BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/SM/AE/2022-23/16491-16493]

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

In respect of:

Noticee No.	Noticee Name	PAN
1	Mr. Sanjay Jalan	AAWPJ2893G
2	Ms. Anila Jalan	AAIPA6667P
3	Ms. Rinku Jalan	AGBPJ8319E

*(hereinafter collectively referred to as "**Noticees**")*

In the matter of Le Waterina Resorts and Hotels Ltd

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') received a complaint from an entity, alleging price and volume manipulation in the scrip of Le Waterina Resorts & Hotels Limited (hereinafter referred to as '**Le Waterina/Company/by name**'). Thereafter, SEBI conducted an investigation with respect to the alleged irregularities in the scrip of Le Waterina during the period from October 01, 2010 to March 05, 2012 (herein after referred to as '**Investigation Period/IP**'). The company is listed on BSE Limited (herein after referred to as '**BSE**'). SEBI observed that during the IP, entities, namely, (1). Mr. Sanjay Jalan, (hereinafter

referred to as ‘**Noticee 1/by name**’), (2). Ms. Anila Jalan, (hereinafter referred to as ‘**Noticee 2/by name**’), (3). Ms. Rinku Jalan, (hereinafter referred to as ‘**Noticee 3/by name**’) (Noticees 1 to 3 hereinafter collectively being referred to as ‘**Noticees**’), and 13 other entities named in the subsequent para, allegedly violated provisions of Sections 12A(a), (b), (c) Securities and Exchange Board of India Act, 1992 (herein after referred to as ‘**SEBI Act**’) read with Regulations 3(a), (b), (c) (d), 4(1) and 4(2) (a), (d) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as ‘**PFUTP Regulations**’).

2. Accordingly, adjudication proceedings under Section 15HA of the SEBI Act, 1992 was initiated against the following 16 entities, namely – 1) Mr. Kamal Kothari, Managing Director of M/s. Guiness Securities Ltd., 2) Mr. Sanjay Jalan, 3) Ms. Anila Jalan, 4) Ms. Rinku Jalan, 5) M/s. Sangam Agro Agencies P. Ltd., 6) M/s. Miatru Agro Marketing P. Ltd., 7) Mr. Devang Vyas, 8) Mr. Rajiv C Gandhi, 9) Ms. Geeta Dilip Vyas, 10) Mr. Ritesh Popli, 11) M/s. Pawantar Agro Agencies P. Ltd, 12) Mr. Rrajevv Dililp Vyas, 13) Mr. Paresh C Doshi, 14) Mr. Sumit Popli, 15) Ms. Himmatlal Jethalal Lakhani and 16) Shailesh Shah for the alleged violations of the provisions of Section 12A(a), (b) and (c) of SEBI Act read with Regulations 3(a), (b), (c), (d), 4 (1) and 4(2) (a), (d) and (g) of PFUTP Regulations. Subsequently, Adjudication Order dated January 31, 2019 was passed in respect of entities at sl. 5 to 16 above and a Settlement Order dated March 28, 2018 was passed in respect of entity at sl. 1 above.

APPOINTMENT OF ADJUDICATING OFFICER

3. Initially, Shri Suresh B Menon, Chief General Manager, was appointed as the Adjudicating Officer (**AO**) by SEBI vide communique order dated February 16, 2017 to inquire into and adjudge under Section 15HA of the SEBI Act, 1992, the aforesaid violations alleged to have been committed by the aforesaid entities including the Noticees. Subsequently, vide communique order dated May 18, 2017, Shri Jeevan

Sonparote was appointed as the AO in the matter. Thereafter, the undersigned was appointed as the AO in the matter vide communique order dated December 31, 2020.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. A common Show Cause Notice (**SCN**) dated September 28, 2017 was issued to sixteen entities, named above, under Rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules'**) in the matter to show cause as to why an inquiry should not be held against them under Rule 4 of the Adjudication Rules and penalty be not imposed for the alleged violations of Section 12A(a), (b) and (c) of SEBI Act, 1992 read with Reg. 3(a), (b), (c), (d), 4 (1) and 4(2) (a), (d) and (g) of SEBI PFUTP Regulations. This Order is against 3 Noticees mentioned herein. SCN dated September 28, 2017 issued to the Noticees is as per details hereunder:

Noticee No.	**Name of Noticee**	**Reference no. of SCN**
1	Mr. Sanjay Jalan	EAD-8/JS/VRP/OW/P/2017/23638/1
2	Ms. Anila Jalan	EAD-8/JS/VRP/OW/P/2017/23639/1
3	Ms. Rinku Jalan	EAD-8/JS/VRP/OW/P/2017/23640/1

5. The allegation levelled in the SCN are summarized as follows –

   a) *SEBI observed during the investigation from the source for all off-market transfers and subsequent transfers/ sale of shares, were from two entities namely Noticee Ms. Anila Jalan and Ms. Rinku Jalan, who are connected to promoter Mr. Sanjay Jalan who was Managing Director of the company. SEBI observed that Ms. Anila Jalan (Mother of Mr. Sanjay Jalan) had transferred 6,60,000 shares (of FV-Rs.10) and 57,58,550 shares (of FV – Rs.1) to 6 entities Further, Ms. Rinku Jalan (wife of promoter, Mr. Sanjay Jalan) had transferred 7,79,455 shares (FV-Rs.10) and 49,01,000 shares (FV- Rs.1) to 9 entities. SEBI observed that entities those had received shares from promoter related entities and Noticee Devang Vyas and Farrah Vyas through off market and traded during the investigation* *period were suspected connected entities. The details of suspected connected entities (43) and connection among them is enclosed as* ***Annexure-3*** *and the list of suspected entities is tabulated below:*

S no.	Name of the entity	S no.	Name of the entity	S no.	Name of the entity
1	AnilaJalan	15	Ramadoss V	29	Alpa Rajesh Sanghrajka
2	RinkuJalan	16	DevikaRamadoss	30	LaxmiMahendrakumarJaveri
3	KamleshShantilal Jain	17	Mani Batra	31	Kalpana M Golecha
4	Gandhe Shiva Kumar	18	TarunBatra	32	Prashant Bhardwaj
5	Shakuntala Devi	19	Rajiv Chandrakant Gandhi	33	J Shankar
6	Maitru Agro Marketing P. Ltd	20	Ritesh Popli	34	Chetna Vijay Rathod
7	Pawantar Agro Agencies P Ltd	21	VarshaPopli	35	Jemin Vijay Rathod
8	Param Commodities P. Ltd	22	SumitPopli	36	Gaurav Rajni Parikh
9	Sangam Agro Agencies P. Ltd	23	Shailesh Shah	37	PareshChandrakantDoshi
10	DevangDilipVyass	24	HimmatlalJethalal Lakhani	38	Bharat.G.Thaker
11	Farah Devang Vyas	25	Dhruv Dinesh Bhuva	39	Khader Rahman
12	GeetaDilip Vyas	26	R V Sekhar	40	Ramesh PurushottamAjudiya
13	RrajevvDilip Vyas	27	SatyapaulMaggon	41	Nisha Singh
				42	KomalPareshDoshi
14	Anjali Rajiv Vyas	28	KetanSumanlal Shah	43	MadhavjiDamodarGhewada

b) *SEBI observed from the trading analysis during the investigation period that, the face value of the stock was divided from Rs.10/- to Rs.1/- w.e.f. July 04, 2011.*

c) *SEBI observed the trading Member the Noticee Guiness Securities Ltd. had the highest contribution of 21.05% and 27.85% in gross buy and gross sell respectively during pre-stock split period. SEBI, further observed that Noticee Guiness Securities Ltd had the highest contribution of 38.88% and 26.99% in gross buy and gross sell respectively during the post-stock split period.*

d) *The details of Top10 buy and sell clients' concentration is tabulated as below:*

PRE-STOCK SPLIT

Buy Client Name	Gross Buy Vol.	% of trd. Vol.	Sell Client Name	Gross Sell Vol.	% of trd. Vol.
Man Mohan Damani	6,63,727	21.50	Miatru Agro Marketing P. Ltd	3,50,000	11.34
Pawantar Agro Agencies P. Ltd	2,37,337	7.69	Farah Devang Vyas	2,80,102	9.07
Farah Devang Vyas	2,06,528	6.69	Pawantar Agro Agencies P. Ltd	2,45,115	7.94
Devang D Vyas	1,53,666	4.98	Devang D Vyas	1,46,098	4.73
Sangam Agro Agencies P. Ltd	1,27,014	4.11	Rajiv C Gandhi	1,20,763	3.91
Rajiv C Gandhi	1,19,911	3.88	RrajevvDilip Vyas	94,645	3.07
Ritesh Popli	1,00,083	3.24	Bharat G Thaker	90,000	2.92
RrajevvDilipVyass	91,466	2.96	GeetaDilip Vyas	88,995	2.88
GeetaDilip Vyas	74,757	2.42	Mani Batra	68,500	2.22
PareshChandrakantDoshi	54,550	1.77	LakshmananSubashini	61,747	2.00
Top 10 buy clients	**18,29,039**	**59.26**	**Top 10 sell Clients**	**15,45,965**	**50.09**
Other buy clients	**12,57,582**	**40.74**	**Other sell clients**	**15,40,656**	**49.91**
Total traded volume	**30,86,621**	**100.00**	**Total traded volume**	**30,86,621**	**100.00**

e) *SEBI observed from the above that except the Noticee Mr. Man Mohan Damani who was the top buyer, remaining nine clients are suspected entities whose buy volume constitutes 37.76%(11,65,312 shares) of total buy volume and all the top 10 sellers except Ms. Lakshmanan Subhashini are suspected entities constituting 48.09%of total sell volume during pre-stock split period of investigation.*

POST-STOCK SPLIT

Buy Client Name	Gross Buy Vol.	% of trdvol	Sell Client Name	Gross Sell Vol.	% of trd volume
Sangam agro agencies P Ltd	50,67,302	13.98	Sangam agro agencies P. Ltd	55,03,981	15.18
Miatru agro marketing P Ltd	40,33,888	11.13	Rajiv C Gandhi	31,49,848	8.69
DevangDilip Vyas	37,04,510	10.22	Miatru Agro marketing P. Ltd	30,55,082	8.43
Rajiv C Gandhi	21,55,250	5.94	Farah Devang Vyas	26,20,182	7.23
Farrah DevangVyass	20,44,385	5.64	DevangDilip Vyas	23,02,790	6.35
GeetaDilip Vyas	16,98,988	4.69	GlobalWorth securities Ltd	10,74,835	2.96
Kamal Kumar Bararia	13,82,478	3.81	Sumitpopli	10,04,915	2.77
Globalworth Securities Ltd	10,94,067	3.02	Kamal Kumar Bararia	10,04,350	2.77
Sumitpopli	8,39,175	2.31	Riteshpopli	8,96,535	2.47
BpFintradeP. Ltd	6,13,484	1.69	HimmatlalJethalal Lakhani	8,37,100	2.31
Top 10 buy clients	**2,26,33,527**	**62.43**	**Top 10 sell clients**	**2,14,49,618**	**59.17**
Other buy clients	**1,36,20,169**	**37.57**	**Other sell clients**	**1,48,04,078**	**40.83**
Total traded volume	**3,62,53,696**	**100.00**	**Total traded volume**	**3,62,53,696**	**100.00**

f) *SEBI observed from the above that, out of top 10 buy clients, 7 buy clients were suspected entities and their buy volume constitutes 53.91% of total buy volume and 8 sell clients (except M/s Global worth securities &Mr. Kamal Kumar Bararia)* *were suspected entities whose sell volume constitutes 53.44% of total sell volume.*

g) *SEBI observed from the trading details of the suspected entities/noticees during the investigation period, that there were significant off market transfers among the suspected entities/noticees. The Noticees namely Ms. Anila Jalan and Ms. Rinku Jalan, Miatru Agro Marketing Pvt, Ltd., Devang Vyas and entity namely Farrah Vyas had transferred shares in off market to other suspected entities/noticees, The entities those had received shares in off market had traded in the market by executing trades among themselves thereby created artificial volume in the scrip.*

h) ***PRE-STOCK SPLIT***

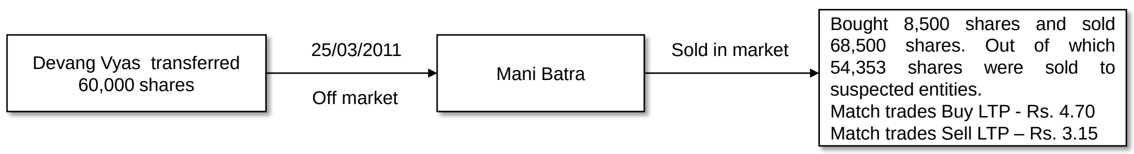
SEBI observed during pre-stock split period, the scrip was traded with average daily volume of 16,331 shares and total traded quantity was 30,86,621 shares through 9,326 trades in 189 trading days with an average of 49.34 trades per day. The summary of total buy and total sale of suspected entities/noticees is given below:

Gross Buy	***% of total buy to total traded volume***	***% of matched buy qty with suspected entities***	***Gross Sell***	***% of total sale to total traded volume***	***% of matched sell qty with suspected entities***
12,92,946	*41.89 %*	*54.37%*	*17,89,937*	*57.99 %*	*39.31%*

i) *Details of gross buy and gross sell along with quantity matched with suspected entities is enclosed as* ***Annexure-4.*** *It is observed that suspected entities/noticees had contributed to 41.89% and 57.99% of gross buy and gross sell respectively. SEBI observed from the analysis of trade and order log that the trading among the group entities/noticees was significant which is evident from the above table that counterparties of 54.37% of gross buy and 39.31% of gross sell of suspected entities/noticees were suspected entities. It was further observed that suspected entities/noticees had executed trades among themselves for 7,03,010 shares, which accounted for 22.78% of the total market volume. Summary of trading of suspected entities/noticees is enclosed as* ***Annexure-4A****.*

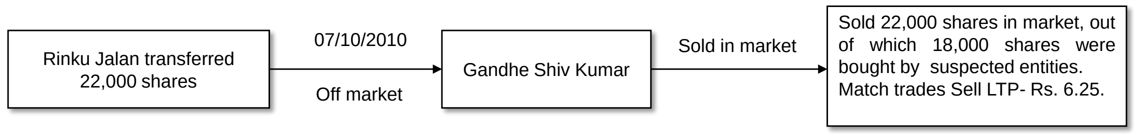
j) SEBI observed that the said entities/ noticees by executing trades among themselves had created artificial volumes in pre-stock split period. It was observed that out of 189 trading days, the above referred entities'/noticees executed trades among themselves on 117 day thereby creating artificial volume. SEBI further revealed that out of 117 days, on 73 days traded volume of suspected entities/noticees had constituted more than 25% of respective day's traded volume.

k) Some of the instances of off market transfer of shares by suspected entities/noticees and their on-market trades by suspected entities/noticees is graphically elaborated below:

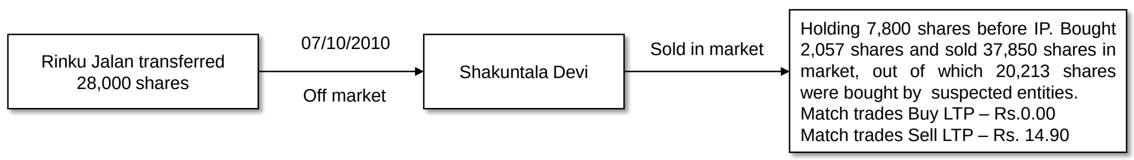


SEBI observed from the above, that the Noticee Devang Vyas had transferred 60,000 shares in off- market to the entity Mani Batra who had bought 8,500 shares (5,690 sharesi.e.66.94%) from suspected entities contributing to LTP of Rs4.7) and sold 68,500 shares (54,353of shares (i.e. 79.34%) to suspected entities/noticees contributing to LTP of Rs3.15) in market during pre-stock split period. It is observed that majority of shares were sold to and bought from suspected entities/Noticees.

SEBI observed from the above, that the Noticee Devang Vyas had transferred 40,000 shares in off- market to Mani Batra who had sold entire 40,000shares (30,075sharesi.e.75.19%to suspected entities contributing to LTP of Rs8.46) in market during pre-stock split period. It is observed that majority of shares were sold to suspected entities.



l) SEBI observed from the above, that the Noticee Ms. Rinku Jalan had transferred 22,000 shares in off market to Gandhe Shiv Kumar who had sold entire 22,000 shares (18,000shares (i.e. 81.82%) to suspected entities/noticees contributing to LTP of Rs6.25) in market during pre-stock split period. It is observed that majority of shares were sold to suspected entities/noticees.



m) SEBI observed from the above, that the Noticee Ms. Rinku Jalan had transferred 28,000 shares in off- market to Shakuntala Devi who had bought 2,057 shares (bought 180 shares from suspected entities) and sold 37,850 shares (20,213 shares (i.e. 54.31%) to suspected entities contributing to LTP of Rs14.90) in market during pre-stock split period. It is observed that majority of shares were sold to suspected entities/noticees.

n) POST-STOCK SPLIT

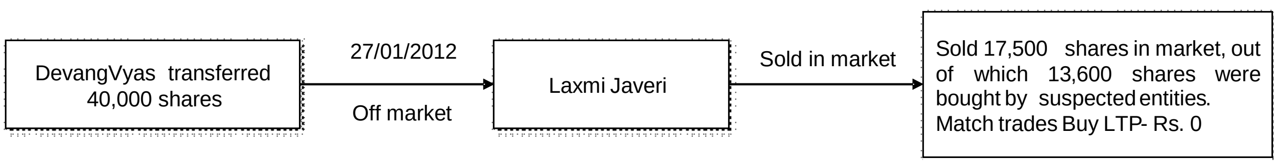
SEBI observed during post-stock split period, the scrip was traded with average volume of 2,15,796 shares per day and total traded quantity was 3,62,53,696 shares through 15,766trades in 168 trading days with an average of 89.77 trades per day. The trading summary of total buy and total sale of suspected entities are given below:

Gross Buy	***% of total buy to total traded volume***	***% of matched buy qty with suspected entities***	***No. of suspected entities***	***Gross Sell***	***% of total sale to total traded volume***	***% of matched sell qty with suspected entities***
2,28,30,923	*62.98%*	*68.90%*	*31*	*2,24,61,631*	*61.96%*	*70.04%*

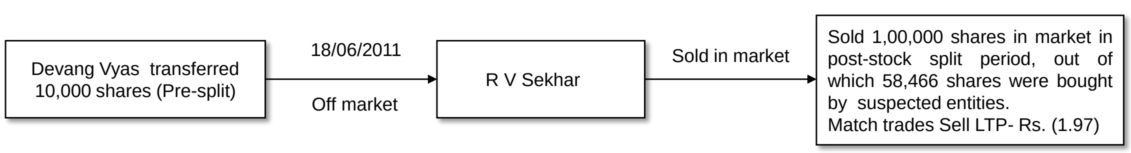
o) Details of gross buy and gross sell along with matched quantity with the suspected entities is provided at Annexure-5. SEBI observed from the above that suspected entities/ noticees had contributed to 62.98% and 61.96% of gross buy and gross sell respectively. The analysis of trade and order log revealed that the *trading among the group entities was significant which is evident from the above table that counterparties of 62.98% of gross buy and 61.96% of gross sell of suspected entities/ noticees were suspected entities. It is further observed that suspected entities/ noticees had executed trades among themselves for 1,57,31,198 shares, which accounted for 43.39% to the total market volume. Summary of trading of the suspected entities is enclosed as* ***Annexure-5A****.*

p) *SEBI observed that the said entities by executing trades among themselves had created artificial volumes in post-stock split period. SEBI observed that, that out of 168 trading days, the above referred entities/noticees had traded on 120 days creating artificial volume by executing trades among themselves. SEBI further observed, that out of 120 days, on 61days, traded volume of suspected entities had constituted more than 25% of respective day's traded volume.*

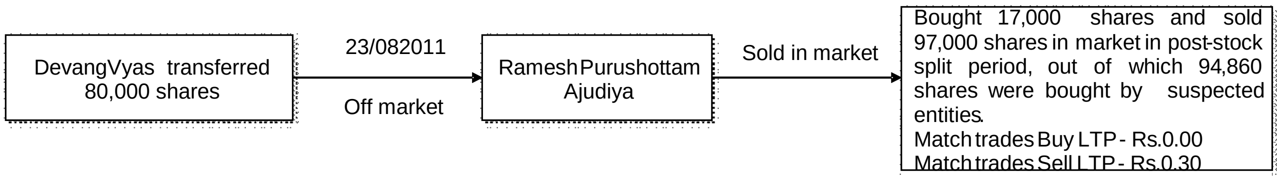
q) *Some of the instances of off market transfer of shares by suspected entities/ noticees and their on-market trades by suspected entities is graphically elaborated below:*



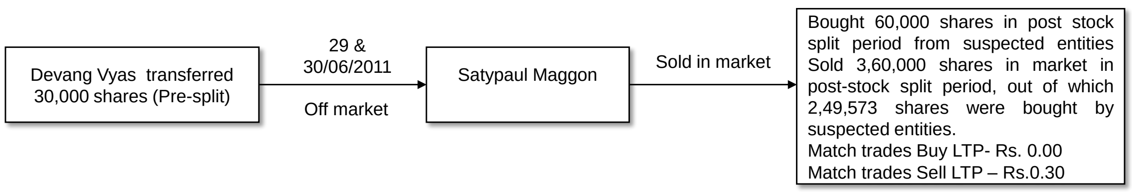
SEBI observed from the above, that the Noticee Devang Vyas had transferred 17, 500 shares in off market to Laxmi M Javeri who had sold entire 17,500 shares (13,600 shares (i.e.77.71%) sold to suspected entities) in market during post-stock split period. It is observed that majority of shares were sold to suspected entities.



SEBI observed from the above, that Devang Vyas had transferred 10,000 shares in off-market during pre-stock split period to R V Sekhar who had sold entire 1,00,00 shares (58,466 shares (i.e.58.47%) sold to suspected entities *contributing to negative LTP ofRs1.97) in market during post-stock split period. It is observed that majority of shares were sold to suspected entities*



SEBI observed from the above, that Devang Vyas had transferred 80,000 shares in off- market to Ramesh Purushottam Ajudiya who had bought 17,000 shares and sold 97,000 shares (94,860 shares (i.e.97.79%) sold to suspected entities/noticee) in market during post-stock split period. It is observed that majority of shares were sold to suspected entities/noticees.



SEBI observed from the above, that Devang Vyas had transferred 30,000 shares in off market to Satyapaul Maggon who had bought 60,000 shares (i.e.100%) from Devang Vyas and sold 3,60,000 shares (2,49,573 shares (i.e. 69.33%) sold to suspected entities/noticees contributing to sell LTP of Rs0.3) in market during post-stock split period. It is observed that majority of shares were sold to and bought from suspected entities/noticees.

r) *SEBI Observed from the trading details, that self-trades were executed without intention of performing it or without intention of change of ownership of security. The details of self-trades executed by the suspected entities during the investigation period is as follows:*

a. ***PRE-STOCK SPLIT***

Entity Name	***Same Broker On Both Buy & Sell Side***	***Total Self Trade Vol.***	***No. of days***	***Net LTP contribution by self-trades (Rs)***
DevangDilip Vyas	*NA*	*12,700*	*1*	*1.05*
Farrah Devang Vyas		*2,487*	*4*	*1.80*

b. ***POST-STOCK SPLIT***

Entity Name	***Same broker on Buy and Sell Side***	***Total Self Trade Vol.***	***No. of days***	***Net LTP contribution by self trades (Rs)***
DevangDilip Vyas	*NA*	*67,619*	*4*	*-0.47*
Farrah Devang Vyas	*NA*	*1,15,026*	*7*	*-0.02*

s) *SEBI observed from above that the Noticee Mr. Devang Vyas in his own account and in Ms. Farrah Vyas' account had repeatedly indulged in self-trades (quantity of more than 10,000 shares, more than 10 count of trades executed for two or more days) and thereby created artificial volume during the pre-stock split and post-stock split period. SEBI observed that, the Noticee Mr. Devang Vyas in his statement recorded before the investigating authority on August 26, 2014 has admitted that he had places order in the account of Ms. Farrah Vyas. The copy of the statement of the Noticee Mr. Devang Vyas recorded before the investigating authority on August 26, 2014 is enclosed as* ***Annexure-6****.*

t) *SEBI observed from the trading analysis that the Noticee Mr. Kamal Kothari Managing Director of Guiness Securities Ltd was the top broker on buy and sell side during the investigation period. SEBI observed that entities/ noticees namely Miatru Agro Marketing P. Ltd, M/s. Sangam Agro Agencies P. Ltd. M/s. Pawantar Agro Agencies P. Ltd and M/s Param Commodities P. Ltd had traded significantly during the investigation period. The common directors namely Mr.Pawan Kumar Modi and Mr. Ram Awatar Sharma and common phone number (022-26120030) of the four entities shows that these entities being controlled by same person. SEBI observed that the Noticee Mr. Kamal Kothari controlled these four entities.*

- *The Annual Returns filed by the above referred four entities to MCA, shows a common email id i.e. compliance@guinessonline.net which is also compliance department email id of Guiness Securites Ltd, shows compliance to regulatory/ Government has been handled by Guiness Securities Ltd.*
- *The account opening forms of M/s. Sangam Agro Agencies P. Ltd. M/s. Pawantar Agro Agencies P. Ltd and M/s Param Commodities P. Ltd with Guiness Securities Ltd shows that they have common address i.e., Shop no. 5, Rizvi Nagar, S V Road, Near Milan Sub Way – Santacruz west, Mumbai – 400054, which was similar (during investigation period) to the branch address of Guiness, as Suite no. 5, Rizvi Nagar, S V*

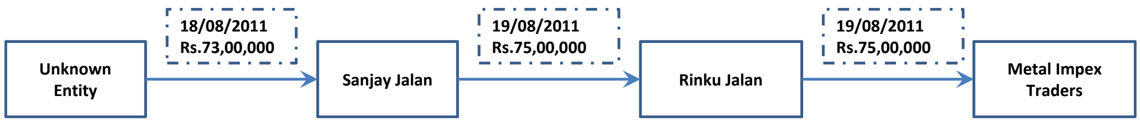
Road, Near Milan Sub Way – Santacruz west, Mumbai – 400054 and the telephone numbers mentioned on the account opening form was (022-32096452/033-30266666)belonging to Guiness Securities Ltd / Guiness Portfolio Management Services P. Ltd.

- *Miatru Agro Marketing P. Ltd, M/s. Sangam Agro Agencies P. Ltd. M/s. Pawantar Agro Agencies P. Ltd and M/s Param Commodities P. Ltd are shareholders of Guiness Portfolio Management Services P. Ltd, together holding 7.4% of share capital in Guiness Portfolio Management Services P. Ltd for the year ended 2010-11, wherein Mr. Kamal Kothari, was a director and shareholder.*
- *The client address mentioned in the account opening form of M/s. Pawantar Agro Agencies P. Ltd with Arcadia Share and Stock Brokers P. Ltd, is same as the above referred Guiness Securities Ltd branch office address. Further, email id was mentioned as dparakh@guinessonline.net with Indiabulls Ventures Ltd. It has been observed from BSE website that the referred e-mail id belongs to Mr. Deepak Parakh, designated director of Guiness securities. It is further observed from the Guiness Securities Ltd' website that Mr. Deepak Parakh is a Vice President (Operation). Copies of the print out taken from the website are enclosed as* ***Annexure-7****.*
- *It is further observed from the bank account statement of the Noticee Kamal Kothari, Managing Director of Guiness Securities, that the Noticee Mr. Kamal Kothari had transferred Rs1.95 crore during investigation period to M/s. Chirayush Agro Marketing P. Ltd wherein Pawan Kumar Modi and Ram Awatar Sharma were directors.*
- *It is observed from Annual return for the year ended 2010-11 of Guiness Corporate Advisors P. Ltd (which was earlier known as Guiness Merchant Bankers P. Ltd) that Miatru Agro Marketing P. Ltd, M/s. Sangam Agro Agencies P. Ltd. M/s. Pawantar Agro Agencies P. Ltd were holding 7.65%, 8.74% and 9.83% of share capital respectively wherein the Noticee Mr. Kamal Kothari was holding 48% of the share capital.*
- *The addresses of the above referred four entities were mentioned as Mumbai, but the orders for purchase and sale of shares in the scrip of the Company were entered at Kolkata office of Guiness securities.*
- *In light of the above facts, it is alleged that the trades of the four entities, Miatru Agro Marketing P. Ltd, M/s. Sangam Agro Agencies P. Ltd. M/s. Pawantar Agro Agencies P. Ltd and M/s Param Commodities P. Ltd in the scrip of the company were controlled by the Noticee Mr. Kamal Kothari Managing Director of Guiness Securities Ltd.*

u) SEBI observed that the Noticee, Mr. Devang Vyas was working with Guiness Securities Ltd during the investigation period and the entities viz. Ms. Farrah Vyas (ex-wife), Ms.Geeta Vyas (mother) and Mr. Rrajeev Vyas were connected and controlled by Devang Vyas. Further, the Noticee Mr. Rajiv C. Gandhi was also an employee of Guiness during the investigation period. SEBI observed that the Noticee Devang Vyas in his statement dated September 09, 2014 made before investigating authority, had stated that he along with the Noticee Mr. Rajiv C. Gandhi had traded in the scrip of the company on the instructions of the Noticee Mr. Kamal Kothari. Whereas, the Noticee Mr. Rajiv C. Gandhi, had stated in the statement made on August 07, 2015 that he had traded in the scrip of company on the instructions of the Noticee Mr.Devang Vyas and the Noticee Mr. Kamal Kothari.The copy of the statement of the Noticee Devang Vyas recorded before the investigating authority on September 09, 2014is enclosed as ***Annexure-8****. The copy of the statement of the Noticee Mr Rajiv Gandhi recorded before the investigating authority on August 07, 2015 is enclosed as* ***Annexure-9****.*

v) SEBI observed that the Noticee Mr. Kamal Kothari was receiving a report from the Noticee Rajiv Gandhi on daily basis with regard to trading of Rajiv Gandhi and Farrah Vyas with other brokers namely Kantilal Chhaganalal Securities P. Ltd and Rikhav Securities Ltd. The copies of such reports are enclosed as ***Annexure-10****. SEBI observed that the trading in the scrip by Devang Vyas and connected entities was in complete knowledge and control of Mr. Kamal Kothari.*

w) SEBI observed that the Noticees Ms. Rinku Jalan and Ms.Anila Jalan were the source of most of off-market transfers, which aided the Noticee Mr. Kamal Kothari and suspected entities in creation of artificial volumes the scrip. The Noticee Mr. Sanjay Jalan in his statement before investigating authority had stated that his mother Ms. Anila Jalan had taken independent decision to transfer shares to Maitru and other entities and further stated that Ms.Rinku Jalan was separated with him and living separately as their relationship was strained in the year 2002. He also stated that he will provide the necessary documents in support of his *separation with wife, but the same have not been provided. The copy of the statement of the Noticee Mr. Sanjay Jalan recorded before the investigating authority on August 05, 2015 is enclosed as* ***Annexure-11****. The Noticee Mr. Sanjay Jalan had stated that he and his wife were living separately since 2002. But the bank account of Mr. Sanjay Jalan and Ms. Rinku Jalan shows that there were regular transfer of amounts between the two accounts. There were even some transactions which shows that Ms.Rinku Jalan bank account was used for the purpose of business payments routed through her personal account, one of such transactions is graphically shown below-*



x) *SEBI observed from the above, that even though the Noticee Mr. Sanjay Jalan had claimed that he and his wife were separated, the financial dealings between them were continuing and also appears that major financial dealings of the Noticee Ms.Rinku Jalan were controlled by Sanjay Jalan.*

y) *SEBI observed the Noticee Mr. Sanjay Jalan had received an amount of Rs. 50 lakhs from M/s. J.S. Enclaves P. Ltd on August 13, 2011 (an entity related to the Noticee Mr. Kamal Kothari). On enquiry, the Noticee Mr. Sanjay Jalan had stated that he had taken loan from the Noticee Mr. Kamal Kothari for the purpose of business whereas on perusal of bank account of the Noticee Mr. Sanjay Jalan shown that the said amount was not used for the purpose, but was lying in the account for reasonable period.*

z) *SEBI observed that the Noticee Mr. R.K. Jalan (father of Mr. Sanjay Jalan) had inter-se transferred 17,21,945 shares as gift to the Noticee Mr.Sajay Jalan on December 13, 2010. This suggests that the shares held in the name of Noticee Ms. Anila Jalan also pertains (either by way or gift or otherwise) to the Noticees Mr. Sanjay Jalan. Ms. Anila Jalan has not received any consideration from connected entities for the off-market transfers.*

aa) SEBI observed that the preponderance of probability in regard to off-market transfer of shares by the Noticees Ms. Rinku Jalan and Ms. Anila Jalan shows that the transactions were carried out by the Noticees Sanjay Jalan, Ms. Anila Jalan and Ms. Rinku Jalan in terms of the understanding between the Noticees Mr. Kamal Kothari and Mr.Devang Vyas.

bb) By virtue of transfer of shares by the NoticeeMr. Sanjay Jalan through the Noticees Ms.Anila Jalan, Ms.Rinku Jalan to the suspected entities, who by trading among themselves have created artificial volumes during the investigation period. In view of the above, it is alleged that the Noticees Mr. Sanjay Jalan, Ms.Anila Jalan, Ms.Rinku Jalan and Mr. Kamal Kothari connived with each other and also with all suspected entities employed an artifice for creation of artificial volume and defrauded the innocent investors.

cc) In view of the above mentioned facts, it is alleged that,

a. The Noticee namely Mr. Sanjay Jalan who was the Managing Director of the Company during the investigation period had acted in connivance with the Noticees Mr. Kamal Kothari, Managing Director of M/s. Guiness Securities Ltd, Ms. Anila Jalan and Ms. Rinku Jalan and with other suspected entities by offering shares to suspected entities in off market for creation of artificial volumes in the scrip of the company thereby has violated Section 12A(a), (b) and (c) of SEBI Act, 1992 read with Reg 3(a), (b), (c), (d), 4 (1) and 4(2) (a), (d) and (g) of SEBI (PFUTP) Regulations, 2003.

b. The Noticee namely Ms.Anila Jalan had acted in connivance with the Noticees Mr. Kamal Kothari, Managing Director of M/s. Guiness Securities Ltd. Mr. Sanjay Jalan and Ms. Rinku Jalan and with other suspected entities by offering shares to suspected entities in off market for creation of artificial volumes in the scrip of the company thereby has violated Section 12A(a), (b) and (c) of SEBI Act, 1992 read with Reg 3(a), *(b), (c), (d), 4 (1) and 4(2) (a), (d) and (g) of SEBI (PFUTP) Regulations, 2003.*

c. *The Noticee namely Ms. Rinku Jalan had acted in connivance with the Noticee Mr. Kamal Kothari, Managing Director of M/s. Guiness Securities Ltd. Mr. Sanjay Jalan and Ms. Anila Jalan and with other suspected entities by offering shares to suspected entities in off market for creation of artificial volumes in the scrip thereby has violated Section 12A(a), (b) and (c) of SEBI Act, 1992 read with Reg 3(a), (b), (c), (d), 4 (1) and 4(2) (a), (d) and (g) of SEBI (PFUTP) Regulations, 2003.*

6. The SCNs were served on the Noticees. Vide letter dated October 12, 2017, Noticee 1 stated that he had received the SCN and further stated that his correct address was - #59, MGR Road, Apartment No.2B, Kala Shatra Colony, Besant Nagar, Chennai – 600090. Further, Noticee 1 requested for time till November 15, 2017 to file a comprehensive reply in the matter as he was out of station and stated that he would return only on November 12, 2017. Vide separate but similar letters dated October 10, 2017, Noticee 2 and 3 stated that they had received the SCN on September 30, 2017, and further stated that their correct address was – E1, Harrington Court, #99, Harrington Road, Chetpet, Chennai – 600031. Further, Noticees 2 and 3 also, *inter alia,* requested for time till November 15, 2017 to file a comprehensive reply in the matter.

7. Thereafter, vide notices dated November 01, 2017, the Noticees were granted an opportunity for personal hearing before the erstwhile AO on November 17, 2017.

8. Vide separate letters dated November 08, 2017, Noticees 1, 2 and 3 made submissions in the matter. The same is summarized as under –

   a. *Noticee 1: He is not aware of the acts done by his mother, Noticee 2 and she was acting independently. He is separated from his wife and do not have any personal or business connection with her and he is not aware of the acts done by her. To the best of his knowledge and based on expert legal guidance rendered to him* *he has complied fully with all rules and regulations as applicable. If some alleged non-compliance has taken place as mentioned in the SCN, it is not deliberate, willful or with other ulterior motive.*

b. *Noticee 2: She is a retired senior citizen and that even though the said shares of Le Waterina were transferred, she has not received any amount as sale consideration. She has sent legal notices to the various persons mentioned in the SCN to recover the sale consideration due to her but to no avail so far. Also having acted as per legal guidance rendered to her by subject experts, she has complied with all rules and regulations. If some alleged non-compliance has taken place as mentioned in the SCN, it is not deliberate, willful or with other ulterior motive.*

c. *Noticee 3: She is separated from her husband, Noticee 1, and staying abroad for a long time now. Even though the said shares of Le Waterina were transferred, she has not received any amount as sale consideration. She has sent legal notices to the various persons mentioned in the SCN to recover the sale consideration due to her but to no avail so far. Also having acted as per legal guidance rendered to her by subject experts, she has complied with all rules and regulations. If some alleged non-compliance has taken place as mentioned in the SCN, it is not deliberate, willful or with other ulterior motive.*

9. A personal hearing was held in respect of Noticees 1, 2 and 3 before the erstwhile AO, Shri Jeevan Sonparote, on February 02, 2018 at SEBI's Southern Regional Office in Chennai. In the said hearing, Mr. Swaminathan Ganesh, Practising Company Secretary appeared as the authorized representative (AR) of Noticees 1, 2 and 3 and submitted that he would like to submit consent applications for the Noticees latest by February 20, 2018. A copy of the SCN issued to Noticee 1 was also provided to the AR for convenience.

10. In the interest of natural justice and in order to proceed further in the matter, vide Hearing Notices dated February 08, 2022, Noticees 1, 2 and 3 were granted opportunity of personal hearing in the present matter before the undersigned on March

03, 2022. Vide separate but similar letters dated February 11, 2022, Noticees 1, 2 and 3, *inter alia,* stated that the matter has been already heard at length and the submissions were taken on record based on which Adjudication Order ref. no. Order/SM/MG/2021/13051-22/13056 dated 18.08.2021 was passed. Further, the Noticees stated that penalties were imposed on them (i.e. Rs. 1,00,000/- on Noticee 1, Rs. 1,50,000/- on Noticee 2, and Rs. 1,50,000/- on Noticee 3) by the AO which had been duly paid by them. In this regard, the Noticees enclosed the copy of the Order dated 18.08.2021.

11. In response, vide Hearing Notice dated March 09, 2022, it was clarified to Noticee 1 as follows –

> *"1. With respect to your letter dated February 11, 2022, please note that Adjudication Order bearing Ref No. Order/SM/MG/2021-22/13051-13056 dated August 13, 2021 was passed against you in respect of adjudication proceedings initiated by Show Cause Notice bearing ref no.* ***EAD-8/JS/VRP/OW/P/2017/23658/1*** *dated September 28, 2017. The aforementioned adjudication proceedings were initiated against you for alleged violations of provisions of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 read with SEBI (Substantial Acquisition Of Shares And Takeovers) Regulations, 2011 and SEBI (Prohibition Of Insider Trading) Regulations, 1992 read with SEBI (Prohibition Of Insider Trading) Regulations, 2015. Kindly note that the present adjudication proceedings initiated against you vide Show Cause Notice (SCN) bearing Ref No. EAD-8/JS/VRP/OW/P/2017/23638/1 dated September 28, 2017, is in respect of alleged violation of provisions of Section 12A(a), (b) and (c) of SEBI Act 1992 read with Regulation 3(a), (b), (c), (d), 4(1) and 4(2) (a), (d) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulation 2003 by you and is the subject matter of this notice. The same is distinct from adjudication proceedings concluded by the Adjudication Order bearing Ref No. Order/SM/MG/2021-22/13051-13056 dated August 13, 2021.*
>
> *2. In this regard, a hearing notice bearing Ref. No. EAD-10/SM/5059/1/2022 dated February 08, 2022 granting you an opportunity of personal hearing in respect of the*

aforesaid SCN had been sent to you. However, you did not appear for the same. It is also noted that you are yet to file your reply to the aforementioned SCN.

3. In the interest of natural justice, another opportunity of personal hearing is being granted to you before the undersigned, in the aforesaid matter on March 31, 2022, at 11.30 AM."

Similar clarification was also made to Noticees 2 and 3 vide separate notices dated March 09, 2022. Noticees 2 and 3 were also granted an opportunity of personal hearing on March 31, 2022.

12. Vide email dated March 26, 2022, sent from the email id – sanjayjalan5000@gmail.com , Noticee 1 enclosed copy of letter dated March 25, 2022 wherein he, *inter alia,* requested to be granted three weeks of time to submit a detailed reply. Similar requests were also made by Noticees 2 and 3. The said requests were acceded to and the Noticees were granted time till April 11, 2022 to file their replies to the SCN. Further, the Noticees were granted an opportunity of personal hearing before the undersigned on April 13, 2022.

13. Hearing in the matter was held on April 13, 2022, wherein the following authorized representatives (ARs), Ms. Nirupama Kar, Advocate – Interjuris, Mr. Prabhat Shetty, Advocate- Interjuris and Mr. Rohit Gupta, Advocate appeared on behalf of Noticee 1, 2 and 3. During the hearing the ARs made oral submissions on behalf of the Noticees and sought leave to file detailed written submissions in the matter by End-of-Day (EOD) April 13, 2022. The said request was acceded to. The hearing proceedings were concluded and the Noticees have sought no further hearing in the matter.

14. Vide emails dated April 13, 2022, the ARs (viz. Interjuris, Advocates and Legal Consultants) submitted the replies of Noticee 1, 2 and 3 to the SCN. The said replies in hard copy were also forwarded by the ARs vide covering letter dated April 18, 2022. The main submissions made therein are summarized as follows –

Reply of Noticee 1, i.e., Mr Sanjay Jalan:

a) *The matter being quite old pertaining to the period 2010- 2012, I have limited recollection of the facts pertaining to the matter as most of the documents for relevant point of time have been lost and damaged due to the flood and inundation in Chennai during the year 2015.*

b) *The allegations leveled against me in the said SCN are not correct and as such not maintainable law.*

c) *I say that I am the Promoter and Director of the Company, Le Waterina Resorts & Hotel Limited.*

d) *There is no financial gain of any nature whatsoever by me for the transaction mentioned in the SCN.*

e) *On 13th December, 2010 I have received gift of 17,21,945 equity shares of Le Waterina from my father, Mr. R. K. Jalan who was the Managing Director of M/S. Harrington Industries Limited (Now known as Le Waterina Resorts and Hotels Limited) out of his natural love and affection towards me.*

f) *I had duly intimated regarding aforesaid transaction of gift of equity shares by my father to me to the stock exchange vide letter dated 6th December, 2010 intimating the proposed date of acquisition i.e. December 13, 2010.Vide the said intimation I have also intimated before the gift that I was holding 18.36 % of equity shares of the said company and after the gift I would be holding 44.20% of equity shares of the said company.*

g) *I am not directly connected with decision of sale of Shares of my mother, Mrs. Anila Jalan and my wife, Mrs. Rinku Jalan. I was going through a very bad phase of personal life and I was staying separately from my wife hence, I was not involved in any decision of my wife or my mother which they have taken with respect to their shares at the relevant point of time. The financial transaction between me and Rinku Jalan is only with respect to maintenance of 2 children and Rinku Jalan who are staying separately from me at the relevant point of time.*

h) *I vehemently deny that the entities listed in Annexure 3 has any connections of any nature whatsoever with me.*

i) *I further humbly submit that I am not aware of nor have any connection with the alleged suspected entitles in respect of buy and sell transactions, during pre-stock split period including Guiness Securities Limited or otherwise including the Post-stock split period with any other entities as stated in the paras under reference of the said SCN. I further humbly submit that there is no substantive evidence to prove that had any connection with the Guiness Securities Limited or the entities/ individuals as mentioned in the paras as mentioned. I further submit that there is no evidence to prove that I was involved in any manipulative practice nor I was any beneficiary to such transactions.*

j) *I say that the Transaction made by Rinku Jalan and Anila Jalan are their independent decision, I had no influence on them.*

k) *That amount of Rs. 50 lakhs which was received from JS enclave Pvt. Ltd. on 31.08.2011 was utilized for the business purpose only.*

l) *I vehemently deny that my mother Ms. Anita Jalan had transferred any share to me in off market. I vehemently deny that myself, Anila Jalan and Rinku Jalan has allegedly acted together in terms of alleged understanding between us and Kamal Khothari and Devang Vyas. I vehemently deny that myself, Anila Jalan and Rinku Jalan have traded among ourself and created artificial volume during the investigation period and allegedly defrauded the investors.*

m) *There is no single document adduced to prove that there was any collusion between myself, Anila Jalan and Rinku Jalan with Kamal Khothari and Devang Vyas.*

n) *I am not aware of nor have any connection with the alleged suspected entitles in respect of buy and sell transactions, during pre-stock split period including Guiness Securities Limited or otherwise including the Post-stock split period with any other entities as stated in the paras under reference of the said SCN. I further humbly submit that there is no substantive evidence to prove that had any connection with the Guiness Securities Limited or the entities/ individuals as mentioned in the paras as mentioned. I further submit that there is no evidence to prove that I was involved in any manipulative practice nor I was any beneficiary to such transactions.*

o) *As I have not made any violation and the transaction was with my own family member, being transfer by way of gift from my own father, hence any violation if at all could be technical in nature which should attract minimum penalty.*

<u>Reply of Noticee 2, i.e., Ms Anila Jalan:</u>

a) *The matter being quite old pertaining to the period 2010- 2012, I have limited recollection of the facts pertaining to the matter as most of the documents for relevant point of time have been lost and damaged due to the flood and inundation in Chennai during the year 2015.*

b) *The allegations leveled against me in the said SCN are incorrect and as such not maintainable in law.*

c) *There is no financial gain of any nature whatsoever by me for the transaction mentioned in the SCN.*

d) *I am a homemaker and senior citizen and have been in very poor health due to multiple ailments and am ignorant about the commercial operation of the company and do not have any knowledge about trading of shares in stock exchange.*

e) *My parents are from Kolkata, and have a wide circle of social contact. From the social contacts one broker had approached me in the year 2010 to acquire my shares in the said Company and upon representation of the said broker I simply signed the share transfer forms without consulting my husband and son.*

f) *As per information available with me I have transferred the following shares of the said company:*

S.NO.	**Date**	**Name of Transferee**	**No. of shares**	**Price per share**	**Amount (Rs.)**
1.	19/10/2020	Ramadoss V.	10,000	-	Nil
2.	19/10/2010	Rinku Jalan	1,00,000	(Gift)	Nil
3.	19/10/2010	Rinku Jalan	2,00,000	(Gift)	Nil
4.	19/10/2010	Rinku Jalan	1,50,000	(Gift)	Nil
5.	10/05/2011	Bharat Thakkar*	2,00,000	-	Nil
6.	21/07/2011	Kamlesh Jain	30,00,000	1.50	45,00,000**
7.	28/07/2011	Farrah Devang Vyas	4,00,000	1.50	6,00,000**
8.	06/08/2011	Miatru Agro Marketting Pvt Ltd	12,00,000	1.50	18,00,000**
9.	24/08/2011	Rinku Jalan	11,58,550	(Gift)	Nil
			57,58,550		***69,00,000***

** Mr. Bharat Thakkar was not able to pay, hence I asked him to transfer the shares to my daughter in law, which my daughter in law had confirmed regarding the share transfer.*

*** Amounts were not realised/ paid to me*

g) *I have not received any amount from the aforesaid transactions of shares. With respect to the gifting of shares to my daughter in law, Mrs. Rinku Jalan, I say and submit that since she separated from my son Sanjay Jalan and had to take care of my two grandchildren, for their future and education I had gifted her shares without any consideration. I further humbly submit that due to the aforesaid gift there is no profit to me nor any loss has been caused to the investors/ shareholders.*

h) *I am not aware of nor have any connection with the alleged suspected entities in respect of buy and sell transactions, during pre-stock split period including*

Guiness Securities Limited or otherwise including the Post-stock split period with any other entities as stated in the paras under reference of the said SCN.

i) *I have only made transactions as shown in the chart in previous para where I have not received any sale consideration, nor from any other entities as mentioned in the above referred paras of the said SCN. I say that I have gifted shares to ex-wife of my son purely out of my concern for grand children who she has been bringing up. With respect to the other entities as stated hereinabove I have been cheated by various people, even post-dated cheques were dishonored and I could not recover any money in respect of the shares.*

j) *There is no substantive evidence to prove that I had any connection with the Guiness Securities Limited. I further say that with respect to the transactions of shares with DevangVyas and Maitru Agro Pvt.Ltd, the same were done through Kamal Kothari group who cheated me after having promised the amounts to be paid to me in respect of these transactions. In fact some cheques were also issued and were subsequently requested that the same will be replaced however with malafide intention the said Kamal Kothari group cheated me.*

k) *In respect of transfer of shares to Mr. Kamlesh Jain no consideration amount was received by me. The financial transaction between me and Rinku Jalan was due to the fact that she was separated from my son Sanjay Jalan and had to take care of my two grandchildren, for their future and education I had gifted her shares without any consideration. I further humbly submit that due to the aforesaid gift there is no profit to me nor any loss has been caused to the investors/ shareholders.*

l) *I vehemently deny that myself, Sanjay Jalan and Rinku Jalan has allegedly acted together in terms of alleged understanding between us and Kamal Khothari and DevangVyas. I vehemently deny that myself, Sanjay Jalan and Rinku Jalan have traded among ourself and created artificial volume during the investigation period and allegedly defrauded the investors. I further humbly submit that there is no single document adduced to show that there was any collusion between myself, Sanjay Jalan and RinkuJalan with Kamal Khothari and DevangVyas and/or any other entities as alleged. I further vehemently deny that I was involved in any creation of artificial volume by other persons/entities. I vehemently deny that I have dealt with any entities ontrading of shares and/or off market sale which created artificial volumes of trade of shares as has been observed in the findings in the said SCN.*

m) *I vehemently deny that I have violated any provisions of Section 12A(a), (b) and (c) of SEBI Act 1992 read with Regulation 3(a), (b), (c), (d), 4(1) and 4(2) (a), (d) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulation 2003.*

Reply of Noticee 3, i.e., Ms Rinku Jalan:

a) *The matter being quite old pertaining to the period 2010- 2012, I have limited recollection of the facts pertaining to the matter as most of the documents for relevant point of time have been lost and damaged due to the flood and inundation in Chennai during the year 2015.*

b) *The allegations leveled against me in the said SCN are incorrect and as such not maintainable in law.*

c) *I have not made any profit nor have engaged in any unfair trade practice relating to the securities market. I am a housewife and I have been induced by few people to sell the shares wherein I have been cheated and have made enormous losses from the shares of the company Le Waterina which were held by me.*

d) *I am a single mother and was staying separately from Shri. Sanjay Jalan tor many years and at the relevant point of time was living with my children in Dubai. I was approached by some brokers (Kamal Kothari Group) to acquire my equity shares in the said company. I say that since I needed funds to maintain myself and to care for my children I handed over the shares along with requisite documents to these entities. However, cheques issued by the acquirers were all bounced when deposited with a bank.*

e) *Though my relationship with my husband was not good, but I tried my best to maintain a cordial relationship with my in-laws. Out of love and affection towards my two children, my Mother in-law had gifted shares of the said company to me in the year 2010 for maintenance and higher education of her grandchildren.*

f) *Upon representation of one broker from Miatru Agro Marketing Private Limited I agreed to transfer certain shares of the said company to him. As I was completely ignorant about the stock market and its operations and as I was in the need of money and was separated from my husband, I simply signed the share transfer forms.*

g) *Pursuant to signing of transfer forms the broker had handed over few cheques to me, with the request to deposit it few days later. In good faith I trusted the broker and did not deposit the cheque immediately. After a few days broker requested me for return of old cheques replacing them with the fresh set of cheques with new set of dates. The broker continued the same process thrice and continued to replace with the fresh set of cheques with new dates. Finally in March, 2012 I confronted the broker and deposited the cheques, however to my shock and surprise the cheques were returned unpaid due to insufficient funds. Through an advocate notice dated 22nd March, 2012 I issued a legal notices to M/S. Miatru Agro Marketing Private Limited to repay the amount within 15 days of the receipt of the notice for dishonour of cheque under Section 138 of the Negotiable Instrument Act, 1881 against the broker. Hereto annexed as "Exhibit A" is the* *copy of the Advocate notice dated 22nd March 2012 addressed to Maitru Agro Marketing Pvt. Ltd. in respect of dishonored çheques.*

h) *As I was residing separately from my husband since 2002 as a part of mutual consent an amicable settlement between me and my husband i.e. Mr. Sanjay Jalan, he had agreed to provide me with financial support to purchase a flat in my name.*

i) *I was duped by the said broker and have lost my potential earning. I have filed a complaint with the EOW w.r.t cheating against Miatru Agro and Kamal Khothari on or about 31 03.2021.*

j) *I do not know of any of the parties mentioned in respect of subsequent off market and/or trading of shares held by me earlier by other parties which are referred to as suspected transactions in the said SCN. I say that there were no fraudulent transactions that I have been involved in nor am I aware of subsequent transactions of the shares which were held by me.*

k) *I am neither aware of nor have any connection with the alleged suspected entities in respect of buy and sell transactions, during pre-stock split period or the Post-stock split period with any other entities as stated in the paras under reference of the said SCN. I say and submit that since a lot of time has elapsed with respect to the transactions I do not have recollections of any further details and the documents pertaining to the aforesaid.*

l) *There is no substantive evidence to prove that I had any connection with the Guiness Securities Limited. I further say that with respect to the transactions of shares with Devang V vas and Maitru Agro Ltd, the same were done through Kamal Kothari group who cheated me after having promised the amounts to be paid to me in respect of these transactions. I have filed complaint against the said Maitru Agro Pvt. Ltd before EOW which is pending. I humbly submit that I am not aware of the subsequent transactions by persons or entities in whose names shares were transferred, moreover said transfers are also not deemed to be completed as I have not received any consideration.*

m) *I vehemently deny that myself, Sanjay Jalan and Rinku Jalan has allegedly acted together in terms of alleged understanding between us and Kamal Khothari and Devang Vyas. I vehemently deny that myself, Sanjay Jalan and Anila Jalan have traded among ourself and created artificial volume during the investigation period and allegedly defrauded the investors. I further humbly submit that there is no single document adduced to prove that there was any collusion between myself, Sanjay Jalan and Anila Jalan with Shakuntala Devi, Gandhe Shiv Kumar, Kamal Khothari and Devang Vyas. I further vehemently deny that I was involved in any creation of artificial volume by other persons/ entities. I vehemently deny that I have dealt with any entities on trading of shares and/or off market sale which* *created artificial volumes of trade of shares as has been observed in the findings in the said SCN.*

n) *During the relevant time, I have received an amount of Rs. 75,00,000 from Mr. Sanjay Jalan towards part of maintenance to support me and my children which I paid to Metal Impex traders on the same day towards advance booking of Flat. I say that Mr. Sanjay Jalan had paid the said amount to me making an advance booking towards a residential flat in my name. I say that parents' family knew the owners of said Metal Impex traders socially. Hence, I have paid the said amount of 75 lacs as advance against allotment of flats in a proposed complex. I say that due to recession in real estate market the project has not taken off and the amount still remains with the said company.*

o) *I humbly submit that the transactions are not activities akin to insider trading activity nor are fraudulent and unfair trade practice as has been alleged against me, rather are off-market transactions genuinely done without knowledge of requirement of disclosures which were required to be done and I am not aware of the subsequent transactions on said shares. I vehemently deny that I have violated any provisions of Section 12A(a), (b) and (c) of SEBI Act 1992 read with Regulation 3(a), (b), (c), (d), 4(1) and 4(2) (a), (d) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulation 2003.*

15. Vide email dated April 25, 2022, the Noticees were provided the transaction statement of Noticees 2 and 3, and they were advised to provide the transaction wise following details, along with supporting documents, if any, :– Rate of Sale (i.e. Price/Share in Rs.), the sale consideration in Rs, and whether payment was received by them. Vide email dated April 26, 2022, the ARs of the Noticees sought 2 weeks' of time to provide the said information. The said request was acceded to and Noticees were granted time till May 10, 2022 to provide the aforesaid information. Vide email dated May 10, 2022, Noticee 2 has replied that she had not received any amount as consideration and attached her ITR-V form of 2009-10, 2010-11 and 2011-12 as well as statement of account from 01.03.2010 to 31.12.2012. Noticee 3, vide her email dated May 10, 2022, has submitted that shares which were sold on market were sold through Kunwarji and Associates, a stock broking firm, out of which the transactions were made in the following dates i.e on 07.08.2010 for Rs. 91,036.01, 08.04.2011 for Rs. 5,14,190 and 09.02.2011 for Rs. 3,56,228 and the said amounts have been received by her. She has enclosed the summary of Accounts held under Customer ID: 505036424 as on

31.03.2011, Statement of transactions in Savings account for the period of 01.04.2010 to 31.03.2011 and detailed statement from 1.05.2011 to 30.10.2011, and has further stated that she has not received any other consideration.

CONSIDERATION OF ISSUES AND FINDINGS

16. I have carefully examined the allegations made in the SCN, material available on record, and the submissions made by the Noticees. The issues that arise for consideration in the present case are :

    I. Whether the Noticees have violated the provisions of Sections 12A(a), (b) and (c) of SEBI Act read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a), (d) and (g) of PFUTP Regulations?

    II. Do the violations, if established, attract monetary penalty under Section 15HA of SEBI Act?

    III. If so, what would be the quantum of monetary penalty that can be imposed on the Noticees after taking into consideration the factors mentioned in section 15J of the SEBI Act?

17. Before I proceed with the matter, it is pertinent to mention the relevant legal provisions alleged to have been violated by the Noticees and the same is reproduced below:

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;"*

<u>PFUTP Regulations:</u>

"Regulation 3: Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

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

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

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

"Regulation 4: Prohibition of manipulative, fraudulent and unfair trade practices

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

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

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

…

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

…

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

<u>Issue I)</u> **Whether the Noticees have violated the provisions of Sections 12A(a), (b) and (c) of SEBI Act read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a), (d) and (g) of PFUTP Regulations?**

18. I note that during the course of investigation by SEBI in the scrip of Le Waterina, following was, *inter alia,* observed –

a) On July 04, 2011, there was a stock split in Le Waterina wherein the face value of the stock was split from Rs.10 into Rs. 1. In order to have a better analysis of conduct of various entities, the Investigation Period was divided into pre-stock split period (October 01, 2010 to 03 July, 2011) and post-stock split period (04 July, 2011 to March 05, 2012).

b) Mr. Sanjay Jalan (Noticee no. 1) was the promoter and Managing Director of the Company during the Investigation Period. Further, Noticee no. 2 (Ms.

Anila Jalan) (mother of Noticee no. 1) and Noticee no. 3 (Ms. Rinku Jalan) (wife of Noticee no. 1) had transferred shares of the Company to various entities who were part of a group (hereinafter referred to as "***suspected entities***") through off-market transfers during both pre-stock split period and post stock split period. The details of connection between the suspected entities has been provided in Annexure 3 of the SCN.

c) The suspected entities that received shares of Le Waterina in off-market transactions from the Noticees no. 2 and 3, had traded those shares in the market by executing trades among themselves and thereby created artificial volume in the scrip of the Company.

d) Investigation further observed financial dealings between bank accounts of the Noticees no. 1 and 3. Further, it was observed that the bank account of the Noticee no. 3 was used by the Noticee no. 1 for his business dealings and therefore, the major financial dealings of the Noticee no. 3 were controlled by the Noticee no. 1.

e) Investigation also observed that the Noticee no. 1 was connected to one of the suspected entities through fund transfers.

19. I note that the main allegation against the Noticees is that the Noticees 1 to 3, in connivance with each other, had transferred huge quantities of shares of Le Waterina under a scheme or artifice to various suspected entities thereby facilitating creation of artificial volumes and artificially inflated price of the scrip of the Company, through unfair fraudulent trades indulged in by the suspected entities.

20. From the perusal of the facts and charges framed in the SCN, I find that the investigation has revealed that the volume and price in the scrip of the Company was manipulated through fraudulent trading in its shares by certain suspected entities. Those suspected entities are seen to have received significant quantities of shares (running into several lacs of shares) from the Noticees 2 and 3 in off-market transactions and have in turn used those shares for manipulating the volume and price

in the scrip of the Company by indulging in trading amongst themselves on the stock exchange and thereby have created the artificial volume and artificially inflated the price through such unfair, fraudulent and manipulative trades. Such acts of manipulations in the scrip of Le Waterina by the Noticees 1 to 3 were alleged to be in breach of provisions of Section 12A (a), (b) and (c) of the SEBI Act, 1992 read with regulation 3(a), (b), (c), (d) and regulation 4 (1), 4 (2) (a), (d) (g) of the PFUTP Regulations.

21. The details of price and volume in the scrip during the Investigation Period in BSE is as follows –

Table - 1

Period	Face value of share (Rs)	Dates		Opening Price/ volume on first day of the period	Closing price volume on last day of the period	Low price/volume during the period	High Price/volume during the period	Avg. no of shares traded during the period
Before Investigation Period	10.00	(01/07/2010-30/09/2010)	Price	Rs. 78.90	Rs. 37.25	Rs. 37.25	Rs. 78.90	1,408
			Volume	100	300	42	4700	
During Investigation Period	10.00	(01/10/2010 - 03/07/2011)	Price	Rs. 35.4	Rs.117.1	Rs.35	Rs. 144	16,331
			Volume	250	38,324	10	3,71,785	
	1.00	(04/07/2011 - 05/03/2012)	Price	Rs. 12.20	Rs. 10.70	Rs. 5.33	Rs. 15.45	2,15,796
			Volume	2,10,945	3,44,115	2	93,73,424	
After Investigation Period	1.00	(06/03/2012 - 31/05/2012)	Price	Rs. 10.26	Rs. 3.07	Rs. 3.07	Rs. 10.90	3,43,905
			Volume	2,86,909	5,882	2,123	52,33,947	

22. The trading activity in the scrip during the pre and post stock split patch have ben perused. On analysis of the top 10 buyers/sellers, I note that during the pre-stock split patch, nine (9) of the top 10 buyers in the scrip were suspected entities whose buy volume constituted 37.76% of total traded volume (30,86,621 shares). Similarly, I observe that nine (9) of the top 10 sellers in the scrip during this patch were suspected entities whose sell volume constituted 48.09% of total traded volume (30,86,621 shares). I also observe that during the post-stock split patch, seven (7) of the top 10 buyers in the scrip were suspected entities whose buy volume constituted 53.91% of total traded volume (3,62,53,696 shares). Similarly, it was observed that eight (8) of

the top 10 sellers in the scrip during this patch were suspected entities whose sell volume constituted 53.44% of total traded volume (3,62,53,696 shares).

23. As shares were received by the suspected entities in off market from Noticees 2 and 3, the trades carried out by the suspected entities during the pre and post stock split patches have been perused and the details are depicted in the table below –

Table - 2

Period	Gross Buy (number of shares)	% of total buy to total traded volume	% of matched buy qty with suspected entities	Gross Sell (number of shares)	% of total sale to total traded volume	% of matched sell qty with suspected entities
October 01, 2010 to July 03, 2011 (Prestock split)*	12,92,946	41.89 %	54.37%	17,89,937	57.99 %	39.31%
July 04, 2011 to March 05, 2012 (Poststock split) **	2,28,30,923	62.98%	68.90%	2,24,61,631	61.96%	70.04%

** suspected entities had executed trades among themselves for **7,03,010 shares**, which accounted for **22.78%** of the total market volume.*

***suspected entities had executed trades among themselves for **1,57,31,198 shares**, which accounted for **43.39%** to the total market volume.*

24. From the above, I note that the suspected entities had contributed to 41.89% and 57.99% of the gross buy and gross sell volumes respectively in the scrip during the pre-stock split patch. I further note that the trading amongst the suspected entities during the pre-stock split patch was significant since 54.37% of gross buy and 39.31% of gross sell of the suspected entities, who were also observed to have received shares from the Noticees 2 and 3, were executed and matched with other suspected entities. Similar trading pattern was noticed during the post-stock split patch as well, during which the suspected entities had contributed to 62.98% and 61.96% of gross buy and gross sell volumes respectively, in the scrip of Le Waterina. I note that during the said

post-stock split period, the suspected entities had been seen executing trades amongst themselves in the scrip of the Company and in the process, the suspected entities were found to have executed and matched 68.90% and 70.04% of their buy and sell trades respectively amongst each other. The aforesaid trade data shows that by way of trading amongst themselves, the suspected entities have contributed significantly to the volumes of trades in the shares of the Company during the Investigation Period. I also note that during the Investigation Period, the price of the scrip increased from of Rs. 35.4 (pre-stock split) to Rs. 10.7 (post-stock split hence, unadjusted Rs. 107) by more than 200%, though during the same period, BSE Sensex moved downwards registering a decrease of 2731.23 points (13.59%). I also note that no major corporate announcements were made by the Company during the Investigation Period which can substantiate and explain the rationale behind the above noted price rise in the scrip of the Company. I note that the abnormal price rise has been in conjunction with the artificial volumes created by the suspected entities, who were also observed to have received shares from the Noticees 2 and 3. I also note from the SCN and available records, that the suspected entities by executing trades among themselves had created artificial volumes and had manipulated the price in both pre and post stock split period. In this regard, I note that during the pre-stock split period, out of 189 trading days, the suspected entities executed trades among themselves on 117 days thereby creating artificial volume. It was further revealed that out of 117 days, on 73 days traded volume of suspected entities had constituted more than 25% of respective day's traded volume. Similarly, I note that during post-split stock period, out of 168 trading days, the suspected entities had traded on 120 days creating artificial volume by executing trades among themselves. I further observe that out of 120 days, on 61 days, traded volume of suspected entities had constituted more than 25% of respective day's traded volume. The aforesaid facts show that huge quantities of shares were transferred to the suspected entities by the Noticees through off-market mode and the suspected entities have in turn used those shares in manipulating the volume and price of the scrip of the Company by indulging in trading amongst themselves on the stock exchange and thereby have created the artificial volume and price manipulation in the scrip through such unfair, fraudulent and manipulative trades. In this context, I also note that Adjudication order dated January 31, 2019 was passed previously in respect of 12 suspected entities wherein it was held that 10 of the suspected entities had indulged in unfair, fraudulent and manipulative trades and penalties were imposed on them as specified in the said order. The said Adjudication Order was challenged by 3 of the suspected entities, namely Shailesh Shah, Devang Vyas and Rajiv Gandhi before the Hon'ble Securities Appellate Tribunal (SAT). Hon'ble SAT vide its order dated February 07, 2020 in the matters of *Shailesh Shah vs SEBI* (Appeal No. 164 of 2019), *Devang Vyas vs SEBI* (Appeal No. 165 of 2019) and *Rajiv Gandhi vs SEBI* (Misc. Application No. 224 of 2019 and Appeal No. 166 of 2019) has upheld the findings regarding the manipulation in the scrip by the suspected entities and has held as follows –

> *"12. Having heard the learned counsel for the parties and after perusing the records relating to all the three appeals, we are of the view that the entire episode is a case of circular trading caused by a group of entities in order to manipulate the market in the scrip of Le Waterina. There is sufficient evidence that this group of entities, including the appellants, converted the scrip of Le Waterina into a highly traded one from a lightly traded scrip and thereby imposing heavy cost on the unsuspecting investors in the market. Therefore, we have no doubt that it is a clear case of market manipulation as defined under the relevant provisions of SEBI Act and the PFUTP Regulations 2003, which we reproduce for convenience herein:-*
>
> *…"*

25. As already discussed above, Noticees 2 and 3 through their transfer of huge quantities of shares of Le Waterina to various suspected entities in off-market mode are alleged to be a part of a fraudulent scheme by facilitating the suspected entities to trade in the

scrip for creation of artificial volumes. The details of transfer of shares in off market by Notice 2 and 3 are depicted in the below table –

Table - 3

Transactions of Noticee 2 : Ms Anila Jalan						
Period	**Date**	**Counterparty (also part of suspected entities)**	**Number of shares**	**Price / Share (in Rs.)**	**Sale Consideration (in Rs.)**	**Whether Payment received**
Pre-Stock Spilt Period	19.10.2010	Ramadoss V^	10,000	-	-	-
	19.10.2010	Rinku Jalan *(Noticee 3)*	**4,50,000**	**Gift**	Gift	NA
	10.05.2011	Bharat G Thaker^	2,00,000	-	-	-
		Total (Pre-Spilt Period) (A)	**2,10,000 shares transferred to Suspected entities**			
Post-Stock Spilt Period	21.07.2011	Kamlesh Shantilalji Jain	30,00,000	1.5	45,00,000	No
	28.07.2011	Farrah Devang Vyas	4,00,000	1.5	6,00,000	No
	06.08.2011	Miatru Agro Marketing Pvt Ltd	12,00,000	1.5	18,00,000	No
	24.08.2011	Rinku Jalan *(Noticee 3)*	**11,58,550**	**Gift**	**Gift**	No
		Total (Post-Spilt Period) (B)	**46,00,000 shares transferred to Suspected entities**		**69,00,000**	

^Price details not provided by Noticee 2.

Table - 4

Transactions of Noticee 3 : Ms Rinku Jalan

Period	Date	Counterparty (also part of ***suspected entities***)	Number of shares transferred /(received)	Price / Share (in Rs.)	Sale Consideration (in Rs.)	Whether Payment received*
Pre-Stock Spilt Period	04.10.2010	On Market	205	Not Provided	-	
	07.10.2010	Shakuntala Devi	28,000	Not Provided		No
	07.10.2010	Gandhe Shiva Kumar	22,000	Not Provided		No
	08.10.2010	Miatru Agro Marketing Pvt Ltd	2,00,000	Not Provided		No
	13.10.2010	Kalpana M Golecha	5,000	Not Provided		No
	13.10.2010	Bharat G Thaker	90,000	Not Provided		No
	19.10.2010	Anila Jalan	(4,50,000)	Not Provided	**Gift**	
	08.11.2010	Miatru Agro Marketing Pvt Ltd	1,50,000	Not Provided		No
	08.12.2010	Miatru Agro Marketing Pvt Ltd	63,000	Not Provided		No
	16.12.2010	Miatru Agro Marketing Pvt Ltd	2,00,000	Not Provided		No
	18.02.2011	J Shankar	6,250	Not Provided		No
	23.03.2011	N Bhuvaneswari	15,000	Not Provided		No
		Total (Pre-Spilt Period) (A)	**7,79,250 shares transferred to Suspected entities**			
Post-Stock Spilt	21.07.2011	Kamlesh Jain	20,00,000	Not Provided		No
	25.07.2011	On Market	5,000	Not Provided		

Period	29.07.2011	On Market	15,000	Not Provided		
	02.08.2011	On Market	15,000	Not Provided		
	24.08.2011	Anila Jalan	(11,58,550)		**Gift**	
	24.08.2011	Bharat G Thaker	(20,00,000)			
	25.08.2011	On Market	33,002	Not Provided		
	21.09.2011	Miatru Agro Marketing Pvt Ltd	27,00,000	Not Provided		No
	23.09.2011	Jagannath	1,000	Not Provided		No
	20.12.2011	On Market	(3,00,000)	Not Provided		
	21.12.2011	On Market	(25,000)	Not Provided		
	30.12.2011	On Market	(1,93,000)	Not Provided		
	11.01.2012	Sangam Agro Agencies Pvt Ltd	2,00,000	Not Provided		No
	11.01.2012	On Market	1,93,000	Not Provided		
		Total (Post-Spilt Period) (B)	**49,01,000 shares transferred to Suspected entities**			

*As per Noticee 3, she has not received sales consideration.

26. The dates, quantity and counterparty details of the aforesaid transactions available as per records, were shared with the Noticees vide email dated April 25, 2022 during the adjudication proceedings. I note that Noticees 2 and 3 have not disputed the said details of transactions alleged to have been carried out by them. The aforesaid two Noticees have accepted the fact that they have transferred the aforesaid quantities of shares to various suspected entities in offmarket mode and have also submitted that till date they have not received, the full sale consideration amount from those counterparty off-market buyers.

27. From the above tables, I note that Noticee 2 (Anila Jalan) transferred shares to Noticee 3 (Rinku Jalan) i.e. 4.50 Lakh shares during pre-stock split period and 11,58,550 shares during post-stock split period; as purported gift to Noticee 3. Apart from the above, I note that Noticee 2 transferred 2.10 lakh shares to suspected entities during pre-stock split and 46 lakh shares to suspected during the post-stock split period. I note that Noticee 2 has failed to provide any evidence of receipt of sales consideration for the said transactions.

28. Similarly, with regard to Noticee 3, I note that she has transferred 7.79 lakh shares in offmarket to suspected entities during pre-stock split and 49.01 Lakh shares to suspected entities during the post-stock split period.

29. I note that in her submissions, Noticee 2 has stated in her defense that the shares of the Company were sold by her in order to financially secure her needs and for medical treatments. Similarly, Noticee 3 has submitted that she was already separated from her husband (Noticee 1) and she sold those shares as she needed funds for herself and to care for her children. Regarding the rationale for selling such large quantities of shares to brokers/entities in offmarket i.e. outside the stock exchange platform, Noticee 3 has stated that she had no knowledge about stock exchange and its trading activity and capital market operation. Noticee 2 has also made a similar plea that she was ignorant of the stock operations. The above defense by Noticee 3 is patently false as upon being shared with her transaction details during the adjudication proceedings, she has responded by saying that she had also sold shares on-market through a stock broking firm viz. "Kunwarji and Associates", and has carried out transactions on 07.08.2010 for Rs. 91,036.01, 08.04.2011 for Rs. 5,14,190 and 09.02.2011 for Rs. 3,56,228. As per Noticee 3, the said funds have been duly received by her. Further, at this juncture, I note that it is not the case of the Noticees that they were holding shares of the Company in physical form, and the details of transactions by the Noticees which were also shared with them clearly shows that the Noticees were holding shares in demat accounts. Keeping the aforesaid fact into consideration and the fact that

Noticees 2 and 3 have not denied that they do not have any demat accounts to substantiate their claim of ignorance about stock exchange mechanism, it is not possible to accept that these two Noticees being part of the promoter group of a listed company (Noticee 2 and 3 being mother and wife respectively of Noticee 1, Promoter and Chairman cum Managing Director of the Company) were completely unaware about the advantages of trading through stock exchange platform. It may be noted that trading on a stock exchange provides a mechanism of settlement guarantee for the respective trade by the stock exchange /clearing corporation, wherein the stock exchange / clearing corporation acts as a counterparty to such trades and takes the responsibility for settlement of such trades. It is impossible to believe that while on the one hand the Noticees 2 and 3 were selling large quantities of shares purportedly to financially secure their future, on the other hand they chose off-market mechanism to sell their shares wherein there was no guarantee of settlement of their transactions, by ignoring the established stock exchange platform and deciding to offload huge quantities of their shares in the scrip of the Company to various entities in a bilateral manner without being able to enforce payment by the buyers. Therefore, the submission of the Noticees 2 and Noticee 3 (who had already previous experience of trading on exchange platform) stating that they preferred off-market transfers as they were not aware about the stock exchange mechanism is completely devoid of merits.

30. I also note that Noticee 2 on most of the occasions has transferred the shares in off-market at a price lower than the prevailing market price. For instance, Noticee 2 has transferred 30 lacs shares to Kamlesh Jain on 21.07.2011, 4 lac shares to Farrah Devang Vyas on 28.07.2011 and 12 lac shares to Miatru Agro Marketing Ltd on 06.08.2011, all at a price of Rs. 1.50 per share. Similar to Noticee 2's transaction on 21.07.2011, Noticee 3 has also transferred 20 lac shares to the same entity i.e. Kamlesh Jain on the same date i.e. 21.07.2011, however, she has not provided the rate of the transaction despite being specifically asked to during the present proceedings. In this regard, I note the opening and closing prices for the scrip at BSE

on the relevant dates were as follows – on 21.07.2011 (Rs. 14.85 and Rs. 14.70 respectively), on 28.07.2011 (Rs. 15.35 and Rs. 14.50 respectively) and, on 05.08.2011 (Rs. 13.85 and Rs. 13.83 respectively - since 06.08.2011 being a Saturday, the price details on 05.08.2011 are being considered). Taking the closing price of the scrip on the aforesaid dates, the value of 46 lac shares sold by Noticee 2 would be approximately Rs. 6.65 crores, which is substantially higher than the amount of Rs. 69 lacs which was purportedly the sale consideration of the 46 lac shares sold by her in off market. Thus, I note that there was a wide disparity between the price in which the shares were sold by Noticee 2 and the prevailing market prices. A small variance in the price of shares in off market with the market price can be held to be reasonable, however the act of selling the shares at a price which is almost 90% lower than the market price defies logic and is difficult to accept. Noticee 3 has not provided the transaction rate, so a similar comparison could not be made. Therefore, the aforesaid acts of Noticee 2 by transferring the shares in the off-market at a price almost 90% less than the market price available on the stock exchanges not only demolishes her defense that she had decided to sell their shares to financially secure her future but also indicates *malafide* intention on the part of the Noticee.

31. The submission made by the Noticees 2 and 3 that they had to transfer shares in such huge quantities to secure their life and the life of children, is thus found to be lacking of any genuine rationale or compelling circumstances which can be said to have constrained both the Noticees to transfer their shares by following identical off-market mode almost during the same period of time which also led to similar fate for these two Noticees i.e. non receipt of the sales consideration from the suspected entities to whom they had transferred those shares. The submissions made by these two Noticees are also silent about why the shares were transferred without comparing with the market price of the shares prevailing during that period. Noticees 2 and 3 have also not explained as to why they agreed to transfer their shares to the suspected entities without any documentation or agreement or even without any invoice/receipt in support

of exchange of sales consideration. Considering the fact that Le Waterina is a listed company and Noticees 2 and 3 are closely related to the promoter, there is no convincing explanation offered by the said Noticees to justify as to why they avoided the recognized stock exchange platform to sell their shares where receipt of sales proceeds was guaranteed, which would have definitely fulfilled their objective of achieving financial security for themselves. In view of the above, I find the explanations of Noticees 2 and 3 to be implausible and untenable. I note that the off market transfers by Noticees 2 and 3 during the IP has to be seen in conjunction with the manipulative trades entered into by the suspected entities for creation of artificial volumes and price manipulation in the scrip. In the present case, Noticees 2 and 3 were the source of the shares with which the suspected entities entered into manipulative trades.

32. It has been alleged that Noticees connived with the suspected entities to create artificial volumes and artificially manipulate the price in the scrip of Le waterina. I note that the Noticees 2 and 3 have submitted that they have no connection with the suspected entities. In this regard, I note that offmarket transfers involve signing of Delivery Instruction Slips (DIS) where the seller specifies the buyer details and transaction details. It may be noted that in the case of off-market transfer of shares, naturally, the transferor of shares and transferee of shares are known to each other as the transaction involves a positive action. Thus, I note that connection of Noticees 2 and 3 with the suspected entities gets established on account of such off market transfers. Further, I note that it is not believable that the two Noticees, without making even the basic enquiry about the bonafide of their counter party buyers, their paying capacity and other relevant factors useful to them, have simply gone ahead and transferred such large quantities of shares to various entities with whom they claim to have had no connection. The undisputed fact is that the Noticees 2 and 3 have transferred their shares, purportedly without receipt of sales consideration, which clearly reinforces the fact that such offmarket transfers were executed for no genuine purpose but for other unexplained ulterior reasons which ultimately aided & abetted the misuse of those

shares for unfair and manipulative trades in the hands of those suspected transferee entities as alleged in the SCN. The manner of such transactions clearly substantiates the allegation that the above Noticees connived with the suspected entities in creation of artificial volumes and price manipulation in the scrip of the Company.

33. As mentioned earlier, Noticees 2 and 3 have submitted that they have not received payment of sale proceeds from the buyers of those shares or the cheques so received by them from the buyers towards such payment also got dishonored. At this juncture, it is important to look at the quantum of sales consideration on account of shares transferred by Noticees 2 and 3 to suspected entities. I note that Noticee 3 has not provided the details of sell rate (Price / Share) at which she executed the sale of shares to suspected entities, however she has stated that she has not received the sales consideration. Similarly, Noticee 2 has also not specified the sell rate for one of her transactions. In these cases, the closing price of the scrip at BSE on those particular dates has been considered to arrive at the value of the shares transferred by them, for which they purportedly did not receive any sales consideration. The details are tabulated below –

Table - 5

Value of securities transferred by Noticee 2 (Ms Anila Jalan) to Suspected Entities						
Period	**Date**	**Counterparty (also part of *suspected entities*)**	**Number of shares**	**Price / Share (in Rs.)**	**Sale Consideration (in Rs.)**	**Whether Payment received**
Pre-Stock Spilt Period	19.10.2010	Ramadoss V	10,000	59.85 (BSE Close Price)	5,98,500	No
	10.05.2011	Bharat G Thaker	2,00,000	As per Noticee 2, the said shares were returned by the buyer to the account of Noticee 3		
Post-Stock Spilt Period	21.07.2011	Kamlesh Shantilalji Jain	30,00,000	1.5	45,00,000	No
	28.07.2011	Farrah Devang Vyas	4,00,000	1.5	6,00,000	No

	06.08.2011	Miatru Agro Marketing Pvt Ltd	12,00,000	1.5	18,00,000	No
Total (Pre & Post-Spilt Period)			**46,10,000 shares transferred to suspected entities**		**74,98,500**	**No**

Table - 6

Value of securities transferred by Noticee 3 (Ms Rinku Jalan) to Suspected Entities						
Period	**Date**	**Counterparty (also part of *suspected entities*)**	**Number of shares transferred**	**Price / Share (in Rs.)**	**Sale Consideration (in Rs.)**	**Whether Payment received***
Pre-Stock Spilt Period	07.10.2010	Shakuntala Devi	28,000	42.95 (BSE Close Price)	12,02,600	No
	07.10.2010	Gandhe Shiva Kumar	22,000	42.95 (BSE Close Price)	9,44,900	No
	08.10.2010	Miatru Agro Marketing Pvt Ltd	2,00,000	45.05 (BSE Close Price)	90,10,000	No
	13.10.2010	Kalpana M Golecha	5,000	52.1 (BSE Close Price)	2,60,500	No
	13.10.2010	Bharat G Thaker	90,000	52.1 (BSE Close Price)	46,89,000	No
	08.11.2010	Miatru Agro Marketing Pvt Ltd	1,50,000	116.75 (BSE Close Price)	1,75,12,500	No
	08.12.2010	Miatru Agro Marketing Pvt Ltd	63,000	113.1 (BSE Close Price)	71,25,300	No
	16.12.2010	Miatru Agro Marketing Pvt Ltd	2,00,000	99.85 (BSE Close Price)	1,99,70,000	No
	18.02.2011	J Shankar	6,250	108.95 (BSE Close Price)	6,80,938	No
	23.03.2011	N Bhuvaneswari	15,000	89.9 (BSE Close Price)	13,48,500	No
Post-Stock Spilt Period	21.07.2011	Kamlesh Jain	20,00,000	14.7 (BSE Close Price)	2,94,00,000	No
	21.09.2011	Miatru Agro Marketing Pvt Ltd	27,00,000	6.8 (BSE Close Price)	1,83,60,000	No
	23.09.2011	Jagannath	1,000	7.49 (BSE Close Price)	7,490	No
	11.01.2012	Sangam Agro Agencies Pvt Ltd	2,00,000	12.94 (BSE Close Price)	25,88,000	No

Total (Pre & Post-Spilt Period)	**56,80,250 shares transferred to suspected entities**		**11,30,99,728**	**No**

34. The aforementioned tables reveal that the shares of the Company worth Rs.11.30 crores were transferred to suspected entities by Noticee 3 without any consideration. Similarly, as submitted by the Noticee 2, shares of the Company worth Rs. 74.98 lacs were transferred to suspected entities without receipt of any payment consideration. As has been noted earlier, no supporting documents such as agreements/ contracts or sales invoices, money receipts etc. have been produced by the Noticees 2 and 3 with respect to the sale of shares of the Company made by them through off-market mechanism. I note that any genuine off-market transaction involving exchange of securities worth of crores of Rupees would involve proper legally enforceable documentation along with terms of agreement being fair, clear and transparent to both the parties to the said transaction. It would be fair to say that no person with normal prudence will part with his/her valuable securities worth of crores of rupees without ensuring that his/her pecuniary interest in those securities is firmly secured by way of proper legally binding documentation. However, no such supporting documents have been produced by the Noticees 2 and 3, and no explanation has been offered as to what legal measure has been taken by them against their buyers to recover the unpaid sales consideration from those defaulter buyers. Under the circumstances, I am of the view that such offmarket transfers were not executed for any genuine purposes but were done for other ulterior reasons reasons which ultimately aided & abetted the misuse of those shares for unfair and manipulative trades in the hands of those suspected transferee entities as alleged in the SCN.

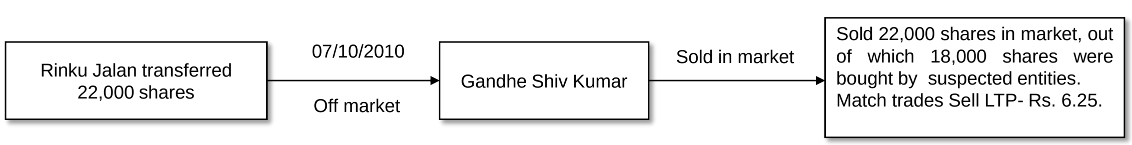
35. In their replies, Noticees 2 and 3 have claimed that they were duped and cheated by the suspected entities and they were victims of fraud. I further note that both Noticees 2 and 3 have given identical reasons of not taking any legal recourse against the

defaulter counterparties stating that they were trying to dispose of the shares without the knowledge of their family members (Noticee 1 and his father Shri R K Jalan), hence they did not want their family members to know that they had been duped and deceived by the buying entities. I further note that Noticee 3 has claimed in her defense that she had sent demand notices on March 22, 2012 for dishonor of cheques to one of the suspected entities viz. Maitru Agro Marketing Pvt Ltd. However, on perusal of the said documents, I note that they were merely reminders to the counterparty to make payment, failing which legal action will be initiated. However, Noticee 3 has not produced any document to demonstrate that she had indeed filed petitions before a court of law for effecting recovery of sales considerations from the defaulting buyers. Had she felt genuinely aggrieved by the non-payment of sales consideration, she was legally entitled to claim the recovery of the same before the court of law, which she chose not to pursue for reasons best known to her despite losing such huge amounts of money due to the default by those suspected entities who later on traded with those shares in the market to create artificial volumes and to artificially inflate the price in the scrip of the Company. Noticee 3 has stated that she filed a complaint with EOW against Miatru Agro and Mr. Kamal Kothari on 31.03.2021. I note that no supporting documents like FIR copy etc has been produced by the Noticee and further, I note that the complaint filed, if any, is well after the Noticee received the Show Cause Notices from SEBI in the year 2017 which shows that the same is an afterthought. In view of the above, I find the submissions of the Noticees 2 and 3 to be untenable. There is no evidence on record to even suggest that the Noticees have made a serious follow up with the defaulting buyers to secure the payment against the transfer of shares. In such circumstances, meeting of minds of the parties elsewhere and settlement of dues to the Noticees through some other mode can’t be ruled out.

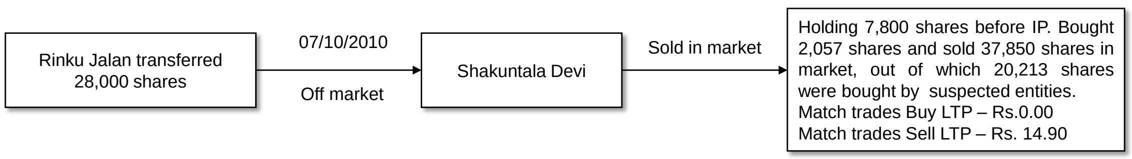
36. Further, it is also evident from the above tables that even though Noticees 2 and 3 had not been able to recover the payment consideration from various suspected entities for the shares of the Company transferred during the pre-stock split period, they still chose

to transfer more shares of the Company during the post-stock split period as well to suspected entities (in some cases, even to the same suspected entities who had defaulted in payment). For instance, Noticee 2 had not received payment for 10,000 shares transferred to one Ramdoss V on 19.10.2010 and for 2 lac shares transferred to one Bharat Thakkar on 10.05.2011 (during pre-stock split period). However, during post-stock split period, she further transferred 30 lac shares to one Kamlesh Jain on 21.07.2011, 4 lac shares to Ferrah Devang Vyas on 28.07.2011 and 12 lac shares to Miatru Agro on 06.08.2011. Similarly, despite the fact that Noticee 3 had failed to recover payment from Miatru Agro Marketing Pvt Ltd for the 2 lac shares transferred on 08.10.2010 (during pre-stock split period), she continued to transfer huge number of shares to Miatru Agro Marketing Pvt Ltd and other connected suspected entities during the pre and post-stock split period. I note a pattern of deliberate and continuous transfer of shares of the Company by Noticees 2 and 3 through the off-market mechanism and that too, without receiving any payment consideration for the prior transfer of shares. The said acts of Noticees 2 and 3 do not appear to be *bona fide* and demonstrates the connivance by these entities with the suspected entities.

37. Further, I observe from records that that as soon as the shares of the Company were transferred by the Noticees 2 and 3 in off-market to the suspected entities, such suspected entities started trading in the scrip of the Company using those shares and even contributed to the Last Traded Price (LTP) in the scrip. For instance, the Noticee 3 had transferred 22,000 shares of the Company in off-market to Gandhe Shiv Kumar who in turn sold the entire stock of 22,000 shares (18,000 shares (i.e. 81.82%) to suspected entities contributing to LTP of Rs. 6.25) in the market during pre-stock split period. I also note that majority of the shares sold by Gandhe Shiv Kumar were made to the suspected entities. The transaction is graphically elaborated below:



38. Similarly, in another instance Noticee 3 had transferred 28,000 shares of the Company in off-market to Shakuntala Devi. Shakuntala Devi was holding 7800 shares of the Company prior to Investigation Period and had also separately bought 2,057 shares (out of which 180 shares bought from suspected entities). Out of her total shareholding in the Company, she sold 37,850 shares (20,213 shares (i.e. 54.31%) sold to suspected entities, contributing to LTP of Rs. 14.90) in market during pre-stock split period. I also note that majority of shares sold by Shakuntala Devi were sold to suspected entities. The transaction is graphically elaborated below:

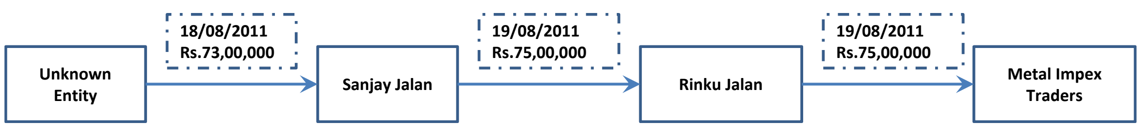


39. It is worth mentioning that as soon as the shares of Le Waterina were transferred to the suspected entities through off-market transactions, the suspected entities started continuously trading in the scrip of the Company on the stock exchange platform the details of which have been highlighted in the foregoing paragraphs. It is evident that Noticees 2 and 3, by their very acts of off-market distribution of lacs of shares of Le Waterina to the suspected entities, have in an obvious manner kick started the process of manipulative trades executed by these suspected entities in a coordinated and concerted manner with a view to create false appearance of trading and manipulate the price of the scrip in the market.

40. The SCN has further alleged that as Noticee 1 was closely connected to the Noticees 2 and 3 and he being the promoter of the Company, he was also involved in whole scheme of off-market transfer of shares of the Company for creating artificial volumes in the scrip of the Company on the stock exchange platform. I note from the records that there were regular funds transfers from the bank account of Noticee 1 to bank account of Noticee 3. The said facts are not disputed by Noticees 1 and 3. In this regard, Noticee 1 has submitted that he is living separately from his wife, Noticee 3,

since 2002 and the financial decisions taken by Noticee 3 were her independent decisions and he had no control on the same. Further, in this regard, I note that Noticee 1 has not furnished any document either to substantiate the claim of living separately from his wife (Noticee 3) and / or to support his claim of paying monthly maintenance to Noticee 3 in terms of any judicial order. It has been only submitted that they are living separately due to personal reasons and he was incurring the cost of maintenance of Noticee 3 and his children. I note from the statement of Noticee 1 recorded during investigation on August 05, 2010, that he had stated that he would be submitting the necessary supporting documents regarding his separation with his wife by August 10, 2015 through email. However, investigation has noted that he did not submit anything in this regard.

41. The SCN has further alleged that Noticee 3's bank account was used for the purpose of business payments routed through her personal account by Noticee 1, and in this regard, it was observed that during IP, on August 19, 2011, a payment of Rs. 75 lacs was transferred by Noticee 1 to Noticee 3 and on the same day, the said payment was transferred by Noticee 3 to one entity namely, Metal Impex Traders. The transaction is depicted graphically below –



42. I note that the fund of Rs. 75 lacs was received by Noticee 1 from an unknown entity. Noticee 1, in his reply to the SCN, has not advanced any details about the transferor and the purpose for receipt of the said amount. It has, however, been submitted that the amount of Rs. 75 lacs transferred by Noticee 1 to Noticee 3 was paid to Metal Impex Traders on the same day towards advance booking of a flat. Further, Noticee 3 has submitted that due to recession in real estate market, the matter is still pending and the amount remains with the company. In this regard, I note that the Noticees 1 and 3 have merely made some empty statements to explain the aforesaid fund transfer

involving Rs. 75 lacs, but have not furnished any supporting documents viz; allotment letter, purchase / booking of a property such as receipt from the developer / vendor/builder, copy of agreement / contract towards purchase of flat, etc in support of their claim. No documents have been furnished by the Noticees to apprise about the current status of the said flat so claimed to have been purchased or booked in 2011 by paying such a hefty sum towards advance to Metal Impex. In the absence of any documentary evidence in support of the said purchase or allotment or booking of the flat at Kolkata, it cannot be ascertained whether the said payee, i.e. Metal Impex is a builder or Developer or a Real Estate Agent or just a fictitious entity.

43. Further, I also note that oddly enough, even in this instance also, neither the Noticee 1 nor Noticee 3 has taken any action against Metal Impex for failure to handover the flat even after a lapse of around 11 years from the date of booking or paying advance. The said Noticees have not taken any action on the grounds that there is a recession in real estate market, which doesn’t sound convincing enough especially considering the long tenure that has elapsed between the transaction date and the present. In view of the aforesaid observations, I find that both Noticees 1 and 3 have merely made bald statements regarding the aforesaid transaction and have tried to cover up the real purpose of the transaction. Under such circumstances, the source as well as destination of the said amount of Rs. 75 lacs remain unexplained and unsubstantiated by the Noticees. Further, considering the fact that no documentary evidence has been provided by the Noticee 1 with regard to his legal separation from his wife (Noticee 3) and looking at the regular transfers of money from the account of Noticee 1 to the account of Noticee 3 ranging from few thousands to as high an amount as Rs. 75 lacs, it is difficult to accept the contention of Noticee 1 that he had no control over the financial dealings and financial decisions of his wife i.e. Noticee 3. In fact, the chronology of events including the details of funds transfers by Noticee 1 and the aforesaid observations made in the context of transactions and relationship between Noticee 1 and Noticee 3 and the preponderance of probabilities arising out of the close

relationships being shared by all the Noticees, leads to the inference that the Noticee 1 was very much associated with Noticee 3 (his wife) in all her financial dealings including her off-market transfer of shares to the suspected entities and he, being promoter and Managing Director of the Company, also served as a part of the scheme in ensuring that huge quantities of shares of the Company are transferred in off-market through Noticee 2 (his mother) and 3 (his wife) to various entities with an ultimate aim of creating false and artificial volumes and manipulating the price in the scrip of the Company.

44. SCN has further alleged that the Noticee 1 had received an amount of Rs. 50 lacs from JS Enclaves (an entity related to one of the suspected entities) on August 13, 2011. In this regard, Noticee 1 has submitted that he had taken a loan of Rs. 50 lacs from JS Enclaves for business purposes and proper documentation (agreement) was done regarding the said loan. However, contrary to his claim Noticee 1 has not submitted any loan agreement in this regard neither during investigation nor in his reply to the SCN. It was also observed during investigations that the said amount was not used for the purpose stated by Noticee 1, but was lying in his bank account for a considerable period of time. In this regard, Noticee 1 has further submitted that he has repaid an amount of Rs. 5 lacs to JS Enclaves against the aforesaid loan during 14.09.2011 to 10.03.2012. To further substantiate his claims, Noticee 1 has attached a certificate of a chartered accountant dated February 01, 2019, and has stated that the certificate certifies that the amount of Rs. 50 lacs was utilized for business purposes. As per the ledger account in respect of JS Enclaves Pvt Ltd submitted by Noticee 1, it is seen that he has repaid an amount of Rs. 5 lacs against the aforesaid loan during 14.09.2011 to 10.03.2012. However, there is no mention regarding the balance amount of loan principal of Rs. 45 Lacs. No evidence has been submitted by the Noticee 1 regarding the repayment of balance amount by Noticee 1 to JS Enclaves during the ensuing period since 2012 till the date of his submissions. It is also surprising to note that no action has been initiated by JS Enclaves against the Noticee 1 for non-payment of

outstanding loan of Rs. 45 lacs, which is 90% of the original amount transferred to Noticee 1. Further, there is no evidence provided by Noticee 1 that he ever made any interest payments for the purported loan. Therefore, the said transactions between Noticee 1 and JS Enclaves remains unexplained. The undisputed fact remains that Noticee 1 has received funds from an entity related to the suspected entities. Under the aforesaid facts and circumstances, I hold that the aforesaid transactions between the Noticee 1 and JS Enclaves involving Rs. 50 lacs during the Investigation Period remains an unaccounted fund transfer from one of the suspected entities to the account of the promoter (Noticee 1) of the Company which points to the malafide intention of and the role played by Noticee 1 in the whole scheme of manipulation in the scrip of Le Waterina.

45. As already noted previously, Hon'ble SAT vide its order dated February 07, 2020 in the matters of *Shailesh Shah vs SEBI* (Appeal No. 164 of 2019), *Devang Vyas vs SEBI* (Appeal No. 165 of 2019) and *Rajiv Gandhi vs SEBI* (Misc. Application No. 224 of 2019 and Appeal No. 166 of 2019) has upheld the findings regarding the manipulation in the scrip of Le Waterina by the suspected entities, as recorded in the Adjudication Order dated January 31, 2019 passed against the suspected entities in the same matter.

46. In view of the foregoing, I note that the aforesaid series of events started with transfer of huge number shares of the Company by the promoter related entities viz. Noticees 2 and 3 on a deliberate and continuous basis during the Investigation Period to the suspected entities. The suspected entities indulged in manipulative trades in a coordinated and concerted manner with a view to create false appearance of trading and manipulating the price of the scrip in the market. The Noticees have not demonstrated any seriousness about the non-receipt of sales consideration and have also not provided any evidence of taking appropriate legal recourse against the defaulting buyer entities. Thus, no credence can be placed on their submissions, which have not been supported by tangible corroborative evidence. Thus, I note that the aforesaid acts by the Noticees shows that the transfers of shares through off-market

transactions to various suspected entities over a period of time on a continuous basis were not genuine transactions but were effected with a sole motive to facilitate creation of artificial volumes and manipulating the price in the scrip of the Company by the suspected entities. Considering the facts of the matter in totality, the relationships shared by the Noticees and the circumstances under which all the impugned transactions have been executed, it is established that Noticee 1 (promoter of the Company) alongwith the suspected entities had connived for creating false / artificial volumes in the scrip of the Le Waterina, in which the Noticees 2 and 3 have also played their role of transferring the shares of the Company in off-market to those suspected entities, as part of the said pre-conceived design. Under the circumstances, I hold that the Noticees have acted in connivance with suspected entities by offering shares to the suspected entities in off market for creation of artificial volumes and manipulating the price in the scrip of Le Waterina during the investigation period and have thus violated the provisions of Sections 12A(a),(b),(c) of the SEBI Act, 1992 read with Regulations 3(a),(b),(c),(d), 4(1), 4(2)(a), (d) and (g) of PFUTP Regulations.

47. In this regard, I find it relevant to note that the Hon'ble Supreme Court in its Order dated April 26, 2013 in the matter of *N. Narayanan vs Adjudicating Officer, SEBI*, has laid down that *"……….Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law. Section 12A read with Regulations 3and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'. The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. 'Market abuse' impairs economic growth and erodes investor's confidence. Market abuse refers to the use of manipulative and deceptive devices, giving out incorrect or misleading information, so as to encourage investors to jump*

into conclusions, on wrong premises, which is known to be wrong to the abusers. The statutory provisions mentioned earlier deal with the situations where a person, who deals in securities, takes advantage of the impact of an action, may be manipulative, on the anticipated impact on the market resulting in the "creation of artificiality"".

48. In the context of the present matter, I also note that the Hon'ble Whole Time Member (WTM) of SEBI has passed Order dated May 24, 2021 against the Noticees under Sections 11, 11(4) and 11B (1) of the SEBI Act and has ruled that Noticees 1, 2 and 3 (referred to as Noticees 2, 3 and 4 respectively in the WTM order) were involved in the entire plan of manipulating the scrip of Le Waterina and have thus violated the provisions of Section 12A (a), (b) and (c) of the SEBI Act read with regulation 3(a), (b), (c), (d) and regulation 4 (1), 4 (2) (a), (d) (g) of the PFUTP Regulations.

***Issue II)* Do the violations, if established, attract monetary penalty under Section 15HA of SEBI Act?**

49. In this regard, I note that the Hon'ble Supreme Court of India in the matter of ***SEBI vs. Shri Ram Mutual Fund*** held that "*once the violation of statutory regulations is established, imposition of penalty becomes sine qua non of violation and the intention of parties committing such violation becomes totally irrelevant. Once the contravention is established, then the penalty is to follow.*"

50. In view of the foregoing and placing reliance on the aforesaid judgement, I note that the violation of Sections 12A(a),(b),(c) of the SEBI Act read with Regulations 3(a),(b),(c),(d), 4(1), 4(2)(a), (d) and (g) of PFUTP Regulations, by Noticees 1 to 3 make them liable for penalty under Section 15HA of SEBI Act, which at the relevant time of commission of violations, read as under –

SEBI Act

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 of twenty - five crore rupees or three times the amount of profits made out of such failure, whichever is higher.

<u>Issue III)</u> If so, what would be the quantum of monetary penalty that can be imposed on the Noticees after taking into consideration the factors mentioned in section 15J of the SEBI Act, 1992?

51. In this regard, the provisions of Section 15J of the SEBI Act and Rule 5 of the Adjudication Rules, require that while adjudging the quantum of penalty, 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.

52. From the material available on record, it is difficult to quantify the exact disproportionate gains or unfair advantage enjoyed by the Noticees 1 to 3 and the consequent losses suffered to the investors. With respect to the repetitive nature of the default, I find that no prior default by the Noticees is available on record. However, the fact remains that Noticees have connived with suspected entities by deliberately and continuously supplying them with huge quantities of shares through off market transactions both in the pre and post stock split period of the IP, apparently unconcerned about non-receipt of sales consideration from the buying entities. The suspected entities have then traded with those shares in the market in a fraudulent manner to create artificial volumes and to artificially inflate the price in the scrip of the Company. The Noticees have thus played an active part in the manipulation of the scrip of Le Waterina. Accordingly, it is observed that the Noticees have violated the provisions of Sections

12A(a),(b),(c) of the SEBI Act, 1992 read with Regulations 3(a),(b),(c),(d), 4(1), 4(2)(a), (d) and (g) of PFUTP Regulations.

53. Further, in light of recent order dated August 02, 2019 of Hon'ble SAT in the matter of *P G Electroplast vs SEBI*, I also note that, vide order dated May 24, 2021, Hon'ble WTM of SEBI has held that Noticees 1 to 3 have violated the provisions of Sections 12A (a),(b),(c) of SEBI Act read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a), (d) and (g) of PFUTP Regulations and therefore prohibited the Noticees 1 to 3, from accessing the securities market and further prohibited them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of six months.

<u>ORDER</u>

54. Accordingly, taking into account the aforesaid observations and in exercise of power 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 Noticees 1 to 3 :–

<table>
<tr><th>Noticee</th><th>Violation</th><th>Penal Provisions</th><th>Penalty (Rs.)</th></tr>
<tr><td>Noticee 1 (Mr. Sanjay Jalan)</td><td rowspan="3">Sections 12A (a),(b),(c) of SEBI Act read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a), (d) and (g) of PFUTP Regulations</td><td rowspan="3">Section 15HA of the SEBI Act</td><td rowspan="3">Rs. 20,00,000/- (Rupees Twenty Lakh Only) to be paid jointly and severally by Noticees 1 to 3.</td></tr>
<tr><td>Noticee 2 (Ms. Anila Jalan)</td></tr>
<tr><td>Noticee 3 (Ms. Rinku Jalan)</td></tr>
</table>

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

ENFORCEMENT → Orders → Orders of AO → PAY NOW.

56. The aforesaid Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid to "The Division Chief (Enforcement Department - DRA-1), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C – 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.". The Noticees shall also provide the following details while forwarding DD / payment information:

    a) Name and PAN of the Noticee
    b) Name of the case / matter
    c) Purpose of Payment – Payment of penalty under AO proceedings
    d) Bank Name and Account Number
    e) Transaction Number

57. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

58. In terms of Rule 6 of the Adjudication Rules, copy of this order is sent to the Noticees and also to Securities and Exchange Board of India.

Date: May 20, 2022 **Soma Majumder**

Place: Mumbai **Adjudicating Officer**