

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTION 11(4) AND SECTION 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN CONTINUATION OF THE AD INTERIM EX PARTE ORDER DATED NOVEMBER 1, 2017 READ WITH THE CONFIRMATORY ORDER DATED OCTOBER 30, 2018.

IN THE MATTER OF SUPREME TEX MART LIMITED –

	NOTICEE	PAN
1.	KAJAL RAI	ALYPK6163D

BACKGROUND –

1. Securities and Exchange Board of India (“SEBI”) had earlier conducted a preliminary examination into the trading in the scrip of Supreme Tex Mart Limited (“**Supreme Tex Mart/Company**”) for the period from July 1, 2016 to January 31, 2017 (“**Examination period**”) specifically in relation to bulk Short Message Service (“**SMS**”) being sent with questionable recommendations on trading in the aforesaid scrip.
2. From the findings in the preliminary examination, it was *prima facie* observed that the bank account of Supreme Tex Mart was used to fund the sending of bulk SMSs (which were sent through multiple telecom service providers) recommending ‘buy’ in the aforesaid scrip. Further, it was *prima facie* observed that during the period when such SMSs were forwarded, the price of the aforesaid scrip had increased following which, the Promoters and Directors of Supreme Tex Mart had offloaded a significant quantity of their shareholding. Kajal Rai (“**Noticee**”), a Director of Supreme Tex Mart, was one such entity who had sold shares during the Examination period.
3. On the basis of the findings in the preliminary examination, SEBI *prima facie* found that the Noticee in collusion with other individuals had made misrepresentations through the SMSs and by their action and omission, had solicited, enticed and induced investors to deal in securities in the scrip of Supreme Tex Mart. SEBI had held that the aforementioned entities including the Noticee had committed ‘*fraud*’ as defined under Regulation 2(1)(c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (“**PFUTP Regulations 2003**”). SEBI had also held that the price manipulation resulting from the fraudulent and deceitful actions of the aforementioned entities had attracted the prohibition under Section 12A(a), (b) and (c) of the SEBI Act, 1992 (“**SEBI Act**”) read with Regulations 3(a), (b), (c) and (d) and Regulations 4(1), 4(2)(f) and (r) of the PFUTP Regulations 2003.

4. Accordingly, pending a detailed investigation in the matter, SEBI issued an *Ad Interim Ex-Parte Order* dated November 1, 2017 (“**Interim Order**”) *inter alia* against the Noticee prohibiting her from buying, selling or dealing in securities, directly or indirectly, in any manner whatsoever, till further directions and directing her to cease and desist from disseminating messages or news in any form related to the securities market, directly or indirectly, by any means whatsoever.
5. Pursuant to the Interim Order, the Noticee filed her reply vide a letter dated November 30, 2017 and was granted an opportunity of personal hearing on December 21, 2017. Thereafter, on the basis of the material available on record, SEBI confirmed the directions against the Noticee vide a Confirmatory Order dated October 30, 2018 (“**Confirmatory Order**”) on the basis of the findings recorded at paragraph 19D of the aforesaid Order.
6. I note that the investigation in the matter of Supreme Tex Mart has now been completed. I have perused the Investigation Report and it is noted that the following observations have been made therein with respect of the role of the Noticee:
 - a. During the investigation period i.e. June 1–October 31, 2016, the Noticee’s sell trades on the Bombay Stock Exchange Limited (“**BSE**”) and National Stock Exchange of India Limited (“**NSE**”) were not with the suspected entities.
 - b. The Noticee being an Independent Director of Supreme Tex Mart might not have been aware of the day-to-day operations of the Company including the *modus operandi* adopted by the suspected entities.
 - c. The Noticee had only executed 5 trades in the scrip of Supreme Tex Mart during the investigation period, which were scattered over a period of time.
 - d. Accordingly, based on the available information/documents, no adverse role of the Noticee in the matter, could be established.
7. At this stage, I find that the *prima facie* violations alleged against the Noticee in the Interim Order read with the Confirmatory Order, have not been established as per the Investigation Report. In view of the same, I am of the considered view that the prohibition and restraint imposed on the Noticee vide the Interim and Confirmatory Orders need to be vacated immediately.

ORDER –

8. In view of the foregoing, I, therefore, in exercise of the powers conferred upon me by virtue of Section 19 read with Section 11(4) and Section 11B of the SEBI Act, hereby direct that the prohibition and restraint imposed on the Noticee vide the Interim Order read with the Confirmatory Order shall stand vacated with immediate effect.
9. This Order shall come into force with immediate effect.
10. This Order shall be served on all recognized Stock Exchanges and Depositories.

Place: Mumbai
Date: July 11, 2019

G. MAHALINGAM
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA