

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
ADJUDICATION ORDER NO. Order/VV/AK/2021-22/15198

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

In respect of:
Purshottam Khandelwal
(PAN: ADZPK9831B)

In the matter of Mefcom Agro Industries Limited

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted an investigation to ascertain the violation, if any, of the provisions of Securities and Exchange Board of India, Act 1992 (hereinafter referred to as the “**SEBI Act**”) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as the “**PFUTP Regulations**”) by the Purshottam Khandelwal (hereinafter referred to as “**Noticee**”) while trading in the scrip of Mefcom Agro Industries Limited (hereinafter referred to as “**Mefcom/Company**”) during the period from January 01, 2006 to June 30, 2007 (hereinafter referred to as “**investigation period/IP**”).
2. It was alleged that the Noticee was one of the major counter parties to the sale by original promoter when the promoters existed the company. Further, Noticee highest buyer for 23,31,871 shares (9.73% of market volume) and also was

highest seller for 23,27,865 shares (9.71% of market volume) on BSE during the investigation period. It was also alleged that the Noticee had indulged in self trades during the investigation period. Further the Noticee was also instrumental in increasing the price of the scrip.

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

APPOINTMENT OF ADJUDICATING OFFICER

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

Show Cause Notice, Reply and Personal Hearing

5. A Show Cause Notice (hereinafter referred to as "**SCN**") EAD-8/JS/VRP/OW/5508/2018 dated February 21, 2018 was inter-alia issued to the Noticee under Rule 4 of the Adjudication Rules to show cause as to why an inquiry should not be initiated and penalty be not imposed under section 15HA of the SEBI Act, 1992 for the alleged violations specified in the SCN.



Subsequently, the aforesaid SCN was returned undelivered. Therefore, the SCN has been uploaded on SEBI website (www.sebi.gov.in) under the head Enforcement-> Unserved summons/Notices. Additionally the said SCN is once again sent to the Noticee through the affixture in terms of Rule 7(2) of the Adjudication Rules. However, I note that Noticee has not responded to the SCN despite the SCN duly served in terms of Rule 7 of Adjudication Rules. In the interest of principle of natural justice and considering the cause before me, another opportunity of personal hearing is being granted to the Noticee by vide letter date March 16, 2020. The letter sent to the last address of the Noticee again got undelivered, accordingly, the SCN along with hearing opportunity was served through newspaper publication on June 06, 2020 in terms of Rule 7(3) of SEBI Adjudication Rules. However, the Noticee has neither filed any reply and nor attended the scheduled hearing.

6. In totality of the aforementioned paragraph, I am of the view that principle of natural justice has been followed in the matter by granting the Noticee ample opportunities for replying to the SCN and of being heard. However, the Noticee has failed to avail the same. Therefore, I deem it appropriate to decide the matter on the basis of facts/material available on record.

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

Connected Entities

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

Table 1

Sr.	Name of Entity	PAN NO.	Connection
1	Vijay Mehta	AAKPM1588M	☐ Promoter of Mefcom Agro Industries. Also Chairman of Mefcom
2.	Harsh Kumar Mehta	AAHPM7953M	☐ Promoter group entity-brother of promoter Vijay Mehta-(as per the documents submitted by Vijay Mehta, Harshkumar Mehta Expired in 2011)
3	Mefcom Capital Markets Ltd (MCML)	AAACM7077N	☐ Promoter of Mefcom. Also Vijay Mehta was the chairman of MCML



Sr.	Name of Entity	PAN NO.	Connection
4	Rakesh Kumar Mishra (Cosmo Corporate Services Ltd-Cosmo)	AAACC3529P	☐ Off market transfer with Master Finlease ☐ As per BSE database, phone number of Cosmo i.e. "23739998" is registered in the name of Vijay Jindal (Director of Avisha Credit Capital Ltd and Master Finlease Ltd, which shares the new address of Mefcom i.e.606 Kailash Building KG Marg, New Delhi).
5	Avisha Credit Capital Ltd ("Avisha")	AAACA5715D	☐ Shares new address of Mefcom. also the address of Master Finlease Limited viz., "606 Kailash Building, KG Marg, New Delhi"
6	Sunita Investments (Sunita Gupta)	AAHPG4700E	☐ Off market transfer with Cosmo Corporate Services Ltd
7	Vishvas Securities Limited	AAACV2921N	☐ Shared same address as that of Mefcom during the Investigation period (viz., 912 Kailash Building KG Marg Delhi)
			☐ Off market transfer to Master Finlease Ltd., SIC Stock and Services Pvt. Ltd. and Avisha Credit Capital Ltd. ☐ During the IP, Avisha Credit capital Ltd. and Master Finlease Ltd. were holding 45% of share capital in Vishvas Securities Ltd. (Unlisted Co.) - as on 30/9/2006 ☐ Atul Joshi one of the present directors of Vishvas Securities Ltd., as on December 16, 2015, is also director in Mefcom Agro Industries Ltd.
8	Vijay Jindal (Master Finlease Limited- MFL)	AAACM6050D	☐ Shares new address of the company ("606 Kailash Building, KG Marg, New Delhi) which is also the address of Avisha. ☐ Master Finlease Ltd. along with Avisha Credit capital Ltd. held 45% of share capital in Vishvas Securities Ltd. (Unlisted Co.). ☐ Off market transfer with Vishvas Securities limited
9	SIC Stocks & Services P Ltd	AAHCS8176P	☐ Off market transfer with Vishvas Securities Ltd (It was revealed during investigation that entity traded using its client's name- at sr.No.10,11, 12 & 13 - during IP) ☐ Financial transaction with Avisha
10	Purshottam Khandelwal	ADZPK9831B	☐ It was observed that these entities were major counter parties to the sale by original promoters when the promoters exited the company. It was revealed during investigation that their broker (SIC) was trading using client's name.
11	Pushpa Bansal	AMBPB5527G	
12	Deepak Shantilal Rana	ABCPR2985E	
13	Shilpi Krishnakumar Modi	AGDPM3368E	
14	ISF Securities Ltd	AAACI1667E	☐ Off market trade with Master Finlease. Financial transaction with Avisha Credit Capital Ltd.
15	BP Comtrade P Ltd (BP)	AAACA3758Q	☐ During investigation period, BP had purchased 380432 shares and sold 380313 shares. 79% of the counter parties to the buy trade and 67% of the counter parties to the sale trades were Mefcom group entities. Further the entity had indulged into price manipulation through LTP contribution.

LTP TRADES

(b) It was alleged that the Mefcom Group entities had carried out a total of 8806 trades during patch-I of the Investigation period, of which 6345 trades were at LTP and did not create any price variation. Further, total market positive LTP during patch-I of the investigation period was Rs.661.06 and the Mefcom Group entities contributed Rs.399.63 positive LTP. The Mefcom Group entities contributed 60.45% to positive market LTP in 1275 trades.



(c) It was further alleged that the Mefcom Group entities created a positive LTP of Rs. 15.03 (i.e. 2.27% of market positive LTP) by entering buy order first in 28 trades where counterparties to the trades were non Mefcom Group entities. Further, LTP of Rs.307.30 (i.e. 46.48%) was created by the Mefcom Group entities wherein sell orders were placed first in 1017 trades by 267 Non-Mefcom Group entities. Further, a positive LTP of Rs.77.30 i.e. 11.69% of market positive LTP was created in 230 trades by group entities when they traded among themselves.

(d) As Mefcom group entities contributed significant amount of 77.30 positive LTP (11.55% of market positive LTP) by trading among themselves, group entities who had contributed positive LTP of more than Rs. 5.00 as a buyer in such trades were shortlisted. As group entities were counterparties to these trades, group entities who had contributed positive LTP of more than Rs. 5.00 as a seller in such trades were also shortlisted.

Table 2

Seller	BP Comtrade Pvt. Ltd	Sunita Investments	Purshottam Khandelwal	Total LTPV as buyer
Buyer				
Cosmo Corporate Services Limited	7.5	1.39	0.83	0.83
I S F Securities Ltd	11.66	0.73	3.7	3.7
Master Finlease Ltd	9.65	0.81	0.52	0.52
Sunita Investments	2.43	0.42	1.26	1.26
Purshottam Khandelwal	8.55	4.91	10.13	23.59
Total LTPV As Seller	39.79	8.26	16.44	64.49

(e) It was further alleged that the 6 entities namely Cosmo Corporate Services Limited (Cosmo), ISF Securities Limited (ISF), Master Finlease Limited (MFL), BP Comtrade Private Limited (BPCPL) and Sunita Investments (Sunita) and Purshottam Khandelwal contributed significant amount of Rs. 64.49 positive LTP (9.75% of market positive LTPV) by trading among themselves and have been alleged to have manipulated the price of the scrip.



Self-Trade

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

Table 3

S.N	Entity Name	Broker On Both Buy & Sell Side	Total Self Trade Vol	Total Self Trade Count	No of days of self trades
1	Purshottam Khandelwal	SIC Stocks & Services P Ltd	88309	690	79
2	Shilpi Modi	SIC Stocks & Services P Ltd	19551	250	16
3	Sunita Investments	Shri Parasram Holdings Pvt. Ltd	7723	15	8
4	Vishvas Securities Ltd	Sic Stocks & Services Pvt. Ltd.	3944	81	5
5	Master Finlease Ltd	Integrated Master Securities Pvt. Ltd.	1875	2	1
6	I S F Securities Ltd	Sam Global Securities Ltd.	1144	3	3
7	Cosmo Corporate Services Limited	Integrated Master Securities Pvt. Ltd.	500	2	1
8	Sunita Investments	Shri Parasram Holdings Pvt. Ltd	250	2	2
9	Sunita Investments	Sam Global Securities Ltd.	25	5	1
10	Bp Comtrade Pvt Ltd	Babubhai Purshottamdas Stock Brokers Pvt. Ltd.	25	25	9

- (g) It was observed from the trade and order log for the investigation period that two entities of the group had entered into self-trades for more than 10000 shares for 2 or more days. In these self-trades, there was no transfer of beneficial ownership and it creates artificial volume.
- (h) Based on the above criteria, it was observed that Noticee has entered into repeated self-trades without intention of change in ownership of such securities, hence fictitious in nature. It was alleged that self-trades of Noticee had significant price impact.

First Trade

- (i) It was alleged that the connected entities in Mefcom group has executed 74 first trades during the IP, with a net LTP contribution of Rs. 51.57. The Noticee, had executed 60 first trades, with a positive LTP contribution of Rs- 42 and net LTP of Rs 33.49. On further analysis it is observed that,



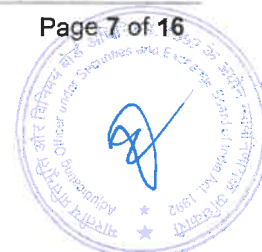
Out of 60 first trades, for 38 trades, seller had put the sell order first and for 22 trades buyer had put the order first. For 38 trades, where seller had put the order first, 5 trades were by the counter parties contributing to positive and Net LTP of Rs 5.29. For 22 trades where buyer had first placed the order the I-TP was Rs. 15.27. Therefore, Noticee allegedly contributed to the price rise in the scrip of company by putting first trades at higher than LTP of about Rs 20.56 about 6.03% of market positive LTP through first trades.

- (j) It has been alleged that connected entities had manipulated the scrip using first trades, the details of which are as follows:-

Table 4

Entity	No of first trades	Vol of Shares	Buy Client Analysis +ve LTP through first trades	Net LTP through first trade (Rs.)
Purshottam Khandewal (PK)*	60	13816	42	33.49
IS F Securities Ltd	6	661	2.37	-0.48
BP Comtrade Pvt Ltd	5	403	3.65	-10.3
Sunita Investments	4	2085	2.29	2.24
Shilpi Krishnakumar Modi	4	52	2.35	-0.05
Arya Investments	2	1500	2.15	2.15
Deepak Shantilal Rana	2	1410	2.3	1.65
Cosmo Corporate Services Limited	1	3000	2.35	2.35
Master Finlease Ltd	1	300	0.52	0.52
Vishvas Securities Ltd	1	25	1.5	1.5
Total	86	23252	61.48	33.07

- (k) Mefcom group has executed 74 first trades during the IP, with a net LTP contribution of Rs. 51.57. The Noticee had executed 60 first trades, with a positive LTP contribution of Rs- 42 and net LTP of Rs 33.49. On further analysis it is observed that, Out of 60 first trades, for 38 trades, seller had put the sell order first and for 22 trades buyer had put the order first. For 38 trades, where seller had put the order first, 5 trades were by the counter parties contributing to positive and Net LTP of Rs 5.29. For 22 trades where



buyer had first placed the order the LTP was Rs. 15.27. It was observed that the Noticee has contributed to the price rise in the scrip of company by putting first trades at higher than LTP of about Rs 20.56 about 6.03% of market positive LTP through first trades.

Order Book Manipulation

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

a) A summary of orders placed by SIC on behalf of the Noticee are given herein below:-

Table 5

Total buy orders placed by SIC		Buy Orders placed in the name of PK		Shares Bought	Buy Orders updated		Orders deleted	
No of shares	Count	No of shares	Count	23,31,871 (5.96%)	No of shares	Count	No of shares	Count
	7142	(68.40%)	3572		24,71	4980	8586725 (22%)	458

(m) It is observed that 3,572 buy orders for aggregate initial order quantity for 3,91 shares were placed in the account of Noticee. It was observed that, subsequent to order placement, the order quantity was constantly being increased and the aggregate of such addition was 24,71 shares. This was despite the fact that the % of order execution to order entry, was a meagre 5.96%. This means that when initial order quantity itself was not being executed, Noticee was constantly increasing the order quantity which reflects the intention of creating a misleading and artificial buy side depth. Also, the total number of shares bought by Noticee during the investigation period was only 23,31,871 shares, which is a meagre 0.81% of the initial and added buy order quantity(28,62,98,184).

(n) Besides, on perusal of orders placed in the account of Noticee it was observed that majority of orders were for small quantity except for 144 orders which were placed for quantity 1 Lakh shares or more. Of the 144



orders placed for 1 Lakh shares or more, 143 were buy orders and the balance one order was a sell order. The summary of the aforesaid 143 orders is tabulated below:

Table 6

Particulars	No. of orders	No. of shares		
		Initial Order Quantity (disclosed qty)	Traded Quantit	Modified Qty of deleted Orders
1. Buy orders with orders placed for 1 Lakh shares or more	143	19222330 (17608,364)	845743	
2.Out of 1 above, orders deleted	27	32,84,610 (31,66,421)	122,731	3171879

(o) It is observed from above, the total order quantity in the said 143 buy orders aggregated to approx 1.92 crore shares. Of the order quantity of said approx. 1.92 crore shares, only 8,45,743 shares were bought and order quantity of 31,71,879 in 27 orders were deleted leaving the remaining shares unexecuted. The initial order quantity in the 27 orders was 32,84,610 Lakh shares and the quantity deleted (including modified quantity in the 27 deleted orders) was 31 , 71 ,879 after trades having executed for 1,22,731 shares. Considering the average volume of 69,066 shares during the investigation period, disclosing substantial quantity in the order book and subsequent deletion of such orders, it was observed that such orders were placed with intent of creating of false depiction of depth in the market.

(p) On comparison of the order price and the LTP at the time of order entry, it was observed that only in 15 out of 143 buy orders, the buy order price was more than the LTP (in the range Rs. 0.39 to 4.30 or in terms of percentage 0.77-10.26%) and in the remaining orders, the price was at LTP or below (viz., in the range of Rs. 0.00 to Rs. 11, percentage being 0.00-9.52%). The aggregate of such difference in the 143 buy orders in absolute rupee terms was Rs. -77.61 and the aggregate of % variation was 178.29%. It was observed that the orders were placed below the prevailing market price with the intent of not executing.



- (q) The average time between order entry and order deletion, for the said 27 deleted orders, was 65 minutes and 34 seconds. However, 19 out of 27 such orders were deleted within 10 minutes of order placement. Out of the 27 deleted orders, in case of 25 orders, the same were deleted despite the market price at the time of order deletion being the same as that at the time of order entry. This reflects that there was no intent to buy. Also out of 27 deleted orders, 5 orders got partially traded of which 4 were deleted immediately when the order started resulting in trades. The details of the said 4 orders are as below-

Table 7

Date	Order No	Order	Order Time	Trade Time	Trade d	Order Delete time	Time Difference
28.11.06	92200500020186237	125000	9:55:16	15:25:58	275	15:27:08	00:01:10
13.12.06	92200500020189789	125000	9:55:15	09:55:24-10:01:05	48689	10:01:27	00:06:03
13.12.06	92200500020189790	102050	9:55:22	10:01:53-10:02:17	26	10:03:16	00:01:23
21.12.06	92200500020196435	125000	9:55:22	09:55:25-09:56:33	57438	9:56:33	00:00:52

- (r) It was alleged that, the Noticee deleted the order once the orders started resulting in trades, indicating that buyer had no intention of buying the shares and the orders were placed only to inflate the buy side depth in the market.
- (s) It was alleged that, buy orders were being placed far below the prevailing market price, majority of order quantity being disclosed, subsequent deletion of such orders, deleting the orders immediately once the order execution begun and the fact that 143 order were buy orders and only 1 order was sell order out of the 144 orders (with order quantity of 1 Lakh shares or more), It was observed that the orders were entered with the intention to inflate the buy side depth in the market and not to actually buy these shares. Therefore, these orders resulted in a false or misleading appearance of trading in the securities market.



- (t) Therefore, Noticee violated PFUTP regulation by entering into repeated self-trades, at a rate higher than Last Trade Price (LTP) without intention of change in ownership.

CONSIDERATION OF ISSUES AND FINDINGS

8. I have perused the SCN and other materials available on record. The issues that arise for consideration in the present case are:

- (a) Whether the Noticee, by its act has violated the provisions of Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(e) and 4(2)(g) of PFUTP regulation.
- (b) If yes, then do the violations, if any, on the part of the Noticee attract any monetary penalty under Section 15HA of the SEBI Act?
- (c) If yes, then what would be the monetary penalty that can be imposed upon the Noticee, taking into consideration the factors mentioned in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

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

3. Prohibition of certain dealings in securities

No person shall directly or indirectly –

- a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder;*
- c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*



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

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

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

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

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

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

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



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

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

10. I note from the aforementioned para 7(e) of the order that, the Noticee allegedly was one of the entity of the Mefcom Group, who had contributed significant amount of positive LTP i.e. Rs. 64.49 (9.75% of market positive LTPV) by trading amongst group and manipulated the price of the scrip of the Company. I note that the aforesaid allegation rests on the premise that the aforesaid entities are part of a Mefcom Group. The said premise requires evaluation of the basis of connection amongst the entities. As per the SCN, the said 6 entities are part of a larger group of 15 entities called the Mefcom Group and are related as per the connection shown in Table 1 of this order. I further note that Noticee is alleged to have been connected to the Mefcom Group on the premise of being a major counter party to the sale transactions of the original Promoters of the company, while providing an exit to them. In this regard, I note that there is no allegation of connection of Noticee with the promoters other than by being counter parties. Further, in my view the connection of Noticee with the Group has to be prior to / concurrent with its trading in the scrip unless there is evidence that the trading pattern of Noticee indicates meeting of minds with the counter parties, which in the given case has not been alleged. I also note that alleged group was actively trading in the scrip of the Company and so it was natural that other entities orders would match with its order. In the view of the above, I am of the view that there is no material on record to indicate that transaction/ trades between Noticee and the original Promoters was not in the normal course. In view of the above, there is no clear evidence regarding connection between the Noticee to the Mefcom Group and therefore, allegation



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

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

12. In this case, it has been further alleged that Noticee contributing to the LTP through repeated self-trades, first trades at higher than LTP and by indulging in order book manipulation. In this regard, I note that purpose of extant proceedings is to determine whether, Noticee being part of the Mefcom Group and in furtherance of the purported scheme, indulged in repeated self-trades, first trade and order book manipulation while trading in the scrip of Mefcom. I note that, in above paras it has been found that the evidence available on records are not sufficient to establish connection among the Noticee and the original Promoters. Therefore, for the purpose of allegation of self-trades and



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

13.I further note that in the parallel proceeding before Whole Time Member (hereinafter referred to as "WTM") under sections 11(1) and 11B(1) of the SEBI Act, WTM in her order¹ dated February 12, 2020 held that *"for the purpose of extant proceedings, the issue that has to be determined is whether, SIC, PK and Ms. Shilpi Modi being part of the Mefcom Group and in furtherance of the purported scheme, did indulge in repeated self-trades and order book manipulation in the scrip of Mefcom. It has already been held in the preceding paragraphs that SIC and PK are not part of the Mefcom Group.....Thus, considering the aforesaid 3 entities are not part of Mefcom Group, for the*

¹ In the matter of Mefcom Agro Industries Limited.



purpose of extant proceedings which is to determine whether any manipulation took place in the scrip of Mefcom due to purported scheme of Mefcom Group, there arises no need to independently consider the allegations of repeated self-trades and order book manipulation as the first leg of the allegation regarding connection to the Mefcom Group has not been established."

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

Order

15. For the aforesaid reasons, Show Cause Notice EAD-8/JS/VRP/OW/5508/2018 dated February 21, 2018 alleging the violation of the provisions of Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2)(e) and 4(2)(g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 by the Noticee i.e., *Purshottam Khandelwal* is disposed of without imposition of penalty.

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

Date: February 28, 2021

Place: Mumbai


Vijayant Kumar Verma
Adjudicating Officer

