BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/SM/DD/19904-19919]

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

In respect of:

Noticee No.	Noticee Name	PAN
1.	**Ashok Jain**	**AAAPJ7093E**
2.	**Renu Jain**	**ABCPJ8358D**
3.	**Neptone Leasing & Finance Company Private Limited**	**AAACN3571C**
4.	**Indiabulls Securities Limited now known as Dhani Stock Limited**	**AAACO0870B**
5.	**Archi Shares & Stocks Brokers Pvt. Ltd. now known as Affluence Shares and Stocks Private Limited**	**AACCA6154A**
6.	**Shriram Insight Share Brokers Pvt. Ltd.**	**AAACI2727H**
7.	**Galaxy Broking Ltd.**	**AABCG5457B**
8.	**Amul Sheth**	**AUHPS4430R**
9.	**Navinkumar Pravinbhai Patel**	**AFXPA4536B**
10.	**Jayeshkumar Prakashbhai Shah**	**BGXPS5842Q**
11.	**Girdharbhai Jayarambhai Vaghadia**	**Not available**
12.	**Akshay Datta**	**Not available**
13.	**Hamir Desurbhai Ahir**	**AEFPA0184A**
14.	**Vikram Bhikhubhai Gohil**	**AGXPG4184G**
15.	**Charmi Investment**	**ALJPS4966M**
16.	**Narendra Bhikhubhai Gohil**	**AFJPG1353C**

(Noticees 1 to 16 are collectively referred to as '**Noticees'**);

In the matter of Richirich Agro Limited (now known as Richirich Inventures Limited)

FACTS OF THE CASE IN BRIEF

1. Securities and Exchange Board of India ("**SEBI**") conducted an investigation in the scrip of Richirich Agro Limited (now known as Richirich Inventures Limited) (hereinafter referred to as "**Richirich/RAL/Company**") to ascertain any possible violation, *inter-alia,* of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**"), SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (hereinafter referred to as '**SAST Regulations'**), SEBI (Prevention of Insider Trading) Regulations, 1992 (hereinafter referred to as '**PIT Regulations'**) and SEBI (Stock-Brokers And Sub-Brokers) Regulations, 1992, (hereinafter referred to as '**Broker Regulations/ Stock Broker Regulations**') by Noticees in their trading in the scrip of RAL during the period May 18, 2005 to August 31, 2005 (hereinafter referred to as "**Investigation Period/IP**"). The securities of the company are listed on the BSE Ltd. (hereinafter referred to as '**BSE**').

2. Based on the findings of investigation, SEBI alleged that:-
   a. Noticees 1 to 3 have violated Regulation 7(1A) of SAST Regulations and Regulation 13(3) read with Regulation 13(5) of PIT Regulations;
   b. Noticees 1 to 16 have violated Regulations 4(1), 4(2)(a), (b), (d) and (e) of PFUTP Regulations;
   c. Noticee 4 has violated Clauses A (1) & (2) of Code of Conduct for Stock Brokers as specified in Schedule II read with Regulation 7 (now Regulation 9(f) w.e.f. September 27, 2013) of Broker Regulations
   d. Noticees 5 to 7 have violated Clauses A (1), (2) & (3) of Code of Conduct for Stock Brokers as specified in Schedule II read with Regulation7 (now Regulation 9(f) w.e.f. September 27, 2013) of Broker Regulations; and
   e. Noticees 13 and 14 have violated Regulation 7(1) of SAST Regulations and Regulation 13(1) of PIT Regulations.

3. Therefore, SEBI initiated adjudication proceedings against Noticees as under:-

   a. Section 15A(b) of the SEBI Act, for the alleged violation of Regulation 7(1A) of SAST Regulations and Regulation 13(3) read with Regulation 13(5) of PIT Regulations by Noticees 1 to 3;

   b. Section 15HA of SEBI Act, for the alleged violation of Regulations 4(1), 4(2)(a), (b), (d) and (e) of PFUTP Regulations by Noticees 1 to 16;

   c. Section 15HB of SEBI Act, for the alleged violation of Clauses A (1) & (2) of Code of Conduct for Stock Brokers as specified in Schedule II read with Regulation 7 (now Regulation 9(f) w.e.f. September 27, 2013) of Broker Regulations by Noticee 4 and alleged violation of Clauses A (1), (2) & (3) of Code of Conduct for Stock Brokers as specified in Schedule II read with Regulation 7 (now Regulation 9(f) w.e.f. September 27, 2013) of Broker Regulations by Noticees 5 to 7;

   d. Section 15A(b) of the SEBI Act, for the alleged violation of Regulation 7(1) of SAST Regulations and Regulation 13(1) of PIT Regulations by Noticees 13 and 14

APPOINTMENT OF ADJUDICATING OFFICER

4. Vide its order dated September 05, 2018, Shri Prasanta Mahapatra was appointed as Adjudicating Officer ("**AO**") under Section 15-I of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties (hereinafter referred to as "**Adjudication Rules**"') to inquire into and adjudge, under the provisions of Section 15A(b), 15HA and 15HB of the SEBI Act, the aforesaid alleged violations committed by Noticees. Subsequently, the undersigned was appointed as the AO in the matter by SEBI vide order dated December 04, 2020 which was communicated to undersigned vide communique dated February 11, 2022.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

5. A common show cause notice dated May 05, 2022 (hereinafter referred to as '**SCN**') was issued to Noticees under Rule 4 of the SEBI Adjudication Rules to show cause as to why an inquiry should not be initiated against Noticees and penalty, if any, not be imposed upon them under:

i. Section 15A(b) of the SEBI Act, for the alleged violation of Regulation 7(1A) of SAST Regulations and Regulation 13(3) read with Regulation 13(5) of PIT Regulations by Noticees 1 to 3;
ii. Section 15HA of SEBI Act, for the alleged violation of Regulations 4(1), 4(2)(a), (b), (d) and (e) of PFUTP Regulations by Noticees 1 to 16;
iii. Section 15HB of SEBI Act, for the alleged violation of Clauses A (1) & (2) of Code of Conduct for Stock Brokers as specified in Schedule II read with Regulation 7 (now Regulation 9(f) w.e.f. September 27, 2013) of Broker Regulations by Noticee 4 and alleged violation of Clauses A (1), (2) & (3) of Code of Conduct for Stock Brokers as specified in Schedule II read with Regulation 7 (now Regulation 9(f) w.e.f. September 27, 2013) of Broker Regulations by Noticees 5 to 7;and
iv. Section 15A (b) of the SEBI Act, for the alleged violation of Regulation 7(1) of SAST Regulations and Regulation 13(1) of PIT Regulations by Noticees 13 and 14.

6. The SCN was sent to Noticees through Speed Post Acknowledgement Due (hereinafter referred to as '**SPAD**'. Further, SCN was sent through digitally signed email dated May 07, 2022 to Noticees 3, 4, 6 and 7. Further, apart from SPAD, Western Region Office (**WRO**) was also requested to deliver the SCN in the case of Noticees 5, 7, 8,11, 13, 14,15 and 16. The status of the delivery of the SCN is given below:

Noticees name	**Mode of delivery**			
	SPAD	**Hand delivery through WRO**	**Digitally signed email**	**Affixtures/ Publication**
Ashok Jain	Delivered			
Renu Jain	Delivered			
Neptone Leasing & Finance Company Private Limited	Delivered at alternate address		Delivered	
Indiabulls Securities Limited	Delivered		Delivered	
Archi Shares & Stocks Brokers Pvt. Ltd	Delivered	Delivered		
Shriram Insight Share Brokers Pvt. Ltd.	Delivered		Delivered	

Noticees name	Mode of delivery			
	SPAD	**Hand delivery through WRO**	**Digitally signed email**	**Affixtures/ Publication**
Galaxy Broking Ltd.	Delivered		Delivered	Affixed through WRO
Amul Sheth	Not delivered	Not delivered		Delivered through Publication
Navinkumar Pravinbhai Patel	Not delivered			Delivered through Publication
Jayeshkumar Prakashbhai Shah	Not delivered			Delivered through Publication
Girdharbhai Jayarambhai Vaghadia	Not delivered	Not delivered		
Akshay Datta	Not delivered			Delivered through Publication
Hamir Desurbhai Ahir				Affixed through WRO
Vikram Bhikhubhai Gohil	Delivered	Delivered		
Charmi Investment	Delivered	Delivered		
Narendra Bhikhubhai Gohil	Delivered	Delivered		

7. It has been alleged in the SCN that
   a. *The shares received in off-market from the promoter entity of Richirich were off-loaded in the market to the Gohil group by Vaghadia group. Out of the 5,43,758 shares sold by the Vaghadia group in the market, 5,38,711 shares were sold to Noticees 13 and 14, who were found to be related and part of the Gohil group. The shares were subsequently off-loaded in the market by the Gohil group at artificially inflated prices. In view of the same, it is alleged that Noticee 1 and Noticee 2 dealing through Noticee 3 have violated Regulation 4(1), 4(2)(a),(b), (d) and (e) of PFUTP Regulations.*

b. *The persons belonging to Vaghadia group viz. Noticees 8 to 12, received shares directly /indirectly from the promoters and off-loaded them to the two entities belonging to the Gohil group in the market through matched trades and the shares acquired by the Gohil group were sold in the market at artificially inflated prices, thereby violating Regulations 4(1), 4(2)(a), (b), (d) and (e) of PFUTP Regulations.*

c. *Two persons belonging to the Golhil group viz. Noticees 13 and 14, bought shares from the Girdhar Vaghadia group in matched trades and sold them in the market to scattered clients at artificially higher prices which were created by the order book manipulation by entities of their group viz. Noticees 15 and 16, by entering large buy orders for several lakh shares at prices far lower than the then prevailing market prices. It is alleged that the said orders were only meant for creating an artificial depth/buying pressure in the scrip, which resulted in rise in price of the scrip and thus, there was a violation of Regulations 4(1),4(2) (a), (b), (d) and (e) of PFUTP Regulations by Noticees 13 to 16.*

d. *The brokers, i.e., Noticees 5 to 7 facilitated order book manipulation in the scrip by entering large buy orders for over one crore shares primarily on behalf of only one client each, out of which only trades for few thousand shares were executed. It is also alleged that the orders were entered at prices far lower than the then prevailing market prices and majority of the times, they were deleted to create an artificial depth/buying pressure in the scrip, which resulted in rise in price of the scrip and therefore, Noticees 5 to 7 are in violation of Regulations 4(1) (2) (a), (b), (d) and (e) of PFUTP Regulations and Clauses A (1), (2) & (3) of Code of Conduct for Stock Brokers specified in Schedule II read with Regulation7 (now Regulation 9(f) w.e.f. September 27, 2013) of Broker Regulations.*

e. *Noticee 4 arranged finance for the client, whose financial standing was not healthy from its group financial arm, Indiabulls Financial Services, to deal in a scrip which was historically illiquid and the company was not doing any operation. Thus, it is alleged that Noticee 4 has violated Regulations 4(1),4(2) (a), (b), (d) and (e) of PFUTP Regulations and Clauses A(1) and (2) of Code of Conduct for Stock Brokers specified in Schedule II read with Regulation 7 (now Regulation 9(f) w.e.f. September 27, 2013) of Broker Regulations*.

f. *Noticee 1 to 3 have violated Regulation 7 (1A) of SAST Regulations and Regulation 13 (3) read with Regulation 13(5) of PIT Regulations and Noticees 13 and 14 violated Regulation 7(1) of SAST Regulations and Regulation 13(1) of PIT Regulations*.

8. Noticees 1 and 2 vide email dated May 19, 2022, sought a time till July 31, 2022, for submitting the reply to the SCN. Accordingly, vide email dated May 23, 2022, Noticees 1 and 2 were granted time till June 30, 2022 for submitting the reply to the SCN. Vide letter dated May 30, 2022, Noticees 1 and 2 sought inspection of documents and sought certain additional documents. A suitable reply was sent to Noticees 1 and 2 vide email dated June 03, 2022 and Noticees 1 and 2 were granted inspection of documents on June 10, 2022. On the scheduled date i.e. June 10, 2022, Noticee 1 along with his Authoirsed Representative ("**AR**"), carried out inspection of documents on behalf of Noticees 1 and 2. Noticees 1 and 2 submitted reply to the SCN on June 30, 2022 and their additional reply on July 15, 2022.

9. Noticees 3 and 4 through its AR vide letter dated May 20, 2022, sought an inspection of documents and requested certain additional documents. Accordingly, a suitable reply was sent to Noticees 3 and 4 vide email dated June 03, 2022 and Noticees 3 and 4 were granted inspection of documents on June 10, 2022. An inspection of documents was carried out by AR of Noticees 3 and 4 on June 10, 2022. Noticees 3 and 4 vide their email/ letter dated July 05, 2022, submitted reply to the SCN. Vide their email dated July 07, 2022 and July 12, 2022, Noticees 3 and 4 submitted additional reply to the SCN.

10. Noticee 5 vide its email/ letter dated May 20, 2022 submitted reply to the SCN. Noticee 6 vide its email dated May 26, 2022, sought an extension of time till June 30, 2022 for submitting the reply to the SCN. Accordingly, vide email dated June 06, 2022, Noticee was granted time till June 15, 2022 for submitting the reply to the SCN. Noticee 6 vide its email/ letter dated June 15, 2022, submitted its reply to the SCN and also requested time till June 30, 2022, for submitting additional reply. Accordingly, vide email dated June 16, 2022, Noticee 6 was granted time till June 23, 2022 for submitting the additional reply. Notice 6 vide its letter dated July 20, 2022, submitted additional reply to SCN.

11. From the documents available on record, I note that Noticees 7, 8, 9, 10, 11 and 12 failed to provide any reply to the SCN.

12. Noticees 13, 14, 15 and 16 vide their individual letters and emails dated June 20, 2022, June 17, 2022, and June 18, 2022 respectively requested for time in the range of 1.5 months to 2 months for submitting a reply to the SCN. Accordingly, Noticees 13 to 16,

were informed to submit their replies on or before July 06, 2022, i.e. the scheduled date of opportunity of personal hearing granted to them. Accordingly, Noticee 13 submitted his reply to the SCN vide his letter dated June 30, 2022. Noticees 14 and 16, vide their letter dated July 01, 2022, submitted their reply to the SCN. Noticee 15 vide its letter dated June 27, 2022, submitted reply to the SCN.

13. On perusal of the replies submitted by Noticees 1 and 2, I note that they had submitted common reply, which is summarized as under:-
    i. M/s. Neptone Leasing & Finance Company Private Limited (NLFC/NLFCPL/Neptone) had sold and transferred the beneficial ownership of the shares, and not by them in personal capacity, to Mr. Amul Sheth, Shri Navin Patel and Shri Jayesh kumar Shah. Since, the transferees refused to buy the 5.28 lakhs shares of Richirich, the transferors were compelled to sell the shares in the off market, as there was no big volume in the BSE
    ii. On June 16, 2005 and June 28, 2005, the Promoters succeeded in offloading the whole shareholding of 5.28 lakhs shares@ Rs. 4.75 per share to Mr. Amul Sheth, Shri Navin Patel and Shri Jayesh kumar Shah.
    iii. The 5.28 lakh shares were inclusive of 1,08,662 shares received from one Mr. Arvind P. Kohad in off market on June 27, 2005 @ Rs. 4.75 per share. The consideration was received though cheque and properly accounted for in the books of NLFC. The funds received were utilized for repayment of various liabilities on account of business dealings of M/s. Richirich.
    iv. The sale of shares of NLFC and sale of NLFC as a company in the 2006, was also an option available, but there were no buyers available in the open market (BSE) at the prevailing price to absorb the sale of shares of NLFC, hence a known well-wisher cum old friend helped and advised to sell the shares in one go and to get money immediately. He recommended a group of buyers and the shares were sold without realising that it may turn out to be a nightmare, in future. But no other option was available and to just maintain the livelihood of the Directors and its employees and to uphold confidence of stakeholders and the dignity of the Company.
    v. With regard to transfer of funds from NLFC to the members of family, this was to meet the liability of the company since all the earning activities of the Company were closed and money was to be returned, which was borrowed to face cases

under Section 138 of Negotiable Instrument Act instituted against its directors of the company being, signing authority on behalf of the company.

vi. The shares were disposed of to raise money to pay the debts and not for any gain. The person who had bought the shares from them, were not known to him earlier and, they were not aware of their intentions, and they did not hold any relations of whatsoever nature with the remaining Noticees also. They had not received any other amount from those parties except the consideration disclosed and received, so allegation for trading in shares is totally false and unjustified.

vii. Since shares sold by the NLFC, were not further traded, hence we have not violated Regulation 4(1), (b) and (e) of the PFUTP Regulations, as alleged in the Notice.

viii. NLFC'S after sell of stake on June 16, 27 and 28, 2005, the shareholding was reduced more than 2% and accordingly a disclosure was filed with BSE by Richirich, to comply the provisions of disclosures under SEBI (PIT) Regulations, 1992.

ix. Richirich have filed necessary shareholding patterns with the stock exchange from time to time and the same was confirmed by the BSE. Looking at the shareholding pattern which depicts actual shareholding patterns, the stock exchange was well aware of changes in shareholding patterns from time to time.

x. They do not fall in any of the activities mentioned in any of the sections or sub sections. They had filed all the disclosures with the Stock exchange authorities from time to time and a copy was already filed together with their reply.

xi. They had not done any trading, in their personal capacity during the whole investigation period and whatever shares were sold by NLFC in off-market they had already disclosed.

xii. They are not responsible for the trades after change of control effective 2006 for any of the acts and trades of NLFC.

xiii. Richirich have already disclosed that these shares were offloaded by NLFC and not by them in their personal capacity. In view of non-acceptance of holding by the prospective buyers, NLFC compelled to sell in the market as follow:

Name of the buyers	Rate Rs.	Shares	Date

Amul Pravin bhai Shah	4.75	2,00,000	16-6-2005
Navin Kumar Pravin bhai Patel	4.75	1,40,000	16-06-2005
Jayesh Kumar P. Shah	4.75	1,88,759	28-06-2005

This includes 1,08,662 shares received from Mr. Arvind P. Kohad @ 4.75 per share, in order to ensure the receipt of proceeds of sale in our hands directly ,on June 27, 2005 against settlement of debt which cannot be termed as trading in the shares in common parlances. The sell proceeds were utilized to reduce individual and company liability occurred during the time of running of manufacturing business of extraction of solvent.

xiv. The shares were sold by NLFC, at Rs.4.75 per share and the same was not artificial or inflated price but in the normal course of business and at prevailing price of that time. Noticees 1 and 2 have denied that they had sold the shares at artificially inflated price; hence PFUTP regulations are not applicable. The allegation that off-loaded the shares in the market at artificially inflated prices is totally wrong that the shares were sold by the NFCPL, the shares in off-market trade, and not in the market and that Noticee 1 to 3 through Girdhar Vaghadia Group is also totally incorrect as the shares were never transferred to Vaghadia Group, and that the Noticee 1 to 2 hold no relation of whatsoever nature with Vaghadia Group, and there is nothing to prove that the Noticee 1 to 2 had received any benefit for alleged inflated price, and hence there is no violation of regulation 4(1) ,4(2) (a) (b), (d) and (e) of PFUTP Regulations.

xv. They had already submitted that a copy of letter dated June 22 and June, 2005 were filed with BSE, which clearly indicates that Richirich, (and they were not liable to make disclosure in the personal Capacity),have filed the disclosure with the Stock Exchange. But since, long time lapsed and they are not finding many of the files so they are not in position to comment anything more.

xvi. For the violations of Regulation 7(3) and 7(1A) of SAST Regulations and Regulation 13(6) of PIT Regulations, there was a system of physical submission of document with BSE, that's why BSE must have replied "as per their "available records" of that time, for which they have no comments, as the records of the year 2008 is also not available with them to substantiate their submission of the declaration in the year 2008 and that after 2008 the office of the company was changed for 2 times, and in the last change of office they had lodged the complaint to the police station that some bundle of records has fallen from tempo while shifting the records.

xvii. For the alleged violations of Regulation 7(1A) of SAST Regulations and Regulation 13(3) of PIT Regulations are not tenable as disclosures were made by Richirich, and copies of the relevant disclosures with BSE are available with BSE, and duly submitted the copies are available with SEBI. Shareholding pattern for the quarter ended 31st March, 2005 and of the 30th June, 2005, are self-explanatory, which were in public domain, and part of SCN.

xviii. Though BSE has claimed that disclosures were not made, but similar disclosure was made by Richirich under SAST Regulations. Therefore, information was available on the Stock Exchange in the form of Shareholding Pattern. Further, the purpose of disclosure was to make the market aware of the change of shareholding of the shareholders. When a disclosure was made by the company Richirich under SAST Regulations the investors became aware of the change in the shareholding. The non-compliance of Regulations if any becomes technical in nature.

xix. There has been an inordinate delay in the issuance of the show cause notice. Even though there is no period of limitation is prescribed in the Act and Regulations in the issuance of a show cause notice or for completion of the adjudication proceedings, the authority is required to exercise its powers within a reasonable period. Further, Noticees have relied on the various judgement of Hon'ble Supreme Court, Hon'ble Bombay High Court, Hon'ble SAT to support its contention. The judgement relied by Noticees are given below:-

- Hon'ble Supreme Court judgement in the matter of Government of India v. Citadel Fine Pharmaceuticals (1989 3 SCC 483) and State of Punjab v. Bhatinda District Corporation Milk Union Limited (2007 12 SCALE 135), SEBI vs. Sunil Krishna Khaitan &Ors. (Civil Appeal No. 8249 of 2013) and Madhuri S. Pitti&Ors. Vs. SEBI (Civil Appeal No. 1762 of 2014)
- Hon'ble High Court of Bombay judgement in the matter of Bhagwandas S. Tolani v. B.C. Agarwal and others 1983 (12) ELT 44 (Bom), Universal Generics Pvt. Ltd. v. Union of India (1993 (49) ECR 190, Cambata

Industries (P.) Ltd. v. Additional Director of Enforcement ([2010] 99 SCL 262 (Bom),

- Hon'ble SAT order in the matter of ICICI Bank Ltd. v. SEBI (Appeal No. 583 of 2019 decided on July 8, 2020, Aditi Dalal v. SEBI (decided on November 28, 2011, Subhkam Securities Private Limited v. SEBI (decided on July 25, 2012), Libord Finance Ltd. v. SEBI (decided on March 31, 2008), HB Stockholdings Limited v. SEBI (decided on August 27, 2013), Rajeev Bhanot & Ors. v. SEBI (Appeal No. 396 of 2018 decided on July 9, 2021, Garware Polyester Limited v. SEBI dated August 09, 2021, Rakesh Kathotia & Ors. v. SEBI decided by the SAT on May 27, 2019, Ashok Shivlal Rupani & Ors. v. SEBI (decided on August 22, 2019).

14. **Reply submitted by Noticee 3**:-

i. The Investigation Period in the Show Cause Notice was between May to August 2005. The Show Cause Notice, issued in May 2022, i.e., after 17 years the events covered therein. Tthere is nothing in the Show Cause Notice or otherwise to justify such inordinate delay in issuance of the Show Cause Notice.

ii. Noticee has placed reliance on the judgement Hon'ble Supreme Court in the matter of in Government of India v. Citadel Fine Pharmaceuticals (1989 3 SCC 483), State of Punjab v. Bhatinda District Corporation Milk Union Limited (2007 12 SCALE 135),SEBI vs. Sunil Krishna Khaitan & Ors.(Civil Appeal No. 8249 of 2013) and Madhuri S. Pitti& Ors. Vs. SEBI(Civil Appeal No. 1762 of 2014) common judgment date July 11, 2022. Hon'ble High Court of Bombay judgement in the matter of Bhagwandas S. Tolani v. B.C. Agarwal and others 1983 (12) ELT 44 (Bom), Universal Generics Pvt. Ltd. v. Union of India (1993 (49) ECR 190, Cambata Industries (P.) Ltd. v. Additional Director of Enforcement ([2010] 99 SCL 262 (Bom), Hon'ble SAT orders/judgement in the matter of ICICI Bank Ltd. v. SEBI (Appeal No. 583 of 2019 decided on July 8, 2020, Aditi Dalal v. SEBI (decided on November 28, 2011, Subhkam Securities Private Limited v. SEBI (decided on July 25, 2012), Libord Finance Ltd. v. SEBI (decided on March 31, 2008), HB Stockholdings Limited v. SEBI (decided on August 27, 2013), Rajeev Bhanot & Ors. v. SEBI (Appeal No. 396 of 2018 decided on July 9, 2021, Garware Polyester Limited v. SEBI dated August 09, 2021, Rakesh Kathotia & Ors. v. SEBI decided by the SAT on May 27, 2019, Ashok Shivlal Rupani & Ors. v. SEBI (decided on August 22, 2019), Vijay Sharma v/s. SEBI(Appeal no. 405 of 2018 dated July 09, 2021).

iii. Noticee 3, is not only no longer a promoter entity of Richirich, but in fact the company has been twice sold to new owners and management in the intervening period between the impugned transactions and the issuance of the SCN. SEBI was already aware that Neptone's ownership had changed hands during the course of the investigation as Richirich, vide its letter dated June 12, 2008, had informed SEBI that Neptone was sold during July, 2005, and was taken over by new management with effect from August I, 2005.

iv. SCN canvasses a set of allegations that purportedly commences with the actions of Noticee No. 3, selling the shares of Richirich in off-market transactions to Noticee Nos. 8 to 10. However, there is nothing on record to suggest that SEBI has, adequately or event at all, investigated the counter party to the said transaction. In fact, apart from Noticee No. 1, SEBI has failed to record the statement of any of the individuals which could have shed light on the controversy in the SCN.

v. The immediate previous management of Neptone having control since August 1, 2005 to March 30, 2010 and the present management, at the time of taking over Neptone in 2010 were not even aware of any pending ongoing proceedings against Neptone as nothing had been addressed to and nothing had been sought from Neptone since August 1, 2005, except for a statement of Noticee No. 1 in the year 2008, in the capacity of the director of Richirich, who was neither director nor ex- director nor authorized representative of Neptone during the relevant period.

vi. The core allegation against Noticee No. 3 pertains to the transfer of 5,28,758 shares of Richirich to Noticee Nos. 8 to l 0, being the Vaghadia group, which is alleged to be part of a scheme to off-load the same to Noticee No. 13 and 14, being the Gohil group, which were subsequently sold in the market at artificially inflated prices. The same was also reiterated by Noticee No 1 in its statement recorded by SEBI on November 4, 2008. It is submitted that, subsequently, Neptone was once again sold to its present management on March 30, 2010, and this fact, apparently, was not within the knowledge of SEBI at the time of issuance of the SCN which demonstrates the dated nature of the investigation.

vii. The sale of shares was arranged by Noticee No.1 through an acquaintance of his, one Mr. Raju bhai, to resolve financial difficulties and debts of Richirich including cases under Section 138 of the Negotiable Instruments Act, 1881 and therefore shares were sold in off-market transaction to meet with immediate contingencies.

viii. Noticee 3 has no relationship with the counterparty to the transaction, being Noticee Nos. 8 to 10, except for the limited purpose of sale of shares and all arrangements were done through the above acquaintance. Noticee No. 3 has stated that payment for the sale of shares were duly received, by cheque, and shares were delivered to the concerned demat account.

ix. 3,40,000 shares of Richirich were sold by Noticee No. 1 to Navinkumar Pravinbhai Patel, Amul Pravinbhai Sheth on June 16, 2005, against consideration of Rs. 4.75/- and 1,88,758 shares of Richirich were sold by Noticee No. I to Jayeshkumar Prakashbhai Shah, against consideration of Rs. 4.75/-.

x. As part of the above transaction, Neptone did not buy but instead realized 1,08,662 shares from one Mr. Arvind P. Kuhad against his outstanding dues, for the loan of Rs. 1,85,000/- was given by Neptone in 1996-97.

xi. The entire proceeds from the sale of shares were used by Noticee 1 towards settling his debt. Annexure 10 to the SCN, analyzing the flow of funds corroborates the fact that the Rs. 25,11,600/- received from Noticee Nos. 8 to 10 were subsequently transferred to *inter-alia* the account of Noticee No. 1 and 2.

xii. With a view to mitigate the ensuing financial difficulties, Noticee 1 also sold Neptone in July 2005. In fact, as Neptone was sold by Noticee 1 and 2 to mitigate their immediate crisis of funds, in such circumstances before the purchaser company takes over, who was not the part of promoters of Richirich, the investment in Richirich was must to be offloaded by the outgoing management, Hence the sale of shares by Noticee 3 in this process, cannot be attributed to an effort of any manipulation by it.

xiii. SCN fails to establish how Neptone acted in concert or in collusion with anyone nor were part of or connected with any group for the purpose of influencing price or for any manipulative activity as alleged or otherwise, to hoist the liability on Neptone.

xiv. SEBI has failed to investigate any alleged connection or relationship between Neptone, Vaghadia group or Gohil group and none of the individuals who, in fact, engaged in the alleged manipulative trades have been called before SEBI to explain their actions. It is submitted that in the absence of any substantiation to the same, by way of cogent evidence or circumstances to demonstrate any connection between Neptone and the entities, there is no case made out for alleging manipulation.

xv. Noticee has also placed reliance on the judgement of Sterlite Industries (India) Ltd. v. SEBI (2001) 34 SCL 485 (SAT), Rajendra G Parikh v. SEBI (Appeal No 44 of 2009), Narendra Ganatra v. SEBI (Appeal No 47 of2011 decided on 29.07.2011 and Shailesh M. Ved v. SEBI (Decided by the Hon'ble SAT on July 6, 2011).

xvi. Noticee 3 has stated the decision of the aforesaid cases and a catena of other judgments singularly point to elements of coordination, collusion, or collaboration which are sine qua non of alleging manipulation which is missing in the present SCN. Furthermore, the definition of fraud under the PFUTP Regulations requires an element of inducement which is also missing in the present SCN and the same has not even alleged as Neptone had no role in the transactions executed by Noticee Nos. 8 to 10. In the present matter, no genuine connection has been established between the Neptone and the counterparty and serious allegations of violations of the PFUTP Regulations have been levied. In any event, it is submitted that the impugned sale of shares was admittedly carried out by Noticee No. 1 and the proceeds were also utilized by Noticee No. 1 and his family. Furthermore, as Neptone was sold by Noticee No. 1 on August 01, 2005, it cannot now be held liable for the subsequent actions of either Noticee No. 1 or Noticee Nos. 8 to 10.

xvii. W.r.t. allegation regarding SAST violations, there is no violation of Regulation 7(1A) on behalf of Neptone in view of the decision in the case of Ravi Mohan and Ors. v. SEBI (Appeal No. 97 of 2014 and other companion appeals decided on December 16, 20 15) in which the Hon'ble SAT has held that since Regulation 7(2) does not contemplate any time limit for disclosure relating to sale of shares in excess of the limit set out under Regulation 7(1A), penalty cannot be sustained for non-compliance. The ratio in Ravi Mohan has been accepted by SEBI as it has not been challenged before a higher forum. On the contrary, SEBI while reconstituting the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("Takeover Code 2011") has incorporated a provision stipulating a deadline for disclosure for disposal of shares as well. Regulation 29 of the Takeover Code 2011 is *pari material* with the provisions of Regulation 7 of the Takeover Regulations 1997 and the words "or the disposal" were added in Regulation 29(3) by an amendment w.e.f. September 11, 2018.

xviii. BSE vide its email dated April 2, 2008, has stated that it has not received any disclosures either under the Takeover Code 1997 or the PIT Regulations. However, Richirich, in its response to SEBI vide letter dated June 12, 2008, has produced two letters dated June 22, 2005, and June 29, 2005, addressed to BSE ("Letters"), being disclosures under the PIT Regulations intimating the sale of shares of Richirich by Neptone to Noticee Nos. 8 to 10. A bare perusal of the letters also reveals the stamp of BSE indicating receipt of the said disclosure by the Exchange. It is submitted that this contradiction of facts has not been resolved during the investigation, yet SEBI has conclusively alleged, relying upon BSE's email, that no disclosures pertaining to the transfer of shares have been made to the Exchange which is manifestly untrue.

xix. While Neptone was admittedly obliged to make the relevant disclosures under Regulation 13(3), it is submitted that the same is technical nature and in any event the liability for such omission cannot be fastened upon Neptone belatedly, and that no ends of justice can be met by levying any penalty for failing to make disclosures on the current management of Neptone.

xx. Noticee has also placed reliance on the judgement of Ashok Shivlal Rupani & Ors. v. SEBI (Appeal No. 417 of 2018 and other connected appeals decided on August 22, 2019, Rakesh Kathotia & Ors. vs. SEBI (Appeal No.7 of2016 decided on May 27, 20 19) and order passed by Ld. Whole Time Member of SEBI in the matter of Global Telesystems Limited and Global E-Commerce Services Ltd.

15. **Reply submitted by Noticee 4**:-

i. The stockbroking business of Indiabulls Ventures Limited was transferred by way of slump sale vide a Business Transfer Agreement to Indiabulls Securities Limited (ISL) (earlier India bulls Commodities Limited), a subsidiary of Indiabulls Ventures Limited. The name of Indiabulls Securities Limited (earlier known as Indiabulls Commodities Limited) was subsequently changed to Dhani Stock Limited ("DSL").

ii. The issuance of the Show Cause Notice, after an inordinate delay of 17 years is incorrect. It is trite law that initiation of proceedings after such inordinate delay requires the proceedings to be dropped.

iii. Noticee 4 has placed reliance on the judgement of Hon'ble Supreme Court in the matter of Government of India v. Citadel Fine Pharmaceuticals (1989 3 SCC 483), State of Punjab v. Bhatinda District Corporation Milk Union Limited (2007 12 SCALE 135), Hon'ble Bombay High Court judgement in the matter of Bhagwandas S. Tolani v. B. C.Aggarwal and others 1983 (12) ELT 44 (Bom) , *Universal Generics Pvt. Ltd.* v. *Union of India* (1993 (49) ECR 190 (Bombay), *Cambata Industries (P.) Ltd.* v. *Additional Director of Enforcement* ([201 0]99 SCL 262 (Bom)); Hon'ble SAT orders in the matter of ICICI Bank Ltd.v. SEBI (Appeal No. 583 of 2019 decided on July 8, 2020), *Aditi Dalal* v. *SEBI* (decided on November 28, 2011), Subhkam Securities Private Limited v. SEBI (decided on July 25, 2012), Libord Finance Ltd. v. SEBI (decided on March 31, 2008), HB Stockholdings Limited v. SEBI (decided on August 27, 2013), Rajeev Bhanot & Ors. v/s. SEBI, Garware Polyester Limited v/s. SEBI, Rakesh Kathotia & Ors. v/s. SEBI (SAT order date May 27, 2019), Ashok Shivalla Rupani & Ors. v/s. SEBI (order dated August 22, 2019), Vijay Sharma vs. SEBI(Appeal No. 405 of 2018 dated July 09, 2021) for inordinate delay in issuance of SCN.

iv. As the transactions are so dated, Noticee 4 has no record of the transactions for the relevant years. ISL is constrained to therefore rely only upon the documents provided along with the Show Cause Notice. In this context it is relevant to point out that Regulation 18 of the Brokers Regulations that require maintenance of important records by a stockbroker, do not require a broker to maintain such records beyond 5 years. It is apparent that such provisions have been brought in clearly on the basis that no proceedings will be initiated where such records could be required beyond 5 years.

v. The delay in initiating the proceedings along with the major lapse in investigation have resulted in most of the material and the information available with the relevant personnel of ISL at the relevant time not being available for adjudication.

vi. The investigation in 2008 did not seek any clarifications from IFSL who is alleged to have funded the clients of ISL. The investigation has not addressed a single communication to IFSL in this regard.

vii. The income disclosed by the clients is not the only basis of a stockbroker providing trading limits to them.

viii. Such trading limit is based on the margins provided by the client. The income disclosure would, at best, serve as a suspicious factor for the stockbroker to determine that the client has availed funding beyond this means.

ix. In the present case, it was apparent that the clients had availed finance from IFSL.

x. It is a common market practice for clients of stockbrokers to avail loans against securities (LAS) from non-banking finance companies (NBFC). Therefore, the fact that the clients had deposited adequate margins was reason enough for ISL to effect trading for the clients. ISL had no option but to allow the clients to trade as there was no basis for them to disallow such trading.

xi. The transfer of shares of the client to IFSL is pursuant to a contractual arrangement between the client and IFSL.

xii. While it is not possible for ISL to conclusively state this in the absence of records from the relevant time, it is most likely that the transfer of shares to IFSL's account would have been pursuant to the contractual arrangement between the client and IFSL.

xiii. SEBI has neither deemed it necessary to call for information pertaining to the financing arrangement from IFSL nor require the recording of a statement of anyone from either ISL or IFSL or for that matter Noticee Nos. 13 and 14 to seek information about the impugned transactions. Yet, surprisingly, the Show Cause Notice outlines firm, definite and conclusive findings of fraud against ISL. It would therefore be not incorrect to state that the Show Cause Notice is akin to a final order in the guise of a show cause which is contrary to the spirit of the law.

xiv. Noticee Nos. 13 and 14 were ordinary clients of ISL who had opened their trading and demat accounts after executing the relevant KYC documents as applicable at the relevant time and were regularly trading in the market through ISL. It is submitted that contrary to the allegation that ISL was aiding and enabling fraudulent trading in the scrip of Richirich, it is submitted that all trades had been undertaken upon receipt of due instruction from of Noticee Nos.13 and 14 in its usual course of business.

xv. The allegations have been against ISL merely on the basis of the percentage contribution in the trading of the scrip. In this regard, it is pertinent to refer to the examination report of BSE dated November 29, 2006, in relation to the scrip of Richirich for the period of May 18, 2005 to August 31, 2005 ("**BSE Report**") which sheds a light in relation to the above trading. The data provided in the BSE Report, at Annexure XIV to the Show Cause Notice, shows that

- 3,40,000 shares were bought by Noticee No. 13 from Pilot Credit Capital Ltd.(2,00,000 shares), B.Lodha Securities Ltd.(90,000 shares) and Pawan Kumar Chaudhary(50,000 shares).
- In case of Noticee 14, ISL executed trade of 13,152 shares on June 23, 2005, from trading member Pawankumar Chaudhary while on June 29, 2005, the remaining shares counting to 1,85,559 were purchased from the Pawan Kumar Chaudhary (96,801 shares) and Pilot Credit Capital Ltd.(88,758 shares).

xvi. If mere execution of trades on behalf of members of the alleged Vaghadia and Gohil groups is the premise for levelling allegations of fraud against a broker, as is the case for ISL, then by virtue of the same reasoning the trading members of Vaghadia group which effected the sale of shares from Vaghadia group ought to have also been named as a noticee. It is submitted that the above demonstrates that the present Show Cause Notice has been selectively issued against ISL for simply executing trades for a client in the usual course of business.

xvii. BSE's examination, insofar as the purchase of shares, has not revealed anything suspicious, deceptive, or manipulative in nature and, in fact, has observed that (1) orders for the trades were not synchronised / structured, (2) necessary bulk deal disclosures had been made by the purchasing and selling clients, and (3) none of the trades resulted in establishing any new price in the scrip. Similarly, in the sell leg, BSE Report has observed that there was no major concentration of trades between the top ten trading members.

xviii. Insofar as the purchase of the shares by Noticee Nos. 13 and 14 through ISL, the BSE Report has found no synchronised trading was undertaken, and even though trades were apparently executed within a time gap ranging from 1.18 minutes to 12.45 minutes, necessary bulk deal disclosures had been made by the purchasing and selling clients and the trades did not establish any new price.

Insofar as the selling of the shares of Richirich by Noticee Nos. 13 and 14, SEBI's investigation has found no role of ISL in the manipulation of the order book.

xix. There is nothing on record which would demonstrate any lack of due skill, care, and diligence or unfairness in conduct of business thus violating the Code of Conduct. SEBI has presumptively alleged that ISL had intentionally arranged financing with the assurance that there would not be any losses for such loan given by a group company as it was aware of a future conduct of market manipulation and, as stated above, there is no evidence to show this meeting of mind.

xx. Without prejudice to the above, the allegations against ISL are prejudicial insofar as they do not even meet the standard of preponderance of probabilities as SEBI has failed to conduct an adequate investigation. It is submitted that while the Supreme Court has indeed stated that while allegations can be founded on the basis of proximate facts and surrounding events, the same does not obviate the requirement to conduct a fair and thorough investigation in search of direct evidence. In the present case, no direct or even relevant evidence has been sought let alone relied upon and in view thereof, the allegations for violation of Broker Regulations cannot be sustained.

xxi. Noticee 4 in its reply has also placed reliance on the judgement Sterlite Industries (India) Ltd. v/s. SEBI (2001), Narendra Ganatra v/s. SEBI (Appeal No. 47 of 2011 dated July 29, 2011), Shailesh M. Ved v/s. SEBI (SAT order dated July 06, 2011). Further, Noticee has also placed reliance on the order of Ld. Whole Time Member of SEBI, in the matter of Global Telesystems Limited and Global E-Commerce Services Ltd.

16. **Reply submitted by Noticee 5**

i. Noticee denied the allegation levelled against it.

ii. Investigation period as mentioned in the first paragraph of SCN is from May 18, 2005 to August 3 1, 2005 and further, the Ld. Adjudication Officer was appointed vide order dated 11th February, 2022. Thus, there is inordinate delay of 17 Years in issuance of SCN.

iii. It is humanly impossible and untenable to remember and recollect and explain rationale or reasons as on May 2022 as to how and why such order and trades were executed for any Noticee.

iv. The staff members who were working with them at the relevant time are no longer employed and left the organization long ago.

v. There was change in control and change in management in the ASSPL in 2012. Pursuant to the procedure prescribed by SEBI and stock exchanges, the control and management of the Noticee was changed in 2012. The matter relates to the erstwhile management and present management and directors have no information or evidence on record for the alleged violation which occurred 17 years back and this impairs their ability to provide detailed reply on merits.

vi. All the employees employed with them, 17 years ago have left the organization, there was a change in management and control and they have no access to the old records. Therefore, the said unexplained, unjustified and exorbitant delay in issuing the said SCN has caused great prejudice and harm to them and greatly hampered and adversely affected their ability to defend themselves.

vii. SCN only alleges the role of the Noticee as a broker and there are no allegations regarding any proprietary trades of the Noticee which have been questioned. It is submitted that as a broker, the Noticee merely acts as an agent of its clients/constituents and has no role to play in the decision making process.

viii. The only violation committed by Noticee is that it punched in orders for about 90 lakh shares on behalf of one of its clients. It is not alleged that any of these orders were placed outside the circuit limits prescribed by the stock exchanges in consultation with SEBI. It is presumed that these orders have been placed within the boundaries as defined by the stock exchange in consultation with SEBI. In this regard, it is pertinent to note that the Hon' ble Supreme Court of India in the case of SEBI vs Rakhi Trading Private Limited (2018) 13 Supreme Court Cases 753 while allowing the appeal against order of the Hon'ble SAT in the matter of traders, upheld the exoneration of the brokers involved in the matter. The Hon' ble Supreme Court held that merely because a broker facilitated a transaction, it cannot be said that there is a violation of regulation. Unless there is specific evidence against a broker of aiding and abetting fraudulent and unfair trade practices, the finding of violation of securities laws cannot be sustained against the brokers. In the present case, as per the material available on record, there is no proof to show that the Noticee at the relevant point did anything to aid or abet any other person to violate securities laws.

ix. Noticee neither has the records not does it have the relevant employees who were working at the said time with the Noticee justify or give any answer as to why a particular order was punched in or why a particular order was cancelled. All these orders were placed by the clients and cancellation of these orders are also done on the instructions of the clients. There is no material in the SCN to suggest that any such decision was taken by the Noticee or its employees**.**

x. Noticee in its reply has placed reliance on the judgement of Hon'ble SAT in the matter of Ashlesh Gunvantbhai Shah vs SEBI, Hon'ble Supreme Court judgement in the matter of SEBI v/s. Bhavesh Pabari.

17. **Reply submitted by Noticee 6:**

i. They had collected sufficient margin from client before allowing them to trade as per Exchange and SEBI directives.

ii. Orders were placed by Noticee 16 within the daily price range set by the Exchange; otherwise their trading system would have restricted the order from reaching the Exchange platform.

iii. During the investigation period from May 2005 to August 2005, their client, noticee no. 16 (UCC - B314N13) traded for only 3 days with a price difference of Rs.0.41 (Rs.6.04/ - Rs.5.63/) only ,i.e., variation of 7.28% only. Under the anonymous order matching system, within this very short period they were not in a position to ascertain whether the client's intention to manipulate the price.

iv. Further, the Company, Promoters, Directors, KMPS and associates did not traded in the scrip.

v. There has been a substantial delay in issuing the SCN, causing serious prejudice to SISBL to defend itself with regard to the various allegations stated in the SCN. Accordingly, the show-cause notice deserves to be set aside and further proceedings be dropped.

vi. SISBL being a diligent market intermediary, had taken even efforts to communicate on two occasions with SEBI on 05.10.2017 and 20.12.2017, when SISBL was informed of some adjudication proceedings pending against SISBL in the matter. SISBL has not received any response to both its communications.

vii. Noticee has placed the reliance on the judgement of Hon'ble SAT dated January 04, 2022 in the matter of SISBL.The Civil Appeal of SEBI against the aforesaid order of Hon'ble SAT dated 04.01.2022 was dismissed by the Hon'ble Supreme Court vide order dated 28.03.2022.

viii. During the period August 25 to 31, 2005, large buy orders (orders for 1 lakh share and more) were 1,12,59,297 shares, which accounted for 85% of the total valid buy orders placed during the said period. Out of the same, 1,10,09,297 shares accounting for 83% were placed by Noticees 5 and 6 (Noticee No.6 is SISBL)

ix. Majority of the buy orders were placed away from the prevailing market price.

x. The buy orders for 93,84,794 shares i.e. around 83% of the total buy orders were deleted by them in around 4 minutes to 1 and half-hours time.

xi. The allegation with regard to that 83% of the total buy orders during August 25 – 31, 2005 i.e. 1,10,09,297 shares (majority of them were placed by Noticee No.5 and 6) is factually incorrect. The buy orders placed by Noticee No.6 i.e. SISBL is only 25,75,000 shares. It is very relevant to state, based on the data as provided in the SCN at its annexures, the buy order placed by SISBL on behalf of its client is only around 20%, which is not the majority of the buy orders. Therefore, there is a fundamental incorrect understanding of the facts resulting in the issue of show-cause notice that majority of the buy orders were by SISBL.

xii. This allegation is also erroneous for the reason that placing buy orders by a broker on behalf of its client can't per se violation of any of the provisions of any law, let alone PFUTP Regulation or Broker Regulations. SISBL has placed the buy orders after collecting the appropriate margin as applicable at that relevant point of time and therefore, the allegation that buy orders were placed by SISBL is in violation of any Regulation is unfounded.

xiii. As regards placing of buy orders away from the prevailing market prices is completely erroneous and technically not feasible. It is very relevant and pertinent to state that no broker can place any buy or sell orders with any exchange beyond the price band as applicable for each script. If there is an instruction by a client after providing the necessary margin and placing orders, either for buy or for sell within that price band permitted for the script and then the broker is placing orders, it cannot be said that orders were placed away from the prevailing market prices. On the contrary, if the broker, despite the client having provided the margin and directing placing orders within the price band and the broker refusing to execute the instruction is said to have violated the Code of Conduct and liable to charged for violation of the Broker Regulations. Therefore, when SISBL has carried out the instructions of its client, which is in accordance with the Regulations, SISBL cannot be alleged to have violated the Broker Regulations. In fact, it is also pertinent to state the show-cause notice itself accepts the position that the buy orders are “valid buy orders” . Having accepted the position that the buy orders are valid buy orders and thereafter alleging violation of PFUTP Regulations/Broker Regulations is obviously erroneous.

xiv. As regards the allegation pertaining to deletion of buy orders, while the show-cause notice states that 83% of the total buy orders were deleted in around 4 minutes to 1 and half-hours time, no details with regard to the same is provided. The Annexure 5, which is stated in Para 20 of the SCN is in respect of buy orders of more than 50,000 shares. As already stated above, it is factually incorrect, as is evident from the SCN that SISBL has not placed 83% of the total buy orders during the period August 25 – 31, 2005. It is relevant and pertinent to state there can be no allegation of violation of placing of buy orders of clients subject to margins being provided by the client and the price band is within the permissible levels, there can be no violations of placing of buy orders by the broker. Without admitting, assuming deletion of buy orders per se is violation of the Regulations, the details of the deleted buy orders of SISBL is not made available/provided in the SCN. In view of a delay of more than 17 years in the issue of show-cause notice from the investigation period, SISBL is completely handicapped to defend itself with the factual data of how much of the buy orders placed by SISBL on behalf of its client is deleted, if deleted within what time the same was deleted, the reason as given by the client for such deletion and the reason accepted to by SISBL for agreeing to deletion etc., It is also pertinent to state that the unexecuted buy orders shall get automatically deleted at the end of the trading session of the day. This is also system driven and therefore, unexecuted order at the end of the day cannot be violation of any Regulations. In the absence of the details not being available in the SCN and also with SISBL due to long delay, the allegation deserves to fail.

18. On perusal of the replies submitted by Noticees 13 to 16, I note that they had submitted replies on similar lines. The replies submitted by Noticees 13 to 16 is summarized as under:-

i. They are ordinary and retail investor who deals in shares in compliance with all the relevant provisions of securities law as applicable to us from time to time. Unlike informed institutions; they have limited skill/ experience of fundamental & technical research before making an investment/ trading decision. Thus, the trading decisions are mostly made on the basis of news and rumors in print media, electronic media, grapevines, investment decision of other investors, intuition and psychology of other investors.

ii. The investigation was conducted way back in the year 2005 and the instant proceedings against the same were initiated in the year 2022. It is pertinent to note that that the proceedings against us were initiated after an inordinate delay of seventeen long years. It is highly unreasonable for SEBI to expect us to keep all the documents pertaining to the transaction intact after such a long time. Human memory is fragile and its nearly impossible to remember the details of a transaction after a long time gap of 17 years.

iii. The current proceedings may be dropped on the ground that there has been inordinate delay of around 17 years in the initiation of the current proceedings.

iv. Noticees 13, 14, 15 and 16 have placed reliance on the judgement of Hon'ble SAT for inordinate delay in issuance of SCN in the matter of Morepen Laboratories Ltd.(SAT Appeal No. 62 of 2020, order date April 15, 2021), Bharat J. Patel vs SEBI(SAT order dated September 09, 2020), ICICI Bank Limited vs. SEBI (SAT Appeal No. 583 of 2019, dated July 08, 2020), Ashok Shivzaz Rupani and Ors. Vs. SEBI (Appeal No. 417 of 2018, dated August 22, 2019), Aditi Dalal (decided on November 28, 2011) and Ashlesh Gunvantbhai Shah Gunvantbhai Shah & Ors. vs SEBI (SAT Appeal No. 169 of 2019 and order date January 31, 2020).

v. Noticees 13,14,15 and 16 have also placed reliance on the judgement Hon'ble Supreme Court in the matter of Adjudicating Officer, of SEBI vs. Bhavesh Pabari (Civil Appeal No. 11311 of 2013), on February 28, 2019, for inordinate delay in issuance of SCN.

vi. During the investigation period they had traded in many scrips, they are the regular investors in the securities market due to time gap of 17 years, they are not able to comment on the same.

vii. They were never the part of Gohil group and they do not know each other.

viii. At the time of dealing in the market through the faceless, electronic trading platform of the stock exchange, it is not possible to know the counter party and any kind of allegation of any connection is unfounded and baseless.

ix. They had not made any gains or gained any unfair advantage and further the SCN has also not quantified the alleged profit made by them and/ or loss averted by them. It is further submitted that no harm or loss has been caused to any investor and that they had transacted in the scrip in the ordinary course and based on their independent commercial wisdom. Further, the violation is not repetitive in nature to warrant any kind of imposition of monetary penalty.

x. Noticees 13, 15 and 16 requested not to impose any monetary penalty.

19. **Additional response submitted by Noticee 13**

i. W.r.t. alleged violation of Regulation 7(1) of SAST Regulations and Regulation 13(1) of PIT Regulations, he had made all the disclosures at the relevant time in the relevant format in force at that time, but now after 17 years it is not possible for him to recollect all the copies of disclosures. In view of the same, Noticee 13 has denied that he had violated Regulation 7(1) of SAST Regulations and Regulation 13(1) of PIT Regulations.

20. **Additional response submitted by Noticee 14**

i. Mr. Narendra Bhikubhai Gohil, i.e., Noticee 16 is his brother. However, he do not have any professional relations with Noticee 16. They both carry their own independent businesses.

ii. W.r.t. alleged violation of Regulation 7(1) of SAST Regulations and Regulation 13(1) of PIT Regulations, he had made all the disclosures at the relevant time in the relevant format in force at that time, but now after 17 years it is not possible for him to recollect all the copies of disclosures. In view of the same, Noticee 14 has denied that he had violated Regulation 7(1) of SAST Regulations and Regulation 13(1) of PIT Regulations.

21. **Additional response submitted by Noticee 15**

i. Though the introducer is same, his role is limited to introduction and takes only professional commission as far as introduction is considered. This connection cannot be considered as serious allegation for Fraudulent & Unfair Trade Practices since he is an introducer, he might be introducing thousands of clients with hundreds of brokers.

22. **Additional response submitted by Noticee 16**

i. Mr. Vikram Bhikubhai Gohil, i.e., Noticee 14 is his brother. However, he do not have any professional relations with Noticee 14. They both carry their own independent businesses.

23. In the interest of natural justice, opportunities of personal hearing was granted to Noticees as per details given below:-

TABLE: DETAILS OF OPPORTUNITY OF PERSONAL HEARING WERE GRANTED TO NOTICEES

Noticee No.	Noticee Name	Hearing Notice dates	Dates of Hearing	Mode of delivery of Hearing Notices	Status of personal hearings
1.	Ashok Jain	30.06.2022	07.07.2022	Digitally signed email and SPAD	Entity attended hearing through AR
2.	Renu Jain	30.06.2022	07.07.2022	Digitally signed email and SPAD	Entity attended hearing through AR
3.	Neptone Leasing & Finance Co. Pvt. Ltd.	30.06.2022	07.07.2022	Digitally signed email and SPAD	Entity attended hearing through AR
4.	Indiabulls Securities Limited	30.06.2022	07.07.2022	Digitally signed email and SPAD	Entity attended hearing through AR
5.	Archi Shares & Stocks Brokers Pvt. Ltd	06.06.2022	20.06.2022	Digitally signed email and SPAD	hearing got adjourned due to operational exigency
		22.06.2022	27.06.2022	Email	Entity attended hearing through AR
6.	Shriram Insight Share Brokers Pvt. Ltd.	24.06.2022	05.07.2022	Digitally signed email and SPAD	Vide email dated July 04, 2022, entity sought adjournment of hearing for 2 weeks
		14.07.2022	21.07.2022	Email	Entity attended hearing through AR
7.	Galaxy Broking Ltd.	08.06.2022	21.06.2022	Digitally signed email and SPAD	

Noticee No.	Noticee Name	Hearing Notice dates	Dates of Hearing	Mode of delivery of Hearing Notices	Status of personal hearings
		23.06.2022	29.06.2022	Email	Entity failed to attend the hearing
8.	Amul Sheth	07.06.2022	27.06.2022	Newspaper Publication published on June 18, 2022	Entities failed to attend the hearing
9.	Navinkumar Pravinbhai Patel				
10.	Jayeshkumar Prakashbhai Shah				
11.	Girdharbhai Jayarambhai Vaghadia				
12.	Akshay Datta				
13.	Hamir Desurbhai Ahir	06.06.2022	20.06.2022	Digitally signed email and SPAD	Entity vide email dated June 20, 2022, forwarded a letter dated June 18, 2022, requesting adjournment of hearing
		22.06.2022	06.07.2022	Email	Vide letter dated July 06, 2022, entity requested for exemption from personal hearing
14.	Vikram Bhikhubhai Gohil	06.06.2022	20.06.2022	Digitally signed email and SPAD	Entity vide email dated June 20, 2022, forwarded a letter dated June 17, 2022, requesting adjournment of hearing
		22.06.2022	06.07.2022	Email	Entity attended hearing through AR
15.	Charmi Investment	06.06.2022	20.06.2022	Digitally signed email and SPAD	Entity vide email dated June 20, 2022, requested adjournment of hearing
		22.06.2022	06.07.2022	Email	Vide letter dated July 06, 2022, entity requested for exemption from personal hearing

Noticee No.	Noticee Name	Hearing Notice dates	Dates of Hearing	Mode of delivery of Hearing Notices	Status of personal hearings
16.	Narendra Bhikhubhai Gohil	06.06.2022	20.06.2022	Digitally signed email and SPAD	Entity vide email dated June 20, 2022, forwarded a letter dated June 17, 2022, requesting adjournment of hearing
		22.06.2022	06.07.2022	Email	Vide letter dated July 06, 2022, entity requested for exemption from personal hearing

24. During the course of hearing, Noticees 1, 2, 3, 4, 5, 6 and 14 reiterated the submissions made by them. I note that subsequent to hearing Noticees 1, 2, 3, 4 submitted additional reply to the SCN. The date of receipt of additional replies is tabulated below:

Sr. No.	Noticees Name	Date of reply
1	Ashok Jain	July 15, 2022
2	Renu Jain	
3	Neptone Leasing & Finance Company Private Limited	July 12, 2022
4	Indiabulls Securities Limited	

25. I note that sufficient opportunities have been given to Noticees 7,8,9,10,11 and 12 to represent themselves and the principles of natural justice have been complied with. However, despite service of the SCN and Hearing Notices, none of the given opportunities of personal hearing were availed of by Noticees 7,8,9,10,11 and 12. The Hon'ble Securities Appellate Tribunal (**SAT)** in the matter of Classic Credit Ltd. v. SEBI [2007] 76 SCL 51 (SAT - MUM), inter alia, held that – "*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*". Similarly, the Hon'ble SAT also, in the case of Sanjay Kumar Tayal & Ors. v. SEBI (in appeal No. 68/2013) decided on February 11, 2014, held that "…*appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the*

adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices". Since no replies to the SCN have been filed by Noticees, it can be reasonably presumed that the allegations have been admitted to by Noticees in this case.

26. In view of the above, I am compelled to proceed ex-parte in the matter against Noticees 7, 8, 9, 10, 11 and 12. I am of the view that Noticees 7, 8, 9, 10, 11 and 12 have nothing to submit and in terms of Rule 4(7) of SEBI Adjudication Rules, the matter can be proceeded ex-parte on the basis of material available on record. Therefore, the present proceedings against Noticees 7, 8, 9,10 ,11 and 12 are undertaken ex-parte on the basis of available documents and information.

27. While deciding the case, I also cannot lose sight of settled position of law that the charges in the SCN should be established with valid reasons and in accordance with law. I, therefore, deem it necessary to examine the charges based on the trades of Noticees and supporting material as provided in the SCN.

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

28. I have carefully perused the charges levelled against Noticee, replies/submissions filed by Noticees 1 to 6 and 13 to 16 and other documents / evidence available on record.

29. Before proceeding with case on merits, I find that it would be appropriate to deal with the preliminary objections raised by Noticees 1 to 6 and 13 to 16 w.r.t. delay in initiating proceedings. Noticees 1 to 6 and 13 to 16, in their replies, have contended that the allegations framed in the SCN relate to the investigation period, i.e., from May 01, 2005 to August 31, 2005 and investigation was carried out in 2008. Further, Noticees have contended that Adjudicating Officer was appointed on February 11, 2022 and SCN was issued on May 05, 2022. Thus, there was a delay of around 17 years from the investigation period and issuance of SCN. This long delay had prejudiced the ability of the Noticees to adequately respond to the SCN since the documents/ facts pertaining to the alleged non-disclosure by Noticees were not readily available with them and they were not able to trace the 17 years old records. Some of the Noticees who are stock broker has contended that, Broker's Regulations allowed them to maintain records for minimum period of 5 years.

Noticees in their replies have also relied on various judgement of Hon'ble Supreme Court, Hon'ble Bomabay High Court and Hon'ble SAT w.r.t. delay in issuance of SCN.

30. In this regard, I note from the material available on record that BSE had submitted its examination report on November 29, 2006 to SEBI. Thereafter, SEBI started investigation in the matter in the year 2008. During the course of investigation, SEBI had gathered information from BSE, company, brokers, banks, clients, etc. and had also sought replies from some of the Noticees, *inter-alia* seeking details such as KYC, trading activities, disclosures made etc. to which they had furnished their replies through email as well as letters. Based on replies submitted by Noticees, further information was sought from some of the Noticees and statement of some of the Noticees were also recorded. After the fact finding, investigation was completed in the month of February 2009. After completion of investigation, Shri Sandeep P Deore was appointed as the Adjudicating Officer by SEBI vide order dated February 20, 2009. However, from the material available on record, I note that appointment of Shri Sandeep P Deore was not communicated to him due to procedural lapse. Meanwhile, Noticee 6 had applied for surrender of its membership with MCX-SX in the year 2017, during that time it was informed that adjudication proceedings in the captioned matter is pending against them. Later on, Shri Prasanta Mahapatra was appointed as AO in captioned matter vide order dated September 05, 2018 and the same was communicated to him vide communique dated October 03, 2018. Subsequent to receipt of file, certain clarifications were sought by the erstwhile AO, Shri Prasanta Mahapatra on July 31, 2019 for which necessary clarifications were received on October 27, 2020. Meanwhile, the undersigned was appointed as AO in the captioned matter vide order dated December 04, 2020. Subsequent to appointment of undersigned as AO, further clarifications were sought from SEBI on July 16, 2021, October 07, 2021 and March 08, 2022 for which necessary clarifications were received on August 20, 2021, February 11, 2022 and April 12, 2022 respectively. Subsequent to receipt of clarifications, the SCN was issued on May 05, 2022. Thus, from the aforesaid chronology, I note that there was a delay in issuance of SCN in the matter due to some procedural lapses.

31. I now proceed to deal with the case on merits. The issues that arise for consideration in the present case are

    I. Whether

a) Noticees 1 to 3 have violated Regulation 7(1A) of SAST Regulations and Regulation 13(3) read with Regulation 13(5) of PIT Regulations;
b) Noticees 1 to 16 have violated Regulations 4(1), 4(2)(a), (b), (d) and (e) of PFUTP Regulations;
c) Noticee 4 has violated Clauses A (1) & (2) of Code of Conduct for Stock Brokers as specified in Schedule II read with Regulation 7 (now Regulation 9(f) w.e.f. September 27, 2013) of Broker Regulations;
d) Noticees 5 to 7 have violated Clauses A (1), (2) & (3) of Code of Conduct for Stock Brokers as specified in Schedule II read with Regulation 7 (now Regulation 9(f) w.e.f. September 27, 2013) of Broker Regulations; and
e) Noticees 13 and 14 have violated Regulation 7(1) of SAST Regulations and Regulation 13(1) of PIT Regulations?

II. Do the violations, if any, attract monetary penalty under Sections 15A(b), 15HA and 15HB of SEBI Act, as applicable?
III. If so, what should be the quantum of monetary penalty?

32. Before moving forward, it is pertinent to refer to the relevant provisions of Regulations 4(1) and 4(2)(a), (b), (d) and (e) of the PFUTP Regulations, Regulations 7 (1) and 7(1A) of SAST Regulations, Regulations 13(1), 13(3) read with 13(5) of PIT Regulations; Clauses A (1), (2) & (3) of Code of Conduct for Stock Brokers as specified in Schedule II read with Regulation7 (now Regulation 9(f) w.e.f. September 27, 2013) of Broker Regulations, which are reproduced as under:-

"SAST Regulations,

Regulation 7(1)*:-Any acquirer, who acquires shares or voting rights which(taken together with shares or voting rights, if any held by him) would entitle him to more than five percent or ten percent or fourteen percent or fifty four percent or seventy four percent shares or voting rights in a company, in any manner whatsoever, shall disclose at every stage the aggregate of his shareholding or voting rights in that company to the company and to the stock exchanges where shares of the target company are listed.*

Regulation 7(1A):- *Any acquirer who has acquired shares or voting rights of a company under sub-regulation (1) of regulation 11, shall disclose purchase or sale aggregating two percent or more of the share capital of the target company to the target company, and the stock exchanges where shares of the target company are listed within two days of such purchase or sale along with the aggregate shareholding after such acquisition or sale.*

PIT Regulations*:-*

Regulation 13(1)*:- Any person who holds more than 5% shares or voting rights in any listed company shall disclose to the company in Form A, the number of shares or voting rights held by such person, on becoming such holder, within 4 working days of:-*

a) The receipt of intimation of allotment of shares; or

b) The acquisition of shares or voting rights, as the case may be

Regulation 13(3)*: Any person who holds more than 5% shares for voting rights in any listed company shall disclose to the company in Form C the number of shares or voting rights held and change in shareholding or voting rights, even if such change results in shareholding falling below 5%, if there has been change in such holdings from the last disclosure made under sub-regulation (1) or under this sub-regulation; and such change exceeds 2% of total shareholding or voting rights in the company.*

Regulation 13(5)*:- The disclosure mentioned in sub-regulations (3) and (4) shall be made within four working days of:-:*

(a) the receipts of intimation of allotment of shares, or

(b) the acquisition or sale of shares or voting rights, as the case may be.

PFUTP Regulations

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;

b. *dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss*

d. *paying, offering or agreeing to pay or offer, directly or indirectly, to any person any money or money's worth for inducing such person for dealing in any security with the object of inflating, depressing, maintaining or causing fluctuation in the price of such security*

e. *any act or omission amounting to manipulation of the price of a security*

Stock Broker Regulations*:-*

Regulation 7 (now Regulation 9(f) w.e.f. September 27, 2013):- *Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely*

(f) he shall at all times abide by the Code of Conduct as specified in Schedule II; and

Schedule-II*: -* ***CODE OF CONDUCT FOR STOCK BROKERS***

Clause A

(1) ***Integrity****: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.*

(2) ***Exercise of due skill and care****: A stock-broker shall act with due skill, care and diligence in the conduct of all his business.*

(3) ***Manipulation:*** *A stock-broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains*."

<u>Issue No.1:- Whether</u>

a. Noticees 1 to 16 have violated Regulations 4(1), 4(2)(a), (b, (d) and (e) of the PFUTP Regulations;

b. Notices 1 to 3 have violated Regulation 7(1A) of SAST Regulations and Regulation 13(3) read with Regulation 13(5) of PIT Regulations;

c. Noticee 4 has violated Clauses A (1) & (2) of Code of Conduct for Stock Brokers as specified in Schedule II read with Regulation7 (now Regulation 9(f) w.e.f. September 27, 2013) of Broker Regulations;

d. Noticees 5 to 7 have violated Clauses A (1), (2) & (3) of Code of Conduct for Stock Brokers as specified in Schedule II read with Regulation7 (now Regulation 9(f) w.e.f. September 27, 2013) OF Broker Regulations; and

e. Noticees 13 and 14 have violated Regulation 7(1) of SAST Regulations and Regulation 13(1) of PIT Regulations?

33. From the documents available on record, I note that during the investigation period price of the scrip increased from Rs.3 to reach a high of Rs.10 on August 31, 2005 and trading volume in the scrip increased from 23 shares on May 18, 2005 to reach a high of 5,05,251 shares on August 29, 2005. It is also observed that the trading volume in the scrip was more than 1 lakh shares on 9 trading days during the period of investigation. Total trading volume during the period of investigation was 35,22,782 shares.

34. I note from the documents available on record that during the course of investigation, top ten brokers in terms of buy volume accounted for around 58% of the total traded volume while top ten brokers in terms of sale accounted for around 60% of the total traded volume. I also note that Noticee 4 was the top broker both in terms of buy and sale with contribution of around 18% each in buy and sale volume. Further, Noticee 4 traded primarily on behalf of two clients i.e. Noticees 13 and 14. The details regarding top 10 brokers on buy side and sell side on volume basis is given as under:-

Top-10 Buying Brokers

Sl. No.	Name of the buying broker	Quantity	% contr. To trades
1	Orbis Securities Pvt. Ltd.	647710	18.39
2	Uttam Financial Services	399736	11.35
3	ASE Capital Market	196743	5.58
4	ICICI Web Trade	134293	3.81

Sl. No.	Name of the buying broker	Quantity	% contr. To trades
5	Archi Shares & Stk. - Ahe	131415	3.73
6	Angel Broking Ltd.	120738	3.43
7	Galaxy Broking Limited	115261	3.27
8	Hornic Investment Ltd	115259	3.27
9	Geogit Securities (Trissu	94069	2.67
10	Motilal Oswal Securities	84857	2.41
Total		20,40,081	57.91

Top- 10 Selling Brokers

Sl. No.	Name of the selling broker	Quantity	% contr. To trades
1	Orbis Securities Pvt Ltd.	635365	18.04
2	Uttam Financial Services	308273	8.75
3	Pilot Credit Capital - Mu	291777	8.28
4	P.J.Chaudhary	165000	4.68
5	Galaxy Broking Limited	155259	4.41
6	Ase Capital Market	139440	3.96
7	Archi Shares & Stk. - Ahe	127469	3.62
8	Angel Broking Ltd.	102583	2.91
9	B Lodha Securities Pvt Lt	90000	2.55
10	Hornic Investment Ltd	82990	2.36
Total		2098156	59.56

35. The client wise trading of other major broker is given as follows

Sl. No.	Name of the broker	Name of the client	Buy quantity	Sell quantity
1.	Uttam Financial Services Ltd.	BDS Share Brokers Pvt. Ltd.(Ramakant Sultan)	3,18,134	2,66,428
2.	Archi Shares	Charmi Investment (Atul Shah)	1,23,915	1,24,549
3.	ASE Capital Markets Ltd.	Pranav Sheth	41,774	30,199
		Suryodaya Fincap Pvt. Ltd. (Dilipbhai Patel)	33,100	9030
		Hiloni Stock Broking Pvt. Ltd. (Paresh Patel)	20,000	0
4.	Pilot Credit Capital Ltd.	Amul Sheth	0	1,88,758
		Giridhar Vaghadia	0	1,00,000
5.	B Lodha Securities	Akshay Datta	0	90,000
6.	Pawankumar Chaudhury	Jayesh Kumar Shah	0	1,00,000
		Navin Patel		50,000
7.	Bhavik Rajesh Khandhar Share &	Rajesh Rachh	22,000	0

	Stock Brokers Pvt. Ltd.			
8.	Shah Investor	Nitin Shah	25,000	25,000

36. I note from the documents available on record that based on common address, off-market transfer of shares, same telephone number and common introducer, SEBI has identified two groups namely (1) Giridhar Vaghadia group (hereinafter referred to as "**Vaghadia Group"**) consisting of entities namely Amul Sheth, Girdharbhai Jayarambhai Vaghadia, Navin Kumar Pravin bhai Patel, Jayeshkumar Prakashbhai Shah and Akshay Datta and (2) Gohil group consisting of entities namely, Vikram Bhikubhai Gohil, Charmi Investment (Atul Shah), Hamir Desurbhai Ahir and Narendra Bhikhubhai Gohil. The relationship among the entities belonging to Vaghadia group and Gohil group as alleged in investigation is given below:-

Vaghadia Group

Name of Entity	**Relationship/connection**
Amul Pravinbhai Sheth (Noticee 8)	Common address as Flat No. 30, Patel Bldg., 8/16 M K Amin Marg, Bora Street, Fort, Mumbai – 400001 and common telephone no. 56380486. There were transfer of shares in off-market between Shri Amul Sheth, Giridhar Vaghadia and Jayesh Shah.
Girdharbhai Jayarambhai Vaghadia (Noticee 11)	
Navin Kumar Pravinbhai Patel (Noticee 9)	
Jayesh Kumar Prajashbhai Shah (Noticee 10)	
Akshay Datta (Noticee 12)	From UCC database, it is observed Akshay Datta has common phone number i.e. 22615666 with various entities having address as Flat No. 30, Patel Bldg., 8/16 M K Amin Marg, Bora Street, Fort, Mumbai – 400001. There were transfer of shares in off-market between Shri Navin Patel and Akshay Datta

Gohil Group

Name of entity	**Connection /Relation**
Vikram Bhikhubhai Gohil (Noticee 14)	From the client registration form of Vikram Bhikhubhai Gohil with the broker Galaxy Broking Ltd (513), it was observed that the telephone number (079-26440620) of the introducer- Mr. Jignesh is same as that of Charmi Investment.
Charmi Investment (Atul Shah) (Noticee 15)	
Hamir Desurbhai Ahir (Noticee 13)	Common Mobile phone no. 9879008172 with Vikram Bhikhubhai Gohil.
Narendra Bhikhubhai Gohil (Noticee 16)	Brother of Vikram Bhikubhai Gohil and they have the same address as 21, Azad Nagar Society, New Fatewadi, Sarkhej, Ahmedabad, 382210

37. I note that SEBI had further observed the following relationship between Vaghadia group and Gohil group:

Sl. no.	Name of the member of Vaghadia group	Relationship with Gohil group
1	Nilesh B Upadhyay	BSE investigations in the scrip of Netvision Web Technologies Ltd. for the period 1st March 2005 to 12th May 2005 revealed that Nilesh Upadhay transferred shares to Vikram Bhikhubhai Gohil and Narendra Bhikhubhai Gohil in off-market.
2	Madhusudan Thakkar	BSE investigations in the scrip of Shalimar Production Ltd. revealed that the shares purchased by Madhusudan C Thakker through Galaxy Broking Ltd. were used to meet the pay-in obligation of Ramesh Kesarimal Jain, a major net seller in the scrip. Ramesh Kesarimal Jain is connected /related to the Vaghadia group.

38. From the reply submitted by Noticee 14 and Noticee 16, I note that they both are brothers. On perusal of the Know Your Client (KYC) form of Noticee 13 and Noticee 14, I note that in KYC form common mobile “9879008172” have been mentioned. I note that Noticee 13 in his reply has not provided any explanation regarding having same mobile number with Noticee 14. Noticee 16 has denied the relationship stating that he does not know Vikram Bhikhubhai Gohil and Gohil Group. Similarly, Noticee 13 in his reply has stated that he does not know Vikram Bhikhubhai Gohil and is not aware of alleged common mobile number with Vikram Bhikhubhai Gohil. In this regard, I note that the mere statement of denial on the part of Noticees 13 and 14 does not take away from the fact that the KYC form of both Noticees 13 and 14 had the aforesaid common mobile number. Accordingly, I am not inclined to accept the said contentions of Noticees 13 and 14. In view of the same, I conclude that Noticees 13, 14 and 16 are connected entities.

39. I note that Noticee 15 in its reply has contended that though the introducer is same, his role was limited to introduction and he takes only professional commission as far as introduction is considered. Noticee 15 has further submitted that this connection cannot be considered as serious allegation for Fraudulent and Unfair Trade Practices since it is an introducer, it might be introducing thousands of clients with hundreds of brokers. Accordingly, Noticee 15 has denied that it is not part of Gohil group. In this regard, I note that connection of Noticee 15 with Gohil group has been alleged in investigation on account of common telephone number (079-26440620) of the introducer i.e. Mr. Jignesh with that of Noticee 15. In this respect, I note that Hon’ble Whole Time Member of SEBI in his order WTM/GM/EFD/05 /APRIL/2017 dated April 24, 2017, has inter-alia made the following observation:-

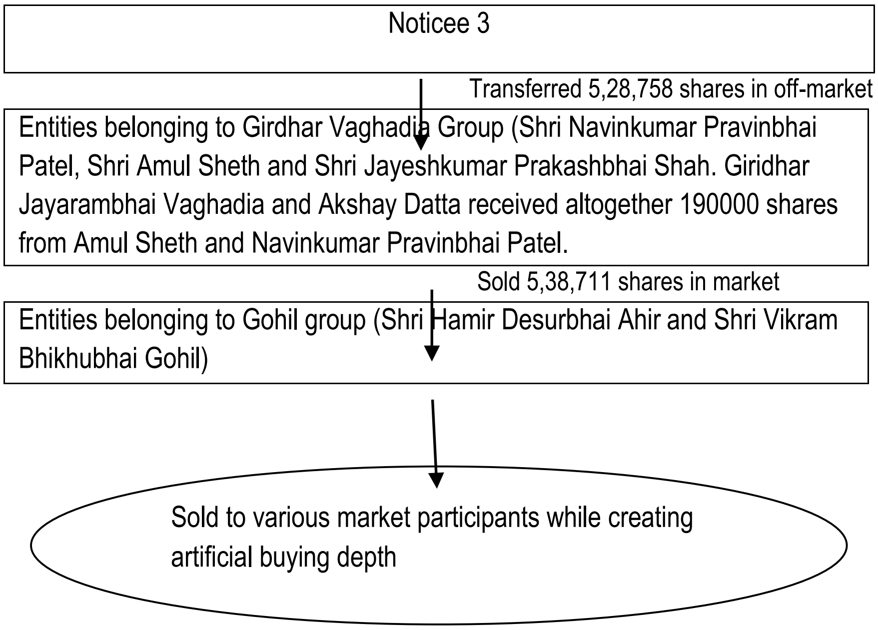
"*While considering the rest of the entities and their role in PFUTP, I note that a Group of 13 entities (namely A K Investments, Amrit L Gandhi, Seema Gandhi, Amrit Gandhi HUF Narendra Dogra, Jitendra L. Gandhi Kantilal Lakshmichand, Shivangi Jagmohan Singh, Hussain Mohammed Shaikh, Parul Anupam Khanna, Jigna Manish Sah Bhavnaben Nimeshbhai Mewada & Nishita D. Merchant) were introduced by a common introducer Kamlesh Maisheri, who is also one of the partners of A K Investments. This fact was admitted by all the noticees as well as the introducer Kamlesh Maisheri during the personal hearing. It was submitted that normally there is a person working for the broker who introduces the clients for opening accounts with the broker. I have also noted that all the thirteen entities have the same trading broker Sanghavi Brothers Brokerage Limited and as per the BSE website Kamalesh T. Maisheri is a Remisier of the broker from 2007. All these noticees have submitted in reply and during personal hearing that their trades were genuine trades on market, in which they had taken delivery and given delivery. The payments were made out of their bank accounts. I have noted the fact that the scrip was in trade to trade segment of BSE, where squaring off or netting is not allowed. Apart from the said connection by common introducer there was no other factor which connected them with Group 1 entities. Therefore in absence of any other connection, I am inclined to accept the submissions of the 13 entities to the effect that they happened to be introduced by a common person, as Kamlesh Maisheri who was associated with the Broker in some capacity. There is no evidence to believe that they were introduced for the purpose of trading in EIL with any particular motive to manipulate the prices.".* I also note that in the matter of Sterling International Enterprises Ltd. Adjudicating Officer in his order Order/VV/NK/2020-21/11129-11131 dated March 25, 2020, has also relied on the aforesaid WTM order and held that *"By placing reliance on the abovementioned order and taking into account the submissions of the Noticee 1, I find that connection of the Noticee 1 as brought out in the investigation with five other connected entities solely on the basis of common introducer with these entities is not sufficient to prove that Noticee 1 acted in collusion with connected entities with the intent of creating artificial volume in the scrip of SIEL. There is no other basis of connection like common address, email id, fund transfers, off market transfers or connection with issuer, promoter or director or other entities in the Group which has been brought out in the investigation in respect of Noticee 1…."*

40. In view of the aforesaid orders and taking into account the submission of Noticee 15, and the observation therein I am inclined to the view that Noticee 15 is not connected with the other members of the Gohil group, i.e. Noticees 13, 14 and 16.

41. I further note that relation between Vaghadia group and Gohil group is alleged on the basis of certain aforementioned dealings between Nilesh B. Upadhyay and Noticees 14 and 16 of Gohil group, and between Madhusudan C Thakkar and Ramesh Kesarimal Jain of Vaghadia group in some other scrips. However, there are no details or evidence available to establish how Nilesh B. Upadhyay, Ramesh Kesarimal Jain and Madhusudan Thakkar belong to Vaghadia group. Therefore, I find that there are no details or evidence to establish connection of Nilesh B. Upadhyay and Madhusudan Thakkar to Vaghadia group. Therefore, I do not find enough evidence to establish connection between Vaghadia group and Gohil group.

42. As noted earlier in the order, Noticees 8 to 12 have not furnished any reply to the SCN. Since no replies/submissions in respect of connection alleged between them in the SCN have been filed by Noticees 8 to 12, it can be reasonably presumed that the aforesaid connection between them have been admitted to by them. In view of the same, I find that Noticees 8 to 12 are connected with each other.

43. I note from the demat statement that Noticee 3 transferred 3,40,000 shares of Richirich in off-market to Shri Navinkumar Pravinbhai Patel, i.e., Noticee 9 and Shri Amul Sheth, i.e., Noticee 8 on June 16, 2005 on June 16, 2005. I also note from the demat statement that Noticee 3 had received 1,08,662 shares of Richirich from Shri. Arvind P. Kohad in off-market transaction on June 27, 2005. On June 28, 2005, Noticee 3 sold 1,88,758 shares of Richrich to Jayesh Kumar Prakashbhai Shah, i.e., Noticee 10. Thus, I note that on June 16, 2005 and June 28, 2005, Noticee 3 transferred 5,28,758 of Richirich shares in off-market to Noticees 8, 9 and 10. I also note that out of 5,28,758 shares of Richirich, Giridhar Jayarambhai Vaghadia, i.e. Noticee 11 and Akshay Datta, i.e., Noticee 12 received 1,90,000 shares from Noticee 8 and Noticee 9. I also note that the shares received by aforesaid entities were sold to Shri Hamir Desurbhai Ahir, ie., Noticee 13 and Vikram Bhikhubhai Gohil, i.e. Noticee 14, who in turn the sold the said shares in the market. The aforesaid transactions of shares from Noticee 3 to Vaghadia group and Gohil group is depicted hereunder:-



44. I note from the trade log/order log that the shares transferred by Noticee 3 in off-market were sold in the market. The details of the same are as under-

Name of client	**Sale quantity (no. of shares)**	**Sale date**	**Average rate**	**No. of shares received in off-market**	**Recv. from**	**Date**
Amul Sheth	100000	16/06/05	Rs.5.50	200000 (88758)	NLFCPL (Jayeshkumar P Shah)	16/06/05
	88758	29/06/05	Rs.6.61			
Girdharbhai Jayarambhai Vaghadia	100000	16/6/05	Rs.5.50	100000*	Amul Sheth	17/06/05
Navinkumar Pravinbhai Patel	50000	16/06/05	Rs.5.50	140000	NLFCPL	16/06/05
	15000	23/06/05	Rs.5.85			
Jayeshkumar Prakashbhai Shah	100000	29/06/05	Rs.5.50	188758	NLFCPL	28/06/05
Akshay Datta	90000	16/06/05	Rs.5.50	90000*	Navin kumar P Patel	17/06/05
Total	**543758**			**528758**		

45. From the above table, I note that three persons of Vaghadia group viz. Noticee 9, Noticee 8 and Noticee 10 received 5,28,758 shares of Richirich from Noticee 3, a promoter entity of Richirich. I further note from the documents available on record that Noticee 8 transferred 1,00,000 shares of Richirich to Noticee 11 and Noticee 9 transferred 90,000 shares of Richirich to Noticee 12 in off-market transactions.

46. I note from the documents available on record that all the aforesaid shares received from the promoters were off-loaded in the market to the Gohil group by the five entities of the Vaghadia group. I note that Noticee 8, who had received 2,00,000 shares of Richirich from Noticee 3 sold 1,88,758 shares in the market and also transferred 1,00,000 shares of Richirich in off-market to Noticee 11. Further, Noticee 8 received 88,758 shares of Richirich from Noticee 10. It has been noted earlier in the order that Noticee 10 had received 1,88,758 shares from Noticee 3. Noticee 9, who had received 1,40,000 shares from Noticee 3 sold 65,000 shares in the market and transferred 90,000 shares to Noticee 12 in off-market. Noticee 12 sold all those shares in the market.

47. It has been alleged in the SCN that the shares received in off-market from the promoter entity of Richirich were off-loaded in the market to the Gohil group by Vaghadia group in the market through matched trades and the said shares were sold in the market to scattered clients at artificially inflated prices which were created by the order book manipulation by entities of Gohil group viz. Noticee 15 and 16, by entering large buy orders for several lakh shares at prices far lower than the then prevailing market prices. It has also been alleged that the said orders were only meant for creating an artificial depth/buying pressure in the scrip, which resulted in rise in price of the scrip. In view of the same it has been alleged that by off-loading the shares to Waghdia group by Noticees 1 to 3, Noticees 1 to 3 have violated Regulations 4(1), 4(2)(a),(b), (d) and (e) of PFUTP Regulations. It has also been alleged that by off-loading the shares to Gohil group in the market through matched trades Vaghadia group have violated Regulations 4(1) (2)(a),(b), (d) and (e) of PFUTP Regulations. Further, it has been alleged that by selling the shares at artificially higher prices which were created by order book manipulation and by entering large buy orders for several lakh shares at prices far lower than the prevailing market prices and later deleting the orders only to show an artificial buying interest in the scrip, Gohil group has violated Regulations 4(1), 4(2)(a), (b), (d) and (e) of PFUTP Regulations.

48. Noticee 3 in its reply has contended that sale of shares was arranged by Noticee 1 through an acquaintance of his to resolve financial difficulties and debts of Richirich including cases under Section 138 of the Negotiable Instruments Act, 1881 and therefore shares were sold in off-market transaction to meet with immediate contingencies. Noticee 1 was not having relationship with the counterparty to the transactions, being Noticees 8 to 10 except for the

limited purpose of sale of shares and all arrangements were done through the acquaintance. For the sale of shares through off-market, an amount of Rs.25,11,600/- was received from Noticees 8 to 10, which was later transferred to the bank account of Noticees 1 and 2. Further, it has been mentioned that to mitigate the financial difficulties, Noticee 1, sold Noticee 3 in July 2005, in such circumstances before the purchaser company takes over, who was not the part of promoters of Richirich. Noticee 3 has also contended that SCN fails to establish how Noticee 3 acted in concert or in collusion with any one and nor were part of connected with any group for the purpose of influencing price or for any manipulative activity as alleged or otherwise. I also note that Noticee 3 had contended that the instant adjudication proceedings were initiated after an inordinate delay and thus Noticee 3 was unable to address the specific charges in the SCN for want of records on account of inordinate delay in the issuance of SCN in the matter.

49. In this regard, I note that Noticees 1 and 2 in their reply have contended that shares were sold by Noticee 3 and the same was not artificial or inflated price but in the normal course of business and at prevailing price at that time. Accordingly, Noticees 1 and 2 have contended that the charge of violation of PFUTP Regulations was not applicable against them. Noticees 1 and 2 have further contended that allegation that Noticees 1 and 2, promoters of Noticee 3, through Vaghadia group and Gohil group off-loaded the shares held by them in the market at artificially inflated price is incorrect, as they do not know Vaghadia group and there is nothing on record to prove that Noticees 1 and 2 had received any benefit from the alleged inflated price. In this regard, I note that Noticees 1 and 2 are connected with Vaghadia group through off-market transfer of shares. W.r.t. the allegation regarding sale of shares at artificially inflated price, I note from the price-volume data that on June 16, 2005, the weighted average price of the shares of Richirich was Rs. 5.52. Similarly, on June 29, 2005, the weighted average price of the shares of was Rs. 6.37. I note that Noticee 3 had sold the shares in off-market on June 16, 2005 and June 29, 2005 at Rs. 4.75, which was far below the prevailing price. Thus, I find that as per documents available on record, the aforesaid sale of shares was an ordinary business transaction. Therefore, I find that allegation levelled against Noticee 3, who was dealing through Noticees 1 and 2, that they have sold the shares at inflated price is devoid of substance and does not stand established.

50. W.r.t. allegation regarding off-loading of the shares to Vaghadia group, by Noticee 3 who was dealing through Noticees 1 and 2, I note from the bank account statement pertaining to the account of Noticee 3 at Saraswat Bank that Noticee 3 had received the necessary consideration amount from Noticees 8, 9 and Noticee 10 for transferring the shares in off-market. As noted earlier, Noticee 3 had sold the shares in off-market on June 16, 2005 and June 29, 2005 at Rs. 4.75, which was far below the prevailing price. Therefore, in the aforesaid facts and circumstances, I do not find any evidence of manipulative intent from the documents available on record in respect of the aforesaid off-market sale of shares of Richirich by Noticee 3, dealing through Noticees 1 and 2, to Noticees 8, 9 and 10. Thus, I find that the facts leading to the charge of violation of PFUTP Regulations do not stand established against Noticees 1, 2 and 3. Therefore, I find that the allegation levelled against Noticees 1, 2 and 3 that they have violated Regulations 4(1),4(2)(a), (b), (d) and (e) of PFUTP Regulations by off-loading shares of Richirich to Vaghadia Group, does not stand established.

51. It has been alleged in the SCN that the persons belonging to Vaghadia group viz. Noticees 8 to 12, received shares directly/indirectly from the promoters and off-loaded them to the two entities i.e. Noticees 13 and 14 belonging to the Gohil group in the market through matched trades and the shares acquired by the Gohil group were sold in the market at artificially inflated prices, thereby violating Regulations 4(1), 4(2)(a), (b), (d) and (e) of PFUTP Regulations. I note that it has been alleged in SCN that Vaghadia group sold the shares through matched trades. However, I also note that in another part of the SCN it has been alleged that the shares have been sold through structured trades. Thus, it is not clear whether trades were categorized as structured trades or match trades. I note that some instances of matched trades of Vaghadia group with Gohil group have been placed on record in investigation report. The same is given below:

Trade No	**Trade Date**	**Trade Time**	**Member Name**	**Client Code**	**Quantity**	**Price**	**Trade Type**	**Order No**	**Terminal No**	**Buy Or Sell**	**Counter Party Member Name**	**Counter Party Client Code**	**Counter Party Order No**	**Buy order Time**	**Sell Order Time**
52	16-Jun-05	3:28:00 PM	ORBIS SECURITIES PVT LTD.	61150	90000	5.5	L	907292000000001667	292	B	B LODHA SECURITIES PVT LT	A031	379006000100364 04	3:28:00 PM	3:23:50 PM

Trade No	Trade Date	Trade Time	Member Name	Client Code	Quantity	Price	Trade Type	Order No	Terminal No	Buy Or Sell	Counter Party Member Name	Counter Party Client Code	Counter Party Order No	Buy order Time	Sell Order Time
53	16-Jun-05	3:28:00 PM	ORBIS SECURITIES PVT LTD.	61150	50000	5.5	L	907292000000001667	292	B	P.J.CHAUDHARY	N005	740002000100372 38	3:28:00 PM	3:25:27 PM
54	16-Jun-05	3:28:00 PM	ORBIS SECURITIES PVT LTD.	61150	100000	5.5	L	907292000000001667	292	B	PILOT CREDIT CAPITAL - MU	4554	909008000000013993	3:28:00 PM	3:25:55 PM
55	16-Jun-05	3:28:00 PM	ORBIS SECURITIES PVT LTD.	61150	100000	5.5	L	907292000000001667	292	B	PILOT CREDIT CAPITAL - MU	6917	909008000000013996	3:28:00 PM	3:26:41 PM
69	23-Jun-05	11:34:25 AM	ORBIS SECURITIES PVT LTD.	61149	13152	5.85	L	907292000000002196	292	B	P.J.CHAUDHARY	N005	740002000100377 10	11:34:25 AM	11:27:28 AM
31	29-Jun-05	11:40:30 AM	ORBIS SECURITIES PVT LTD.	61149	88758	6.61	L	907292000000002726	292	B	PILOT CREDIT CAPITAL - MU	4554	909008000000014163	11:40:30 AM	11:35:44 AM
32	29-Jun-05	11:40:30 AM	ORBIS SECURITIES PVT LTD.	61149	72011	6.61	L	907292000000002726	292	B	P.J.CHAUDHARY	J006	740002000100380 46	11:40:30 AM	11:35:47 AM
45	29-Jun-05	11:48:32 AM	ORBIS SECURITIES PVT LTD.	61149	24790	6.2	L	907292000000002731	292	B	P.J.CHAUDHARY	J006	740002000100380 46	11:48:32 AM	11:41:37 AM
			Total		**538711**										

52. I note that it has already been noted in the earlier part of the order that there is no connection established between Vaghadia group and Gohil group. From the above table, I note that on June 16, 2005, June 23, 2005 and June 29, 2005, Noticees 8 to 12 sold a

total of 5,38,711 shares to Noticees 13 and 14 belonging to the Gohil group (Noticees 8 to 12 and 13-14 are denoted by the respective client codes). However, I note that it has not been placed on record in the investigation report how the aforesaid trades are construed to be matched or structured trades. I note that the parameters for determining the aforesaid trades as structured or matched trades, have not been defined in the aforesaid instances placed on record in the investigation report. Thus, in the absence of defining parameters, I do not find sufficient details to ascertain whether the aforesaid trades were structured trades or matched trades. I also note that the trades executed by Vaghadia group and Gohil group are not synchronized in nature. Be that as it may, I note that no circumstances have been placed on record in the investigation report which lead to a charge of manipulative intent behind these trades. In the absence of a definite pattern of trade depicted to show the manipulative intention on the part of the aforesaid Noticees, coupled with the fact that there was no connection established between Vaghadia group and Gohil group, I am unable to arrive at a conclusion in respect of the aforesaid allegation. In view of the aforesaid finding, I find that allegation regarding off-loading of shares to Gohil group by matched or structured trades by the Vaghadia group does not stand established. Therefore, I find that the allegation that Noticees 8 to 12 have violated Regulations 4(1), 4(2)(a), (b), (d) and (e) of PFUTP Regulations does not stand established.

53. It has been alleged in the SCN that the Gohil Group, who was major net seller during the period August 25 to 31, 2005, had created a heavy buying pressure in the scrip by placing large orders at rates lower than the prevailing market rates and later deleting the orders, only to show an artificial buying interest in the scrip. It has been alleged that Noticees 13 and 14 who were belonging to the Gohil group, sold the shares in the market to scattered investors at artificially higher prices which were created by the order book manipulation by entities of their group viz. Noticees 15 and 16. In this regard, as established earlier in the order, Noticee 15 is not connected to Gohil group. Since the allegation against Noticee 15 is based on the transactions of Gohil group as a whole and on the premise that Noticee 15 was part of Gohil group, the said allegation against Noticee 15 fails in view of the absence of any connection between Noticee 15 and Gohil group. Therefore, I find that allegation levelled against Noticee 15 that it has violated Regulation 4(1), 4(2)(a), (b), (d) and (e) does not stand established.

54. I further note that Noticees 13, 14 and 16 have submitted replies to the SCN but they have not placed any arguments on merit citing non-availability of old documents/records at their

end in respect of transactions stated in the SCN. They have further expressed their inability to address the specific charges in the SCN on account of inordinate delay in the issuance of SCN in the matter. Noticees 13, 14 and 16 have further contended that they were ordinary retail investors who dealt in compliance with all the relevant provisions of securities laws. Further, they have contended that trading decision in the scrip of Richrich was mostly made on the basis of news and rumors in print media, electronic media, and grapevine investment decision of other investors, intuition and psychology of other investors. Noticees 13, 14 and 16 in their reply have also contended that at the time of dealing in the market through the faceless, electronic trading platform of the stock exchange, it is not possible to know the counterparty and any kind of allegation of any connection is unfounded and baseless and as a small investor, they do not have the wherewithal to know about the counterparty.

55. It has been noted earlier that there was a delay in issuance of the SCN. In this regard, I note that Noticees 13, 14 and 16 have contended that there has been inordinate delay in the issuance of SCN in the matter and that they are unable to submit adequate reply to the charges in the SCN due to non-availability of old documents/records. In respect of the contention of Noticees 13, 14 and 16 in respect of the inordinate delay in the issuance of SCN, I find it pertinent to refer to the judgement of Hon'ble Securities Appellate Tribunal ("**Hon'ble SAT**") in the matter of Ashok Shivlal Rupani v. SEBI (Appeal No. 417 of 2018; decided on August 22, 2019) in which it was held as follows:

"*6. Having considering the matter, we are of the view that there has been an inordinate delay on the part of the respondent in initiating proceedings against the appellants for alleged violations. Much water has flown since the alleged violations and at this belated stage the appellants cannot be penalized. …*

…

8. In the light of the aforesaid, we are of the opinion that there has been an inordinate delay in the issuance of the show cause notice and for completion of the adjudication proceedings. Since the power to adjudicate has not been exercised within a reasonable period no penalty could have been imposed for the alleged violations.

9. As a result, without going into the merits of the case, we are of the opinion that on account of inordinate delay in initiation of proceedings by issuance of the show cause *notice which culminated into a penalty order cannot be sustained. The show cause notice and the impugned orders passed by the AO are quashed. Both the appeals are allowed.*"

56. I further note that in the matter of Bharat J. Patel v. SEBI (Appeal No. 154 of 2020, decided on September 08, 2020) Hon'ble SAT has held as follows:
"There is no dispute on the principle that if the delay has caused prejudice to the parties then the proceedings are required to be quashed."

57. I also note the judgement of Hon'ble SAT in the matter of Libord Finance Ltd. v. Whole Time Member, SEBI (Appeal No. 37 of 2008; Decided on March 31, 2008) in which it was held as follows:
"*It is alleged to have committed the irregularities in the earlier part of the year 1996 and the show cause notice was admittedly issued in June 2004. How could anyone file a proper reply after a lapse of more than eight years. This long delay itself causes grave injustice to the delinquent and results in the violation of the principles of natural justice. Such delays defeat the very purpose of the proceedings. What is contended by the learned counsel for the Board is that investigations commenced only in May 2002 and were going on till the year 2003. This is no explanation for the delay. Why could they not commence earlier. Again, when investigations continue for years together, the very purpose of issuing the directions under section 11-B may be lost as in the instant case. In view of the inordinate delay in initiating action against the appellant and that too, when its certificate of registration had already expired, the impugned order cannot be sustained.*"

58. Therefore, having regard to the aforesaid contention and placing reliance on the above judgements, I am inclined to accept their contention that they are unable to address the specific charges in the SCN on account of non-availability of old documents due to the said delay in the issuance of SCN. Thus, I am inclined to grant the said Noticees the benefit of doubt with respect to the allegation levelled against them. Accordingly, I hold that the charge of violation of Regulations 4(1), 4(2)(a), (b), (d) and (e) of PFUTP Regulations does not stand established in the case of the Noticees 13, 14 and 16.

59. It has been alleged in the SCN that Noticees 5 to 7 facilitated order book manipulation in the scrip by entering large buy orders on behalf of their clients viz. Noticees 15, 16 and 14 respectively for over one crore shares primarily on behalf of only one client each, out of

which only trades for few thousand shares were executed. It is also alleged that the orders were entered at prices far lower than the then prevailing market prices and majority of the times, they were deleted to create an artificial depth/buying pressure in the scrip, which resulted in rise in price of the scrip and therefore, Noticees 5 to 7 are in violation of Regulations 4(1), 4(2)(a), (b), (d) and (e) of PFUTP Regulations and Clauses A (1), (2) & (3) of Code of Conduct for Stock Brokers specified in Schedule II read with Regulation 7 (now Regulation 9(f) w.e.f. September 27, 2013) of Broker Regulations.

60. Noticee 6 has contended that orders were placed by Noticee 16 within the daily price range set by the Exchange, otherwise their trading system would have restricted the order from reaching the exchange platform. In this regard, I note that there is no allegation in the SCN that orders were placed beyond the price range set by the Exchange. Therefore, I do not find any merit in the said contention raised by Noticee 6.

61. Noticee 6 in its reply has further contended that they had collected sufficient margin from the client before allowing to trade and also provided a margin statement which were collected by it before giving any exposure to Noticee 16. Noticee 6 has also demonstrated the margin collected by it from its client on August 24-26, 2005. In this regard, I have perused the margin statement provided by Noticee 6 and I find that sufficient margin has been collected by Noticee 6 from its client i.e. Noticee 16.

62. Noticee 6 in its reply has contended that if there is an instruction by a client after providing the necessary margin and placing orders, either for buy or for sell within that price band permitted for the scrip then the broker places orders and, it cannot be said that orders were placed away from the prevailing market prices. On the contrary, if the broker, despite the client having provided the margin while directing placing of orders within the price band, refuses to execute the said instruction, such refusal would constitute violation of the Code of Conduct under the Broker Regulations. Therefore, Noticee 6 states that when Noticee 6 had carried out the trades based on instructions of its client, which is in accordance with the Broker Regulations, it cannot be alleged to have violated the Broker Regulations. In this regard, I note from the documents available on record that broker has collected sufficient margin from the client before allowing Noticee 16 to place an order. I further note that after collecting margin from the client, broker cannot deny its clients to place any order which was within the applicable price band. I also find that since the trades of Noticee 16, who was the client of Noticee 6, have not been found to be in violation of Regulations 4(1),

4(2)(a), (b), (d) and (e) of PFUTP Regulations, the allegation against Noticee 6, as the broker of Noticee 16, for the violation of Clauses A (1), (2) of Code of Conduct for Stock Brokers as specified in Schedule II read with Regulation 7 (now Regulation 9(f) w.e.f. September 27, 2013) of Broker Regulations and Regulations 4(1), 4(2)(a), (b) and (e) of PFUTP Regulations also does not stand established. Considering the foregoing factors, since the charges related to violation of PFUTP Regulations have not been established against Noticee 6, I find that the allegation related to violation of Clauses A (3) of Code of Conduct as specified in Schedule-II read with Regulation 9(f) also does not stand established.

63. W.r.t. allegation raised against Noticee 5, I note that Noticee 5 in its reply has stated that there was change in its control and management in 2012. Noticee 5 has further contended that the matter relates to the conduct of erstwhile management and any staff members who were working with the Noticee at the relevant time who are no longer employed by Noticee 5 and left the organization long ago. In this regard, I note that Noticee has provided SEBI letter dated MIRSD1/RKK/16716/2012 dated July 25, 2012 with a subject *"Prior approval for change in control of M/s. Archi Shares and Share Brokers Private Limited, ……. … Regulations, 1992*." From the said letter, I note that there has been change in control of Noticee 5. On perusal of the said letter, I note that it has been mentioned in para 2 of the said letter that, "*The transferee broker shall continue to be liable for all liabilities/ obligations (including monetary penalties, if any) for violations, if any, of the provisions of the SEBI Act and the SEBI (Stock Brokers and Sub-Brokers) Rules and Regulations, 1992*." Thus, I note that Noticee 5 even after change of its control is liable for all the liabilities/obligations in respect of violations of any of the provisions of the SEBI Act and Broker Regulations alleged to be committed by it during the tenure of previous management. Therefore, I am not inclined to accept the said contention of Noticee.

64. I further note that Noticee 5 in its reply has submitted that Noticee 5 merely acted as an agent of its client viz. Noticee 15 and that it has no role to play in the decision-making process of its clients. In support of its contention, Noticee 5 in its reply has placed reliance on the judgement of Hon'ble Supreme Court of India in the case of SEBI vs. Rakhi Trading Private Limited. Noticee 5 in its reply has stated that it neither has the records nor does it have the relevant employees who were working at the said time with the Noticee to justify or give any answers as to why a particular order was punched in or why a particular order

was cancelled. Noticee 5 contended that all these orders were placed by the client and cancellations of these orders are also done on the instructions of the clients. Noticee has further contended that these orders are also done on the instructions of the clients and there is no material available in the SCN to suggest that any such decision regarding trading or placing of orders was taken by Noticees or employees. In this regard, I note that it is not in dispute that Noticee 5 acted as an agent of its clients. I also note that Noticee 5 had contended that the instant adjudication proceedings were initiated after an inordinate delay, as a result of which it is unable to provide any justification for the orders placed and cancelled at the relevant point of time for want of records. However, since the trades of Noticee 15 who was the client of Noticee 5, were not found to be in violation of Regulations 4(1), 4(2)(a), (b), (d) and (e) of PFUTP Regulations, I find that the allegation against Noticee 5, as the broker of Noticee 15 for the violation of Clauses A (1), (2) of Code of Conduct for Stock Brokers as specified in Schedule II read with Regulation 7 (now Regulation 9(f) w.e.f. September 27, 2013) of Broker Regulations and Regulations 4(1), 4(2)(a), (b) and (e) of PFUTP Regulations also does not stand established. Considering the foregoing factors, since the charges related to violation of PFUTP Regulations have not been established against Noticee 5, I find that the allegation related to violation of Clause A(3) of Code of Conduct as specified in Schedule-II read with Regulation 9(f) does not stand established.

65. W.r.t. the allegation levelled against Noticee 7, I note that Noticee 7 has not furnished any reply to the SCN. As held in the earlier part of the order, I find that the charge of violating PFUTP Regulations in respect of the said trades do not stand established against Noticee 14. Therefore, I find that since the trades of Noticee 14 who was the client of Noticee 7, were not found to be in violation of Regulations 4(1), 4(2)(a), (b), (d) and (e) of PFUTP Regulations, the allegation against Noticee 7, as the broker of Noticee 14 for the violation of Clauses A (1), (2) of Code of Conduct for Stock Brokers as specified in Schedule II read with Regulation 7 (now Regulation 9(f) w.e.f. September 27, 2013) of Broker Regulations and Regulations 4(1), 4(2)(a), (b) and (e) of PFUTP Regulations also does not stand established. Since the charges related to violation of PFUTP Regulations have not been established against Noticee 7, I find that the allegation related to violations of Clauses A(3) of Code of Conduct as specified in Schedule-II read with Regulation 9(f) does not stand established.

66. W.r.t. Noticee 4, it has been alleged Noticee 4, primarily traded on behalf of the clients, i.e., Noticees 13 and 14, in the scrip. It was also alleged that the aforesaid Noticees 13 and 14 had shown their annual income as less than one lakh whereas they were trading worth several lakhs rupees in their accounts with highest trading value of around Rs.30 lakh. It was also alleged that Noticees 13 and 14 borrowed money from Indiabulls Financial Services Ltd. for trading through Noticee 4. It was alleged that the clients, belonging to the Gohil group, bought in the market from the Vaghadia group and off-loaded at artificially inflated prices in the market to scattered clients. It was further alleged that the shares bought by the two clients were transferred to Indiabulls Financial Services by the broker, i.e., Noticee 4, instead of transferring to the clients. It was alleged that since Noticee 4 allowed the clients to trade in the scrip which was very illiquid in large quantities by arranging finance from its financial arm and transferring shares to its financial arm instead of the clients as Noticee 4 was aware that the shares will be off-loaded in the market at artificially inflated prices in future and the amount financed to the clients will be recovered by the same. Thus it was alleged that Noticee 4 has violated Regulations 4(1),4(2)(a), (b), (d) and (e) of PFUTP Regulations and Clauses A(1) and (2) of Code of Conduct for Stock Brokers specified in Schedule II read with Regulation 7 (now Regulation 9(f) w.e.f. September 27, 2013) of Broker Regulations.

67. Noticee 4 in its reply has contended that there was no coordination, collusion or collaboration between itself and other Noticees which is a *sine qua non* of alleging manipulation which is missing in the present SCN. Noticee 4 has further contended that definition of fraud under the PFUTP Regulations requires an element of inducement which is also missing in the present SCN. Noticee has also further contended that in absence of any substantiation to the same, there is no case made out for alleging that Noticee 4 had prior knowledge of an impending act of market manipulation and therefore the allegation of the PFUTP Regulations cannot be sustained.

68. W.r.t. allegation regarding code of conduct, Noticee 4 in its reply has contended that the issue of degree of proof required to hold stock broker liable for violating the Code of Conduct specified under Schedule-II read with Regulation 9 of Stock Brokers' Regulations. Noticee has relied on the judgement of SEBI vs. Kishore R. Ajmera dated February 23, 2016. Noticee 4 has further contended that BSE report has found no synchronized trading, necessary bulk disclosures had been made by the purchasing and selling clients and the

trades did not establish any new price. Noticee 4 has further contended that w.r.t. selling of shares of Richirich by Noticees 13 and 14, the SCN has not substantiated the role of ISL in the manipulation of the order book. W.r.t. the contention of Noticee 4 that the SCN has not alleged any role of ISL in manipulation of the order book, I note that there are no details or evidence placed on record in the investigation report to show that Noticee 13 and 14 had placed orders at far way price while dealing through Noticee 4 with the manipulative intention of selling shares at artificially high prices. Therefore, I am inclined to accept the said contention of Noticee 4.

69. I note that it is not disputed that Noticee 4 acted on behalf of Noticees 13 and 14 as their broker. I further note that no details or evidence were adduced or placed on record in the investigation report to substantiate that Noticee 4 provided funds or shares to other Noticees. I also note that there is no connection established between Noticees 4 and Noticees 13 and 14. I find that apart from a mere narration, there are no details or evidence adduced or placed on record in the investigation report to establish the aforesaid charges against Noticee 4. Therefore, due to lack of evidence to substantiate the aforesaid charges I am unable to proceed against Noticee 4. In view of the same, I find that allegation levelled against Noticee 4 that it has violated Clauses A(1) and A(2) of Code of conduct as specified in Schedule-II read with Regulation 9(f) of Broker Regulations and Regulations 4(1), 4(2)(a),(b),(d) and (e) of PFUTP Regulations does not stand established.

Allegations w.r.t. SAST and PIT Regulations against Noticees 1 to 3, and Noticees 13 to 14

70. It has been alleged in the SCN that Noticee 3, along with other promoters and persons acting in concert ("**PACs**"), was holding 23.73% stake (more than 15% stake) in Richirich and there was a change of 2% in the shareholding of Noticee 1 to 3, on June 16, 27 and 28, 2005. Thus, it has been alleged that Noticees 1 to 3 were required to make a disclosure under Regulation 7 (1A) of SAST Regulations and Regulation 13 (3) of PIT Regulations in respect of the same. It has also been alleged that the shareholding of Noticee 14 crossed 5% on June 29, 2005 and the shareholding of Noticee 13 crossed 5% on June 16, 2005 and that Noticees 13 and 14 were required to make disclosures under Regulation 7(1) of SAST Regulations and Regulation 13(1) of PIT Regulations. Therefore, it has been alleged that Noticee 1 to 3 have violated Regulation 7 (1A) of SAST Regulations and Regulation

13 (3) read with Regulation 13(5) of PIT Regulations and Noticees 13 and 14 violated Regulation 7(1) of SAST Regulations and Regulation 13(1) of PIT Regulations.

71. In respect of the aforesaid allegations, I have perused the replies of Noticees 3 and Noticees 14. On perusal of the reply of Noticee 3, I note that Noticee 3 has submitted replies on behalf of Noticees 1 and 2. Noticee 3 in its contention has submitted that there is no violation of Regulation 7(1A) on its part in view of the decision in the case of Ravi Mohan and Ors. v. SEBI (Appeal No. 97 of 2014 and other companion appeals decided on December 16, 2015) in which the Hon'ble SAT has held that since Regulation 7(2) does not contemplate any time limit for disclosure relating to sale of shares in excess of the limit set out under Regulation 7(1A), penalty cannot be sustained for non-compliance. The relevant extract of the judgement of Hon'ble SAT is reproduced as under:

" ...*27. It is relevant to note that while inserting regulation 7(1A), SEBI has deemed it proper to amend regulation 7(2) with effect from 09.09.2002 by providing that the disclosure obligation under Regulation 7(1) and 7(1A) shall be discharged within two days of the events specified under regulation 7(2). Thus, as a result of insertion of regulation 7(1A) and amendment of regulation 7(2), the disclosure obligation in relation to purchase or sale of shares referred to in regulation 7(1A) has to be made within two days of the events specified in regulation 7(2). On perusal of regulation 7 (2) it is seen that the events enumerated therein relate only to acquisition of shares and do not relate to sale of shares or voting rights in excess of the limits prescribed under regulation 7(1A). As a result, even though regulation 7(1A) contemplates that an acquirer together with persons acting in concert with him when sell shares of the target company in excess of the limits prescribed under regulation 7(1A) must make disclosure within two days of such sale, in view of the amendment to regulation 7(2), the disclosure obligation under regulation 7(1A) has to be discharged within two days of the events specified under regulation 7(2). Since regulation 7 (2) as amended does not contemplate any obligation to disclose sale of shares by an acquirer covered under regulation 7(1A), the question of discharging that obligation arising under regulation 7(1A) read with regulation 7(2) does not arise at all…."*

72. Noticee 3 has also contended that the adjudication proceedings in the matter were initiated after inordinate delay and in this regard, it has also relied on the judgement of Hon’ble SAT in the matter of Ashok V. Rupani & Ors vs. SEBI, for delay in issuance of SCN.

73. In respect of the aforesaid allegations, I note that the details of examination w.r.t. the alleged PACs or their shareholding have not been placed on record, including in the investigation report. I also note that no details or evidence have been placed on record in the investigation report in respect of the shareholding pattern of the aforesaid Noticees and alleged PACs in Richirich before and after the alleged change in the shareholding. I also note that details of examination and evidence relating to impugned share transactions such as the quantum of shares bought or sold, the applicability of the triggering threshold w.r.t. such share transactions and the resulting change in shareholding, if any, have not been placed on record including in the investigation report and not captured in the SCN. In the absence of such details and evidence pertaining to constituents of the alleged PACs, I am unable to compute their shareholding for the purpose of determining whether such shareholding would fall under the ambit of Regulation 7(1A) of SAST Regulations. Thus, it is not possible to ascertain whether the threshold of 15% as provided under Regulation 7(1A) of SAST Regulations and the threshold of 5% under Regulation 13 (3) of PIT Regulations was actually applicable.

74. I note that Noticee 13 has not submitted its reply in respect of the aforesaid allegations. I have perused the reply of Noticee 14. I note that Noticee 14 in his reply has mentioned that he had made all the disclosures at the relevant time in the prescribed format, but after 17 years it is not possible for him to recollect all the copies and disclosures. Accordingly, Noticee 14 has denied the allegation of violation of Regulation 7(1) of SAST Regulations and Regulation 13(1) of PIT Regulations. I note that in respect of the aforesaid allegations against Noticees 13 and 14, no details or evidence have been placed on record including in the investigation report in respect of the shareholding pattern of the aforesaid Noticees in Richirich before and after the alleged change in the shareholding. I also note that details of examination and evidence relating to impugned share transactions such as the quantum of shares bought or sold, the applicability of the triggering threshold w.r.t. such share transactions and the resulting change in shareholding, if any, have not been placed on record including in the investigation report and not captured in the SCN. In the absence of such details and evidence, I am unable to compute their shareholding for the purpose of determining whether such shareholding would fall under the ambit of Regulation 7(1) of SAST Regulations and Regulation 13(1) of PIT Regulations. Thus, it is not possible to ascertain whether the threshold of 5% as provided under Regulation 7(1) of SAST Regulations and Regulation 13(1) of PIT Regulations was actually applicable.

75. As observed above, the available records do not provide due examination and substantiating evidence in respect of the aforesaid allegations against Noticees 1, 2, 3, 13 and 14. Therefore, I am unable to take a concrete view in respect of the aforesaid allegations. In view of the foregoing, I am inclined to grant Noticees 1, 2, 3, 13 and 14, benefit of doubt in respect of the aforesaid allegations. Accordingly, I hold that the charges of violation of Regulation 7 (1A) of SAST Regulations and Regulation 13 (3) read with Regulation 13(5) of PIT Regulations against Noticee 1 to 3 and violation of Regulation 7(1) of SAST Regulations and Regulation 13(1) of PIT Regulations against Noticees 13 and 14 do not stand established.

76. In view of the foregoing findings, I find that the alleged violations do not stand established against the Noticees and thus, Issues No. 2 and 3 require no consideration. Therefore, I find that no penalty is warranted against Noticees in the instant adjudication proceeding.

ORDER

77. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by Noticees, I, in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, hereby dispose of the Adjudication Proceedings initiated against the Noticees by way of SCN dated May 05, 2022.

78. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticees, and also to SEBI.

Place: Mumbai **SOMA MAJUMDER**

Date: September 30, 2022 **ADJUDICATING OFFICER**