BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER Ref. No. ORDER/NH/KL/2022-23/24398-24403]

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

1. Mr. Brij Bhushan
(PAN: AGTPB6963C)

2. Mr. Parth Bhushan
(PAN: AGFPB9783J)

3. Mrs. Kalpna Ajaykumar Min
(PAN ALGPM2390G)

4. Mr. Mahaveer Yeswanti Bai
(PAN AAVPY5106)

5. Mr. Ashwin Jamnudas Merchant
(PAN AGRPM8094P)

6. Mr. Ramavadh Jangu Yadav
(PAN ACDPY8719P)

In the matter of **Srestha Finvest Limited**

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an investigation in the trading activities of suspected entities in the scrip of Srestha Finvest Limited (hereinafter referred to as **'SFL'/'Company'**) for possible violation of the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act'**) and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as '**PFUTP**

Regulations') during the period from February 05, 2018 to February 27, 2018 (hereinafter referred to as **'Investigation period'**), if any.

2. The findings of the investigation, *inter-alia*, brought out the following:

    a. Four entities viz. Mr. Brij Bhushan (**'Mr. Brij'**/ **'Noticee no.1'**), Mr. Parth Bhushan (**'Mr. Parth'**/ **'Noticee no.2'**), Mrs. Kalpna Ajaykumar Min (**'Mrs. Kalpna'**/ **'Noticee no. 3'**) and Mr. Mahaveer Yeswanti Bai (**'Mr. Yeswanti'**/ **'Noticee no.4'**) allegedly created misleading appearance of trading in the scrip of SFL and generated artificial volume in SFL scrip during the investigation period. Therefore, it is alleged that they had violated the provisions of Section 12A (a), (b), (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) and Regulations 4(1) and 4 (2) (a) of PFUTP Regulations.

    b. Two entities viz. Mr. Ashwin Jamnudas Merchant (**'Mr. Ashwin'**/ **'Noticee no. 5'**) and Mr. Ramavadh Jangu Yadav (**'Mr. Ramavadh'**/ **'Noticee no. 6'**) allegedly created misleading appearance of trading in the scrip of SFL and manipulated the price of SFL scrip during the investigation period. Therefore, it is alleged that they had violated the provisions of Section 12A (a), (b), (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) and Regulations 4(1), 4 (2) (a), and (e) of PFUTP Regulations.

    Noticee nos. 1 to 6 are hereinafter collectively referred to as '**the Noticees**'.

3. In view of the above, SEBI initiated adjudication proceedings against the Noticees.

APPOINTMENT OF ADJUDICATING OFFICER

4. Shri Suresh B Menon was appointed as the Adjudicating Officer (hereinafter referred to as '**AO**') in the matter vide communique dated September 07, 2021 under Section 19 of the SEBI Act read with Section 15-I of the SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules'**) to inquire into and adjudge the aforementioned alleged violations of the provisions of law by the Noticees, under the provisions of Section 15HA of the SEBI Act. Pursuant to the superannuation of Shri Suresh B Menon, the undersigned was appointed as AO in the instant matter vide communique dated June 07, 2022.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. Show Cause Notice bearing reference no. SEBI/EAD-1/SBM/KL/19308/2022 dated May 04, 2022 (hereinafter referred to as '**SCN**') was issued to the Noticees in terms of Rule 4(1) of the Adjudication Rules read with Section 15-I of the SEBI Act, by the erstwhile AO, advising Noticees to show cause as to why an inquiry should not be held against the Noticees and why penalty be not imposed on them in terms of the provisions of Section 15HA of the SEBI Act for the violations alleged to have been committed by the Noticees. The relevant extract of the SCN is reproduced *in verbatim* below:

- *SEBI received an examination report dated April 17, 2018 from Bombay Stock Exchange ('BSE') regarding irregularities w.r.t the trading activities of certain entities in the scrip of Srestha Finvest Limited (hereinafter referred as 'SFL'/'Srestha') during the period from February 05, 2018 to February 27, 2018 (hereinafter referred to as 'relevant period'/'Investigation period'). The* *following major observations are made in the aforesaid BSE examination report:*

i. *There were several Short Message Services ('SMSs'), circulated in the market giving the 'buy' recommendation for the scrip of SFL during the investigation period.*
ii. *The price of the scrip of SFL rose from Rs. 12.25 to high of Rs. 15.93 and closed at Rs. 12.72 during the investigation period.*
iii. *Top three net sellers w.r.t. trading in the scrip of SFL during the investigation period were Mr. Mahaveer Yeswanti Bai, Mr. Brij Bhushan and Ms. Renu Bhushan, who were also the shareholders of SFL (holding 1% of shares each) during the quarter ending December 2017.*
iv. *It is observed that the aforesaid three net sellers have altogether net sold 6,19,580 shares of SFL accounting to 23.67% of the total market volume and 94% of net volume during the investigation period when the SMSs were circulated in the market. In this regard, it was alleged that the SMSs may have been circulated to provide exit to the aforesaid three entities.*

- *Pursuant to the receipt of the aforesaid BSE report dated April 17, 2018, SEBI conducted an investigation to ascertain the possible violations of the provisions of the SEBI Act and the SCRA and PFUTP Regulations, by certain suspected entities in relation to the trading activities in the scrip SFL, during the investigation period.*

- *The trading of top 10 net sellers in the scrip of SFL during the investigation period was also analysed. The following major observations/allegations are made from the findings of the investigation:*

i. *It is observed that the aforesaid top 10 net sellers contributed to 14.48% of market volume through their net sell volume.*
ii. *It is further observed that the top three net sellers during the investigation period were Mr. Mahaveer/Noticee no.4, Mr. Brij Bhushan/Noticee no.1 and Ms. Renu Bhushan and were also the shareholders of SFL (holding 1% of shares each) during the quarter ending December 2017.*

- *It was observed that during the investigation period, several SMSs were circulated giving 'buy' recommendation of the scrip of SFL. Starting from February 05, 2018 onwards, the SMSs were circulated in the format of HPVALUPK with the message as:*

  "SRESTHA (539217) Buy @Upper circuit 14.82 Today & Sell Tomorrow Upper Circuit @ 16.80 Stop Loss 14.50 Qty Buy 250000 Profit= 50000 Rs"

  The findings of the investigation alleged that the aforesaid bulk SMSs which were circulated giving 'buy' recommendation of SFL during the investigation period helped create interest in an otherwise illiquid scrip of SFL prior to the investigation period. In this regard, it is observed that the number of entities who traded in the scrip of SFL was minuscule in the trading session prior to the investigation period, whereas, on the first day of the SMS circulation, the number of entities increased in larger numbers. Further, it also appeared that it is a modus operandi to raise up the prices of the scrip of SFL through SMS circulation and help certain entities offload their shares, after creating a buying interest in such scrips, which might otherwise be almost illiquid.

- *As observed from the Price Volume Analysis, the trading in the scrip of SFL was very minimal before the relevant period i.e. the scrip was traded for a mere 100 shares at Rs. 12.25 on January 31, 2018 and the sensex was also down during the same period. However, it is observed that on the day when Mr. Brij Bhushan/Noticee no.3 started selling his shares i.e. on February 05, 2018, he had so many buyers that in one trading session, Mr. Brij off-loaded 1,35,940 shares of SFL, which was an otherwise illiquid scrip, until the last trading session. In this context, it is alleged that on the first day when Mr. Brij Bhushan started trading during the investigation period i.e. on February 05, 2018, the bulk SMSs were floated/circulated.*

- *The investigation made the following major observations/allegations based on the trading pattern of Mr. Ramavadh/Noticee no.6 and Mr. Ashwin/Noticee no.5 in the scrip of SFL during the investigation period:*
  1. *Synchronized trades among group 1 suspected entities contributed to 0.16% to market volume*

ii. The two entities viz. Mr. Ramavadh/Noticee no.6 and Mr. Ashwin/Noticee no.5 contributed 81.64% of the total positive LTP of the market.

iii. Mr. Ramavadh/Noticee no.6 acted as a buyer in nine first trades, and contributed Rs.0.95 to market positive LTP.

- *In view of the above, it is alleged that the suspected entities viz. Mr. Ramavadh/Noticee no.6 and Mr. Ashwin/Noticee no.5 executed small number of trades in the scrip of SFL during the investigation period and manipulated the price of the scrip of SFL and created a misleading appearance of trading, especially when the scrip was almost illiquid and thus helped certain entities offload their shares. Therefore, it is alleged that they had perpetrated fraud by indulging in unfair trade practices in securities market and thus violated the provisions of Section 12A (a), (b), (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) and Regulations 4(1), 4 (2) (a), and (e) of PFUTP Regulations.*

- *The investigation made the following major allegations based on the trading pattern of Mr. Brij Bhushan/Noticee no.1, Mr. Parth Bhushan/Noticee no.2, Ms. Renu Bhushan and Mr. Bharat Bhushan in the scrip of SFL during the investigation period*

  i. It is observed that on February 05, 2018, Mr. Brij Bhushan/Noticee no.1 was able to sell 1,35,940 shares (39%) at an average trade rate of Rs. 12.84, out of his total sell quantity of 3,44,772 shares of SFL during the investigation period.

  ii. It is further observed that Mr. Ramavadh/Noticee no.6, Mr. Ashwin/Noticee no.5 and Ms. Kalpna/Noticee no.3 bought shares from Mr. Brij on February 05 and 06, 2018 and sold back to Mr. Brij indirectly through Mr. Parth.

  iii. Despite the trading volume in the shares of SFL being merely 100 shares and 50 shares on January 31, 2018 and January 30, 2018 (i.e. the previous two trading days) respectively at trade rate of Rs. 12.25 on both the days, the aforesaid entities placed large buy orders on the very next trading day i.e. February 05, 2018 to match the higher sell rate of Mr. Brij Bhushan, thereby facilitating Mr. Brij Bhushan to sell large quantity of *shares at a much higher rate on February 05, 2018. It is further observed that subsequent to February 05, 2018, Mr. Brij Bhushan sold the balance of his shares of SFL on February 06, 07 and 08, 2018 majorly to retail investors. Similarly, Ms. Renu Bhushan sold 1,26,952 shares of SFL on February 07, 08 and 15, 2018, majorly to retail investors.*

<u>Fund Transfer between Mr. Brij Bhushan/Noticee no.1 and Mr. Parth Bhushan/Noticee no.2 and Trading analysis of Mr. Parth Bhushan/ Noticee no.2</u>

- *It is observed that Mr. Parth Bhushan/ Noticee no.2 traded through Modex International Securities Ltd. only on two days during the investigation period i.e. on February 19 and 20, 2018. Mr. Parth bought 32,080 shares of SFL from Mr. Ashwin, Mr. Ramavadh and Mrs. Kalpna on February 19, 2018. On the aforesaid two days he bought shares of value Rs. 8,69,850 through Modex International Securities Ltd. in an otherwise illiquid scrip of SFL (before the investigation period). On verification of bank account of Mr. Parth, it is observed that he received an amount of Rs. 10,00,000/- from Mr. Brij on February 19, 2018. Thereafter, Mr. Parth transferred the same amount of Rs. 10,00,000/- to his broker on February 20, 2018. In this context, it is alleged that Mr. Brij used his funds to indirectly buy shares of SFL through Mr. Parth from the same entities that he had earlier sold i.e. Mr. Ashwin, Mr. Ramavadh and Mrs. Kalpna, on February 05 and 06, 2018.*

<u>Meeting of mind between Mr. Parth Bhushan/Mr Brij Bhushan and Ms. Kalpna Ajaykumar Min/Noticee no.3:</u>

- *On perusal of the trade log and order log of SFL during the relevant period, it is observed that Mrs. Kalpna/Noticee no.3 placed her sell orders in the scrip of SFL at sell prices lower than the last traded price to match the buy orders of Mr. Parth. Thus it is alleged that these trades were non genuine. Further, as mentioned earlier Mr. Brij transferred an amount of Rs. 10,00,000/- to Mr. Parth on February 19, 2018. Thus, it is alleged that Mr. Brij indirectly through Mr. Parth bought back 10,000 shares sold to Ms. Kalpna. In view of the above, it* *is alleged that there was a meeting of mind between Mr. Brij and Ms. Kalpna to cause non-genuine trades in the scrip of SFL.*

<u>Meeting of mind between Mr. Parth Bhushan/ Mr. Brij Bhushan, Mr. Ramavadh Jangu Yadav and Mr. Ashwin Jamnudas Merchant</u>

- *On perusal of the trade log and order log of SFL during the relevant period, it is observed that Mr. Ramavadh Jangu Yadav/Noticee no.6 bought shares of SFL at higher price and later sold the same at lower price to Mr. Parth Bhushan within a time gap of few minutes. Besides, it is also observed that Mr. Ramavadh Jangu Yadav and Mr Ashwin Jamnudas Merchant bought 5,045 shares and 16,975 shares of SFL from Mr. Brij Bhushan on February 05, 2018 respectively at a higher price. It is further observed that Mr. Brij Bhushan transferred an amount of Rs. 1,00,00,00 to Mr. Parth Bhushan on February 19, 2018. Further, as observed from the findings of the investigation, both Mr. Ramavadh Jangu Yadav and Mr. Ashwin Jamnudas share the same address i.e. "10 Leela Griha Sir Vithaldas Nagar 28/32 Sarojini Road Santacruz West, Mumbai". In view of the above, it is alleged that Mr. Brij Bhushan/Noticee no.1 indirectly through Mr. Parth Bhushan bought back 20,000 shares and sold to Ramavadh Jangu Yadav (5,045 shares) and Ashwin Jamnudas Merchant (16,975 shares) on February 05, 2018 as has been brought out in the earlier paras.*

- *In view of the above, it is alleged that there was a meeting of mind between Mr. Brij Bhushan/Noticee no. 1, Mr. Ramavadh Jangu Yadav/Noticee no.6 and Mr. Ashwin Jamnudas Merchant/Noticee no. 5 to cause non-genuine trades in the scrip of SFL during the investigation period. Further, it is alleged that Mr.Brij Bhushan initially sold his shares to Mr. Ashwin, Mr. Ramavadh, Ms. Kalpna and other entities and further bought these shares through Mr. Parth Bhushan from the same entities and thus created an artificial volume in the scrip of SFL during the investigation period, so that he can sell the aforesaid shares further in the market to innocent investors. Therefore, it is alleged that Mr. Brij Bhushan, Mr. Parth Bhushan, Mr. Mahaveer, Ms. Kalpna, Mr. Ramavadh and Mr. Ashwin violated the provisions of Sections 12A (a), (b), (c) of the SEBI Act,* *Regulations 3 (a), (b), (c), (d), Regulations 4(1), 4 (2) (a) of PFUTP Regulations.*

<u>Trading analysis of Mr.Mahaveer/Noticee no.4</u> :-

- *It is observed that Mr. Mahaveer was more than 1% shareholder in the company Srestha during the quarter ending December 2017. Further, it is observed that he entered into only sale transactions in the scrip of SFL during the investigation period. Mr. Mahaveer sold a total of 1,54,056 shares of SFL and traded only on 8 days during the investigation period. Out of total sale of Mr. Mahaveer, it is observed that 78,613 shares of SFL (51%) were bought by Mr. Ashwin/Noticee no.5 and Mr. Ramavadh/Noticee no. 6. Further, based on the analysis of trade log and order log and the trading pattern of Mr. Mahaveer with Mr. Ramavadh and Mr. Ashwin, it is alleged that Mr. Ramavadh and Mr. Ashwin helped Mr. Mahaveer to offload his shares through synchronized/structured. In view of the above, it is alleged that Mr. Mahaveer with Mr. Ramavadh and Mr. Ashwin created a misleading appearance of trading in the scrip of SFL during the investigation period and therefore violated the provisions of Section 12 A (a), (b), (c) of the SEBI Act, Regulation 3 (a), (b), (c), (d) and Regulation 4(1), 4 (2) (a) of PFUTP Regulations.*

NOTICEE NOS. 1 and 2

Service of SCN and subsequent communication with Noticee nos. 1 and 2

6. Based on the material available on record, it is noted that Mr. Brij Bhushan/Noticee no.1 is father of Mr. Parth Bhushan/Noticee no.2.

7. The details as regards service of SCN, hearing notices and other communications are given in the table below:

Sl. No.	SCN service particulars	Mr. Brij Bhushan/Noticee no.1*	Mr. Parth Bhushan/Noticee no.2*	Remarks
1	**SCN served through**	Delivered through email bhus......@gmail.com	Delivered through email part........@gmail.com	SCN delivered through both email and hard copy mode. However, no

	Email dated May 09 2022			response received from Noticee nos. 1 and 2 within the stipulated time. In the interest of natural justice, reminder email dated July 08, 2022 and reminder letters dated July 13, 2022 were sent to Noticee nos.1 and 2 and another opportunity was granted to make their submissions in reply to the SCN.
2	**SCN hard copy served through letter dated May 09 2022**	Delivered through India Post (SPAD) at Address …….. *……….* *…. New Delhi 1100..* *India*	Delivered through India Post (SPAD) at Address …….. *……….New Delhi* *1100.. India*	
3	**Reminder email dated July 08 2022**	Delivered through email bhus.....@gmail.com	Delivered through email part........@gmail.com	SCN delivered through both email and hard copy mode. However, no response received from Noticee nos. 1 and 2 within the stipulated time. In the interest of natural justice, reminder email and letter dated December 09, 2022 were sent to Noticee nos.1 and 2 and another opportunity was granted to make their submissions in reply to the SCN.
4	**Reminder letter dated July 13 2022**	Delivered through India Post (SPAD) at Address …….. *……….* *…. New Delhi 1100..* *India* Delivered through India Post (SPAD) at Address …….. *……….* *…. New Delhi 1100.. India*	Delivered through India Post (SPAD) at Address …….. *……….* *…. New Delhi 1100..* *India*	
5.	**Hearing Notice served through email dated December 09, 2022**	Delivered through email bhus.....@gmail.com	Delivered through email part........@gmail.com	Vide letter and email dated December 09, 2022 the Noticees no.1 and 2 were granted *two weeks' time i.e. until December 21, 2022* to make submissions in reply to the SCN.
6.	**Hearing Notice dated December 09, 2022**	Delivered through India Post (SPAD) at Address …….. *……….*	Delivered through India Post (SPAD) at Address …….. *……….*	

		…. *New Delhi 1100.. India* Delivered through Professional Courier at Address *……..* *……….* *…. New Delhi 1100.. India*	…. *New Delhi 1100.. India* Delivered through Professional Courier at Address *……..* *……….* *…. New Delhi 1100.. India*	Further, the Noticees nos. 1 and 2 were also granted an opportunity of hearing before the undersigned which was scheduled on December 23, 2022 at 04:00 PM. It was also stated in the aforesaid notice that if the entities failed to submit reply to the SCN and/or fail to avail opportunity of hearing, within the granted time, then the matter would be proceeded with in term of terms of sub-rule (7) of Rule (4) of the SCR Rules.

**Details masked for the sake of confidentiality.*

8. I note that the SCN was duly served upon the said Noticee nos. 1 and 2 and various reminders were also sent advising them to reply to the SCN. Multiple opportunities were provided to the Noticee nos.1 and 2 to make their submissions in reply to the SCN. However, the Noticee nos. 1 and 2 responded for the first time to the SCN through email on December 23, 2022 at 04:00 PM i.e. on the scheduled date and time of hearing granted. Vide the said email, the Noticee nos. 1 and 2 denied allegations made against them in the SCN and requested for inspection of the documents with a list mentioned therein.

    a. In this context, I note that despite receiving the SEBI emails dated May 09, 2022 and July 08, 2022, the Noticee nos. 1 and 2 failed to respond within the time stipulated therein.

b. In this context, I also note that the email ids through which Noticee nos. 1 and 2 responded on December 23, 2022 were the same email ids at which SCN and reminder emails were served upon initially (through SEBI emails dated May 09, 2022, July 08, 2022 and December 09, 2022). I also note that the Noticee nos. 1 and 2 failed to submit reasons for not responding in reply to the SCN till the said date and for failing to avail the opportunity of hearing on the scheduled date.

c. Further, despite giving two weeks' time to make submissions in reply to the SCN vide SEBI email dated December 09, 2022, the Noticee nos. 1 and 2 only chose to respond after two weeks' and requested for inspection of documents in the matter without actually making submissions in reply to the allegations made in the SCN.

Request for inspection of documents by the Noticee nos. 1 and 2

9. In view of the request made by the Noticee nos.1 and 2 vide their email dated December 23, 2022 and in the interest of natural justice,

   a. an opportunity of inspection of documents in the present matter was granted to the Noticee nos. 1 and 2 and the same was communicated to them vide email dated December 23, 2022.

   b. Further, the list of the documents in respect of which the inspection was granted (given in paragraph below) was also mentioned in the aforesaid email dated December 23, 2022.

   c. It was informed to the Noticees no. 1 and 2 that the opportunity of inspection was granted in respect of the documents available on record and which have been relied upon in framing of charges/allegations of violations in the SCN.

d. Thereafter, Noticee nos. 1 and 2 responded vide email dated December 28, 2022 and again sought for an adjournment and requested to grant the inspection on January 03, 2023.

e. The Noticee no.1 cited the reason of '*suddenly falling sick*' for being unable to avail the inspection of documents on the scheduled date, and no evidence sustaining the same was given.

10. Despite multiple opportunities being already provided to the Noticee no. 1 and 2, another opportunity of inspection of documents was again granted to the Noticee nos. 1 and 2 on January 03, 2023 in the interest of natural justice. Noticee no. 1 (father of Noticee no.2) appeared on the scheduled date i.e. on January 03, 2023, on behalf of both the Noticee nos. 1 & 2 and physically inspected the documents on the subject matter. The opportunity of inspection was provided in respect of the following documents which were relied upon in the present proceedings against the Noticee nos. 1 and 2:

a. Communique dated September 07, 2021 appointing the erstwhile AO and Communique dated June 07, 2022 appointing the undersigned AO in the instant matter.

b. Relevant extracts of Investigation Report i.e. Annexure 4 and 5 to the SCN, pertaining to the Investigation period as mentioned in the SCN.

c. BSE examination report dated April 17, 2018 mentioned in the SCN.

d. Documents pertaining to off market transfers of Noticee no. 1 (i.e. transaction statements obtained from depository participant).

e. The soft copies of trade log and order log pertaining to the trades executed by the Noticee nos. 1 and 2 on BSE in the scrip of SFL during the investigation period were already provided to them vide email dated December 23, 2022.

11. After inspecting the documents physically on the said date i.e. on January 03, 2023 the Noticee no.1 affixed his signature on the copies of the documents inspected by him and a set of the said copies were also provided to him. The inspection of documents was concluded on January 03, 2023 and Noticee no.1 was provided with a copy of the minutes of inspection which was duly signed by Noticee no.1.

12. Pursuant to the conclusion of the inspection, the Noticee nos. 1 and 2 were given time until January 09, 2023 to make submissions in reply to the SCN. However, vide email dated January 11, 2023 the Noticee nos. 1 and 2 again sought additional time of 10 days to make submissions. Accordingly, the request was acceded to. The Noticee nos. 1 and 2 made submissions in respect of the allegations made in the SCN vide emails dated January 23, 2023.

13. As discussed in detail in the previous paragraphs and for the reasons mentioned therein, it is pertinent to mention that the Noticees nos.1 and 2 have consistently delayed submitting their response to SEBI emails, not adhered to timelines stipulated for making submissions and further sought adjournments without submitting valid reasons or documents supporting the same. However, in the interest of natural justice, sufficient opportunities were given to the Noticee nos. 1 and 2 at all stages of the instant proceedings. I note that through such acts, the Noticee nos.1 and 2 acted in an imprudent manner during the course of the instant

proceedings. Therefore, the aforesaid conduct of the Noticee nos.1 and 2 cannot but be concluded as a deliberate act of non-cooperation.

Replies of Noticee nos. 1 and 2 to the SCN

14. Noticee nos. 1 and 2 vide emails dated January 23, 2023, *inter-alia*, made the following submissions in respect of the allegations made in the SCN:

Reply of Noticee no. 1/ Mr. Brij Bhushan

- *Great Meera Finlease Pvt Ltd (GMFPL) is a Non-Banking Financial Company engaged in lending registered with and regulated by Reserve Bank of India. GMFPL had not indulged in any investment or trading in the shares of any company. Transactions between GMFPL and Srestha are purely lending transactions at Arms' Length.*
- *Except the sale of shares by me during the investigation period there is nothing to show that I have indulged in any malpractice or irregularity.*
- *SCN alleges a link between me and other Noticees namely Mr Ashwin Jamnudas Merchant, Mr Ram Avadh Jangu Yadav, Mr Mahaveer Yeswanti Bai and Ms Kalpna Ajaykumar Min for carrying out fraudulent transactions without any basis.*
- *I carried out the sale and purchase transactions as under:*

Sales

On 5th February 2018	*- 1,35,940 Shares*
On 6th February 2018	*- 96,548 Shares*
On 7th February 2018	*- 1,08,344 Shares*
Total	*- 3,40,832 Shares*
Purchases	*- NIL*

- *I have been holding shares of Srestha (formerly M S Investments Ltd) for more than 8 (eight) years and was holding substantial shares of Srestha even after the sales during the investigation period. Even after the Investigation Period I have hold shares during March 2018 and later sold Srestha Shares in the ordinary course of the investment.*

  <u>SMS</u>

- *It is alleged in SCN that certain SMS were under circulation during the Investigation Period of 5th February 2018 and 27th February 2018 purported to provide an Exit to me. Contrary to the above as per BSE Report dated 17th April 2018 the said SMSs were under circulation from 8th February 2018 to 15th February 2018.*
- *There is no proof of circulation of such SMSs. Even BSE Report records that SMSs appeared to have been circulated. There is no allegation or proof that these SMSs were circulated by me or at my behest and such a wild allegation of fraud on the basis of assumption can't be attributed to me.*
- *I have no knowledge of bulk SMS and are not involved in circulating these in any way. There is no evidence suggesting that these bulk SMS were circulated by us. As such I have not committed any irregularity on this account.*

  <u>TRADING</u>

- *Srestha Shares were traded at Rs 7.86 on 2nd January 2017. Ever since then there had been a gradual increase in the price of Srestha Shares.*
- *During January 2018 Srestha Shares had a High of Rs 12.30 and Low of Rs 11.70 with a Closing Price of Rs 12.25 on 31st January 2018. During the Investigation period from 5th February 2018 to 27th February 2018 Srestha*

Shares were traded at a High of Rs 15.93, Low of Rs 11.59 and WAP of Rs 13.63.

- *As such there was a gradual increase and no phenomenal increase in the share prices which can be attributed to be manipulative, fraudulent.*
- *Compared to the Closing Price of Rs 12.25 as on 31st January 2018 I have sold 3,40,832 Shares at a WAP of Rs 13.82 only and can be attributed to have gained a sum of Rs 5.35 Lakhs on such sales. Such a meagre gain can by no means be attributed to be manipulative, fraudulent and in connivance of persons' unknown and unrelated to me. More so when the shares have been sold within the price band fixed by the Exchange.*
- *Sales by me were only 13.17% during the investigation period and are insignificant to have a price impact. Screen based trading is an automated system on a price-time priority basis and no Seller or Buyer has access to the identity of the counter party in any transaction. And such I had no knowledge of the party on the other side to decide and manipulate the price in connivance of the counter parties.*

<u>Transactions with Mr Parth Bhushan</u>

- *Mr Parth Bhushan is my son and is an independent person. I have gifted Rs 10,00,000/- to him on 19th February 2018. It is understood that these funds have been used by him to buy Srestha Shares. Neither I nor anyone else has any access to know from whom the shares are bought or sold on the exchange.*
- *Mr Parth Bhushan has neither during investigation period nor later transferred any Srestha Shares to me. Mr Parth Bhushan has not sold any shares bought*

during the investigation period to any person. As such there is no contravention or fraudulent act on my part in the above transactions

- *I have not indulged in or engaged in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with dealing in Srestha Shares listed BSE. There is no complaint of fraud or deceit by any person against me in respect of the dealing in Srestha Shares.*
- *None of the SCN, BSE Report and Investigation Report establishes any such fraud or deceit committed by me. I have not indulged in any dealing in Srestha Shares 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. All the dealings in Srestha Share are on delivery basis only and beneficial ownership accordingly transferred. No exceptional gain has been made by me be dealing in Srestha Shares during the investigation period.*
- *Your honour will observe that all the transactions have been carried out by me as per trading mechanism against delivery without any fraud or deceit. All the transactions have been carried out independently without any association, connivance or relation with Noticee 1, 2 and 6 as alleged and there is no case for any penal action under the provisions of the SEBI Act of PFTUP Regulations under the facts and circumstances.*

Reply of Noticee no. 2/ Mr. Parth Bhushan

- *Except the purchase of 65,000 Srestha Shares by me during the investigation period there is nothing to show that I have indulged in any malpractice or irregularity.*

- *SCN alleges a link between me and other Noticees namely Mr Ashwin Jamnudas Merchant, Mr Ram Avadh Jangu Yadav, Mr Mahaveer Yeswanti Bai and Ms Kalpna Ajaykumar Min for carrying out fraudulent transactions without any basis.*
- *I have during the Investigation Period carried out "on market" transactions through SEBI Registered Broker with whom I have maintained my share trading account for a long period.*
- *There is no proof of circulation of such SMSs. Even BSE Report records that SMSs appeared to have been circulated. There is no allegation or proof that these SMSs were circulated by me or at my behest and such a wild allegation of fraud on the basis of assumption can't be attributed to me.*
- *I have no knowledge of bulk SMS and are not involved in circulating these in any way. There is no evidence suggesting that these bulk SMS were circulated by us. As such I have not committed any irregularity on this account.*
- *All transactions on the Exchange are carried out without any knowledge of the person or the trades on the other side. I do not have any access to the Trade Logs of others and on the basis of these no motive or fraudulent act can be attributed to me.*
- *Though I do not have any knowledge of the Buyers of Srestha Shares sold be me, it is evident from the SCN / BSE Report that shares were bought by other entities also in addition to Noticee 1, 2 and 6.*
- *As such I have not circulated any SMS, No SMS has been circulated at my behest, I had no knowledge of such SMS, I have not sold shares during the period SMS were allegedly under circulation and accordingly no fraudulent act has been committed by me*

- *There is no mechanism on the Stock Exchanges wherein I can know the Buyer or the Seller of the Shares on the Stock Exchange and as such the allegations of sale and purchase on the stock exchanges from the Noticees 1, 2 and 6 are baseless.*
- *I do not have any connection, association or relation with any of the suspected entities as per SCN and no information / document linking me to these entities has been provided but is a hearsay only without any basis.*
- *Neither BSE Report nor Investigation Report establishes any link between me and Noticee 1, 2 and 6. Rather, these reports admit that no such evidence is available to establish my link, connection, relation or association with the Noticee 1, 2 and 6.*
- *There is no record, correspondence, telephonic call record etc. to show existence of any connection, relation or association etc. with the Noticees. In view of the above there exist any meeting of mind, synchronized or structured trade with the Noticees 1, 2 and 6 and all the allegations thereof are baseless.*
- *Mr Brij Bhushan is my father and is an independent person.*
- *He has gifted Rs 10,00,000/- to me on 19th February 2018. Settlement of Srestha Shares bought by me was done out of these funds.*
- *Neither I nor anyone else has any access to know from whom the shares are bought or sold on the exchange and there is nothing to show a synchronized trade except the presumption.*
- *I have neither during investigation period nor later transferred any Srestha Shares to Mr Brij Bhushan.*
- *As such there is no contravention or fraudulent act on my part in the above transactions.*

- *None of the SCN, BSE Report or the Investigation Report establishes existence of any complaint or fraud committed by me against any person in buying, selling or otherwise dealing in Srestha Shares*

15. In the interest of natural justice, the Noticee nos. 1 and 2 were provided with one more opportunity of personal hearing before the undersigned on January 25, 2023. Noticee no. 1 appeared on behalf of both the Noticee nos. 1 and 2 on the stipulated date of hearing. During the course of hearing, the Noticee no. 1 reiterated the earlier submissions made by the Noticee nos. 1 and 2 in their reply to the SCN vide email dated January 23, 2023.
16. The hearing was concluded adhering to the the principles of natural justice.

NOTICEE NO. 3

17. SCN was duly served upon the Noticee no. 3 vide letter and email dated May 09, 2022. In response to the SCN, the Noticee no. 3 sought for inspection of documents (a list mentioned therein) vide letter dated June 11, 2022. Accordingly, an opportunity of inspection of documents was granted to the Noticee no. 3. Mr. Meit Shah (Senior Associate of Prakash Shah & Associates) appeared for inspection of the documents on behalf of Noticee no. 3 as the authorised representative (AR) on the scheduled date i.e. on November 03, 2022, and inspected the documents as sought by the Noticee no. 3. The opportunity of inspection was provided in respect of the following documents which were relied upon in the present proceedings against the Noticee no. 3:

a. Communique dated September 07, 2021 appointing the erstwhile AO and Communique dated June 07, 2022 appointing the undersigned as the AO in the instant matter.
b. Relevant extracts of Investigation Report i.e. Annexure 4 and 5 to the SCN, pertaining to the Investigation period from February 05, 2018 to February 27, 2018 as mentioned in the SCN.
c. BSE examination report dated April 17, 2018 in the subject matter.
d. Documents pertaining to off market transfers between the Noticees nos. 1, 2 and 3 (transaction statements obtained from depository participant).

18. Pursuant to the inspection, the AR of the Noticee no.3 affixed his signature on the copies of the documents inspected by him and a set of the said copies were also provided to him. The inspection of documents was concluded and the Noticee no. 3 was provided with a copy of the minutes of inspection duly signed by the AR.

19. Noticee no. 3 *inter-alia*, made the following submissions in reply to the SCN:

- *Nowhere the case or the finding of SEBI that the present Noticee, Ms. Kalpna Ajaykumar Min had played any role for the circulation of messages or otherwise. Thus, no fault can be attributed to her and she cannot be held guilty on the allegation of manipulation.*
- *With respect to allegation against the Noticee in paragraph No. 12 that the Noticee bought shares from Mr. Brij on 05.02.2018 and sold back to Mr. Brij indirectly through Mr. Parth is false and not true. The trading is done on the electronic trading platform where the identity is not disclosed/revealed. Thus, there is no possibility of knowing the other side buyer / seller and there is no material in the investigation report which supports the same.*
- *With respect to paragraph No. 14, that the sell prices were lower that the last traded price, it is submitted that when the Noticee wanted to exit the counter and the trade is not getting executed, the Noticee had no option but to sell by clicking the lower price so that the trade is successfully executed. When the counter is having no movement or less movement, and the party wants to*

exit the counter quickly, so it makes sense to punch the trade on the lower rate so that the same can be sold off quickly. The same cannot be said to be meeting of mind as there is no corroborating evidence to suggest such a finding that the Noticee ever had any meeting of mind with Mr. Brij and/or Mr. Parth.

- *It is submitted that all the trades were done in the normal course of the market without having any ill intention of either gaining illegally and / or causing harm to anyone. The price rise / volume, small cap share looks attractive and the movement there is a run up in the share price, more and more investors draw attention and just in the usual course of business / trading, the Noticee has done all the trades which are completely genuine. There has been no connection with any of the entities / other Noticees in any manner so as to violate the rules / regulations of SEBI.*
- *Further, there has neither been any gain at the hands of the present Noticee and in view of the same, the Noticee most respectfully prays that she may be exonerated from all the allegations and charges.*

NOTICEE NO. 4

20. Noticee no. 4 *inter-alia*, made the following submissions in reply to the SCN:

- *The SCN seeks to create a tenuous and non-existent link between me on one hand and other entities mentioned in the SCN i.e. Mr. Ramavadh and Mr. Ashwin. Further, I state that my sale transaction in SFL had been executed "on market"; through SEBI registered Broker with whom I am/was maintaining share trading account for carrying out investment activity in capital market.*
- *Thus, in my humble submission, my sale transaction have been carried out in total compliance of all securities market laws as applicable to me as an investor of capital market. In my humble submission, I have carried out transaction in SFL bonafidely and had no knowledge, information or awareness of any wrongdoing happening in the shares in SFL at the relevant time.*
- *The present SCN is issued after a gap of more than 4 years from the date of sale of shares. However, no reasons have been mentioned in the SCN for*

belatedly initiating present proceedings after an unexplained delay of more than 4 years. Hence, great prejudice is caused to me to defend my case at this stage and on this ground only SCN deserves to be dismissed at the threshold itself.

- *It is pertinent to mention that when the said scrip was traded on market, no alert was generated by any regulatory authority including SEBI and BSE and it is only in hindsight that SEBI has established on prima facie' findings that some entities may have been involved in alleged fraudulent practices in the scrip of SFL.*
- *It is pertinent to note that I was holding shares of SFL for a long period of time i.e. even before the shares were listed on BSE. Thereafter, due to meet the compelling expenses for preparation of my daughter's marriage, I decided to sell shares of SFL. I submit that, during investigation period, I sold 1,54,056 shares on the floor of stock exchange through SEBI registered stock broker. It is pertinent to mention that I have sold shares even post investigation period. Hence, I state that my sale in shares of SFL was not concentrated only during the investigation period. In fact, I have sold more shares post. investigation period then during investigation period.*
- *I would like mention that I have no connection/relation with Mr. Ashwin and Mr. Ramavadh or any person associated/connected with the said persons who bought the shares. Hence, no allegation of trading only with certain people can be alleged against me. Further, it is pertinent to note that my shares were not only bought by the aforesaid entities but also by 6 other entities who are not part of the present SCN.*
- *My transactions in SFL were at the then prevailing market price and had no impact on market equilibrium. Therefore, I fail to understand as to how my transactions are termed to be fraudulent in nature. In my humble submission, since volume and price of SFL was not affected due to my dealings in the said scrip, allegation of any manipulation in SFL is not sustainable on facts and in law hence the same is erroneously made applicable in my case.*
- *I submit that the volume of shares traded in the scrip of SFL during investigation period i.e. from 05.02.2018 to 27.02.2018 was as huge as*

26,17,511 shares on BSE. Further, I had carried out trades in scrip of SFL on only 8 days out of total 16 trading days during the investigation period.

- *From the aforesaid, it can be seen that percentage of my sale trades i.e. 1,54,056 and no. days when I entered into sale transaction in scrip of SFL i.e. 8 days was negligible so as to have any impact on the market equilibrium.*
- *It can clearly be observed that the percentage of my sale trades is so insignificant that it can hardly be capable disturbing the market so as to create artificial price/volume or misleading appearance of trading in said scrip.*
- *I further submit that I had no idea who purchased my shares of SFL since all the transactions were executed through normal screen based trading system of stock exchange. I understand that matching in stock market is extremely advanced computer software driven algorithm process and buy/sell orders in scrip is done by on-line trading module.*
- *I have been informed that in case of screen based trading, the automated system itself matches orders on a price-time priority basis and hence it is not possible for anybody to have access over the identity of counter party dealing in any transaction. Since the counter party identity is not displayed; one can never have any choice with whom it wants to deal or not to deal.*
- *I submit that all my sale transactions in the shares of SFL were delivery based & I have met with all my obligations towards the market. All my sale transactions were as per the rules and regulation as laid out by the regulator from time to time.*
- *Further, I understand that as a gullible and lay investor, I was misled and deluded by alleged modus operandi allegedly carried out by certain entities mentioned in the SCN. However, I would like to state, declare and assert that I was not a party to alleged 'game plan' or any kind of wrongdoing as alleged or otherwise.*
- *Further, no allegation of any connection with Mr. Ashwin and Mr. Ramavadh is alleged against me in the SCN or otherwise. Therefore, when there is no connection with the counter parties to my sell transactions, no allegation of meeting of minds between me and the counter party buyers can be alleged against me w.r.t. my sale trades. Hence, there cannot be any allegation of*

entering into structured/synchronized trades with Mr. Ashwin and Mr. Ramavadh.

- *In view of the aforesaid submissions, no allegations of placing trades in orchestrated manner can be alleged against me and it cannot be concluded that I was helped in offloading shares of SFL by the alleged counter parties to my sell transactions.*

NOTICEE NO. 5

21. Noticee no. 5 *inter-alia*, made the following submissions in reply to the SCN:

- *The Noticee had traded in the scrip of Srestha Finvest Ltd.("SFL") with a view to earn money as the said scrip was a micro cap small cap also known as "penny stock" and the same at times to fetch good returns. As the share price is low, the same can be Purchased in large number of quantity / bulk quantity.*
- *The interesting thing about such shares is that they are at times dull counters but the moment there is heightened activity due to market gossip, rumours, news etc. then the share price normally flares/ shoots up thereby giving returns in the short time frame*
- *Thus, due to the aforesaid reasons, the Noticee had also done certain trades transactions in the said scrip of SFL without any intention/ planning in any manner to disturb the functioning of the market and/ or to manipulate the share price. It is the finding in the investigation itself that there is no connection of the Noticee either with the company and/ or the Directors of the company (SFL).*
- *There is connection observed between Mr. Ashwin Merchant, another Noticee. It is submitted that they know each other through a common friend and the address of Santacruz appearing in the bank account of the Noticee is the correspondence address given for the sake of convenience as there is delayed postal services at Virar area. The Noticee keeps on travelling for his business purpose in this side of city and there can be no negative inference drawn because of the Correspondence address.*
- *It so happens in stock markets, that a client creates his position/ purchases the shares in the hope of making the profit but the moment it is realized that is a wrong trade, then some investors do have the guts of booking loss by*

squaring of the trades. Thus, similar thing happened to the Noticee herein who has also sold the shares of SFL bought by him as the scrip didn't move in as anticipated. Thus, the said act of buying and selling cannot be Concluded to be of illegal nature and / or in contravention of the provisions of any law for the time being in force.

- *The small trades done by the Noticee do not constitute as being illegal in any manner. The buyer / seller's identity of the counter party is not known and the trades in case have matched between the entities, the same is coincidence.*
- *It is to be understood that at times the volumes in the stock /counter is low and the same attains interest/ heightened activity when the news is out. So, as the scrip of SFL had fewer participants / traders it is quite possible that there was some matching of the trades but the same was not at all the meeting of mind as alleged in the SCN.*
- *In view of the aforesaid facts, no case against the Noticee is made out so as to charge him under the provisions of PFUTP and other provisions of SEBI Act. In view of the aforesaid facts, no case against the Noticee is made out so as to charge him under the provisions of PFUTP and other provisions of SEBI Act.*

NOTICEE NO. 6

22. Noticee no. 6 *inter-alia*, made the following submissions in reply to the SCN:

- *With respect to several allegations, averments and contentions raised in the Show Cause Notice, the following are the grounds which are without prejudice to each other and in alternate wherever necessary -*
- *There is nothing on record to suggest that either the SMS's were circulated by the present Noticee or the Noticee was aware about such circulation of the SMS's. Thus, there cannot be any correlation established that the Noticee is responsible for the movement in the scrip price of Srestha Finvest Ltd. (hereinafter referred as 'SFL') or sudden increase in volumes of the SFL.*
- *It is the case of the SEBI that the scrip price rose from 12.25 to high of Rs. 15.93 and closed at Rs. 12.72 during the investigation period. The said rise from Rs. 12.25 to Rs. 12.72 is 2.95% from a period starting on 05th February,*

2018 to 27th February, 2018. The said rise of 2.95% is not extra ordinary and/or of such nature so as to warrant the same as being manipulative in nature and / or being fraudulent and unfair trade practice.

- *The finding of the investigation states that the SMSs may have been circulated to provide the exit to the 3 entities namely, Mr. Mahaveer Yeswanti Bal, Mr. Brij Bhushan and Ms. Renu Bhushan, who were also the shareholders of SFL.*
- *It is the case of the SEBI that there is no connection between the Noticee and directors of SFL / Sreshta. Thus, no foul could be attributed to the trading / Investment done by the Noticee. Further, it is not the case of the SEBI that there has been any huge profit generated and / or there are any ill-gotten gains from the trading done by the Noticees.*
- *The observation / allegation of synchronized trading by the Noticee with one, Mr. Ashwin Merchant is not a pre- planned activity but may have opened as the Noticee was actively trading in the scrip during the movement observed in the scrip. The contribution to the positive LTP was not a pre- planned exercise by the Noticee but due to several trades and transactions, the same is being reflected. There is nothing on record to suggest that there was a prior meeting of minds and that the Noticee had planned to earn from the same. Thus, in the respectful submission, there is no violation of the sections being charged upon the Noticee in any manner.*
- *It is submitted that placing buy orders pursuant to the sell orders means doing transaction at the market price / limit price. The same do not violate any of the provisions nor is manipulative in nature at all.*
- *As regards placing small quantity of trades, do not amount to manipulating as there is already a disclose option available in the trading platform whereby 1/10 of the quantity also can be shown and thus the same also prima facie speaking is misleading but is a normal practice in the market event today.*
- *The spurt in the volume of the scrip itself arouses interest of the traders / market participants as everyone likes to trade and earn profit. It so happens that in the short terms market behaves on greed, fear, emotion etc, and may not reflects its true financials/ fundamentals but in the long run it is a weighing machine.*

- *The entire investigation has not suggested that the Noticee had any contacts with the promoters and / or had been involved in the circulations of SMSs and thus no case of manipulation/fraudulent act can be assigned to the Noticee in any manner.*
- *The Noticee states that there is no previous history / record against him of doing any such acts as alleged of manipulation / deceit etc. The entire investigation do not make out a case that the Noticee has either gained benefitted in any manner whatsoever.*
- *There is no correlation of any exchange / transfer of funds between the present Noticee with any other Noticee. Thus, there is no nexus established and by merely having a common address in the bank records will not prove the Notices of being guilty.*
- *The trading history/pattern of the Noticee by buying at the start of the market and / or feeding the rates has all connection with the sentiment of the market and the market mood. The Noticee has not used / employed any manipulative or deceptive device in contravention of the provisions of the rules/ regulations.*
- *The entire trading/transactions of the Noticee would show that there is no fraudulent act / unfair trade practices committed and the same is within the four corners of law. The Noticee undertakes to be more vigilant, careful and watchful in future.*
- *In view of the submissions made by the Noticee, there is no case made out against the present Noticee and it is most respectfully submitted that the Notice issued against the present Noticee be dropped and he be enlarged from the same.*
- *It may be pointed out that according to the website at BSE, they have full proof surveillance system in place and according to information given on their website the functions of the surveillance department are as follows:(a)Monitoring price and volume movement (volatility) as well as by detecting potential market abuses (fictitious/artificial transactions, circular trading, false and misleading impression, insider trading etc.) at the nascent stage, with a view to minimize the ability of market participants to influence*

the price of any Security in the absence of any meaningful, information and (b)Taking timely actions to manage default risk.

- *The website further provides that BSE having three cells under its surveillance department viz. Price monitoring; Investigation & Position Monitoring. All the trades executed by the Noticee were genuine and in accordance with the Rules, Regulations and Byelaws of BSE so same were cleared by surveillance mechanism of BSE.*
- *From the part of transactions as provided in the Investigation Report, the Noticee is unsure whether he got trapped in the trades, which the exchange/SEBI now feels are manipulated. The Noticee has never been involved in any kind of manipulating transactions in the past nor does he intend to be part of in the future.*
- *It is submitted that in the facts of the case no penalty under Section 15HA of the SEBI Act is warranted. Further, while considering our submissions, following factors to be taken into consideration.*
- *It is therefore submitted based on the aforesaid grounds and the Reply filed in detail that no case is made out to charge the Noticee under any of the alleged violations and it is requested not to take any disciplinary action on the basis of details of transactions which you feel were misleading to disturb the market and / or were in violation of the Regulation 3 (a), (b), (c), (d), 4(1), 4(2)(a) of PFUTP Regulations, 2003 and Section A(a)(b)(c) of SEBI Act, 1992 and to discharge the Noticee.*

DETAILS OF HEARINGS GIVEN TO NOTICEE NOS. 3, 4, 5 and 6

23. During the course of the present proceedings, the Noticee nos. 3 to 6 made submissions to the SCN in respect of the allegations levelled against them. Thereafter, in the interest of natural justice, opportunities of hearing were provided to the aforesaid Noticees. Pursuant to which, Noticee nos. 3 to 6 made additional submissions during the course of the adjudication proceedings. The details pertaining to replies of the Noticee nos. 3, 4, 5 and 6, dates of hearing, final

submissions made by the Noticee nos. 3 to 6 post hearing are given in the table below:

Noticee	Service of SCN	Replies submitted in response to the SCN	Dates and Mode of Hearing	Details of Authorized Representatives who attended the hearing on behalf of the Noticee	Date of Final submissions
Noticee no.3/ Mrs. Kalpna	Through letter and email dated May 09, 2022	July 25, 2022	December 23, 2022 (Online Zoom)	Ms. Pranjali Phapale (Advocate)	December 25, 2022
Noticee no.4/ Mr. Yeswanti	Through letter and email dated May 09, 2022	December 01, 2022	December 23, 2022 (Person attend at SEBI Head Office)	Mr. Meit Shah (Authorised Representative) Mr. Keyur Shah (Advocate)	December 01, 2022
Noticee no.5 / Mr. Ramavadh	Through letter and email dated May 09, 2022	July 25, 2022	December 23, 2022 (Online Zoom)	Ms. Lavanya Vallakati (Advocate)	December 27, 2022
Noticee no.6/ Ashwin	Through letter and email dated May 09, 2022	July 25, 2022	December 23, 2022 (Person attend at SEBI Head Office)	Mr. Shashikant (Advocate)	December 27, 2022

CONSIDERATION OF ISSUES AND FINDINGS

24. I have carefully perused the allegations leveled against the Noticees in the SCN, the replies of the Noticees and also the documents/evidence available on record. The issues that arise for consideration in the present case are:

    I. Whether the four Noticees viz. Mr. Brij Bhushan, Mr. Parth Bhushan, Mr. Mahaveer Yeswanti Bai and Mrs. Kalpna Min created misleading appearance of trading in the scrip of SFL and generated artificial volume in the trading of SFL scrip during the investigation period and thereby violated the provisions of Section 12A (a), (b), (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) and Regulations 4(1) and 4 (2) (a) of PFUTP Regulations?

    II. Whether the two Noticees viz. Mr. Ashwin and Mr. Ramavadh created misleading appearance of trading in the scrip of SFL and manipulated the price of SFL scrip during the investigation period and thereby violated the provisions of Section 12A (a), (b), (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) and Regulations 4(1), 4 (2) (a), and (e) of PFUTP Regulations?

    III. If yes, whether the violations would attract monetary penalty on the Noticees under the provisions of the Section 15HA of SEBI Act?

    IV. If yes, what should be the quantum of monetary penalty?

25. Before proceeding further with the consideration of above issues in light of the evidences adduced, I refer to the text of the provisions of the SEBI Act and PFUTP Regulations, allegedly violated by the Noticees, which are as under:

    SEBI Act

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

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

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

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

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

PFUTP Regulations

3. Prohibition of certain dealings in securities.

No person shall directly or indirectly-

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

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

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

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

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

(2) *Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves :*

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

…

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

ISSUE I:- Whether the four Noticees viz. Mr. Brij Bhushan, Mr. Parth Bhushan, Mr. Mahaveer Yeswanti Bai and Mrs. Kalpna Min created misleading appearance of trading in the scrip of SFL and generated artificial volume in the trading of SFL scrip during the investigation period and thereby violated the provisions of Section 12A (a), (b), (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) and Regulations 4(1) and 4 (2) (a) of PFUTP Regulations?

ISSUE II:- Whether the two Noticees viz. Mr. Ashwin Merchant and Mr. Ramavadh Jangu Yadav created misleading appearance of trading in the scrip of SFL and manipulated the price of SFL scrip during the investigation period and thereby violated the provisions of Section 12A (a), (b), (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) and Regulations 4(1), 4 (2) (a), and (e) of PFUTP Regulations?

26. Before dealing with the specific contentions of the Noticees in various replies to the allegations mentioned in the SCN, I find it pertinent to deal with preliminary objections raised by the Noticee No. 4 with regard to delay in issuance of SCN in the matter. In this context, I note that even though SEBI Act has not prescribed any period of limitation for issuance of SCN, it has now become well settled that SCN has to be issued within reasonable time period. In this context, I find it pertinent to refer to the decision of Hon'ble Supreme Court in the case of Adjudicating Officer, SEBI v. Bhavesh Pabari (2019) SCC Online SC 294, wherein it was *inter-alia* held that: *"There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and*

circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc."

27. I note that the instant proceeding pertains to suspected creation of artificial volume and price manipulation of the scrip SFL during the investigation period by the Noticees. In this regard, based on the material available on record, I note that the time period of trades executed by the Noticees was during February 2018 and in April 2018, BSE conducted examination on the aforesaid trading. Pursuant to receipt of BSE examination report, SEBI initiated investigation in the month of June 2018. The investigation involved detailed analysis of trading patterns of the suspected entities (including the Noticees) and also examined roles of other connected entities such as SMS aggregators. Summons were initially issued by the investigating department of SEBI to the said entities initially in December 2019 and subsequent follow up with the Noticees was done until November 2020, for compliance with the summons. It is noted that the aforesaid entities (SMS aggregators) failed to co-operate and comply with the initial summons, reminder summons and emails issued/sent by the investigating authorities. I also note that the investigation was conducted during the time period of Covid-19 breakout, which hampered the process of investigation. Subsequently, the investigation was concluded in July 2021. After the conclusion of the investigation, Mr. Suresh B Menon, erstwhile AO was appointed as the AO vide communique dated September 2021, and the SCNs were issued on May 2022. It is pertinent to mention that the allegations were made against the Noticees in the SCN were based on the execution of trades in the SFL scrip by the Noticees during the

investigation period and that none of the Noticees disputed the execution of the said trades and the evidence relied upon in this regard i.e. trade and order logs.

Noticee no. 4, in his reply dated December 01, 2022 has stated the following:

"The present SCN is issued after a gap of more than 4 years from the date of sale of shares. However, no reasons have been mentioned in the SCN for belatedly initiating present proceedings after an unexplained delay of more than 4 years. Hence, great prejudice is caused to me to defend my case at this stage and on this ground only SCN deserves to be dismissed at the threshold itself."

It is observed that the Noticee no. 4 has merely alleged delay without any specific mention as to what prejudice has been caused to him. I also note that the Noticees have not submitted any material in support of this contention.

I note that the Noticee no. 4 has cited the cases of State of Gujarat v. Patel Raghav Natha (AIR 1969 SC 1297), H B Stockholdings v. SEBI (Appeal No. 114 of 2012), Mr. Yatin Pandya HUF v. SEBI (Appeal No. 719 of 2021), Mr. Rakesh Kathotta v. SEBI (Appeal No. 07 of 2016) and Ashok Shivlal Rupani & Anr. v. SEBI (Appeal No. 417 of 2018). I find that the decisions cited by the Noticee in this regard operate within a factual matrix different from the matter before me and are therefore, inapplicable.

Therefore, in the facts and circumstances of this case, I am satisfied that time taken in initiation of proceedings cannot be said to be unreasonable and the contention of the Noticee in this regard is not acceptable.

28. As regards the main issues, I now proceed to deal with the findings of the investigation, allegations made in the SCN and submissions of the Noticees in the below mentioned paragraphs.

29. As regards, the allegations levelled in the SCN, I note from the material on record such as the trade and order log, Holding and transaction statements of Noticees from the Depository Participants, Bank Statements and other material on record as follows:

A. Bulk SMSs circulation

It is observed that there were several Short Message Services ('SMSs') were circulated in the market giving the 'buy' recommendation for the scrip of SFL during the investigation period. The SMS was circulated in the style as HPVALUPK with message *"SRESTHA (539217) Buy @Upper circuit 14.82 Today & Sell Tomorrow Upper Circuit @ 16.80 Stop Loss 14.50 Qty Buy 250000 Profit= 50000 Rs"*. It is further observed that the price of the scrip of SFL rose from Rs. 12.25 to high of Rs. 15.93 and closed at Rs. 12.72 during the investigation period.

B. Price Volume Analysis:

It is noted that the shares of the SFL were not listed on National Stock Exchange during the investigation period. Thus, the price volume analysis was carried out based on the trading data available on Bombay Stock Exchange ('**BSE**') which is given below:

Period	**Dates**		**Opening Price (volume) on first day Rs.)**	**Closing price (volume) on last day (Rs.)**	**Low price (volume) during the period (Rs.)**	**High Price (volume) during the period (Rs.)**	**Avg. no. of (shares) traded daily during the period**
Before Investigation period	**(15/01/2018 31/01/2018)**	**Price**	11.50	12.25	11.50	12.30	6024
Before Investigation period	**(15/01/2018 31/01/2018)**	**Vol**	15149	100	50	15649	6024
During Investigation Period	**(05/02/2018 – 27/02/2018)**	**Price**	12.25	12.72	11.64	15.93	159299
During Investigation Period	**(05/02/2018 – 27/02/2018)**	**Vol**	141425	286397	1155	330477	159299

From the aforesaid price volume data, I observe that just before the investigation period, the SFL scrip was almost illiquid with an average trading of 6,024 shares a day, whereas, it increased to an average trading of 1,59,299 shares per day during the investigation period.

C. Client Concentration:

Details of top 10 buy clients and sell clients concentration on BSE during the investigation is tabulated as below:

Sl. no.	Buy Client Name*	Total	% of Traded Vol	Sell Client Name*	Total	% of Traded Vol
1	**Ramavadh Jangu Yadav**	**455156**	**17.39**	**Ramavadh Jangu Yadav**	**446552**	**17.06**
2	….	307367	**11.74**	….	**344772**	**13.17**
3	….	134772	5.15	….	307367	11.74
4	**Ashwin Jamnudas Merchant**	108509	**4.15**	**Mahaveer Yeswanti Bai**	**154056**	**5.89**
5	….	100000	3.82	….	126952	4.85
6	**Parth Bhushan**	**65000**	**2.48**	**Ashwin Jamnudas Merchant**	**93722**	**3.58**
7	….	54755	2.09	….	89356	3.41
8	….	50000	1.91	….	54755	2.09
9	….	45034	1.72	….	50000	1.91
10	….	35005	1.34	….	35005	1.34
	Top 10 Buy Clients	**1355598**	**51.79**	**Top 10 Sell Clients**	**1702537**	**65.00**
	Remaining Clients	**1261913**	**41.21**	**Remaining Clients**	**914974**	**35.00**
	Total Traded Volume	**2617511**	**100**	**Total Traded Volume**	**2617511**	**100**

**Particulars of other top sellers other than the Noticees' not mentioned for the sake of confidentiality*

Based on the trading pattern, UCC details, etc. the Noticees were shortlisted as suspected entities in the investigation report.

D. Analysis of Trading by the Noticees:

Connection between Mr. Ramavadh and Mr. Ashwin is as follows:

Sr. No.	PAN	Name	Basis of Connection
1	ACDPY8719P	Ramavadh Jangu Yadav	Off Market Transfer in the scrip of Nova Publications India Ltd. on 15/02/2017 for 2500 quantity and on 06/03/2017 for 700 quantity. Bank account statement of Ramavadh has the following address: "10 Leela Griha Sir Vithaldas Nagar 28/32 Sarojini Road Santacruz West, Mumbai.". The same address was found on the KYC documents of Mr. Ashwin.
2	AGRPM8094P	Ashwin Jamnudas Merchant	

From the trade and order log following is observed regarding trading pattern of Noticee nos. 5 and 6:

Name	Buy Traded Quantity	% Buy traded quantity	Sell Traded Quantity	% Sell traded quantity
Ramavadh	455156	17.39%	446552	17.06%
Ashwin	108509	4.15%	93722	3.58%
Total	**563665**	**21.53%**	**540274**	**20.64%**
Market total	**2617511**	**100.00%**	**2617511**	**100.00%**

From the trade and order log following is observed regarding New High Price established by Noticee nos. 5 and 6:

Name	Quantity	Number Of Trades	Contribution To Market NHP	% Of Market NHP
Ramavadh	1120	6	1.96	53.26%
Ashwin	--	--	--	0
Total	**1120**	**6**	**1.96**	**53.26%**
Market total	**13086**	**12**	**3.68**	**100.00%**

Mr. Ramavadh contributed to 53.26% of the market NHP through 6 trades in the scrip of SFL during the investigation period.

Last Traded Price Analysis

From the trade and order log following is noted regarding the positive LTP by the Noticee nos. 5 and 6

	All trades			Positive LTP trades			
Client Name	**LTP Rate**	**Traded Qty**	**No. Of Trades**	**LTP Rate**	**Traded Qty**	**No. Of Trades**	**% LTP**
Ramavadh	14.00	455156	1886	104.31	52118	517	64.82%
Ashwin	11.87	108509	425	27.06	7266	128	16.82%
Total	25.87	**563665**	**2311**	**131.37**	**59384**	**645**	**81.64%**
Market total	**0.54**	**2617511**	**3894**	**160.92**	**356678**	**846**	**100.00%**

It is noted that Mr. Ramavadh and Mr. Ashwin contributed 64.82% and 16.82% respectively to the total positive LTP in the scrip of SFL during the investigation period. Further, the said two Noticees together contributed 81.64 % to the total positive LTP of the market.

Trading pattern adopted by Noticee no. 6/Mr. Ramavadh and Noticee no. 5/Mr. Ashwin

The analysis of trading pattern executed by the Noticee nos. 5 and 6 as seen from the trade and order log on the record is as follows:

Raising LTP within first few minutes of trading - illustration:

a. It is observed that before the first day of investigation period i.e. on January 30, 2018, only 50 shares were traded through a single trade at Rs. 12.24. Further, on January 31, 2018, merely 100 shares of SFL were traded at Rs. 12.25. Thereafter, no trading was observed from January 31, 2018 to Feb 04, 2018.

b. On perusal of the order log, it is observed that Mr. Brij Bhushan/Noticee no.1 on February 05, 2018 placed two sell orders i.e. for 1,500 shares at Rs. 12.85 at 9:15:08 am and for 90,000 shares at Rs. 12.84 at 9:47:27 am respectively.

c. Thereafter, immediately at 9:48:34 AM and 9:48:40 AM, Mr. Ramavadh trading through broker SSJ Finance & Securities Pvt. Ltd. placed two buy orders for 400 shares and 1,000 shares at Rs. 12.25 and Rs. 12.84 respectively.

d. This resulted in trade for 1,000 shares at Rs. 12.84, thereby raising the LTP by Rs. 0.59 (4.82%) through a single transaction.

e. It is also observed that the first trade on the aforesaid date i.e. on February 05, 2018, occurred at Rs. 12.25 for 375 shares at 09:48:34 AM wherein, Mr. Ramavadh was the one on the buy side.

<u>Different buy order rates order placed within few minutes of each other</u>:

a. Mr. Brij Bhushan on February 05, 2018 placed two sell orders i.e. for 1,500 shares at Rs. 12.85 at 9:15:08 AM and for 90,000 shares at Rs. 12.84 at 9:47:27 AM respectively.

b. On perusal of trade log, it is observed that on February 05, 2018, Mr. Ashwin placed 13 buy orders from 9:48:58 AM to 9:59:00 AM for a total of 17,485 shares.

c. Out of the said 13 buy orders, 6 buy orders were placed at Rs. 12.84, whereas remaining were placed from Rs. 11.65 to Rs. 12, it is noted that all these 13 orders were placed within a short span of minutes.

d. The said 6 buy orders were placed at Rs. 12.84, for 7,500 shares, 500 shares, 8,000 shares, 500 shares, 400 shares and 50 shares respectively (total of 16,950 shares), whereas remaining 7 buy orders for 100, 110, 50, 50, 100, 25, 200 shares were placed in the range between Rs. 11.65 and Rs. 12.

e. This resulted in execution of 6 trades from 09:48:57 to 09:54:18 for a total of 16,950 shares at Rs. 12.84 between Mr. Ashwin and Mr. Brij Bhushan.

f. An illustration of a few trades executed on February 05, 2018 is given below:

TRADE _DATE	CLIENT NAME	CP _CLIENT NAME	TRADE _TIME	ORDER _LMTIME	CP _ORDER _LMTIME	TRADE _RATE	LTP _RATE	LTP _PERCENT	TRADED _QTY	ORDER _LMQTY	CP _ORDER _LMQTY
05/02/2018	RAMAVADH JANGU YADAV	VIKRANT SURI	09:48:34	09:48:34	09:00:03	12.25	0	0	375	400	375
05/02/2018	RAMAVADH JANGU YADAV	BRIJ BHUSHAN	09:48:40	09:48:40	09:47:27	12.84	0.59	4.82	1000	1000	90000
05/02/2018	ASHWIN JAMNUDAS MERCHANT	BRIJ BHUSHAN	09:48:58	09:48:58	09:47:27	12.84	0	0	7500	7500	90000
05/02/2018	ASHWIN JAMNUDAS MERCHANT	BRIJ BHUSHAN	09:49:03	09:49:03	09:47:27	12.84	0	0	500	500	90000
05/02/2018	ASHWIN JAMNUDAS MERCHANT	BRIJ BHUSHAN	09:53:55	09:53:55	09:47:27	12.84	0	0	8000	8000	90000
05/02/2018	ASHWIN JAMNUDAS MERCHANT	BRIJ BHUSHAN	09:54:01	09:54:01	09:47:27	12.84	0	0	500	500	90000
05/02/2018	ASHWIN JAMNUDAS MERCHANT	BRIJ BHUSHAN	09:54:10	09:54:10	09:47:27	12.84	0	0	400	400	90000
05/02/2018	ASHWIN JAMNUDAS MERCHANT	BRIJ BHUSHAN	09:54:19	09:54:19	09:47:27	12.84	0	0	50	50	90000

g. The two Noticees Mr. Ramavadh and Ashwin were instrumental in raising the price of the scrip to Rs. 12.84 from the LTP of Rs. 12.25 on Feb 05, 2018 as seen from the trade and order log. Mr. Ramavadh and Mr. Ashwin entered into buy transaction with Mr. Brij Bhushan and created artificial volume in the scrip by purchasing shares at high price compared to previous day closing.

First price higher than last closed price- illustration:

a. On February 06, 2018, it is observed from the price volume data that the closed price of SFL scrip on February 05, 2018 was Rs. 12.85, whereas, the scrip opened on February 06, 2018 at Rs. 13.45.
b. On perusal of the order log of February 06, 2018, it is observed that Mr. Brij Bhushan placed a sell order for 5,000 shares at 9:16:39 AM at Rs. 13.45. It is noteworthy that the trading session opens at 9:15 AM.
c. A few minutes after the aforementioned order placed by Mr. Brij Bhushan, Mr. Ramavadh placed a buy order for 5 shares at Rs. 13.45 at 9:24:17 AM, despite the fact that the scrip had closed on the previous day at Rs. 12.85. This resulted in trade of 5 shares at 09:24:17 at Rs. 13.45.
d. The aforesaid trades of Mr. Ramavadh resulted in LTP rate rising from Rs. 12.85 to Rs. 13.45 (Rs. 0.60) (4.67%), through a single transaction within first few minutes of opening of the trading session.

Small order quantity to affect LTP:

a. It is also observed that during the investigation period, Mr. Ramavadh and Mr. Ashwin placed major portion of buy orders in the scrip of SFL in lesser quantities i.e. less than 10.
b. It is also observed that Mr. Ramavadh and Mr. Ashwin collectively placed 470 lesser quantity orders (1 to 10 shares) which contributed Rs 109.05 towards market positive LTP. The total positive LTP contributed by the aforementioned lesser quantity orders is 67.76% of the total market positive LTP.

c. It is observed that Mr. Ashwin contributed to 13.37% of the total market positive LTP and Mr. Ramavadh contributed to 53.83% of the total market positive LTP, respectively in the scrip.

Trading pattern of Mr. Ramavadh/ Noticee no. 6:

a. It was observed from the trade and order log that through 517 positive LTP trades, Mr. Ramavadh contributed Rs 104.31 to positive LTP i.e. 64.82% of the market positive LTP, out of which 53.83% of the total market LTP was created through lesser quantity trades (1 – 10).

b. *Buy orders placed before sell orders*: It was noted that in 14 instances, Mr. Ramavadh placed buy orders at a price higher than LTP, before sellers placed the sell order and such trades contributed Rs 1.98 in positive LTP.

c. *Buy order placed after sell order*: In 503 instances, Mr. Ramavadh repeatedly placed buy orders to match the already existing sell orders (lesser quantities). The LTP contributed through such trades was Rs 102.33 i.e. 63.59% of the market positive LTP.

d. *Order quantities less than 10*: It may further be noted that he contributed LTP of Rs 104.31 which is 53.83 % of the market positive LTP, where the buy order quantity by the client was less than ten. In view thereof, it is observed that through such lesser quantity trades Mr. Ramavadh manipulated the price of the scrip, as it is sans logic to buy miniscule shares at higher than LTP unless one wants to manipulate price upwards.

Trading pattern of Mr. Ashwin/ Noticee no. 5:

a. It was observed from the trade and order log that through 128 positive LTP trades, Mr. Ashwin contributed Rs 27.06 to positive LTP i.e. 16.81% of the market positive LTP.

b. *Buy orders placed before sell orders*: In 3 instances, Ashwin placed buy orders at a price higher than LTP, before sellers placed the sell order and contributed Rs 0.70 market positive LTP.

c. *Buy order placed after sell order*: In 125 instances, Ashwin repeatedly placed buy orders to match the already existing sell orders (negligible quantity in many instances) and thereby contributed Rs 26.36 i.e. 16.38% of the market positive LTP through such trades.

d. *Order quantities less than 10*: It is noted that Ashwin placed buy orders of quantity less than or equal to ten and thereby contributed LTP of Rs 22.42 which is 13.93% of the market positive LTP from such trades. In view thereof, it is observed that through such lesser quantity trades Mr. Ashwin manipulated the price of the scrip, as it is sans logic to buy miniscule shares at higher than LTP unless one wants to manipulate price upwards.

<u>Selling of shares by Mr. Brij Bhushan/ Noticee no. 1 during the investigation period</u>

The trade and order log shows that on February 05, 2018, Mr. Brij Bhushan sold 1,35,940 shares (39%) of SFL at an average trade rate of Rs. 12.84 out of his total sell quantity of 3,44,772 shares during the entire investigation period. Out of the said shares sold by Mr. Brij Bhushan, 40,070 shares were bought by the following Noticees. The details for the same are given below:

i. Mr. Ramavadh Jangu Yadav (5,045 shares)
ii. Mr. Ashwin Jamnudas Merchant (16,975 shares)
iii. Mrs. Kalpna Ajay Min (18,050 shares)

It is further observed that Mr. Ramavadh, Mr. Ashwin and Mrs. Kalpna purchased shares from Mr. Brij Bhushan between February 05 and 06, 2018 and sold it back to Mr. Brij Bhushan indirectly through his son i.e. Mr. Parth Bhushan. Further it is noted that:

a. It is seen that despite the trading volume in the SFL scrip on January 30, 2018 and January 31, 2018 (i.e. the previous two trading days of February 05, 2018) being merely 100 shares and 50 shares respectively at trade rate of Rs. 12.25 on both the days, the entities Mr. Ramavadh and Mr. Ashwin placed large buy orders on the next trading day i.e. February 05, 2018 to match the higher sell rate of Mr. Brij Bhushan. Thus, the said Noticees facilitated Mr. Brij Bhushan to sell large quantity of shares at a rate much higher than previous closing price.

b. The pattern in which the buy and sell orders were placed by the Noticees viz. Mr. Brij Bhushan, Mr. Ramavadh and Mr. Ashwin on February 05, 2018 have been discussed in previous paragraphs. The relevant extract of trade log along with order time and rate is given below:

TRADE_ DATE	CLIENT NAME	CP_CLIENT NAME	ORDER_ TIME	CP_ORDER_ TIME	TRADE_ TIME	TRADE_ RATE	LTP_ PERCENT	TRADED_ QTY
05/02/2018	RAMAVADH JANGU YADAV	BRIJ BHUSHAN	9:48:40 AM	9:47:27 AM	9:48:40 AM	12.84	4.82	1000
05/02/2018	ASHWIN JAMNUDAS MERCHANT	BRIJ BHUSHAN	9:48:58 AM	9:47:27 AM	9:48:58 AM	12.84	0	7500
05/02/2018	ASHWIN JAMNUDAS MERCHANT	BRIJ BHUSHAN	9:49:03 AM	9:47:27 AM	9:49:03 AM	12.84	0	500
05/02/2018	ASHWIN JAMNUDAS MERCHANT	BRIJ BHUSHAN	9:53:55 AM	9:47:27 AM	9:53:55 AM	12.84	0	8000
05/02/2018	ASHWIN JAMNUDAS MERCHANT	BRIJ BHUSHAN	9:54:01 AM	9:47:27 AM	9:54:01 AM	12.84	0	500
05/02/2018	ASHWIN JAMNUDAS MERCHANT	BRIJ BHUSHAN	9:54:10 AM	9:47:27 AM	9:54:10 AM	12.84	0	400

05/02/2018	ASHWIN JAMNUDAS MERCHANT	BRIJ BHUSHAN	9:54:19 AM	9:47:27 AM	9:54:19 AM	12.84	0	50
05/02/2018	RAMAVADH JANGU YADAV	BRIJ BHUSHAN	10:38:49 AM	9:47:27 AM	10:38:49 AM	12.84	7.9	5
05/02/2018	ASHWIN JAMNUDAS MERCHANT	BRIJ BHUSHAN	12:29:35 PM	9:47:27 AM	12:29:35 PM	12.84	0.31	25
05/02/2018	RAMAVADH JANGU YADAV	BRIJ BHUSHAN	1:03:14 PM	9:47:27 AM	1:03:14 PM	12.84	0	3000
05/02/2018	RAMAVADH JANGU YADAV	BRIJ BHUSHAN	1:03:19 PM	9:47:27 AM	1:03:19 PM	12.84	0	1000
05/02/2018	RAMAVADH JANGU YADAV	BRIJ BHUSHAN	1:03:26 PM	9:47:27 AM	1:03:26 PM	12.84	0	5
05/02/2018	KALPNA AJAYKUMAR MIN	BRIJ BHUSHAN	1:08:29 PM	9:47:27 AM	1:08:29 PM	12.84	0	10000
05/02/2018	KALPNA AJAYKUMAR MIN	BRIJ BHUSHAN	1:08:45 PM	9:47:27 AM	1:08:45 PM	12.84	0	8000
05/02/2018	RAMAVADH JANGU YADAV	BRIJ BHUSHAN	1:08:51 PM	9:47:27 AM	1:08:51 PM	12.84	0	5
05/02/2018	RAMAVADH JANGU YADAV	BRIJ BHUSHAN	1:11:01 PM	9:47:27 AM	1:11:01 PM	12.84	0	20
05/02/2018	RAMAVADH JANGU YADAV	BRIJ BHUSHAN	1:11:01 PM	9:15:08 AM	1:11:01 PM	12.85	0.08	5
05/02/2018	KALPNA AJAYKUMAR MIN	BRIJ BHUSHAN	1:11:47 PM	9:15:08 AM	1:11:47 PM	12.85	0	50
05/02/2018	RAMAVADH JANGU YADAV	BRIJ BHUSHAN	1:32:22 PM	1:25:19 PM	1:32:22 PM	12.85	0	5

c. On perusal of the order log, I observed that on February 05, 2018, upto 13:11:47.257855, except for buy orders of Mr. Ramavadh, Mr. Ashwin, Ms. Meghna and Mrs. Kalpna Ajay Min, buy orders of all other entities were placed below Rs. 12.84.

Fund Transfer between Mr. Brij Bhushan/ Noticee no. 1 and Mr. Parth Bhushan/ Noticee no. 2

It is observed that Mr. Parth Bhushan traded through broker Modex International Securities Ltd. only two days during the investigation period i.e. February 19 and 20, 2018. On these aforesaid two days, Mr. Parth purchased SFL shares value of

Rs. 8,69,850/- which was an otherwise illiquid scrip before the investigation period. Mr. Parth Bhushan purchased a total of 32,080 shares from Mr. Ashwin, Mr. Ramavadh and Mrs. Kalpna on February 19, 2018. It is seen that Mr. Parth received an amount of Rs. 10,00,000/- from Mr. Brij Bhushan on February 19, 2018. Thereafter, Mr. Parth transferred an amount of Rs. 10,00,000/- to his broker on February 20, 2018. In view thereof, it is observed that Mr. Brij Bhushan used his funds to indirectly buy shares of SFL through Parth Bhushan from the same entities that he had sold earlier on February 05 and 06, 2018 i.e. from Mr. Ashwin, Mr. Ramavadh and Mrs. Kalpna. The details of the trades between Mr. Parth Bhushan, Mrs. Kalpna Ajaykumar Min, Mr. Ramavadh and Mr. Ashwin are discussed below.

<u>Trading pattern of Mr. Parth Bhushan/ Noticee No. 2, Mrs. Kalpna Ajaykumar Min/ Noticee No. 3, Mr. Ramavadh/ Noticee no. 6 and Mr. Ashwin/ Noticee no. 5:</u>

The trading pattern as observed from the trade log shows the following report in respect of trading by Mrs. Kalpna:

a. On perusal of the trade log and order log, it is observed that on February 19, 2018, Mr. Parth Bhushan placed buy orders for a total of 30,000 SFL shares between 11:46:03 AM to 01:47:59 PM at rate of Rs. 13.60.

b. Further, at 01:57:14 PM and 02:03:47 PM, Mrs. Kalpna placed sell orders at rate of Rs. 13.60 and Rs. 13.55 for 5,000 SFL shares each, respectively. It is seen that when Mrs. Kalpna placed the aforesaid sell orders, last traded price of SFL scrip was Rs. 14 and Rs. 13.97 respectively. Despite the same, it is observed that Mrs. Kalpna placed her sell orders at sell prices lower than the last traded price which matched with the buy orders of Mr. Parth Bhushan.

c. The relevant extracts of trade log and order log are given below:

Order Log

ORDERID	ORDER_DATE	ORDER_TIME	RATE	QTY	AVLQTY	BUYSELL	CLIENT_NAME
1519011000002640000	19/02/2018	09:35:55	13.51	900	900	S	KALPNA AJAY MIN
1519011000002640000	19/02/2018	09:41:14	14.35	1000	1000	S	KALPNA AJAY MIN
1519011000002640000	19/02/2018	09:42:27	14.24	1000	1000	S	KALPNA AJAY MIN
1519011000002640000	19/02/2018	09:42:35	14.23	1000	1000	S	KALPNA AJAY MIN
1519011000002640000	19/02/2018	09:42:46	14.22	1000	1000	S	KALPNA AJAY MIN
1519011000002640000	19/02/2018	09:43:00	14.22	1000	1000	S	KALPNA AJAY MIN
1519011000002640000	**19/02/2018**	**10:28:52**	**14.12**	**1000**	**1000**	**S**	**KALPNA AJAY MIN**
1519011000002640000	**19/02/2018**	**11:46:03**	**13.6**	**25000**	**25000**	**B**	**PARTH BHUSHAN**
1519011000002640000	**19/02/2018**	**13:47:46**	**13.6**	**5000**	**5000**	**B**	**PARTH BHUSHAN**
1519011000002640000	**19/02/2018**	**13:47:59**	**13.6**	**5000**	**5000**	**B**	**PARTH BHUSHAN**
1519011000002640000	**19/02/2018**	**13:57:14**	**13.6**	**5000**	**5000**	**S**	**KALPNA AJAY MIN**
1519011000002640000	**19/02/2018**	**14:02:10**	**13.55**	**5000**	**5000**	**B**	**PARTH BHUSHAN**
1519011000002640000	**19/02/2018**	**14:03:47**	**13.55**	**5000**	**5000**	**S**	**KALPNA AJAY MIN**
1519011000002640000	19/02/2018	14:04:50	14.35	1000	0	S	KALPNA AJAY MIN
1519011000002640000	19/02/2018	14:04:50	14.24	1000	0	S	KALPNA AJAY MIN
1519011000002640000	19/02/2018	14:04:50	14.23	1000	0	S	KALPNA AJAY MIN
1519011000002640000	19/02/2018	14:04:50	14.22	1000	0	S	KALPNA AJAY MIN
1519011000002640000	19/02/2018	14:04:50	14.12	1000	0	S	KALPNA AJAY MIN

Trade Log

TRADE_ DATE	CLIENT NAME	CP_CLIENT NAME	ORDER_ TIME	CP_ORDER_ TIME	TRADE_ TIME	TRADE_ RATE	TRADE_ VALUE	ORDER_ LTP	TRADED_ QTY
19/02/2018	ASHWIN JAMNUDAS MERCHANT	KALPNA AJAYKUMAR MIN	12:07:15 PM	10:28:52 AM	12:07:15 PM	14.12	14.12	14.12	1
19/02/2018	ASHWIN JAMNUDAS MERCHANT	KALPNA AJAYKUMAR MIN	12:07:27 PM	10:28:52 AM	12:07:27 PM	14.12	1270.8	14.12	90
19/02/2018	**PARTH BHUSHAN**	**KALPNA AJAYKUMAR MIN**	**1:47:46 PM**	**1:57:14 PM**	**1:57:14 PM**	**13.6**	**68000**	**14**	**5000**
19/02/2018	**PARTH BHUSHAN**	**KALPNA AJAYKUMAR MIN**	**2:02:10 PM**	**2:03:47 PM**	**2:03:47 PM**	**13.55**	**67750**	**13.97**	**5000**

d. From the details mentioned above, it is observed that Mrs. Kalpna placed her sell orders at prices lower than the last traded price to match with the buy orders of Mr. Parth Bhushan. As already mentioned in previous paragraphs, Mr. Brij Bhushan transferred an amount of Rs. 10,00,000/- to Mr. Parth Bhushan on February 19, 2018. In view thereof and based on the trading pattern and fund movement it is observed that Mr. Brij Bhushan used his funds to indirectly buy 10,000 shares of SFL through his son Mr. Parth Bhushan from the entity that he sold SFL shares earlier on February 05 and 06, 2018 i.e. Mrs. Kalpna.

The trading pattern of the Noticees i.e. Mr. Ramavadh, Mr. Ashwin and Mr. Parth Bhushan as seen in the trade log on record showed the following:

a. The closing price of SFL scrip on February 19, 2018 was Rs. 13.80.

b. On perusal of the trade log and order log, it is observed that on February 20, 2018, Mr. Parth Bhushan placed a buy order at 9:15:07 AM for 20,000 shares at Rs. 13.15. The first trade for the day took place at 09:16:55 AM at Rs. 13.85. Thus, it is observed that Mr. Parth Bhushan placed the buy order, keeping the buy order rate much lower than the last traded price. As such the buy order remained pending in the system.

c. Further, trades in SFL scrip on February 20, 2018 were getting executed in the range of Rs. 13.16 to Rs. 13.90 up to 9:32:28 AM. Mr. Ramavadh Yadav was on the buy side at trade time between 09:19:02 AM and 09:19:55 AM, wherein he raised the LTP of the scrip by Rs. 0.63 (4.79%) and Rs. 0.11 (0.8%) respectively, i.e. by almost 5% through two consecutive trades executed by him. The said trades established the traded price at Rs. 13.79 and Rs. 13.90 respectively.

d. However, twelve (12) minutes later, Mr. Ramavadh Yadav placed a sell for 20,000 shares at 09:32:34 AM at Rs. 13.15 which matched the price and quantity of the buy order placed by Mr. Parth Bhushan earlier. This resulted in execution of trade between Mr. Parth Bhushan and Mr. Ramavadh Yadav for 20,000 shares as mentioned below:

TRADE_ DATE	CLIENT NAME	CP_CLIENT NAME	ORDER_ NO	CP_ORDER_ NO	TRADE_ TIME	LTP_ RATE	LTP_ PERCE NT	TRADE D_QTY
20/02/2018	PARTH BHUSHAN	RAMAVADH JANGU YADAV	15190974000 02057017	15190974000 02057088	09:32:34	-0.01	-0.08	20000

a. It is noted that Mr. Ramavadh Yadav was buying SFL scrip at a higher price initially and within few minutes later, was selling at lower price to Mr. Parth Bhushan.

b. As already mentioned in previous paragraphs, Mr. Ramavadh Yadav and Mr. Ashwin Merchant bought 5,045 and 16,975 shares respectively from Mr. Brij Bhushan on February 05, 2018. Further, as brought out in the connection details, it is seen that both Mr. Ramavadh Yadav and Mr. Ashwin Merchant share the same address.

c. Further, it is an also admitted fact that Mr. Brij Bhushan transferred an amount of Rs. 10,00,000/- to Parth Bhushan on February 19, 2018.

d. Thus, it is noted that Mr. Brij Bhushan bought back 20,000 shares sold to Mr. Ramavadh Yadav (5,045 shares) and Mr. Ashwin Merchant (16,975 shares) on February 05, 2018 indirectly through Mr. Parth Bhushan as discussed in the earlier paras.

<u>Trading pattern of Mr. Mahaveer Yeswanti Bai/ Noticee no. 4 :-</u>

From the trade and order log on record following was observed regarding the trading of Mr. Mahaveer Bai, who was a more than 1% shareholder in SFL during the quarter ending December 2017 as seen from BSE filings. Mr. Mahaveer entered into only sale transactions in the scrip of SFL during the investigation period. It is seen that Mr. Mahaveer sold a total of 1,54,056 SFL shares during the investigation period. Out of the aforesaid sale of Mr. Yeswanti, a total of 78,613 SFL shares were bought by Mr. Ashwin and Mr. Ramavadh. The details of transactions involving the aforesaid shares are given below: -

TRADE_ DATE	CLIENT NAME	CP_CLIENT NAME	ORDER_ TIME	CP_ORDER_ TIME	TRADE_ TIME	TRADE_ RATE	LTP_ RATE	TRADE_ VALUE	TRADED QTY
15/02/2018	ASHWIN JAMNUDAS MERCHANT	MAHAVEER YESWANTI BAI	1:41:19 PM	1:14:15 PM	1:41:19 PM	14.51	0.01	72.55	5
16/02/2018	RAMAVADH JANGU YADAV	MAHAVEER YESWANTI BAI	3:00:50 PM	1:41:31 PM	3:00:50 PM	14.11	0.01	26809	1900
20/02/2018	RAMAVADH JANGU YADAV	MAHAVEER YESWANTI BAI	1:37:25 PM	1:37:06 PM	1:37:25 PM	13.39	0	321360	24000
20/02/2018	RAMAVADH JANGU YADAV	MAHAVEER YESWANTI BAI	1:37:50 PM	1:37:06 PM	1:37:50 PM	13.39	0.01	10712	800
20/02/2018	RAMAVADH JANGU YADAV	MAHAVEER YESWANTI BAI	1:37:58 PM	1:37:06 PM	1:37:58 PM	13.39	0	79001	5900
22/02/2018	RAMAVADH JANGU YADAV	MAHAVEER YESWANTI BAI	2:16:33 PM	2:16:26 PM	2:16:33 PM	12.98	-0.11	116820	9000
22/02/2018	RAMAVADH JANGU YADAV	MAHAVEER YESWANTI BAI	3:04:50 PM	3:04:42 PM	3:04:50 PM	13.09	0	221378.08	16912
23/02/2018	ASHWIN JAMNUDAS MERCHANT	MAHAVEER YESWANTI BAI	3:09:24 PM	3:09:18 PM	3:09:24 PM	12.99	0	260774.25	20075
27/02/2018	ASHWIN JAMNUDAS MERCHANT	MAHAVEER YESWANTI BAI	3:24:54 PM	3:17:44 PM	3:24:54 PM	12.79	0	63.95	5
27/02/2018	ASHWIN JAMNUDAS MERCHANT	MAHAVEER YESWANTI BAI	3:25:35 PM	3:17:44 PM	3:25:35 PM	12.79	0	76.74	6
27/02/2018	RAMAVADH JANGU YADAV	MAHAVEER YESWANTI BAI	3:26:01 PM	3:17:44 PM	3:26:01 PM	12.79	0.01	63.95	5
27/02/2018	RAMAVADH JANGU YADAV	MAHAVEER YESWANTI BAI	3:28:00 PM	3:17:44 PM	3:28:00 PM	12.79	0.19	63.95	5

a. On analysis of the trade log and order log and as seen from the table above, it is observed that synchronized and structured trades in the SFL scrip have been executed between Mr. Mahaveer Yeswanti Bai and Mr. Ramavadh Jangu Yadav/ Mr. Ashwin Jamnudas Merchant.

Further details of the aforesaid trades are as follows:

(Trades executed on February 20, 2018))

b. It is observed that on February 20, 2018, Mr. Yeswanti placed sell order at 01:37:06 PM for 60,000 shares at Rs. 13.39. The last three trades prior to aforesaid Mr. Yeswanti sell order took place at Rs. 13.44, 13.42 and Rs. 13.43 for 5 shares, 5 shares and 15,716 shares respectively between 01:11:23 PM to 01:11:30 PM. Despite the same, it is observed that Mr. Yeswanti Bai placed sell order at Rs. 13.39 i.e. at a price lower than Rs. 13.44, 13.42 and 13.43.

c. Thereafter between 01:37:25 PM to 01:37:58 PM, Mr. Ramavadh Yadav placed three buy orders at the rate same as the sell order rate of Mr. Yeswanti (details mentioned below):

ORDERID	ORDER_DATE	ORDER_TIME	RATE	QTY	AVL QTY	BUYSELL	CLIENT_NAME
1519097400002057216	20/02/2018	13:37:25.444163	13.39	24000	24000	B	RAMAVADH JANGU YADAV
1519097400002057219	20/02/2018	13:37:50.000344	13.39	800	800	B	RAMAVADH JANGU YADAV
1519097400002057220	20/02/2018	13:37:57.651511	13.39	5900	5900	B	RAMAVADH JANGU YADAV

d. This resulted in execution of trades for 30,700 SFL shares between Mr. Yeswanti Bai and Mr. Ramavadh Yadav as below:

TRADE_ DATE	CLIENT NAME	CP_CLIENT NAME	ORDER_ NO	CP_ORDER_ NO	TRADE_ TIME	TRADE _RATE	TRADE D_QTY
20/02/2018	RAMAVADH JANGU YADAV	MAHAVEER YESWANTI BAI	1519097400002057216	1519097400002057214	13:37:25.444163	13.39	24000
20/02/2018	RAMAVADH JANGU YADAV	MAHAVEER YESWANTI BAI	1519097400002057219	1519097400002057214	13:37:50.000344	13.39	800
20/02/2018	RAMAVADH JANGU YADAV	MAHAVEER YESWANTI BAI	1519097400002057220	1519097400002057214	13:37:57.651511	13.39	5900

(Trade executed on February 22, 2018)

e. Further, it is observed that on February 22, 2018, Mr. Yeswanti placed sell order for 18,000 shares at 03:04:42 PM at Rs. 13.09. Thereafter, immediately at 03:04:50 PM, Mr. Ramavadh placed buy order for 20,000 shares at Rs. 13.5).

f. Since the sell order rate was less than the buy order rate, the aforementioned orders resulted in trade between Mr. Ramavadh and Mr. Yeswanti Bai for 16,912 shares at 03:04:50 PM.

g. In this context, it is pertinent to mention that pursuant to the aforesaid trade, immediately at 03:06:46 PM, Mr. Yeswanti Bai deleted the balance 1,088 shares from the earlier sell order (ref. no. 1519270200001099350);

h. This clearly indicates that Mr. Yeswanti Bai placed the sell order with an intent to trade only with Mr. Ramavadh Yadav.

i. Further, on the same date of February 22, 2018, Mr. Yeswanti Bai and Mr. Ramavadh executed a synchronised trade at 02:16:33 PM for 9,000 SFL shares (details mentioned below):

TRADE_ DATE	CLIENT NAME	CP_ CLIENTNAME	ORDER_ NO	CP_ ORDER_NO	ORDER_ TIME	CP_ORDER _TIME	TRADE_ TIME	TRADE _RATE	TRADE D_QTY
22/02/2018	RAMAVAD H JANGU YADAV	MAHAVEER YESWANTI BAI	151927020000 1099290	15192702000 01099289	14:16:33	14:16:26	14:16:33	12.98	9000

(Trade executed on February 22, 2018)

j. It is further observed that on February 23, 2018, Mr. Yeswanti placed sell order for 22,000 shares at 03:09:18 PM at Rs. 12.99. Thereafter, immediately at 03:09:24 PM, Mr. Ashwin Merchant placed buy order for 22,000 shares at Rs. 13.

k. It is seen that 1,925 shares (615, 180, 630, 500 shares) of buy orders matched with third parties before the buy order of Mr. Ashwin Merchant matched with sell order of Mr. Yeswanti Bai for 20,075 shares at Rs. 12.99 at 03:09:24 PM (details mentioned below):

TRADE_ DATE	CLIENT NAME	CP_ CLIENTNAME	ORDER_ NO	CP_ ORDER_NO	TRADE_ TIME	TRADE_ RATE	TRADE D_QTY
23/02/2018	ASHWIN JAMNUDAS MERCHANT	MAHAVEER YESWANTI BAI	1519356600001579256	1519356600001579255	15:09:24.02286	12.99	20075

l. Thereafter, it is seen that immediately at 03:10:58 PM, Mr. Yeswanti Bai deleted the balance 1,925 shares from sell order placed by him earlier (order no. 1519356600001579255)

30. In this background, I note that the Noticees have not denied having carried out the impugned trades. However, various contentions have been put forward to assert that the trades executed by them were not in violation of the PFUTP Regulations as alleged. The said contentions are dealt with in the following paragraphs.

31. The Noticees nos. 5 and 6 have contended that no pre-planned exercise or manipulative intent behind executing the said trades. As regards, the said contentions, I note the following judgements of the Hon'ble Supreme Court and Hon'ble Securities Appellate Tribunal (SAT) in this matter:

In the matter of MBL and Company Limited v. SEBI (Civil Appeal Nos 4262-4263 of 2022), the Hon'ble Supreme Court has, *inter-alia*, held that

"…9. In the present case, the order of the WTM as well as of the SAT notes that ***the modus operandi of the appellant was to place a huge sale order at a price higher than the last traded price of the Company and thereafter to make a self-trade of only one share for that higher price, thus, establishing a new higher LTP***

…10. The WTM found the appellant guilty of violating provisions of Section 12A (a), (b), (c) of the SEBI Act read with Regulations 3 (a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), 4(2) (e) and 4(2)(g) of the PFUTP Regulations. It is in this backdrop that the WTM has come to the conclusion that the

manipulation which was conducted by the appellant has to be analyzed not only from the narrow perspective of the gain which has been caused to the appellant, but, on the breach of the integrity of the securities market. … 13. *In N. Narayanan v. SEBI , this Court observed that Section 12-A of the SEBI Act read with Regulations 3 and 4 of the PFUTP Regulations* ***specifically aim to curb market manipulations which can have an adverse effect on investor confidence and the healthy growth of the securities market****.*

…14. The securities market deals with the wealth of investors. Any such manipulation is liable to cause serious detriment to investors' wealth. In this backdrop, the order which has been passed by the WTM cannot be regarded as disproportionate so as to result in the interference of this Court in the exercise of its jurisdiction under Section 15Z of the SEBI Act. Moreover, the WTM has prohibited the appellant from participating in its proprietary account for a specified period, leaving it open to the appellant to continue operation in their broking account.

…15. ***For the above reasons, we are not inclined to accede to the submissions which have been urged on behalf of the appellant****. The appeals shall stand dismissed" (Emphasis supplied).*

In the matter of Shailesh Jain v. SEBI (Appeal No. 15 of 2012 decided on May 01, 2012), the Hon'ble SAT has held that *"The appellant's role has been one of conscious indulgence in manipulation of the trade in a crude and preplanned manner.* ***The very fact that the appellant has placed orders above the last traded price when sell orders were available in***

***the market at a lower price shows the intention behind the trade**." (Emphasis supplied).*

In the matter of Saumil Bhavnagari v. SEBI (Appeal No. 28 of 2014 decided on March 21, 2014), *inter-alia*, the following was held by the Hon'ble SAT:

"From the nature of the trading, it is clear that the appellant has sought to create a misleading impression that a large number of persons were trading in the scrip. This lends support to the finding of the adjudicating officer in paragraph 20 of the impugned order.

*… but by purchasing shares at the higher price in LTP in most of the trades, the noticee had given a wrong impression about the liquidity of the scrip in the market. **It must not be forgotten that every trade establishes the price of the scrip and the noticee's trading at higher than LTP resulted in the price of the scrip going up and were done with a view to set the price at a desired level and thereby influencing the innocent/gullible investors.** By purchasing at a higher price in most of his trades, the noticee had given the wrong impression about the price of the scrip in the market. It is an accepted state of affairs that in cases of manipulation of the volume and / or price of a particular scrip, it is usually an arduous task to obtain direct evidence. **However, the analysis of the trade and order logs as undertaken hereinabove, establishes the malafide intention of the appellant.**" (Emphasis supplied)*

The Hon’ble SAT in the matter of Dhiren Dharamdas Agrawal HUF v. SEBI (Appeal 50 of 2022 decided on September 05, 2022), *inter-alia*, held that:

“ *We find that admittedly the appellant placed buy orders before the sell orders. We also find that the buy order were above the LTP. It makes no sense for a buyer to buy at a higher price when the shares are available at a lower price. Thus, placing buy orders above LTP amounts to manipulating the price of the scrip and also creates misleading appearance of trading*.

..

Out of 8 trades for 800 shares executed by the appellant during Patch – 5 in the scrip of JPIL, the appellant contributed to Rs. 24.4 to positive LTP through 7 trades for 700 shares. We find that the buy orders was placed before the sell orders and, in this manner, 7 trades were executed on 7 consecutive days and resulted in positive LTP contribution of Rs. 24.4. We further find that buy orders placed at prices were significantly above LTP. Such execution of trades was clearly with the intention of manipulating the price of the scrip in question.”

In light of the above, and perusing the records available on file, the analysis of trading pattern and in view of the observations made above and based on, the said contentions of the Noticee nos. 5 and 6 that, there was no preplanned exercise or manipulative intent behind executing the said trades are not acceptable.

32. Further, the Noticee nos. 5 and 6 have contended that the trading is screen based and they did not know the identity of the counterparties of the trades executed also

that their trades are legal and executed within the four corners of law. In this regard, I note based on case laws that establishing a direct connection between the entities who executed trades and the counter parties/directors of companies of the scrip may not be necessary always in cases involving artificial manipulation of volume and price of a scrip. I further note that though the trades are executed through the stock exchange mechanisms, it is observed from the trade log and order log that the two Noticees generated artificial volume and also manipulated price of the scrip SFL by adopting a trading pattern. The artificial creation of volume and manipulation of price by the suspected entities often leaves a distinctive pattern in trading data. The trading pattern adopted by the Noticees, the manner in which the trades were executed by the Noticees and the observations made therein were already discussed in previous paragraphs. In this context, I find it relevant to refer the following judgments of the Hon'ble Supreme Court and the Hon'ble SAT:

> Hon'ble Supreme Court in the matter of Securities and Exchange Board of India v. Kishore R Ajmera (AIR 2016 SC 1079), *inter-alia,* held that
>
> *" ..... According to us, knowledge of who the 2nd party/client or the broker is, is not relevant at all.* ***While the screen based trading system keeps the identity of the parties anonymous it will be too naïve to rest the final conclusions on the said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act*** *or the provisions of the Regulations framed thereunder is concerned...*

....

The conclusion has to be gathered from various circumstances like that volume of trade effected; the period of persistence in trading in a particular scrip; the particulars of buy and sell orders, namely the volume thereof; the proximity of time between the two and such relevant factors.........”*(Emphasis supplied)*

In the matter of Tanuj Khandelwal v. SEBI (Appeal No. 357 of 2020 decided on January 04, 2021) the Hon’ble SAT, *inter alia*, held that:

“7. Having heard the learned counsel for the appellant and upon perusal of the impugned order we are of the opinion that the case of the appellant is distinguishable and consequently the decision in M/s. Nishith M. Shah HUF (supra), Rajesh Marchya (supra) and Mr. Jayant Indulal Sethna (supra) cases are not applicable and are distinguishable on facts. We find that except on three occasions the appellant only sold one share at a time on a daily basis. ***This trading pattern created misleading appearance with intention to manipulate the market if not the price. Thus, even if there is no connection with the buyer the trading pattern shows a concerted effort to manipulate the market and therefore, we are of the opinion that the appellant was not acting as a genuine seller.*** *We also find that the appellant had no bonafide intention to sell because inspite of sufficient buy orders being placed with abundant quantity being available in the market the appellant was only placing sell orders of one share at a time. This clearly shows his intention of manipulating the market for vested reasons.” (Emphasis supplied)*

The Hon'ble SAT in the matter of Shreenath Finstock Private Limited v. SEBI (Appeal No. 186 of 2020; Decided on March 22, 2021), *inter alia,* held that

"... we are of the considered view that the pattern of trading conducted by the appellants clearly establishes an attempt to manipulate the price of the scrip of Nutraplus. ***While it can be argued that no law prevents a trader from placing orders for one share, placing such orders... repeatedly, as in the instant case, is clearly manipulative in nature****... A few such trades occasionally may not fall within the ambit of such manipulation as under Section 12A(a), (b), (c) of SEBI Act, 1992 and the PFUTP Regulations. But by no stretch of imagination we can extend that benefit of doubt to the appellants herein who have indulged in such single share trades... during a limited period. Therefore, irrespective of the connection by the appellants and others... these appeals do not have any merit. Nor these issues are very relevant when it is clear that the pattern of trading conducted by the appellants were clearly of manipulative nature squarely falling under the provisions of the PFUTP Regulations. Therefore, we have no doubt that the impugned order does not suffer from any deficiencies in this regard." (Emphasis supplied).*

In view thereof, the contention of the Noticee nos. 5 and 6, Mr. Ramavadh and Mr. Ashwin that the trading is screen based and they did not know the identity of the counterparties of the trades executed as mentioned is not acceptable.

33. The Noticee nos. 5 and 6, Mr. Ashwin and Mr. Ramavadh also submitted that the overall price rise in the rise accounted 2.95% in the scrip of SFL during the investigation period and contended that the aforesaid percentage rise and the number of trades executed is minimal. However, I note that the price of the scrip varied substantially i.e. from Rs. 11.50 before the investigation period to a high of Rs. 15.93 during the course of investigation period. Also, the LTP contribution of the Noticees Mr. Ramavadh and Mr. Ashiwn is also substantial i.e. Mr. Ramavadh and Mr. Ashwin contributed 64.82% and 16.82% respectively to the total positive LTP of the market. Further, together the said two Noticees contributed 81.64 % to the total positive LTP of the market i.e. Rs. 131.37. I note that the aforementioned facts were not disputed by the said Noticees. In this context, I find it relevant to refer to the judgment of the Hon'ble SAT in the matter of Tarunkumar Brahmbhatt and others v. SEBI (Appeal 322 of 2019 decided on August 28, 2021) which, *inter-alia,* held that:

" From the trades executed by the appellants which has been depicted in detail in the impugned order we notice that the appellants placed buy orders above the LTP and that some of the trades were the first trades of the day. It is common sense that when an investor buys he would like to buy a scrip at the lowest possible price and when he wants to sell he would like to get the highest possible price. Why should a person/ investor buy a share at a higher price than what is available on the stock exchange at a lower price unless there is a motive. ***In the instant case, the trading pattern of the appellants clearly indicates that they were placing buy orders above the LTP which led to market contribution to the positive LTP and also created a new high price (NHP).***

…

The contention of the appellants that there was no manipulation in the price of the scrip and that the transaction was minimal which cannot influence the market and therefore there cannot be any manipulation is not correct. We find from the record that the appellants individually and collectively have contributed LTP majorly to the market positive LTP..

In view of the aforesaid, the charge relating to manipulation in the price of the scrip stands proved against the appellants” *(Emphasis supplied).*

34. Noticee no. 3/Mrs. Kalpna submitted that she wanted to exit the counter and since the trades were not getting executed, she had to sell by clicking the lower price for successfully execution the trade. In this regard, I note that Noticee no.1/Mr. Brij Bhushan executed sale transactions starting on February 05, 2018, and sold SFL shares on February 06, 07 and 08, 2018. As discussed in previous paragraphs, the trading pattern adopted by the Noticees and the manner in which the Noticees placed buy orders and sell orders cannot be ignored. Further, the fact that Noticee no. 1/Mr. Brij Bhushan used his funds to indirectly buy 20,000 shares, 16,975 shares and 10,000 shares of SFL i.e. through his son Noticee no. 2/Mr. Parth Bhushan from the three entities to whom he sold the said shares earlier, cannot be ignored. Though the Noticee no. 3 has contended that she had to sell the said share, it is pertinent to note that the said Noticee no. 3/Mrs. Kalpna had purchased shares from Mr. Brij Bhushan on February 05, 2018 and a few days later, sold the SFL shares to Mr. Parth Bhushan on February 19, 2018. In light of these transactions, said contentions of the Noticee no. 3/Mrs. Kalpna are not acceptable.

35. The Noticee no. 4/Mr. Mahaveer Yeswanti Bai has contended that he has no connection with Noticees No. 5 and 6. I note that Noticee 4 has offloaded 1,54,056 SFL shares during the course of the investigation, out of which 78,613 shares were purchased by Noticee nos. 5 and 6 by adopting a distinctive trading pattern. In this context, considering the quantities and prices at which the trades had happened, the short span between the placement of buy and sell orders, deletion of orders by Noticee, the client counterparty remaining the same in the trades and in a scrip which was not very liquid in normal course, the contentions of the Noticee are not acceptable. This pattern shows prior meeting of mind between the Noticee no. 4 and Noticee nos. 5 and 6.

36. Based on the observations above, I hold that the Noticee nos. 1, 2, 3, 4, 5 and 6 by adopting a trading pattern as described in previous paragraphs have created misleading appearance of trading and have contributed to generation of artificial volume in the scrip of SFL, during the investigation period. I also note that trades of Noticee nos. 5 and 6 had substantially contributed to the positive LTP in the scrip of SFL through their unique trading pattern as discussed above.

37. In this regard, I find it pertinent to mention that Hon'ble Supreme Court of India in SEBI v. Kishore R. Ajmera (2016) 6 SCC 368 (Judgment dated February 23, 2016), *inter-alia*, held that:

"It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain

basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion…The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned… The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors."

As regards, the small trades(1-10 shares), I also find it pertinent to refer to the judgement of Hon'ble SAT in the matter of Neetu Gupta v. SEBI (Appeal No. 423 of 2019; Order dated February 25, 2020) wherein it was held as follows, "*Having heard the learned counsel for the parties, we are of the considered view that the impugned Adjudication Order in the matter of CCL International Limited transactions, in the facts and circumstances of the matter, would fall in the realm of violations of PFUTP Regulations. Individual argument that each entity's trade is miniscule and only on a few days alone etc. is not sufficient to rebut the findings in the impugned order… In such matters, the preponderance of probability based on the totality of circumstances, as held by the Apex Court in the matter of Kishore*

R. Ajmera (2016) 6 SCC 368 squarely applies. The orders in Jayprakash Bohra (Supra) and Shri Lakhi Prasad Kheradi (Supra) also apply the same ratio."

38. Further, the Hon'ble SAT in the matter of Shri Lakhi Prasad Kheradi v. SEBI (Appeal No. 232 of 2017; Order dated June 21, 2018) inter-alia held that, "*As held by the Apex Court in the case of SEBI V/s Kishore R. Ajmera reported in (2016) 6 SCC 368, in the absence of direct evidence, by taking into account immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded it is open to an AO to arrive at a reasonable conclusion that the trade executed were manipulated trades. In the facts of the present case, in our opinion, no fault can be found with the decision of the AO that the trades executed by the appellant were manipulative trades and hence, the appellant was guilty of violating the SEBI Act and the PFUTP Regulations*."

39. In view of all of the above observations and findings from the material available on record, it is my considered opinion that, charges levelled against Mr. Brij Bhushan (Noticee no. 1), Mr. Parth Bhushan (Noticee no. 2), Mrs. Kalpna Ajaykumar Min (Noticee no. 3) and Mr. Mahaveer Yeshwanti Bai(Noticee No. 4) of creating misleading appearance of trading in the scrip of SFL and generating artificial volume in the trading of SFL scrip during the investigation period and thereby violating the provisions of Section 12A (a), (b), (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) and Regulations 4(1) and 4 (2) (a) of PFUTP Regulations are hereby established. I also hold that charges levelled against Mr. Ashwin Jamnudas Merchant (Noticee no. 5) and Mr. Ramavadh Jangu Yadav (Noticee no. 6) of creating misleading appearance of trading in the scrip of SFL and manipulating

the price of SFL scrip during the investigation period and thereby violated the provisions of Section 12A (a), (b), (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) and Regulations 4(1), 4 (2) (a), and (e) of PFUTP Regulations are hereby established.

ISSUE III. If yes, whether the violations would attract monetary penalty on the Noticees under the provisions of the Section 15HA of the SEBI Act?

ISSUE IV. If yes, what should be the quantum of monetary penalty?

40. As the charges levelled against the Noticees 1 to 6 in the SCN have been established as seen from the foregoing paragraphs, I observe that the said Noticees are liable for imposition of monetary penalty under Section 15HA of SEBI Act. I refer to the text of the said provisions, which is reproduced below:

SEBI Act, 1992

Penalty for fraudulent and unfair trade practices.

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

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

SEBI Act, 1992

15J. While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely *(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.

42. In this context, it is relevant to mention that PFUTP Regulations, apart from other things, aims to preserve and protect the market integrity in order to boost investor confidence in the securities market. When anyone deliberately employs a scheme, as has been done by the Noticees in the instant matter, the price discovery system gets affected and it also affects the confidence and trust of the investors in the securities market. Such trades also tend to have an adverse impact on the fairness, integrity and transparency in the securities market. At this juncture, I find it pertinent to mention that the Hon'ble Supreme Court of India in the matter of N. Narayanan v. SEBI [(2013) 12 SCC 152] *inter alia* held that *"…if market abuse is not properly curbed, then it would result in defeating the very object and purpose of SEBI Act... Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law…Market manipulation is normally regarded as the "unwarranted" interference in the operation of ordinary market forces of supply and demand and thus undermines the "integrity" and efficiency of the market... Section 12A read with Regulations 3 and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'."*

43. I note that the amount of disproportionate gains or unfair advantage made by the Noticees, or losses occurred to the investors have not been brought out in the investigation. As regards the repetitive nature of the default, I find that there is

nothing on record to indicate any past violations committed by the Noticees. However, I am of the view that the acts of price and volume manipulation in scrips violate the fundamental tenets of market integrity. Such acts of Noticees as in the instant matter if dealt with lightly, could undermine investors' confidence in the securities market and therefore, deserve suitable penalty commensurate with the violations committed by the Noticees.

ORDER

44. After taking into consideration the nature and gravity of the violations established in the preceding paragraphs and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose the following penalties on the Noticees under Section 15HA of the SEBI Act, 1992 for the respective violation of the provisions mentioned hereunder:

Noticee	Violation	Penal Provisions	Penalty
Mr. Ramavadh Jangu Yadav	Section 12A (a), (b), (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) Regulations 4(1) and 4 (2) (a) and 4 (2) (e) of PFUTP Regulations	Section 15HA of SEBI Act	Rs. 10,00,000/- (Ten Lakh) to be paid jointly and severally by Mr. Ramavadh Jangu Yadav and Mr. Ashwin Jamnudas Merchant
Mr. Ashwin Jamnudas Merchant			
Mr. Brij Bhushan	Section 12A (a), (b), (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) Regulations 4(1) and 4 (2) (a) of PFUTP Regulations.	Section 15HA of SEBI Act.	Rs. 7,00,000/- (Seven Lakh) to be paid jointly and severally by Mr. Brij Bhushan and Mr. Parth Bhushan
Mr. Parth Bhushan			
Mrs. Kalpna Ajaykumar Min	Section 12A (a), (b), (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) Regulations 4(1) and 4 (2) (a) of PFUTP Regulations	Section 15HA of SEBI Act	Rs. 5,00,000/-(Five Lakh)
Mr. Mahaveer Yeswanti Bai	Section 12A (a), (b), (c) of the SEBI Act and Regulations 3	Section 15HA of SEBI Act	Rs. 5,00,000/-(Five Lakh)

	(a), (b), (c), (d) Regulations 4(1) and 4 (2) (a) of PFUTP Regulations		

I am of the view that the penalty imposed on the Noticees as mentioned above is commensurate with the violations committed by the Noticees.

45. Noticees shall remit / pay the said total amount of penalty within 45 days of the receipt of this order either by way of Demand Draft in favour of "SEBI- *Penalties Remittable to Government of India*", payable at Mumbai, or by following the path at SEBI website www.sebi.gov.in, ENFORCEMENT > Orders > Orders of AO > PAY NOW; OR by using the web link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

46. The said confirmation of e-payment made in the format as given in table below should be sent to "The Division Chief, EFD1-DRA-III, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C- 7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051" and also to e-mail id:- tad@sebi.gov.in

1. Case Name:	
2. Name of payee:	
3. Date of payment:	
4. Amount paid:	
5. Transaction no.:	
6. Bank details in which payment is made:	
7. Payment is made for: (like penalties/ disgorgement/recovery/ settlement amount and legal charges along with order details)	

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

Date: February 28, 2023	**N HARIHARAN**
Place: Mumbai	**ADJUDICATING OFFICER**