

**ADJUDICATION ORDER NO. EAD-3/ORDER/JS/SP/2625-2628/2019-20**

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

In respect of:

1. MJVVD Prakash (PAN: AGDPM3021C)
2. Govardhan Lal (PAN: AEEPL0021J)
3. Firstcall Consultancy Services P Ltd.  
(PAN: AAACF9476E)
4. Nitin Chadha (PAN: ADEPC1761F)

In the matter of:  
**Ranklin Solutions Ltd.**

**BACKGROUND**

1. Securities and Exchange Board of India ('SEBI') during the course of investigation, observed that in the scrip of Ranklin Solutions Ltd. ('Company/Scrip/Ranklin'), listed at Stock Exchange, Bombay ('BSE'), the following entities have alleged to have violated relevant provisions of SEBI Act, 1992 ('SEBI Act') and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003 ('PFUTP Regulations') for the investigation carried out during the period February 01, 2010 to January 12, 2011 ('Investigation Period') and the details are follows:

Noticee Name	Alleged Violation	Violation Provisions	Action Initiated
MJVVD Prakash ( <b>Prakash/Noticee 1</b> )	Carried out self trades in the scrip	Regulation 3(a) to (d), 4(1), 4(2) (a) and 4(2) (g) of PFTUP Regulations	Section 15HA of SEBI Act
Govardhan Lal ( <b>Govardhan/Noticee 2</b> )			
Firstcall Consultancy Services P Ltd ( <b>Firstcall/Noticee 3</b> )			
Nitin Chadha ( <b>Nitin/Noticee 4</b> )			

*hereinafter the abovementioned entities are collectively referred to as the 'Noticees'*

2. SEBI, therefore, initiated adjudication proceedings against the Noticees for the alleged violation of the above-mentioned provisions of law.

## APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI vide order dated June 09, 2017, appointed Adjudicating Officer under Section 15-I of the SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 ('**Adjudication Rules**') to inquire into and adjudge under Section 15HA of SEBI Act for the alleged violations against the Noticees as mentioned above. Consequent to transfer vide Office order dated May 10, 2018, the proceedings are continued for the aforesaid alleged violations against the Noticees.

## SHOW CAUSE NOTICE, REPLY AND HEARING

4. A common Show Cause Notice ('**SCN**') dated December 19, 2017 was issued to the Noticees in terms of provisions of Rule 4 of the said Rules requiring them to show cause as to why an inquiry should not be held against them for the alleged violation of provisions of law. The SCN was issued to the Noticees to the below mentioned address, available on record, were returned undelivered except to the Noticee Prakash and Nitin.

Noticee Name	Address of the Noticee
Prakash	H. No. 6, Satyam Status Enclave, Old Bowenpally, Secunderabad – 500011 (Telangana) and 1-206, Divya Shakthi Complex, Green Lands, Ameerpet, Lal Bangalaw, Hyderabad – 500016 (Telangana)
Govardhan	H. No. B-27, Block B, South Anarkali, New Delhi – 110092 and 203, Gupta Arcade, Shrestha Vihar Market, New Delhi - 110082
Firstcall	202, Alliance Tower-II, LSC Sarita Vihar, New Delhi- 110092
Nitin	Plot No. F 10, Rajouri Garden, New Delhi 110027

5. With respect to Govardhan and Firstcall, an attempt to serve by affixture at the last known address of the Noticee was carried out however, the same could not be carried out since the persons residing at the address did not allow to affix the Notice. Apart from above address, no other address of Govardhan and Firstcall were available on record. The unserved SCN was uploaded in the SEBI website.
6. Nitin, vide email [nitinchadha\\_mail@rediffmail.com](mailto:nitinchadha_mail@rediffmail.com), dated February 15, 2018, while acknowledging the receipt of the SCN has sought the following documents:
- The table summarizing the connections and evidences thereof, marked as **Annexure 7** in the Investigation Report.*
  - Trading analysis of trades of RSL group entities, marked as **Annexure 8** in the Investigation Report.*
  - Trade log of self trades, marked as **Annexure 9** in the Investigation Report.*
  - LTP analysis, marked as **Annexure 11** in the Investigation Report.*

- e. *NHP analysis, marked as **Annexure 12** in the Investigation Report.*
- f. *First Trade Analysis, marked as **Annexure 13** in the Investigation Report.*

7. Subsequently, vide Notice dated February 23, 2018, Noticees were granted an opportunity to appear for personal hearing on March 09, 2018, however, the Notice issued to Govardhan, Firstcall and Prakash were returned undelivered. With respect to Nitin, the details of delivery of Notice were not available on record. Subsequently, an attempt to affix the Notice dated February 23, 2018 was carried out however, the same could not be made since, the present occupants did not allow to paste the notice. The unserved notice was uploaded in the SEBI website.
8. In the meantime, in terms of Rule 7(d) of SEBI(Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, newspaper publication of the notice was carried out in English daily newspaper (Times of India), a Hindi daily newspaper (Swatantra Vaartha) and a newspaper in vernacular language i.e. Telugu in Sakshi newspaper having wide circulation in Telangana and New Delhi informing the Noticees to download the referred SCN from the website of SEBI ([www.sebi.gov.in](http://www.sebi.gov.in)) or to collect from the Office of SEBI, Mumbai. Further, vide the newspaper publication, Noticees were also granted an opportunity of hearing before the Adjudicating Officer on May 09, 2018. Subsequently, the then AO rescheduled the hearing and the same was communicated vide email dated May 04, 2018.
9. Ranklin, vide letter dated March 03, 2018 (received on May 02, 2018) has filed reply to the SCN on behalf of Ranklin and Prakash, Managing Director of Ranklin. It is further observed that the letter dated March 03, 2018 was replied from the same address to which the SCN and hearing Notice of Prakash were issued. The relevant extracts of the reply filed with respect to the allegation are as follows:
  - a. *The company obtained the consent of the shareholders by way of special resolution passed through postal ballot held on 15/04/2010 for issue, offer and allot Equity Shares/Warrants and /or any instruments convertible into Equity Shares whether optionally or otherwise, Global Depository Receipts (GDRs)/ American Depository Receipts (ADRs) or Foreign Currency Convertible Bonds (FCCB) hereinafter referred to as 'Securities' for an aggregate sum of USD 22 million (United States Dollars Twenty Two Millions Only).*
  - b. *The resolution is essentially an enabling one and relates to a proposal to offer, issue and allot Equity shares/Depository Receipts and /or the appropriate securities up to an amount not exceeding USD 22 million (United State Dollars Twenty Two Millions only), inclusive of premium on Equity shares, in the course of domestic/international offerings.*

- c. *It was also mentioned in the explanatory statement to the notice of the Postal Ballot that the issue will be done after considering the prevailing market conditions and all other relevant factors. However, due to unfavorable market conditions, the company could not proceed further with the GDR/ADR issue. As said, the resolution passed by the shareholders through postal ballot is only enabling resolution and there is no compulsion that the company should come out with GDR issue since the resolution is passed by the shareholders of the company.*
- d. *We further submit that the company sincerely tried to raise funds and taken up all the necessary steps including Board meeting and intimating to BSE etc. However, the market condition was very poor and highly discouraging and as a result the Company could not proceed further with GDR. Hence, we submit that corporates announcement was made with any intention to implement GDR and but not with the intention of distorting the market and influencing the decision of investors or to defraud or to deceive anyone.*
- e. *The Company had declared a dividend of Re.1 per share and Rs.50 paise per share in the years 2009-10 and 2010-11 respectively. However, the Company had outstanding secured and unsecured loans payable to banks and other creditors to the tune of Rs.9.09 crores as on 31.03.2011. There was tremendous amount of pressure on the Company from the banks and the others for repayment of loans. The financial position of the Company was in doldrums. The Company was struggling to serve its debt and there was no money to pay to the shareholders. Non-payment of dividend to the shareholders was purely unintentional as the circumstances were much beyond the control of the Company and were not in favour of the Company as the management was working day in and day out to meet the impending financial obligations of the banks and creditors. The Company also lost its valuable human resources in the process and the business as well.*
- f. *The Company was never listed on BSE and did not sign any listing agreement with it. However, its equity shares were traded under permitted category. Since the Company was not listed on BSE, disclosures pertaining to SEBI (SAST) and (PIT) Regulations, and other clauses pertaining to Listing Agreement were not given to BSE. BSE stopped the trading in the shares of the Company w.e.f. 26.10.2015.*
- g. *The Company has in place code of Internal Procedure and Conduct and Code of Corporate Disclosure Practice in terms of PIT Regulations, 1992. It is submitted that the Code of Conduct has been made pursuant to Regulations 12(1) of SEBI PIT Regulations, 1992 and in accordance with the Model Code of Conduct as per Schedule 1 part A of the SEBI PIT Regulations, 1992 and Clause 49 of the Listing Agreement with the stock exchanges. A copy of the same is enclosed for the perusal of SEBI.*
- h. *It is further submitted that there were debit balances in Mr. MJVVD Prakash's account with Bonanza Portfolio Limited (BPL) and India Infoline Limited (IIFL). It is also true that in case of BPL, he paid partial amount towards outstanding debit balances though he was undergoing extremely bad financial conditions. Having understood that he failed to pay the debit balances, he did not pay attention or raised any objection on their sale of shares without his knowledge to recover their dues.*
- i. *Trading members have stated that the shares were sold with his consent, probably it must be to avoid the attraction of wrath of SEBI on unauthorized trades which can be understood and appreciated as the same had taken place as he failed to honor his pay in obligation to the said Trading Members.*
- j. *We submit that the alleged self-trades as cited in the SCN as having been carried through Mr. MJVVD Prakash are very small in number i.e. only 0.93% of the total market volume and as can be seen, the alleged self-trades were miniscule. We submit that the liquidity in the scrip was quite good and thus heavily traded. The alleged trades were little quantum and the said trades could not have affected the prices or otherwise mattered.*

10. Subsequent to the transfer of the present proceedings, vide Notice dated January 11, 2019, Noticees were granted an opportunity to appear before the new Adjudicating Officer for the personal hearing dated January 28, 2019. The Notice dated January 11, 2019 was duly received by Prakash and Nitin. With respect to Govardhan and Firstcall, the Notice dated January 11, 2019 was served to the

address available on record, however, the same was returned undelivered which was subsequently uploaded in SEBI website.

11. Nitin, in this regard, vide letter dated January 22, 2019 has informed that:

- a. I have received your aforesaid letter on January 19, 2019, whereby I have been required to file reply latest by January 20, 2019 and to attend the personal hearing to be held on January 28, 2019.*
- b. It has also been alleged in the said letter that a SCN dated December 19, 2017 and hearing notice dated February 23, 2018 to me remained undelivered and the SCN could also not be affixed.*
- c. In this regard, I wish to submit that I had received the aforesaid SCN dated December 19, 2017 and I had also duly replied the same vide email dated February 15, 2018. A copy of the said email is attached herewith also for your reference. In my said email, I had stated that I was in the process of preparing the reply, however, many vital annexures as mentioned in the Investigation Report enclosed with the aforesaid Show Cause Notice were not provided to me. Therefore, I had requested to provide me with the annexures/documents as mentioned in my said email.*
- d. However, I never received any reply from the office of erstwhile Adjudicating Officer to my aforesaid email dated February 15, 2018.*
- e. I once again request your office to provide me the annexures/documents mentioned in my email dated February 15, 2018 so that I can prepare my reply and submit my defence. Therefore, you are requested to not to proceed ex parte against me until the documents/annexures sought are not provided to me. You are also requested to postpone the date of personal hearing till I am able to submit my reply after receiving the documents/annexures sought from your office.*

12. On the date of hearing, the Prakash and Nitin have failed to appear for the hearing before the Adjudicating Officer.

13. With respect to the documents sought by Nitin, vide email dated February 14, 2019, it is informed that, *"the documents sought by Nitin are not relied upon documents and relevant to the proceedings and hence the same are not provided. Also, the relevant and relied upon documents have already been provided to Nitin and no other documents, other than those provided shall be relied upon in these proceedings"*. Further, Nitin was also informed to appear for the personal hearing before the Adjudicating Officer on February 27, 2019 with the option to appear either at SEBI, Mumbai office or SEBI, Northern Regional Office, New Delhi with an intimation to the Office of the Adjudicating Officer- EAD-3 of the venue at which Nitin was wish to appear for the hearing. Accordingly, Nitin was informed to mail his option of venue to the email id [ead-3@sebi.gov.in](mailto:ead-3@sebi.gov.in). The above email was served to [nitinchadha\\_mail@rediffmail.com](mailto:nitinchadha_mail@rediffmail.com), which is the same email id from which Nitin had filed reply to the SCN and to the Notice dated January 11, 2019. On the date of hearing, Nitin failed to appear for the hearing.

14. With respect to Govardhan and Firstcall, in terms of Rule 7(d) of Adjudication Rules, newspaper publication of the SCN, Hearing Notice dated February 23, 2018 and January 11, 2019 ('Notices') were carried out in Times of India- English and Navbharat Times- Hindi on March 05, 2019 edition of Delhi, informing Govardhan and Firstcall to refer to the Notices uploaded in SEBI website under the head "Enforcement-Unserved Summons/Notices" and submit its reply and also opportunity to appear before the Adjudication officer on March 09, 2018.
15. On the date of hearing, Govardhan and Firstcall failed to appear for the personal hearing and also to file reply to the SCN.
16. Further, vide notice dated March 06, 2019, Prakash and Nitin were granted last and final opportunity to appear for the personal hearing before the Adjudicating Officer on March 20, 2019, which was duly received by Prakash and Nitin. Further, vide the Notice dated March 06, 2019, Nitin was informed to file reply to the SCN on or before March 14, 2019. The Notice dated March 06, 2019 was also served through email to [nitinchadha\\_mail@rediffmail.com](mailto:nitinchadha_mail@rediffmail.com). In this regard, Nitin, vide email dated March 12, 2019, while referring to the Notice dated March 06, 2019 has informed that:
- "You, vide the aforesaid letter, have required me to file reply to the SCN latest by March 14, 2019 and to appear for personal hearing on March 20, 2019. Earlier you had also informed me that the documents mentioned to be annexed in the SCN cannot be supplied to me on the ground that those are not relevant documents for adjudication. In this regard, I humbly submit that this matter pertains to a very old period and I am facing a little difficulty in tracing the relevant documents for preparing the reply. I am out of Delhi for quite some time due to some personal difficulty/reasons and I won't be able to file reply and appear for personal hearing on the aforesaid dates. Therefore, I request you to grant me time up to April 10, 2019 for filing reply to SCN and fix the personal hearing on any date between April 15 to 19, 2019".*
17. On the date of hearing, Prakash and Nitin once again failed to appear before the Adjudicating Officer.
18. From the above, it is clear that the Noticees were served SCN and hearing Notices, wherever the Notice was not delivered, the same were served through affixture and publication of the Notices in the nationwide newspaper in English and Hindi in terms of Rule 7(c) and 7(d) of the AO Rules 1995 respectively. In spite of providing enough opportunity, Noticees have failed to appear before the Adjudicating Officer

and in case of Govardhan, Firstcall and Nitin, the Noticee have also failed to file reply to the SCN. Thus, the matter is proceeded based on the facts available on record in terms of Rule 4(7) of the AO Rules 1995.

### **CONSIDERATION OF ISSUES AND FINDINGS**

19. After perusal of the material available in record, the following issues are for consideration viz.

- a. Whether MJVVD Prakash, Govardhan Lal, Firstcall Consultancy Services, and Nitin Chadha have violated Regulation 3(a) to (d), 4(1), 4(2) (a) and 4(2) (g) of PFTUP Regulations
- b. Do the violations, if any, on the part of the Noticees attract any penalty under SEBI Act?
- c. If yes, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?

### **ISSUE A: Whether MJVVD Prakash, Govardhan Lal, Firstcall Consultancy Services, and Nitin Chadha have violated Regulation 3(a) to (d), 4(1), 4(2) (a) and 4(2) (g) of PFTUP Regulations**

20. During the Investigation period, the Scrip price opened at Rs. 57.9 on February 01, 2010 and touched a high of Rs. 170 and closed at Rs. 149.85 on January 12, 2011. It is observed that during the Investigation Period, 4,83,34,536 shares of the Scrip were traded in BSE.

21. Further, it is observed that Prakash, Govardhan, Firstcall and Nitin have carried out trades in the Scrip during the Investigation Period and the details are as follows:

Sr. No	Noticee Name	Buy Volume of the Noticee	% of Buy Vol. of the Noticee to the market volume	Sell Volume of the Noticee	% of Sell Vol. of the Noticee to the market volume
1	Prakash	6,70,347	1.39%	4,88,701	1.01%
2	Govardhan	15,68,918	3.25%	15,61,798	3.23%
3	Firstcall	4,90,279	1.01%	4,94,240	1.02%
4	Nitin	11,65,993	2.41%	12,34,848	2.55%

22. It is alleged in the SCN that the Noticees have carried out self trades (i.e. the trades where the seller and the buyer in a trade remains the same person and no actual beneficial ownership of shares so traded, is changed in such type of transactions) in the scrip. The details of self trades carried out by the Noticees in the scrip are as follows:

Sr. No	Noticee Name	Same Broker on Buy/ Sell side	Self trades vol.	No. of Self Trades	No. of days	Net LTP contribution by Self trades	% of Self trade volume to mkt. vol.
1	Prakash	No	4,50,968	358	32	24.7	0.93%
2	Govardhan	No	6,915	45	10	0.05	0.02%
3	Firstcall	Yes	8,211	33	7	0.05	0.02%
4	Nitin	No	11,338	85	8	-0.65	0.02%

23. From the above table, it is observed that the self trade volume of the Noticees is in the range of 0.02% to 0.93% of the market volume, which is insignificant compared to the market volume of the Scrip traded during the investigation period. Further, the Noticees namely Prakash, Govardhan, Firstcall and Nitin have contributed to the price rise by Rs. 24.7, Rs.0.05, Rs.0.05 and Rs.(0.65) through self trades. The price impact due to such self-trades are negligible or insignificant in case of Govardhan, Firstcall and Nitin. However, in case of Prakash, though the price contribution due to self-trades were Rs. 24.7, investigation has not brought evidence suggesting any fraudulent intention behind execution of such self-trades by the Noticees.

24. It is also observed that Prakash, Govardhan and Nitin have carried out self trades through different brokers i.e the brokers on the buy side and sell side of the noticees i.e Prakash and Govardhan respectively are different. In case of Firstcall, the Noticee had carried out self-trades through the same broker. Also, investigation have not found any adverse inference against the brokers through whom the Noticees have carried out self trades

25. It is pertinent to mention that the motive behind executing fraudulent self-trades can either be to artificially raise the volume in a scrip/ or to manipulate the price of



the scrip by way of creating misleading appearance of trading so as to induce others to deal in the particular scrip. Investigation has not brought any allegation of price manipulation attributed to the self-trades of the Noticees nor is there any evidence suggesting any fraudulent intention behind execution of such self-trades by the Noticees. Though the Noticees have failed to appear before the Adjudicating Officer, there is no evidence on record to prove that the self-trades of the Noticees are significant to manipulate the scrip.

26. It is also noted that there are no adverse observations in the SCN regarding other forms of market manipulation i.e. synchronized trading, reversal trading or executing orders away from last traded price or creation of new high prices by way of first trades etc. against the Noticees.

27. In this regard, it is important to rely on the Judgment of the Hon'ble Securities Appellate Tribunal ("SAT") in the matter of Ketan Parekh Vs. SEBI (Appeal No. 2 of 2004 decided on 14.07.2006) where it observed that,

*".....Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal. 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 because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn."*

28. Further, the Hon'ble SAT on the Judgment in the matter of Smt. Krupa Sanjay Soni vs. SEBI (Appeal No. 32 of 2013) which has also been quoted by the Noticee wherein it observed that,

*"This Tribunal has taken a consistent view that a few instances of self trades in themselves would not, ipso facto, amount to an objectionable trades."*

29. Considering above and taking into account, in particular, the insignificant percentage volume of self-trades as compared to the total market volume and the fact that Investigation has not brought evidence suggesting any fraudulent intention behind execution of such self-trades by the Noticees, it is difficult to conclude that self-trades of the Noticees in the scrip were intentional and manipulative. Hence, it is concluded that the violations of provisions of Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) and (g) of PFUTP Regulations by Prakash, Govardhan, Firstcall and Nitin do not stand established.

**ISSUE B: Do the violations, if any, on the part of the Noticees attract any penalty under SEBI Act?**

**ISSUE C: If yes, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?**

30. As the violations are not established against the Noticees i.e. MJVVD Prakash, Govardhan Lal, Firstcall Consultancy Services P Ltd and Nitin Chadha, consequent issues B and C requires no further examination.

### **ORDER**

31. For aforesaid reasons, Show Cause Notice dated December 19, 2017 alleging violation of provisions of Regulation 3(a) to (d), 4(1), 4(2) (a) and 4(2) (g) of PFTUP Regulations in respect of MJVVD Prakash, Govardhan Lal, Firstcall Consultancy Services P Ltd and Nitin Chadha is disposed of without imposition of any penalty.

32. In terms of Rule 6 of the SEBI Adjudication Rules, copies of this order is being sent to MJVVD Prakash Govardhan Lal, Firstcall Consultancy Services P Ltd and Nitin Chadha and also to SEBI.

**Date: April 05, 2019**  
**Place: Mumbai**

**Jeevan Sonparote**  
**Adjudicating Officer**