**BEFORE THE ADJUDICATING OFFICER**
**SECURITIES AND EXCHANGE BOARD OF INDIA**
**ADJUDICATION ORDER NO. Order/BD/BM/2019-20/7421-7429**

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**UNDER SECTION15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT,1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES,1995**

**In respect of**

| | | | |
|---|---|---|---|
| 1 | M/s Vertex Spinning Limited<br>1011 Embassy, Centre, 207,<br>Nariman Point, Mumbai-400021 | 2 | Shri Suresh Sharma<br>2010- Marine Drive, Girikunj Building,<br>2nd Floor, Mumbai – 400 020. |
| 3 | Mansukh Finance &Investments Pvt. Ltd.<br>326, Karim Building, Beside Super Cinema, Ground Floor, Grant Road,<br>Mumbai- 400007 | 4 | Mithalesh Suresh Sharma<br>15, Gulmohar Extension,<br>Indore-452001 |
| 5 | SS Forging & Engineering Ltd.<br>1011 Embassy Centre,207,<br>Nariman Point, Mumbai-400021 | 6 | Daljeet Singh Matharu<br>1011, Embassy Centre, Nariman Point,<br>Mumbai-400021 |
| 7 | Ram Pratap Singh<br>House No. BM-26,<br>Dev Nagar,<br>B. M. Suklya,<br>Indore 452010 | 8 | Ashok Sharma<br>1011 Embassy Centre, Nariman Point,<br>Mumbai-400021 |
| 9 | Twinstar Finvest Pvt. Ltd.<br>1011, Embassy Center, 207,<br>Nariman Point, Mumbai – 400021 | | |

**In In matter of Vertex Spinning Limited**

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1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI'), on receipt of the reference of a complaint forwarded by Office of Senior Inspector of Police, MRA Marg, Police station, Mumbai–400001, conducted an investigation of the activities of Vertex Spinning Limited (hereinafter referred to as the 'VSL/ company') for the period from March 29, 2006 to March 28, 2007 (hereinafter referred to as the 'investigation

period') in the scrip of Vertex Spinning Limited (hereinafter referred to as the 'VSL/ company'). The company was listed at Bombay Stock Exchange Limited (hereinafter referred to as 'BSE') during the investigation period.

2. During the Investigation for the period From March 29, 2006 to March 28, 2007 (hereinafter referred to as Investigation Period) it was observed that the Noticee 1 company and Suresh Sharma {(Promoter and then CEO of VSL), (Director of Mansukh Finance &Investments Pvt. Ltd. (MFIPL), (Managing Director of SS Forging & Engineering Ltd. (SSFEL), (Director of Twinstar Finvest Pvt. Ltd (TFPL)} had failed to submit implementation status of all corporate announcements and also failed to appear before Investigation Authority (IA). Therefore, it was observed that Noticee 1-2 allegedly violated sections 11C (2), (3) read with (5) of the SEBI Act, 1992.

3. It was also observed from the analysis of trade and order log that the substantial volume of trading by way of synchronized trades and cross deals by Mansukh Finance & Investments Private Limited, Suresh Sharma, Mithlesh Suresh Sharma (Director of MFIPL) & (Director of TFEL), SS Forging & Eng. P. Limited, Daljeeth Singh Matharu(Director of SSFEL), Ram Pratap Singh(Director of SSFEL), Ashok Sharma(Director of SSFEL) and Twinstar Finvest Pvt. Limited (who were all connected to each other and acting as clients of SIC Stocks & Services Pvt. Limited) had facilitated in creation of false market in shares of VSL and caused an upward pressure on share price of VSL. Therefore, it was alleged that Noticee 2-9 violated section 12A(a),(b) and (c) of SEBI Act, 1992, Regulation 3(a),(b), (c) and (d) and Regulation 4(1), 4(2)(a), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of SEBI (Prohibition of fraudulent and Unfair Trade Practices relating to the Securities Market) Regulation, 2003 (hereinafter referred to as **'PFUTP Regulation'**).

**Appointment of Adjudicating Officer**

4. Pursuant to investigation, SEBI initiated Adjudication Proceedings against the Noticees and appointed Ms. Anita Kenkare as the Adjudicating Officer vide Order dated June 18, 2014 under Section 19 read with Sub-section (1) of Section 15-I of the SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties

by Adjudicating Officer) Rules, 1995 (hereinafter referred to as "Adjudicating Rules") to inquire into and adjudge under Section 15A(a) and 15HA of the SEBI Act, 1992 for the violation of provisions alleged against them. Pursuant to the order of the interdepartmental transfer in SEBI, I have been appointed as Adjudicating Officer to enquire into the alleged violations by the Noticees.

**Show Cause Notice and Reply and Hearing**

5. A common Show Cause Notice (hereinafter referred to as "SCN") bearing ref. no. EAD/PJ/VP/15039/2015 dated May 29, 2015 was issued to the Noticees under Rule 4 (1) of Adjudicating Rules to show cause as to why an inquiry be not held against them and penalty be not imposed under Section 15 A(a) of SEBI Act, 1992 against the Noticee 1 and 2 and under Section 15 HA of SEBI Act, 1992 against the Noticee 2 to 9 for the violation alleged to have been committed by them.
6. Vide letters dated October 21, 2015, November 23, 2015, January 29, 2018 and February 27, 2020 all the Noticees except Noticee 6 & 7 have replied to the SCN. Vide e-mail dated February 24, 2020 the Noticee 6 has replied to the SCN and also submitted that he is 72 plus and due to his ill health, diabetes and rheumatic arthritis he can neither appear in person not can depute someone on his behalf.
7. The SCN dispatched to serve on Noticee 7 returned undelivered. The same was served on the last known address of Noticee 7 by affixture. However, Noticee 7 failed to file the reply.
8. In the interest of natural justice and in terms of Rule 4 (3) of the Adjudication Rules, vide notice dated (From Hearing minutes Desktop access ) Noticees except 6 & 7 were granted an opportunity of personal hearing on February 14, 2018. Noticee 1-5 & 8-9 attended the hearing scheduled and reiterated the submission as made earlier vide letters dated October 21, 2015, November 23, 2015 and January 29, 2018.
9. During the hearing on February 14, 2018, as requested the Noticees 1-5 & 8-9 were allowed to file documents and clarification by February 23, 2018 as under:

*a. Copy of the letters demonstrating that the Noticees have provided all documents sought during the investigation.*
*b. Vertex Spinning Ltd had announced February 7, 2007 that the Company added Weaving and Processing in its upcoming Project at Dhule, in order to strengthen and improvise its product range. The copy of documents demonstrating the permission for such capacity enhancement and approval thereof.*
*c. The company announced that all the necessary infrastructure like construction of roads is completed, Water tank is installed by the MIDC the water has been brought from 35 kms away from the factory site. Electricity/ Light connections & installation is already completed as per the required capacity. Please clarify the same.*
*d. There are certain difficulties with respect to installation of HT connection and water pipeline in the project as per the corporate announcements as submitted by the Noticees. Whether such hurdle/obstructions were brought to the public domain and to the notice of the investors?*

**10.** Vide a common letter dated February 27, 2020 the Noticee 1-5 & 8-9 submitted as under:

- *That the second show cause notice EFD/DRA4-WRO/MN/AS/22215/1/2016 dated August 8, 2016 issued for the same investigation period on the same set of allegation amounts to double jeopardy and untenable and unsustainable in law.*
- *That Secretariat for Industrial Assistance, Public Relation & Complaints Section, Ministry of Commerce & Industry vide letter dated January 24, 2005 had permitted for expansion/adding off weaving, spinning and processing of acrylic blanket and fibres. Copy of said letter is enclosed.*
- *That LT connection was sanctioned by the concerned authorities, however, as per the requirement for industry HT connection was required. The Noticees vide their letter dated October 16, 2006 requested for HT connection and made application as per the direction of the authorities in 2007 itself however, the Noticee kept on supplying LT connection which is evident from minutes of meeting dated February 26, 2010 wherein the direction was given to MSEDCL to immediately release power (HT Power). Copy of the minutes enclosed.*
- *That the supply of water was made in limited quantity due to paucity of proper pipeline and accordingly, the government decided to issue tender for laying pipeline at the earliest on February 26, 2010.*
- *That supply of electricity and water were arranged but not in the quantity and/or the capacity which was required to complete the construction such a huge area as sanctioned to the Noticee. This non supply of electricity and water in non-requisite capacity led to*

*dispute between the Noticee and Government and same is pending before Hon'ble High Court at Judicature at Bombay at Aurangabad Bench wherein there is a stay in favor of the Noticee.*

**11.** Vide hearing Notice dated March 2, 2020 the hearing was scheduled on March 11, 2020, The hearing notice was served on the last known address of the Noticee 7 at Indore. However, Noticees failed to attend the hearing scheduled on March 11, 2020.

**12.** On request of the Noticee 1-5 & 8-9, opportunity of personal hearing was allowed to them on December 20, 2019, January 22, 2020 February 26, 2020, and February 27, 2020. However, the Noticees sought extension of all those different dates on account of their personal difficulties. Vide e-mail dated March 05, 2020 the personal hearing was scheduled on March 20, 2020 as the final chance which Noticee could not attend in view of precautionary measures of COVID-19.

**13.** Vide e-mail dated March 20, 2020 the Noticee 1-5 & 8-9 were allowed to attend personal hearing through whats' app video call which they availed on March 30, 2020. During the hearing, the Noticees reiterated the submission as made earlier vide letters dated October 21, 2015, November 23, 2015, January 29, 2018 and February 27, 2020.

**14.** I am of the view that sufficient opportunity of hearing has been granted to the Noticees. Matter was partly heard in person on February 14, 2018 and the another hearing has been held on whatsapp video call from the premises of SEBI Bhavan II, BKC, Bandra East, Mumbai as opted by the Noticee 1-5 and 8-9. Noticee 7 has been served SCN and Hearing Notices. However, neither reply has been filed to SCN nor he appeared for hearing. Since Noticee 6 vide e-mail dated February 24, 2020 has shown his inability to appear in hearing scheduled in view of ill health and old age, I have considered it as the forfeiture of right of personal hearing and accordingly I am proceeding further in the matter based on the material available on record and on the written and oral submissions made by the Noticees.

**CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS**

**15.** I have carefully perused the charges leveled against the Noticees in the SCN, written and oral submissions made and all the documents available on record. In the instant matter, the following issues arise for consideration and determination:

A) *Whether the Noticee 1-2 have violated sections 11C (2), (3) read with (5) of the SEBI Act, 1992?*

B) *Whether the Noticee 2-9 have violated section 12A(a),(b) and (c) of SEBI Act read with 3(a),(b), (c) and (d) read with Regulation 4(1), 4(2)(a), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations?*

C) *Does the violation, if any, attract monetary penalty under Section 15 A(a) of SEBI Act, 1992 against the Noticee 1 and 2 and under Section 15 HA of SEBI Act, 1992 against the Noticee and 2 to 9?*

D) *If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15 A(a) and 15HA of SEBI Act, 1992?*

**16.** Before going to adjudge the issues, I may refer the relevant provisions as under:

***Section 11C of SEBI Act, 1992*** *(1) Where the Board has reasonable ground to believe that—*

*(2) Without prejudice to the provisions of sections 235 to 241 of the Companies Act, 1956 (1 of 1956), it shall be the duty of every manager, managing director, officer and other employee of the company and every intermediary referred to in section 12 or every person associated with the securities market to preserve and to produce to the Investigating Authority or any person authorized by it in this behalf, all the books, registers, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.*

*(3) The Investigating Authority may require any intermediary or any person associated with securities market in any manner to furnish such information to, or produce such books, or*

*registers, or other documents, or record before him or any person authorized by it in this behalf as it may consider necessary if the furnishing of such information or the production of such books, or registers, or other documents, or record is relevant or necessary for the purposes of its investigation.*

*(5) Any person, directed to make an investigation under sub-section (1), may examine on oath, any manager, managing director, officer and other employee of any intermediary or any person associated with securities market in any manner, in relation to the affairs of his business and may administer an oath accordingly and for that purpose may require any of those persons to appear before it personally.*

**Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.**

***Section 12A of Sebi Act, 1992.*** *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 recognized 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 recognized stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

***Regulation 3 of PFUT. Prohibition of certain dealings in securities***

*No person shall directly or indirectly—*

*(a) buy, sell or otherwise deal in securities in a fraudulent manner;*

*(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*

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

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

***4. Prohibition of manipulative, fraudulent and unfair trade practices***

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

*(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—*

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

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

*(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;*

*(k) an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors; manner in order to increase his commission and brokerage;*

*(r) planting false or misleading news which may induce sale or purchase of securities.*

**17.** Now, I deal with the issues and my findings thereof as under.

**Principles of Natural Justice**

**18.** Before proceeding further, I would like to refer that Noticee 7 did not file any reply to SCN although same was served on them at the last known address in accordance with the Adjudication Rules.

**19.** As stated above, sufficient opportunities to submit reply and appear in personal hearing have been given to the Noticee 7, none of which were availed by the Noticee . Therefore, I find it pertinent to refer to the judgment dated December 08, 2006 of Hon'ble Securities Appellate Tribunal in the matter of **Classic Credit Ltd. v SEBI (Appeal No. 68 of 2003)** wherein, it observed, "… the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them". I also observe that the Hon'ble Securities Appellate Tribunal in the matter of **Sanjay Kumar Tayal & Ors. v SEBI (Appeal 68 of 2013 dated February 11, 2014)** had inter alia observed that, "...As rightly contended by Mr. Rustomjee, learned senior counsel for respondents, appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges leveled against them in the show cause notices..." Thus, I am of the view that the allegations leveled in the SCN and the evidences enclosed therewith are not in dispute in absence of any reply from the Noticee 7.

**20.** As regard to Noticee 1-5 & 8-9, all of them are related to one another in one way or other ways (family relations/employees of VSL). They had been heard in person on February 14, 2018 and since then several adjournments were taken by them on ground of personal difficulties. Noticee 2 Suresh Sharma, as promoter director of VSL opted for personal hearing through whats' app video call which was conducted from the premises of SEBI Bhavan II, BKC, Bandra East, Mumbai at 3:30 pm on March 30, 2020. Noticee 6 has already waived up his opportunity of personal hearing and submitted that his reply to SCN may be taken into record while adjudging in the proceedings. In view of above, I am of the view that the principles of Natural Justice have duly been complied with by allowing the Noticees sufficient time for filing the reply to the SCN and personal hearing for such a long period as the SCN was issued long back i.e. on May 29, 2015.

**Double Jeopardy**

**21.** I note that Noticee 1-5 & 8-9 in their submissions have contended that the present adjudication proceedings are double jeopardy as SEBI has issued another SCN No. EFD/DRA4-WRO/MN/AS/22215/1/2016 dated August 8, 2016 for the same investigation period on the same set of allegation.

**22.** At this juncture, I rely on judgment of the Hon'ble High Court of Bombay in the case of **SEBI Vs. Cabot International Capital Corporation (2004)** wherein it was observed that "*the adjudication for imposition of penalty by Adjudication Officer, after due inquiry, is neither a criminal nor a quasi-criminal proceeding. The penalty leviable under this Chapter or under these sections is penalty in cases of default or failure of statutory obligation or in other words, breach of civil obligation. The provisions and scheme of penalty under SEBI Act, 1992 and the regulations, there is not element of criminal offence or punishment as contemplated under criminal proceedings.*" In view of this, I do not find merit in the contention of the said Noticees.

**23.** I note that the charges against the Noticees to be adjudged in the instant proceedings are categorized as under:

A. Non Compliance of Summons issued by Investigation Authorities
B. Failure to disclose implementation status of all corporate announcements
**C.** Fraudulent Trade Practices of Synchronized Trades and Cross deals

**24.** I find from the material available on record that VSL had come out with Initial Public Offer (IPO) in the year 1996 for Rs. 20 Crores. As per Annual reports for 2005-06 and 2006-07, the Board of directors of VSL, inter alia, comprised of Sachin Sharma (son of Mr. Suresh Sharma) Managing Director. The price of the scrip opened at Rs. 32.00 on March 29, 2006 and increased to Rs. 80.55 on May 19, 2006 and then gradually came down to Rs 29.70 on October 20, 2006 and again increased to Rs. 64.05 on February 09, 2007 and then closed at Rs. 30.00 on March 29, 2007. I find that out of 251 trading days, the scrip was traded for 244 days during the investigation period with the total traded quantity of 1, 27, 43,328 shares with an average daily volume of 52,226 shares.

**25.** During the investigation period, the total volume of the buy and sell by top 6 brokers in the shares of VSL (whose buying or selling exceeded 1 lacs shares) shown in the table is as under.

| Name of the Broker | Name of Major clients | Purchased Quantity | Percentage to total volume | Sold Quantity | Percentage to total volume |
|---|---|---|---|---|---|
| SIC Stocks & Services Pvt. Ltd. | Narendra Upadhyay | 4028683 | 31.61% | 4069415 | 31.93% |
| | SS Forging & Eng. Pvt. Ltd. | 1684922 | 13.22% | 1629130 | 12.78% |
| | Daljeet Singh Matharu | 1181549 | 9.27% | 1142845 | 8.96% |
| | Sandeep Mishra | 919091 | 7.21% | 919091 | 7.21% |
| | Ramkumar Sidhar | 436907 | 3.42% | 484271 | 3.80% |
| | Kuldeep Singh | 439216 | 3.44% | 457879 | 3.59% |
| | Twister Finvest Pvt. Ltd. | 67609 | 0.53% | 172051 | 1.35% |
| | Mansukh Finance & Investment P. Ltd.* | 109007 | 0.85% | 282282 | 2.21% |
| | Suresh Sharma | 179450 | 1.40% | 91456 | 0.71% |
| | Col. Rajinder Handa | 34316 | 0.26% | 34316 | 0.26% |
| | SIC | 10011 | 0.07% | 20654 | 0.15% |
| | Dealing of linked clients | | 71.28% | | 72.95% |
| | All clients of SIC | 9368149 | 73.51% | 9546940 | 74.92% |
| Sunchan Securities Ltd. | Brakes Auto (India) Ltd Suresh Sharma | 225649 | 1.77% | 207708 | 1.63% |
| | Total dealing of Sunchan | 1033634 | 8.11% | 1039713 | 8.16% |
| AKG Stock Brokers Pvt. Ltd. | Proprietary account | 433121 | 3.40% | 430121 | 3.38% |
| J.G.A Shah Share Brokers Pvt. Ltd. | Milind Madhani,Kalpana Madhani | 155515 | 1.22% | 107780 | 0.85% |
| Sykes & Rays Equity (India) Ltd. | Pratyusha Singh Rahul Jha | 105400 | 0.83% | 0 | 0.00% |
| Sanjay C. Baxi | Jagdish Chandra Agarwal | 8470 | 0.06% | 10090 | 0.07% |
| | Sanjay Goyal | 17717 | 0.13% | 15935 | 0.12% |
| | Samta Agarwal | 10806 | 0.07% | 10350 | 0.07% |
| | Sudha Goyal | 24106 | 0.18% | 22154 | 0.17% |
| | Total dealing of linked clients of Sanjay C. Baxi | 61099 | 0.44% | 58529 | 0.43% |
| | Total dealing of all clients of Sanjay C. Baxi | 104507 | 0.82% | 103144 | 0.81% |
| Total | | 11200326 | 87.89% | 11227698 | 88.12% |

**26.** I find from pre para that the top 6 brokers on buy and sell side contributed 87.89% and 88.12% respectively of the total trading volume during the investigation period. I also find that SIC was the major broker having buy and sell concentration of 73.51% and 74.92% respectively of the total trading volume during investigation period and their major clients were Suresh Sharma, Twinstar Finvest Pvt. Ltd. (Group company of VSL, Suresh Sharma is the common director), Ramkumar Shidhar (Ex-employee of VSL), Narendra Upadhyay (Ex-employee of VSL) and SSFL (Group company of VSL, Suresh Sharma is the common director).

**27.** I find from the quarterly and audited financial performance of the company as below:

| Particulars | Unaudited Quarterly results | | | | Annual results | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 30.06.06 | 30.09.06 | 31.12.06 | 31.03.07 | 31.3.06 | 31.03.07 | 31.03.08 | 31.03.09 | 31.03.10 | 31.03.11 |
| Net Sales | 194.14 | 200.74 | 211.94 | 214.24 | 519.68 | 821.54 | 981.81 | 459.19 | 934.02 | 736.00 |
| Other Income | 0.25 | 0.23 | 0.24 | 0.13 | 0.92 | 10.82 | 29.11 | 0.93 | 0.52 | 0.04 |
| Total Income | 194.39 | 200.98 | 212.18 | 214.37 | 520.60 | 832.36 | 1010.92 | 448.47 | 942.09 | 736.04 |
| Net Profit/ (Loss) after tax | 17.08 | 17.85 | 18.08 | 7.71 | 23.47 | 52.83 | 49.10 | (26.23) | (3.80) | (30.01) |
| Equity Capital | 199.06 | 199.06 | 199.06 | 199.06 | 199.06 | 199.06 | 199.06 | 199.06 | 199.06 | 199.06 |
| EPS | 0.09 | 0.09 | 0.09 | 0.04 | 0.12 | 0.27 | 0.25 | (0.13) | (0.02) | (1.51) |

**28.** I note from the table given above, that VSL reported profits in the unaudited quarterly results during the investigation period and company has reported loss during the last three financial years 2008-09 to 2010-11. VSL had reported increased sales and profit in 2006-07, as compared to 2005-06.

**29.** I note VSL had made major corporate announcements as follows:

| Sr. | Date & Time | Announcement/News | Price Impact/ Shares Traded | Remarks |
|---|---|---|---|---|
| 1 | 29/03/06 at 12:48:12 PM | Company has received letter from Maharashtra Industrial Development Corporation (MIDC) to register the lease Dated March 27, 2006. The Company has applied to the District industries center to give a Certificate for the exemption of Stamp Duty (`3,00,000/ of 10% of `60,00,000/-) as per the Government Policy of New Unit at Nardhana Textile Park of Dist. Dhule.Further the Company submitting the document for NOC from pollution Department, Building Map, Water and Electrical connection will also be completed shortly and Construction will be started in April 2006. | Open:32.00<br>High:32.26<br>Low 32:00<br>Closed:32.26<br><br>No. of shares traded: 19695 | This announcement did not have any immediate effect on the price/volume. |
| 2 | 13/04/06 at 02:53:50 PM | Company has updated the plant and machinery and also enhancement capacity to 160000 Spindles of Cotton Spinning, the total cost of project is `5120 million. The Company has completed the survey of land and appointed Architect and Structural Engineer (Mumbai), Electrical Engineering Firm (Ahmedabad), Land Escaping Firm (Baroda) and also appointed the supervision team at site. Hope that the building and layout will be submitted soon and construction will start in this month. | Open: 44.20<br>High:44.20<br>Low :42.00<br>Closed:44.20<br><br>No. of shares traded: 12941 | On April 13, 2006 as the announcement was made at 02:53:50 PM, it did not have any immediate effect on the price/volume on the same day. However, on next trading day i.e. Apr. 17, 2006, the price increased by 4.97% than the previous close and volume was also more by 4 times than the previous day's volume. |
| 3 | 20/04/06 At 11:41:12 AM | Company has submitted the map and Complete Building plan to MIDC Dhulia alongwith the application Water and air pollution to the pollution Board necessary fees has also been Deposited. Further, the Company has appointed Mr Rahul Deora and senior Deora as an architect of Nasik and also appointed Mr M M Kelker as Electrical Consultant, Mr Dilip Bhai Mehta CSE Consultant, Mrs Shobha Bhoptker, Mrs Anju Viyala, Archietact and Landscape Designer, Mumbai, Ahmedabad and Baroda Electrical and land scape replaced.The Company hopes that the sanction of layout plan and building plan shortly. | Open:53.65<br>High:53.65<br>Low :53.60<br>Closed:53.65<br><br>No. of shares traded: 63350 | The announcement did not have any immediate effect on the price/volume. |
| 4 | 21/04/06 At 2:39:43 PM | Maharashtra Industrial Development Corporation (MIDC) has sanctioned Building Plan on plot T/1 for the Company's factory at Nardhana office of the Executive Engineer Division Dhule. Further the Company calling Tender from the A class contractor to submit their offer for following Construction to the registered office Nariman Point or to the Architect office at Dhulia. Total construction 70627.49 Sq. Meters. Construction of Boundary and office building will start on time as the Company's announcement earlier and factory building will also start as soon as the Contractor Rates final. The Company's speed of working very fast looking to the coming rainy season. | Open:56.30<br>High:56.30<br>Low :54.00<br>Closed:56.30<br><br>No. of shares traded: 51299 | On April 21, 2006 as the announcement was made at 02:39:43 PM, it did not have any immediate effect on the price/volume on the same day. However, on next trading day i.e. Apr. 24, 2006, the price increased by 4.97% than the previous close and volume also increased to 72680 than the previous day's volume of 51299. |
| 5 | 24/04/06 At<br><br>4:01:16 PM | Company has offered its Services to Maharashtra Industrial Development Corporation (MIDC) for Textile Zone at Nardhana / Amaravati / near Mumbai by its letter dated April 18, 2006. In response of their Letter MIDC has also eagerly interested for Joint Venture (JV)with the Company by their letter dated April 24, 2006, Dpt. CEO of MIDC Mr. R M Naikhede informed and invited the Company in the next week for detail discussion on the issue and furnish the brief of project for joint share with MIDC. | Open:59.10<br>High:59.10<br>Low :59.00<br>Closed:59.10<br><br>No. of shares traded: 72680 | On April 24, 2006 as the announcement was made at 04:01:16 PM, it did not have any immediate effect on the price/volume on the same day. However, on next trading day i.e. Apr. 25, 2006, the price increased by 1.94% than the previous close and there was a decrease in volume to 31965 than the previous day's volume of 72680. |
| 6 | 02/05/06 | Meeting of the Board of Directors of the Company will be held on May 08, 2006, inter alia, to consider, recommend & declare | Open:66.45<br>High:66.45 | The announcement did not |

| | | | | |
|---|---|---|---|---|
| | At 10:20:57 AM | dividend to the shareholders for financial year 2005-06. | Low :66.40<br>Closed:66.45<br>No. of shares traded: 34435 | have any immediate effect on the price/volume. |
| 7 | 08/05/06 At 11:31:21 AM | The Board of Directors of the Company at its meeting held on May 08, 2006, has recommended Dividend @10% to the Shareholders of the Company. | Open:71.80<br>High:71.80<br>Low :71.80<br>Closed:71.80<br><br>No. of shares traded: 32154 | The announcement did not have any immediate effect on the price/volume on the same day. However, on next day the scrip opened at a price higher by 1.94% than the previous close and on next day there was a decrease in volume to 24661 than the previous day's volume of 32154. |
| 8 | 22/06/06 At<br><br>12:20:52 PM | Mr. Suresh Sharma CEO of the Company visited various Plant at Italy, Promoters are running very doubtful way looking to the future scared from Asian Countries, like India, China, Bangladesh, Sri Lanka and Pakistan. They are facing highly competition from Asian Countries. The Company CEO has visited Top Industrialist of Italy and after deep study, finally decided get hold of two Leading Textile Mills at Italy on Equity participation. Some of machinery will be shifted to the Company's Plant at Nardhana, Distt. Dhule, Maharashtra and value added product will be process on their existing site. | Open:54.65<br>High:54.65<br>Low :54.65<br>Closed:54.65<br><br>No. of shares traded: 64352 | The announcement did not have any immediate effect on the price/volume. |
| 9 | 01/08/06 At 12:33:44 PM | the Company has launched a festive range of Acrylic Mink Blankets under the brand name "DIANA". Each design is available in various colour combinations & permutations. These blankets are manufactured by using best of the yarns having the properties of attaining colour brightness & softness, the essential property is required for a quality blanket as per the international standard. The company also manufactures colourful baby blankets with cartoon motifs & logos. The company is having wide marketing network throughout India & exports its products to Gulf Countries & UK. Though Spain is considered market leader of Mink Blanket in the world, there is heavy demand for Mink Blanket of the company from Spain & UK, resulting into fully booking of the company production for next two years. | Open:45.35<br>High:45.35<br>Low :45.35<br>Closed:45.35<br><br>No. of shares traded: 301 | The announcement did not have any major effect on the price. The volume came down considerably to 301 shares from 65000 shares on previous day. |
| 10 | 29/09/06 At 07:09:11 PM | the Company has undertaken a major expansion programme, whereby it has updated the Plant and Machinery and completed 25,000 Spindles expansion programme at existing Unit at Pithampur, MadhyaPradesh. After the completion of this expansion of acrylic spinning mill, the Company became one of the top three Acrylic Blanket Manufacturing Mills in the world and it has established itself as a strategically located quality supplier of acrylic blanket to the whole of the country, Africa, USA, UK, Australia, Canada and all Asian Countries including MiddleEast. To start Cotton spinning the Company has acquired 100 Acres of Land and has started construction activity at Nardhana Industrial Area, Dist. Dhule, Maharashtra. The new Mega Project is at a cost of Rs 512 Crores. The company has obtained license from Govt. of India for Cotton Spinning of 1,60,000 Spindles. The Directors of the Company expected to commence its production of Phase-I of 80,000 Spindles by March 2007. After completion of Cotton | Open:31.30<br>High:32.45<br>Low :31.30<br>Closed:31.35<br><br>No. of shares traded: 26153 | As the announcement was made at 07:09:11 PM, it did not have any impact on price and volume on same day and on next trading day also there was no major impact on price. However, on next trading day the volume also increased three times than the previous day's volume. |

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| | | Spinning Project the company is expected to earn a gross revenue of ` 227.32 crores and a profit after tax amounting to ` 51.11 crores. Extensive efforts are being made to revamp and upgrade technology to enable the company to take advantage of the changing business opportunities | | |
| 11 | 10/11/06 At 12:57:15 PM | The Company is Developing Integrated Textile Park, details as under. Integrated Textile Park being Developed by the Company in District Dhule, Maharashtra, Dhule an important place in Maharashtra industrial scenario various industries on small scale. Knitwear, Hosiery, Weaving has been growing @10% over the past few year. Lifting of quantitative restrictions of quotas in the year 2005. The quality of Textile with reduction of cost and skill improvement compete the market. The Company has opened, Division of Integrated Textile Park and has acquired 400 acres land (1600000 sq meters) for 99 years in Nardhana industrial area Dist Dhule from MIDC. The project aimed Developing Dhule as a major cotton export city and to create employment for Rural Area on big scale as many as 10000 jobs or more. Company had chosen Dhule as one of the Cotton Producing District in the Maharashtra and there will be no shortage of the Raw material. | Open:38.80<br>High:38.80<br>Low :38.80<br>Closed:38.80<br><br>No. of shares traded: 33893 | The announcement did not have any major effect on the price. The volume came down by three time than the previous day's volume. |
| 12 | 01/02/07 At 11:11:27 AM | The company has announced the opening of yet another Unit which is coming up shortly at Nardhana Industrial area, Dist. Dhule, MH. Mr. Sharma has very ambitious plans to develop a Textile Park for which he has acquired 400 acres of land. (2 copies of letters of Advanced Possession Receipt dt. December 01, 2006 and January 02, 2007 issued by the MIDC are enclosed herewith). The construction of the Unit is already in progress and expected to complete by August 2007. All the necessary infrastructure like construction of roads is completed, Water tank is installed by the MIDC the water has been brought from 35 kms away from the factory site. Electricity/ Light connections & installation is already completed as per the required capacity.<br>Mr. Sharma, the CEO has absolute clear vision and long terms plan. He categorically said that the purpose of opening a Unit at Dhule will not only solve unemployment problem of thousands of workers of Dhule and surrounding areas but it will also add to economical prosperity & growth of this particular district. The Company is poised to produce quality Cotton Yarn for which qualified, ITI trained workers and staff will be recruited. The Company is expected to erect Machinery by the end of Sept 07 or middle of Oct 07 and the production will be under taken in 2 01phases. | Open:56.00<br>High:57.05<br>Low :55.95<br>Closed:57.05<br><br>No. of shares traded: 35335 | The announcement did not have any major effect on the price/volume. |
| 13 | 07/02/07 At 04:05:36 PM | Vertex Spinning Ltd has announced that the Company added Weaving and Processing in its upcoming Project at Dhule, in order to strengthen and improvise its product range. The Company foresee fabulous response to come after the inception of the production. The bifurcation would be 20% of the capacity will be in house for Weaving and Processing. The processed fabrics will be utilized for mass production for consumers in the market. This will bring value-addition to the Company's Project. | Open:61.60<br>High:61.60<br>Low :61.60<br>Closed:60.40<br><br>No. of shares traded: 45709 | As the announcement was made at 04:05:36 PM, it did not have any impact on price and volume on same day and on next trading day the scrip opened at a price higher by 1.78% than previous close. There was a substantial increase in the volume on Feb.08, 2007 to 144521 shares |

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| | | | | from 44709 shares on Feb. 07, 2007. |

**A. Non Compliance of Summons**

B. I note that with regard to the dealings in the shares of VSL by VSL group and the corporate announcements made by VSL during the investigation period the Investigating Authority (Hereinafter referred to as "IA") appointed by SEBI required information/ documents/ records which were necessary for the purpose of the investigation. Therefore, the IA issued summons to VSL vide summons dated December 09, 2010 asking, inter-alia, to give details of the implementation status of all the corporate announcements made during the investigation period, with necessary supporting evidences. However, I find from the material available on record that the company and its Managing Director merely provided the copies of corporate announcements made and did not mention about the implementation status of the same.

**30.** It is noted from the record, as per acknowledgment received, that the summons were delivered to VSL. In addition to the summons dated December 09, 2010, summons/ letters issued by the IA, proof of delivery, status thereof, etc., are given below:

| Date of Summons/ Letters | Date of appearance | Issued against | Mode of Delivery | Proof of delivery | Status of Compliance |
|---|---|---|---|---|---|
| 09.12.2010 | 24.12.2010 | VSL | Speed Post | Received | Partial detail submitted |
| 21.02.2011 | 28.02.2011 | VSL | Speed Post | Received | Sought adjournment |
| 16.03.2011 | 23.03.2011 | VSL | Speed Post | Received | Failed to appear |
| 30.05.2011 | 14.06.2011 | VSL | Speed Post | Received | Suresh Sharma appeared & sought adjournment |
| 04.08.2011 | 17.08.2011 | VSL | Speed Post | Received | Sought adjournment |
| 26.08.2011 | 06.09.2011 | VSL | Speed Post | Received | Failed to appear |
| 21.09.2011 | 30.09.2011 | VSL | Speed Post | Received | Sought adjournment |
| 07.10.2011 | 14.10.2011 | VSL | Speed Post | Received | Failed to appear |
| 24.10.2011 | 08.11.2011 | VSL | Speed Post | Received | Sought adjournment |
| 17.11.2011 | 28.11.2011 | VSL | Speed Post | Received | Appeared |

All the above letters and/ or summons are either in respect of the Noticee ( Company) or in respect of Noticee 2(Suresh Sharma).

**31.** Vide letter dated November 23, 2015 the Noticee 1, with respect to the allegation of Non-compliance of summons, has submitted as under:

- *"that the present notice is concerned with the period of March 29, 2006 to 28 March, 2007, the companies Director Shri Suresh Sharma have appeared before the lA on various dates as shown in Para 3.3 to your notice, in compliance of the summons issued on various times, he also appeared before the lA on 28.11.2011.*
- *Therefore, it cannot be said that the volition of section 11 C(2) I (3) read with section 5 of SEBI Act and it is remarkable that all concerning and relevant documents whichever required by the lA during the period of investigation have also been submitted to him and after submitting and producing that all those required documents the lA has taken observation upon them and mentioned in the show cause notice Para 3.2 to 3.5(10) it in not only show but also proved the fact all the documents required by lA have also been submitted by Mr. Suresh Sharma, as capacity of director and promoter of the company."*

**32.** I note that in response to summons, VSL had informed as under:

i. In respect of corporate announcement dated January 30, 2007 VSL informed that, on August 08, 2008, a lease agreement executed and registered between MIDC, Dhule and VSL. It had further informed that roads are completed and electricity connection also installed in plot T1 and T2, Nardana, Dhule.

ii. In respect of corporate announcement dated December 12, 2006 and November 30, 2006 VSL informed M/s Green Cottage & Resort Limited had completed half construction of their first project.

iii. In respect of corporate announcement dated April 12, 2006 VSL informed that, all procedural work has completed and half construction of building completed.

iv. In respect of corporate announcement dated March 29, 2006 VSL informed that, the electricity connection has been obtained and is developing plot T1 and T2, Nardana, Dhule.

**33.** However, I find from material available on record as under:

i. On March 29, 2006 corporate announcement was made that VSL has applied for exemption of stamp duty and submitted documents of NOC from pollution department. Further, construction work in Dhule shall start in April 2006. It has not been informed whether these have been achieved or not.
ii. In respect of corporate announcement made in April 13, 2006 and April 20, 2006, it has not been informed of work performed by entities referred. Further, status of plant & machinery and enhancement of capacity referred in announcement is not provided.
iii. In respect of corporate announcement dated April 21, 2006, VSL has, initer-alia, stated that construction of boundary/office shall start on time and factory building shall start as soon as contractor rates are final.
iv. In respect of corporate announcement dated June 22, 2006, no evidence of any MOU/ agreement with Italian companies (whose names were also not provided) given. Further, VSL had not informed whether the machinery has been shifted from Italy, as was mentioned.
v. In respect of corporate announcement dated August 01, 2006, the manufacture/ sales details of blanket under brand name "Diana" were not provided to enable us to verify the claim made by VSL.
vi. In respect of corporate announcement dated September 29, 2006, VSL had not provided any evidence expansion in plant & machinery in Pithampur plant as contended. In the said corporate announcement dated September 29, 2006, VSL had been contended that production of 80000 spindles in phase-I in Dhule project shall commence by March 2007. There is no evidence of any production.

**34.** As per Section 11C (2) (3) & (5) of SEBI Act, 1992 it was the duty of VSL and its promoter director Suresh Sharma to produce to the Investigating Authority all the books, registers, information, other documents and record of, or relating to, the company or, as the case may be, of or relating to, the intermediary or such person, which are in their custody or power.

**35.** I note that VSL and its Managing Director Mr Suresh Sharma, who is overall responsible for the day to day operation of the company, failed provide the necessary details of the non- implementation of the corporate announcements, among others, as sought above by the IA during the investigation period. The information sought by IA was critical in nature for the purpose of investigation which is a fact finding exercise. Therefore, I conclude that the non-furnishing of information as mentioned above has hampered the investigation.

**36.** In view of above, I conclude that VSL and its Managing Director Suresh Sharma have violated sections 11C (2), (3) read with (5) of the SEBI Act, 1992.

**B. Failure to disclose implementation status of all corporate announcements**

**37.** I note that, the corporate announcements on different dates i.e., February 01, 2006, March 29, 2006, April 13, 2006, April 20, 2006, April 21, 2006, April 24, 2006, May 02, 2006, May 08, 2006, June 22, 2006, August 01, 2006, September 29, 2006 and November 10, 2006 were made by VSL and on very next day from the date of announcements i.e., February 01, 2006, April 13, 2006, April 21, 2006, April 24, 2006 and May 08, 2006 there was increase in the price of the scrip.

**38.** I note that the price of the scrip opened at Rs 32.00 on March 29, 2006 and increased to Rs. 80.55 on May 19, 2006 and then gradually came down to Rs. 29.70 on October 20, 2006 and again increased to Rs 64.05 on February 09, 2007 and then closed at Rs. 30.00 on March 29, 2007.

**39.** However, Noticee 2 as a managing director of Noticee 1 failed to implement the corporate announcement made by it.

**40.** Vide letter dated November 23, 2015 Noticee 1& 2 have submitted as under:

*-In regard to the announcement serial no 1 the company has completed the construction of the shade at Nardhana, Dhulia within stipulated period but could not be started due to non-*

*supplying of water and electricity of HT connection by MIDC/ MSEB, therefore, Company has also filled petition before the Mumbai High court which is later on transferred to Aurangabad bench which is still pending and hoping decide before the end of the current year. lA has also remarked that this announcement did not have any immediate effect on the price and volume on that date share opening price was 33.26 and closing was 32.26 therefore it does not show any kind of violation and also not related to any private sector but it is purely with the MIDC which is Govt. institution, hence it cannot be said bogus and shameful announcement, in this regard to gain any undue advantage or profit gained by way of unfair trade practice.*

-*That, in regard to the announcement serial no 2 Dated 13 Apr 2006, regarding the plant and machinery. The company has completed appraisal note from Syndicate Bank of Rs 512 CR and also passed map sectioned the copy of the appraisal note enclosed hereby marked as ANNX R4/R5. Regarding this announcement impact on the share opening was 44.20 and closing was also 44.20, it shows no difference in impact on share also on this fact this authority lA also observed that it didn't have any immediate effect on the price volume on the same date, therefore it also cannot be any kind violation.*

-*In regard to the announcement serial no 3 dated 24/4 /2006 the company has submitted the map and building plan to MIDS,DHULE etc. and company has appointed Mr. Rahul Devra and Sr. Devra as an architect Nasik and also appointed electrical engineer Mr. M. M. Kelkar, it is regard for the preconstruction of the building that's why such announcement has been made and such type of announcement did not have any immediate effect on the price of the share, as on that day the opening of the share was 53.65 and closing also 53.65, it shows that therein no undue advantage or profit taken by the company from such announcement, As announcement made earlier that MIDC has sectioned building plan and in accordance with the sectioned plan company has started the construction of shade and further construction of about 60% of the total shade size of 1,20,000 sq. ft. is already been completed, evidence of the same can be found in the matter of High Court WP .*

-*In the regard to the announcement made in serial no 4, 24/4/2006, company has offered its service to MIDC for joint venture, as such it cannot be said fake announcement and also such type of announcement did not have any effect on the price of the share.*

-*As announcement regarding serial no 5, 2/5/2006, this is a positive announcement and is in welfare of the share holders so it cannot be said fake announcement and did not have any immediate effect on the price and volume of the share .*

-*In regard to the serial no 6 dated 8/5/2006, this announcement was made by the board of director of the company in the interest of share holders and as such it cannot be said to bad or bogus announcement, so cannot be said any kind of violation relating to the section of unfair trade practice .*

-*As regard to the announcement made serial no 7, Dated 22/6/2006 our submission is that such announcement is made by Mr. Suresh Sharma as CEO of the company, he visited various many countries for the development of Textile Company and also to transfer plant and machineries of Vertex Spinning Ltd from MP Plant to Nardhana Dhule, Maharashtra. Behind the visit of various countries the intension of the CEO was in welfare of the company hence no other ulterior motive behind it to gain any undue profit or advantage the trade of share market. Therefore, it cannot be said of any kind of violation relating to the unfair trade practice.*

-*As announcement made on date 1/8/2006 in serial no 8, the company has longed a festive range of acrylic mink blankets under the brand name Diana. This is the general announcement of the product of the company to display in the market. It has no connection with intention to fluctuate the rate of the share market it is only like comprise the rational value of share holders. Therefore, it cannot be said of any kind of violation relating to the unfair trade practice.*

-*The announcement made on 29/9/2006, in serial no 9 the company has completed the plant and machinery of existing Vertex Spinning Ltd plant at Pithampur M.P. of 25,000 spindles for Acrylic yarn and because the third largest spinning plant for manufacturing of Acrylic Yarn and also prepared for expansion of 512 CR at Nardhana, Dhule, as above explained the appraisal done by Syndicate Bank, Mumbai. It is true and not bogus announcement and does not have any impact on the value of the share.*

-*As regards to the announcement made on 10/11/2006 serial no 10 submission is that the announcement is true and nothing behind it to gain undue advantage of share market, as such it cannot said unfair trade practice and it is also found by the lA, it did not have any major effect on the price. The volume come down by three times then the previous days volume, therefore, it cannot be said of any kind of violation relating to the unfair trade practice.*

*-The announcement made on 1/2/2007 (in notice the print shown as 1/2/2006), such announcement is also related with the establishment of the company at Nardhana, which is absolutely is in relation in discussion with MIDC, which has no effect on the share trading market. The company wrote various letters and had personal discussion with the relevant authorities of MIDC for the water supply and electricity at Nardhana Area for the upcoming project of the company but MIDC failed to supply water and electricity from the high tension line as required by the company. The application for the HT Connection enclosed as ANNX R6. Therefore, Company has also filed WP before the High Court, Mumbai Aurangabad, thus company cannot be blamed that the company has made any kind of fraud or fictitious publicity before the investors in the share market. It cannot be said as unfair trade practice and there was no violation of the provision of the law.*

*-As regards to the announcement made on 7/2/2007 (but in notice date shown7/2/2006) made in serial no 13 is true not fake or bogus and lA has also observed and remarked that this announcement have any impact on price and volume on the same day and on next trading day the scrip opened at price higher by 1.78% then previous close, has no larger effect unless it higher than 5%, therefore, it is also clear no undue advantage or profit gained by me/company for making such announcement and no any kind of violation of provision of law.*

**41.** I note from the chronology of corporate announcement during the period of investigation that the first announcement was on March 29, 2006 when the price of scrip of VSL opened at Rs. 32.00. The next three announcements were made in the period of one month staring from April 13, 2006 to May 02, 2006 which increased the price of scrip to Rs. 71.80 which is the increase of 125% in span of around one month.

**42.** Upon perusal of the nature of corporate announcement I note that they pertain to setting up a project at Dhule. However, instead of releasing information in one lot it was branched out in various phases which were primarily in the nature of various routine correspondence relating to the procedural issued pertaing to the initiation of the project.

**43.** From the examination of the announcement vis-a-vis the price trends I note that they were primarily designed and structured to release the procedural updates to influence the price specially which in my opinion are not warranted specially when there was no material outcomes apart from mere procedural correspondence.

44. I also note that price of the scrip started declining after May 8, 2006 till November 11, 2006. The corporate announcement was similar to the announcement made on April 13, 2006.During the period there were attempts made by Noticees to make forward looking announcements including setting a project in Italy. However, such announcements did not have material impact on price. I note that price of the scrip declined from Rs 71.60 on May 08, 2006 to Rs 31.80 on September 29, 2006.

45. Consequent so such decline, Noticee 2 once again employed fraudulent mechanism to release forward looking announcements, some of which were even similar to announcements made earlier, which had positive impact on the price of the scrip. I note that Notice made forward looking corporate announcement on November 11, 2006 and subsequently another two announcements the month of February 2007 which ultimately increased the price from Rs. 31.80 to Rs. 64.05 on February 09, 2007.

46. From the above, it is apparent from the pattern of corporate announcements that Noticee 2 has fraudulently and with manipulative intent deployed a scheme to influence the price of the scrip which is corroborated from two phases when the price of the scrip declined as mentioned in above paras. I am of the view that Noticee 2 who is Managing Director of Noticee 1, who is responsible for day to day management of company had grossly misused the trust and confidence of shareholders and investors by actively devising scheme to manipulate the price of scrip for their ultimate benefit through various entities related to Noticee 1 and 2 who dealt in the scrip during the period of investigation.

47. I note from the submissions of the Noticee 2 that project could not be materialized due to dispute with MIDC and VSL regarding electricity and water supply. It was submitted that instead of HT connection, MIDC had given LT connection which is not sufficient for commercial activities. It is surprising to note that Noticee 2 did not choose to disclose the issues relating to HT connection and its likely impact on the project as risk factor to the shareholders and investors in general. However, Noticee 2 in its defense submitted that had vide letter dated June 09, 2008 informed BSE that the company has rescheduled the production planning due to non- availability of HT connection and water in the industrial area. Vide letter dated February 21, 2015 the Noticee 1 & 2 had forwarded the copy of letter dated June 09, 2008 to SEBI. I note that

the investigation period pertained to 2006-2007. I also note that Noticce2 was also asked to furnish reasons for the non-implementation of the corporate announcement which the Noticee2 failed to submit to the IA. I note that Noticee2 has failed to inform investors and shareholders through corporate announcements during the relevant period which if done would have enabled investors to take informed decisions. However, Noticee 2 filed a letter addressed to BSE on June 9, 2008 which in my opinion was an afterthought as SEBI had particularly enquired during investigations. Besides, I also note that there is merely a paper compliance to demonstrate their genuineness as this was not meant to provide in the public domain. There was no advice in the letter to BSE to put the information regarding the failure to non-implementation of corporate announcement in public domain.

**48.** Vide letter dated February 27, 2020 the Noticee2 submitted that supply of electricity and water was arranged but not in the quantity and/or the capacity which was required to complete the construction such as huge area as sanctioned to the Noticee 1. This non supply of electricity and water in non-requisite capacity led to dispute between the Notice 1 and Government and same is pending before the High Court of Judicature at Bombay at Aurangabad Bench wherein there is a stay in favor of the Noticees.

**49.** I note that the Noticee 1 has filed writ petitions Writ Petition 09 of 2015 read with WP 11597/ 2014 and 11599/2014 before the Hon'ble High Court of Judicature at Bombay at Aurangabad Bench for the relief against MIDC. I also note that due to pendency of the aforesaid writ petitions there is no constraint in passing the order in the instant adjudication proceedings as the content and dealings of the Noticees in instant proceedings pertain to securities laws.

**50.** Further, there has not been mentioned about the non-implementation of the said projects in the annual reports of the company for the year 2006-07 and 2007-08. Further, from the Annual Report for the year 2009-10, it was observed that the proposed Dhule project was expected to commence by financial year 2010-2011. However, VSL vide its letter dated December 07, 2012 had admitted that only half the construction has been done. This shows that even this contention in Annual Report was incorrect. I find that Noticee 2 did not give any reason for such an unusual time taken for even construction of building, while the announcement were giving the picture that VSL is seriously pursuing this project.

**51.** I note that, since Noticee 2 could not provide the details of the implementation of the corporate announcements, thus, it was without proper basis which affected the price and volume of the shares during the investigation period. These rosy announcements regarding project in Dhule, which apparently did not materialize had lured the general investors to fall in trap laid by promoter directors of VSL.

**52.** Noticee 2 by its own admission has admitted that merely half of construction has been completed. Even in respect of this claim, no evidence (like report of Architect/structural engineer) to substantiate that actually half the construction work has been completed.

**53.** I note that the statement of Mr. Daljeeth Singh Matharu, ex-GM (Operation & Maintenance) of VSL is corroborative which he, vide his e-mail dated March 28, 2012 to SEBI has stated that, "All the statements of Noticees with respect's to his new set up at Dhulia (Maharashtra) are hoax's, in the name of development a floor have been constructed in last 5 to 6 years in just a barren land which he has got on nominal charges and wants to sell it at an exorbitant price, in the name of development there – it's a big ZERO."

**54.** I find from the corroborative statement of Mr. Matharu that Noticee 2 has deliberately projected false and misleading statement as against the actual situation of the project.

**55.** The rosy announcements regarding project in Dhule, which apparently did not materialize had lured the general investors to fall in trap laid by promoter director of VSL.

**56.** I note that there is no reason shown by the Noticee 2 why he failed to update the failure to implement the corporate announcement in relevant annual returns and deliberately hidden this material information from the IA. Therefore, the alleged violation of misleading and misrepresentation by not updating the status of failure to implement the corporate announcement as against Noticee 2 stands established.

## C. Fraudulent Trade Practices by Synchronized Trades and Cross deals

**57.** I note that, VSL group while dealing through broker SIC Stock & Services Pvt. Limited entered into 26956 cross deal trades (53.27% of total trades) among themselves and accounted for 53.44% of the total market volume during investigation period. Out of the 26956 trades entered into among the clients linked to VSL, in 2130 trades for 3207489 shares (25.16% of the total market volume) the difference between buy order time and sale order time was less than one minute and difference between buy order rate/ sale order rate and buy quantity/ sale order quantity for all the trades were zero. Hence, these trades were observed to be synchronized trades. Further, the role of the clients in trading among themselves is as given under:

| Name of the clients | No. of Days Traded During the Period on buy side/ No of Days Done Trading with other group clients on buy side | Total buy Qty/Buy Qty. from group clients | Buy from Group as a % to market volume. | No of Days Traded During the Period on sell side/ No of Days Done Trading with other group clients on sale side | Total Sell Qty/Sell Qty. to group clients | Sell to Group as a % to market volume. | Trading among clients as % to gross market |
|---|---|---|---|---|---|---|---|
| Narendra Upadhyay | 92/81 | 4028683/ 2730542 | 21.43% | 88/80 | 4069415/ 2900158 | 22.46% | 22.09% |
| Ramkumar Sidhar | 13/13 | 436907/ 379703 | 2.98% | 17/14 | 484271/ 413945 | 3.25% | 3.11% |
| Mansukh Finance & Investment Pvt. Ltd. | 14/3 | 109007/ 72778 | 0.57% | 6/5 | 282282/ 31526 | 0.25% | 0.41% |
| Suresh Sharma (SIC) | 8/5 | 179450/ 77964 | 0.61% | 6/2 | 91456/ 77747 | 0.61% | 0.61% |
| Twister Finvest P. Ltd. | 10/7 | 67609/ 34983 | 0.27% | 13/6 | 172051/ 65119 | 0.51% | 0.39% |
| SS Forging & Eng. P. Ltd. | 57/44 | 1684922/ 1210665 | 9.50% | 50/43 | 1629130/ 1154635 | 9.06% | 9.28% |
| Sandeep Bevprasad Mishra | 27/25 | 919091/ 835502 | 6.56% | 29/25 | 919091/ 798078 | 6.26% | 6.41% |
| Kuldeep Singh | 12/12 | 439216/ 417419 | 3.28% | 17/15 | 457879/ 364340 | 2.86% | 3.07% |
| Daljeeth Singh Matharu | 38/32 | 1181549/ 1050664 | 8.24% | 30/29 | 1142845/ 1004672 | 7.88% | 8.06% |
| Total | | 9046434/ | 53.44% | | 9248420/ | 53.44% | 53.44% |

| | | | | | | |
|---|---|---|---|---|---|---|
| | 6810220 | | | 6810220 | | |

**58.** I note from the above that the cumulative contribution of the connected clients account for 53.44% during the period which is substantial considering the fact that the trades of all the clients are through the same broker i.e. SIC Stocks & Services Pvt. Limited and orders were used to be placed by Noticee 2/Mr. Suresh Sharma. Further, on analysis of price influence through incremental trades with a price difference of Rs 0.20 or more, I note that there were 822 such incremental trades and out of 822 trades 544 trades were executed by the broker SIC Stock & Services Pvt. Limited wherein for 501 trades the broker dealt on behalf of these clients linked to promoters of VSL.

**59.** I note that the promoter group of VSL namely Suresh Sharma and his group companies had dealt in shares of VSL, as detailed below:-

| **Name of Major clients** | **Purchased Quantity** | **Percentage to total volume** | **Sold Quantity** | **Percentage to total volume** |
|---|---|---|---|---|
| SS Forging & Eng. Pvt. Ltd. | 1684922 | 13.22% | 1629130 | 12.78% |
| Twister Finvest Pvt. Ltd. | 67609 | 0.53% | 172051 | 1.35% |
| Mansukh Finance and Investment P. Ltd. | 109007 | 0.85% | 282282 | 2.21% |
| Suresh Sharma (SIC) | 179450 | 1.40% | 91456 | 0.71% |
| Brakes Auto (India) Ltd. (Sunchan Securities) | 225649 | 1.77% | 207708 | 1.63% |
| | **2266637** | **17.77%** | **2382627** | **18.68%** |

**60.** I note that Suresh Sharma is the Managing Director of Noticee 1 and Noticees Ashok Sharma is son of Suresh Sharma, Noticee Mithilesh Sharma is the wife of Suresh Sharma. Noticee D.S. Matharu and Ram Pratap Singh were the employees of VSL. I also note that S.S. Forgings and Engineering Ltd, Twinstar Finvest Pvt Ltd and Mansukh Finance & Investments Pvt. Ltd. Are companies promoted by Suresh Sharma.

**Connections**

61. I find that all the clients of SIC mentioned below were connected to one another and/ or to VSL and its promoters/ Directors. The detail connection of Vertex group of clients are as follows:

| Sr. No | Name of the Client | Relationship |
|---|---|---|
| 1 | Narendra Upadhyay | As confirmed by VSL vides their letter dated 19.01.2011 the client is Ex-Employee of VSL |
| 2 | Ramkumar Sidhar | As confirmed by VSL vides their letter dated 19.01.2011 the client is Ex-Employee of VSL |
| 3 | Suresh Sharma | Director of VSL & SS Forging & Eng. Limited |
| 4 | Twister Finvest Pvt. Limited | Group company of VSL |
| 5 | SS Forging & Eng. Limited | Group company of VSL & have common director Suresh Sharma |
| 6 | Mansukh Finance & Investment Pvt. Limited | Group company of VSL & have common director Suresh Sharma |
| 7 | Sandeep Mishra | Ex-Employee of VSL (confirmed by the client vide his email dated 28.03.2012 |
| 8 | Kuldeep Singh | Ex-Employee of VSL (confirmed by Daljeet Mathaur and Sandeep Mishra vide their emails dated 28.03.2012 |
| 9 | Daljeet Mathaur | Ex-Employee of VSL (confirmed by the client vide his email dated 28.03.2012 |

62. I note that employees of VSL i.e., D.S. Matharu and Ram Pratap Singh were made directors in the companies controlled by Suresh Sharma. I am of the view that employees are the persons designated for discharging the job and tasks assigned by their employer, i.e. VSL. However, in the instant case the employees have been made directors in companies controlled by Suresh Sharma which clearly demonstrate that Noticee Suresh Sharma had engaged their services for the purposes other than the capacity as an employee. Therefore, such employees cannot work independently on their own but at the direction of the person who is actually controlling his company, i.e. Suresh Sharma. Therefore, submission of Noticee 2 that entire share trading was done by Noticee 6 & 7 is completely devoid of merit due to reasons mentioned above.

63. I note from the submission of Noticee 2 that he opened the accounts with SIC after their officers came to his office for opening the account during early 2006. It was agreed that orders will be placed by SIC themselves in the different client codes and whenever debit balance used to happen, they used to make payment. In respect of

delivery of shares, the authority for auto debit was given to broker for debiting their accounts and SIC used to debit their accounts accordingly.

**64.** I note that no evidence has been submitted in support of the submission that they had authorized broker to trade and debit on behalf of the Noticees . It is surpeising to note that all the clients/Noticeeswho have dealt through the SIC have given authorization in synchronized manner seems to suggest that it is not a normal practice while dealing through brokers. Even if such an authorization is given Noticees cannot be ignorant of the trading and through such broker as there would be substantial debits in their bank account given the volume of trades noticed during the IP.

**65.** It is particularly surprising to note that all the notices were connected with VSL and also dealt in large quantity in synchronized manner in the scrip of VSL. Given that Suresh Sharma being Managing Director of the company had floated series of corporate announcement which had a material impact on the price of scrip. It is hard to ignore the fact that they had no notice of trades done on their behalf. Therefore, based on preponderance of the probability that Noticee had traded the scrip and was fully aware of the trade. Therefore, there is no merit in the submission of the Noticee 2 that trades had been done without their knowledge.

**66.** The clients who trade in securities market are responsible for their trade and therefore, I don’t find merit in the submission of the Noticee 2 that he is not responsible for the trades done by his broker SIC on his behalf. Accordingly, I proceed to examine the trades of the Noticees as if it is their trades and they were aware of the trades.

**Analysis of Trades**

**67.** I find from the analysis of trade and order log that, there were 61,988 buy orders placed by 260 brokers for their 1,781 clients for 1,89,508,550 shares and 87,510 sale orders placed by 231 brokers for their 1,348 clients for 71,50,97,965 shares which resulted into 50,594 trades for 1,27,43,328 shares during the investigation period. I find that the stock broker SIC while dealing on behalf of its clients (Vertex Group entities) namely Twister Finvest Private Limited, Narendra Upadhyay, Ramkumar Shidhar, SS

Forging & Eng. Limited, Suresh Sharma, Sandeep Mishra, Kuldeep Singh, Daljeeth Matharu and bought 69,35,847 shares and sold 89,69,138 shares.

**68.** The price volume data/summary report on BSE for the entire period of examination the benchmark index, Sensex moved from opening 11103.87 points as on March 29, 2006 to 14007.67 points on December 08, 2006 and closed at 12979.66 points on March 29, 2007. I find that out of 251 trading days, the scrip was traded for 244 days during the investigation period with the total traded quantity of 12743328 shares with an average daily volume of 52226 shares.

**69.** I found that VSL group entities while dealing through SIC entered into 26,956 cross deal trades (53.27% of total trades) among themselves and accounted for 53.44% of the total market volume during investigation period. Out of the 26,956 trades entered into among the clients linked to VSL, in 2,130 trades for 32,07,489 shares (25.16% of the total market volume) the difference between buy order time and sale order time was less than one minute and difference between buy/sale order rate and quantity for all the trades were zero.

**70.** Hence, these trades are found to be synchronized trades. Taken on random basis, some of the instances of buy and sell orders of the Noticees connected clients from the same member with no difference in time, quantity and rate in most of the cases are as under:

| Trade Date | Trade Time | Client | CP Client | Qty. | Time Diff. | Qty. Diff. | Rate Diff. |
|---|---|---|---|---|---|---|---|
| 19/04/06 | 15:56:21 to 15:58:16 | MANSUKH FINANCE | SURESH SHARMA | 10250 | 0 | 0 | 0 |
| 20/04/06 | 14:21:43 to 15:27:45 | MANSUKH FINANCE | MANSUKH FINANCE | 22500 | 0 | 0 | 0 |
| 02/05/06 | 11:15:22 | TWISTER | SSFL | 100 | 0 | 0 | 0 |
| 08/05/06 | 15:59:50 | SSFL | TWISTER | 3304 | 0 | 0 | 0 |
| 01/09/06 | 10:25:32 to 12:01:43 | SURESH SHARMA | SURESH SHARMA | 36256 | 0 | 0 | 0 |
| 27/02/07 | 09:58:25 | SSFL | SSFL | 5000 | 0 | 0 | 0 |

**71.** I note from the record that there are total 32, 07,489 shares by synchronized trades wherein both the sides of the trades i.e. buy and sell are the clients of the SIC only. Total 4,44,943 shares transacted by synchronized trades were conducted by Daljeet

Singh, 2,61,773 by Kuldeep Singh, 24,500 by Mansukh Finance, 12,67,883 by Narendra Upadhya, 2,80,748 by Ramkumar Sidhar, 6,66,684 by Sandeep Mishra, 1,77,683 by SSFL, 46,506 by Suresh Sharma and 36,769 by Twister through the SIC only. Some of the instances with no difference in time, price and volume which, inter alia, resulted in synchronized trades as under:

| | | | | | | | Sale Clients | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Date | Trade Ns. | Time Diff. | Qty. Diff. | Rate Diff. | Rate Diff. | Buy Client Name | Daljeet S | Kuldeep S | MansukhF | Narendra | Ramkumar | Sandeep | SSFL | Suresh | Twister |
| 19/04/06 | 569-585 | 15:56:21 - 15:58:16 | 0 | 0 | 0 | Mansukh F | | | | | | | | 10250 | |
| **20/04/06** | 128-174 | 14:21:43-15:27:45 | 0 | 0 | 0 | Mansukh F | | | 22500 | | | | | | |
| 21/04/06 | 217-232 | 15:25:23-15:26:36 | 0 | 0 | 0 | Mansukh F | | | | | | | | | 15650 |
| 24/04/06 | 55-56 | 11:57:40-11:57:44 | 0 | 0 | 0 | Mansukh F | | | 2000 | | | | | | |
| 25/04/ 06 | 10 | 09:58:28 | 0 | 0 | 0 | Twister | | | | | | | | | 80 |
| 27/04/ 06 | 38 | 10:20:11 | 0 | 0 | 0 | SSFL | | | | | | | | | 410 |
| 29/04/06 | 23, 30-76 | 11:24:52 | 0 | 0 | 0 | Twister | | | | | | | | | 16575 |
| 02/05 /06 | 26 | 11:15:22 | 0 | 0 | 0 | Twister | | | | | | | | | 100 |
| 16/06/06 | 1-10 | 10:19:11- | 0 | 0 | 0 | Narendra | | | | 8250 | | | | | |
| 27/06/ 06 | | 10:06:23-15:40:23 | 0 | 0 | 0 | Narendra | | | | 198137 | | | | | |
| 05/09/6 | 2-111 | 09:55:58 | 0 | 0 | 0 | Sandeep | | | | | | 129800 | | | |
| 06/09/06 | 2-128 | 09:56:14-14:25:53 | 0 | 0 | 0 | Daljeet S | 110530 | | | | | | | | |
| 23/01/ 07 to 29 /03/07 | | | 0 | 0 | 0 | SSFL | | | | | | | 13389 | | |

**Cross Deals**

**72.** The details of the cross deal trades entered into by linked clients of VSL is as per the below given table. Further, the role of the Noticees in trading among themselves is as given under:

| Name of the clients | No. of Days Traded During the Period on buy side/ No of Days Done Trading with other group | Total buy Qty/Buy Qty. from group clients | Buy from Group as a % to market volume. | No of Days Traded During the Period on sell side/ No of Days Done Trading with other group clients on sale | Total Sell Qty/Sell Qty. to group clients | Sell to Group as a % to market volume. | Trading among clients as % to gross market |
|---|---|---|---|---|---|---|---|

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | clients on buy side | | | side | | | |
| Narendra Upadhyay | 92/81 | 4028683/ 2730542 | 21.43% | 88/80 | 4069415/ 2900158 | 22.46% | 22.09% |
| Ramkumar Sidhar | 13/13 | 436907/ 379703 | 2.98% | 17/14 | 484271/ 413945 | 3.25% | 3.11% |
| Mansukh Finance & Investment Pvt. Ltd. | 14/3 | 109007/ 72778 | 0.57% | 6/5 | 282282/ 31526 | 0.25% | 0.41% |
| Suresh Sharma (SIC) | 8/5 | 179450/ 77964 | 0.61% | 6/2 | 91456/ 77747 | 0.61% | 0.61% |
| Twister Finvest P. Ltd. | 10/7 | 67609/ 34983 | 0.27% | 13/6 | 172051/ 65119 | 0.51% | 0.39% |
| SS Forging & Eng. P. Ltd. | 57/44 | 1684922/ 1210665 | 9.50% | 50/43 | 1629130/ 1154635 | 9.06% | 9.28% |
| Sandeep Bevprasad Mishra | 27/25 | 919091/ 835502 | 6.56% | 29/25 | 919091/ 798078 | 6.26% | 6.41% |
| Kuldeep Singh | 12/12 | 439216/ 417419 | 3.28% | 17/15 | 457879/ 364340 | 2.86% | 3.07% |
| Daljeeth Singh Matharu | 38/32 | 1181549/ 1050664 | 8.24% | 30/29 | 1142845/ 1004672 | 7.88% | 8.06% |
| Total | | 9046434/ 6810220 | 53.44% | | 9248420/ 6810220 | 53.44% | 53.44% |

**73.** It is found from the pre-para that though the individual contribution of the client may not be higher, yet cumulative contribution of the connected clients account for 53.44% during the period which is substantial considering the fact that the trades of all the Noticees are through the same broker i.e. SIC.

**74.** On analysis of price influence through incremental trades with a price difference of Rs 0.20 or more, I found that there were 822 such incremental trades and out of 822 trades, 544 trades were executed by SIC wherein for 501 trades for 3,70,362 shares, SIC dealt on behalf of Vertex Group clients. The client wise details of such incremental trades are as given below:

| Name of the clients | No. of shares bought | No. of incremental trades | Counterparty clients | Net LTP variation (Rs.) |
|---|---|---|---|---|
| Narendra Upadhyay | 201603 | 231 | Clients linked to VSL for 61 trades and other scattered clients. | 162.85 |
| Ramkumar Sidhar | 35851 | 8 | Clients linked to VSL | 5.05 |
| Mansukh Finance & Investments Pvt. | 2900 | 21 | Scattered clients | 14.16 |

| | | | | |
|---|---|---|---|---|
| Ltd. | | | | |
| Suresh Sharma | 1023 | 10 | Scattered clients | 5.35 |
| Twister Finvest P. Ltd. | 377 | 3 | Scattered clients | 3.75 |
| SS Forging & Eng. P. Ltd. | 61168 | 175 | Clients linked to VSL for 33 trades and other scattered clients | 99.30 |
| Sandeep Baldevprasad Mishra | 31765 | 27 | Clients linked to VSL for 33 | 12.70 |
| Kuldeep Singh | 21000 | 3 | Clients linked to VSL | 2.00 |
| Daljeeth Singh Matharu | 14675 | 23 | Clients linked to VSL for 14 trades and other scattered clients. | 10.75 |
| Total | 370362 | 501 | | |

**75.** I note upon analysis of price that during Investigation Period, there was influence through detrimental trades with a price difference of Rs -0.20 or more and there were 845 such detrimental trades and out of 845 trades, 462 trades were executed through the broker SIC wherein for 411 trades for 5,63,496 shares were traded on behalf of Vertex Group clients. The client wise details of such detrimental trades are as given below:

| **Name of the clients** | **No. of shares bought** | **No. of decremental trades** | **Counterparty clients** | **Net LTP variation (Rs.)** |
|---|---|---|---|---|
| Narendra Upadhyay | 381984 | 195 | For 70 trades counterparty clients were Vertex Group clients. | -104.75 |
| Ramkumar Sidhar | 1 | 1 | Unrelated client | -1.05 |
| Mansukh Finance & Investments Pvt. Ltd. | 224 | 5 | For 2 trades counterparty clients were Vertex Group clients. | -4.50 |
| Suresh Sharma | 624 | 6 | Scaterred clients | -4.15 |
| Twister Finvest P. Ltd. | 0 | 0 | | 0.00 |
| SS Forging & Eng. P. Ltd. | 60990 | 145 | For 16 trades counterparty clients were Vertex Group clients. | -62.00 |
| Sandeep Baldevprasad Mishra | 108430 | 27 | For 12 trades counterparty clients were Vertex Group clients. | -8.75 |
| Kuldeep Singh | 0 | 0 | | 0.00 |
| Daljeeth Singh Matharu | 11243 | 32 | Scaterred clients | -18.70 |
| Total | 563496 | 411 | | |

**76.** I find from the investigation report that the price of the scrip was fluctuating during the investigation period and it opened at Rs 32.00 on March 29, 2006 and increased to Rs 80.55 on May 19, 2006 and then gradually came down to Rs 29.70 on October 20, 2006 and again increased to Rs 64.05 on February 09, 2007 and then closed at Rs 30.00 on March 29, 2007. Thus, from the facts stated in above Tables, it is found that Noticees connected with Vertex Group manipulated the trades and influenced the price of the scrip by way of incremental as well as decremental trades and brought about fluctuation in the price of the scrip.

**77.** I find from the Investigation report that, the Noticee 2-9 entered into 26,913 cross deal trades (53.19% of total trades) among themselves and accounted for 53.19% of the total market volume during investigation period. Out of the 26,913 trades entered into among the clients of Vertex Group in 2,095 trades for 31, 82,988 shares (24.97% of the total market volume) the difference between buy order time and sale order time was less than one minute and difference between buy order rate/sale order rate and buy quantity/sale order quantity for all the trades were zero. Hence, investigation observed these trades to be synchronized trades. Out of this 26,956 cross deal trades, the self-trades for the Noticees were as detailed below:

| Sr. No. | Client Name | No. of self trades | No. of shares | Location id for buy order and sale order |
|---|---|---|---|---|
| 1 | Daljeet Singh Matharu | 1919 | 625494 | Same in majority of the orders |
| 2 | Twister Finvest Pvt. Ltd. | 54 | 17405 | Same in majority of the orders |
| 3 | SS Forging & Eng. Ltd. | 80 | 42997 | Same in majority of the orders |
| 4 | Narendra Upadhyay | 3338 | 1084381 | Same in majority of the orders. |
| 5 | Ramkumar Sidhar | 116 | 128670 | Same in majority of the orders. |
| 6 | Suresh Sharma | 68 | 78032 | Same in majority of the orders. |
| 7 | Kuldeep Singh | 129 | 115499 | Same in majority of the orders. |
| 8 | Sandeep Mishra | 719 | 365112 | Same in majority of the orders. |
| Total | | 6423 | 2457590 | |

**78.** I note that the contention of Suresh Sharma is difficult to believe as no prudent businessman would blindly allow any broker to deal in his account and also blindly gives auto debit facility. I find that Suresh Sharma had provided with Delivery Instruction Slip (DIS) signed by him on various dates for delivery of VSL shares from their demat accounts. Suresh Sharma had delivered 43065 shares from March 07, 2006 to November 16, 2006 from his demat account (number 16965088 with IDBI Bank Ltd.) to SIC. Further, 344807 shares of VSL were delivered from demat account of Mansukh (No. 13079629 with IDBI Bank Ltd.) during the period from April 13, 2006 to November 23, 2006. In respect of Twinstar, 110371 shares were delivered from its demat account no. 1202000000146086 with Joindre Capital Services Ltd. during the period from April 26, 2006 to May 17, 2006. I also note that Suresh Sharma delivered 498243 shares of VSL from him/ his group companies demat account to SIC for onwards delivery in market.

**79.** I also note that from the financial ledger of SSFL that debit balance had created from dealing during the year. While, no cheque from account of SSFL were received/ given. Even if he was receiving contract notes after 2-3 months, he ought to have raised objection/ filed complaint before SEBI. However, this was not done.

**80.** Considering the substantial dealing in shares of VSL in the account of employees of VSL, these employees who were based in Madhya-Pradesh and were unaware of dealings in their accounts. I find that it was Suresh Sharma who dealt on their behalf with SIC.

**81.** I also note that Noticee Daljeet Singh Matharu vide his e-mail from his id matharu.daljeet@gmailcom dated March 28, 2012, had informed that the signatures on the client registration form of SIC are signed by him, however he is not sure when Suresh Sharma had got these paper's signed by him. He further informed that in his service period of nearly 36 to 37 years, he never had any interest in the share market. It was stated that he never met or had gone to SIC at any point of time. He also stated that he had never placed any buy or sell order of shares of VSL at any point of time. As far as letter dated February 24, 2007 purportedly issued by him to SIC, Mr. Matharu denied that said letter was ever issued by him or signed by him. As far as identity of some persons referred during investigations, Matharu stated that Sandeep Mishra was a computer operator in Pithampur, Kuldeep Singh was operator in printing section of Pithampur, Ram Kumar was knitting operator in knitting section, Narendra Upadhyay was handling local purchase in Pithampur and Hemant Kokatay and Laxman Khamkar were based in Mumbai handling banking & stock exchange matters under Suresh Sharma. I note that except for Hemant Kokatay all the people have left VSL on the basic problem of nonpayment of salary. It was stated that nearly Rs 2.50 lacs is due to him against salary.

**82.** It is duty of the Noticee 2, if he noticed any wrongful or unfair trading is happening in companies account or their employees account, or something is not going as per the law, the account should have to be stopped but unfortunately in this matter the Noticee 2 took benefit for his own by doing and allowing transaction, which were not in the knowledge of the company, as it is very difficult to keep a check on every single account and the trading activities by the company, it is the duty of promoter and employer to check all the accounts and trading activities, as they are the one who are associated with his employees, therefore, it is clear that the huge amount or benefit went in the pocket of Noticee 2, who traded in the account of these personnel's for their own benefit.

**83.** I find that during the investigation period Suresh Sharma was Promoter and then CEO of VSL, Director of Mansukh Finance &Investments Pvt. Ltd. (MFIPL), Managing Director of SS Forging & Engineering Ltd. (SSFEL), and Director of Twinstar Finvest Pvt. Ltd (TFPL). The wife of Suresh Sharma, Mithlesh Suresh Sharma was Director of MFIPL and Director of TFEL, Daljeeth Singh Matharu was Director of SSFEL and Ram Pratap Singh was Director of SSFEL and Ashok Sharma was Director of SSFEL and Twinstar Finvest Pvt. Limited. In the case of **Sunil Bharti Mittal vs. Central Bureau of Investigation, (2015) 4 SCC 609**, the Apex Court has observed that the companies would act through their Directors/Officers only and the mens rea/guilty mind would be of those persons who are controlling the affairs of the companies.

**84.** The directors are responsible for all the acts of omission and commission by the company. It is the duty and responsibility of the directors to ensure that proper systems and controls are in place. The directors have the duty of being vigilant, which calls for exercise of independent judgment which may reasonably be expected from a director in his position. However, the directors not only vacillated the fraudulent trade practices but also actively engaged as party to synchronized trades and cross deals which cannot be viewed leniently.

**85.** I find from the material available on record that majority of the clients who dealt in the scrip of VSL were directly or indirectly related / connected to VSL. I also note that Noticee 2 allowed them to create substantial concentration of volumes to the entire trading volume during the period of investigation. Further, pattern of trading among themselves were synchronized and cross deals which were not monitored and identified but allowed over a period of time. I also note that these connected entities have offloaded substantial number of shares at higher prices to gullible investors. Therefore, I conclude that the trades of the connected clients had bearing on the price and volume of scrip during the relevant period.

**86.** It is quite evident from the above facts that Mr. Suresh Sharma is only perpetual litigant and intends to defraud other by misusing his liberty of approaching court not withstanding his own malaise intention all along.

**87.** All synchronized trades, cross deal trades, incremental trades with ulterior motive of price of the scrip is increased, was all preplanned act of Mr. Suresh Sharma. As detailed, promoter/director and related entities of Vertex Group were creating huge volume of false trading in the scrip of VSL.

**88.** I view of above, I conclude that the allegation alleged as against Noticee 2-9 under section 12A(a),(b) and (c) of SEBI Act read with 3(a),(b), (c) and (d) read with Regulation 4(1), 4(2)(a), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations, 2003 stand established.

**89.** The violation of Section 11C (2), (3) read with (5) of the SEBI Act, 1992 as established against Noticee 1&2 should be dealt with by imposing monetary penalty under 15A(a) of SEBI Act, 1992 and violation of section 12A(a),(b) and (c) of SEBI Act read with 3(a),(b), (c) and (d) read with Regulation 4(1), 4(2)(a), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations, 2003 as against Noticee 2-9 should be dealt with by imposing monetary penalty under Section 15 HA of SEBI Act, 1992.

***Penalty for failure to furnish information, return, etc.***

***15A.*** *If any person, who is required under this Act or any rules or regulations made thereunder,—*

*(a) to furnish any document, return or report to the Board, fails to furnish the same, he shall be liable to a penalty of one lakh rupees for each day during which such failure continues or one crore rupees, whichever is less.*

***15HA.<u>Penalty for fraudulent and unfair trade practices.-</u>***

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

**90.** Here, it is important to refer to the observation of the Hon'ble Supreme Court of India in the matter of **SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216(SC)** wherein it was 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…".*

**91.** While determining the quantum of penalty under Sections 15 A(a) and 15 HA of SEBI Act 1992, it is important to consider the factors stipulated in Section 15J of SEBI Act, 1992 which read as under:-

15J - Factors to be taken into account by the adjudicating officer 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.*

**92.** It is not possible from the material available on record to ascertain the actual disproportionate gain or unfair advantage made by the Noticees or the amount of loss caused to an investor or group of investors as a result of the default. However, I have analyzed the data available on record to assess the seriousness of the violation made by the Noticees, pursuant to non-compliance of summons by Noticee 1, failure to discloses non-implementation of corporate announcements by Noticee 2, the scheme of Synchronized trades and cross deals executed by Noticee 2-9 with the intention to create artificial volume by attracting gullible investors and thereafter offloading their shares to make substantial ill-gotten gains.

**93.** In the backdrop of above information the allegation against the Noticees are serious in nature. However, I also take note of Noticees' submission relating to delay in proceedings. I observe that the subject transactions took place more than a decade back and it may have in some way affected the Noticees' defense adversely.

**ORDER**

**94.** In view of the above, after considering all the facts and circumstances of the case and exercising the powers conferred upon me under Section 15-I of the Act and Rule 5 of Rules, I hereby impose a monetary penalties on the Noticees as under:

| Sr No. | Noticees | Regulation Violated | Actions Recommended | Penalties |
|---|---|---|---|---|
| 1 | Vertex Spinning Limited | Section 11C (2), (3) read with (5) of the SEBI Act, 1992 | Section 15A(a) of SEBI Act, 1992 | 1,00,000(One Lakh Only) |
| 2 | Suresh Sharma | Section 11C (2), (3) read with (5) of the SEBI Act, 1992 | Section 15A(a) of SEBI Act, 1992 | 1,00,000/-(One Lakh Only) |
| | | Section 12A(a),(b) and (c) of SEBI Act read with Regulations 3(a),(b), (c) and (d) read with Regulation 4(1), 4(2)(a), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations, 2003 | Section 15 HA of SEBI Act, 1992 | 10,00,000/- (Rupees Ten Lakh Only) |
| 3 | Mansukh Finance &Investments Pvt. Ltd. | Section 12A(a),(b) and (c) of SEBI Act read with Regulations 3(a),(b), (c) and (d) read with Regulation 4(1), 4(2)(a), 4(2)(e), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations, 2003 | Section 15 HA of SEBI Act, 1992 | 2,00,000/-(Rupees Two Lakh Only) |
| 4 | Mithalesh Suresh Sharma | | | 2,00,000/-(Rupees Two Lakh Only) |
| 5 | SS Forging & Engineering Ltd. | | | 2,00,000(Rupees Two Lakh Only) |
| 6 | Daljeet Singh Matharu | | | 1,00,000/-(Rupees One Lakh Only) |
| 7 | Ram Pratap Singh | | | 1,00,000/-(Rupees One Lakh Only) |
| 8 | Ashok Sharma | | | 2,00,000/-(Rupees Two Lakh Only) |
| 9 | Twinstar Finvest Pvt. Ltd. | | | 2,00,000/-- (Rupees Two Lakh Only) |
| Total | | | | 24,00,000/- (Rupees Twenty four Lakh Only) |

**95.** I am of the view that the said penalty would be commensurate with the violations committed and acts as a deterrent factor for the Noticees and others in protecting the interest of investors and markets.

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

**ENFORCEMENT → Orders → Orders of AO → PAY NOW**

**97.** The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-I, SEBI, in the format as given in table below:

| | |
|---|---|
| Case Name | |
| Name of Payee | |
| Date of payment | |
| Amount Paid | |
| Transaction No | |
| Bank Details in which payment is made | |
| Payment is made for | Penalty |

**98.** In the event of failure to pay the said amount of penalty within 45 days from April 15, 2020, on the receipt of this Order, recovery proceedings may be initiated under Section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

**99.** In terms of Rule 6 of the Rules, copies of this order are sent to the Noticees and also to the Securities and Exchange Board of India.

**Date: March 31, 2020** **B J DILIP**

**Place: Mumbai** **ADJUDICATING OFFICER**