BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. : Order/VV/NK/2021-22/13333]

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

In respect of:

Yatin Pandya HUF

(PAN: AAAHY6896C)

IN THE MATTER OF STERLING INTERNATIONAL ENTERPRISES LIMITED

BACKGROUND

1. The Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) had carried out Investigation in respect of irregular trading activities of certain entities in the scrip of Sterling International Enterprises Limited ("hereinafter referred to as **SIEL/Scrip**") during the period from May 01, 2008 to September 30, 2009 (hereinafter referred to as "**Investigation Period**"). The Investigation observed that the scrip of SIEL is listed at Bombay stock exchange Ltd. (hereinafter referred to as "**BSE**") only.

2. Pursuant to the Investigation, SEBI initiated adjudication proceedings under Section 15HA of the Securities and Exchange Board of India Act, 1992, (hereinafter referred to as **"SEBI Act"**) against Yatin Pandya HUF(hereinafter referred to as "**Noticee**" respectively) for alleged violation of the provisions of the Section 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of Securities and Exchange Board of India

(Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as 'PFUTP Regulations').

APPOINTMENT OF ADJUDICATING OFFICER

3. Shri Sahil Malik was appointed as the Adjudicating Officer **(AO)** by SEBI, under Section 19 of the SEBI Act read with Section 15-I of the SEBI Act and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"Adjudication Rules"**) to conduct adjudication proceedings *inter-alia* in respect of the Noticees, in the manner specified under Rule 4 of the Adjudication Rules read with Section 15-I (1) and (2) of the SEBI Act, and if satisfied that penalty is liable, to impose such penalty deemed fit in terms of Rule 5 of the Adjudication Rules and in terms of Section 15HA of the SEBI Act. Subsequently upon transfer of Shri Sahil Malik, the undersigned has been appointed as AO by SEBI in the matter on August 13, 2019, to inquire into and adjudge, the violation of the PFUTP Regulations alleged to have been committed by the Noticee.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. A common Show Cause Notice dated February 12, 2020 (hereinafter referred to as **"SCN"**) was issued to the Noticee along with other entities as mentioned in SCN in terms of Rule 4 (1) of the Adjudication Rules read with Section 15-I of the SEBI Act, to show cause as to why an inquiry should not be initiated and penalty should not be imposed under Section 15HA of the SEBI Act, on the Noticee for the alleged violation of provisions of Section 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations

5. The allegations levelled against the Noticee in the SCN are summarized as below:

a. *Sterling International Enterprises Limited was incorporated in the year 1984 with the name Bidasar Leasing and Finance Ltd. Subsequently, name of the company changed to Sterling International Enterprises Ltd. with effect from January 17, 2008. (Source: Capitaline Database)*

b. *The Investigation observed that the scrip of SIEL is listed at BSE only. The last traded price of the scrip was Rs.0.42 on November 12, 2018 and presently trading of its shares are suspended due to penal reasons.*

c. *The board of directors of SIEL during investigation period are as under (source: SIEL Annual Report 2009-10 and MCA website):*

Details of Board of Directors:

Name	***Designation***
Nitin J Sandesara	*Promoter/Non Executive Director*
Chetan J Sandesara	*Promoter/Non Executive Director*
Rajbhushan Omprakash Dixit	*Independent/Non Executive Director*
Ramni Iyer	*Independent/Non Executive Director*
Hitesh Patel	*Independent/Non Executive Director*
Ronald D' Souza	*Independent/Non Executive Director*

d. *SIEL's shareholding pattern (source: BSE website) during investigation period was as under:*

Shareholding Pattern

Particular	***Quarter ended Mar 2008***			***Quarter ended Jun 2008***			***Quarter ended Sep 2008***			***Quarter ended Dec 2008***		
	No. Of Share	***No. Of shares***	***%***	***No. Of Shareh***	***No. Of shares***	***%***	***No. Of Shareholders***	***No. Of shares***	***%***	***No. Of Shareh***	***No. Of shares***	***%***

	holders			***olders***						***olders***		
Promoter Holding	*18*	*109407340*	*58.58%*	*18*	*109407340*	*58.58%*	*18*	*109407340*	*58.58%*	*18*	*109407340*	*58.58%*
Non Promoter Holding	*757*	*77342660*	*41.42%*	*767*	*77342660*	*41.42%*	*770*	*77342660*	*41.42%*	*754*	*77342660*	*41.42%*
Total share capital	*775*	*186750000*	*100%*	*785*	*186750000*	*100%*	*788*	*186750000*	*100%*	*772*	*186750000*	*100%*
Particular	***Quarter ended Mar 2009***			***Quarter ended Jun 2009***			***Quarter ended Sep 2009***			***Quarter ended Dec 2009***		
	No. Of Shareholders	***No. Of shares***	***%***	***No. Of Shareholders***	***No. Of shares***	***%***	***No. Of Shareholders***	***No. Of shares***	***%***	***No. Of Shareholders***	***No. Of shares***	***%***
Promoter Holding	*18*	*109407340*	*58.58%*	*18*	*109407340*	*58.58%*	*18*	*109407340*	*58.58%*	*18*	*109407340*	*58.58%*
Non Promoter Holding	*763*	*77342660*	*41.42%*	*937*	*77342660*	*41.42%*	*955*	*77342660*	*41.42%*	*947*	*77342660*	*41.42%*

Total share capital	*781*	*186750000*	*100%*	*955*	*186750000*	*100%*	*973*	*186750000*	*100%*	*965*	*186750000*	*100%*

It is observed that the promoter shareholding remained the same throughout the quarters ended March 2008 to December 2009.

e. *SIEL's financial results during investigation period are as under (source: BSE website):*

Financial Results

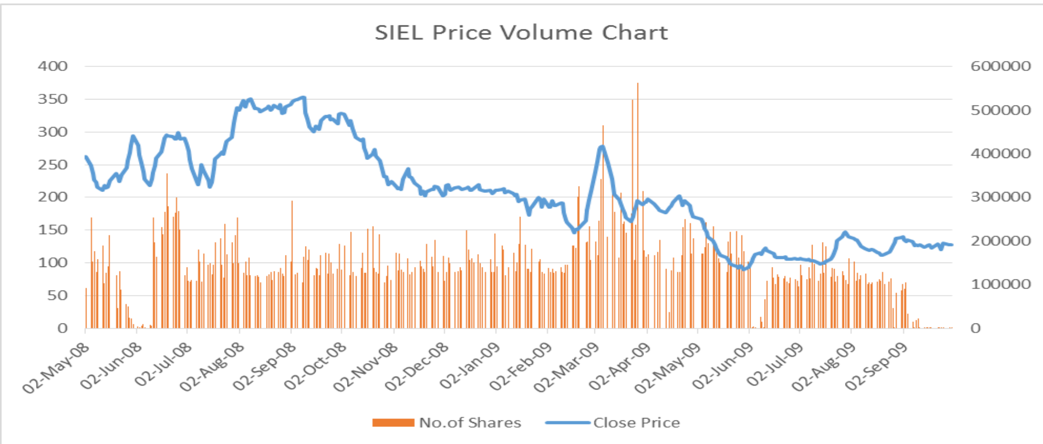
Amount (Rs. In crore)

Description	***Year Ended***	***Year Ended***	***Year Ended***	***Quarter Ended***							
	Jun 2008	***Jun 2009***	***Jun 2010***	***Mar 2008***	***Jun 2008***	***Sep 2008***	***Dec 2008***	***Mar 2009***	***Jun 2009***	***Sep 2009***	***Dec 2009***
Net sales	*201.37*	*279.05*	*219.81*	*54.88*	*131.19*	*100.11*	*68.43*	*53.39*	*57.10*	*57.63*	*54.99*
Other Income	*0.05*	*0*	*0*	*0.01*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Total income	*201.42*	*279.05*	*219.81*	*54.89*	*131.19*	*100.11*	*68.43*	*53.39*	*57.10*	*57.63*	*54.99*
Expenditure	*145.19*	*219.69*	*167.06*	*49.30*	*85.44*	*82.21*	*45.21*	*42.81*	*49.45*	*47.41*	*39.46*

Description	Year Ended	Year Ended	Year Ended	Quarter Ended							
	Jun 2008	Jun 2009	Jun 2010	Mar 2008	Jun 2008	Sep 2008	Dec 2008	Mar 2009	Jun 2009	Sep 2009	Dec 2009
Profit after tax	52.46	51.10	52.49	5.48	42.76	15.31	17.66	10.56	7.56	10.18	15.49

f. Price volume movement in the scrip of SIEL was as under(source: BSE website):

Price Volume Chart



Price Volume Data

Patches	***Period***		***Open***	***High***	***Low***	***Close***	***Vol. (Avg.)***
Pre IP Phase	***01/02/2008 to***	*Price*	*118.05 (01/02/2008)*	*279.8 (30/04/2008)*	*115 (01/02/2008)*	*275.15 (30/04/2008)*	*8831741 (149691)*

	30/04/2008	*Volume*	*20326 (01/02/2008)*	*474145 (26/03/2008)*	*6675 (13/02/2008)*	*122686 (30/04/2008)*	
During IP	***01/05/2008 to 30/09/2009***	*Price*	*268 (02/05/2008)*	*366.3 (08/08/2008)*	*89 (01/06/2009)*	*127.95 (30/09/2009)*	*50127939 (145298)*
		Volume	*92204 (02/05/2008)*	*563291 (27/03/2009)*	*18 (22/09/2009)*	*368 (30/09/2009)*	
Post IP Phase	***01/10/2009 to 31/12/2009***	*Price*	*132.75 (01/10/2009)*	*169 (21/12/2009)*	*96 (04/11/2009)*	*148.4 (31/12/2009)*	*253694 (4228)*
		Volume	*1713 (01/10/2009)*	*47164 (18/12/2009)*	*10 (12/10/2009)*	*5320 (31/12/2009)*	

g. ***Connection:***

The Investigation, on analysis of Trading pattern, UCC details, KYC, Off-market transactions, MCA website and bank statement, observed following 29 entities are connected to each other as detailed hereunder:-

Details of Connection of 29 entities

Sr. No.	***Entity Name***	***PAN***	***Basis of Connection***
1	*Sterjet Trading Company Pvt Ltd*	*AAJCS5512K*	*Entities at sr. no. 1 & 2 have common address - APJ MARKET ROOM NO305 DR C H S LANE DHOBI TALAV MUMBAI (Arihant Capital Markets Ltd. & Brics Securities Ltd.)* *Entities at sr. no. 5 & 6 have common address - B6 RISHIKESH CO OP HSG SOCIETY LTD EVERSHINE NAGAR*
2	*Adore Merchantile Company Pvt Ltd*	*AAFCA5699H*	
3	*Waterbase Mercantile Company Private Limited*	*AAACW5073A*	
4	*Faith Finstock Private Limited*	*AAACF7046E*	

<table>
<tr><th>Sr. No.</th><th>Entity Name</th><th>PAN</th><th>Basis of Connection</th></tr>
<tr><td>5</td><td>Fotosoft Multimedia Pvt. Ltd.</td><td>AAACF1497M</td><td rowspan="18">MALAD WEST MUMBAI (IIFL Securities Ltd. & HSBC Invest Direct Securities (India) Ltd.)

Entities at sr. no. 3, 5, 7 & 8 have transferred funds to entity at sr. no. 4 (Axis Bank)

Entities at sr. no. 1, 2 & 6 have common mobile no. – 9821012921 (Arihant Capital Markets Ltd. & IFCI Financial Services Ltd.)

Entities at sr. no. 8 & 9 have common address –1-16, LALITA BHAVAN, 7-A, JAWAHAR NAGAR, GOREGAON (WEST), MUMBAI - 400062 (MCA website)

Entities at sr. no. 10 & 11 have common address – ROOM NO.322 LANE NO.21 BHARAT NAGAR BANDRA EAST MUMBAI, MAHARASHTRA 400051 (MCA website)

Entities at sr. no. 10 & 12 were having common director – Dayanand Chandapa Holkar (MCA website)

Entities at sr. no. 8, 13 to 17 have a common introducer in AoF – Nikhil Udani (ANS Pvt. Ltd.)</td></tr>
<tr><td>6</td><td>Prolific Mercantile Company Pvt Ltd</td><td>AADCP8003G</td></tr>
<tr><td>7</td><td>Francisca Investment Pvt Ltd</td><td>AAACF5670Q</td></tr>
<tr><td>8</td><td>Kingfisher Trading Company Private Limited</td><td>AACCK3056H</td></tr>
<tr><td>9</td><td>Dollex Capital & Finance Pvt. Ltd.</td><td>AABCD4543R</td></tr>
<tr><td>10</td><td>Robosoft Trading Co. Pvt. Ltd.</td><td>AACCR9863K</td></tr>
<tr><td>11</td><td>Akhila Mercantie Pvt. Ltd.</td><td>AAGCA6077J</td></tr>
<tr><td>12</td><td>Meghana Mercantie Pvt. Ltd.</td><td>AAFCM2750F</td></tr>
<tr><td>13</td><td>Dinesh V Makwana</td><td>ANOPM9543M</td></tr>
<tr><td>14</td><td>Rahul H Jain</td><td>AIOPJ9425A</td></tr>
<tr><td>15</td><td>Charu Multitrade Pvt. Ltd.</td><td>AADCC1953C</td></tr>
<tr><td>16</td><td>HKG Capital Services Pvt. Ltd.</td><td>AAACH5568D</td></tr>
<tr><td>17</td><td>Yatin Pandya HUF</td><td>AAAHY6896C</td></tr>
<tr><td>18</td><td>Ankit B Mehta</td><td>ALCPM8512E</td></tr>
<tr><td>19</td><td>Parag B Mehta</td><td>ANCPM8699L</td></tr>
<tr><td>20</td><td>Rama N Raval</td><td>AKBPR8550R</td></tr>
<tr><td>21</td><td>Ashok H Shah HUF</td><td>AACHA7911C</td></tr>
<tr><td>22</td><td>Madhukar N Vora</td><td>AAAPV5284B</td></tr>
</table>

Sr. No.	*Entity Name*	*PAN*	*Basis of Connection*
			Entity at sr. no. 18 was director of entity at sr. no. 15 (MCA website) *Entities at sr. no. 18 & 19 have common address – 5/A-405, 4TH FLOOR, ESSBEE APARTMENT, SAIBABA NAGAR, BORIVALI (W), MUMBAI – 400092 (Mehta Equities Ltd.)* *Entity at sr. no. 20 has transferred funds to entity at sr. no. 19 (Axis Bank)* *Entities at sr. no. 18 & 21 were introduced by Chirag B. Mehta, who is having common address with entities at sr. no.18 & 19 (Indiabulls Securities Ltd.)* *Entities at sr. no. 21 & 22 were introduced by Anupam Gupta (Multiplex Capital Ltd.)*
23	*Dinesh Rathod HUF*	*AAFHD1015F*	*Entities have executed circular trades with the above connected entities*
24	*Manish Buta HUF*	*AAFHM4558L*	
25	*Sonal H Desai*	*ABQPD8951N*	
26	*Rita Deepak Negandhi*	*AETPN2046J*	
27	*Manjula M Doshi*	*AMZPD7424L*	
28	*Vitesh B Shah*	*AQFPS0836F*	
29	*Anushi A Shah*	*CBAPS5104G*	

h. *Allegation against the following for trading amongst themselves in groups and created misleading appearance of trading:*

i. *The Investigation has observed that the said 29-connected entities have traded among themselves repeatedly on a daily basis during the investigation period.*

These connected entities were trading amongst themselves in a group of 3 to 6 entities similar to circular trades. The trading details of the said 29-connected entities are as follows:

Trading Details of Connected Entities:

Sr. No.	***PAN***	***Entity Name***	***Buy Qty***	***Sell Qty***	***Buy Qty as % of Mkt Vol.***	***Sell Qty as % of Mkt Vol.***
1	*AQFPS0836F*	*Vitesh B Shah*	*2388889*	*2795807*	*4.77%*	*5.58%*
2	*ANOPM9543M*	*Dinesh V Makwana*	*2351033*	*2427645*	*4.69%*	*4.84%*
3	*AAACF1497M*	*Fotosoft Multimedia Pvt. Ltd.*	*2213107*	*1900559*	*4.41%*	*3.79%*
4	*AAGCA6077J*	*Akhila Mercantie Pvt. Ltd.*	*1999326*	*1602462*	*3.99%*	*3.20%*
5	*AAJCS5512K*	*Sterjet Trading Co. Pvt Ltd*	*1956864*	*1654794*	*3.90%*	*3.30%*
6	*AIOPJ9425A*	*Rahul H Jain*	*1731223*	*1712353*	*3.45%*	*3.42%*
7	*ABQPD8951N*	*Sonal H Desai*	*1240983*	*1183344*	*2.48%*	*2.36%*
8	*AETPN2046J*	*Rita Deepak Negandhi*	*967728*	*892337*	*1.93%*	*1.78%*
9	*ALCPM8512E*	*Ankit B Mehta*	*964366*	*966856*	*1.92%*	*1.93%*
10	*AAAPV5284B*	*Madhukar N Vora*	*811435*	*758817*	*1.62%*	*1.51%*
11	*AAAHY6896C*	*Yatin Pandya HUF*	*719626*	*655615*	*1.44%*	*1.31%*

12	AADCC1953C	Charu Multitrade Pvt. Ltd.	714537	918350	1.43%	1.83%
13	AAFCM2750F	Meghana Mercantie Pvt. Ltd.	652342	630643	1.30%	1.26%
14	AAACH5568D	HKG Capital Services Pvt. Ltd.	629058	681947	1.25%	1.36%
15	AAACF5670Q	Francisca Investment Pvt Ltd	598340	775978	1.19%	1.55%
16	AMZPD7424L	Manjula M Doshi	563788	649760	1.12%	1.30%
17	AACCK3056H	Kingfisher Trading Co. Pvt. Ltd.	523539	600025	1.04%	1.20%
18	AKBPR8550R	Rama N Raval	503156	502769	1.00%	1.00%
19	AAACF7046E	Faith Finstock Pvt. Ltd.	457203	549813	0.91%	1.10%
20	ANCPM8699L	Parag B Mehta	438101	438821	0.87%	0.88%
21	AAFCA5699H	Adore Merchantile Co. Pvt Ltd	345220	272616	0.69%	0.54%
22	AAACW5073A	Waterbase Mercantile Co. Pvt. Ltd.	276177	241208	0.55%	0.48%

23	*AACCR9863K*	*Robosoft Trading Co. Pvt. Ltd.*	*203391*	*311723*	*0.41%*	*0.62%*
24	*AADCP8003G*	*Prolific Mercantile Co. Pvt Ltd*	*177280*	*145915*	*0.35%*	*0.29%*
25	*AAFHD1015F*	*Dinesh Rathod HUF*	*105000*	*104950*	*0.21%*	*0.21%*
26	*AABCD4543R*	*Dollex Capital & Finance Pvt. Ltd.*	*92513*	*248266*	*0.18%*	*0.50%*
27	*AACHA7911C*	*Ashok H Shah HUF*	*86050*	*86102*	*0.17%*	*0.17%*
28	*CBAPS5104G*	*Anushi A Shah*	*49118*	*49903*	*0.10%*	*0.10%*
29	*AAFHM4558L*	*Manish Buta HUF*	*32000*	*32015*	*0.06%*	*0.06%*
Group Total			***23791393***	***23791393***	***47.46%***	***47.46%***
Market Volume			***50127939***	***50127939***	***100.00%***	***100.00%***

ii. *The Investigation has carried out trading analysis of the aforesaid 29-connected entities and observed that out of 345 trading days during the investigation period, the connected entities have traded among themselves on 295 trading days and contributed to market volume 2,37,91,393 shares i.e., 47.46% of the total market volume during the Investigation Period.*

iii. *Further, it was observed that on 121 trading days, these connected entities have traded amongst themselves and contributed in the range of 50.30%-99.96% to the total market volume on respective trading days (on an average 81.01% of day's total market volume on these 121 trading days). It was also* *observed that on 58 trading days, these connected entities have traded amongst themselves and contributed in the range of 90.30%-99.96% to the total market volume on respective trading days.*

iv. *These 29-connected entities have traded amongst themselves with the intent to create false and misleading appearance of trading in the scrip of SIEL.Thus, it is alleged that this group of 29-connected entities created false and misleading appearance of trading in the scrip of SIEL by trading amongst themselves and have therefore violated the provisions of Section 12A(a), (b), (c) of SEBI Act read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations.*

v. *Most of the aforesaid that alleged to have been violated the provisions of SEBI Act and PFUTP Regulations are private limited companies. The functioning and responsibility of the private limited companies are on the directors of the company. Hence, it is alleged that the directors of the private limited companies are also alleged to have been violated the same provisions of the SEBI Act and PFUTP Regulations for the irregular trading activities of the private limited companies.*

6. 4. The SCN dated February 12, 2020 was served duly upon the Noticee through SPAD. Subsequently, vide letter dated February 26, 2020, Noticee sought inspection of documents and 1 months' time to reply post completion of inspection. Vide hearing notice dated January 01, 2021, Noticee was informed that, all the documents relied upon in the SCN have been provided to Noticee along with the SCN dated February 12, 2020.subsequently, Noticee vide Letter dated January 25, 2021 has *inter-alia* made the following submissions:

1. *I am in receipt of the aforesaid Show Cause Notice no.* ***EAD-9/ADJ/VKV/HKS/5679/6/2020*** *dated 12th February, 2020 (the SCN) wherein I* *have been arrayed as Noticee no.50 and have been alleged to have violated section 12A(a), (b), (c) of SEBI Act read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations 2003 (hereinafter referred to as "PFUTP Regulations" in respect of dealings in shares of Sterling International Enterprises Limited (the Company). I am replying the SCN in the capacity of Karta of Yatin Pandya HUF (the noticee). It is requested that all my submissions be deemed for and on behalf of Yatin Pandya HUF.*

2. *At the outset, I state that the investigation period dates back to the years 2008-2009 i.e. the said SCN was issued only after a lapse of almost 12 years. Hence, there has been inordinate delay in issuing the said SCN. I am unable to collate exact circumstances and situations which may have happened in the distant past. This puts me in a disadvantageous position to adequately clarify on the matter and defend the allegations against me. Therefore, on this ground alone I request a lenient view be taken and the aforesaid SCN against me may be withdrawn or alternatively I may be exonerated as also upheld by Hon'ble SAT in various appeals. I crave to refer and rely on the orders of the Hon'ble SAT in such matters.*

3. *I deny each and every allegation and/or contentions made against me in the SCN and nothing therein shall be deemed to have been admitted and/or inferred to have been admitted for want of denial by me, and save and except to the extent specifically admitted by me as herein.*

4. *I further submit that the SCN suffers from serious latches and that SEBI has failed to exercise the powers vested in it within reasonable time. Further, it is submitted that SEBI has failed to give any explanation or due justification for the inordinate delay and latches in issuing SCN.*

5. I further place reliance on the order of the Securities Appellate Tribunal in the matter of Mr. Ashok Shivlal Rupani and Another v. Securities and Exchange Board of India [Order dated 22 August 2019 in Appeal No.417 of 2018] wherein, the adjudicating proceedings were quashed on account of inordinate delay. Relevant extract is reproduced herein below for ease of reference and convenience:

"In Mr. Rakesh Kathotia v. SEBI (Appeal No. 07 of 2016 decided by this Tribunal on 27.05.2019) proceedings were quashed on account of inordinate delay. The said decision is squarely applicable to the instant case. For facility, the relevant paragraph of the order is extracted hereunder:

"23. It is no doubt true that no period of limitation is prescribed in the Act or the Regulations for issuance of a show cause notice or for completion of the adjudication proceedings. The Supreme Court in Government of India vs. Citedal Fine Pharmaceuticals, Madras and Others, [AIR 6 (1989) SC 1771] held that in the absence of any period of limitation, the authority is required to exercise its powers within a reasonable period. What would be the reasonable period would depend on the facts of each case and that no hard and fast rule can be laid down in this regard as the determination of this question would depend on the facts of each case. This proposition of law has been consistently reiterated by the Supreme Court in Bhavnagar University v. Palitana Sugar Mill (2004) Vol.12 SCC 670, State of Punjab vs. Bhatinda District Coop. Milk P. Union Ltd (2007) Vol.11 SCC 363 and Joint Collector Ranga Reddy Dist. & Anr. vs. D. Narsing Rao &Ors. (2015) Vol. 3 SCC 695.

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

WITHOUT PREJUDICE TO ALL THAT IS STATED ABOVE :

6. I state that even for sake of assumption without admission, the SCN makes presumptive allegations against me. Therefore I request that the said SCN dated 12th February, 2020 be withdrawn against me. I most humbly submit that I have not committed any act in defiance of any regulations or any provisions of law and that I am not liable to be proceeded against with an inquiry and penalty.

7. I most humbly submit that the instant SCN is contrary to the material on record relied upon, referred to and gathered during investigation and therefore is unsustainable and thus liable to be set aside.

8. I am limiting my reply to setting out my submissions to the observations/contentions/allegations as against me. I am therefore not dealing with each and every paragraph of the SCN. I reserve my right to file additional submissions, if necessary.

9. I state that the SCN has grossly failed to bring out anything on record to show my involvement in the allegations made therein.

10. I am herein below replying to the said SCN para wise:

a. With reference to para 1 of the SCN, the contents may be a matter of record. However, I deny allegations if pertaining to me in the said para and deny as whatever inconsistent with my submissions..

b. With reference to Para 2, 3, 4, 5, 6, 7, 8 & 9 the contents may be matter of record. I state that I am neither concerned nor responsible for the contents in the said paras. I state that no allegations have been made out against me in the said paras and therefore do not merit any comments from me on the same. In any event, I deny whatever inconsistent with my submissions.

c. With reference to para 10, I state that the allegation against me at point 17 of the table therein alleges that my introduces AOF is common to that of some entities arrayed at sr no 8, and sr no 13 to 17. Therefore on this basis I have been bracketed as connected entities. I state that to a broker with whom a client opens an account, it is probable that there may be a common introducer. It does not imply that I am connected to other entities merely on this basis. The intents and meeting of minds have to be proved to enable connecting entities. The said Nikihil Udani may have been known to me as well as to the other entities so also to the broker. This cannot lead to any adverse inference. have executed circular trades with the entities mentioned above in the same table. However, no details have been provided how and in what manner this inference is drawn. Importantly, though the table in the para under reply is stated as "Table 5 : Details of connection of 29 entities", nothing is put on record to show my connection with any of the entities with whom I have been alleged to have executed circular trades.

d. With reference to para 12, 13, 14, 15, 16, 17, 18 ,19, 20 and 21 it is respectfully stated that no allegations are made against me in these paras. Hence I do not offer any comments on the same. I submit that the insofar as I am concerned, I deny the existence of the so called connection with other notices, as wrongly assumed and alleged in the SCN. In any event, the SCN has not even alleged in the paras under reply that I have indulged in circular trades and not that any of my transactions have resulted into any adverse effect to party. Therefore me being arrayed as a noticee to the SCN is surprising to say the least.

e. I further deny that I have any connection with any of the other entities mentioned in the SCN whatsoever and the SCN has miserably failed to establish any connection between the other entities and myself and on this *count alone, the SCN should be withdrawn against me. Therefore, the allegation being imprecise, vague and incoherent and the assumption and presumption that I have violated the provisions of law on incorrect basis and fails to bring forth any alleged connection and hence is bad in law.*

f. I further state that the SCN is bereft of any substantial material which otherwise would be conclusive to establish my connection with other Noticees. Besides that, save and except a statement in the para that I am connected to certain other Noticees who are otherwise connected on the basis of on KYC, UCC, Bank Statements and off market transfers and the table therein, the SCN has failed to bring out any connection qua me. It is submitted that it is a well settled principle in law that the charges against me have to be specific to enable me to reply to the allegations. I submit that the SCN is based on vague and ambiguous allegations and such allegations are not specific, explicit and definite and are general in nature. In view of the aforesaid judgments, I most humbly submit that the SCN issued against me is based on vague and is otherwise ambiguous and is not forthcoming with any concrete evidence, save and except a reference to execution of some circular trades and is therefore, bad in law and against the principles of natural justice and hence ought to be withdrawn forthwith.

g. With reference to Para 22 I state that the. The SCN has failed to consider that there was no meeting of minds with the alleged counter parties and that I did not have any connection with the alleged counter parties and that I am merely a trader/consumer and that I have been made a victim of the trading mechanism. Hence, the SCN should have considered that any matching of trades by a particular counter party could be a matter of chance and not a pre determined activity for any purpose. I further state that the SCN failed to take into account that I was not even aware about who would be the counter party in the blind mechanism. Under the given conditions, it was not possible for me *to even assume that the trades entered by me were non genuine or done with the intention to create circular trades.. It is further submitted that all my trades have been fully settled from time to time in terms of pay in and payout obligations and duly accounted for in our books of account. It may be appreciated that genuine trades that have been tested and duly settled could never have been for creating a circular trading as has wrongly been alleged. Thus, no adverse inference may be drawn as against me for the trades that have been alleged to be circular in nature.*

h. With reference to para 22 to 27, I deny the allegations against me. My trades were not only genuine but also carried out on the blind mechanism of stock exchange for which I have complied with the requisite payin/payout obligations. I deny the allegation that I have traded with the other 28 noticees repeatedly on a daily basis during the investigation period and that the said connected entities and such trades similar to circular trades. As per the trading details of the entities mentioned in Table 9, my buy quantity was 7,19,626 shares which amounted to 1.44% of the market volume and the sell quantity was 6,55,615 shares amounting to 1.31% of the market volume. It is pertinent to note that the SCN is completely silent on the fact that the difference in the buy and sell quantity of about 64,011 shares ought to have been delivered by me in the market. It is too far fetched to assume that I have carried trades similar to circular trades. Nothing has been put on record to back such allegations qua me which tacitly proves that the allegations are presumptive in nature. I am not even aware how and in what manner can the so called circular trades be executed. I deny of having created any misleading appearance of trading. I have been a regular investor and trader in shares. Assuming to manipulate the stock exchange mechanism, creating misleading appearance of trading, executing circular trades are not only too farfetched and presumptive but also devoid of any merits. I state that the on going through the transactions listed in annexure 5 provided in soft copy on CD, it is apparent that my trades had *matched with trades of brokers other than the ones set out. If that be the case, the allegation that I had an intention to create a misleading appearance of trading falls flat. As regards the extracts of trade log in respect of the trades of the said 29 connected entities placed at "Annexure 5" and complete trade log during the investigation period placed at "Annexure 6" is concerned, it is submitted that the Annexure has sought to establish connection for the creation of misleading appearance of trading by allegedly by the connection of a common entity in respect of connected entities.*

i. However on scrutiny of the said Annexure, it is apparent that the trades alleged to have been entered into with the intention of creation of misleading appearance of trading with the said 29 connected entities have been entered into with clients of other brokers, ie brokers other than the mentioned traders. I crave leave to refer to their trades when produced at the hearing. Thus, the allegation of existence of connected entities and trading amongst themselves is farfetched and on this ground alone, the SCN ought to be withdrawn qua me.

j. With reference to para 28 to 33, no allegations are made out against me whether for synchronized trades or otherwise. Therefore I refrain from making any comments on these paras.

k. With reference to para 34, I deny being a connected entity to carry out any circular trades as alleged. I repeat and reiterate whatever stated above all along. I reiterate my submissions made hereinabove and vehemently deny that I have indulged in circular trades thereby creating misleading appearance of trading in the scrip of SIEL along with other 29 noticees by trading among ourselves.On the basis of the allegations in the show cause notice, it is clear that no such case has been made out and further there is no evidence to suggest that I had any idea or any intent to create any misleading appearance *of trading in the scrip through circular trades or synchronized trades as alleged. I most humbly submit that the allegation be withdrawn against me.*

l. With reference to para 35-38, I deny that I have violated any provisions of SEBI Act 1992 as alleged in the parras under reply. I state that in view of all the foregoing, I may be exonerated.

m. With reference to paras 35 to 39 I deny having violated 12A(a), (b), (c) of SEBI Act read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations or any other provisions thereof and hence not liable for any monetary penalty. I state that the allegations made in and findings arrived at in the SCN against me are misconceived and based on incomplete and incorrect assumption of facts. In any event, no case and cause of action has been made against me and hence I deny that we have indulged in in circular trades thereby creating misleading appearance of trading in the scrip of SIEL or violated the provisions of Section 12A(a), (b), (c) of Sal Act, read with Regulations 3(a),(b),(c),(d) and Regulations 3(a),(b),(c),(d) and Regulations 4(1) and 4(2)(a) of SEBI (PFUTP) Regulations, 2003.

n. Copy of my PAN is annexed hereto. My email id is Hufyatin1@gmail.com. I undertake to keep you updated about any change in my correspondence address until the proceedings qua me are concluded.

11. I most humbly submit that the instant SCN is contrary to the material on record relied upon, referred to and gathered during investigation and therefore is unsustainable and thus liable to be set aside qua me.

12. I humbly state that in view of my aforesaid submissions and the settled position in law, no liability may be fastened on me for the violation of 3 (b), (c), *(d) and 4(1), 4(2) (a) of PFUTP Regulations read with Section 12 A (a), (b) and (c) of the SEBI Act, 1992 or any other regulations thereof. In the circumstances as herein above stated, it is requested that the said SCN be withdrawn qua me.*

7. The Noticee was provided an opportunity of personal hearing on February 25, 2021. In view of Covid-19 Pandemic, the hearing was scheduled through videoconference on WebEx platform. Ms. Akansha Jain. (hereinafter referred to as "Authorised Representative/AR"), appeared before me on behalf of the Noticee on the scheduled date and time through WebEx platform and reiterated the written submissions dated January 25, 2021 on behalf of the Noticee.

8. As the inquiry in the matter has been completed, I now proceed to decide the case on the basis of SCN issued, reply made by the Noticee and material available on record.

ISSUES FOR CONSIDERATION AND FINDINGS

9. I have carefully perused the SCN, the documents / material available on record and submission of the Noticee. The issues that arise for consideration in the present case are:

    I. Whether the Noticee has violated the provisions of Regulation 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations as alleged in the SCN?

    II. If yes, whether the Noticee is liable for imposition of monetary penalty under Section 15HA of the SEBI Act?

    III. If yes, then what should be the quantum of monetary that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

10. Before proceeding with the Issues, It is pertinent to mention here the relevant provisions of 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations, alleged to be violated by the Noticee:-

SEBI Act, 1992

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

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

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

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

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

PFUTP Regulations, 2003

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

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

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

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

<u>4. Prohibition of manipulative, fraudulent and unfair trade practices:</u>

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

Explanation.–For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.

(2) Dealing in securities shall be deemed to be a manipulative, fraudulent or an unfair trade practice if it involves any of the following:—

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

…..

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

Issue – I:- **Whether the Noticee has violated the provisions of Section 12A (a), (b), (c) and Regulation 3 (a), (b), (c), (d), and Regulation 4(1), 4(2) (a) and (g) of the PFUTP Regulations?**

11. It is pertinent to mention here that SCN dated February 12, 2020 was issued against the Noticee pertaining to the alleged violations of provisions of Section 12A(a), (b), (c) of SEBI Act read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations for creating false and misleading appearance of trading in the scrip of SIEL by trading amongst themselves in groups.

12. Firstly, Noticee in its reply has raised the issue of inordinate delay exceeding 12 years in issuing the SCN. In this regard, I deem it appropriate to refer to the observations made by Hon'ble SAT in the matter of Vaman Madhav Apte & Ors. Vs. SEBI vide Order dated March 04, 2016, which reads as follows:
"Argument of the appellants that the proceedings initiated against the appellants suffer from gross delay and laches and, therefore, the impugned order is liable to be quashed and set aside is without any merit, because firstly, neither the SEBI Act nor the regulations framed thereunder prescribe any time limit for initiating proceedings against the persons who have violated the securities laws. Secondly, neither the SEBI Act nor the regulations framed thereunder provide that if there is delay in initiating proceedings, no action can be taken against the person who has committed violations of the securities laws."

13. In view of the aforesaid observations of the Hon'ble SAT, I proceed with present proceedings.

14. With respect to Noticee's contention that, *"I did not have any connection with the alleged counter parties and that I am merely a trader/consumer and that I have been made a victim of the trading mechanism"* and it has also further stated that,

"My trades were not only genuine but also carried out on the blind mechanism of stock exchange for which I have complied with the requisite payin/payout obligations". In this regard I proceed with the following trading details of the said 29-connected entities including Noticee :

Sr. No.	PAN	Entity Name	Buy Qty	Sell Qty	Buy Qty as % of Mkt Vol.	Sell Qty as % of Mkt Vol.
1	AQFPS0836F	Vitesh B Shah	2388889	2795807	4.77%	5.58%
2	ANOPM9543 M	Dinesh V Makwana	2351033	2427645	4.69%	4.84%
3	AAACF1497M	Fotosoft Multimedia Pvt. Ltd.	2213107	1900559	4.41%	3.79%
4	AAGCA6077J	Akhila Mercantie Pvt. Ltd.	1999326	1602462	3.99%	3.20%
5	AAJCS5512K	Sterjet Trading Co. Pvt Ltd	1956864	1654794	3.90%	3.30%
6	AIOPJ9425A	Rahul H Jain	1731223	1712353	3.45%	3.42%
7	ABQPD8951N	Sonal H Desai	1240983	1183344	2.48%	2.36%
8	AETPN2046J	Rita Deepak Negandhi	967728	892337	1.93%	1.78%
9	ALCPM8512E	Ankit B Mehta	964366	966856	1.92%	1.93%
10	AAAPV5284B	Madhukar N Vora	811435	758817	1.62%	1.51%
11	AAAHY6896C	Yatin Pandya HUF	719626	655615	1.44%	1.31%
12	AADCC1953C	Charu Multitrade Pvt. Ltd.	714537	918350	1.43%	1.83%
13	AAFCM2750F	Meghana Mercantie Pvt. Ltd.	652342	630643	1.30%	1.26%
14	AAACH5568D	HKG Capital Services Pvt. Ltd.	629058	681947	1.25%	1.36%
15	AAACF5670Q	Francisca Investment Pvt Ltd	598340	775978	1.19%	1.55%
16	AMZPD7424L	Manjula M Doshi	563788	649760	1.12%	1.30%
17	AACCK3056H	Kingfisher Trading Co. Pvt. Ltd.	523539	600025	1.04%	1.20%
18	AKBPR8550R	Rama N Raval	503156	502769	1.00%	1.00%
19	AAACF7046E	Faith Finstock Pvt. Ltd.	457203	549813	0.91%	1.10%

20	ANCPM8699L	Parag B Mehta	438101	438821	0.87%	0.88%
21	AAFCA5699H	Adore Merchantile Co. Pvt Ltd	345220	272616	0.69%	0.54%
22	AAACW5073A	Waterbase Mercantile Co. Pvt. Ltd.	276177	241208	0.55%	0.48%
23	AACCR9863K	Robosoft Trading Co. Pvt. Ltd.	203391	311723	0.41%	0.62%
24	AADCP8003G	Prolific Mercantile Co. Pvt Ltd	177280	145915	0.35%	0.29%
25	AAFHD1015F	Dinesh Rathod HUF	105000	104950	0.21%	0.21%
26	AABCD4543R	Dollex Capital & Finance Pvt. Ltd.	92513	248266	0.18%	0.50%
27	AACHA7911C	Ashok H Shah HUF	86050	86102	0.17%	0.17%
28	CBAPS5104G	Anushi A Shah	49118	49903	0.10%	0.10%
29	AAFHM4558L	Manish Buta HUF	32000	32015	0.06%	0.06%
Group Total			**23791393**	**23791393**	**47.46%**	**47.46%**
Market Volume			**50127939**	**50127939**	**100.00%**	**100.00%**

15. From the abovementioned table, investigation has shown that by trading on 295 trading days during investigation period, the above-mentioned connected entities contributed to market volume 2,37,91,393 shares i.e., 47.46% of the total market volume and Noticee bought 719626 shares of SIEL which were 1.44% of total Market Volume during the investigation period and Sold 655615 shares which were 1.31% of total Market Volume during the investigation period.

16. Further, it was observed that on 121 trading days, these connected entities have traded amongst themselves and contributed in the range of 50.30%-99.96% to the total market volume on respective trading days (on an average 81.01% of day's total market volume on these 121 trading days). It was also observed that on 58 trading days, these connected entities have traded amongst themselves and

contributed in the range of 90.30%-99.96% to the total market volume on respective trading days.

17. I note that the allegations against the Noticee in the SCN is solely based on the connection of Noticee with 5 other entities namely Kingfisher Trading Company Private Limited("kingfisher"), Dinesh V Makwana ("Dinesh"), Rahul H Jain("Rahul"), Charu Multitrade Pvt. Ltd. ("Charu") and HKG Capital Services Pvt. Ltd.("HKG") on the basis of a common introducer in Account Opening Form- Mr. Nikhil Udani of broker, ANS Pvt Ltd. in this regard, I note that, Noticee has submitted that, "*to a broker with whom a client opens an account, it is probable that there may be a common introducer. It does not imply that I am connected to other entities merely on this basis. The intents and meeting of minds have to be proved to enable connecting entities. The said Nikihil Udani may have been known to me as well as to the other entities so also to the broker. This cannot lead to any adverse inference. have executed circular trades with the entities mentioned above in the same table. However, no details have been provided how and in what manner this inference is drawn. Importantly, though the table in the para under reply is stated as "Table 5 : Details of connection of 29 entities", nothing is put on record to show my connection with any of the entities with whom I have been alleged to have executed circular trades*." Thus, I note that Noticee has not denied Nikhil Udani being a common introducer.

18. I also agree with the Noticee contention, that solely introducer cannot be a basis for connection. therefore, for the purpose of understanding Noticee's connection with other entities, I would like to illustrate the trading pattern of the Noticee on Dates: 14/07/2009, 15/07/2009 and 16/07/2009 with other connected entities from the trade log of SIEL as The Hon'ble SAT in case of Ketan Parekh v. SEBI (Appeal No. 2 of 2004) decided on July 14, 2006 had categorically held that-in order to find out whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism, will depend upon the intention of the parties which

could be inferred from the attending circumstances of the cases, because direct evidence in such cases may not be available. Thus, following is observed from the trading pattern of Noticee carried out with connected entities on following dates:

a) On **14/07/2009**, Noticee sold 26415 shares through 71 trades to Rahul and rahul sold 26615 shares through 31 trades to Ankit B Mehta, who is also a director of Charu .Ankit b Mehta sold 27055 shares through 40 trades to Madhukar vora who again sold 26995 shares to Noticee through 45 trades. Thus, Noticee carried out 98.61% and 96.49% of its day trade within the group of connected entities. I also note that, Noticee by trading within its group of connected entities contributed to 21.53% and 21.06% of day's total buy and sell market volume respectively. I also note that total percentage of volume in terms of days' market volume contributed by Noticee and abovementioned entities on this day was 85.39% of buy and sell volume respectively.

b) Further, on **15/07/2009** Noticee carried out 21 Sell trades of 27267 shares to rahul and one buy trade with charu of 27481 shares. I note that Noticee day's trading volume was 27481 shares of Buy and Sell trade respectively. thus, Noticee carried 100% of buy trade with charu and 99.22% of its total sell trades with rahul. ,I note that market volume on the day was 197528 qty and therefore percentage of Noticee's Buy and Sell trade volume carried out with charu and rahul to days market volume was 13.91% and 13.80% respectively. On this day, total percentage of volume in terms of days' market volume contributed by Noticee and abovementioned entities on this day was 41.80% and 41.52% of buy and sell volume respectively.

c) On 16/07/2009 Noticee again carried out Buy trade of 9900 shares with rahul and rahul bought 10013 shares from charu. i note that market volume on the day was 126467 and Noticee by carrying out trades on that day contributed 7.90% and 7.91% buy and sell volume respectively on that day and total percentage of volume in terms of days' market volume carried out by Noticee and abovementioned entities was 23.74% and 23.73% of buy and sell volume respectively.

19. From the trade log of Noticee and above illustrations, I have observed that all the trades of Noticee has been done within the group of connected entities and that too within close proximity of time of placing the orders. The time difference between buy and sell order was within close proximity of time of less than 2 minutes in majority of trades. This cannot be a mere co-incidence that Noticee is executing trades on blind mechanism of stock exchange and all of the trades of Noticee are being consistently carried out within the group of connected entities. Thus, trading pattern of Noticee has itself proved its connection with abovementioned entities and makes it clear that aforesaid transactions were carried-out with an intention to match the various orders of the aforesaid connected entities with a prior arrangement with respect to these transactions.

20. It is important to note here that, the fraudulent motive behind executing trades by Noticee can either be, to create misleading appearance of trading / or to manipulate the price of a scrip so as to induce others to deal in the particular scrip. I note that there was no intention by the Noticee in buying/ selling of shares or transfer of beneficial ownership of the shares. The shares were sold by Noticee and these trades were done to transfer the shares from one connected entity to the other connected entity and finally ended up within the group of Noticee's connected entities. Thus, I note that the scheme, plan, device and artifice employed by the Noticee in executing these trades were fictitious and amounted to creation of artificial volumes in the market to the extent that these were not genuine trade transactions intended to transfer beneficial ownership of shares

21. From the trading details of the Noticee, it is further noted that the trades executed by the Noticee were repetitive and misleading in nature and significant in volume.

Looking at the trading pattern of the Noticee, I am convinced that the Noticee had traded within its group of connected entites in misleading manner with prior arrangement resulting in creation of artificial volume and thereby distorting the market equilibrium and abusing the trading system.

22. By indulging in such manipulative trading persistently, the Noticee along with the connected Entities were trading amongst themselves in a group executing trades within a group similar to circular trades thereby creating artificial liquidity in the scrip and played a role in creating misleading appearance of the trading in the scrip of SIEL. Here, I would also like to rely on the judgment of Hon'ble Supreme Court in SEBI v Kishore R Ajmera (AIR 2016 SC 1079), wherein it was held that- *"...in the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of theviolation of the Act or provision of the Regulations is concerned. The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors. The illustrations are not exhaustive...*"

23. The Hon'ble Supreme Court further observed in the same matter that– "*It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable*

conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion."

24. I note that even though the SCN did not alleges circular trades to be executed by Noticee. However, I note that, Noticee in its reply has tried to defend its circular trade by *inter-alia* stating that, " *SCN merely alleges circular volumes and that too only on one day i.e 18.07.2008 assuming me to be connected to other entieis"* the same is not even mentioned in SCN.

25. I note that, Noticee has also submitted that, "*my trades had matched with trades of brokers other than the ones set out*." In this regard I would like to state that the Noticee has carried out 189 sell trades 193 buy trades with Dinesh and 204 sell trades and 83 buy trades with Rahul whose broker was ANS PVT. LTD. and Noticee itself has carried out 4 buy trade on 09/01/2009 with sterjet trading co. pvt ltd through the same Broker, ANS PVT LTD. Thus, irrespective of trades executed through the broker and with the brokers other than the one mentioned as forming the basis of connections, it is clear from the trading pattern and above illustrations that Noticee along with connected Entities were trading amongst themselves in a group thereby creating artificial liquidity in the scrip and also by placing reliance on the order of The Hon'ble SAT in case of Ketan Parekh v. SEBI (Appeal No. 2 of 2004) decided on July 14, 2006 mentioned at point no. 18 above, I don't find merit in the contention of Noticee.

26. Regulation 3(a) of PFUTP Regulations prohibits person to buy, sell or otherwise deal in securities in a fraudulent manner. Section 12A(a) of SEBI Act and Regulation 3(b) of PFUTP Regulations prohibits person to use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under. Section 12A(b) of SEBI Act and Regulation 3(c) of PFUTP Regulations prohibits person to 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. Section 12A(c) of SEBI Act and Regulation 3(d) of PFUTP Regulations prohibits person to engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under. Regulation 4(1) of PFUTP Regulations lays that no person shall indulge in a fraudulent or an unfair trade practice in securities. Regulation 4(2)(a) of PFUTP Regulations, inter alia, prohibits a person from indulging in an act which creates false or misleading appearance of trading in the securities market. Regulation 4(2)(g) of PFUTP Regulations, inter alia, prohibits a person to enter into a transaction in securities without intention of performing it or without intention of change of ownership of such security.

27. It is pertinent to refer the Hon'ble Supreme Court's 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 3 and 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"

28. Further, In the matter of ***SEBI Vs. Kishore R. Ajmera,*** *(supra)* the Hon'ble Supreme Court observed that *"the SEBI Act and the Regulations framed there under are intended to protect the interests of investors in the Securities Market which has seen substantial growth in tune with the parallel developments in the economy. Investors' confidence in the Capital/Securities Market is a reflection of the effectiveness of the regulatory mechanism in force. All such measures are intended to pre-empt manipulative trading and check all kinds of impermissible conduct in order to boost the investors' confidence in the Capital market. The primary purpose of the statutory enactments is to provide an environment conductive to increased participation and investment in the securities market which is vital to the growth and development of the economy. The provisions of the SEBI Act and the Regulations will, therefore, have to be understood and interpreted in the above light.*

29. In view of the forgoing, I conclude that the Noticee along with the connected Entities was indulged in carrying out trades within a group and thereby created false and misleading appearance of trading in the scrip of SIEL by trading amongst themselves. Therefore, In view of the abovementioned observations and findings, I am of firm opinion that that the charges levelled against the Noticee in the SCN are proved and that the allegation of violation of provisions of Section 12A(a), (b), (c) of SEBI Act, read with Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (g) of PFUTP Regulations by the Noticee stand established.

30. Hon'ble Supreme Court of India in the matter of SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216 (SC) 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". Thus, as the violation of the statutory regulations by the Noticee has been established, I hold that the Noticee is liable for monetary penalty under Section 15HA of the SEBI Act, which at the time of the violation committed by the Noticee reads as follows:

"15HA.Penalty for fraudulent and unfair trade practices.- *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 practices, whichever is higher."*

31. While imposing monetary penalty it is important to consider the factors stipulated in Section 15J of SEBI Act which reads as under:

    "15J - ***Factors to be taken into account by the adjudicating officer****: While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-*
    (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;
    (b) the amount of loss caused to an investor or group of investors as a result of the default;
    (c) the repetitive nature of the default."

    Explanation*: For removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under Sections 15A to 15E, Clauses (b) and (c) of Section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.*

32. The Noticee along with the connected Entities had collectively executed series of transactions continuously over a period of time. such trades executed within a group are the instruments/tools employed by some unscrupulous elements in the securities market to manipulate the market. When over a period of time such

transactions were carried-out repetitively among the same set of persons who are interconnected, a conclusion can be reasonably reached that there is a concerted effort to indulge in such trades which resulted into large volumes of fictitious trading on a massive scale and cannot be mere co-incidence or a matter of chance as contended by Noticee.

33. It may be noted that the Investigation Report has not quantified the profit/loss for the nature of violations committed by Noticees and further no direct material made available on record to assess the disproportionate gain or unfair advantage and amount of loss caused to an investor or group of investors. Thus, in cases of such nature, it is difficult to exactly quantify the disproportionate gains or unfair advantage enjoyed by Noticee and the consequent losses suffered by the investors, pursuant to scheme of artificial volume deployed by the Noticee. I note that the modus operandi of Noticee was primarily to create artificial volumes with an intention to entice gullible investors to deal in the shares and thereafter take advantage in terms of selling / buying shares at higher / lower price, while shares are still within the group. People who indulge in manipulative, fraudulent and deceptive transaction or abet the carrying-out of such transactions which are fraudulent and deceptive should be suitably penalized for such acts of omissions and commissions. Considering the fact that Noticee has indulged in the fraudulent and deceptive practice as stated above on many days collectively with the connected entities in the scrip of SIEL and hence the nature of default was also repetitive.

34. I cannot ignore the fact that such trades do affect the fair functioning of the securities market and allow manipulators to take undue advantage at the cost of other innocent investors. Therefore, it is necessary that a justifiable penalty is imposed on the Noticee to meet the ends of justice

ORDER

35. I note that the impugned transactions pertains to the year 2008-2009 and that a considerable amount of time has lapsed since the act of the Noticee took place. Nonetheless, any manipulation in the volume or price of the stocks caused by vested interest always erodes investor confidence in the market so that investors find themselves at the receiving end of market manipulators. The PFUTP Regulations aim to preserve and protect the market integrity in order to boost investor confidence in the securities market. By executing manipulative trades, the price discovery system itself is affected. It also has an adverse impact on the fairness, integrity and transparency of the stock market. In view of the same, I am inclined to consider that the Noticee is responsible for the aforesaid violations and therefore, I impose an appropriate penalty on the Noticee.

36. Having considered all the facts and circumstances of the case, violations established, the factors mentioned in Section 15J of the SEBI Act and in exercise of the powers conferred upon me under section 15-I of the SEBI Act, 1992 r/w rule 5 of the Adjudication Rules, I hereby impose penalty of Rs. 2,00,000/- (Rupees two Lakh only) on the Noticee viz. Yatin Pandya HUF under Section 15 HA of the SEBI Act. I am of the view that the said penalty is commensurate with the violations committed by the Noticee.

PENALTY PAYMENT OPTIONS

37. The amount of penalty shall be paid either by way of demand draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or by online payment through following path at SEBI website www.sebi.gov.in ENFORCEMENT → Orders → Orders of AO → Click on PAY NOW or at link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

38. The said demand draft and its details or details of online payments made (in the format as given in table below) should be forwarded to “The Division Chief (Enforcement Department-1-DRA-3), the Securities and Exchange Board of India, SEBI Bhavan II, Plot No. C7, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.”

Case Name :	
Name of Payee :	
Date of Payment:	
Amount Paid :	
Transaction No. :	
Bank Details in which payment is made :	
Payment is made for : (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details)	

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

40. In terms of Rule 6 of the Adjudication Rules, 1995, copy of this Order is sent to the Noticee and also to the Securities and Exchange Board of India.

Date : September 08, 2021 **Vijayant Kumar Verma**

Place : Mumbai **Adjudicating Officer**