

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

UNDER REGULATION 27(5) OF THE SECURITIES AND EXCHANGE BOARD OF INDIA
(INTERMEDIARIES) REGULATIONS, 2008.

IN RESPECT OF –

NOTICEE	M/s. ROONGTA RISING STOCK PVT. LTD. STOCK BROKER SEBI REGN NO. – INZ000274634, PAN: AAACH9471P
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IN THE MATTER OF MISHKA FINANCE AND TRADING LIMITED

1. Present proceedings have emanated from a show cause notice dated February 16, 2021 (hereinafter referred to as “**the SCN**”), issued by the Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) to M/s. Roongta Rising Stock Pvt. Ltd. (hereinafter referred to as “**Noticee / RRSPL**”), a SEBI registered stock broker. The background of the case is as follows.
2. Pursuant to an unusual rise in the price and trading volume in the scrip of Mishka Finance and Trading Limited (hereinafter referred to as “**Mishka / the Company**”), SEBI conducted an investigation in the scrip of Mishka for the period from February 14, 2013 to December 31, 2014 (hereinafter referred to as “**the Investigation Period / IP**”) to ascertain, *inter alia*, whether there was any violation of the provisions of the Securities and Exchange Board of India Act 1992 (hereinafter referred to as “**SEBI Act, 1992**”), and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations, 2003**”).

Pursuant to the same, SEBI initiated proceedings against RRSPL under the provisions of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as **“Intermediaries Regulations”**) and appointed a Designated Authority (DA) under Regulation 24 of the Intermediaries Regulations to enquire into various alleged violations. The DA issued a show cause notice dated March 04, 2020 to RRSPL which alleged the following:

- (a) An unusual price movement was noticed in the shares of Mishka, wherein the price moved from ₹5.50 on February 14, 2013 to ₹327.25 on January 15, 2014. Subsequently, after the share was split from the face value of ₹10 each to ₹1 each on January 16, 2014, the price of the scrip touched a high of ₹49.90 on February 14, 2014. This was accompanied by a huge rise in the traded volume of the scrip on BSE, which led to abovementioned investigation by SEBI.
- (b) In the course of investigation, it was observed that trading in the scrip of Mishka was suspended from January 07, 2002 to May 09, 2012 on account of non-payment of listing fees. The said suspension was revoked w.e.f. May 10, 2012. However, even after revocation of suspension, there was no trading in the scrip of Mishka for more than nine months and trading in the scrip started only from February 14, 2013.
- (c) Based on the price-volume movement, the investigation period was divided into four patches. The patch-wise summary of price-volume is tabulated below:

Table-1: Price Volume details in the scrip of Mishka

Patch	Period		Open	High	Low	Close	Total Volume	No. of Days
							Average Volume	No. of Trades
Patch-1 Pre-Split Price Rise	14-Feb-13 to 15-Jan-14	Price (₹)	5.50	327.25	5.50	327.25	73,471	167
		Date	14-Feb-13	15-Jan-14	14-Feb-13	15-Jan-14		
		Volume	1	72,750	1	2	440	222
		Date	14-Feb-13	01-Aug-13	14-Feb-13	15-Jan-14		
Patch-2 Post-Split Price Rise	16-Jan-14 to 14-Feb-14	Price (₹)	33.35	49.90	33.35	49.90	289	22
		Date	16-Jan-14	14-Feb-14	16-Jan-14	14-Feb-14		
		Volume	15	50	2	12	13	25
		Date	16-Jan-14	31-Jan-14	04-Feb-14	14-Feb-14		

Patch	Period		Open	High	Low	Close	Total Volume	No. of Days
							Average Volume	No. of Trades
Patch-3 Post-Split Price Rise	15-Feb-14 to 10-Sep-14	Price (₹)	50.85	57.00	49.70	54.20	4,71,98,832	137
		Date	*17-Feb-14	10-Sep-14	03-Apr-14	10-Sep-14		
		Volume	62,545	15,80,843	9,000	78,504	3,44,517	82,864
		Date	*17-Feb-14	18-Mar-14	17-Apr-14	10-Sep-14		
Patch-4 Post-Split Price Fall	11-Sep-14 to 31-Dec-14	Price (₹)	54.10	54.15	29.05	29.05	1,31,56,969	66
		Date	11-Sep-14	11-Sep-14	30-Dec-14	30-Dec-14		
		Volume	2,07,170	6,48,500	10	42,500	1,99,348	5,598
		Date	11-Sep-14	26-Sep-14	23-Oct-14	30-Dec-14		

(*February 15, 2014 and February 16, 2014 were Saturday and Sunday)

(d) The total share capital of the Company was 4,98,000 shares as on September 30, 2011, out of which 4,19,700 shares i.e. 84.28% shares, were held by four Promoter entities of the Company, viz. Embassy Finance & Consultants Pvt Ltd, Wave Inter Trades Pvt. Ltd., Tohee Trading & Agencies Pvt. Ltd., and Sulabh Impex Ltd. and remaining 78,300 shares i.e. 15.72% of total shares, were held by three entities, viz. Vijay Kumar Jain, Ankit Jain and Rashmi Jain. The entire shareholding of the Company was in physical mode. The details of the shareholding are as follows:

Table-2: Shareholding details of Mishka as on September 30, 2011

Sr. No.	Name	Category	No. of Shares Held	% of Total Paid up Capital
1	Embassy Finance & Consultants Pvt Ltd	Promoter	1,24,500	25.00%
2	Tohee Trading & Agencies Pvt Ltd	Promoter	1,21,200	24.34%
3	Wave Inter Trades Pvt Ltd	Promoter	1,24,000	24.90%
4	Sulabh Impex Limited	Promoter	50,000	10.04%
Total Promoter Shareholding (A)			4,19,700	84.28%
5	Vijay Kumar Jain	Director	36,000	7.23%
6	Ankit Jain	Son of Director	32,000	6.42%
7	Rashmi Jain	Wife of Director	10,300	2.07%
Total Non Promoter Shareholding (B)			78,300	15.72%
Total Shareholding of the company (A+B)			4,98,000	100.00%

(e) It was observed that all the aforesaid seven shareholders were connected to each other and the entire shareholding of the company was with the aforesaid seven connected entities only. It was observed from transfer data received from Registrar and Transfer Agent ("RTA") of the Company that on December 26, 2011, Sulabh Impex Limited transferred its entire shareholding of 50,000 shares to Ankit Jain in off-market transaction. Thereafter, six entities (namely Tohee Trading & Agencies Pvt Ltd, Wave Inter Trades Pvt Ltd, Embassy Finance and Consultants Pvt Ltd, Vijay Kumar Jain, Ankit Jain and Rashmi Jain) (hereafter referred to as "**Promoters**") transferred their entire shareholding (except 2,000 shares of Embassy Finance & Consultants Pvt Ltd) i.e. 4,96,000 shares, in off-market transactions in physical form to 383 entities during the period from December 30, 2011 to February 04, 2013 on 12 dates. The details of transfer are as follows:

Table-4: Summary of shares transferred

S. No.	Date of Transfer	No. of shares Transferred	No. of entities
1	30-Dec-2011	71,700	15
2	30-Apr-2012	17,200	20
3	15-Jun-2012	1,11,100	137
4	5-Dec-2012	94,000	54
5	12-Dec-2012	14,000	14
6	19-Dec-2012	24,900	24
7	26-Dec-2012	10,000	10
8	31-Dec-2012	27,500	25
9	15-Jan-2013	28,100	27
10	21-Jan-2013	31,000	26
11	31-Jan-2013	30,000	25
12	4-Feb-2013	36,500	20
Total		4,96,000	397**

***It was observed that out of 397 entities, 14 entities received shares twice on two different dates from two different entities. Therefore, total unique entities were 383 (397-14) who received shares in off-market.*

(f) The Promoters had submitted that they had sold the shares through the Noticee and received the payment of ₹21,21,500 (85.54%) directly from the Noticee and ₹3,58,500 (14.46%) from the buyers as per instructions of the Noticee. It was observed from the bank statements of the Promoters that they had received aforesaid amounts from the Noticee. Further, the Noticee had also issued a letter to

Tohee Trading & Agencies stating that 15 buyers were interested in buying shares and that shares should be transferred after receipt of payment. The details of receipt of consideration by the Promoters from the Noticee are as follows:

Table-5

S N	Name of Entity	No. of shares transferred	Consideration (₹5 per share)	Amount of Consideration Received from the Noticee	Date when consideration received as per Bank statement
1	Embassy Finance & Consultants Pvt Ltd	1,22,500	6,12,500	6,12,500	12.10.2012
2	Tohee Trading & Agencies Pvt Ltd	1,21,200	6,06,000**	2,47,500	12.10.2012
3	Wave Inter Trades Pvt Ltd	1,24,000	6,20,000	6,20,000	12.10.2012
4	Vijay Kumar Jain	68,000	3,40,000	3,40,000	04.04.2012 & 18.04.2012
5	Ankit Jain	50,000	2,50,000	2,50,000	04.04.2012
6	Rashmi Jain	10,300	51,500	51,500	18.04.2012
Total		4,96,000	24,80,000	21,21,500	

** Tohee Trading & Agencies Pvt Ltd submitted that they received consideration of ₹ 3,58,500 (6,06,000 – 2,47,500) through cash from 15 entities directly on instructions of the Noticee.

(g) It was thus observed that 99.60% of the shareholding of Promoters (i.e. 4,96,000 shares) was transferred to 383 entities of which 19 entities further transferred shares to 69 entities. Therefore, ultimately, 99.60% of promoter shareholding was transferred to 452 entities ("Transferees").

(h) During the course of investigation, the Noticee submitted Contract Notes to SEBI. The following was noticed from the said contract notes:

- i. The Contract Notes mentioned "Form A (Regulation 14.2)" indicating that they were issued under the said regulation. As per BSE Regulation 14.2, Contract Notes in Form A can be issued only when broker acts as an Agent. However, in the aforesaid transactions with the Promoters, the Noticee was acting as Principal as it bought shares from Promoters / Directors at ₹5 per share and sold at a higher rate (₹6 / ₹30 / ₹50 per share), without charging any brokerage from the Promoters. Thus, it appeared that the Noticee was not acting as Agent but as Principal for aforesaid transactions.

- ii. The transactions for which the Noticee issued Contract Notes were off-market transactions. However, the Contract Notes mentioned the trade time, order no., trade no etc.
 - iii. The Contract Notes contained Noticee's BSE Broker registration number. However, at the top of the Contract Notes, the Noticee was mentioned as NSE member.
 - iv. The Contract Notes were issued when the company was under suspension at BSE. Further, the company was never listed at NSE.
 - v. The Contract Notes submitted by the Noticee were different from the ones submitted by the Promoters.
- (i) It was thus alleged that the Contract Notes issued by the Noticee were fake and not genuine.
- (j) It was observed that 53 entities out of 452 entities (Transferees) to whom the promoter shareholding was transferred, were later involved in price manipulation of shares of Mishka. SEBI examined these entities and observed that the said transferees were not aware about the sellers and they had approached the Noticee based on an advertisement published in some newspaper wherein it was mentioned that:
- "We deal in Physical/Odd Lot shares of all Cos. Contact Roongta Rising Stock Pvt. Ltd. Bhadresh: 09898554161"*
- (k) It was observed that the mobile number mentioned in the said advertisement belonged to one Shri Bhadresh Shah. Shri Bhadresh Shah was allegedly connected to the Noticee as his name was appearing as Authorized Signatory in "Contract Note cum Bill" of various entities and he was also acting as witness on Share Transfer Forms for off-market transfer of aforesaid shares. Further, the seal of the Noticee was also affixed as address of witness on Share Transfer Form for off-market transfer of aforesaid shares.
- (l) Thus, it is clear that the Noticee accepted payment from a large number of buyers, made payments to the Promoters and issued contract notes to transferee entities. Further, it was also observed that Directors of the Noticee namely Anil Satyanarayan

Roongta and Sudha Anil Roongta and HUF of Anil Satyanarayan Roongta were also transferee entities who manipulated the price of the scrip. Thus, the Noticee was actively involved in the scheme of transfer of shares from the Promoters to various transferees and in issuance of non-genuine contract notes.

(m) The investigation further revealed that the directors of the Noticee, namely Anil Satyanarayan Roongta and Sudha Anil Roongta were also part of the 53 transferee entities who allegedly manipulated the price of the scrip.

(n) The modus operandi of the manipulation in the price of the scrip of Mishka by the said 53 entities is as follows:

- i. During the patch-1 (Price Rise-Pre-Split), the price of the scrip opened at ₹5.50 on February 14, 2013 and closed at ₹327.25 on January 15, 2014, registering a price rise of ₹321.75. The analysis of LTP contribution revealed that 53 entities, who received shares directly or indirectly from Promoters through the Noticee, traded in Patch-1 as sellers. During this period, the scrip was traded on 167 trading days and only 222 trades took place. From the analysis of the 166 trades that contributed ₹321.85 to gross positive LTP, it was observed that 158 trades carried out by 53 of the transferees on the sell side contributed ₹317.45 (i.e. 98.63% to gross positive LTP). It was observed that in all these 158 trades, though the buy orders were available for large quantities (ranging from 10 to 10,000 shares), 53 transferees were placing sell orders in small quantities or single digits i.e., mostly 1 to 10 shares. To illustrate, A K Roongta HUF (Related to the Noticee's director) placed sell order of two shares on two trading days while the buy orders were available for 5,000 shares and 10,000 shares. By executing such trades, the transferees matched the price of prevailing buy orders which were placed at a higher price than the last traded price and thus contributed to the increased scrip price with each of their trades. It was also observed that these 158 trades were done on 158 different trading days across the period and each trade resulted in a higher LTP, thereby contributing ₹317.45 to positive LTP (i.e. 98.63% to gross positive LTP).

- ii. During the patch-2, equity shares of the Company were split in the ratio of 10:1 with effect from January 16, 2014. Subsequently the price of the scrip opened at ₹33.35 on January 16, 2014 and closed at ₹49.90 on February 14, 2014, registering rise of 49.63% within a period of 30 days. During this patch, the scrip was traded only on 22 trading days and only 25 trades took place. The analysis of LTP contribution revealed that 18 entities out of 53 entities (who were alleged to have manipulated price of scrip in Patch -1) traded in Patch-2 as sellers.
- iii. From the analysis of the 21 trades that contributed ₹16.55 to positive LTP, it was observed that 16 trades carried out by 15 entities on the sell side contributed ₹12.30 (i.e. 74.32%) to gross positive LTP. It was observed that in all the 16 trades, though the buy orders were available for large quantities (ranging from 28 to 1,000 shares), 15 entities were placing sell orders in small quantities i.e., mostly 5 to 20 shares. By executing such trades, the connected counterparties matched the price of prevailing buy orders which were placed at a higher price than the last traded price and thus contributed to the increased scrip price with each of their trades. It was also observed that these 16 trades were done on 16 different trading days across the period and each trade resulted in a higher LTP, thereby contributing ₹12.30 to positive LTP (i.e. 74.32% to market positive LTP).
- iv. It was observed from the transaction statements from depositories (NSDL/CDSL) that all the aforesaid 53 entities were holding substantial quantity of shares during the period of their respective sale transactions. Despite holding substantial quantity of shares, these entities took turns and released limited number of shares on different trading days by matching the buy orders which were above LTP with small volume or single digits in spite of sufficient buy orders being available in the market. Thus, it was alleged that there was no bona-fide intention on the part of these 53 transferees to sell their holdings, but to mark the price higher than LTP and manipulate the scrip price. By these trades, they were instrumental in establishing a price

higher than the last traded price and thus contributed to increased scrip price with each of their trades. Hence, it was alleged that the said 53 entities created a misleading appearance of trading and price rise in the scrip by such trades.

(o) In view of the abovementioned observations and findings, it was alleged that the Noticee had devised a scheme to manipulate the price of the scrip by issuing an advertisement, buying shares from the promoter entities and manipulating the price of the scrip through 53 transferee entities. Further, the Noticee dealt in the suspended scrip and issued fake contract notes. Thus, the Noticee had allegedly violated the provisions of Regulations 3(a)(b)(c)(d) and 4(1) of the PFUTP Regulations, 2003, Regulation 4.6.4 of BSE Regulations for Capital Market Segment, Regulation 4.5.4 of NSE Regulations for Capital Market Segment, Clause 2(b) of Chapter VI and Clause 5 of Chapter X of BSE Bye-laws, Clause 8 and Clause 10 of Chapter IX of NSE Bye-laws, Regulation 6A(b) and Regulation 7{Now Regulation 9(b) and 9(f) respectively} read with Clause A (1), (2), (3), (4) & (5) and Clause C (4) of the Code of Conduct for Stock Brokers specified under Schedule II of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter referred to as “**Stock Brokers Regulations, 1992**”).

3. Pursuant to the issuance of abovementioned show cause notice dated March 04, 2020 to the Noticee, the DA upon consideration of the facts and records before him, found the Noticee to be in violation of the abovementioned provisions of law. Accordingly, the DA, vide his report dated January 07, 2021 (hereinafter referred to as “**DA Report**”) submitted under erstwhile Regulation 27 of the Intermediaries Regulations, recommended that the certificate of registration of the Noticee as a stock broker be suspended for a period of one (1) year for the aforesaid violations committed by it.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING –

4. In view of the above, the SCN dated February 16, 2021, as referred to in para 1 of this order, was issued by SEBI under Regulation 27(1) of the Intermediaries Regulations, enclosing therewith a copy of the report of the DA and calling upon the Noticee to show cause as to why action as recommended by the DA or any other action, as deemed fit by the Designated Member, should not be taken against it, in terms of Regulation 27 of the Intermediaries Regulations.
5. The SCN sent to the Noticee returned undelivered. Thereafter, SEBI forwarded the SCN to the Noticee through email dated February 25, 2021. Since the Noticee did not respond to the said email, SEBI sent various reminder emails. Subsequently, the Noticee vide email dated September 16, 2021 acknowledged the receipt of the SCN and sought a month's time to respond to the SCN. However, even after that, the Noticee failed to submit any reply. Thereafter, an opportunity of personal hearing was granted to the Noticee by scheduling the hearing on August 02, 2022. On the said date, Mr. Ravi Ramaiya, the authorized representative of the Noticee, appeared through video conferencing. However, due to poor audio, the hearing was re-scheduled to August 03, 2022, on which date, Mr. Ravi Ramaiya appeared in person and made oral submissions. The Noticee was granted 7 days' time to file written submissions in the matter. Subsequently, Mr. Ramaiya, vide email dated August 18, 2022 submitted –

"During the hearing, I had intimated that my clients have filed a response to the SCN vide their letter dated November 29, 2021 through email.

I was informed that the said email has not been received by SEBI and therefore I was asked to check whether the same was sent and when.

My clients have informed me that they are not able to find the trail of the old mail, and hence I am attaching the response dated November 29, 2021 along with Annexures for your kind perusal.

I had reiterated all the contents of the reply during the hearing before the Hon'ble WTM, however if one more hearing is required after receiving this email, kindly feel free to inform and I will be happy to come and put forth the perspective of my client again.

Also kindly let me know when I can get cross examination of the noticees who claimed that they bought the shares based on the advertisement.”

6. Vide the abovementioned email dated August 18, 2022, Mr. Ramaiya had forwarded the Noticee’s reply dated November 29, 2021. A gist of the submissions of the Noticee made vide the said reply dated November 29, 2021 is as follows:
- (a) The Noticee denies the allegations mentioned in the SCN. The Noticee has not been party to any fraudulent transactions or played any role in the alleged manipulation.
 - (b) The allegations against the Noticee are limited to issuance of an advertisement which led to parties buying shares from the Noticee and the Noticee issuing alleged fake contract notes which did not match with the contract notes given by the promoters. All other allegations pertain to price rise and sale of shares in Mishka, to which the Noticee is not a party.
 - (c) The true and correct facts are that one Mr Subhash Maheshwari approached the Noticee and informed that he had mandate to sell shares of Mishka from its holders and also expressed that he would himself solicit buyers who would be willing to purchase shares of Mishka. He requested the Noticee’s assistance for the same to conclude the transaction and requested the Noticee to be the broker for the said transaction. Mr Maheshwari in the first tranche itself got several buyers for Mishka shares. The entire transaction was sourced and controlled by Mr Maheshwari and the Noticee merely acted as a broker to the said transaction. This is also supported by the fact that the SCN annexed a Memorandum of Understanding executed on a stamp paper between Mr, Vijay Kumar Jain and Mr. Subhash Maheshwari dated 24 November 2011 wherein he was mandated to sell the shares of Mishka, a copy of which is furnished.
 - (d) The DA report itself is erroneous as it presumes that all the said off market purchasers of shares purchased it from RRSPL. The alleged advertisement was issued on 17 September 2012. However, several purchasers purchased the said shares much prior to the said date and therefore the coincidence of several parties

relying on the exact same copy of advertisement is clearly a scheme by some persons to blame the Noticee. As per the RTA data, 252 transactions took place before the said date. The following entities purchased the shares before the advertisement and yet claim that they got to know of the shares from the said advertisement:

Name of Purchaser	Date of Purchase
Neha Narayan Toshniwal	30/04/12
Parul Rupesh Poddar	30/04/12
Rupesh Poddar	30/04/12
Kiran Narayan Prasad Toshniwal	15/06/12

- (e) Since SEBI seeks to rely on the statements made by 38 parties who claim to have relied on advertisement to purchase shares, which the Noticee grossly denies, the Noticee requests that the said parties be made available for cross examination.
- (f) There are glaring reasons to believe that several entities have falsely mentioned that they relied on advertisement and the same is evident from the following:
- The advertisement was published in Economic Times, Mumbai Edition, and the same was read by people all over the country, including some places even where the paper is not in circulation.
 - Many people who claimed to have purchased shares based on advertisement had already purchased the shares before the issuance of advertisement.
 - Copies of advertisement sent by many entities to SEBI in response to queries from SEBI contain 4 double quotes (""") around the advertisement which substantiates that merely photo copies of one advertisement have been submitted by several Investors as an afterthought and the same was never read or relied at the time of investment.
 - Copies of advertisement sent by many entities to SEBI in response to queries from SEBI contain a hand written remark "17/9 ET (MUM) Mr.Ajay Banka (Roongta)". The same substantiates that the investors never read or relied on any advertisement and still parroted the same submission.

- (g) It is pertinent to note that 17 entities have provided the same reply and relied upon the exact same photocopy of the newspaper. All these entities live in different cities and at times even in different states and yet, curiously, each one of them saw the advertisement in the Economic Times Mumbai Edition. All these entities have a common ("") across the advertisement. These parties have therefore clearly lied to SEBI and yet SEBI has issued the SCN on the basis of the allegations made by them.
- (h) The advertisement was never issued by RRSPL and therefore the allegation that RRSPL was instrumental in the entire scheme is false and misconstrued.
- (i) As regards the issuance of contract notes, since the transactions were carried out through RRSPL, they had issued contract notes to the purchasers. There is no prohibition in law to issue contract notes for off market transactions and as such there was no violation in issuing the contract notes.
- (j) The Noticee denied that it had any role to play in the alleged manipulation of price of the scrip of Mishka. The Noticee had not executed a single trade from its own pro account in the scrip of Mishka and there is no allegation of RRSPL being party to any manipulation. The Noticee denies that it issued any fake contract notes.
- (k) The Noticee did not have physical copies of the contract notes that were issued at the time of the impugned trades. When SEBI directed the Noticee to produce copies of the Contract Notes, the Noticee extracted the trades from its system and printed the contract notes for submission to SEBI. Since the printer had the new format of the contract notes, "Form A {Regulation 14 2}" was pre-printed on the Contract Notes and the same is clearly visible. The contract notes, therefore, cannot be said to be fake. The contract notes were genuine and at best, were issued in a format which is unacceptable. Therefore, there was no mala fides in submitting the said Contract Notes. The SCN fails to appreciate that all brokers have pre-printed contract notes format and only the trade details are printed on such contract notes. Therefore, the contract note print is of a much-refined quality whereas the trade details are printed in an inferior quality (typically with a dot-matrix printer).

- (l) There is an upper ceiling limit for charging brokerage. However, no law, rule or regulation mandates charging brokerage. The fact that RRSPL did not charge any brokerage has no bearing whatsoever on the allegations levelled in the SCN. In fact, many brokers keep advertising zero brokerage scheme for delivery based trading / intra-day trading etc. and there is nothing wrong in that. The Noticee has furnished sample advertisements in this regard. The details received from the RTA of the Company would reflect that all the transfers happened directly from the promoter to the purchaser and this supports the Noticee's submission that the said trades were done through Mr. Subhash Maheshwari. Had RRSPL acted as a principal, the shares would have been transferred from promoters to RRSPL and then to purchasers, which is not the case.
- (m) The SCN alleges that despite the Contract Notes being issued for off market transactions, the same mentioned the trade time, order number, trade number etc. The Noticee submits that the construction of the back office software is such that for generating contract notes certain fields are mandatory and therefore the back office clerks generating the contract notes entered some order id, trade id and time to generate the contract notes. All the buyers were well aware that the said trades were off market trades and therefore they directly received shares from sellers. This is also corroborated by the fact that none of the recipients of the summons from SEBI stated that he was under the impression that these were on-market trades.
- (n) The SCN also states that RRSPL provided printed contract notes and not acknowledged contract notes. Rule 15 of Securities Contract Regulation Rules deals with "Books of account and other documents to be maintained and preserved by every member of a recognized stock exchange". Sub-rule (2)(b) of the said Rule provides for maintenance and preservation of counterfoils or duplicates of contract notes issued to clients for a period of two years. Since SEBI had asked RRSPL to provide the copies of the Contract Notes, the Noticee printed the same from its back office systems and provided the same to SEBI. The copies provided by 12 entities were issued to them at relevant time on pre-printed stationary and are therefore bound to be different in form, font and style. The relevant portion i.e. including the

name of the client, transaction quantity, value etc. is same across both contract notes.

- (o) As per the allegations in the SCN, the Noticee issued contract notes in Form A (Regulation 14.2). As the Noticee acted as a broker to the transactions, the said contract notes were rightly issued in *Form "A"* of BSE. Further a perusal of the RTA records would clearly show that the shares were transferred directly from the sellers to the buyers and therefore the allegation that RRSPL acted as a principal is incorrect. The rates specified in the Contract Notes were as directed by Mr. Subhash Maheshwari who instructed the Noticee to issue contract notes at all-inclusive rates and therefore separate brokerage was not reflected in the contract notes. In any event, there is no mandatory rule to charge brokerage separately. In fact, the contract notes issued by RRSPL to 3 entities were also at the rates specified by Mr. Maheshwari and he offered the shares to Mr Anil Roongta at Rs. 6 on March 29, 2012 and then at Rs. 11 on April 26, 2012. This shows that neither RRSPL nor any member of the Roongta family had any say in deciding the rates.
- (p) The dictionary meaning of the word fake is "not genuine; imitation or counterfeit". However, in the present case, the said contract notes are supported by genuine transactions and transfer of shares. The said contract notes were issued pursuant to exchange of consideration and delivery of shares from the sellers to the buyers. Even the ostensible beneficiaries of the said fake contract notes have been expressly exonerated by SEBI and have not been asked to show cause.
- (q) A perusal of other orders passed in the matter would show that SEBI has taken a conscious decision and come to a conclusion that the promoters of the Company have not violated any provisions of the Securities Laws and therefore none of the promoters is a party to the SCN. Further, out of 383 entities who purchased shares from the promoters, only 53 entities have been asked to show cause for an allegation of manipulating the price of the scrip and not for purchasing the shares through RRSPL. When the acts of buyers and sellers are not found fault with and they are not subjected to any SCN for the purchase and sale of shares, RRSPL cannot and should not be questioned for its limited role as a broker to these transactions.

- (r) The allegation against the Noticee is that it received purchase consideration from the off market purchasers and then transferred the same to the promoters of Mishka. The shares were transferred directly by the said promoters to the off market purchasers. Other than this, there is no involvement of the Noticee in the entire alleged transaction. SEBI vide an ex parte ad Interim order dated 17.4.2015 had charged several parties including the promoters of Mishka and several off market purchasers. However, by way of a revocation order dated 5.10.2007, SEBI exonerated the promoters and most of the off market purchasers from any allegations of violation of PFUTP Regulations. The only entities against whom SEBI proceeded in the matter are the entities which have allegedly manipulated the price of the scrip. Admittedly, there is no difference in the connection alleged between RRSPL and entities who have / have not allegedly manipulated the price of the scrip. Since no fault has been found with the promoters who sold the shares and the off market purchasers who purchased the shares (save and except a few off market purchasers who allegedly manipulated the price of the scrip), it is unfathomable as to how the Noticee can be alleged to have violated the PFUTP Regulations. It is settled law that an allegation of conspiracy cannot be upheld against one party of the conspiracy while all others are let off, as observed in the recent judgements of the Hon'ble SAT in the cases of KII Ltd. (Appeal No. 317 of 2017, Date of Decision: June 08, 2018) and Pat Financial Services (Appeal No. 222 of 2016, Date of Decision: May 04, 2018). Therefore, there is no case of issuance of any fake contract notes, as alleged.
- (s) The DA report contains various allegations and several of such allegations have no reference or bearing on the alleged acts of RRSPL.
- (t) The Noticee denies that it has any connection with any entity who is alleged to have manipulated the price of the scrip in Mishka and that it issued any advertisement in the newspapers, as alleged. If the said advertisement were issued by RRSPL and a total of 452 entities purchased the shares from RRSPL on the basis of the said advertisement, no reason has been provided as to why everyone would retain a copy of the newspaper and the classified section of a newspaper from six years ago.

The entities traded in the shares of Mishka not because of the advertisement but because of some other reason and the replies are just a method to transfer the blame squarely on RRSPL for the said trades. While RRSPL facilitated the trades as a broker, the same was done only at the instructions of Mr Subhash Maheshwari and not due to any newspaper advertisement. Although the name of Bhadresh Shah was there on the advertisement, he did not issue any such advertisement. An Affidavit from Mr. Bhadresh Shah confirming that he did not issue the said advertisement is enclosed. The Noticee vide letter dated January 18, 2018, had written to the Times of India requesting for details as to who issued the advertisement. After a reminder was also issued on February 08, 2018, the Times of India responded on February 09, 2018 stating that as per their company policy they were unable to share the details of the advertiser and stated that they would do so only on the basis of a police enquiry after registration of an FIR. Subsequently, on March 17, 2018, the Noticee filed a Police Complaint registering the fact that a false advertisement had been issued in the name of RRSPL. As regards the stamp of RRSPL on transfer forms, the same is not as transferor or transferee. Since RRSPL had acted as brokers and agents, it was normal that the forms had a stamp of RRSPL. A copy of the correspondence in this regard is enclosed.

- (u) The Noticee denies that Mr. Anil Roongta, Ms. Sudha Roongta and Mr. Anil Roongta HUF have manipulated the price of the scrip. An order has already been issued against the said entities by SEBI under Section 11 and the said order is currently under challenge before the Hon'ble SAT. In any event, the allegation of alleged price manipulation is against the individuals and not RRSPL. Therefore, the question of punishing RRSPL for any other person's violation does not apply. It is trite law that acts of a director in an individual capacity cannot be imputed on a company. As regards accepting payment from large number of buyers and making payment to Promoters, the same was part of normal transactions in the markets where brokers collect money from purchasers and pass it on to the sellers and no wrong can be found with it.

(v) The recommendation of the DA is harsh, excessive and unwarranted. Without prejudice to the fact that the Noticee had nothing to do with the alleged violation and the Noticee has not violated any provisions of the law, suspension of one year is an excessive punishment and the principle of proportionality has to be considered by SEBI while imposing punishment. Even suspension for a day for a stock broker can cause irreparable damage to the stock broker and therefore the recommendation in any event is harsh and excessive and in violation of the principle of proportionality.

7. Subsequently, vide email dated April 18, 2023 sent to the Noticee's authorized representative, Shri Ravi Ramaiya, with a copy marked to email id of Mr. Anil Roongta, the Noticee was given one more opportunity to make additional written submissions, if any. However, no response was received from the Noticee to the same.

CONSIDERATION AND FINDINGS –

8. I have examined the facts of the case, the allegations against the Noticee, as mentioned in the DA report enclosed with the show cause notice dated February 16, 2021, the submissions made by the Noticee in its written submissions and during the hearing before me and other material available on record.
9. I note that the Noticee is alleged to have violated the provisions of Regulations 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations, Regulation 4.6.4 of BSE Regulations for Capital Market Segment, Regulation 4.5.4 of NSE Regulations for Capital Market Segment, Clause 2(b) of Chapter VI and Clause 5 of Chapter X of BSE Bye-laws, Clause 8 and Clause 10 of Chapter IX of NSE Bye-laws, Regulation 6A(b) and Regulation 7{Now renumbered as Regulation 9(b) and 9(f) respectively} read with Clauses A (1), (2), (3), (4) & (5) and Clause C(4) of the Code of Conduct for Stock Brokers given in Schedule II of the Stock Brokers Regulations, 1992. The said provisions, as they stood at the relevant time, read as under:

PFUTP Regulations, 2003:

".....3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

BSE/NSE Regulations for Capital Market Segment

BSE Regulations for Capital Market Segment

Regulation 4.6.4 of Regulations for Capital Market Segment: -

"A member shall desist from the following trading practices while conducting business on the Exchange.

.... (b) Suspended Securities

Except with the permission of the Exchange, no member shall transact in securities which have been suspended."

Reference to earlier Bye-law 358

"A member shall be deemed guilty of unprofessional conduct for any of the following or similar acts or omissions namely-

..... Business in Securities in which Dealings Not Permitted

- (ii) if he enters into bargains in securities in which dealings are not permitted"*

NSE Regulations for Capital Market Segment

Regulation 4.5.4 of Regulations for Capital Market Segment: -

GENERAL GUIDELINES

A Trading Member shall desist from the following trading practices while conducting business on the Exchange.

.....

(b) *Suspended Securities*

Except with the permission of the Exchange, business shall not be transacted by the Trading Member in securities which have been suspended from official quotation.

BSE/NSE Bye-Laws

BSE Bye-Laws

CHAPTER VI - TRADING MEMBERS

Conditions for Admission

..... (2)

(b) All contract notes issued by trading members for deals on the Exchange shall be in the manner specified by the Exchange from time to time

CHAPTER X - TRANSACTIONS AND SETTLEMENTS

Contract Notes

(5) Contract Notes shall be issued within such period as may be specified by the relevant authority from time to time for deals effected with constituents or on behalf of constituents, and will contain such details as the relevant authority may specify from time to time.

NSE Bye-Laws

CHAPTER IX - TRANSACTIONS AND SETTLEMENTS

Contract Notes

(8) Contract Notes shall be issued within such period as may be specified by the relevant authority from time to time for deals effected with clients or on behalf of clients, and will contain such details as the relevant authority may specify from time to time. The contract notes shall specify that the deal is subject to the Bye Laws, Rules and Regulations of the Exchange and subject to arbitration as provided therein.

Stock Brokers Regulations, 1992

6A. Conditions of registration-

.....

(b) he shall abide by the rules, regulations and bye-laws of the stock exchange which are applicable to him;

7. Stock Brokers to abide by Code of Conduct: The stock broker holding a certificate shall at all times abide by the Code of Conduct as specified in Schedule II.

“SCHEDULE II

Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992

CODE OF CONDUCT FOR STOCK BROKERS

[Regulation 7]

A. General.

- (1) *Integrity: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.*
- (2) *Exercise of due skill and care: A stock-broker shall act with due skill, care and diligence in the conduct of all his business.*
- (3) *Manipulation: A stock-broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains.*
- (4) *Malpractices: A stock-broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. A stock-broker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness.*
- (5) *Compliance with statutory requirements: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him.....”*

C. Stock-Brokers vis-a-vis Other Stock-Brokers

- (4) *Advertisement and Publicity: A stock-broker shall not advertise his business publicly unless permitted by the stock exchange.*

Provisions of Stock Brokers Regulations, 1992 after coming into effect of Securities and Exchange Board of India (Stock Brokers and Sub-brokers) (Amendment) Regulations, 2014

Conditions of registration

9. *Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely-*

.....

- (b) *he shall abide by the rules, regulations and bye-laws of the stock exchange which are applicable to him;*
- (f) *he shall at all times abide by the Code of Conduct as specified in Schedule II.*

10. While proceeding with the case, I note that the allegations against the Noticee can be broadly summarized below:
- (a) The Noticee was involved in devising a scheme of manipulation in the scrip by issuing advertisement and buying shares of Mishka from Promoters as a principal and selling them at higher prices to 383 entities.
 - (b) The Noticee had dealt in a suspended scrip and had issued fake contract notes in respect of the off-market transfer of shares from Promoters to 383 entities during the period December 30, 2022 to February 04, 2013.
 - (c) The Noticee was involved in price manipulation in the scrip of Mishka.
11. I note that the facts and the issues involved in this case were the subject matter of a connected proceeding under Section 11 and 11B of the SEBI Act, 1992 in the same matter, initiated against *inter alia* Mr. Anil Satyanarayan Roongta and Sudha Anil Roongta in their capacity as the directors of the Noticee. The alleged violations by Noticee, which are the subject matter of this proceeding, have already been adjudicated upon and conclusive findings in respect of the same have already been given by SEBI vide an Order bearing No. WTM/GM/IVD/ID6/9588/2020-21 dated December 02, 2020. I note that while the abovementioned proceeding was *inter alia* aimed at deciding the accountability of the directors of the Noticee for their alleged role in the manipulation in the scrip of Mishka, the present proceeding, initiated against the Noticee under the provisions of Intermediaries Regulations, 2008 and having identical facts and issues as covered in the abovementioned Order, is aimed at deciding the accountability of the Noticee as a registered stock broker and its suitability to hold a certificate of registration from SEBI. It is further noted that apart from the allegations being identical in both the proceedings, even the submissions made by the Noticee and its directors in both the proceedings are similar, which have already been considered by SEBI in the previous proceeding, while arriving at the findings (refer to SEBI Order dated December 02, 2020). Thus, the findings reached in the previous proceeding have a material bearing on this proceeding.

12. I note that vide the abovementioned Order dated December 02, 2020, SEBI reached the following finding:

“Thus, on an overall evaluation of the facts and circumstances related to the transfer of shares of Mishka from the promoter entities to the 452 investors, I am inclined to go by preponderances which strongly point towards the Roongtas having a definite role in planting the fraudulent scheme in the securities market whereby a penny stock has been identified, activated (by removal of suspension, change of name /office etc.) and subsequently, transferred to several entities in the market. This part of the transaction initiating from the act of purchase of the promoter shares and spreading it out in the market, is itself per se manipulative and fraudulent. Subsequently, the Roongtas have also manipulated the price of the scrip, which is being dealt under the head Issue no. III. Certainty, I find that RRSPL has acted as a principal and not as a broker to the clients and misused its broker authorization to that extent. Accordingly, I hold that Noticee No. 8 and 9, who are directors of RRSPL have violated provisions of Regulations 3(a)(b)(c)(d) and 4(1) SEBI (PFUTP) Regulations, 2003.”

13. I also note that the abovementioned Order dated December 02, 2020 had also held that 41 entities, out of 53 entities who were alleged to have manipulated the price of the scrip of Mishka through their sell trades, had indulged in price manipulation.
14. The abovementioned Order dated December 02, 2020 was appealed against by Mr. Anil Satyanarayan Roongta, Sudha Anil Roongta and A.K. Roongta HUF and some of the abovementioned 41 seller entities, before the Hon’ble Securities Appellate Tribunal (SAT). The Hon’ble SAT vide its order dated February 14, 2023 quashed the Order dated December 02, 2020 in so far as it related to the seller entities. However, in respect of Mr. Anil Satyanarayan Roongta, Sudha Anil Roongta and A.K. Roongta HUF, the Hon’ble SAT held the following:

“22. The show cause notice alleged that RRSPL had devised a scheme to manipulate the price of the scrip by issuing an advertisement after buying the shares from the

promoter entities and manipulating price of the scrip through various entities. Further RRSPL dealt in the suspended scrip and issued fake contract notes. Shri Anil Satyanarayan Roongta and Sudha Anil Roongta are Noticee nos. 8 and 9 and directors of RRSPL and are Appellants nos. 1 and 2 in Appeal no. 199 of 2021. Appellant no. 3 is A.K. Roongta HUF whose Karta is Appellant no. 1. RRSPL is a registered broker having membership with Bombay Stock Exchange (BSE) and National Stock Exchange of India Ltd. (NSE).

23. The Roongtas contended that the entire transaction was sourced and concluded by one Subhash Maheshwari and that RRSPL only acted as a broker to the transactions between the buyers and sellers. In this regard a memorandum of understanding was executed between Vijay Kumar Jain, director in Mishka and Subhash Maheshwari wherein Subhash Maheshwari was mandated to sell the shares of Mishka. It was contended that RRSPL only acted as a broker and shares were directly transferred from the seller to the buyer. Further RRSPL never issued an advertisement nor does the advertisement purport to state the name of Mishka.

24. It was also urged that the principles of natural justice was violated as the Roongtas had sought cross-examination of those buyers who had stated that they purchased the shares based on the advertisement. The WTM found the Roongtas to be the kingpins in the devise formulated by them which led to the manipulation of the price. The WTM found that they were acting as a principal and not as an agent.

25. In this regard, we find that the contention of the appellant that the principles of natural justice was violated as they were not given an opportunity to cross-examine the buyers is patently erroneous and is irrelevant to the issue involved. The contention that RRSPL was approached by Subhash Maheshwari who had informed that he had buyers who were willing to purchase the shares of Mishka and that the entire transaction were sourced and concluded by Subhash Maheshwari and therefore the appellants acted as broker and not as a principal between the buyers and sellers is patently erroneous. The WTM has rightly disbelieved this theory and found that memorandum of understanding was only a piece of paper which was never acted upon and was procured to camouflage the scheme devised by the Roongtas.

26. We find that the Noticee nos. 8 and 9 being directors of RRSPL had devised a scheme whereby they purchased the entire shareholding from the promoters and promoter entities at the rate of R.s 5.00 per share and paid valuable consideration. The proof of payment has been depicted by the WTM in its order which fact has not been disputed by the noticees in their appeals nor disputed before us. The fact that Roongtas had paid valuable consideration to the erstwhile promoters of their shares proves that they were acting as a principal and not as an agent. The contention of these noticees that they were acting as brokers is totally erroneous and cannot be believed.

27. We also find that RRSPL had become a single contact point for the buyers of the scrip through the Roongtas. The WTM was justified in holding that when the shares were purchased off market and the issuance of contract notes was a fake transaction as there was no genuine need to issue a contract note for off market transaction in a suspended stock like Mishka. The evidence on record clearly indicates that the funds moved directly from RRSPL's account to the erstwhile promoters and there was non-levy of brokerage for transactions and consequently the findings that the Roongtas acted as principal and not as an agent broker was rightly arrived at by the WTM.

28. We find from the record that the erstwhile promoters received Rs. 21,20,500/- directly from RRSPL and another sum of Rs. 3,58,500/- was received directly from the buyers through RRSPL. No explanation has been given by these appellants before us. The third appellant A.K. Roongta HUF is Noticee no. 12 and Karta of this HUF is Noticee no. 8 who traded the shares through HUF in violation of Regulation 3 and 4 of the PFUTP Regulations as has been depicted clearly in the impugned order. In our opinion, these appellants had planted a fraudulent scheme in the securities market whereby a fake stock was identified, activated and consequently transferred to certain entities in the market. This apart all the transactions initiating from the act of purchase of the promoter shares and spreading it out in the market was manipulative and fraudulent. Subsequently, the Roongtas manipulated the price of the scrip and therefore in our opinion Noticee no. 8, 9 and 12 violated the Regulation 3 and 4 of the PFUTP Regulations.

29. In view of the aforesaid, the impugned order of the WTM insofar as it relates to Noticee nos. 8, 9 and 12 is affirmed and consequently Appeal no. 199 of 2021 (Anil Satyanarayan Roongta, Sudha Anil Roongta and A.K. Roongta HUF) is dismissed. The orders of the WTM and AO insofar as it relates to remaining appellants are quashed.....”

15. From the above, it is noted that the findings arrived at in the Order dated December 02, 2020 in so far as they relate to the Noticee, have already been upheld by the Hon'ble SAT. Considering the same, I do not deem it fit to reopen the issues which have conclusively decided by the Hon'ble SAT. Accordingly, I hold that the allegation of violation of the provisions of Regulations 3(a), (b), (c), (d) and 4(1) of the PFUTP Regulations, 2003 against the Noticee stand established.
16. As regards the allegation of violation of Regulation 4.6.4 of BSE Regulations for Capital Market Segment, Regulation 4.5.4 of NSE Regulations for Capital Market Segment, Clause 2(b) of Chapter VI and Clause 5 of Chapter X of BSE Bye-laws, Clause 8 and Clause 10 of Chapter IX of NSE Bye-laws read with Regulation 6A(b) [Now renumbered as Regulation 9(b)] of the Stock Brokers Regulations, 1992 as mentioned in the SCN, I note that the said provisions *inter alia* prohibit dealing in suspended securities, unless permitted by the exchanges. Further, the said provisions also provide for issuance of contract notes in a manner and format prescribed by the exchanges. Since the Noticee had traded in a suspended security and since it had issued fake contract notes, as previously held by SEBI and confirmed by the Hon'ble SAT, I find that the abovementioned allegation of violation of provisions of regulations and bye-laws of NSE and BSE stand established.
17. I further find that by indulging in violations as discussed above, the Noticee had failed to maintain high standard of integrity, promptitude and fairness and also failed to exercise due skill and care in the conduct of his business. Further the Noticee has indulged in manipulation and malpractices and has failed to comply with statutory requirements. Consequently, the allegation of violation of the provisions of Clause A

(1), (2), (3), (4) & (5) of the Code of Conduct for Stock Brokers specified under Schedule II, read with Regulation 7 [now renumbered as Regulation 9(f)] of Stock Brokers Regulations, 1992 also stand established.

18. I note that the DA in his report has recommended that the Certificate of Registration of the Noticee be suspended for a period of one (1) year for the aforesaid violations committed by it. Having considered the gravity of the violations committed by the Noticee, I am inclined to accept the recommendation of the DA. However, I have kept into consideration the convenience and interest of the Noticee's existing clients, if any, while issuing the appropriate direction.

DIRECTION –

19. I, in exercise of the powers conferred upon me under Section 19 of the SEBI Act, 1992 read with Regulation 27(5) of the Intermediaries Regulations, hereby suspend the Certificate of Registration of the Noticee, as a stock broker, for a period of one (1) year from the date of coming into effect of this Order.
20. This Order shall come into force after 30 days from the date of this Order. A copy of this Order shall be served on the Noticee, all recognized Stock Exchanges and Depositories.

PLACE: MUMBAI

DATE: JULY 21, 2023

ASHWANI BHATIA

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA