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**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. Mr. Mukesh Kumar Sohanlalji Gupta (PAN: AINPG9827C)
2. Mr. Rahul Kamalkant Parasrampurua (PAN: AOWPP5716Q)
3. Mr. Anil Vishnu Bharti (PAN: AHWPB8347C)
4. Mr. Rajesh Jayantilal Savadia (PAN: AAVPS3632H)
5. Mr. Prakash Chandra Purohit (PAN: AJGPP9570M)
6. Mr. Bhagwat Singh Kitawat (PAN: ADJPK0842L)
7. Ms. Neha B Raval (PAN: AQQPR6427E)
8. Mr. Shekhar D Vaishnav (PAN: AHOPV1194R)

In the matter of Svaraj Trading & Agencies Ltd

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**BACKGROUND**

1. SEBI observed significant rise in price of the shares of Svaraj Trading & Agencies Ltd (hereinafter, referred to as “**STAL**” or “**Company**”) at Bombay Stock Exchange (hereinafter, referred to as “**BSE**”), and in this regard conducted an investigation into the dealings in shares of STAL at BSE for period September 17, 2013 to November 11, 2014. From the said investigations, SEBI observed that during September 17, 2013 to August 19, 2014 (hereinafter referred to as “**relevant period**”) eight allegedly connected entities viz, Mr. Mukesh Kumar Sohanlalji Gupta, Mr. Rahul Kamalkant Parasrampurua, Mr. Anil Vishnu Bharti, Mr. Rajesh Jayantilal Savadia, Mr. Prakash Chandra Purohit, Mr. Bhagwat Singh Kitawat, Ms. Neha B Raval and Mr. Shekhar D Vaishnav (hereinafter, individually referred to by their “**respective name**” and jointly referred to as “**Noticees**”) were allegedly indulged in manipulation of price of shares of STAL at BSE during the relevant period, and thereby allegedly violated Regulation 3(a), (b), (c), (d), and 4(1), 4(2) (a) and (e) of SEBI (Prohibition of Unfair Trade Practices related to Securities Market) Regulations, 2003 (hereinafter, referred to as “**PFUTP Regulations, 2003**”).
2. It has been alleged that Noticees were connected to each other and also with STAL and 5 of the 49 allottees of preferential shares. It is also alleged that being connected group, Noticees indulged in trades in miniscule quantities repeatedly at prices higher than LTP during the relevant period resulting into manipulation of the price of the shares of STAL, thereby, in violation of Regulation 3(a), (b), (c), (d), and 4(1), 4(2) (a) and (e) of SEBI (Prohibition of Unfair Trade Practices related to Securities Market) Regulations, 2003 (hereinafter, referred to as “**PFUTP Regulations, 2003**”).

### **APPOINTMENT OF ADJUDICATING OFFICER**

3. SEBI, in terms of Section 19 read with Section 15I(1) and (2) of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter, referred to as “**SEBI Adjudication Rules, 1995**”) appointed the Adjudicating Officer to inquire into and adjudge the alleged violations of Regulation 3(a), (b),(c),(d), and 4(1), 4(2) (a) and (e) of PFUTP Regulations, 2003 in respect of Noticees, and if liable, impose penalty as deem fit in terms of rule 5 of SEBI Adjudication Rules, 1995 and the provisions of Section 15HA of the SEBI Act, 1992.

### **SHOW CAUSE NOTICE, WRITTEN SUBMISSIONS, PERSONAL HEARING**

4. Show Cause Notice dated February 15, 2018 (hereinafter referred to as “**SCN**”) was issued to the Noticees, mentioning the allegations against the Noticees and requiring them to show cause within 14 days of receipt of the SCN, as to why an inquiry should not be held and penalty be not imposed under Section 15HA of SEBI Act for the aforesaid alleged violations against the Noticees.
5. SCN was delivered to the Noticees through speed post AD (except Mr. Shekhar D Vaishnav) and also through e-mail dated March 5, 2018 to the Noticees (including Mr. Shekhar D Vaishnav). Scanned copy of SCN was also delivered to Mr. Shekhar D Vaishnav vide e-mail dated April 19, 2018, and further physical copy was delivered at his address through hand delivery on April 27, 2018 (along with the hearing notice).
6. Vide notice of hearing dated March 7, 2018 an opportunity of hearing was provided to the Noticees on March 22, 2018. Said notice of hearing was delivered through Speed post AD to Noticees (except to Mr. Shekhar D Vaishnav). Scanned copy of SCN was delivered to Mr. Shekhar D Vaishnav vide e-mail dated March 12, 2018.
7. Near the date of the scheduled hearing, Mukesh Kumar Sohanlalji Gupta, Mr. Prakash Chandra Purohit and Mr. Bhagwat Singh Kitawat through letter sent by them / their authorised representatives and the same received on March 20 / 21, 2018, requested to provide all the relied upon documents including investigation report with annexure and trade and order log in the said investigation. In this regard, vide e-mail dated April 5 or 6, 2018 to Mukesh Kumar Sohanlalji Gupta, Mr. Prakash Chandra Purohit and Mr. Bhagwat Singh Kitawat with copy to their authorised representatives, it was informed that the relevant findings, information, and supporting documents (including trade-order log) being relied upon in the present proceedings have already been provided in the SCN issued to Noticees, and there is no other information / document being relied upon further in the present proceedings. Vide the same e-mail, second

opportunity of hearing was also provided on April 20, 2018, and were advised to submit their reply to SCN on immediate basis.

8. Further, vide Notice of hearing dated April 6, 2018 sent through speed post AD and e-mail, rest of the Noticees were also provided with the second opportunity of hearing on April 20, 2018. Noticees were required to confirm the schedule of hearing two days before the date of hearing. Despite receipt of the said notice of hearing, Noticees (except Mr. Mukesh Kumar Sohanlalji Gupta and Mr. Bhagwat Singh Kitawat) didn't confirm the schedule of hearing on April 20, 2018.
9. Vide e-mail dated April 18, 2018 to Bhagwat Singh Kitawat and e-mail dated April 19, 2018 to Mukesh Kumar Sohanlalji Gupta, hearing was adjourned to May 9, 2018. Further, as regards to rest of the Noticees, vide e-mail dated April 19, 2018 and letter dated April 26, 2018, a final opportunity of hearing was provided to them on May 9, 2018.

**Written submissions, if any, from the Noticees upto the date of hearing**

10. Following key submissions were noted from the written submissions of Noticees, viz, Mr. Mukesh Kumar Sohanlalji Gupta, Mr. Rahul Kamalkant Parasrampur, Mr. Prakash Chandra Purohit and Mr. Bhagwat Singh Kitawat received before the hearing, and received in the hearing on behalf of Ms. Neha B Raval.
11. **Key submissions of Mukesh Kumar Sohanlalji Gupta in the reply dated April 16, 2018:**

*"I deny the allegations against me made in the SCN. I have made request to allow me inspection of all the related documents including Investigation Report and Original Trade and Order Log in the above said matter. However, the said request was rejected by your goodself. I once again request your goodself to allow me inspection of the documents. I am compelled to file my submissions on the present available documents and data.*

*Price Volume data and Trade Log data provided with the SCN are having contradictions. On perusal of the Price Volume Data provided with the SCN (Annexure D), it is revealed that there were total 254 trades executed during the Patch 1 i.e. 17-09-2013 to 19-08-2014. However, as per the Trade Log it is revealed that only 167 trades were executed during the aforesaid period. Thus, the data provided with the SCN are contradicting each other and I am in dilemma as which data I should rely.*

*It is alleged in the SCN that I had sold 44 shares of the Svaraj Trading & Agencies Ltd on market and executed total 24 trades and thus influence the price of the scrip by Rs. 31.15 +ve from Last Traded Price (LTP). It is further alleged that I had received 50 shares of Svaraj Trading & Agencies Ltd through off market transfer from Laxman Divan and 47 shares from Mukesh Mohanlal Agarwal who both are admittedly not parties to the SCN. It is further alleged that I had transferred shares of Svaraj Trading & Agencies Ltd through off market to Mr. Anil Vishnu Bharti (25 Shares) and Rajesh Jayantilal Savadia (15 shares). The alleged connection is the only reason for inclusion of my name in the SCN as a Noticee otherwise two entities namely Bheru Singh Kitawat and Bheru Lal Gujer who had executed sell trades for 56 shares and 10 shares in the Svaraj Trading & Agencies Ltd and increased the price by Rs. 12.05 and Rs. 5.25 respectively were not made parties to the SCN. It is humbly submitted that admittedly I had no on market transactions with the Noticee mentioned in the SCN. It is not an allegation against me that I had executed any circular, synchronized, reversal, self-trades and/or manipulated the price of the scrip by executing trades with the alleged Noticees mentioned in the SCN. Thus, the allegation of connection with the entities mentioned at serial number 3 and 4 of the SCN are no significance with the execution of on market transactions by me.*

*I further say and submit that I had executed only sell transactions during the Patch 1 i.e. 17-09-2013 to 19-08-2014 of the Investigation Period. I have admittedly no connection/relation with the counterparties to my trades. Therefore, the allegation of violation of PFUTP Regulation should not have been levied against me. In this regard I rely two judgements passed by the Hon'ble Securities Appellate Tribunal viz, **Vikas Ganesh Mal Bengani v/s Whole Time Member, SEBI (Appeal No. 225 of 2009, Order dated 25-02-2010).***

*A similar issue arose before this Tribunal in **Jagruti Securities Limited vs Securities and Exchange Board of India Appeal no. 102 of 2006 decided on October 27, 2008** and it was held that for the charge of raising price artificially to be established, the element of collusion between the buyer and the seller is a sine qua non. While referring to the screen based trading system where buyers and sellers put in their orders through their respective brokers and the trades get executed only when the buy and sell orders match subject to price, time priority, this is what the Tribunal observed:- ".....It is, thus clear, that in order to establish the charge of price manipulation collusion between the buyer and the seller is necessary. In the case before us it has not been alleged that the appellant was colluding with the counterparty (seller) or with his broker. In the absence of such an allegation it cannot be held that the appellant was manipulating the price of the scrip of the company upwards."*

*Since no allegation of collusion is being made in the entire SCN in between me and counterparties to my trades, the allegation / charge of PFUTP are futile.*

*Since no allegation have been alleged against the counterparties to my trades (buyers), the allegation made against me in the above referred SCN also untenable. In this regard, order of Hon'ble SAT in the matter of **Adolf Pinto V/s SEBI Appeal No. 102 of 2010** was quoted.*

*It is further submitted that off market transaction per se not illegal and it is held legal by the Hon'ble Securities Appellate Tribunal in catena of cases.*

*It is further submitted that I had sold shares of Svaraj Trading and Agencies Limited in marketable lot legally allowed by the Bombay Stock Exchange, Mumbai. Therefore I have not violated any provision of PFUTP Regulations.*

*I further say and submit that either the Stock Exchange or my Broker had not issued any warning to me for executing trades in lot of one shares. I had traded within the prescribed circuit filter set by the Exchange. I had fulfilled all obligations towards pay in of delivery.*

*I further submit that I have no role in the increase in the price of the scrip. It is the significant demand in the shares of the Company who compel the scrip's price to go up.*

*It is further submitted that besides my holding in the shares of Svaraj Trading and Agencies Limited, hundreds of other entities hold the shares of the Company. I had admittedly no control over the others holding and they were free to sell their shares to the buyer. It is their choice that did not sell their shares during the Patch I. How the Noticees to the SCN including me became responsible for not selling shares by the other shareholders of the company in reference?*

*It is further submitted that everyday thousands of entities place orders and execute trades in the lot of one shares. Are they too responsible for the alleged violation of PFUTP Regulations? Certainly not, and if they are not responsible then how I became responsible for trades executed in the lot of one share.*

*It is very pertinent to mention that the price of the scrip is accepted by the market participants and currently price of the scrip is quoting around Rs. 200/-. Without my intervention, the price of the scrip is sustained above Rs. 150/-. Thus, the price of the scrip increased due to actual demand in the scrip of the Company and not by artificially demand. If the price of the scrip was increased artificially as alleged in the SCN, it would have certainly fell down till now.*

*I therefore pray to your goodself to consider my aforesaid submissions and dispose of the SCN without passing any adverse order against me. "*

## **12. Key submissions of Rahul Kamalkant Parasrampur in the reply dated April 19, 2018 :**

*Subsequent to the receipt of the SCN, vide letter dated 20-03-2018 our Client sought copies of the Investigation Report with all the annexures, complete trade and order log relied upon by SEBI while issuing the Notice in Our Client's name in order to facilitate our Client to file a detailed reply to the Notice. However, vide communication 06-04-2018, SEBI refused to provide with the aforesaid documents and asked Our Client to file a reply before your goodself by 19 April 2018. Our Client was given the opportunity of personal hearing on 20 April 2018. However, by communication dated 19-04-2018 the date of hearing adjourned to 09-05-2018.*

*Since, Our Client has not been served with the Investigation Report and other relevant documents, thus the present reply cannot be treated as the final reply.*

*At the outset, it is submitted that Our Client does not admit or accept any statement or allegations contained in the Notice except to the extent that the same is expressly agreed. Nothing stated in the Notice shall be deemed to be admitted by Our Client merely on account of non-traverse unless the same is specifically admitted. A perusal of the Notice reveals that the allegation made against Our Client is as follows:*  
*a) During patch 1 of Investigation period viz. 17 September 2013 to 19 August 2014 (hereinafter referred to as "the relevant period") Our Client amongst other contributing entities is responsible for increasing the price of the scrip at BSE from Rs. 7.14 to Rs. 146.50 with a daily average of 2 shares being traded.*  
*b) Our Client is one of the entities who have indulged in trades resulting to significant positive LTP thereby resulting to price rise.*

*It is submitted that Our Client is among the 8 entities to whom the Notice has been issued. However, we shall be dealing with violations as alleged only against Our Client.*

*At the outset, the above stated allegations are without any basis and hence devoid of merit and for the facts and circumstances stated herein, the Notice ought to be dropped immediately against Our Client. It is submitted that Our Client is not in violation of any provisions of law much less the provisions of SEBI Act.*

The above allegations against Our Client have been sought to be substantiated on the basis of the following:

- a. Our Client has received 25 shares of STAL from Mr. Laxman Diwan in off-market
- b. Our client is allegedly connected with Mr. Laxman diwan who is a Director of one Miraj Products Pvt Ltd.

Considering the allegations and the basis of the said allegations against Our Client in the Notice, the same broadly fall under the two following issues:

Connection of Our Client with Mr. Laxman Diwan

It is submitted that the connection stated in the Notice is entirely without any basis. There is absolutely no documentary evidence that Our Client was a part of the connected entities. Our Client has nothing in common with the other entities.

The Notice, without any established finding and only on the premise that the scrip of STAL was received from one Mr. Laxman Diwan, is alleging that our Client is a connected entity. Nowhere the Notice shows a nexus between our Client and Miraj Productions Pvt. Ltd. Therefore, the Notice and the Annexures therein bears no footing and provides no conclusive explanation while alleging that Our Client was a connected entity.

Moreover, the fact that SEBI has not made Mr. Laxman Diwan a party to the Notice despite him being the transferor of shares and equally responsible for the transaction with respect to the scrip of STAL, with Our Client, further substantiates our Client's case that this transaction does not establish any connivance. Therefore, the issuance of the Notice itself is arbitrary and selective.

Therefore, the Notice is based on surmises and conjectures as the alleged connivance bears no substratum and is only to establish a link with another illfounded allegation of manipulation of market by price increase which is entirely unwarranted and unjustified.

In the case of *Smitaben N. Shah v. SEBI* (Date of decision 30 July 2010) it was held by Hon'ble SAT that: "We cannot lose sight of the fact that a serious charge like fraudulent trading cannot be established on the basis of this tenuous and farfetched connection. In this view of the matter, we have no hesitation to hold that the appellants did not act in tandem with any of the entities referred to in Annexure 2 as alleged in the show cause notice and found by the whole time member."

(Emphasis added)

It is therefore submitted that allegations such serious in nature and bearing serious charge of fraudulent trade practice cannot be made and a Notice be issued in furtherance of such bald allegations merely on the basis of farfetched untenable assumptions and without any documentary evidence.

Our Client's role in increase of price of scrip

At the outset, it is pertinent to state that the Notice is comprised of inaccurate information and data about Our Client. As mentioned in paragraph 7 of the Notice, a trade log at Annexure D is attached to the Notice which shows how the price of scrip rose during the relevant period. From the said Annexure D, it can be noticed that in details of our Client's share price & volume movement, at various dates when the number of shares were 1, the number of trades against it were 2. This shows that the investigation itself is full of defects and on that ground itself this Notice ought to be withdrawn against Our Client.

Without prejudice to the above stated contention, it is submitted that our Client is amongst the various other shareholders of STAL and like any other shareholder has the right to trade in order to achieve the best price for the scrip. Therefore all the trades executed by Our Client were in the normal course of trading and does not form a part of fraudulent or manipulative practice as alleged in the Notice.

The primary allegation against Our Client is that he has sold shares in miniscule quantities such as 1 share in 34 trades and 18 trades in 1 trade as opposed to the buy orders of larger quantities. It is submitted that when the lot size of STAL scrip was of only 1 share, it is upon the seller/buyer to place the order of the quantity as per their desire and not on the counter party's order quantities. Therefore, the contention that Our Client sold the shares at miniscule value even when the buy order was in higher quantities is completely misconceived as the charge of manipulation cannot be based on the order quantity of an entity but on the trades and trading pattern of such entity.

It is a well settled principle that every trade establishes the price of the scrip. This principle is established in **Smitaben N. Shah vs. Securities and Exchange Board of India** wherein it was held that: "It is by now well settled that every trade establishes the price of the scrip. We cannot lose sight of the fact that the impugned purchase orders of the appellants had been executed on the first day of trading when there was no circuit filter on the price range of the scrip and the price discovery mechanism of the stock exchanges was in full play to discover the price..... The fact that only insignificant quantity of orders of the appellants got executed as trades at the rate of Rs. 30 per share goes to show that their initial exercise of testing the waters proved successful only to a very limited extent and they had to raise the bar to get the desired quantity of shares. This pattern of trading is not unusual to cause any alarm."

This above holding further establishes Our Client's case that the trading done by Our Client was absolutely a normal course of practice.

Assuming whilst denying the allegation that Our Client sold shares in miniscule quantities, there were also instance where our Client has sold 8 shares in 1 trade that too in zero LTP. This instance establishes the fact that Our Client was at no point interested in miniscule trading to which would anyway lead to no gains for him.

It is also submitted that the sale of shares in miniscule quantity over the period of days is a natural practice in order to seek a better value of the share and thus Our Client cannot be charged under any provision of law much less the PFUTP for any manner of fraudulent or unfair trade practice.

*As and when Our Client would observe that the price of the share is raising it was desirable by Our Client to avail a higher price for the share.*

*It is further submitted that Our Client has not made any abundant profits by trading the scrip of STAL nor does the Notice reflect that Our Client has benefitted in any manner from such alleged manipulation. Moreover, Our Client being a regular share trader and would not indulge in such a practice and put his trading reputation at stake.*

*It is therefore expressly denied that Our Client has at any point of time engaged in a trade that would lead to market manipulation or any kind of unfair trade practice. It is also denied that Our Client indulged in miniscule trading in order to manipulate the price of the scrip.*

*In view of the submissions made above no violation of any provisions of SEBI (PFUTP) Regulations, 2003 can be made out against Our Client, therefore holding an inquiry in terms of Rule 4 of SEBI Adjudication Rules, 1995 read with Section 15I of the SEBI Act; and imposing in terms of Rule 5 of the said Rules and the provisions of Section 15HA of SEBI Act does not follow and it is prayed that the Notice/proceedings be dropped against me.*

*It is therefore requested to your goodself to grant an opportunity of personal hearing before passing of any Orders in the matter and we on behalf of Our Client crave leave to file Additional Submissions if so required."*

**13. Key submissions of Prakash Chandra Purohit in the reply dated April 16, 2018 :**

*"I am in receipt of the captioned Show Cause Notice (hereinafter referred to as "SCN") dated 15/02/2018. In furtherance to which my authorized representative vide email dated 2/03/2018 had sought inspection of the documents relied upon by SEBI while issuing the captioned SCN including the Investigation Report with all the annexures and also the complete Order Log, so as to enable me to file a detailed reply to the captioned SCN.*

*Further, SEBI vide email dated 06/04/2018 rejected the said request and granted time till 19/04/2018 to file a reply before your goodself and a second and final opportunity of personal hearing on 20/04/2018. Therefore based on the limited data/documents available with me I am filing this present reply.*

*In the SCN it has been alleged that I along with other entities (alleged connected group) indulged in trades in minuscule quantities repeatedly at price higher than LTP during 17/09/2014 to 17/11/2014 {hereinafter referred to as "Investigation Period/ Relevant Period"} resulting to manipulation of the price of the scrip of STAL, thereby violating Regulation 3(a), (b), (c), (d), 4(1), 4(2) (a) and (e) of SEBI (PFUTP) Regulations, 2003.*

*In the said SCN I have been called upon to show cause as to why an inquiry be not held against me in terms of Rule 4 of the SEBI Adjudicating Rules, 1995 read with Section 15I of the SEBI Act; and penalty be not imposed in terms of Rule 5 of the said Rules and the provisions of Section 15HA of SEBI Act.*

*At the outset, I deny each and every statement, allegation, observation etc. made in the captioned SCN and nothing stated in the captioned SCN shall be deemed to be admitted by virtue of not having been specifically denied or dealt with unless the same has been expressly dealt with.*

*In the said SCN, I have been alleged to be merely connected to other entities who had traded in the scrip of STAL also the noticees in the present SCN.*

*It is submitted that the basis of connections are very baseless, unsubstantiated and cannot be relied upon, just because I had a common address with one Mr. Bhagwat Singh Kitawat and was a Director of Miraj Products Pvt Ltd along with one Mr Laxman Diwan who had sold his shares in STAL.*

*The mere ground of common address and being a Director of a Company whose another Director had sold his shares in STAL does not mean that I am connected to all the other entities mentioned above and have in any manner manipulated the price of STAL or acted unfairly to increase the price of STAL along with other entities to this SCN.*

*It is submitted that the burden of proof is on SEBI to prove as to whether I was connected to all the entities mentioned above and also whether there was any prior meeting of minds or collusion with such entities to manipulate the price of the scrip of STAL. However, no such exercise has been done by SEBI while issuing the present SCN.*

*It is submitted that the present proceedings against me are faræ and fail to prove any connection whatsoever to manipulate the price of shares of STAL and therefore the present proceedings shall be dropped based on this point only, as I do not have any connection whatsoever with other entities as alleged in the SCN and therefore in furtherance the charge of any violation of PFUTP Regulation does not stand.*

*In the SCN it has been alleged that out of the other 7 entities to the SCN, 5 entities are connected with 49 preferential allottees who had received shares in the preferential allotment dated 25/07/2013.*

*The basis on which the connection has been alleged is only that I and Laxman Diwan were directors in Miraj Products Pvt. Ltd. and the said Laxman Diwan has transferred his shares to Noticees of the said SCN. It is pertinent to note that the said Laxman Diwan has not been investigated by the SEBI which shows that there is no connection found of the said Laxman Diwan.*

*It is submitted that merely because I was a Director in Miraj Projects Pvt. Ltd and the other Director sold*

shares in SEAL, it cannot be assumed that I am connected with other entities to the said SCN. Moreover, the SEBI has not issued any SCN to two entities of the top ten LTP contributing entities. This basis of connection established by SEBI is absurd and cannot stand any ground.

It is submitted that the charge of manipulation should be established independently based on the trades and conduct or intention of each entity. If at all it is established that I was connected to the said 5 preferential allottees, it is submitted that there is no allegation whatsoever against the said preferential allottees to have violated any PFUTP Regulations nor any show cause notice has been issued to the said 49 entities.

It is submitted that the inclusion of the Preferential Allotment in the said SCN fails to prove any sort of violation under the PFUTP Regulations and moreover it does not prove my connection with any of the entities in the said SCN.

The Hon'ble Securities Appellate Tribunal in various Judgments has dealt with the situation where a noticee was alleged to be a part of an alleged group. Extracts of several relevant judgments are reproduced herein below:

**Narendra Ganatra vs. SEBI (Date of decision 29/07/2011)**

It is the case of Appellant that he had not indulged in any fraudulent or unfair trade practice while dealing in the scrip of the company. All his transactions were carried out through the stock exchange mechanism during trading hours and were executed at the then prevailing market price. All these transactions were delivery based and there was real and effective transfer of beneficial ownership. At the time of entering into these transactions, the Appellant was not holding any position in the company. He became Director of the company much later, Dr. Poomima Advani, Learned Counsel for the Board strenuously argued before us that the Appellant was known to the Managing Director of the company and he (the Appellant) facilitated the promoter group entities to offload their shares in favour of the Ganatra Group entities. The fact that at a later date i.e. on August 1, 2007, the appellant was appointed as Director of the company and later became Managing Director of the company is sufficient proof of his connivance with the promoter group and his being a part of the Ganatra group in entering into circular trades. We are unable to accept the arguments of Learned Counsel for the Board. Even the Adjudicating Officer, while passing the impugned order has not been able to bring any evidence on record to indicate nexus of the Appellant with other group entities and has inferred the collusion from attending circumstances. This is what he has said in para 17 of his order:- "17 The abovenamed details prima facie suggest about the connection/ relation between the Noticee and the other group members. The said details also indicate relation/ connection of the Noticee with GIL and its promoters. However I am of the view that since in this regard **no other evidence is available to indicate direct nexus of the Noticee with the said other entities, it would be appropriate to infer collusion from the attending circumstances of the case that have been discussed below. (emphasis supplied)**

.....We should not lose sight of the fact that the charge against the Appellant is of conniving with the group entities in creating false and misleading appearances of trading in the market and artificially raising the price of the scrip and for such a serious charge, higher degree of probability is required....."

Now dealing with the trades executed by me in the scrip of SEAL, it is submitted that all the trades executed by me were in normal course of business and no fraudulent or manipulative practice can be alleged against me for such trades. There is no evidence or finding in the SCN that I was colluding with the other alleged group entities or there was a prior meeting of minds to manipulate the price of the scrip of SEAL. The SCN has been issued based on mere surmises and conjectures without any iota of evidence against me based on which I have been alleged to have violated the said PFUTP Regulation. A charge of market manipulation is a very serious violation which should be supported with higher degree of evidence. Only based on farfetched connection the present SCN has been issued to me.

In the SCN it has been alleged that I have sold 63 shares in 10 trades in miniscule quantity ranging from 1-50 shares against existing buy orders for larger quantities. In this regard it is submitted that the lot size of the scrip of SEAL is 1 and therefore it is upon the buyer or seller to place the order quantity at their own wish and not depending on the counter party's order quantity. In any event the charge of manipulation cannot be based on the order quantity of any entity it has to be based on the trades or the trading pattern of such entity.

It is submitted that it is not alleged in the SCN that I have monetarily benefited in any manner from such alleged manipulation. For the 10 trades executed by me in the scrip of SEAL, the following were the counter parties/ buyers to my trades:

i. Mitul Jagdish Vora; ii. Jignasa Jayesh Shah; iii. Vipul Rajendrabhai Gandhi; iv. Prem Lata Nahar; v. Chandrakanil Laddha

It is important to note that none of the above mentioned entities have been issued SCN by SEBI or any violation of any PFUTP Regulation is alleged against them. In this regard the Hon'ble Tribunal in the matter of Vikas Ganshmal Bengani vs. WTM, SEBI has inter alia held as follows: "5. We have heard the appellant in person and Dr. Mrs. Poomima Advani Advocate on behalf of the Board who have taken us through the records including the show cause notice and the impugned order and are of the view that the charges of manipulation as levelled against the appellant have not been established. Merely because an investor like the appellant placed orders for the purchase of a scrip at a price higher than the last traded price does not by itself lead to the conclusion that he was manipulating the price of the scrip. There could be several good reasons for an investor to do this. For instance, an informed investor in a given case may feel that the fundamentals of a company justify a higher price than the one at which the scrip is trading in the market, he may like to place his buy orders at a higher price so as to attract all the sellers in the market..... A similar view was taken

by this Tribunal in *Ketan Parikh v. Securities and Exchange Board of India*, Appeal No. 2 of 2004 decided on 14.7.2006..... A similar issue arose before this Tribunal in *Jagruti Securities Limited Vs Securities and Exchange Board of India* Appeal no. 102 of 2006 decided on October 27, 2008 and it was held that for the charge of raising price artificially to be established, the element of collusion between the buyer and the seller is a sine qua non.....”

In view of the above when the counter parties to my trades have not been alleged of any violation and there is no allegation of any collusion or meeting of minds with such entities, I cannot be held have violated the said PFUTP Regulations specifically with respect to manipulating the price of the scrip of STAL.

It is not even the case of SEBI that I have executed circular or synchronized trades therefore merely based on the connection and the LTP contributed by me which is miniscule, it cannot be alleged that I have violated the PFUTP Regulations. For proving a charge of PFUTP Regulation violation a stronger/higher degree of proof or evidence is required. In this regard the Hon'ble Securities Appellate Tribunal in the matter of *KSL & Industries Ltd. vs. Chairman, SEBI* (Appeal No. 9 of 2003} vide order dated September 30, 2003 is quoted.

Also in the matter of *HB Stock Holdings Ltd. vs. SEBI* (Appeal No. 14 of 2012) the Hon'ble Tribunal vide order dated 27th August, 2013 has inter alia held as follows: "17. There has to be sufficient evidence on record to clearly prove connivance on the part of the Appellants with a counterparty to prove the charge in question against the Appellants. In the absence of any such evidence and unambiguous findings by the learned WTM to this effect we have no option but to quash the impugned ordering in question."

Also in the matter of *Jagruti Securities Ltd. vs. SEBI*, the Hon'ble Tribunal vide order dated 27th October, 2008 has inter alia held as follows: "4... If the trades (buy orders) had been genuinely executed by the appellant as a broker through the trading system of the two exchanges where is then the question of the appellant artificially raising the price of the scrip.....". A similar view was taken by this Tribunal in *Ketan Parikh v. Securities and Exchange Board of India*, Appeal No. 2 of 2004 decided on 14.7.2006.

Also in the matter of *Moneygrowth Investment and Consultants Pvt. Ltd. vs. SEBI*, the Hon'ble Tribunal vide Order dated 27th August, 2008 has inter alia held as follows: "5. The main charge of manipulation of the price of the scrip of STIL is sought to be established by the Board on the basis of only three trades executed by the appellant on 09.8.2000, 28.08.2000 and 20.09.2000 on BSE..... All these sales were at prices already determined through the price-order matching mechanism of the stock exchange and no trade was executed at such a price could be said to be manipulative in nature unless there is a charge of circular or synchronised trading."

Now dealing with the alleged violations of the SEBI (PFUTP) Regulations, 2003 by me:

- i. Regulation 3(a) – The trades executed by me were genuine trades in normal course of business without any intention to manipulate the price of the scrip.
- ii. Regulation 3(b) – I have not used or employed any manipulative or deceptive device or contrivance in contravention of the provisions of SEBI Act or the rules or the regulations made thereunder nor is there any finding in the SCN. As mentioned above the trades executed by me were completely normal and genuine trades executed by any normal investor in the market.
- iii. Regulation 3(c) – I have not employed any device, scheme or artifice to defraud anyone nor is the charge in the SCN. It is also not the case that I have derived benefit from such alleged violative trades.
- iv. Regulation 3(d) – I have not engaged in any act, practice, course of business which operated as fraud or deceit upon any person. I have also not participated in any act, practice or course of business in any manner what so ever which operates or would operate as fraud or deceit upon any person.
- v. Regulation 4(1) – The SCN fails to demonstrate as to how my acts were fraudulent or an unfair trade practice in securities market. The only allegation against me is that I have been alleged to be part of a group and the group had contributed to positive LTP in the scrip of STAL.
- vi. Regulation 4(2)(a) – The trades executed by me were delivery based transactions and it is also nowhere mentioned in the SCN as to how such trades have created false or misleading appearance of trading in the scrip of STAL.
- vii. Regulation 4(2)(e) – Trades executed by me have only contributed Rs. 1135 to the LTP in the scrip of STAL out of the total LTP of Rs. 139.36 (i.e. only 8.14%) and they were genuine trades without any intention to manipulate the price of the scrip.

In view of the submissions made above no violation of any provisions of SEBI (PFUTP) Regulations, 2003 can be made out against me, therefore holding an inquiry in terms of Rule 4 of SEBI Adjudication Rules, 1995 read with Section 15 I of the SEBI Act; and imposing in terms of Rule 5 of the said Rules and the provisions of Section 15 HA of SEBI Act does not follow and it is prayed that the captioned SCN / proceedings be dropped against me.

I request your goodself to grant an opportunity of personal hearing before passing of any Orders in the matter and I crave leave to file Additional Submissions if so required."

#### 14. **Key submissions of Bhagwat Singh Kitawat in the reply dated April 16, 2018**

"In furtherance to which my authorized representative vide email dated 22nd March, 2018 had sought the documents relied upon by SEBI



while issuing the captioned SCN including the Investigation Report with all the annexures and also the complete Order Logso as to enable me to file a detailed reply to the captioned SCN.

However, SEBI vide email dated 5<sup>th</sup> April, 2018 rejected the said request and granted time till 01<sup>st</sup> April, 2018 to file a reply before your godself and a second opportunity of personal hearing on 20<sup>th</sup> April, 2018. Therefore based on the limited data/ documents available with me I am filing this present reply.

In the SCN it has been alleged against me that I along with other entities (alleged connected group) indulged in trades in minuscule quantities repeatedly at price higher than LTP during 7<sup>th</sup> September, 2013 to 17<sup>th</sup> November, 2014 (hereinafter referred to as "Investigation Period/ Relevant Period") resulting to manipulation of the price of the scrip of Svaraj, thereby violating Regulation 3(a), (b), (c), (d), 4(1), 4(2) and (e) of SEBI (PFUTP) Regulations, 2003.

In the SCN I have been called upon to show cause as to why an inquiry be not held against me in terms of Rule 4 of the SEBI Adjudicating Rules, 1995 read with Section 5 I of the SEBI Act; and penalty be not imposed in terms of Rule 5 of the said Rules and the provisions of Section 5 HA of SEBI Act.

The present SCN has been issued to 8 entities including me and therefore I shall be only dealing with the violations as alleged against me or my acts which have been held to be violations to the above mentioned Regulations. I deny each and every statement, allegation, observation etc. made in the captioned SCN and nothing stated in the captioned SCN shall be deemed to be admitted by virtue of not having been specifically denied or dealt with unless the same has been expressly dealt with.

In the SCN, I have been alleged to be connected to other entities who had traded in the scrip of Svaraj also the noticees in the present SCN. It is submitted that the basis of connections are very farfetched and cannot be relied upon just because I had a common address with one Mr. Prakash Chandra Purohit does not mean that I am connected to all the other entities mentioned above. The reason for having a common address.

The onus shall be on SEBI to prove as to whether I was connected to all the entities mentioned above and also whether there was any prior meeting of minds or collusion with such entities to manipulate the price of the scrip of Svaraj. However, no such exercise has been done by SEBI while issuing the present SCN. In view of this it is submitted that the present proceedings against me shall be dropped based on this point only as there is no connection of mine with other entities as alleged in the SCN and therefore in furtherance the charge of any violation of PFUTP Regulation does not stand.

I along with the other 7 entities have also been alleged to be connected with Svaraj and 5 of the 49 preferential allottees who had received shares in the preferential allotment dated 25<sup>th</sup> July, 2013.

In this regard it is submitted that, just because I am a director in Company wherein there are many other directors and one of those director is connected some third person or entity, it does not mean that I am also connected to that third person or entity. By this logic I will be alleged to be connected with thousands of entities. This basis of connection established by SEBI is absurd and cannot stand any ground.

In any event whether I am connected to any number of entities or not, the charge of manipulation should be established independently based on the trades and conduct or intention of each entity. If all it is established that I was connected to the said 5 preferential allottees, it is submitted that the preferential allotment on 25<sup>th</sup> July, 2013 was made to 49 entities and if the said events/ scheme/ artifice was fraudulent then it makes no difference whether I am connected to 5 out of 49 preferential allottees or not. It is also important to note that none of the 49 preferential allottees (including the 5 alleged to be connected to the noticees in the present SCN) have been alleged to have violated any PFUTP Regulations nor any show cause notice has been issued to the said 49 entities.

It makes no difference whether 4 of the 5 preferential allottees mentioned above were amongst the top 10 sellers in the scrip of Svaraj subsequent to the expiry period of the lock-in period of shares allotted in preferential allotment. If none of the 49 allottees have been alleged to have violated any PFUTP Regulation then there is no meaning of making such observation in the SCN.

The Hon'ble Securities Appellate Tribunal in various judgments has dealt with the situation where a noticee was alleged to be a part of an alleged group. Extracts of several relevant judgments are reproduced herein below:

**Premchand Shah & Ors. vs. SEBI (Date of decision 21/02/2010):** "It is not in dispute that the appellants as a group are inter se related/connected to each other and that they, except appellant no. 1, have exited from the company by selling the shares held by them..... The question that we need to answer is whether the sale of shares by the appellants and the purchase thereof by the Ganatra group was collusive....."

**Narendra Ganatra vs. SEBI (Date of decision 29/07/2011):** "It is the case of Appellant that he had not indulged in any fraudulent or unfair trade practice while dealing in the scrip of the company. All his transactions were carried out through the stock exchange mechanism during trading hours and were executed at the then prevailing market price..... We are unable to accept the arguments of Learned Counsel for the Board. Even the Adjudicating Officer, while passing the impugned order has not been able to bring any evidence on record to indicate nexus of the Appellant with other group entities and has inferred the collusion from attending circumstances..... In the absence of any evidence on record, direct or circumstantial against the Appellant in manipulating the trades or raising the price of the scrip, he deserves to be given the benefit of doubt."

**Smitaben N. Shah vs. SEBI (Date of decision 30/07/2010):** "We cannot lose sight of the fact that a serious charge like fraudulent trading cannot be established on the basis of these tenuous and farfetched connection. In this view of the matter, we

have no hesitation to hold that the appellants did not act in tandem with any of the entities referred to in Annexure 2 as alleged in the show cause notice and found by the whole time member."

Now dealing with the trades executed by me in the scrip of Svaraj, it is submitted that all the trades executed by me were in normal course of business and no fraudulent or manipulative practice can be alleged against me for such trades. There is no evidence or finding in the SCN that I was colluding with the other alleged group entities or there was a prior meeting of minds to manipulate the price of the scrip of Svaraj. The SCN has been issued based on mere surmises and conjectures without any iota of evidence against me based on which I have been alleged to have violated the said PFUTP Regulation. A charge of market manipulation is a very serious violation which should be supported with higher degree of evidence. Only based on a farfetched connection the present SCN has been issued to me.

It has also been alleged in the SCN that I have sold shares in miniscule quantity ranging from 1 – 5 shares against existing buy orders for larger quantities. In this regard it is submitted that the lot size of the scrip of Svaraj is 1 and therefore it is upon the buyer or seller to place the order quantity at their own wish and not depending on the counter party's order quantity. In any event the charge of manipulation cannot be based on the order quantity of any entity it has to be based on the trades or the trading pattern of such entity.

In any event it is not alleged in the SCN that I have benefited in any manner from such alleged manipulation.

For the 9 trades executed by me in the scrip of Svaraj, the following were the counter parties/buyers to my trades:  
i. Sanjiv Kumar; ii. Mabesh Kumar Taparia; iii. Vipul Rajendrabhai Gandhi; iv. Manu Jagdish Vora

It is important to note that none of the above mentioned entities have been issued by SEBI or any violation of any PFUTP Regulation is alleged against them. In this regard the Hon'ble Tribunal in the matter of Vikas Ganshmal Bengani vs. WTM, SEBI has inter alia held as follows: "5. We have heard the appellant in person and Dr. Mrs. Poomima Advani Advocate on behalf of the Board who have taken us through the records including the show cause notice and the impugned order and are of the view that the charges of manipulation as levelled against the appellant have not been established. Merely because an investor like the appellant placed orders for the purchase of a scrip at a price higher than the last traded price does not by itself lead to the conclusion that he was manipulating the price of the scrip. There could be several good reasons for an investor to do this. For instance, an informed investor in a given case may feel that the fundamentals of a company justify a higher price than the one at which the scrip is trading in the market, he may like to place his buy orders at a higher price so as to attract all the sellers in the market..... A similar view was taken by this Tribunal in Ketan Parikh v. Securities and Exchange Board of India, Appeal No. 2 of 2004 decided on 14.7.2006..... A similar issue arose before this Tribunal in Jagruti Securities Limited Vs. Securities and Exchange Board of India Appeal no. 102 of 2006 decided on October 27, 2008 and it was held that for the charge of raising price artificially to be established, the element of collusion between the buyer and the seller is a sine qua non....."

In view of the above when the counter parties to my trades have not been alleged of any violation and there is no allegation of any collusion or meeting of minds with such entities, I cannot be held to have violated the said PFUTP Regulations specifically with respect to manipulating the price of the scrip of Svaraj.

It is not even the case of SEBI that I have executed circular or synchronized trades therefore merely based on the connection and the LTP contributed by me which is miniscule, it cannot be alleged that I have violated the PFUTP Regulations. For proving a charge of PFUTP Regulation violation a stronger/higher degree of proof or evidence is required.

In this regard the Hon'ble Securities Appellate Tribunal in the matter of KSL & Industries Ltd. vs. Chairman, SEBI (Appeal No. 9 of 2003) vide order dated September 30, 2003 has inter alia held that:

"A wild allegation of market manipulation, in particular the charge of fraudulent action unsupported with convincing evidence is not to be sustained. I fully agree with Shri Khambatta's submission in this regard that a allegation of fraud cannot survive on mere conjectures and surmises."

Also in the matter of Kapil Chattrabuj Bhuptani vs. SEBI (Appeal No. 95 of 2013) the Hon'ble Tribunal vide order dated 10th October, 2013 has inter alia held as follows: "7. Therefore in our considered opinion simple trading by the appellant in a particular scrip without any proved nexus between trades with the other so called group of brokers and clients is not per se punishable."

Also in the matter of HB Stock Holdings Ltd. vs. SEBI (Appeal No. 11 of 2012) the Hon'ble Tribunal vide order dated 21st August, 2013 has inter alia held as follows: "17. There has to be sufficient evidence on record to clearly prove connivance on the part of the Appellants with a counter party to prove the charge in question against the Appellants. In the absence of any such evidence and unambiguous findings by the learned WTM to this effect we have no option but to quash the impugned order in question."

Also in the matter of Jagruti Securities Ltd. vs. SEBI, the Hon'ble Tribunal vide order dated 27th October, 2008 has inter alia held as follows: "4. If the trades (buy orders) had been genuinely executed by the appellant as a broker through the trading system of the two exchanges where is then the question of the appellant artificially raising the price of the scrip.....". A similar view was taken by this Tribunal in **Ketan Parikh v. Securities and Exchange Board of India**, Appeal No. 2 of 2004 decided on 14.7.2006. The charge levelled against the appellant therein was that he had indulged in manipulating upwards the price of the scrip of Lupin Laboratories Ltd. and the same was established on the basis of charts showing that buy orders had been placed at prices higher than the last traded price. While reversing the order of the Board, this Tribunal observed that merely because some buy orders had been placed at prices higher than the last traded price in the scrip would not lead to the inference that the price was being manipulated upwards. It could

indicate the desire of the appellant to purchase the shares and it is with that object in view that he may have put in buy orders at the higher rate. The Board did not challenge the findings recorded by the Tribunal.

Also in the matter of Moneygrowth Investment and Consultants Pvt. Ltd. vs. SEBI, the Hon'ble Tribunal vide Order dated 27th August, 2008 has inter alia held as follows: 5. The main charge of manipulation of the price of the scrip of STIL is sought to be established by the Board on the basis of only three trades executed by the appellant on 09.08.2000, 28.08.2000 and 20.09.2000 on BSE. Each of the trades was a sale of 50 shares and while the price on 09.08.2000 was Rs. 75.55 per share on 28.08.2000 and further to Rs. 366.40 per share on 20.09.2000. All these sales were at prices already determined through the price-order matching mechanism of the stock exchange and no trade was executed at such a price could be said to be manipulative in nature unless there is a charge of circular or synchronized trading.

Now dealing with the alleged violations of the SEBI (PFUTP) Regulations, 2003 by me:

i. Regulation 3(a) - The trades executed by me were genuine trades in normal course of business without any intention to manipulate the price of the scrip.

ii. Regulation 3(b) - I have not used or employed any manipulative or deceptive device or contrivance in contravention of the provisions of SEBI Act or the rules or the regulations made thereunder nor is there any finding in the SCN. As mentioned above the trades executed by me were completely normal and genuine trades executed by any normal investor in the market.

iii. Regulation 3(c) - I have not employed any device, scheme or artifice to defraud anyone nor is the charge in the SCN. It is also not the case that I have derived benefit from such alleged violative trades.

iv. Regulation 3(d) - I have not engaged in any act, practice, course of business which operated as fraud or deceit upon any person. I have also not participated in any act, practice or course of business in any manner what so ever which operates or would operate as fraud or deceit upon any person.

v. Regulation 4(1) - The SCN fails to demonstrate as to how my acts were fraudulent or an unfair trade practice in securities market. The only allegation against me is that I have been alleged to be part of a group and the group had contributed to positive LTP in the scrip of Svaraj.

vi. Regulation 4(2)(a) - The trades executed by me were delivery based transactions and it is also nowhere mentioned in the SCN as to how such trades have created false or misleading appearance of trading in the scrip of Svaraj.

vii. Regulation 4(2)(e) - Trades executed by me have only contributed Rs. 948 to the LTP in the scrip of Svaraj out of the total LTP of Rs. 13,936 (i.e. only 6.8%) and they were genuine trades without any intention to manipulate the price of the scrip.

In view of the submissions made above no violation of any provisions of SEBI (PFUTP) Regulations, 2003 can be made out against me, therefore holding an inquiry in terms of Rule 4 of SEBI Adjudication Rules, 1995 read with Section 11 of the SEBI Act; and imposing in terms of Rule 5 of the said Rules and the provisions of Section 11 HA of SEBI Act does not follow and it is prayed that the captioned SCN/proceedings be dropped against me.

I request your goodness to grant an opportunity of personal hearing before passing of any Orders in the matter and I crave leave to file Additional Submissions if so required."

## 15. **Submissions of Neha B Raval in the reply dated May 8, 2018, received in hearing on May 9, 2018**

"At the outset, the Show Cause Notice sent by the Hon'ble AO suffers from great delay and latches. The impugned transactions are of 2013-2014 and the SCN is issued in February 2018 i.e. after five years which delay is not even explained which is against the principles of natural justice and has caused great prejudice to the Noticee. Noticee relies on Hon'ble Securities Appellate Tribunal (hereinafter 'SAT') Judgment in the matter of **Subhkam Securities Private Limited versus Securities and Exchange Board of India** (Appeal No. 73 of 2012).....

As per para 18 of the SCN, it is alleged that Noticees were connected to each other and also with STAL and 5 of 49 allottees of preferential shares. It is also alleged that being connected group, Noticees indulged in trades in minuscule quantities repeatedly at prices higher than LTP during the relevant period resulting to manipulation of the price of the scrip of STAL, thereby, in violation of Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), and (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003.

We deny the charges as alleged by SEBI based on the reasons explained hereunder:

The Noticee was an investor in the stock market at the relevant time. The Noticee based on her evaluation, risk appetite used to invest in small scrips and earn small profits. Presently, the Noticee is not trading in the stock market. The Noticee had purchased 10 shares in off-market in mid January 2013 for about Rs. 100 from Mr. Laxman Divan (payment made in cash) through a known acquaintance. The Noticee then held the deliveries for sometime and sold it when the price of the scrip almost doubled from her purchase price during the month of March 2013.

### **Allegations and Comments**

The Noticee states that as per para 8 of the SCN, “on analysis of Last Trade Price in the scrip during relevant period, following details were noted pertaining to top 10 net LTP contributing entities as sellers :

Name	Net LTP			Pos. LTP			Negative LTP			Zero LTP		% of +ve LTP to Mkt
	Net LTP	Trade Qty	No. of trades	Pos. LTP	Trade Qty	No. of Trades	Neg. LTP	Trade Qty	No. of Trades	Trade Qty	No. of Trades	
...												
Neha B Raval	3.68	10	10	3.68	10	10	0.00	0	0	0	0	2.64
....												
Total	125.65	293	136	12.65	179	127	0.00	0	0	114	9	90.16
Market	139.36	368	167	139.36	249	157	0.00	0	0	114	9	100.00

The Noticee’s name appears at Sr. No. 9 out of the top 10 net LTP contributors. The price of the scrip has increased from Rs. 7.14 to Rs. 146.5 and Noticee’s alleged positive LTP contribution is Rs. 3.68 which is 2.64% of the total positive market LTP. This alleged contribution of the Noticee is insignificant and no allegation can be levied or wrongdoing can be attributed based on such miniscule quantity of shares. After observing available buy orders on the screen, the Noticee had placed sell orders at the prices at which the buyers had keyed-in the orders and then it had matched with the existing buy orders. Hence it cannot be said that the Noticee has contributed to any price rise as it was the buyer who had contributed to the price rise.

Date	Buy order time	Noticee’s Sell order time	Time Difference
03.03.2014	09:00:01	10:29:49	Approx. 1 ½ hrs
04.03.2014	09:00:01	09:25:34	25 mins
05.03.2014	09:00:01	14:29:23	Approx.. 5 ½ hrs
06.03.2014	09:00:01	09:27:07	27 mins
07.03.2014	09:00:02	09:15:41	15 mins
10.03.2014	09:00:01	09:24:01	24 mins
11.03.2014	09:00:02	09:28:45	28 mins
12.03.2014	09:00:01	09:54:29	About 1 hr
13.03.2014	09:00:01	11:55:08	Approx. 3 hrs
14.03.2014	09:00:01	10:03:04	Over 1 hr

\*No connection has been established with the buyers with whom the trades got matched

The Noticee further states that as per para 9 of the SCN, “above top 10 net sell LTP contributing entities contributed Rs. 125.65 (90.16% of the market +ve LTP). From the analysis of the details available on website of Ministry of Corporate Affairs (MCA), Unique Client Code (UCC) / KYC details, off-market transactions details, name search in the bank statements linked to their trading account, it is alleged that 8 entities from the top 10 net sell LTP contributing entities (as noted in table in point 8 above) which are Noticees in the present matter, were connected with each other. Basis of the alleged connection is as follows:

	Seller Name	Connection	Remarks
1	Mahesh Kumar Sobhanlalji Gupta	No connection is established	No connection is established
2	Rahul Kamalkant Parasrampur	No connection is established	No connection is established
3	Anil Vishnu Bharti	No connection is established	No connection is established
4	Rajesh Jayantilal Savadia	No connection is established	No connection is established
5	Prakash Chandra	No connection is established	No connection is established
6	Bhagwat Singh Kitawat	No connection is established	No connection is established
7	Neha B Raval	-	-
8	Shekhar D Vaishnav	No connection is established	No connection is established

It is pertinent to mention that SCN itself list out that 8 entities from top 10 net sell LTP contributing entities were connected with each other. However, the Noticee is at Sr. No 9 and hence not connected to any of entities. The Noticee further states that the Noticee is thus not connected to STAL or any of the 49 preferential allottees who had received shares in the preferential allotment in any manner.

The Noticee further states that as per para 11 of the SCN, “it is also alleged that Noticee are connected to STAL and 5 of the 49 preferential allottees who had received shares in the preferential allotment dated July, 25 2013. Basis of this alleged connection is as follows :

Sl.	Name of Entities	Noticee's Connection
1	Raghav Shares Services LLP	The Noticee is not a director of any of these companies. Hence, not connected to any of them.
2	MPK Equity Research	
3	Prakash Equity Services	
4	Madan Lal Paliwal	
5	Madanlal Paliwal HUF	

The Noticee is not a director in any of the entities which is clear from the basis of connections as provided in Annexure E.

The Noticee further states that as per para 14 of the SCN “on analysis of the sell trades of the Noticees in scrip during the relevant period, following is noted:

Sl.	Entity Name (Seller)	No. of trades	No. of +ve LTP trades	+ve LTP Sell Order Qty Range	Counter (CP) Buy order Qty Range	Last Modified (LM) Order Time of +ve LTP Trades	Counter Party (CP) Buy Last Modified (LM) Order Time	No. of sell orders placed first	Trading period	Holding of shares as per Demat account (date)
1-6	...									
7	Neha B Raval	10	10	1 (10 trades)	10 (3 trades) 100-2500 (7 trades)	09:15:41 – 14:29:23	09:00:01 – 09:00:02	0	03/03/2014 – 14/03/2014	10 (02/03/2014)

The Noticee states that she has tendered delivery of all the shares sold and none of the sale has gone for auction / close out as in case of other Noticees. Further, the Noticee had not placed her sell orders first. After observing available buy orders on the screen, the Noticee had placed sell orders and then it had matched with the existing buy orders. It is pertinent to mention that the Noticee was holding shares in miniscule quantity and as she was testing the market, was selling shares in miniscule quantity. Further no connection has been established with the buyers with whom the trades got matched.

The Noticee further states that as per para 15 of the SCN, “From the above LTP analysis of sell trades of Noticees, it is noted that except one sell order placed first, all other sell orders of Noticees were placed against existing buy orders, and Noticees held the shares ranging from 10 to 900 prior to their respective trading period. In spite of holding more number of shares and demand on the buy side, Noticees had sold the shares in miniscule quantity ranging from 1 to 5 shares through multiple trades. The details of such trades are as under:

Sl	Trade Date	Seller Name	Quantity	Remark
1 - 29	...			
30	03/03/2014	Neha B Raval	1	Noticee's all sell orders were placed against existing by orders and that the Noticee was holding miniscule quantity of shares i.e only 10 shares. Hence, It cannot be said that inspite of holding more number of shares and demand on the buy side, noticee had sold the shares in miniscule.
31	04/03/2014	Neha B Raval	1	
32	05/03/2014	Neha B Raval	1	
33	06/03/2014	Neha B Raval	1	
34	07/03/2014	Neha B Raval	1	
35	10/03/2014	Neha B Raval	1	
36	11/03/2014	Neha B Raval	1	
37	12/03/2014	Neha B Raval	1	
38	13/03/2014	Neha B Raval	1	
39	14/03/2014	Neha B Raval	1	
40 - 113	...			

The Noticee states that during the relevant period, the shares of STAL were continuously hitting upper circuit. It appears that on account of huge demand, the buyers were placing orders at incremental rate which was permissible upper circuit rate of that day. The Noticee traded only on 10 days out of 215 total trading days during the investigation period. The Noticee decided to sell the shares when the price of the scrip almost doubled from her purchase price during the month of March 2013. The Noticee states that it was a buyer driven market and seller had no role to play in price determination. Hence, in view of the above, Noticee denies SEBI's allegation that the connected group traded in miniscule quantity and thus contributed to the increased scrip rise with each of their trades do not hold water. The very fact that matching of order have taken place after a gap of half an hour to 5 1/2 hrs as reflected in order logs / trade logs, show that there was no prior meeting of minds and the trading was system driven, technical and of no consequence to Noticee and counter-party.

Analysis of trade logs / scrip-wise sauda summary (in CD)

- The Noticee states that during the inspection period the Noticee has traded only on 10 days.
- There is huge / significant difference in order 'key-in' time of buyer and seller.
- All sell orders of the Noticee were limit orders.
- The trading in the scrip of STAL is under continuous surveillance / supervision.
- The demand in the scrip of STAL had been curbed due to restrictions imposed on the trading in the scrip at the relevant time. The scrip was in 'T' group at the relevant time.
- Orders for buying has been placed prior to the Noticee's sell orders.
- The Noticee states that “First market reflect reality then market reacts too reality”.

*The Noticee thus denies that the connected group had matched the prices of prevailing buy orders which were placed at a higher price than the last traded price and thus contributed to the increased scrip price with each of their trades. Thus, the Noticee could not have said to have contributed to positive LTP as it was the buyers price which was prevailing in the market.*

*The Noticee states that all sell orders of the Noticee were limit orders. A limit order is a direction given to a broker to buy and sell a security or commodity at a specified price or better. A buy limit order can only be executed at the limit price or lower. A sell limit order can only be executed at a limit price or higher. A limit order can be only filled if the stock's market price reaches the limit price.*

*The Noticee further says that she has not received any disproportionate gain or unfair advantage and has not caused any loss to an investor or group of investors. The Noticee says that she is not guilty of conduct which is contumacious or dishonest or acted in conscience disregard of law or that she acted in defiance of law.*

*The Noticee further says that the trading system does not make available the particulars – such as quantity of shares, prices and time – of counter party's keyed-in orders against which my orders got matched. In the absence of these particulars, we could not know or ascertain any pattern at the relevant time. On the contrary it shows that the minds of the dealers concerned were not ad idem and there was no prior collaboration of any kind inter- se.*

*The Noticee's case is grossly covered by an order dated 26.04.2018 of SEBI's Hon'ble AO in the matter of Dhenu Buildcon infra limited which has held at para 21 (vii) as follows : I note that the Noticee had placed all its sell orders when there was pending buy orders at upper Adjudication Order in respect of Jayant Indulal Sethna in the matter of Dhenu Buildcon Infra Ltd., Page 14 of 15 circuit limits on respective trading days. Further, I also note that buy orders were placed and available at start of the trading session i.e. 9:15 AM. I note that sell orders of Noticee were placed within 1 to 2 hours from the placement of buy orders and executed subsequently which resulted in establishing of LTP. In respect of these trades, the allegation of price manipulation for creation of LTP cannot be attributable to the Noticee, just because there was no subsequent sell orders available in the market.*

*The Noticee also relies upon the Hon'ble AO's order dated 26.12.2017 in the matter of KGN Enterprise Ltd. which has held at para 66 as follows : "I do not find the Noticees responsible for contribution to LTP through first trades, as in most of the cases buy orders were placed by the Noticees at the prevailing sell order prices which were already there in the market at prices higher than LTP and counter parties to the trades with the Noticees were also scattered. Therefore Noticees also cannot be held responsible for contribution to LTP through first trades".*

*The Noticee requests that she be provided with the Investigation Report and order log of the entire market for the period 03.03.2014 to 14.03.2014. The Noticee craves leave to file additional submissions after receipt of inspection reports and order logs, if required.*

#### MITIGATING FACTORS

- (i) The Noticee acted in good faith and was not aware of wrongdoings, if any, of others.*
- (ii) There is change in beneficial ownership of the shares.*
- (iii) The Noticee has not taken regulatory proceedings in a nonchalant manner.*
- (iv) The alleged violation is not repetitive in nature.*

#### PRAYER

*In the circumstances, since this reply of the Noticee demolishes the allegations against me, it is humbly prayed that there is no case for any further actions in regard to the charges levied vide the impugned SCN and accordingly the matter be closed at your end."*

### **Personal hearing**

16. Authorised representatives of Mr. Mukesh Kumar Sohanlalji Gupta, Mr. Rahul Kamalkant Parasrampur, Mr. Prakash Chandra Purohit, Mr. Bhagwat Singh Kitawat and Ms. Neha B Raval appeared for hearing on May 9, 2018. Following are the proceeds of the hearing in this regard:

- a) Mr. Mukesh Kumar Sohanlalji Gupta: Authorised Representative (AR) reiterated the submissions made in the written submissions dated April 16, 2018. AR further sought permission to submit additional written submissions w.r.t connection, if any, with Mr. Laxman Diwan, off-market transactions and dealing in other scrips. Noticee was allowed to file written submissions latest before May 15, 2018.*
- b) Mr. Rahul Kamalkant Parasrampur: Authorised Representative (AR) reiterated the submissions made in the written submissions dated April 19, 2018. AR further sought permission to submit additional written submissions in the matter. Noticee was allowed to file written submissions latest before May 16, 2018.*

- c) Mr. Prakash Chandra Purohit: Authorised Representative (AR) reiterated the submissions made in the written submissions received from Noticee. AR further sought permission to submit additional written submissions w.r.t connection, if any, with Mr. Laxman Diwan, off-market transactions and dealing in other scrips. Noticee was allowed to file written submissions latest before May 15, 2018.
- d) Mr. Bhagwat Singh Kitawat: Authorised Representative (AR) reiterated the submissions made in the written submissions received from Noticee. AR further sought permission to submit additional written submissions w.r.t 900 shares received through off-market, dealing in other scrips. Noticee was allowed to file written submissions latest before May 15, 2018
- e) Ms. Neha B Raval: Authorised Representatives (AR) submitted written submissions dated May 8, 2018 made by Noticee. AR further reiterated the submissions made in aforesaid written submissions.

17. Mr. Shekhar D Vaishnav responded vide his e-mail dated May 9, 2018 informing that due to personal reasons he cannot attend scheduled hearing, and requested to grant some time. In this regard, vide e-mail dated May 9, 2018 another opportunity of hearing was granted to him on May 16, 2018, 11:30 am. Subsequently, upon request from Mr. Shekhar D Vaishnav, he was granted hearing on May 10, 2018 at 3:00 pm. In the said hearing, Mr. Shekhar D Vaishnav appear in person and made following submissions which were recorded in English and Hindi: *"My trading / demat account was operated by Mr. Tarun Kumar Brahmbhat, and I didn't have any role in operating the same and also any trading in shares of Svaraj Trading and Agencies Ltd. I also do not know Laxman Diwan from whom shares were received in my demat account (as per SCN). I started working for Mr. Tarun Kumar Brahmbhatt as a driver and for miscellaneous office works in 2012 for six years forward and I have now left the job. In view of the above stated reasons, I may not be held responsible for any dealings / manipulation done by Mr. Tarun Kumar Brahmbhatt, and you are requested to take lenient view in this matter."*

#### **Additional written submissions, if any, from the Noticees after the hearing**

18. Noticees, viz, Mukesh Kumar Sohanlalji Gupta, Mr. Prakash Chandra Purohit, Bhagwat Singh Kitawat, and Ms. Neha B Raval made following additional submissions. No further submissions were received from Mr. Rahul Kamalkant Parasrampur, though the same were undertaken during the hearing.

##### **18.1 Additional written submissions of Mukesh Kumar Sohanlalji Gupta received in his letter and e-mail from his authorised representative, both dated May 15, 2018:**

*"It is submitted that it is a matter of great anguish that my request to allow me inspection of the related documents including Investigation Report with Annexure in the above said matter was rejected. This is the gross violation of principle of Natural Justice. In this regard, I rely the Order dated 15-06-2010 passed by the Hon'ble Tribunal in Appeal No. 281 of 2009. Thus the Principle of Natural Justice has not been followed in the present Adjudicating Proceeding.*

*It is further submitted that despite the discrepancies in Price Volume data and Trade Log data brought into the attention of your goodness, I am still not explained about the said inconsistencies. The difference in Price Volume data and Trade Log data raised serious questions on the genuineness of the Trade data.*

*It is further submitted that in the similar circumstances in a different scrip another Adjudicating Officer had disposed-off the SCN without passing any adverse order against the concern Noticee. I rely the Order dated 26-04-2018 passed by Ld. Adjudicating Officer Sri B J Dilip against Mr. Jayant Indulal Sethna in the matter of Dhanu Buildcon Infra Limited. Admittedly I have no connection/ relation with the counterparties to my trades. My all Orders were placed at prevailing market price and buyer*



orders were already exist in the screen. No recommendation have been made against the counterparty's buyer to my sell trades. The quantum of trades executed by me were far less than the trades executed in the above mentioned matter.

(AO must have to consider another AO Order:- Hon'ble Tribunal by Order dated 07-08-2014 in Appeal No. 204 of 2014 observed that "In an Adjudication proceedings, if a party relies on adjudication order passed in an another case, then, judicial discipline demands that the Adjudicating Officer considers that order and thereafter passes an order either to follow or distinguish the earlier order or disagree with the order by recording reasons as to how that order is erroneous and ought not to be followed. ")

It is also submitted that the price of the given scrip is governed by the demand and supply. Further the demand and supply in a given scrip are governed by lots of factors. The suspension from trading on BSE in the scrip of Svaraj was revoked after 9 years later from the date of suspension. After revocation of the suspension, the scrip was thinly traded as supply was not adequate to the demand. If the price of the scrip rose artificially during the period of Examination then the price should have been collapsed after the said period. However, the price of the scrip has increased after the period of examination and still stable around Rs. 200/-. Thus, no fraud has been committed due to increase in the price of the scrip and no investors has made loss in the scrip of Svaraj.

It is clarified that I have no connection and relation with Mr. Laxman Diwan except the purchase of shares in off market. I am not facing any SEBI Proceeding in any scrip except Svaraj. I had purchased shares from Mr. Laxman Diwan and Mr. Mukesh Mohan Agarwal in off market transactions and sold the same in market. It is an admitted fact that both have not made parties to the SCN. Since Mr. Laxman Diwan and Mr. Mukesh Mohan Agarwal have not made parties to the SCN who had made transfer in the shares of Svaraj, I should also be exonerated on this sole ground.

I therefore once again pray to your goodness to consider my aforesaid submissions and dispose of the SCN without passing any adverse order against me."

## 18.2 **Additional written submissions of Prakash Chandra Purohit received in his letter and e-mail from his authorised representative, both dated May 16, 2018**

"At the hearing held on 09/05/2018, the Ld. Adjudicating Officer had directed the Authorised Representative to submit the Additional Written Submissions with respect to connection, if any, with Mr. Laxman Diwan, off market transactions and dealing in other scrips.

With reference to the above information sought by the Ld. Adjudicating Officer, it is submitted that my connection with Mr. Laxman Diwan, who is not a party to the present Show Cause Notice is only to the extent that we are business partners and I was a Director in Miraj Products Private Limited and have already resigned as a Director of the said Company. Further, there are no other inter se scrip trading between me and Mr. Laxman Diwan.

It is further submitted that this Hon'ble Investigating Agency has not provided a copy of my Demat Account in the said Show Cause Notice and moreover, I have been denied the inspection of the Investigation Report and annexures thereto and therefore I have been deprived of availing and/or perusing the documents based on which the purported allegations in the said Show Cause Notice have been made against me. It is further submitted that by denying the inspection of investigation report, the principle of natural justice has been violated and I have been made to file my reply and/or representation on the limited information provided in the said Show Cause Notice.

It is reiterated that I had sold a total of 13 shares in 9 trades in positive LTP and 1 trade of 50 shares in Zero LTP. Further, on my selling the shares held by me, the price of the share has increased and the price of the said share is still trading at a higher value as on date, which is evident from the Price Data available on the BSE website.

I further rely on the Order dated 26/04/2018 passed by the Ld. Adjudicating Officer in the respect of Jayant Indulal Sethna under Section 15-I of SEBI Act, 1992 read with Rule 5 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995. In the said Order the Ld. Adjudicating Officer has found that

"21(v). I find from the trade log that the buy orders were placed and pending at the upper circuit filter on the 34 trading days i.e., from December 11, 2011 to April 10, 2012, wherein the Noticee was alleged to have made significant contribution to LTP. The sell orders were placed by the Noticee at the available upper circuit filter. I am of the view that mere selling of shares at the upper circuit filter cannot be faulted for especially when the Noticee is not connected to the promoters and no consistent pattern of same buyers as counterparties for the aforesaid trades, were found.

21(vi). I am of the view that in illiquid scrip with miniscule volume and the less number of trades as in this case, it is relevant to examine the timing of execution of the trades. It is also imperative that for a trade to happen on any trading day in an illiquid stock having buying pressure, the timing of execution of trade triggered by a seller is necessary for establishing price on that day.

21(vii). I note from the analysis of the trading pattern of the Noticee for the period December 11, 2011 to April 10, 2012, wherein the Noticee was alleged to have made significant contribution to LTP, that the Noticee had placed sell order for 1 share each in 29 trades and 5 shares each in 5 trades, totalling 54 shares in 34 trades. During the relevant period the total market volume was 299 shares in 43 trades. I note that the Noticee had placed all its sell orders when there was pending buy orders at upper circuit limits on respective trading days. Further, I also note that buy orders were placed and available at start of the trading session i.e. 9:15 AM. I note that sell orders of Noticee were placed within 1 to 2 hours from the placement of buy orders and executed subsequently which resulted in establishing of LTP. In respect of these trades, the



*allegation of price manipulation for creation of LTP cannot be attributable to the Noticee, just because there was no subsequent sell orders available in the market.*

*22. From the aforesaid findings vis-a-vis the charges levelled against the Noticee in the SCN, I find that the Noticee had executed his trades in normal course of business. Further, there is nothing to establish any connivance of the Noticee with the connected group and the promoters of DBIL. I note that the sale of shares by the Noticee were in accordance with the market practice and mechanism. The method and manner in which the trades were executed by the Noticee does not establish any motive of fraudulent intent to manipulate the price of DBIL scrip."*

*It is further submitted that the above Order is squarely applicable to the Show Cause Notice issued to me and further, the said Show Cause Notice fails to prove my connivance with any of the Noticee and/or the Promoters who were issued further shares by the Company."*

*It is humbly requested to take the aforesaid facts into consideration at the time of adjudicating the said Show Cause Notice."*

### **18.3 Additional written submissions of Bhagwat Singh Kitawat received in his letter and e-mail from his authorised representative, both dated May 16, 2018**

*"900 shares of Svaraj Trading & Agencies Ltd. were acquired by me in the year 2012 before the starting of the Investigation Period and were later dematerialized in my account on 23-10-2013.*

*Another Ltd. Adjudicating Officer of SEBI in the matter of Dhenu Buildcon Infra Ltd., in similar facts and circumstances of the present case has disposed off the SCN issued to the Mr. Jayant Indulal Sethna. The relevant portion of the Order dated 26th April, 2018 passed in the matter of Dhenu Buildcon Infra Ltd. is reproduced herein under:*

*"22. I note that the sale of shares by the Noticee were in accordance with the market practice and mechanism. The method and manner in which the trades were executed by the Noticee does not establish any motive of fraudulent intent to manipulate the price of DBIL scrip.*

*23. In view of the foregoing, I find that the charge of Noticee indulging in manipulating the price of DBIL scrip has not been established."*

*Now dealing with respect to the allegation that I was connected with other entities who have allegedly contributed to the positive LTP of Svaraj Trading & Agencies Ltd. Without prejudice to the submissions already made in the letter dated 16th April, 2018, it is submitted that if at all it is established that I was connected to other entities who have also contributed to the positive LTP it does not mean that I was in collusion with such entities was increasing the price of the scrip. There is no allegation in the SCN that I had received shares from any of the alleged connected entities or I had executed any self-trades or synchronized trades within the group. It is important to mention that there is no allegation of meeting of minds or collusion with other alleged connected entities.*

*At the time the sell orders were placed by me large buy orders were already pending on the exchange. No action has been taken by SEBI against the entities who had placed buy orders at such prices and therefore it does not matter whether any individual sells 1 share or 1000 shares, what is to be seen is whether such trade was with an intent to manipulate the price of the scrip.*

*It is pertinent to note that the price of the scrip of Svaraj Trading & Agencies Ltd. in today's date around Rs. 200/- That means the price at which I had traded were not artificial nor were with an intent to increase the price of the scrip.*

*Also the Hon'ble Securities Appellate Tribunal in a recent Judgment dated 8th April, 2018 in the matter of Ashlesh Shah vs. SEBI (Appeal No. 265 of 2017) has inter alia held as follows: "11. However, mere fact that the appellant belonged to Kripa Soni group could not be a ground to hold that the single buy order placed by the appellant on 06.04.2010 to buy 7700 shares of RCL was with a view to create an artificial momentum in the illiquid scrip of RCL."*

*In view of the submissions made above and the submissions made vide letter dated 16th April, 2018 it is prayed that the captioned SCN be disposed off against me without issuing any further directions or imposing any monetary penalty."*

### **18.4 Additional submissions of Neha B Raval in her letter dated May 28, 2018**

#### **"Relevant summary of facts for Rakhi Trading"**

*1. During the hearing held on 9th May 2018 the Authorized Representative of the Noticee was asked to differentiate between the judgment of the Hon'ble Supreme Court of India in the matter of Securities And Exchange Board Of India Vs Rakhi Trading Pvt. Ltd dated 8th February 2018 (hereinafter referred to as 'Rakhi Trading') and the present case of the Noticee. The Noticee submits as under.*

*2. Rakhi Trading was regarding non-genuine transactions in the Futures and Options segment relating to NIFTY Options.*

*3. There were charges of synchronized and reversal trades.*

*4. The first leg of orders was placed at an unattractive price relative to market price.*

*5. In the entire set of transactions one party booked the loss and one party made the profits. These were the transactions which were intended to reduce the brunt of taxation an act of tax planning.*

*All the aforesaid features are missing in the Noticee's transactions.*

#### **Noticee's case**

- Noticee's transactions were in the cash market segment and all her alleged 8 CII transactions had resulted into actual change in beneficial ownership.
- The charge on the Noticee is that her transactions had contributed to Rs. 3.68 (2.64%) positive LTP.
- None of the transactions of the Noticee are tagged as synchronized / reversal / self / circular trades. [n the Noticee's case, after observing available buy orders on the screen she had placed sell orders at the prices at which the buyers had keyed-in the orders and then it had matched with the existing buy orders.
- Moreover, the Noticee is not shown connected to any other Noticees or connected entities.
- There was no prior meeting of mind before trading and the trading was system driven, technical and of no consequence to Noticee and counter party.
- Also, her transactions were not of 'tax planning' nature as was the case in Rakhi Trading.

Hence, Securities And Exchange Board Of India Vs Rakhi Trading Pvt. Ltd. dated 8th February 2018 cannot be applied to present case of the Noticee as the same would be bad in law."

- 19 As per records, despite delivery of SCN to Anil Vishnu Bharti and Rajesh Jayantilal Savadia at their address on record as well as through e-mail, they have not replied to SCN. Further, despite providing three opportunity of hearing, Anil Vishnu Bharti and Rajesh Jayantilal Savadia didn't avail the same.

Sl.	Particulars of Notice	Delivery of SCN	Remarks on delivery of SCN and Notice of Hearing (HN)
1	Anil Vishnu Bharti	SCN delivered through Speed post AD on 19/02/2018, and e-mail dated 05/03/2018	HN dated 07/03/2018 delivered through SPAD on 10/03/2018 and e-mail dated 12/03/2018 HN dated 06/04/2018 delivered through SPAD on 09/04/2018 HN dated 26/04/2018 delivered through SPAD on 02/05/2018. <i>In each of the HN, Noticees were reminded about their pending reply to SCN and were advised to submit their reply in time bound manner</i>
2	Rajesh Jayantilal Savadia	SCN delivered through Speed post AD on 19/02/2018, and e-mail dated 05/03/2018	HN dated 07/03/2018 delivered through SPAD on 10/03/2018 and e-mail dated 12/03/2018 HN dated 06/04/2018 delivered through SPAD on 09/04/2018 and e-mail dated 06/04/2018 HN vide e-mail dated 19/04/2018, and HN dated 26/04/2018 delivered through SPAD on 01/05/2018 <i>In each of the HN, Noticees were reminded about their pending reply to SCN and were advised to submit their reply in time bound manner</i>

As seen from the above table, sufficient opportunities have been provided to Anil Vishnu Bharti and Rajesh Jayantilal Savadia to put forth their reply to the SCN in view of the allegations levelled against them, however, no reply has been received by them, nor did they avail any of the three opportunities of hearing granted to them. In view of the above, present proceedings are carried further based on material available on record.

### **TECHNICAL ISSUES RAISED BY NOTICEES**

- 20 Before going to the issues and findings, it would be pertinent to address certain common technical issues raised by the Noticees, same are addressed as follows:

- 20.1 Copy of all the documents in the present matter including investigation report, not provided to Noticees: Mukesh Kumar Sohanlalji, Rahul Kamalkant Parasrampur, Prakash Chandra Purohit and Bhagwat Singh Kitawat requested for providing copy of all the documents / records in the present matter against the Noticees including copy of investigation report and annexure to the same. It is noted that all the relevant investigation findings pertaining to the Noticees along with trade-order log relied upon for allegation of price manipulation, the copies of KYC documents, information from MCA website, etc, relied upon for allegations against the Noticees have been provided in the SCN issued to Noticees. In this regard, Noticees were informed that *“Relevant findings, information, and supporting documents (including trade-order log) being relied upon in the present proceedings have already been provided in the SCN issued to Noticees. There is no other information / document being relied upon further in the present proceedings”*. Hence, above issue require no further consideration as all the information / records related to the Noticees relied upon in the present proceedings have been provided to Noticees in the SCN. Further, information which is not available to Noticees in general course or as a matter of public records is not relied upon in the present proceedings in respect of the Noticees.
- 20.2 Mismatch of no. of trades in Price volume table and trade-order log provided to Noticees in the SCN: Mukesh Kumar Sohanlalji Gupta and Rahul Kamalkant Parasrampur drew attention towards mismatch in “no. of trades” reflected in daily price volume table and in the trade-order log, both provided along with the SCN as annexure D and F, respectively and alleged contradictions and confusion so as to which data to rely. On perusal of price volume data provided in Annexure D, it is noted that the same do not reflect correct “No. of trades”, as in few instances even 2 trades during a day have shown resulting into trade with volume of 1 share. As regards to trade log data provided in Annexure F, no factual errors are noted.

On the question that if the above error in the annexure D has created confusion, it is noted that only point 7 of the SCN make reference to price volume data provided in annexure D, and that too for referring the daily movement in price and volume (no. of shares) and no reference is made to “no. of trades” mentioned therein. This fact is substantiated from the content of said point 7 which states that *“During relevant period, price of the scrip at BSE rose from Rs. 7.14 to Rs. 146.50 with daily avg. of 2 shares. Details of price & volume movement during investigation period are provided in Annexure D”*. Hence, from the above, it is clear that there is no reference made to “no. of trades” in the Annexure D.

Trade log data provided in the Annexure F for reference of Noticees, covers all the trades that happened in the shares of STAL during the investigation period, and “no. of trades” mentioned in points 8 and 14 of the SCN are verifiable from the said trade log data provided in Annexure F, and no discrepancy is noted in relation to the same.

Hence, it is clear that no attention has been invited or reference made in the SCN towards said “no. of trades” mentioned in the price volume table in annexure D, and any attention drawn to the same is uncalled for.

## **CONSIDERATION OF ISSUES AND FINDINGS**

21. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticees, following issues require consideration in the present matter followed by findings in this respect:

- a) Whether the Noticees manipulated the price of the shares of STAL at Stock Exchange during the relevant period, and thereby violated Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a) and (e) of PFUTP Regulations, 2003?
- b) Does the violation, if any, on part of the Noticees attract monetary penalty under Section 15HA of SEBI Act?
- c) If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of the SEBI Act?

22. It is appropriate to refer to the provisions of Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a) and (e) of PFUTP Regulations, 2003, alleged to have been violated by the Noticees. The same read as follows:

### ***3. Prohibition of certain dealings in securities***

*No person shall directly or indirectly—*

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

### ***4. Prohibition of manipulative, fraudulent and unfair trade practices***

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

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

23. For better perspective a background to the alleged violations as observed in the IR and provided in the SCN is as under:

24. STAL was suspended from trading on BSE from February 17, 2003 to March 23, 2011, after which the suspension was revoked. No trading was observed in the shares of STAL at BSE from March 23, 2011 to September 16, 2013. On July 25, 2013, STAL made preferential

allotment of 1,46,50,000 shares @Rs.10/- to 49 entities comprising 3 promoter group and 46 other than promoter group entities. The 11,00,000 shares issued to promoter group entities were under lock-in up to July 25, 2016 and 1,35,50,000 shares issued to other than promoter group entities were under lock-in till July 25, 2014. Trading in the shares of STAL commenced from September 17, 2013 on BSE.

25. It is observed that during relevant period, the price of the scrip at BSE rose significantly amid very low volume being traded. Details are as follows:

<i>(Source – bseindia.com)</i>						<i>(In Rs. crore)</i>
Relevant period	Price / Volume	Opening Price/ vol on 1st day of period(Rs.)	Closing Price/ Vol on last day of period(Rs.)	Low Price/Vol during the Period(Rs.)	High Price/Vol during the Period(Rs.)	Avg no of shares traded daily during the period
17/09/2013 to 19/08/2014	Price (Rs.)	7.14 [17/09/2013]	146.50 [19/08/2014]	7.14 [17/09/2013]	146.50 [19/08/2014]	2
	Volume (no. of shares)	5 [17/09/2013]	5 [19/08/2014]	1 [multiple dates]	101 [31/03/2014]	

During relevant period, price of the scrip at BSE rose from Rs. 7.14 to Rs. 146.50 with daily average trade volume of merely 2 shares.

26. As regards to financial results of STAL around the investigation / relevant period, it is observed that STAL registered net loss of Rs. 0.86 crores for the year ended March 2013, net profit of Rs. 0.60 crores and Rs. 1.63 crores for the year ended March 2014 and March 2015 respectively. Details of results of STAL for FY ending March 2013, 2014 and 2015 and quarterly results covering investigation period are as follows:

Description	<i>(Source – bseindia.com)</i>			<i>(In Rs. crore)</i>					
	Year Ended			Quarter Ended					
	31-Mar-2013	31-Mar-2014	31-Mar-2015	Sept 30, 2013	Dec 30, 2013	Mar 31, 2014	June 30, 2014	Sept 30, 2014	Dec 31, 2014
Net sales	0.02	0.24	8.89	0	0.157	0.083	0.207	0.250	2.511
Other Income	0.07	0.75	0.95	0	0.411	0.336	0.342	0.336	0.270
Total income	0.09	0.99	9.85	0	0.568	0.419	0.549	0.586	2.781
Profit/ (Loss) after tax	(0.86)	0.60	1.63	(0.032)	0.558	0.092	0.370	0.358	0.323

27. The corporate announcements made by the STAL during the investigation period were relating to shareholding pattern, financial results, disclosures under SAST/PIT Regulations, AGM, Board meetings, etc.
28. It is alleged that Noticees being connected entities have indulged in trades resulting to significant +ve LTP thereby resulting in price rise of the scrip, as they have contributed Rs. 108.35/- or 77.8% of the total / market +ve LTP.
29. Further, it is also alleged that Noticees are connected to STAL and 5 of the 49 preferential allottees which had received shares in the preferential allotment dated July 25, 2013. Basis of this alleged connection is as follows:

Sl.	Name Of Entities	Basis Of Connection
1	Raghav Shares Services LLP (PAN: AAPFR6240Q)	Kamalakar Vitthal Sutar (DIN: 06466788) was common director in Svaraj Trading and Agencies Limited (29/03/2013-27/09/2013) and Raghav Shares Services LLP (05/05/2013-till date). Jugal Kishor Paliwal (DIN: 06603128) was common director in Raghav Shares Services LLP (23/04/2014 – till date) and MPK Equity Research LLP (23/04/2014 – till date).
2	MPK Equity Research LLP (PAN: AAWFM7936P)	Jugal Kishor Paliwal (DIN: 06603128) was common director in Raghav Shares Services LLP (23/04/2014 – till date) and MPK Equity Research LLP (23/04/2014 – till date).
3	Prakash Equity Services LLP (PAN: AAOFP7494D)	Bhagwat Singh Kitawat (DIN: 02141527) and Vinay Kant Ameta (DIN: 06432030) were directors in Forest Vincom Pvt. Ltd. Vinay Kant Ameta was also a director in Prakash Equity Services LLP.
4	Madan Lal Paliwal (PAN: ABWPP0961C)	Bhagwat Singh Kitawat (DIN: 02141527) and Madan Lal Paliwal (DIN: 00032564) were directors in Bhagyadeep Enterprises Pvt. Ltd. Reveev Sharma (DIN: 06396701) was common director in Svaraj Trading and Agencies Limited (29/03/2013 – till date) and Bhagyadeep Enterprises Pvt. Ltd. (26/09/2012 – till date).
5	Madan Lal Paliwal HUF (PAN: AABHM8712Q)	Madan Lal Paliwal and Madan Lal Paliwal HUF share common phone number (8875960000), common email id (eatocmd@mirajgroup.in) and common address (Sant Krapa, Upali Odan, Nathdwara, Rajasthan, India 313301). <i>Pls. refer Annexure E, pages marked as 4.17</i>

30. It is observed that subsequent to the expiry of the lock-in period, preferential allottees started selling the shares of STAL. It is also noted that 4 of the said 5 preferential allottees allegedly connected to the Noticees appear among top 10 sellers in the scrip during the investigation period, details as follows:

Sell Client Name	Sell Volume (No. of shares)	%age of total Trade Volume
Kamalkumar Shivkishan Agrawal	7,00,000	21.00
Madan Lal Paliwal	5,69,918	17.10
Madan Lal Paliwal Huf	5,43,365	16.30
Mpk Equity Research Llp	3,21,808	9.65
Reena Kamalkumar Agrawal	3,00,000	9.00
Raghav Shares Services Llp	99,758	2.99
Santosh Motilal Bhatia	77,250	2.32
Dhirender Kumar Surana	65,604	1.97
Vishwas Kumar Surana	59,750	1.79
Udayshanker Vyas	50,000	1.50
<b>Top 10 Sell Clients</b>	<b>27,87,453</b>	<b>83.62</b>
<b>Remaining Clients</b>	<b>5,45,974</b>	<b>16.38</b>
<b>Total Traded Volume</b>	<b>33,33,427</b>	<b>100.00</b>

31. On analysis of the sell trades of the Noticees in scrip during the relevant period, following is noted:

Sl.	Entity Name (Seller)	No. of Trades	No. of +ve LTP trades	+ve LTP Sell Order Qty Range	Counter Party (CP) Buy Order Qty Range	Last Modified (LM) Order Time of +ve LTP Trades	Counter Party (CP) Buy Last Modified (LM) Order Time	No. of sell Orders placed first	Trading period	Holding of shares as per Demat account (date)
1	Mukesh Kumar Sohanlalji Gupta	24	21	1 (14 trades) 2 (2 trades) 5 (5 trades)	1-10 (3 trades) 11-100 (11 trades) 101-1400 (10 trades)	11:02:07 – 15:21:16	09:00:00 – 11:41:11	0	26/12/2013 – 18/08/2014	50 (25/12/2013)

Sl.	Entity Name (Seller)	No. of Trades	No. of +ve LTP trades	+ve LTP Sell Order Qty Range	Counter Party (CP) Buy Order Qty Range	Last Modified (LM) Order Time of +ve LTP Trades	Counter Party (CP) Buy Last Modified (LM) Order Time	No. of sell Orders placed first	Trading period	Holding of shares as per Demat account (date)
2	Rahul Kamalkant Parasrampur ia	36	35	1(34 trades) 18 (1 trade)	10-100 (6 trades) 101-2000 (29 trades)	09:49:40 – 15:21:39	09:00:00 – 09:01:04	0	15/01/2014 – 17/06/2014	25 * (14/01/2014)
3	Anil Vishnu Bharti	10	10	1 (9 trades) 5 (1 trade)	9-100 (3 trades) 101-2000 (7 trades)	11:53:20 – 15:23:24	09:00:00 – 09:17:10	0	20/05/2014 – 19/08/2014	25 (19/05/2014)
4	Rajesh Jayantilal Savadia	11	10	1 (10 trades)	10-99 (4 trades) 2000 (6 trades)	13:26:09 – 15:17:03	09:00:00 – 14:42:39	1	19/05/2014 – 12/08/2014	15 * (26/05/2014)
5	Prakash Chandra Purohit	10	9	1 (8 trades) 5 (1 trade)	88 (1 trade) 490-2000 (8 trades)	12:39:35 – 15:15:09	09:00:00 – 09:39:02	0	31/03/2014 – 11/08/2014	900 (30/03/2014)
6	Bhagwat Singh Kitawat	9	8	1 (6 trades) 2 (1 trade) 5 (1 trade)	30-99 (4 trades) 500-1900 (4 trades)	11:57:31 – 15:26:03	09:00:00 – 12:30:00	0	31/12/2013 – 25/07/2014	900 (30/12/2013)
7	Neha B Raval	10	10	1 (10 trades)	10 (3 trades) 100-2500 (7 trades)	09:15:41 – 14:29:23	09:00:01 – 09:00:02	0	03/03/2014 – 14/03/2014	10 (02/03/2014)
8	Shekhar D Vaishnav	10	10	1 (10 trades)	100–1000 (10 trades)	09:28:08 – 13:51:01	09:00:00 – 09:00:02	0	22/01/2014 – 28/02/2014	10 (21/01/2014)

\* Based on information gathered / received from Indian Clearing Corporation Ltd (ICCL), of the 52 shares sold by Rahul Kamalkant Parasrampur ia, 25 shares were delivered for settlement and remaining 27 shares were gone for auction/ close out. Further, it was also noted that, of the 11 shares sold by Rajesh Jayantilal Savadia, 9 were delivered and two shares were gone for auction/ close out.

32. From the above LTP analysis of sell trades of Noticees, it is noted that except one sell order placed first, all other sell orders of Noticees were placed against existing buy orders, and Noticees held the shares ranging from 10 to 900 prior to their respective trading period. In spite of holding more number of shares and demand on the buy side, Noticees sold the shares in miniscule quantities mostly ranging from 1 to 5 shares through multiple trades. The day wise details of such trades are as follows:

Sl.	Trade Date	Seller PAN	Seller Name	Quantity
1	26/12/2013	AINPG9827C	Mukesh Kumar Kumar Sohanlalji Gupta	1
2	30/12/2013	AINPG9827C	Mukesh Kumar Kumar Sohanlalji Gupta	1
3	31/12/2013	ADJPK0842L	Bhagwat Singh Kitawat	1
4	03/01/2014	AINPG9827C	Mukesh Kumar Kumar Sohanlalji Gupta	1
5	06/01/2014	ADJPK0842L	Bhagwat Singh Kitawat	1
6	07/01/2014	AINPG9827C	Mukesh Kumar Kumar Sohanlalji Gupta	1
7	10/01/2014	AINPG9827C	Mukesh Kumar Kumar Sohanlalji Gupta	1
8	14/01/2014	AINPG9827C	Mukesh Kumar Kumar Sohanlalji Gupta	1
9	15/01/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur ia	1
10	16/01/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur ia	1
11	17/01/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur ia	1
12	20/01/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur ia	1
13	21/01/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur ia	1
14	22/01/2014	AHOPV1194R	Shekhar D Vaishnav	1
15	23/01/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur ia	1
16	24/01/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur ia	1
17	27/01/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur ia	1

Sl.	Trade Date	Seller PAN	Seller Name	Quantity
18	28/01/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
19	29/01/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
20	30/01/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
21	31/01/2014	AHOPV1194R	Shekhar D Vaishnav	1
22	03/02/2014	AHOPV1194R	Shekhar D Vaishnav	1
23	05/02/2014	AHOPV1194R	Shekhar D Vaishnav	1
24	19/02/2014	AHOPV1194R	Shekhar D Vaishnav	1
25	20/02/2014	AHOPV1194R	Shekhar D Vaishnav	1
26	24/02/2014	AHOPV1194R	Shekhar D Vaishnav	1
27	25/02/2014	AHOPV1194R	Shekhar D Vaishnav	1
28	26/02/2014	AHOPV1194R	Shekhar D Vaishnav	1
29	28/02/2014	AHOPV1194R	Shekhar D Vaishnav	1
30	03/03/2014	AQQPR6427E	Neha B Raval	1
31	04/03/2014	AQQPR6427E	Neha B Raval	1
32	05/03/2014	AQQPR6427E	Neha B Raval	1
33	06/03/2014	AQQPR6427E	Neha B Raval	1
34	07/03/2014	AQQPR6427E	Neha B Raval	1
35	10/03/2014	AQQPR6427E	Neha B Raval	1
36	11/03/2014	AQQPR6427E	Neha B Raval	1
37	12/03/2014	AQQPR6427E	Neha B Raval	1
38	13/03/2014	AQQPR6427E	Neha B Raval	1
39	14/03/2014	AQQPR6427E	Neha B Raval	1
40	18/03/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	18
41	19/03/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
42	20/03/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
43	21/03/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
44	28/03/2014	ADJPK0842L	Bhagwat Singh Kitawat	1
45	04/04/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
46	07/04/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
47	10/04/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
48	11/04/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
49	15/04/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
50	16/04/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
51	17/04/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
52	21/04/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
53	22/04/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
54	23/04/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
55	28/04/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
56	30/04/2014	AJGPP9570M	Prakash Chandra Purohit	1
57	09/05/2014	AJGPP9570M	Prakash Chandra Purohit	1
58	12/05/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
59	13/05/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
60	14/05/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
61	16/05/2014	AJGPP9570M	Prakash Chandra Purohit	1
62	19/05/2014	AAVPS3632H	Rajesh Jayantilal Savadia	1
63	20/05/2014	AHWPB8347C	Anil Vishnu Bharti	1
64	22/05/2014	AHWPB8347C	Anil Vishnu Bharti	1
65	23/05/2014	AAVPS3632H	Rajesh Jayantilal Savadia	1
66	26/05/2014	AJGPP9570M	Prakash Chandra Purohit	1
67	27/05/2014	AAVPS3632H	Rajesh Jayantilal Savadia	1
68	28/05/2014	AHWPB8347C	Anil Vishnu Bharti	1
69	29/05/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
70	30/05/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
71	02/06/2014	AAVPS3632H	Rajesh Jayantilal Savadia	1
72	03/06/2014	AJGPP9570M	Prakash Chandra Purohit	1
73	04/06/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
74	05/06/2014	AHWPB8347C	Anil Vishnu Bharti	1
75	09/06/2014	AAVPS3632H	Rajesh Jayantilal Savadia	1



Sl.	Trade Date	Seller PAN	Seller Name	Quantity
76	10/06/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
77	11/06/2014	AHWPB8347C	Anil Vishnu Bharti	1
78	12/06/2014	AJGPP9570M	Prakash Chandra Purohit	1
79	13/06/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
80	16/06/2014	AHWPB8347C	Anil Vishnu Bharti	1
81	17/06/2014	AOWPP5716Q	Rahul Kamalkant Parasrampur	1
82	19/06/2014	AAVPS3632H	Rajesh Jayantilal Savadia	1
83	20/06/2014	ADJPK0842L	Bhagwat Singh Kitawat	1
84	25/06/2014	AINPG9827C	Mukesh Kumar Sohanlalji Gupta	1
85	27/06/2014	AJGPP9570M	Prakash Chandra Purohit	1
86	30/06/2014	AINPG9827C	Mukesh Kumar Sohanlalji Gupta	1
87	01/07/2014	ADJPK0842L	Bhagwat Singh Kitawat	1
88	02/07/2014	AINPG9827C	Mukesh Kumar Sohanlalji Gupta	1
89	03/07/2014	AAVPS3632H	Rajesh Jayantilal Savadia	1
90	04/07/2014	AINPG9827C	Mukesh Kumar Sohanlalji Gupta	1
91	07/07/2014	AHWPB8347C	Anil Vishnu Bharti	1
92	08/07/2014	AINPG9827C	Mukesh Kumar Sohanlalji Gupta	1
93	09/07/2014	ADJPK0842L	Bhagwat Singh Kitawat	1
94	10/07/2014	AINPG9827C	Mukesh Kumar Sohanlalji Gupta	1
95	15/07/2014	AJGPP9570M	Prakash Chandra Purohit	1
96	16/07/2014	AINPG9827C	Mukesh Kumar Sohanlalji Gupta	1
97	17/07/2014	AHWPB8347C	Anil Vishnu Bharti	1
98	21/07/2014	AINPG9827C	Mukesh Kumar Sohanlalji Gupta	2
99	22/07/2014	ADJPK0842L	Bhagwat Singh Kitawat	2
100	23/07/2014	AAVPS3632H	Rajesh Jayantilal Savadia	1
101	24/07/2014	AINPG9827C	Mukesh Kumar Sohanlalji Gupta	5
102	25/07/2014	ADJPK0842L	Bhagwat Singh Kitawat	5
103	28/07/2014	AINPG9827C	Mukesh Kumar Sohanlalji Gupta	5
104	31/07/2014	AHWPB8347C	Anil Vishnu Bharti	1
105	01/08/2014	AINPG9827C	Mukesh Kumar Sohanlalji Gupta	2
106	05/08/2014	AINPG9827C	Mukesh Kumar Sohanlalji Gupta	5
107	06/08/2014	AAVPS3632H	Rajesh Jayantilal Savadia	1
108	08/08/2014	AINPG9827C	Mukesh Kumar Sohanlalji Gupta	1
109	11/08/2014	AJGPP9570M	Prakash Chandra Purohit	5
110	12/08/2014	AAVPS3632H	Rajesh Jayantilal Savadia	1
111	13/08/2014	AINPG9827C	Mukesh Kumar Sohanlalji Gupta	5
112	18/08/2014	AINPG9827C	Mukesh Kumar Sohanlalji Gupta	5
113	19/08/2014	AHWPB8347C	Anil Vishnu Bharti	5

As seen in above table, Noticees placed sell orders against the existing buy orders for quantity of 1 share in 101 trading days, quantity of 2 shares in 3 trading days, quantity of 5 shares in 8 trading days and quantity of 18 shares in 1 trading day.

33. Findings w.r.t the issues under consideration identified above, are mentioned as follows:

**Issue a) Whether the Noticees manipulated the price of the shares of STAL at Stock Exchange during the relevant period, and thereby violated Regulation 3(a),(b),(c),(d), 4(1), 4(2)(a) and (e) of PFUTP Regulations, 2003?**

34. Analysis of top 10 LTP contributors on sale side of trades reveals that they contributed 90% of the total LTP or price rise during the relevant period i.e, September 17, 2013 to August 19, 2014. Details in this regards are tabulated as follows:

CP PAN	Name	Net LTP			Pos. LTP			Negative LTP			Zero LTP		% of +ve LTP to Mkt
		Net LTP	Trade Qty	No.of Trades	Pos. LTP	Trade Qty	No.of Trades	Neg. LTP	Trade Qty	No.of Trades	Trade Qty	No.of Trades	
AINPG9827C	Mukesh Kumar Sohanlalji Gupta	31.15	44	24	31.15	39	21	0.00	0	0	5	3	22.35
AOWPP5716Q	Rahul Kamalkant Parasrampur	19.83	52	36	19.83	44	35	0.00	0	0	8	1	14.23
AHWPB8347C	Anil Vishnu Bharti	14.95	14	10	14.95	14	10	0.00	0	0	0	0	10.73
AAVPS3632H	Rajesh Jayantilal Savadia	14.95	11	11	14.95	10	10	0.00	0	0	1	1	10.73
AHTPK3745N	Bheru Singh Kitawat	12.05	56	14	12.05	16	12	0.00	0	0	40	2	8.65
AJGPP9570M	Prakash Chandra Purohit	11.35	63	10	11.35	13	9	0.00	0	0	50	1	8.14
ADJPK0842L	Bhagwat Singh Kitawat	9.48	23	9	9.48	13	8	0.00	0	0	10	1	6.80
AFJPG0360H	Bheru Lal Gujer	5.25	10	2	5.25	10	2	0.00	0	0	0	0	3.77
AQQPR6427E	Neha B Raval	3.68	10	10	3.68	10	10	0.00	0	0	0	0	2.64
AHOPV1194R	Shekhar D Vaishnav	2.96	10	10	2.96	10	10	0.00	0	0	0	0	2.12
<b>Total</b>		<b>125.65</b>	<b>293</b>	<b>136</b>	<b>125.65</b>	<b>179</b>	<b>127</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>114</b>	<b>9</b>	<b>90.16</b>
<b>Market</b>		<b>139.36</b>	<b>368</b>	<b>167</b>	<b>139.36</b>	<b>249</b>	<b>157</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>114</b>	<b>9</b>	<b>100.00</b>

35. From the replies of Noticees on record, it is noted that at individual level Noticees have not disputed their above contribution to the LTP or price rise. From the above table, it is seen that Noticees comprising 8 entities appear among the top 10 LTP contributing entities, and they have individually contributed to 2.12% to 22.35% of the total LTP during the relevant period, and combinedly Noticees have contributed significant 77.8% of the total LTP or price rise during the relevant period.
36. Based on KYC documents, information from MCA website, de-mat statements, etc, related to said top 10 LTP contributors of price rise, it is alleged that Noticees comprising 8 of the said 10 LTP contributors were forming a connected group. As per records, rest 2 of the said 10 LTP contributors were not found connected to any group including Noticees. As per records, Noticees were alleged to have formed a connected group based on following direct and indirect connections:
- Mukesh Kumar Sohanlalji Gupta, Rahul Kamalkant Parasrampur, Neha B Raval and Shekhar D Vaishnav received 50, 25, 10 and 10 shares of STAL respectively through off-market transactions from one common person viz, Laxman Diwan.
  - Mukesh Kumar Sohanlalji Gupta transferred 25 shares and 15 shares of STAL to Anil Vishnu Bharti and Rajesh Jayantilal Savadia, respectively.
  - Prakash Chandra Purohit and Laxman Diwan were common directors in a company named Miraj Products Pvt Ltd, and Prakash Chandra Purohit shares common address with Bhagwat Singh Kitawat viz, "Upar Ki Oden, Nathdwara, Rajasthan".
37. Noticees are further alleged to be connected with STAL and 5 of the 49 preferential allottees to which shares were allotted shares on 25/07/2013 viz, Raghav Securities, MPK Equity Research LLP and Prakash Equity Services LLP, Madam Lal Paliwal and Madan Lal Paliwal HUF. Said 5 preferential allottees were major sellers after end of one year lock-in period as they appear among top 10 sellers during entire investigation period. Alleged connection of Noticees with the said 5 preferential allottees is based on connections of one of the Noticees

viz, Bhagwat Singh Kitawat, who happen to be one of the Directors of Bhagyadeep Enterprises Pvt Ltd in which Madan Lal Paliwal (a preferential allottee of STAL) and Rajeev Sharma (one of the Director in STAL) were also Director. Further, Bhagwat Singh Kitawat is also connected with Madan Lal Paliwal HUF based on common address, and indirectly connected with three other preferential allottees viz, Raghav Securities, MPK Equity Research LLP and Prakash Equity Services LLP.

38. As regards to alleged connection of Noticees with the said 5 preferential allottees, it is noted that the present matter involves allegations against the Noticees for price manipulation at the Stock Exchange. Though the allegation of connection of Noticees with said 5 preferential allottees and with the STAL is made, however, there is no allegation / conclusion of collusion of Noticees with them in the alleged price manipulation. Hence, this issue require no further consideration.
39. As regards to the allegation of Noticees forming a connected group, Noticees have denied the allegation of forming a connected group, and have contended that charges against them should be established independently. It is also contended by Noticees that they should not be deemed to be connected as a group based on their individual connections and connection with Laxman Diwan. It is further contended that when Laxman Diwan and another transferor of shares in off-market viz, Mukesh Mohanlal Agarwal were not made party to the said allegations against the Noticees, they should also be exonerated from the allegations. Shekhar D Vaishnav in its reply in the hearing, has submitted that he himself has not operated his trading account while dealing in shares of STAL, and as the dealing through his trading / de-mat account was undertaken by some other person, he should not be made accountable for alleged violations against him.
40. On perusal of allegation and supporting evidence / information, it is noted that Mukesh Kumar Sohanlalji Gupta is directly connected to Anil Vishnu Bharti and Rajesh Jayantilal Savadia, as the former transferred shares through off-market to the latter two. Further, Prakash Chandra Purohit and Bhagwat Singh Kitawat are directly connected as they share common address. It is pertinent to note that in an off-market transaction of shares through depository system, seller / transferor and buyer / transferee know the identity of each other, and also common address among entities also point towards connection among the said entities. As regards to remaining Noticees viz, Rahul Kamalkant Parasrampur, Neha B Raval, Shekhar D Vaishnav, it is noted that though as per information on record they were not found directly connected to each other or with other Noticees, however, they along with Mukesh Kumar Sohanlalji Gupta acquired shares from one person viz, Laxman Diwan, hence, fom part of the connected group. Prakash Chandra Purohit was a director in a company viz, Miraj Products Pvt. Ltd with said Laxman Diwan, and thereby both Prakash Chandra Purohit and Bhagwat

Singh Kitawat form part of the connected group. The above basis reasonably put the Noticees as a connected group.

41. As per records, role of both Laxman Diwan and Mukesh Mohanlal Agarwal in the matter is limited to the fact that 4 of the Noticees acquired shares in off-market from them, however, they have not dealt in shares of STAL at Stock Exchange during the relevant period. Further, there is no allegation or evidence as well as submission by Noticees on record stating that Laxman Diwan and Mukesh Mohanlal Agarwal acted along with the Noticees while dealing in shares of STAL at the Stock Exchange. As regards to Noticees, present matter alleges that Noticees being allegedly connected group dealt in the shares of STAL at BSE (Stock Exchange) during the relevant period, and through their allegedly common trading behaviour they manipulated the price of the shares of STAL at BSE. The said common trading behaviour includes consistently executing trades above the LTP, on most of the occasions in miniscule quantities mostly comprising 1 to 5 shares, despite heavy demand on buy side and availability of more shares with them. Hence, for the dealing in shares of STAL at BSE, it is appropriate to make Noticees accountable if the allegations against them are established.
42. As regards to the contention of Shekhar D Vaishnav, it is noted that Shekhar D Vaishnav is aware of dealing through his trading and de-mat account, however, he has contended that same was done by some other person. However, given that no complaint has been filed by him for any unauthorised usage, the same even if the case be, is an agreed upon arrangement. Given the above, Shekhar D Vaishnav is responsible for dealing in shares of STAL during the relevant period.
43. As regards to contention of Noticees that they are not part of a group, and their trading should be considered on individual bases, it is to be mentioned that connection of the group has been determined above and it is pertinent to note that in circumstances involving lack of direct more conclusive evidence, a secondary evidence and reasonable probability has to be taken into consideration to conclude the matter. In this regard, reliance is placed upon judgement of hon'ble Supreme Court of India in the matter of SEBI Vs Kishore R. Ajmera in Civil Appeal No. 2818 of 2008 decided on February 23, 2016 wherein it was held that:

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

44. Reliance is also placed on the order of Hon'ble SAT in the matter of Bhavesh Patel and Others versus SEBI in the matter of S J Corporation Limited in Appeal No. 456 of 2015 decided on 25 April 2018, which reaffirmed the ratio cited in the matter of SEBI vs. Rakhi Trading Private Ltd. (Civil Appeal No. 1969 of 2011 decided on February 08, 2018) and SEBI vs. Kishore R. Ajmera in Civil Appeal No. 2818 of 2008 decided on February 23, 2016 and observed that:

*"..... 44. Learned Counsel Shri. Gaurav Joshi relied on the following judgments of the Supreme Court (a) Securities and Exchange Board of India vs. Rakhi Trading Private Ltd. (Civil Appeal No. 1969 of 2011 decided on February 08, 2018); (b) Securities and Exchange Board of India vs Shri Kanaiyalal Baldevbbhai Patel, 2017 SCC On Line SC 1148 decided on September 20, 2017 and (c) Securities and Exchange Board of India vs. Kishore R. Ajmera, (2016) 6 Supreme Court Cases 368 decided on February 23, 2016 and submitted that in deciding on PFUTP violation, totality of facts and preponderance of probabilities have to be resorted to as full evidence may not be forthcoming and manipulative, fraudulent schemes also include deliberately making losses as held in Rakhi Trading (supra).*

*.....*

*50. Argument made by each of the appellant individually that each of them played only a small trade in isolation or as per normal course of their business or some of them did not trade at all or some small loan has been given etc stand no merit when totality of the picture is looked at. All of them together enabled launching this major fraud by using a dormant, low capital base and low public float company. In this context, we also find that the argument that many of the appellants did not off-load either full or major chunk of their holding even in Phase-III or thereafter also has no merit since with the still limited liquidity of about 1100 shares per day there was an inbuilt absorptive limitation for the market and thereafter the ad-interim restraint order of the WTM of SEBI came on their way on February 5, 2010. As held by the Hon'ble Supreme Court in several orders such as SEBI vs Rakhi Trading (supra), SEBI vs. Shri Kanaiyalal Baldevbbhai (supra) and SEBI vs. Kishore R. Ajmera (supra) complete evidence may not be forthcoming in every such matter and what is needed is to prove that in a factual matrix preponderance of probabilities indicate a fraud. In Rakhi Trading (supra) it is held that in some cases parties may even incur willful losses in the market to achieve some objectives."*

45. Upon application of above stated principles to the present matter, it is to be noted that in addition to the fact that Noticees form a group based on their direct and indirect connections, Noticees have also alleged to have shown common trading behaviour while dealing in the shares of STAL at BSE during the relevant period. Said common trading behaviour include consistently indulging into sale of miniscule quantities of shares of STAL at price higher than the LTP, despite heavy demand for the shares of STAL on buy side and availability of more shares with the Noticees. Same is exhibited from following table:

Sl.	Entity Name (Seller)	No. of Trades	No. of +ve LTP trades	+ve LTP Sell Order Qty Range	Counter Party (CP) Buy Order Qty Range	Last Modified (LM) Order Time of +ve LTP Trades	Counter Party (CP) Buy Last Modified (LM) Order Time	No. of sell Orders placed first	Trading period	Holding of shares as per Demat account (date)
1	Mukesh Kumar	24	21	1 (14 trades) 2 (2 trades)	1-10 (3 trades) 11-100 (11 trades)	11:02:07 – 15:21:16	09:00:00 – 11:41:11	0	26/12/2013 – 18/08/2014	50 (25/12/2013)

Sl.	Entity Name (Seller)	No. of Trades	No. of +ve LTP trades	+ve LTP Sell Order Qty Range	Counter Party (CP) Buy Order Qty Range	Last Modified (LM) Order Time of +ve LTP Trades	Counter Party (CP) Buy Last Modified (LM) Order Time	No. of sell Orders placed first	Trading period	Holding of shares as per Demat account (date)
	Sohanlalji Gupta			5 (5 trades)	101-1400 (10 trades)					
2	Rahul Kamalkant Parasrampuria	36	35	1 (34 trades) 18 (1 trade)	10-100 (6 trades) 101-2000 (29 trades)	09:49:40 – 15:21:39	09:00:00 – 09:01:04	0	15/01/2014 – 17/06/2014	25 (14/01/2014)
3	Anil Vishnu Bharti	10	10	1 (9 trades) 5 (1 trade)	9-100 (3 trades) 101-2000 (7 trades)	11:53:20 – 15:23:24	09:00:00 – 09:17:10	0	20/05/2014 – 19/08/2014	25 (19/05/2014)
4	Rajesh Jayantilal Savadia	11	10	1 (10 trades)	10-99 (4 trades) 2000 (6 trades)	13:26:09 – 15:17:03	09:00:00 – 14:42:39	1	19/05/2014 – 12/08/2014	15 (26/05/2014)
5	Prakash Chandra Purohit	10	9	1 (8 trades) 5 (1 trade)	88 (1 trade) 490-2000 (8 trades)	12:39:35 – 15:15:09	09:00:00 – 09:39:02	0	31/03/2014 – 11/08/2014	900 (30/03/2014)
6	Bhagwat Singh Kitawat	9	8	1 (6 trades) 2 (1 trade) 5 (1 trade)	30-99 (4 trades) 500-1900 (4 trades)	11:57:31 – 15:26:03	09:00:00 – 12:30:00	0	31/12/2013 – 25/07/2014	900 (30/12/2013)
7	Neha B Raval	10	10	1 (10 trades)	10 (3 trades) 100-2500 (7 trades)	09:15:41 – 14:29:23	09:00:01 – 09:00:02	0	03/03/2014 – 14/03/2014	10 (02/03/2014)
8	Shekhar D Vaishnav	10	10	1 (10 trades)	100-1000 (10 trades)	09:28:08 – 13:51:01	09:00:00 – 09:00:02	0	22/01/2014 – 28/02/2014	10 (21/01/2014)

46. From the above table it is seen that 80% to 100% of the total no. of trades undertaken by each of the Noticee were in miniscule quantities upto 5 shares. Further, Noticees have shown common pattern wherein they placed sell order in miniscule quantities despite heavy demand on the buy side, and also availability of more shares with them.

47. Further, from the trade-order log comprising all trades executed in shares of STAL at BSE during the relevant period (which was also provided to the Noticees as annexure to the SCN), it is noted that there were only 4 sale trades of Noticees which were undertaken for quantity of more than 5 shares viz, 2 trades (for 8 and 10 shares) by Rahul Kamalkant Parasrampuria, and 1 trade each by Bhagwat Singh Kitawat (for 10 shares) and Prakash Chandra Purohit (for 50 shares).

48. Further, from the trade-order log it is pertinent to note that during relevant period, from the total 159 days in which shares of STAL were traded, Noticees dealt in 115 days selling mere 227 shares. It is curious to find that during entire period of said 115 days, on 113 trading days

only one person from the Noticees traded, and on rest 2 days, 2 persons from the Noticees traded on each day viz, Bhagwat Singh Kitawat and Prakash Chandra Purohit traded on 31/03/2014 and Rahul Kamalkant Parasrampurua and Rajesh Jayantilal Savadia traded on 29/05/2014. This shows the coordinated way in which the trading has been orchestrated by these noticees in the scrip during the relevant period.

49. Given the common trading behaviour and one person from the Noticees trading on a particular day, shows that Noticees have dealt in tandem with each other and the same would not have been possible without meeting of minds.
50. As per information available on record, following pattern is visible as regards to acquisition of shares in demat form by the Noticees, and subsequent sale of the shares at BSE during the relevant period:

Sl.	Name of Noticee	Details of acquisition of shares in demat form	Date of first acquisition	First day of sale at Stock Exchange during relevant period	Remarks based on information provided in SCN and reply received from Noticee
1	Mukesh Kumar Sohanlalji Gupta	50 shares from Laxman Diwan through off-market transaction 47 shares from Mukesh Mohanlal Agarwal through off-market transaction	24/12/2013 10/06/2014	26/12/2013	Started sale of shares within 2 days of acquisition of shares in off market.
2	Rahul Kamalkant Parasrampurua	25 shares from Laxman Diwan through off-market transaction	13/01/2014	15/01/2014	Started sale of shares within 2 days of acquisition of shares in off market. As per de-mat account, Noticee did not had more than 25 shares, however, sold 52 shares at Stock Exchange. Only 25 shares were delivered for payout, while 27 Shares which could not be delivered, went into auction / close out.
3	Anil Vishnu Bharti	25 shares from Mukesh Kumar Sohanlalji Gupta through off-market transaction	19/05/2014	20/05/2014	Started sale of shares within 2 days of acquisition of shares in off market.
4	Rajesh Jayantilal Savadia	15 shares from Mukesh Kumar Sohanlalji Gupta through off-market transaction	26/05/2018	19/05/2014	Started sale of shares even one week before acquisition of shares in off market. Noticee failed to deliver 2 shares sold on 19/05/2014 and 23/04/2014 and same went into auction / close out.
5	Prakash Chandra Purohit	-	-	31/03/2014	Date of acquisition not available on record. As per SCN, Noticee was holding 900 shares as on 30/03/2014.
6	Bhagwat Singh Kitawat	900 shares were dematerialised	23/10/2013	31/12/2013	Started sale of shares after two months from the dematerialisation of shares.

Sl.	Name of Noticee	Details of acquisition of shares in demat form	Date of first acquisition	First day of sale at Stock Exchange during relevant period	Remarks based on information provided in SCN and reply received from Noticee
7	Neha B Raval	10 shares from Laxman Diwan through off-market transaction	17/01/2014	03/03/2014	Started sale of shares within one and half months of acquisition of shares in off market.
8	Shekhar D Vaishnav	10 shares from Laxman Diwan through off-market transaction	17/01/2014	22/01/2014	Started sale of shares within 15 days of acquisition of shares in off market.

51. From the above, it is noted that 6 Noticees viz, Mukesh Kumar Sohanlalji Gupta, Rahul Kamalkant Parasrampur, Anil Vishnu Bharti, Rajesh Jayantilal Savadia, Neha B Raval and Shekhar D Vaishnav acquired shares only up to 45 days prior from date when they started selling the same at Stock Exchange. As regards to remaining 2, Bhagwat Singh Kitawat dematerialised shares on 23/10/2013 and started selling the same within around 2 months, and as regards to Prakash Chandra Purohit information is not available on record that when he acquired the shares.
52. Hence, 7 Noticees for which information is available on record, did not held shares of STAL in their de-mat account for long time, and sold the same in upto 2 months. Records also shows that Prakash Chandra Purohit and Bhagwat Singh Kitawat sold less than 10% of shares held by them during the relevant period.
53. Mukesh Kumar Sohanlalji Gupta who himself acquired total 97 shares in off-market, also further transferred 40 shares to 2 other Noticees viz, Anil Vishnu Bharti and Rajesh Jayantilal Savadia, which subsequently also undertaken same trading behaviour as shown by Mukesh Kumar Sohanlalji Gupta. Records also shows that Rajesh Jayantilal Savadia had already sold 2 shares at Stock Exchange before even receiving the same in his de-mat account and defaulted on delivery of 2 shares. Similarly, Rahul Kamalkant Parasrampur sold 52 shares at Stock Exchange during relevant period despite the fact that he did not had holding of more than 25 shares in his de-mat account, resulting into defaulted on delivery of 27 shares.
54. Given that there was hardly any trading prior to the relevant period, there were very few sellers against the heavy demand on buy side in the shares of STAL at BSE during the relevant period. Mukesh Kumar Sohanlalji Gupta in his reply has contended that “besides my holding in the shares of Svaraj Trading and Agencies Limited, hundreds of other entities hold the shares of the Company. I had admittedly no control over the others holding and they were free to sell their shares to the buyer. It is their choice that did not sell their shares during the Patch I. How the Noticees to the SCN including me became responsible for not selling shares by the other shareholders of the company in reference?”. Taking note of the above contention, it is peculiar that shareholders of STAL were not eager to sell their shares over a long period despite continuing heavy demand on buy side and sharply rising prices, and result was that only few sellers were selling the shares and that too happened to be the Noticees



selling the shares in miniscule quantities. To pursue the above contention of Noticee, it is pertinent to look at the shareholding pattern of STAL around the relevant period. Said shareholding pattern is publicly available at the website of BSE, and reveals following pattern:

Quarter ending	Category	No. of shareholders	No. of shares held	%ge of total shareholding	No. of shares in Demat	%shares in Demat
30-Jun-13	Promoters	3	61100	61.1	61100	100.00
	Others	20	38900	38.9	0	0.00
	<b>Total</b>	<b>23</b>	<b>100000</b>	<b>100</b>	<b>61100</b>	<b>61.10</b>
30-Sep-13	Promoters	3	1161100	7.87	1161100	100.00
	Others	68	13588900	92.13	13576900	99.91
	<b>Total</b>	<b>71</b>	<b>14750000</b>	<b>100</b>	<b>14738000</b>	<b>99.92</b>
31-Dec-13	Promoters	3	1161100	7.87	1161100	100.00
	Others	71	13588900	92.13	13583900	99.96
	<b>Total</b>	<b>74</b>	<b>14750000</b>	<b>100</b>	<b>14745000</b>	<b>99.97</b>
31-Mar-14	Promoters	3	1161100	7.87	1161100	100.00
	Others	83	13588900	92.13	13586400	99.98
	<b>Total</b>	<b>86</b>	<b>14750000</b>	<b>100</b>	<b>14747500</b>	<b>99.98</b>
Jun-14	Promoters	3	1161100	7.87	1161100	100.00
	Others	92	13588900	92.13	13586400	99.98
	<b>Total</b>	<b>95</b>	<b>14750000</b>	<b>100</b>	<b>14747500</b>	<b>99.98</b>
Sep-14	Promoters	3	1161100	7.87	1161100	100.00
	Others	119	13588900	92.13	13587200	99.99
	<b>Total</b>	<b>122</b>	<b>14750000</b>	<b>100</b>	<b>14748300</b>	<b>99.99</b>

55. From the above shareholding pattern, following is noted:

- During the entire period from end of June 2013 to end of September 2014, total no. of shareholders of STAL remained at up to 122 shareholders.
- There was increase in shareholders in quarter ending September 2013, which is also on account of preferential allotment of 1,46,50,000 shares to total 49 entities (3 promoters + 46 non promoters).
- From the 122 shareholders, there were even less no. of shareholders which could have sold the shares of STAL due to following facts:
  - At end of June 2013, effectively there were 3 shareholders which had shares in demat or liquid form. Rest 20 shareholders had shares in physical form.
  - From the preferential shares allotted on July 25, 2013 to 49 entities, 1,35,50,000 shares were allotted to 46 non-promoters were under lock in till 25/07/2014 and 11,00,000 shares allotted to 3 promoters were under lock-in till 25/07/2016.
- Hence, at least up to 25/07/2014 there effectively not more than 50-60 shareholders which could have sold the shares of STAL.

56. Based on the facts shown in sub-points a) to d) above, it is clear that STAL was a tightly held company during the whole relevant period as there were around 122 shareholders in the

company, and from the same, during the relevant period upto July 25, 2014, there were mere less than 50-60 shareholders which had their shares in liquid form and could have possibly sold them. This scenario is contrary to a general trend where a listed company is held by hundreds / thousand / lakhs of investors. This scenario also weakens the contention of the Noticees, that they should not be blamed if other shareholders chose not to sell the shares, as Noticees seem to have exploited the scenario where with their irrational trading behaviour of trading in miniscule quantities consistently at higher LTP. Having dominated the dealings in shares of STAL at sell side, Noticees through their irrational trading behaviour which involve selling their limited possession of shares of STAL which was already scarce in the market, consistently in miniscule quantities at the higher LTP to unsuspecting buyers, have thereby actually given consistent rise in price of shares of STAL. The above substantial price rise could not have been possible in absence of Noticees or if they had adopted a normal trading pattern.

57. In addition to the indirect and direct connections between the Noticees, the common irrational trading behaviour and Noticees acting in tandem and concerted manner, point towards collusion between them to manipulate the price of shares of STAL.
58. Noticees, in their replies, have cited various judgements to counter the allegations and contend that their trades were executed in normal course, and the same were not manipulative for reasons viz, they merely sold the shares, counterparty buyers were scattered, no connection with counterparty buyers is found or alleged, no allegations are made against counterparty buyers, not undertaken any synchronised or circular trading, etc. It is pertinent to note that above points are not the basis of allegations against the Noticees. As per allegations and subsequent findings recorded above, Noticees have been able to effect price rise in the shares of STAL by selling scarce shares of STAL available in limited quantity with them, consistently in miniscule quantities at higher LTP to unrelated and unsuspecting buyers. In scenarios of the present case, seller of shares do not necessarily require synchronised / circular trades with counter parties or connection with the counter party buyers to manipulate the price, as same was made possible by selling a scarce shares consistently in miniscule quantities at higher LTP. It is also pertinent to note that 6 of the 8 Noticees, had acquired the shares only 2 to 45 days before selling them in irrational manner.
59. It is also pertinent to note that Noticees have failed to demonstrate justifiable or believable reason for their irrational trading behaviour in shares of STAL during relevant period. Instead of providing justifiable reasons for their trading behaviour, Noticees have tried to take shed of prior judgements involving different scenarios to justify their own trading behaviour.
60. The scenarios of the present matter do not draw any parallel with the cases quoted by Noticees in their replies, except one adjudication matter viz, adjudication order dated 26/04/2018 in

respect of Mr. Jayant Indulal Sethna in the matter of Dhanu Buildcom Infra Ltd. Said adjudication order found that concerned Noticee therein undertaken trades in normal course. In the said matter, Noticee though had executed 34 trades in miniscule quantities against the pending buy orders and contributed to around 8% to the price rise, however, it is also found that Noticee was holding shares of the company for more than six years, he acted alone and was not connected to neither connected entities and nor connected to the promoter group. In the present case, it is noted that there is a connected group of 8 entities which made concerted efforts through their common irrational trading behaviour in specific scenarios of this case involving shares being tightly held and obtained by noticees not long ago, giving substantial 77.8% of the total price rise during relevant period. Hence, upon perusal of the said adjudication matter vis-à-vis the present case, it is noted that scenarios of both cases are largely not the same.

61. Common trading behaviour and concerted efforts adopted by Noticees in the present matter clearly shows that there was a prior meeting of mind between Noticees at some level. Factually, Noticees through their manipulative / fraudulent dealing in shares of STAL during relevant period gave significant price rise of Rs. 108.35 which is 77.8% of the total price rise of Rs. 139.65.
62. Hence, it is clear that Noticees have acted in a fraudulent manner to give rise to the price of the shares of STAL during relevant period. Thereby, Noticees have violated provisions of Regulation 3(a),(b),(c),(d), 4(1), and 4(2)(e) of PFUTP Regulations, 2003.

**Issue b) – Does the violation, if any, on part of the Noticees attract monetary penalty under Section 15HA of SEBI Act?**

63. It has been found above that Noticees as a connected group, have acted in a fraudulent manner to give rise to the price of the shares of STAL during relevant period. Thereby, Noticees have violated provisions of Regulation 3(a),(b),(c),(d), 4(1) and 4(2)(e) of PFUTP Regulations, 2003. The above violation attract provisions of Section 15HA of SEBI Act, which states as follows:

**88[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 89[which shall not be less than five lakh rupees but which may extend to twenty - five crore rupees or three times the amount of profits made out of such practices, whichever is higher].*

88 Inserted by the SEBI (Amendment) Act, 2002, w.e.f.29-10-2002.

89 Substituted for the words —twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014

64. In this respect, reliance is also placed on order of the Hon'ble Supreme Court of India in the matter of *SEBI Vs. Shri Ram Mutual Fund* [2006] 68 SCL 216(SC), where honourable court has also held that *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant..."*.

**Issue c) - If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of the SEBI Act?**

65. While determining the quantum of penalty under section 15HA of SEBI Act, it is important to give consideration to the factors stipulated in section 15J of SEBI Act, which reads as follows:

***Section 15J of SEBI Act - Factors to be taken into account by the Adjudicating Officer***

*While adjudging quantum of penalty under section 15-I of SEBI Act, 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.”*

*93[Explanation.—For the 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.]*

93 Inserted by Part VIII of Chapter VI of the Finance Act, 2017 vide Gazette Notification No. 7, Extraordinary Prt II Section 1 dated March 31, 2017. This shall come into force from April 26, 2017.

66. As per records, disproportionate gains or unfair advantage and loss caused to investors, if any, have not been quantified in the present matter.
67. As per information already available on records, with respect to Anil Vishnu Bharti and Rajesh Jayantilal Savadia, separate 11B proceedings and adjudication proceedings are also pending in a separate case.
68. Noticees, combined through their manipulative trades have effected price rise of 77.8% of the total price rise, though their individual quantum varies from 2.12% to substantial 22.35%. It is also noted that Mukesh Kumar Sohanlalji Gupta, who individually contributed to 22.35% of the price rise, has also transferred 25 and 15 shares, respectively, to Anil Vishnu Bharti and Rajesh Jayantilal Savadia which subsequently also dealt in same manipulative / fraudulent manner in the shares of STAL and contributed to the price rise.

**ORDER**

69. In view of the above, after taking into consideration all the facts and circumstances of the case, violation established as mentioned above, and after considering the factors enumerated in section 15J of the SEBI Act, following monetary penalty is hereby imposed upon Noticees under Section 15HA of the SEBI Act:
- a) Rs.15,00,000/- (Rupees Fifteen Lakh only) upon Mukesh Kumar Sohanlalji Gupta
  - b) Rs.10,00,000/- (Rupees Ten Lakh only) upon Rahul Kamalkant Parasrampur
  - c) Rs.7,50,000/- (Rupees Seven Lakh Fifty Thousand only) upon Anil Vishnu Bharti
  - d) Rs.7,50,000/- (Rupees Seven Lakh Fifty Thousand only) upon Rajesh Jayantilal Savadia
  - e) Rs.5,00,000/- (Rupees Five Lakh only) upon Prakash Chandra Purohit

- f) Rs.5,00,000/- (Rupees Five Lakh only upon Bhagwat Singh Kitawat
- g) Rs.2,00,000/- (Rupees Two Lakh only) upon Neha B Raval
- h) Rs.2,00,000/- (Rupees Two Lakh only) upon Shekhar D Vaishnav

70. The Noticees shall remit / pay the said amounts of penalty within 45 (forty five) days of receipt of this order either by way of Demand Draft (DD) in favour of “SEBI - Penalties Remittable to Government of India”, payable at Mumbai, or through e-payment facility into Bank Account, the details whereof are as follows:-

<b>Account No. for remittance of penalties levied by Adjudication Officer</b>	
Bank Name	State Bank of India
Branch	Bandra Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI – Penalties Remittable To Government of India
Beneficiary A/c No.	31465271959

71. The Noticee shall forward the said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief of the Enforcement Department 1 (EFD1) – Division of Regulatory Action 4 (DRA 4) of SEBI.
72. The format for forwarding details / confirmations of e-payments shall be made in the following tabulated form as provided in SEBI Circular no. SEBI/HO/GSD/T&A/CIR/P/2017/42 dated May 16, 2017 and details of such payment shall be intimated at e-mail ID: [tad@sebi.gov.in](mailto:tad@sebi.gov.in):

Date	
Department of SEBI	
Name of Intermediary / Other Entity	
Type of Intermediary	
SEBI Registration no. (If any)	
PAN	
Amount (in Rupees)	
Purpose of payment (including the period for which payment was made e.g. Quarterly, Annually)	
Bank Name and Account Number for which payment is remitted	
UTR No.	

73. In terms of rule 6 of the SEBI Adjudication Rules, copies of this order is being sent to the Noticee and also to the SEBI.

**Date: August 31, 2018**  
**Place: Mumbai**

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