*
October 2015	*After due deliberation, Noticee Nos. 1 to 3 decided to take control of IFSL.*
October 14, 2015	*Noticee No. 1 purchased 720000 shares of IFSL*
October 14, 2015	*Noticee No. 4, on the advice of Noticee No. 1, also invested in IFSL by purchase of a total of 365350 shares of IFSL with a long-term goal.*
June 2016	*Noticee Nos. 1 to 3 made open offer to take over IFSL.*
October 2016	*Noticee No. 1 was inducted as an additional director and thereafter appointed as Managing Director of IFSL. The erstwhile promoters resigned from the board.*
December 16, 2016	*Noticee Nos. 1 to 3 became promoters of IFSL.*
December 30, 2016	*Noticee No. 1 further acquired 455000 shares of IFSL.*
January 10, 2017	*Noticee No. 2 acquired 36700 shares of IFSL.*
June 7, 2017	*Noticee No. 3 acquired 105450 shares of IFSL.*
December 28, 2018	*Noticee No. 3 further acquired 41900 shares of IFSL.*

May 30, 2019	*A board meeting of IFSL was held at which time a disclosure was made that the company had lost a major client and was therefore considering alternative strategy of business sustenance and expansion. A copy of the corporate announcement was also provided along with the reply.*
April-June 2020	*After trying to locate opportunities for growing IFSL in the desired market focus, namely, USA healthcare revenue cycle management and software implementation with practically no reasonable success, the Noticees started considering to exit the company during the second quarter of 2020, and considered deploying their funds in alternative opportunities and personal priorities.*
November 2020	*In and around November, 2020, the price of the scrip was high and, therefore, the Noticees decided to offload their shareholding, while continuing to remain as promoters, to meet with their respective professional and personal obligations in a difficult global market due to Covid-19 pandemic and restrictions in traveling to the USA, which was IFSL's focus market. Thus, the Noticees started monitoring the price of the scrip for an opportunity to divest.*
November 18 – 19, 2020	*Noticee No. 1 sold 330069 shares of IFSL on November 18, 2020 and 159946 shares of IFSL on November 19, 2020.* *Noticee No. 2 sold 20000 shares of IFSL on November 19, 2020.* *Noticee No. 3 sold 12000 shares of IFSL on November 18, 2020.* *Noticee No. 4 sold 208700 shares of IFSL on November 18, 2020 and 138626 shares of IFSL on November 19, 2020.*
November 18 – 19, 2020	*SMS was circulated on November 18 – 19, 2020 ("**SMS Period**"), inter alia, recommending buying of shares of IFSL.*
November 19 – 27, 2020	*Upon becoming aware of the aforementioned SMS through a communication from the BSE, IFSL decided to pursue a legal recourse. IFSL issued a public notice for the interest of the investors warning them to ignore such SMS in an English and a Gujarati newspaper. Additionally, it also filed a criminal complaint too. Copies of the communication with the BSE were also provided as annexure to their reply.*
December 1, 2020	*Noticee No. 1, on behalf of IFSL, lodged a criminal complaint with the Cyber Criminal Cell, Police Station, Ahmedabad, in respect of the*

	circulation of the aforementioned SMS. Noticee Nos. 1 and 2, on behalf of IFSL, regularly followed up with the police, however, these follow ups were mostly remote due to the global pandemic restrictions, yielding very limited effectiveness of their follow up and concrete results. Noticee Nos. 1 to 3 have not been associated with IFSL since April, 2022, and thus, are not aware of the current status of the complaint. *A copy of the police complaint was also provided as annexure to their reply.*
January-March 2021	*Parikh suggested to add Merchant Banking as a Line of Business in IFSL. Mr. Mayur Parikh himself has very successful track record and experience in the Merchant Banking business. Additionally, he introduced Noticee No. 1 to one Mr. Vanesh Panchal who had a background in financial services, and had been associated with Mr. Mayur Parikh, as well as desired to join Mr. Mayur Parikh in helping IFSL to grow its business in the Merchant Banking sector. Accordingly, Noticee Nos. 1 to 3 were impressed by the prospects of IFSL's growth in the Merchant Banking sector, and were enthused with the possibilities of Mr. Mayur Parikh and Mr. Vanesh Panchal coming onboard as directors in IFSL. Noticee No. 1 recommended Mr. Mayur Parikh and Mr. Vanesh Panchal to join IFSL's Board of Directors, to leverage from their experience in the field.* *[NB: Noticee Nos. 1 to 3 came in contact with Mr. Vanesh Panchal for the first time only in March 2021 viz. much after the sale trades of Noticee Nos. 1 to 3 in November 2020.]*
June 2021	*Mr. Vanesh Panchal and Mr. Mayur Parikh joined as a directors of IFSL.*
In and around January 2022	*After giving one more year (of 2021) to grow IFSL in its USA healthcare focused revenue cycle management and software implementation, and finding no light to the end of the tunnel, Noticee Nos. 1 to 3 decided to exit the company entirely and let IFSL stay focused on Merchant Banking line of business.*
March 2022	*Noticee No. 1 sold his remaining shares of IFSL on March 11, 2022 (202644 shares), March 23, 2022 (300000 shares) and March 28, 2022 (182341 shares).*

April 2022	*Noticee No. 2 sold his remaining shares of IFSL on April 5, 2022 (324 shares) and April 6, 2022 (16376 shares).* *Noticee No. 3 sold his remaining 135350 shares of IFSL on April 6, 2022.*
April 21, 2022	*any board seat/ employment/ shares of IFSL, have no association with IFSL. A copy of the corporate announcements in this regard was provided as annexure to their reply.*
July 8, 2022	*An application was made to the BSE to declassify Noticee Nos. 1 to 3 as promoters of IFSL. The application was approved by way of letter of BSE dated October 27, 2022. A copy of the approval letter was enclosed as annexure to their reply.*

iii. <u>No inter se connection with each other</u> - Insofar as Noticee No. 4 is concerned, it is only alleged that she sold here shares during the SMS Period and, therefore she is guilty of fraud. Noticee No. 1 has known Noticee No. 2 since 1995 and Noticee No. 3 since 1991. Noticee Nos. 1 to 3 have been jointly engaging in business activities off-and-on and on project/venture basis. Noticee No. 1 is a known for his enterprising leadership in the field of healthcare IT for more than 30 years. He is a technocrat from Indian Institute of Technology-Bombay (IIT-B) with Masters in Business Administration from Eastern Michigan University, USA. He has more than 35 years of experience in Management Consulting, Project Management, and Healthcare IT transformation for the USA and India based Governments, Private and Public Sector Undertakings, and Hospitals/Clinics. Noticee No. 2 has about 25 years of experience in managing accounting and finances of medium to large sized organizations. Noticee No. 3 is a software professional with more than 30 years of experience in the field of IT, out of which more than 20 years have been in healthcare IT. Noticee No. 4, Dimple Pandey, worked as an employee of iPatientCare Private Limited for more than six years. Noticee No. 4 has more than 13 years of experience in learning and development of human resources and recruitment of IT professionals. Noticee No. 4 never worked for IFSL but had been a major investor along with Noticee Nos. 1 to 3 because of her rich experience in healthcare IT focused HR and talent acquisition *experience. Thus, Noticee Nos. 1 to 4 have known each other for a very long period and, have been closely working together.*

iv. *However, insofar as Noticee Nos. 5 to 7 are concerned, the Noticees are not connected with them in any manner whatsoever. The sole link of connecting Noticee Nos. 5 and 6 to the Noticees, is on account of Noticee No. 5 knowing Mr. Vanesh Panchal, who was neither known to Noticee Nos. 1, 2, 3, and 4 nor a Director of IFSL in November, 2020 (when the trades occurred). The Noticees are unnecessarily alleged to be connected to Noticee Nos. 5 and 6 simply on the basis of Mr. Vanesh Panchal being a Director in IFSL, which he wasn't during the time of the trade.*

v. *It is respectfully submitted that Mr. Vanesh Panchal was not known to Noticee Nos. 1 to 3 until March 2021, when he was introduced to Noticee No. 1 by one Mr. Mayur Parikh. The trades in question were in November 2020, that is much before Noticee Nos. 1 to 3 got acquainted with Mr. Vanesh Panchal. As explained in the chronology of events above, Noticee No. 1, on advice of Mr. Parikh, met Mr. Vanesh Panchal in and around March 2021 to seek his help in raising funds for IFSL. At such time, Mr. Panchal proposed a new line of business i.e. of merchant banking given his experience in the field. Accordingly, Noticee Nos. 1 to 3 were impressed by the vision proposed by Mr. Vanesh Panchal. Also, he came from a recommendation of Mr. Parikh, who had been an advisor to Noticee No. 1. Based on this, Mr. Vanesh Panchal was proposed to be hired as a Non-executive direction and in professional capacity on the board of IFSL.*

vi. *Mr. Panchal thereafter was inducted as a director in June 2021. A copy of the minutes of the meeting of June 29, 2021 was enclosed as annexure to their reply.*

vii. *Noticee No. 4 is not known to Mr. Vanesh Panchal personally or professionally even as on the date of the SCN. It is only because she knew Noticee Nos. 1 to 3, the SEBI has concluded that she knew Mr. Vanesh Panchal.*

viii. *Further, upon receipt of the SCN, Noticee No. 1 requested Mr. Mayur Parikh to confirm that Mr. Vanesh Panchal was not known to Noticee No. 1 up until March*

2021. This has been confirmed by Mr. Mayur Parikh by way of an affidavit dated October 4, 2022 and notarised on October 6, 2022.

ix. *Thus, the allegation that the Noticees are connected to Noticee Nos. 5 and 6 and, therefore played a fraud on the market is unsustainable.*

x. *With respect to Noticee No. 7, the company which allegedly circulated SMSes, the SCN does not adduce any evidence of any connection between the Noticees and Noticee No. 7. Even when Noticee No. 7 was questioned by the SEBI, it has categorically stated that they do not know the Noticees. Thus, admittedly there is no connection between the Noticees and Noticee No. 7.*

xi. *In view of the above, the entire allegation of fraud against the Noticees in the SCN fails on account of there being no connection of the Noticees with Noticee No. 5 to 7. In this regard, Noticees 1, 2, 3 and 4 relied and quoted from the judgements of Hon'ble SAT in the matter of H B Stockholdings dated August 27, 2013, Nishith M. Shah HUF v. SEBI (Appeal No. 97 of 2019) dated January 13, 2020 and Baldevsinh Zala dated August 12, 2021 in Appeal No. 150 of 2019.*

xii. *In fact, Noticee No. 5, Mr. Ashlesh Gunvantbhai Shah, in his statement recorded before the SEBI on March 28, 2022 has categorically stated that "I have no relationship with the above entity". The "above entity" being the Noticees.4 Similarly, Mr. Vanesh Panchal has confirmed that he knew Noticee Nos. 1 to 3 only since May and July 2021.5 Insofar as Noticee No. 4 is concerned, Mr. Vanesh Panchal has categorically stated that "I am not aware about her".*

xiii. *In light of the above, there is clearly no material evidence adduce by the SEBI to prove the Noticees' linkage to the other entities, namely Noticee Nos. 5 to 7, who might have engaged in fraudulent activities. Thus, the Noticees certainly deserves benefit of doubt from the regulator as the record made available in SCN proves no connivance or collusion or fraud by the Noticees.*

xiv. *Upon analyzing the order and trade log, the following observations ought to be made:*

- *The Noticees were price takers and therefore did not contribute to any LTP or NHP. This further demonstrates that the trades of the Noticees were genuine.*
- *Once the order was placed (which was much before the circulation of the controversial SMS), the same was not modified and, was in fact at LTP. This shows that the Noticees' trades were being executed at the price offered by the buyer.*
- *The Noticees have no connection with any of the counterparties to the trade. In fact, Noticee Nos. 5 and 6 are also no counterparty to the trades of the Noticees.*
- *In view thereof, the trades of the Noticees were genuine.*

xv. *Further, as per the SMS log shared by the SEBI, on November 18, 2020 the concerned SMS was circulated at 12:38:16. Similarly, on November 19, 2020 the concerned SMS was circulated for the first time at 11:23:11. It is respectfully submitted that the trades of the Noticees were not dependent on the SMSes circulated by Noticee No. 7. Please see below a table:*

Date and Time of SMS Circulated	**Trades of Noticee No. 1**	**Trades of Noticee No. 2**	**Trades of Noticee No. 3**	**Trades of Noticee No. 4**
November 18, 2020 and 12:38:16	132500 shares sold prior to 12:38:16 and 197569 shares sold after 12:38:16	NA	2000 shares sold prior to 12:38:16 and 10000 shares sold after 12:38:16	128105 shares sold prior to 12:38:16 and 80595 shares sold after 12:38:16
November 19, 2020 and 11:23:11	68400 shares sold prior to 11:23:11 and 91546 shares sold after 11:23:11	5000 shares sold prior to 11:23:11 and 15000 shares sold after 11:23:11	NA	32177 shares sold prior to 11:23:11 and 106449 shares sold after 11:23:11

xvi. *From the above table it can be inferred that the Noticees had intention of undertaking trades irrespective of the SMSes being circulated. As such, if the Noticees had sold* *the shares after the SMS Period, the Noticees would have made more profit as the price was much higher. If there was a fraudulent intent, the Noticees would have only sold the shares after the SMSes were circulated on November 18, 2020 and November 19, 2020 (SMS Period) and, not placed sale orders prior to circulation of the SMSes.*

xvii. *During the SMS Period, the SMSes were sent on November 18, 2020 to 16 mobile numbers, and on November 19, 2020 to 16 mobile numbers. In this regard, it is respectfully submitted that:*

- *There is no evidence adduced by the SEBI to show that the 16 recipients of the SMSes, each on November 18, 2020 and November 19, 2020 have actually traded based on the SMSes. No such allegation is also set out in the SCN. In absence thereof, SEBI cannot allege that circulation of SMSes had the effect of "luring investors and generating volume in the scrip of IFSL".*
- *In any event, SMSes circulation to only 32 recipients could not have an impact on publicly traded company. It certainly could not have impact on the volume of trades on November 18-19, 2020.*
- *No evidence has been adduced to show that only on account of circulation of SMSes, the trading volume suddenly shot up. Thus, in absence of any evidence that only on account of the SMSes on November 18-19, 2020 the volume in IFSL shot up, the allegation that investors were lured into trading in IFSL is ex-facie erroneous.*

xviii. *In view of the above trading analysis, it is clear that there was no intent to manipulate the markets and, the Noticees had merely engaged in genuine trades. Thus, benefit of doubt ought to be extended in favour of the Noticees. In this regard, Noticees 1, 2, 3 and 4 relied and quoted from the judgement of Hon'ble Supreme Court in the matter of Hanumat v. State of Madhya Pradesh AIR 1952 SC 343.*

xix. *It is also relevant to consider what evidence has been adduced by SEBI before making allegations as is set out in the SCN. In this regard, it is respectfully submitted* *that there is not an iota of evidence which supports the allegations in the SCN. The law of evidence is based on the principle of 'proved', 'disproved' and 'not proved'. This is a clear case of the charge in the SCN being 'not proved' given that the SEBI has not adduced any evidence to show that the charge in the SCN is proved.*

xx. *It is well settled that where fraud and collusion are alleged, it would be incumbent on the authority to set out the nature of the fraud along with full particulars. The SCN is however lacking in material particulars.*

xxi. *Another important factor ignored by the SEBI is the requirement of 'intention' as a pre-requisite to prove 'fraud' for violation of PFUTP Regulations. It should be noted that the offences alleged under the PFUTP Regulations in the present case are serious offences which require evidence of 'fraud or deceit' and are not just ordinary civil defaults. It is a settled principle recognized by SEBI that "the necessity of 'intent' and the element of 'fraud' appears to be a pre-requisite in all parts of Regulation 3 and 4 of the PFUTP Regulations".*

xxii. *It is well settled that when SEBI alleges a person of an offence involving 'fraud' it is essential that the accused had an 'intent' to commit such violation. In the present case, the Noticees merely undertook trades in IFSL with the long term view to exit the company. This certainly does not show that the Noticees had intention of manipulating the market. Therefore, the Noticees cannot be charged for fraud under the PFUTP Regulations.*

xxiii. *The Noticees are well educated professionals who have always acted within four corners of law and are not regular operators in the securities market. They have an absolutely clean record and, in fact, no regulatory agencies such as the SEBI have ever even issued a show cause notice to them. This is the first time that the SEBI has called upon the Noticees to respond to an allegation of fraud. In any event, the Noticees are not guilty of conduct which is contumacious or dishonest or acted in conscious disregard of law. The Noticees have not acted in defiance of law. The actions of the Noticee are not in any manner detrimental to the securities market. As* *such, there is no allegation that the conduct of the Noticees prejudiced any investor in the securities market.*

xxiv. The Noticees have also not made any disproportionate gain or gained any unfair advantage, whether quantifiable or otherwise. Further, no loss has been caused to any investor or group of investors as a result of the alleged default. In fact, the present cause of action is the first time that a regulator has issued a show cause notice against the Noticees.

CONSIDERATION OF ISSUES AND FINDINGS

12. Considering the findings of Investigation, the allegations made out in the SCN and the submissions made by the Noticees, I find that following issues require consideration in the present case:

    ISSUE I - Whether the Noticees have violated the provisions of Regulation 3(a)(b)(c)(d), 4(1), 4(2)(a) and (e) of the PFUTP Regulations, 2003 read with Section 12A(a), (b) and (c) of the SEBI Act, 1992?

    ISSUE II - Do the violations, if any, attract penalty under Section 15HA of the SEBI Act, 1992?

    ISSUE III - If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act, 1992?

13. The relevant extracts of the provisions of law, allegedly violated by the Noticees, are mentioned 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.

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

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

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

e) any act or omission amounting to manipulation of the price of a security; including, influencing or manipulating the reference price or bench mark price of any securities

***12A.** No person shall directly or indirectly—*

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

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

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

ISSUE I - Whether the Noticees have violated the provisions of Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a) and (e) of the PFUTP Regulations, 2003 read with Section 12A(a), (b) and (c) of the SEBI Act, 1992?

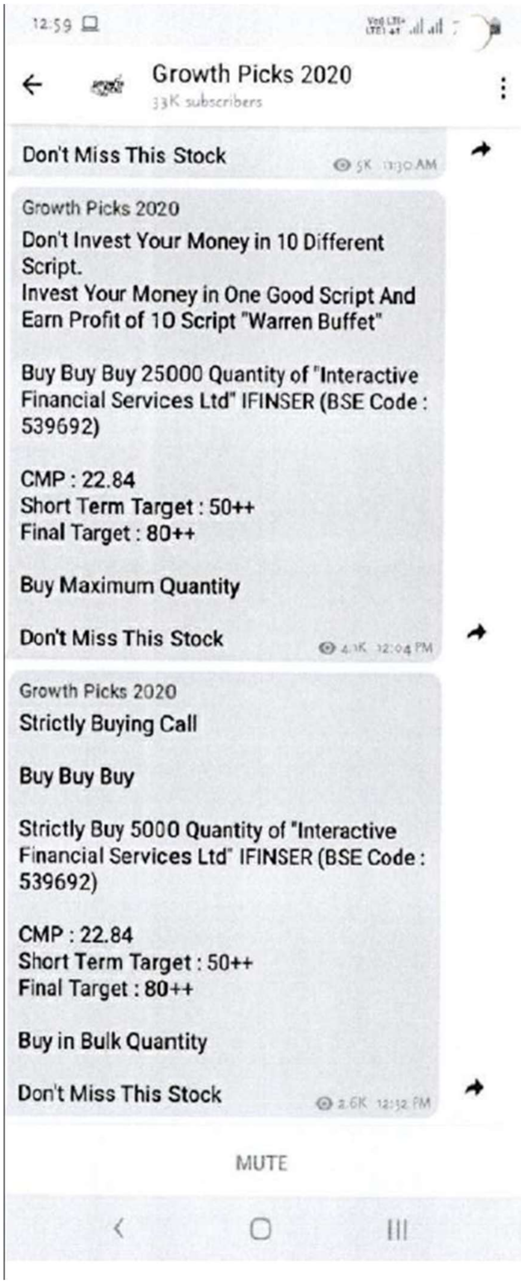
14. The course of events, based on which allegations have been levelled against the Noticees are as follows. It was observed that Noticees 5 and 6 artificially manipulated the price of the scrip of IFSL between November 10 and 17 of 2022. Thereafter, several SMS were circulated on November 18 and 19 of 2022, luring investors and traders to buy the shares of IFSL, while Noticees 1, 2, 3, being the promoters and Noticee 4, being connected to the promoters sold a substantial percentage of their shareholding on-market. Thus exit was provided to Noticees 1 to 4, while the lay investors were induced to buy the scrip of IFSL, which was not doing well, at a time when there was no other reason present for the share price to rise.

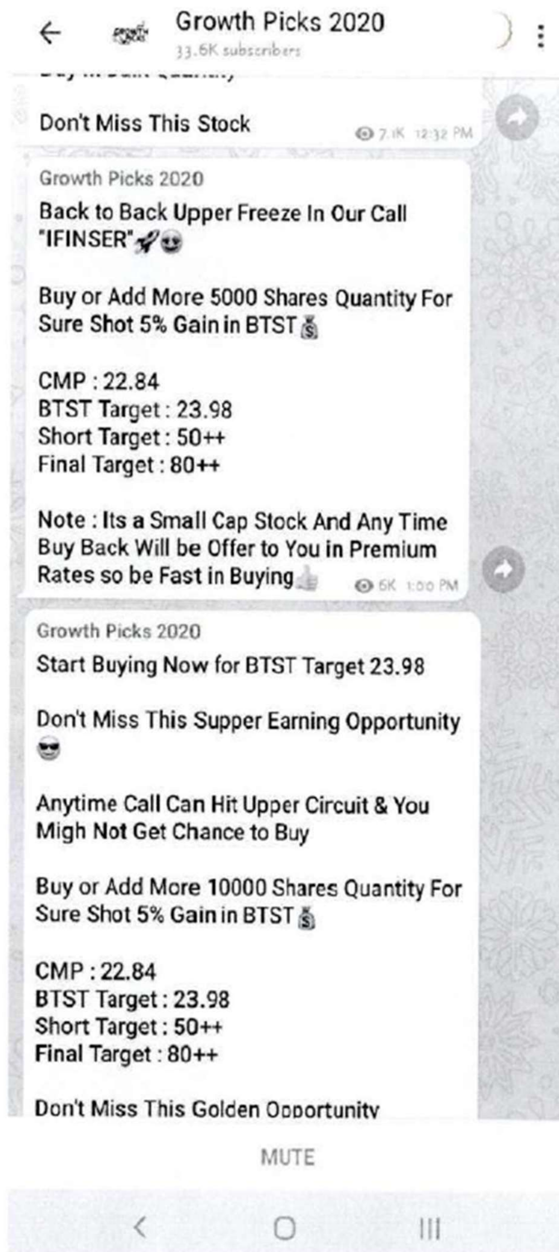
15. In order to address the issue at hand, it is pertinent to determine whether bulk SMS were circulated by Noticee 7? ; Whether Noticees 1 to 4 are connected to each other and Noticees 5, 6 and 7? ; and Whether price was manipulated by Noticees 5 and 6?

Bulk SMS

16. It was observed that there was circulation of SMS on November 18, 2020 to November 19, 2020, recommending buying of shares of IFSL. It was inter alia recommended as *Buy "Interactive Financial Services Ltd." IFINSER (BSE Code:539692) CMP:21.73 BTST Target:22.80++Short Term Target:50++Final Target:80++Buy Minimum 5000 Quantity Now Don't Miss it. Buy in Bulk*.

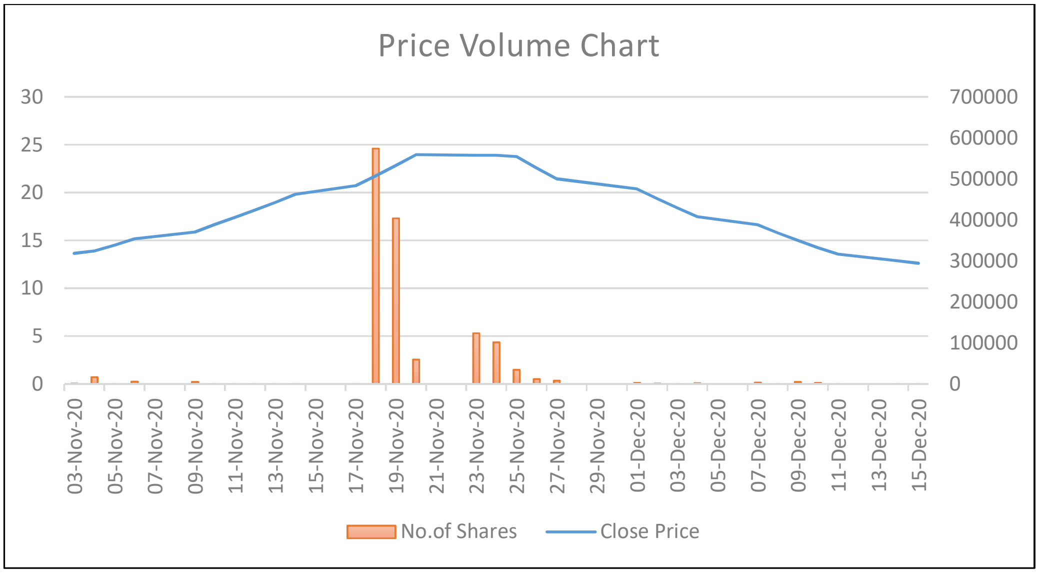
17. While the exact number of the SMS circulated cannot be determined from the material available on record, I observe from the log file shared by BSNL that a total of 19786 SMS were circulated from the header 'BP-Growth' on November 18-19, 2020. From the copy of mail received from BSE by IFSL, along with snapshots of the unsolicited messages that were circulated, which were submitted by Noticees 1 to 4 vide mail dated November 08, 2022, I observe that multiple messages were being circulated repeatedly at different points of time over the instant messaging app, Telegram. From the snapshots, I also observe that the Telegram Group 'Growth Picks 2020', in which messages were being circulated, had subscribers ranging between 33000 and 33,600. Some of the snapshots are given below.





18. The above screenshots are sufficient to infer that messages recommending buying shares of IFSL were circulated to a substantial number of persons.

19. From the price volume chart of the scrip of IFSL given below, it is clearly evident that volume of the shares traded on November 18, 2020 and November 19, 2020 suddenly shot up, while the prices were increasing at an increasing rate.



20. I note that Noticee 7 has inter alia submitted that the header named 'Growth' belonged to it. However, the entity ID was different from the one belonging to Noticee 7. It was submitted that Noticee 7's Principal Entity ID was 401856260000019479. Vide email dated April 06, 2021, Noticee 7 received a complaint from BSNL, that it had sent unsolicited SMS, in which details of the sender of SMS using Header 'GROWTH' was having a different Principal Entity ID and it was based out of Rajkot. Noticee 7 submitted that BSNL, through its mail has itself shown that same Headers can be used by different entities and the system of unique header to unique entity, as claimed by BSNL, is not full-proof. Noticee 7 also submitted a copy of the cyber-crime complaint, which it had filed in this regard, after receiving the SCN. Noticee also provided a list of all the SMS sent using the header 'Growth' on November 18-19, 2020 and upon its perusal, it was found that no SMS were sent by Noticee 7 through its header to any of the recipients of the SMS recommending buying of IFSL shares. To demonstrate that BSNL's submission that no two entities can use the same header by changing the

same word to upper or lower case, Noticee 7 also provided a link to log in and send SMS using two different headers registered with different entities, with same name, but different cases. Upon perusal of the link, it was found that SMS could be sent through two different headers with same name but one in uppercase and another in lowercase.

21. In view of the submissions of Noticee 7 and observations made above, I am inclined to accept that SMS recommending to buy shares of IFSL were not sent through the header owned by Noticee 7. Hence, allegations of violations of provisions of PFUTP regulations by Noticee 7 do not stand established. However, it does not change the fact that SMS and messages over Telegram channel/ group were circulated to a large number of people.

Connections between Noticees 1 to 7

22. It was alleged that Noticee 1, 2, 3 and 4 devised a scheme in which Noticee 7 circulated the SMS recommending buying of IFSL shares and Noticees 5 and 6 contributed to price rise, thus providing exit opportunity to Noticees 1, 2, 3 and 4. As observed above, Noticee 7 has not been found to have circulated SMS recommending buying of IFSL shares, thus the establishment of connection with other Noticees does not arise. Noticees 1, 2, 3 and 4 have admitted in their reply dated November 08, 2022 that they are known to each other since long time. Noticee 5 had submitted in its response to summons dated March 28, 2022 that Noticee 6 is his friend since 15 years. Thus it is established that Noticees 1, 2, 3 and 4 are connected to each other and Noticees 5 and 6 are connected.

23. It is alleged in the SCN that Noticees 1, 2 and 3 are promoters of IFSL, Noticee 4 is an ex-employee of IFSL, and they are connected to Noticee 5 through a person named Mr. Vanesh Panchal. He was a director in IFSL, and he had borrowed a sum of ₹10 lakh from Karta of Noticee 5 and ₹5 lakh from wife of Karta of Noticee 5. In this regard,

Noticee 1, 2, 3 and 4 have submitted that Mr. Vanesh Panchal became director of IFSL almost after 7 months of the end of Investigation Period. In this regard, Noticees 1, 2, 3 and 4 also provided minutes of the Board meeting held on June 29, 2021, wherein Mr. Vanesh Panchal was appointed as additional director of IFSL. They have also provided a notarized affidavit of Mr. Mayur Parikh on oath, in which the latter has stated that he introduced Mr. Vanesh Panchal to Noticee 1 around March, 2021. Noticee 5 admitted that its Karta knows Vanesh Panchal since 2005, but in regard to the bank transactions between them, it submitted that its Karta and his wife had lent a total sum of ₹15 lakh to Mr. Vanesh Panchal during the time of Covid-19, on May 21, 2020 and was returned by the latter in full, on June 02, 2020, which is more than 6 months before the beginning of IP. In view of the aforesaid submissions, I am inclined to give benefit of doubt to Noticees 1, 2, 3 and 4 and in absence of any other substantive material on record, the connection of Noticees 1, 2, 3 and 4 with Mr. Vanesh Panchal during the IP is not established. In view of the same, connection between Noticees 1, 2, 3 and 4 with Noticees 5 and 6 is also not established.

<u>Price manipulation by Noticees 5 and 6</u>

24. It was alleged that Noticees 5 and 6 indulged in price manipulation in the scrip of IFSL by increasing LTP, establishing New High Price and conducting First trades. Noticee 5 submitted in its response to summons dated March 28, 2022 that Noticee 6 is his friend since 15 years. Both Noticees 5 and 6 have submitted that it is given in the SCN that they are linked through a bank transaction, the details of which have not been provided in the SCN. In this regard, I observe that Annexure 3 to the SCN contains bank statement of Noticee 6 with Cosmos Co-operative Bank, through which Noticee 6 has transferred an amount of ₹3 lakh to Mr. Yaksh Ashlesh Shah, who is the son of Karta of Noticee 5. Also, neither Noticee 5 nor Noticee 6 have denied that they are connected to each other. In fact, Noticee 5 submitted that its Karta has known Noticee 6 for 15 years. Hence, there is sufficient evidence on record to infer that Noticee 5 and

6 are known and connected to each other. In view of this inference, their trades and contribution to the Last Traded Price (LTP) in the scrip of IFSL ought to be seen collectively, and not individually.

25. Positive LTP Contribution - It has been alleged in the SCN that trades by Noticees 5 and 6 have led to artificial increase in price of scrip of IFSL by way of LTP contribution through NHP trades and First Trades. The table below shows contribution of Noticees 5 and 6 to LTP during Patch 1.

PATCH 1	Net LTP Contribution	Positive LTP Contribution
Noticee 5 (₹)	3.12	3.33
Noticee 6 (₹)	0.86	0.89
Total (₹) [A]	3.98	4.22
Market wide (₹) [B]	10.98	27.52
By top 10 buyers (₹) [C]	13.25	14.43
[A/B]	36.24%	15.33%
[A/C]	30.03%	29.24%

26. From the above, it can be seen that during Patch 1 of the IP, Noticees 5 and 6, collectively, contributed to 36.24% of net market-wide LTP, which was also equivalent to 30.03% of net LTP of top 10 buyers. It can also be observed that they contributed to 15.33% of market-wide positive LTP, which was also equivalent to 29.24% of Positive LTP contribution of top 10 buyers during Patch 1. By all the measures, LTP contribution by Noticees 5 and 6 is significant. Hence, the contention of Noticees 5 and 6 that their individual contribution to LTP was minute, insignificant, irrelevant and of no consequence to the total market positive LTP, is not tenable. Noticees 5 and 6 have submitted that the IP was divided into two patches, and their buy and sell volume individually are miniscule as compared to total market volume during Patch 1. In this

regard, I note that there is no allegation against them of creation of artificial volume in the SCN. I also note that they were able to significantly contribute to LTP on November 10, 11, 12, 13, 14 and 17 of 2020 with such a miniscule volume and number of trades, in the absence of positive news/ announcement about IFSL, and for which no rationale has been provided by either of the Noticees 5 and 6, and all the shares were bought and sold during the Patch 1, (i.e. not held for medium or long term). Thus, their trades cannot be said to have been done in the normal course of business or trading activity.

27. Following are the details of LTP Contribution by Noticees 5 and 6:

PAN Buyer Name	All trades			Positive LTP			Below LTP			Zero LTP		% of +v to mk LTP
	Sum LTP Di	**Sum of Qty**	**No. trades**	**LTP Impact**	**Sum Qty**	**No. trades**	**LTP Impact**	**Sum of Qty**	**No. trades**	**Sum of Qty**	**No. trades**	
AAMHA7856E Ashlesh Gunvantbhai Shah HUF	3.12	3519	36	3.33	541	10	-0.21	903	13	2075	13	12.10
ASPPS4308E Saurin Jayantilal Shah	0.86	2380	22	0.89	100	1	-0.03	400	3	1880	18	3.23
TOTAL	**3.98**	**5899**	**58**	**4.22**	**641**	**11**	**-0.24**	**1303**	**16**	**3955**	**31**	**15.33**
Top 10 LTP contributor	**13.25**	**18042**	**88**	**14.43**	**4911**	**25**	**-1.18**	**2003**	**21**	**11128**	**42**	**52.43**
Market wide LTP contributi	**10.98**	**1071000**	**2698**	**27.52**	**31103**	**94**	**-16.54**	**23395**	**123**	**1016502**	**2481**	**100.00**

28. From the above table, it can be seen that Noticee 5, by buying 541 shares in 10 trades, contributed to Positive LTP of ₹3.33 and Noticee 6, by buying 100 shares in 1 trade, contributed to Positive LTP of ₹0.89. Thus, combinedly, Noticees 5 and 6, by buying 641 shares in 11 trades, contributed to Positive LTP of ₹4.22, which was 15.33% of the total market positive LTP. I also note that Noticees 5 and 6 have not refuted the facts regarding their contribution to Positive LTP.

29. First trades - It is observed from the order analysis carried out during investigation that all the orders placed by Noticee 5 and 6 were limit orders. The share price steadily went up from November 10, 2020 to November 18, 2020. In the said period, there were a total of 7 trading sessions. Out of the 7 trading sessions, Noticee 5 placed first order

in 4 trading sessions i.e. on November 10, 12, 13 and 14. Further, in one session i.e. on November 17, Noticee 6 placed first order. In each of the said orders, the Noticees 5 and 6 put buy price significantly above (more than 4%) the closing price of the previous day. The details of the same are as follows:

Date	**Closing price on previous day**	**Buy price**	**% of Positive LTP contribution**
November 10	15.90	16.68	4.91
November 12	17.43	18.20	4.42
November 13	18.18	18.99	4.46
November 14	18.98	19.83	4.48
November 17	19.83	20.72	4.49

30. Upon analysing the order log, is also observed that there was no sell order before the buy order was placed by Noticees 5 and 6. The details of the first order (buy order) placed by Noticees 5 and 6 and first sell order are as follows:

Date	**Time at which buy order was placed**	**Time at which 1st sell order was placed**
November 10	9:37	11:29
November 12	9:15	9:18
November 13	9:15	9:25
November 14	9:20	9:22
November 17	9:15	9:22

31. It is further observed that between November 10, 2020 and November 18, 2020, Noticees 5 and 6 were the major contributors to the buy volume i.e. when the said entities purchased the shares and the price of the shares went up. The details of the same are as follows:

Date	**Buy volume by the entity**	**Total market buy volume**	**% of buy volume contribution by the entity**
November 10	531	531	100.00
November 11	311	420	74.05
November 12	712	830	85.78
November 13	150	150	100.00

November 14	51	51	100.00
November 17	100	105	95.24

32. The price effect made by Noticees 5 and 6 can be seen on the candlestick chart pattern of the scrip between the period November 10, 2020 and November 20, 2020 as follows:

33. From the above chart pattern, it was observed that the share price of the company went up by approximately 5% daily from Nov 10, 2020 to Nov 17, 2020.

34. The contribution of Noticees 5 and 6 through first trades during Patch I and their impact on LTP is provided as under:

Sr. No.	Name of the client	Positive LTP	% of total positive LTP to market positive LTP	No. of first trades	No. of first trades where CPs form the suspected entities	Positive LTP from first trade where CPs were from the suspected entities (Rs.)	% of total positive LTP from first trade (where CPs were from the suspected entities) to market positive LTP
1	Ashlesh Gunvantbhai Shah HUF	3.21	11.66	4	0	0	0.00

2	Saurin Jayantilal Shah	0.89	3.23	1	0	0	0.00
Total		**4.10**	**14.89**	**5**	**0**	**0**	**0.00**
Market Total		**27.52**	**100.00**	**14**			

35. It was observed that Noticees 5 and 6 together entered in 5 first trades (35.71% of total instances). Positive LTP contribution by both the entities through these trades together was Rs.4.10/- which was 14.9% to total market positive LTP.

36. I note that Noticees 5 and 6 have placed first orders in 5 out of 7 trading days between November 10, 2020 and November 18, 2020. I also note that all the orders were limit orders, placed at the upper circuit price. On 6 out of 7 trading days between the same period, Noticees 5 and 6 were the major contributors to buy volume, and in fact, they contributed 100% to buy volume on 3 out of these 6 trading days. I also note that first sell orders were not immediately placed by the sellers on the days when Noticees 5 and 6 had placed first buy orders. This clearly shows that there was very less active trading during these days. Noticees 5 and 6 placed first trades, at or near to circuit limits, and they were the only or atleast major buyers of the IFSL shares. Further, the quantity of shares for which buy orders were placed cannot be said to be large enough, from the point of view of increasing their shareholding. In their defence, Noticees 5 and 6 have not given any rationale for such trades, and have simplistically submitted that their trades were independent, standalone, and based upon their own individual research and analysis. I note that in the absence of any positive information, Noticees 5 and 6 were placing orders at high prices, at or near upper circuit limits. It is natural if an existing shareholder, seeking to exit its shareholding due to weak financial outlook of the Company, places a sell order at a price at or near the upper limit circuit for the day, which was not the case. Thus, contention of Noticees 5 and 6, in the absence of sound trading rationale, is not tenable. Had they placed market orders, it could have been understandable. Noticees 5 and 6 have themselves admitted that as there were

no sell orders being placed in the scrip, they were placing orders at higher prices. This also shows that there was miniscule trading when Noticees 5 and 6 started placing buy orders. Thus, Noticees 5 and 6, through their trades lured lay investors to buy the scrip of IFSL, which was not having strong fundamentals or positive news by majorly contributing to rise in the price of the scrip from ₹15.90 on November 10, 2020 to ₹20.72 on November 17, 2020.

New High Price

37. New High Price (NHP) is the price which is higher than the price already established in the scrip during the examination period. During the IP, the price opened at Rs. 13/- on November 03, 2020 and closed at Rs. 23.98/- on November 20, 2020. Thus, there was an increase in price of Rs.10.98/-. It was observed that in 21 trades, a new high price was discovered. Details of instances leading to NHP impact by Noticees 5 and 6 are as follows:

Sr. No.	PAN No.	Name of the client	No. of instances Estb NHP	% to total NHP instances	Total contribution to NHP (Rs.)	% of total NHP Contri	Total traded Vol by client	% of traded Vol.
1	AAMHA7856E	Ashlesh Gunvantbhai Shah HUF	6	1.15	3.12	28.42	239	5.94
2	ASPPS4308E	Saurin Jayantilal Shah	1	3.45	0.89	8.11	100	2.48
	Total as Buyers		**7**	**4.60**	**4.01**	**36.53**	**339**	**8.42**
	Market Total		**21**	**100.00**	**10.98**	**100.00**	**4025**	**100.00**

38. It is observed that Noticees 5 and 6 together contributed Rs.4.01/- (36.53%) to the total NHP, through 33.33% instances of total NHP trades during Patch 1.

39. I note that Noticees 5 and 6 have nowhere provided sound rationale for their trades. They have contended that connections were not found between them and other Noticees, nor with counterparties to their trades. They have also cited miniscule number and volume of trades. They have cited various case laws, all of which have different facts and circumstances from the present case. I observe that Noticees 5 and

6, by placing buy orders at higher prices, contributed to LTP manipulation through First Trades, New High Prices, and have led to artificial increase in prices of the scrip of IFSL, which increased from ₹15.90 on November 10, 2022 to ₹20.72 on November 17, 2022, which is substantial. Thus, act of Noticees 5 and 6 was mischievous and, and it has led to artificial price rise, which combined with SMS/ Telegram message circulation, has lured innocent investors into buying shares of IFSL, which was not doing well in its business during that time. I am of the view that the crucial factor in determining violation of PFUTP Regulations is the trading pattern and manipulative intent irrespective of the quantum of actual volume traded. In this regard, I find it pertinent to refer to the judgement of Hon'ble SAT in the matter of Neetu Gupta vs. SEBI (Appeal No. 423 of 2019; Order dated February 25, 2020) wherein it was held as follows:

"*Having heard the learned counsel for the parties, we are of the considered view that the impugned transactions, in the facts and circumstances of the matter, would fall in the realm of violations of PFUTP Regulations. Individual argument that each entity's trade is miniscule and only ona few days alone etc. is not sufficient to rebut the findings in the impugned order...In such matters, the preponderance of probability based on the totality of circumstances, as held by the Apex Court in the matter of Kishore R. Ajmera (2016) 6 SCC 368 squarely applies. The orders in Jayprakash Bohra (Supra) and Shri Lakhi Prasad Kheradi (Supra) also apply the same ratio.*"

40. I also note the judgement of Hon'ble SAT in Jayprakash Bohra vs. SEBI (Appeal No. 162 of 2019; Order dated November 05, 2019) wherein Hon'ble SAT has emphasised that the presence of manipulative trading pattern which was intended to manipulate the price of a scrip is sufficient to establish liability under Regulations 3 and 4 of PFUTP Regulations, and thus held as follows: "*We are in complete agreement with the contentions of the learned counsel for the respondent that the submission of the appellant that he was not in any way connected toGromo or to the Kamalakshi Group*

is totally unfounded as the connection is writ large ex-facie in the matter...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."

41. In view of the foregoing findings and considering preponderance of probabilities, I find that Noticees 5 and 6 indulged in an act which manipulated the price of the scrip by increasing LTP, establishing new high price and conducting first trades. Thus, the allegation that Noticees 5 and 6 violated provisions of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a), and (e) of PFUTP Regulations read with section 12A(a), (b) and (c) of the SEBI Act, 1992 stands established.

<u>Role of Noticees 1, 2, 3 and 4</u>

42. Noticees 1, 2, 3 and 4 have inter alia contended that circulation of only 32 recipients over two days could not have impacted a publicly traded company, and called the observation in the SCN as erroneous. However, from the observations already made in paragraphs 16 to 18 above, it is evident that bulk messages were circulated to large number of people. Hence, I find that their contention is not tenable.

43. It was alleged that Noticees 1, 2 and 3 devised a scheme to sell the majority of shares along with Noticee 4 in the scrip of IFSL held by them to lay investors, by luring through bulk SMS circulation through Noticee 7 and price manipulation through Noticees 5 and 6. However, Noticee 7 was not found to have circulated bulk SMS recommending buying of shares of IFSL. Also, there was no connection between Noticee 7 and Noticees 1, 2, 3 and 4. Further, as already observed in preceding paragraphs that there

is no cogent evidence available to establish that Noticee 1 was connected to Noticee 5 through Mr. Vanesh Panchal during the IP. Noticees 1, 2, 3 and 4 have submitted that they together contemplated to sell the shares held by them due to deteriorating business fundamentals of IFSL and they found good opportunity to sell the shares at higher prices.

44. While Noticees 1, 2, 3 and 4 sold shares in substantial quantity when price of the scrip was high, in the absence of material evidence showing connection between Noticees 1, 2, 3 and 4 with Noticees 5 and 6 and Noticee 7 , and absence of any material on record and cogent evidence that Noticees 1, 2 and 3 devised a scheme to sell their shares at high prices, I am inclined to give benefit of doubt and I find that allegations against Noticees 1, 2, 3 and 4 of violation of provisions of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a), and (e) of PFUTP Regulations read with section 12A(a), (b) and (c) of the SEBI Act, 1992 do not stand established.

Issue II - Does the violation, if any, attract penalty under Section 15HA of the SEBI Act, 1992?

45. I am of the view that above violations make Noticees 5 and 6 liable for monetary penalty under Section 15HA of the SEBI Act. The text of Section 15HA of SEBI Act, 1992 is reproduced hereunder:

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 which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

46. I note that the Hon'ble Supreme Court of India in the matter of SEBI v/s Shri Ram Mutual Fund [2006] 68 SCL 216(SC)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…."*

Issue V - If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act, 1992?

47. While determining the quantum of penalty under Section 15HA of the SEBI Act, 1992, it is important to consider the factors stipulated in Section 15J of the SEBI Act, 1992 read with Rule 5(2) of the Adjudication Rules, 1995 which read as under:

SEBI Act, 1992

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.

48. I observe, that the material available on record does not quantify any disproportionate gains or unfair advantage, if any, made by the Noticees 5 and 6 and the losses, if any, suffered by the investors due to such violations on the part of the said Noticees. Further, material available on record does not show that the said violation is repetitive. However, I note that Noticees 5 and 6 entered into manipulative trades which has the effect of disrupting the securities market and has the potential to mislead and induce genuine investors to trade in the scrip. This violation of the Noticees, if dealt with lightly

could seriously undermine investors' confidence in the securities market and has to be viewed seriously and calls for appropriate penalty.

ORDER

49. Having considered the facts and circumstances of the case, the material available on record, the factors mentioned in Section 15J of the SEBI Act, the purpose of SEBI PFUTP Regulations 2003, taking note of Section 15HA of the SEBI Act, and also taking into account judgment of the Hon'ble Supreme Court in SEBI vs. Bhavesh Pabari (2019) 5 SCC 90 and in exercise of power conferred upon me under section15-I of the SEBI Act,1992 read with rule 5 of the Adjudication Rules,1995, I hereby impose following penalty under Section 15HA of the SEBI Act, 1992 on Noticees 5 and 6 under 3(a), (b), (c) & (d), 4(1) and 4(2)(a) and (e) of PFUTP Regulations, 2003 read with Section 12A(a), (b) and (c) of SEBI Act, 1992.

Sr. No.	Name of Noticee	Violation provisions	Penalty
1	Ashlesh Gunvantbhai Shah HUF PAN: AAMHA7856E	Regulation 3(a),(b),(c),(d) and 4(1),(2)(a) and (e) of the PFUTP Regulations, 2003 read with Section 12A(a), (b), (c) of SEBI Act, 1992	₹ 5,00,000/- (Rupees Five Lakh only) to be payable jointly and severally by Noticees 5 and 6
2	Saurin Jayantilal Shah PAN: ASPPS4308E		

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

ENFORCEMENT → Orders → Orders of AO → PAY NOW.

51. The aforesaid Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid to "The Division Chief (Enforcement Department - DRA-1), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C – 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.". The Noticee shall also provide the following details while forwarding DD / payment information:

a) Name and PAN of the 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

52. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under Section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

53. In terms of Rule 6 of the Adjudication Rules, 1995, copy of this order is sent to the Noticees and also to the Securities and Exchange Board of India.

Date: November 28, 2022 **BARNALI MUKHERJEE**
Place: Mumbai **ADJUDICATING OFFICER**