

SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: S.K.MOHANTY, WHOLE TIME MEMBER
ORDER

**UNDER SECTIONS 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE
BOARD OF INDIA ACT, 1992**

In respect of:

Noticee No.	Name of the Noticees	PAN	Authorised Representative
1	Pine Animation Limited	AAECM0267A	Not appeared
2	Nagaraja Sharma Rajagopalan	AABPN3336R	Not appeared
3	Deepak Prakash Rane	AMCPR0635A	Not appeared
4	Priyesh Prakash Pethe	APUPP9069B	Not appeared
5	Lalji Ramraj Yadav	AAPPY0422P	Not appeared
6	Santosh Kumar	BMKPK5626B	Not appeared
7	Mandar Subhash Palav	AOMPP1671C	Not appeared
8	Nirmal Pragjibhai Jodhani	AJZPJ7049J	Not appeared
9	Jagdish Prasad Purohit	AFSPP1444E	Not appeared
10	Decent Vincom Pvt Ltd	AADCD3148E	Not appeared
11	PremLata Nahar	AFAPN8764M	Mr. Ketan Rupani, Chartered Accountant
12	Pradip Damji Shah	AABPS7441L	Mr. Prakash Shah, Advocate
13	Rajesh D Joshi	ABSPJ2879F	Mr. Prakash Shah, Advocate
14	Arvind Chhotalal Morzaria	AEKPM9977L	Mr. Prakash Shah, Advocate
15	Unique Image Production Private Ltd.	AAACU9294K	Mr. S Murali
16	First Entertainment Pvt Ltd.	AABCF0975D	Mr. S Murali
17	Murali Shanmugam	AEZPM6900L	Mr. S Murali, in person
18	Prabu Sekar	ARUPP1577G	Mr. S Murali
19	Sekar Vasu	ADRPV2013N	Mr. S Murali
20	Mahaganapati Financial Services Pvt Ltd	AAHCM1333N	Mr. Saurabh Bachhawat, Advocate
21	Gajakarna Trading Pvt Ltd	AAECG2103R	Mr. Saurabh Bachhawat, Advocate

22	Nimesh S Joshi	AAFPJ6734M	Mr. Saurabh Bachhawat, Advocate
23	Hitesh N Kawa	AGYPK8780F	Mr. Saurabh Bachhawat, Advocate
24	Rashmi N Joshi	AGSPJ6909M	Mr. Saurabh Bachhawat, Advocate
25	Roopal Hitesh Kawa	ANMPK4236D	Mr. Saurabh Bachhawat, Advocate
26	Akash Ranchhodbhai Golakia	ALDPG8381J	Waived
27	Alok Navinchandra Kubadia	ABFPK6567J	Mr. Harshvardhan Bansal, Advocate
28	Anuradha Omprakash Jajoo	AAMPJ0021E	Waived
29	Ashish Goel	AAEPG6708K	Ms. Vijeta Mishra, Advocate Ms. Isha Raman
30	Bharti Dhaval Shah	AMCPS3169A	Ms. Parinati Jain and Ms. Prachi Tashniwal, Company Secretary; Mr. Amit Shah
31	Bina Devi Dhanuka	AEZPD5474N	Mr. Pesi Modi, Senior Counsel, Ms. Kalpana Desai, Advocate, Mr. Sumit Agrawal, Advocate, Ms. Prachi Jain, Advocate, Mr. R Chandrashekher, Chartered Accountant
32	Chintan Ranchhodbhai Golakia	AEEPG1294G	Waived
33	Darshan D Bhanushali	AGKPB3602K	Ms. Rinku Valanju and Ms. Hiral Shah, Advocates
34	Deepak Agrawal HUF	AAGHD3018R	Mr. Ramesh Mishra, PCS
35	Devesh Valecha	ARCPV4314R	Mr. Kunal Katariya, Advocate
36	Dipti Paresch Shah	ALJPS2651R	Ms. Parinati Jain and Ms. Prachi Tashniwal, Company Secretary; Mr. Amit Shah
37	Ganesh Laxman Wagh	AANPW9528Q	Mr. Ravi Vijay Ramaiya, Authorised Representative
38	Govind Agrawal HUF	AADHG0808H	Mr. Loknath Mishra, Advocate
39	Heena Hitendra Nagda	ABVPN8122C	Ms. Rinku Valanju and Ms. Hiral Shah, Advocates
40	Kajari Nagori	AQZPB2916M	Mr. Loknath Mishra, Advocate
41	Kiran Sunil Jajoo	AALPJ9757A	Waived
42	Pankaj Kumar Beria	ABFPB2995P	Mr. Pulkit Sharma, Advocate
43	Madan Mohan Dhanuka	ADQPD6035P	Mr. Pesi Modi, Senior Counsel, Ms. Kalpana Desai, Advocate, Mr. Sumit Agrawal,

			Advocate, Ms. Prachi Jain, Advocate, Mr. R Chandrashekher, Chartered Accountant
44	Madanlal Jain	ABEPJ7142D	Mr. Vinay Chauhan, Advocate
45	Manisha Narpatkumar Chopra	ACTPC4078P	Mr. Vinay Chopra, Authorised Representative
46	Mayank Dhanuka	ADLPD5568J	Mr. Pesi Modi, Senior Counsel, Ms. Kalpana Desai, Advocate, Mr. Sumit Agrawal, Advocate, Ms. Prachi Jain, Advocate, Mr. R Chandrashekher, Chartered Accountant
47	Moolchand Jain	ABEPJ7147G	Mr. Vinay Chauhan, Advocate
48	Mukesh Kumar Jain	ADIPJ9498C	Mr. Vinay Chauhan, Advocate
49	Murlidhar Mundhra HUF	AAIHM2182H	Not appeared
50	Narayan Balkrishan Toshniwal	AAPPT4897B	Mr. Saurav Bachhawat, Advocate
51	Neha Dhanuka	ADOPB3260E	Mr. Pesi Modi, Senior Counsel, Ms. Kalpana Desai, Advocate, Mr. Sumit Agrawal, Advocate, Ms. Prachi Jain, Advocate, Mr. R Chandrashekher, Chartered Accountant
52	Nikunj Dhanuka	ADNPD6220D	Mr. Pesi Modi, Senior Counsel, Ms. Kalpana Desai, Advocate, Mr. Sumit Agrawal, Advocate, Ms. Prachi Jain, Advocate, Mr. R Chandrashekher, Chartered Accountant
53	Omprakash Ramniwas Jajoo	AARPJ7854N	Waived
54	Paras Chand Maru	ADUPM7778C	Not appeared
55	Pinky Rajkumar Agrawal	AAPPA6951R	Not appeared
56	Poonam P Jain	ANBPS0119C	Waived
57	Poonam Pankaj Beria	AFTPB8600D	Mr. Pulkit Sharma, Advocate
58	Rajkumar Budhram Agarwal	AAPPA6950Q	Not appeared
59	Rajkumari Dhanuka	ADUPD7020N	Mr. Pesi Modi, Senior Counsel, Ms. Kalpana Desai,

			Advocate, Mr. Sumit Agrawal, Advocate, Ms. Prachi Jain, Advocate, Mr. R Chandrashekher, Chartered Accountant
60	Ranchhodbhai Jasmatbhai Golakia	AAYPG3878J	Waived
61	Rishikumar Rajnarayan Bagla HUF	AAFHR1225K	Mr. Kunal Katariya, Advocate
62	Saurabh Maru	AJWPM1991R	Not appeared
63	Seema Ganesh Wagh	ACHPW1315R	Mr. Ravi Vijay Ramaiya, Authorised Representative
64	Shakuntala Maru	ACIPM0237D	Not appeared
65	Shribhagwan Fatehpuria Sushilkumar	AABPF1503E	Mr. Pulkit Sharma, Advocate
66	Snehlata Sudesh Jajoo	AALPJ9756B	Waived
67	Sudhesh Laxminarayan Jajoo	AAEPJ9602R	Waived
68	Sunil Jajoo	AAEPJ9603Q	Waived
69	Sushilkumar Fatehpuria Umadevi	AABPF1507A	Mr. Pulkit Sharma, Advocate
70	Umang Dhanuka	ADLPD0494K	Mr. Pesi Modi, Senior Counsel, Ms. Kalpana Desai, Advocate, Mr. Sumit Agrawal, Advocate, Ms. Prachi Jain, Advocate, Mr. R Chandrashekher, Chartered Accountant
71	Vijuben Ranchhodbhai Golakia	AAWPG3157A	Waived
72	Vikas Jain	AJTPJ3155F	Mr. Vineet Jain, Authorised Representative
73	Vikas Jain	AFOPJ4431P	Mr. Vinay Chauhan, Advocate
74	Vineet Jain	AEDPJ2960D	Appeared in person
75	Nellakkara Raghunath	AESPN9474K	Appeared in person
76	Abar Sanjay	ABBPS6426N	Appeared in person
77	Akash Jain	AIGPJ1990A	Not appeared
78	Dhirendra Kumar Gupta And Sons HUF	AAFHD9092L	Mr. Satyendra Kumar Gupta, Advocate
79	Sreeya Singhania	CURPS0242R	Mr. Rajesh Kumar Singhania
80	Mehta Rajendra Chhotamalji	AMVPM7318L	Mr. Saket Bhansali, Authorised Representative

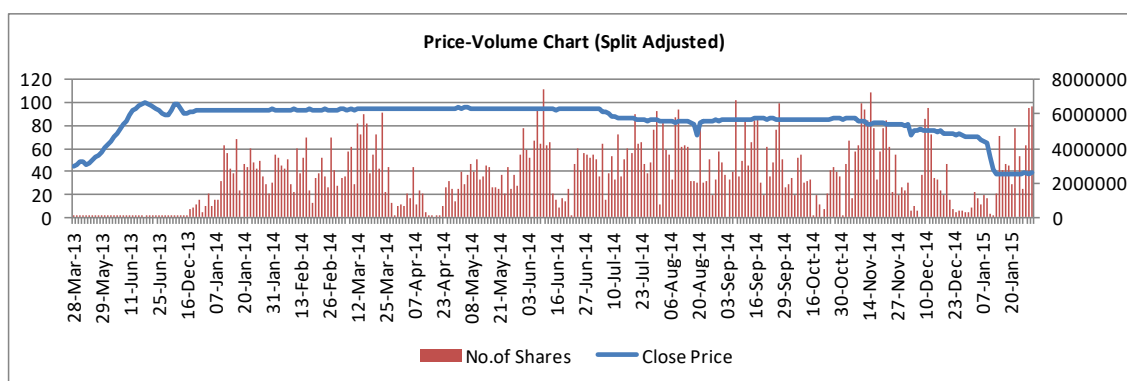
IN THE MATTER OF PINE ANIMATION LIMITED

(The aforesaid entities are hereinafter individually referred to by their respective names/Noticee nos. and collectively as “Noticees”, unless the context specifies otherwise)

Background:

1. Securities and Exchange Board of India (herein after referred to as "**SEBI**"), conducted an examination into the dealing/trading in the scrip of Pine Animation Limited (formerly known as Four K Animation Limited) (hereinafter referred to as "**PAL**" or "**the Company**"), during the period from March 28, 2013 to January 30, 2015, since sharp rise in traded volume and price of the scrip of PAL was observed during the said period. Accordingly, based on the prima facie findings, SEBI vide an ad *interim ex-parte* order dated May 8, 2015 (hereinafter referred to as "**the Interim Order**"), had restrained 178 entities from accessing the securities market and also prohibited them from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever, till further directions. The said 178 entities included many of the persons/entities who are Noticees in the present proceedings.
2. The interim order was passed on the basis of preliminary enquiry/examination which indicated that the modus operandi/scheme/artifice/device that was followed in this case was to first allot shares of the Company on a preferential basis; then announce a stock split; pump up the share prices artificially; and eventually provide an exit to the preferential allottees at a higher price.
3. The investigation in the matter commenced after passing of the Interim Order. During the pendency of the investigation, the debarred entities were given an opportunity of hearing. During the hearing, several entities requested for certain relaxations, from the prohibitions imposed by the Interim Order. Vide letters dated January 19, 2016 and March 18, 2016 and order dated August 22, 2016, SEBI allowed certain relaxations to the restrained entities. The said relaxations included *inter alia* permission to sell the securities lying in their respective demat accounts as on the date of the Interim Order and deposit the sale proceeds in an interest bearing escrow account with a nationalised bank. Certain entities were also allowed to utilise upto 25% of the value of their portfolio as on the date of the Interim Order, for their business purposes and/or for meeting other exigencies.
4. As the present proceedings are emanating from the Interim Order and subsequent investigation conducted in pursuance thereof, all the findings of Interim Order etc., and other proceedings have now been subsumed in the common Show Cause Notice dated December 6, 2017 (hereinafter referred to as "**the SCN**"), issued to the Noticees.

5. The factual findings from the investigation in the matter are briefly as follows: -The Company was incorporated in 1989 and was based in Chennai. The shares of the Company were listed on the BSE Limited (hereinafter referred to as “BSE”) from March 25, 1994 onwards. The shares of the Company were suspended from trading for the period from November 09, 1998 to June 22, 2012. Pursuant to the revocation of suspension, the trading in the scrip of the Company resumed only on March 28, 2013, when a Special Pre-open Session (hereinafter referred to as “SPOS”) was conducted in the scrip. On March 28, 2013, the opening trade in the shares of PAL was executed at ₹441/-. Subsequently, the price of the shares of PAL rose to ₹485/- on April 02, 2013.
6. On May 17, 2013, the shares of PAL were split from the face value of ₹10 each to ₹1 each. Thereafter, the price of the scrip touched a high of ₹100.60 (split adjusted price) on June 20, 2013 (i.e price of the scrip without split rose upto ₹1006.00 per share with a face value of ₹10). The price volume chart of the scrip after adjusting share-split is as under:



7. As noted above, the price of the shares of the Company rose from ₹441 to ₹1,006 (Split adjusted price ₹100.6) in a span of less than 3 months, despite the fact that the shares of the Company were suspended from trading on the exchange platform for around 14 years and the Company had neither any history of profit in previous financial years nor the Company made any material corporate announcements pertaining to its business affairs. It was noticed that after July 2014, the price of the scrip of the Company started falling. The scrip was last traded at ₹25.36 on May 8, 2015 when the trading in the scrip was again suspended by the effect of the Interim Order referred to above.
8. Further, the investigation in the matter revealed that the Company had made the two preferential issues (first on December 13, 2012 and second on March 15, 2013) for a total number of 2,47,000 shares at a price of ₹10 per share, just before trading resumed in the scrip on the stock exchange on March 28, 2013. Separately, it was also observed that before trading resumed in the scrip, the promoters of the Company had transferred their entire

shareholding through off-market trades to certain entities who were allegedly connected with the Company. These entities in turn, transferred those physical shares in further off-market deals to certain other entities who finally sold them on the stock exchange at artificially inflated price.

9. The investigation has also revealed that one entity connected to the Company was instrumental in determination of the equilibrium price in SPOS at a high rate and certain other entities connected to the Company or its Promoters/Directors have traded in the scrip in such a manner that their trades made positive contribution to Last Traded Price (hereinafter referred to as “**LTP**”) in the scrip and contributed to its price rise during March 28, 2013 to June 20, 2013. It was observed that the receivers of the shares in off-market deals, sold their shares after the price of the shares had gone up, consequent upon the artificial rise in the price of the shares of PAL due to manipulative trading by entities connected to the Company.
10. In view of the aforesaid findings from the investigation, it has been alleged that the Company, its directors, certain entities related to the Company/Directors/Promoters and the off-market transferees who sold their shares at artificially inflated price, had devised and were involved in a scheme or arrangement in a fraudulent manner. The said scheme envisaged manipulation of the price of the scrip of PAL by certain entities connected to the Company in such a manner that it facilitated certain other entities who had received shares through off-market deals, and some of the entities who received funds directly or indirectly from the Company to subscribe to the shares in preferential allotment to sell such shares at exorbitantly inflated price to earn huge amounts of profits. It is relevant to note that a few of the entities/Noticees in the present proceedings were not originally covered by the Interim Order but have been impleaded in the present proceedings, post the completion of investigation, based on their respective roles allegedly played in the aforementioned scheme/fraudulent arrangement, as revealed during the course of investigation..
11. It may be noted here that considering the exponential increase in revenue of the Company during the financial year 2012-13 to 2013-14 and the observations made in the Annual Reports of the Company, SEBI had appointed MSA Probe Consulting Pvt. Ltd. (hereinafter referred to as “**Forensic Auditor**”), as forensic auditor for the purpose of examination of books of accounts of PAL, with a focus on verification of unusual increase in revenue and expenditure of the Company. The Forensic Auditors, in their report, have brought out that the Directors of the Company were involved in falsification of books of accounts of the Company by showing fictitious sales and profit in order to camouflage the price manipulation and to make the artificial price rise in the scrip to appear as genuine and justified price rise. It was also pointed out by the Forensic Auditor that the books of

accounts of the Company were having several illegal/fictitious entries of trading in commodities by obtaining fake contract notes from a broker who had a tainted history and also had entries of trading in shares which were done to divert funds. It was further brought out by the Forensic Auditor that the proceeds of the preferential allotment were not utilized for the intended purpose and that most of the proceeds of preferential allotment were transferred as loans and advances or were used for purchasing shares of companies controlled by/connected to, one Mr. Jagdish Prasad Purohit, the Noticee no. 9 herein.

12. Keeping in view the above noted findings and observations, a common SCN was issued to the Noticees alleging that:

a. Noticee nos. 1 to 8, i.e. the Company and its Directors, were allegedly involved in mis-utilisation of proceeds of preferential allotments, falsification of its books of accounts as presented in the Annual Reports and disclosure of misleading and distorted information about the financial affairs of the Company to the stock exchange and public at large. Noticee nos. 9 to 11 are found to be entities connected with the Company who were allegedly involved in manipulation of price of the scrip of the Company. Additionally, the Noticee no.9 (Mr. Jagdish Purohit) is also alleged to be an important link who played a major role in the scheme of price manipulation of the scrip of PAL through his connected entities and was also instrumental in not only establishing a high opening price in SPOS through his connected entity, i.e., the Noticee no. 10 (Decent Vincom) but also was connected to the Noticee no. 11 (Ms. Prem Lata Nahar) who played an important role in manipulating the price of the scrip. Moreover, the Company PAL was found to have transferred huge sums of money to various unlisted companies connected to the Noticee no. 9 thereby reinforcing the suspected central role played by the Noticee no. 9 as a crucial link in the scheme involving the scrip of PAL.

b. The Noticee nos.12 to 14, are few of those preferential allottees who are found to have close nexus with the Company and its Promoters/Directors, and have allegedly played a role in the fraudulent and manipulative scheme as evident from the fact that the allotment of shares on preferential basis to them were funded by PAL itself. These preferential allottees also benefited from the scheme by selling the shares allotted to them at artificially inflated price. The companies arrayed as the Noticee nos. 15 and 16 were the Promoters of PAL while the Noticee nos. 17 to 19 are the Directors of the said Promoter companies, i.e., Noticee nos. 15 and 16. It is alleged that the promoting companies have transferred their entire shareholding in PAL to six entities (Noticee nos. 20 to 25) who in turn have facilitated further off-market transfers of the physical shares received by them from the Promoters of PAL, to 49 other entities (Noticee nos. 26 to 74). These 49 entities spread across different parts of the country are found to have sold those shares at an artificially inflated price. Keeping in view the manner in which the Noticee nos. 20 to 25

transferred the physical shares to a large number of investors and the manipulation in the scrip of PAL that took place during the investigation period which helped the 49 recipient of shares of PAL through off-market deals in selling the said shares at artificially inflated prices, these persons/entities have been alleged to be participants in the fraudulent scheme/device that was orchestrated for manipulating the price of scrip of PAL for the benefit of these off-market recipients of the shares of the Company . In view of the above noted findings during the investigation, it has been alleged in the SCN that the Noticee nos. 1 to 74 were involved in a fraudulent scheme whereby, price of the PAL scrip was manipulated by certain entities so as to enable certain preferential allottees as well as the entities who bought shares of PAL in off-market deals to sell their shares at artificially inflated prices.

c. It has been also alleged that the trades of the Noticee nos.75 to 79 in the scrip of PAL have made positive contribution to LTP and were instrumental in price rise of the scrip. The Noticee No. 80 has been alleged to have executed a number of self-trades and those trades were instrumental in depressing the price of the scrip.

d. As per the SCN issued, the Noticee nos. 1 to 74 have violated sections 12A (a), (b) and (c) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**the SEBI Act**') and Regulations 3(a), (b), (c) and (d) and 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**') by being a part of manipulative scheme described above.

e. The Company and its Directors(Noticee nos. 1 to 8) have allegedly violated sections 12A (a), (b) and (c) of SEBI Act, 1992 and regulations 3 (a), (b), (c), (d), 4(1), 4(2)(f), (k) and (r) of the PFUTP Regulations on the ground of falsification of Books of Accounts, filing misleading financial statements with the stock exchanges thereby inducing the investors on the basis of such false information, and for mis-utilisation of preferential allotment proceeds, during the financial years 2012-13 & 2013-14.

f. Decent Vincom Pvt Ltd and Prem Lata Nahar (Noticee nos.10 and 11), Nellakkara Raghunath, Sanjay Abar, Akash Jain, Dharendra Kumar Gupta and Sons HUF and Sreeya Singhania (Noticee nos. 75 to 79) have allegedly violated section 12A (a), (b) and (c) of SEBI Act, 1992 and regulations 3(a), (b), (c) (d), 4(1), 2(a) and (e) of the PFUTP Regulations for price manipulation in the scrip of PAL.

g. Mehta Rajendra Chhotamalji (Noticee No. 80) is alleged to have violated Section 12A (a), (b) and (c) of SEBI Act, 1992 and Regulations 3(a), (b), (c), (d), 4(1), 2(a), (e) & (g) of the PFUTP Regulations, 2003 for fraudulent and manipulative trades in the scrip by entering into self-trades.

13. In view of the aforesaid alleged violations, the Noticees were called upon through the SCN,

to show cause as to why suitable directions under sections 11(1), 11(4) and 11B of SEBI Act, 1992 shall not be issued against them for the violations alleged under the SCN.

14. The SCNs were duly served upon all the Noticees by speed post or by way of hand delivery except for the Noticee No. 2, upon whom it was served by way of affixation at his last known address. The records suggest that after receipt of the SCN, some of the Noticees, viz; Prem Lata Nahar, Pradip Damji Shah, Rajesh D. Joshi, Arvind C. Morzaria etc., had requested for providing them with opportunity to inspect the relevant documents collected during investigation. The entities whoever had requested for an opportunity for inspection of documents, were permitted to inspect the relevant documents. I find that most of the Noticees have filed their respective written replies to the SCN. I will discuss their replies in the following paragraphs.
15. It is noted that many of the entities after conducting inspection of the documents, have sought further documents, viz., copy of investigation report, complaints received by SEBI etc. I note that copy of all the documents that have been relied upon while issuing the SCN have already been furnished to the Noticees as annexures to the SCN and inspection of such documents have also been provided. At this stage, it is relevant to refer to the decision of Hon'ble Securities Appellate Tribunal (hereinafter referred to as "SAT") passed in the matter of *Reliance Commodities Ltd. Vs. National Commodity & Derivatives Exchange Ltd.* (Appeal No 173 of 2019- Date of Decision - 23.07.2019). In the said matter, Hon'ble SAT while dealing with the issue of providing copy of documents to the Noticees, had observed inter alia as:

"2. Having heard the learned counsel for the parties and having perused the list of documents so required for inspection we are of the opinion that the documents sought for is nothing but a roving and fishing enquiry. We accordingly do not find any merit in the submission of the learned counsel for the appellant that these documents are essential for the purpose of filing an appropriate reply.

3. However, we are of the opinion that if any document is relied by the respondent while disposing of the matter such document should be made available to the appellant....."
16. As all the documents relied upon have been furnished to the Noticees, the requests made for additional documents does not merits acceptance.
17. Subsequently, all the Noticees were granted an opportunity of personal hearing on October 23, 2018 and October 24, 2018. On the said dates, 41 Noticees appeared for personal hearing before me and they were heard. However, several Noticees sought adjournment of the hearing, while hearing with respect to certain other entities could not be concluded on October 24, 2018. Keeping this in view, another opportunity of personal hearing was

granted to the remaining entities on January 23 & 24, 2019. Hearing with respect to 9 more Noticees got concluded on January 23, 2019 & January 24, 2019. It is however, noted that the Company and its Directors did not appear for hearing on any of the aforesaid dates. However, the Company has filed its reply vide its letter dated March 09, 2019. Similarly, Noticee nos. 3 to Noticee no. 7 have filed their replies vide separate letters dated January 31, 2019. Notice no. 8 filed his reply vide letter dated January 30, 2019. One Noticee, viz. Mr. Nagaraja Sharma Rajagopalan (Noticee no. 2) has neither filed any reply to the SCN nor has appeared for hearing. It is also noted that in the present proceedings before me, out of 80 Noticees, 11 Noticees have waived their right to be heard. To sum up, out of 80 Noticees, 52 Noticees were heard, 11 Noticees have waived their right to be heard and 17 Noticees neither appeared for hearing nor have communicated anything in this regard. As sufficient opportunities of hearing have been granted to the Noticees to respond to the SCN, I am inclined to proceed with the matter on the basis of the materials available on record without any further correspondences with the Noticees.

18. It is relevant to mention here that few of the entities, namely, Mayank Dhanuka (Noticee no. 46); Umang Dhanuka (Noticee no. 70), Madan Mohan Dhanuka (Noticee no. 43); Neha Dhanuka (Noticee no. 51); Bina Devi Dhanuka (Noticee no. 31); Rajkumari Dhanuka (Noticee no. 59); Nikunj Dhanuka (Noticee no. 52) (hereinafter collectively referred to as “**Dhanuka Group**”) had filed appeals before SAT, against the confirmatory order dated August 22, 2016 passed by SEBI. The said appeals were dismissed by SAT vide a common order dated December 15, 2017. I find that vide the aforesaid confirmatory order passed by SEBI read with corrigendum issued on August 24, 2016, certain reliefs were granted to a number of entities. Based on the pleadings filed before Hon’ble SAT, vide its order dated January 12, 2017, Hon’ble SAT have permitted the Dhanuka Group to make representation before SEBI for seeking modification/clarifications of the said reliefs granted, vide the confirmatory order referred to above. In pursuance thereof, a joint representation dated January 19, 2017 was filed by the Dhanuka Group and on their request, personal hearing was also granted. In the said representation, the group had prayed for certain additional reliefs, however, for the reasons as recorded in the order dated February 09, 2017, the said representation was disposed of without granting any further relief.
19. It is also noted that the Company (Noticee no.1) and its Directors have requested for cross-examination of the all those persons who have made an allegation about its relationship with the Noticee no.9. It has been stated that the information given to the Forensic Auditor were given under duress.
20. Before advertng to the replies of the Noticees, I deem it imperative to deal with the said request of cross examination as stated above. In this regard, it is observed that despite

providing repeated opportunities for personal hearing, the Noticee no.1 and its Directors chose not to appear before me in the proceedings. I find that the request to cross –examine has been made by the Noticees in 2019, in a proceedings that was initiated around one year ago vide a SCN which was dated December 06, 2017. It is further observed that the report of Forensic Auditor along with its annexures have duly been served as an annexure to the SCN.

21. The delay in making such a request, itself is a ground to reject such request as the same presumably appears to be a feeble attempt and an afterthought ploy to delay the proceedings or to distort the probable anticipated enforcement action against the Company arising out of the proceedings, by taking shelter under the plea of principles of natural justice.
22. It is relevant here to note that the Company and its Directors have not specified or identified the person/entities to whom it wants to cross examine with respect to its alleged relationship with the Noticee no. 9. Nevertheless, I can observe from the records that the alleged nexus between PAL and its Directors with the Noticee no. 9 has been pointed out by the Forensic Auditor based on their interactions with the Director, consultant and also with the Noticee no. 9. In this regard, it may be emphasised that Forensic Auditor gives findings or makes a statement based on concrete documents, evidences, transactions etc., collected during the course of forensic audit process and the report of a forensic auditor is distinguishable from the report of other experts who merely make an ‘opinion’ which can be rebutted by way of cross-examination. It is observed that the copy of the forensic audit report and the documents relied upon by the Forensic Auditor have been provided to the Noticees since December 2017 along with the SCN. However, the Company and its Directors did not raise any objection to the finding of the Report till January/March 2019. Notwithstanding the above, I note that the major findings of the Forensic Auditor, viz., observations that the Company has never performed any animation work, has not been disputed by the Company by way of any supporting documents. Further, the earning from the trades purportedly done in commodities derivatives has also been found by the Forensic Auditors to be a false claim based on the information provided by the commodity exchange itself, i.e., Multi Commodities Exchange (hereinafter referred to as **“MCX”**). The Company as well as Kali Commodities Pvt Ltd. (hereinafter referred to as **“Kali Commodities”**), the trading member through whom the trades were purported to have been executed also did not respond to the queries raised by the Forensic Auditor during the audit process. Thus, most of the findings by the Forensic Auditor pertaining to falsification of accounts and false declaration by the Company and its Directors in the Annual Accounts are based on facts and documentary evidence and not on the basis of any opinion or discretionary views of the auditors. Therefore, it is the responsibility of the

Company and its Directors to disprove the findings of the Forensic Auditor by presenting counter evidence or verifiable explanation and not to resort to any tactics of wasting time in the garb of frivolous demands like cross-examination of the auditors.

23. I find that the Company has made no efforts to explain either during the course of auditing exercise or after the issuance of SCN, as to whether the Company actually did any animation work or whether actually it did trading in commodities derivatives. It is also observed that the allegations that have been made in the SCN are based on the evidences/documents collected during the course of investigations, which includes findings from the process of Forensic Audit as well. It is also found that no such statement under oath has been recorded by the Investigating Authority during the course of investigation nor has any recorded statement of any person has been relied upon while levelling the allegations against the Company. I also find that even during the course of audit, no statement of any person was recorded under oath and the findings with respect to relationship between PAL and the Noticee no. 9 are based on their (Forensic Auditors') interactions with the Director, consultants of the Company and the Noticee no. 9 himself. Therefore, the contention of the Company that the statements were made under duress to the Forensic Auditors is imaginary and irrelevant. It is also not known as to why the Director and consultants of the Company who were interviewed by the Forensic Auditor never complained to SEBI of any pressure being applied to them by the Forensic Auditors at the stage of investigation, if at all they were put to any situation of duress. It is incumbent on the Noticee no. 1(Company) to rebut the findings made by the Forensic Auditor about its relationship with the Noticee no. 9, which is a matter of fact and can be either accepted or rebutted only with the support of facts to the contrary. The investigation has already revealed several transactions involving transfer of funds by PAL to a number of companies in which Noticee no. 9 and his relatives are interested. The investigation has also revealed the fact that an entity (Noticee no. 10) related to the Noticee no. 9 has helped in establishing a high opening price of the scrip in SPOS while another entity (Noticee no. 11), connected to the Noticee no. 9 has received funds from a related party of the Noticee no. 9 and has played a role in manipulation of the price of the scrip of PAL. Instead of discharging its primary onus, the Noticee no.1 (Company) has requested for cross examination of unspecified persons after more than a year of receipt of the SCN thereby displaying its malafide intention to mislead the proceedings by such dilatory tactics. Under the circumstances, the request for cross-examination is found to be devoid of any sincerity of purpose and merit, hence is rejected.
24. The SCN alleges that various provisions of SEBI Act, 1992 and PFUTP Regulations have been violated, as have been specified in the earlier paragraphs. Accordingly, it would be relevant to have a look at the said provisions allegedly violated by the Noticees which are

reproduced hereunder:

SEBI Act, 1992

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

12A. No person shall directly or indirectly—

- (a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*
- (b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;*
- (c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003

Regulation 3. Prohibition of certain dealings in securities

“No person shall directly or indirectly –

- (a) buy, sell or otherwise deal in the 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.”*

Regulation 4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

- (a) indulging in an act which creates false or misleading appearance of trading in the securities market;*
.....
- (e) any act or omission amounting to manipulation of the price of a security;*
- (f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any*

information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

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

... ..

(k) an advertisement that is misleading or that contains information in a distorted manner and which may influence the decision of the investors;

... ..

(r) planting false or misleading news which may induce sale or purchase of securities;

... ..”

Chronology of major events in the matter:

25. As the present matter involves myriad facts and circumstances, for better appreciation of the matter, it is deemed relevant to list out a chronology of major events, based on my examination of the matter, as presented below:

Sr. no.	Date	Event
1.	1989	Pine Animation (Formerly known as Four K Animation Ltd.) was incorporated having registered office in Chennai.
2.	25.03.1994	The scrip of Four K Animation (erstwhile name of PAL) was listed on BSE.
3.	09.11.1998	Suspension of trading in the scrip.
4.	February/March 2012	Sale of shares of 30.91% of shareholding in PAL by the promoter entities to Noticee nos. 20 to 25
5.	February 2012 onwards	Various actions with respect to appointment of directors on the Board of PAL and other actions pertaining to the affairs of the Company were initiated by Noticee nos. 22 and 23.
6.	22.06.2012	Suspension of trading in the scrip of PAL was revoked.
7.	13.12.2012	Preferential allotment of 1, 50, 00, 000 shares at ₹10 each to 49 entities.
8.	15.03.2013	Preferential allotment of 97, 00, 000 shares at ₹10 each to 48 entities.
9.	28.03.2013	Trading of shares of PAL commenced by way of SPOS at a price of ₹441.
10.	17.05.2013	Split of shares in the ratio 1: 10, i.e., one share was split into 10 shares
11.	22.05.2013 to 14.06.2013	Trades by Noticee no. 11, 75 and 78 as buyers and Noticee no. 77 and 79 as sellers. Highest price during the said period : ₹967.50 (unadjusted to split of shares)
12.	20.06.2013	Price of share touched its peak at ₹1006.00 (unadjusted to split of shares)

13.	03.02.2014 to 28.11.2014	Sale of shares of PAL by Noticee nos. 12 and 13.
14.	06.03.2014 to 30.01.2015	Sale of shares by Noticee nos. 26 to 74
15.	30.01.2015	Price of the scrip of PAL closed at ₹38.85
16.	08.05.2015	Interim order passed by SEBI. Trading in the scrip was suspended Closing price ₹25.36
17.	02.08.2016	Report of Forensic Audit for financial year 2012-13 and 2013-14
18.	06.12.2017	Common SCN issued to 80 entities.

Replies of the Noticees and Consideration thereof:

26. After carefully perusing the contents of the common SCN issued to all the 80 Noticees along with its Annexures, the written replies and submissions filed by different Noticees and after personally hearing 52 (out of 80) Noticees as stated earlier, I observe that for the sake of clarity and in the interest of better discussions and consideration of the issues arising out of SCN, the Noticees can be grouped as under :

- A. Company and its Directors- (Noticee nos. 1 to 8);
- B. Operator/price manipulator (Noticee nos. 9 to 11);
- C. Preferential Allottees (Noticee nos. 12 to 14);
- D. Promoter companies of PAL and its Directors(Noticee nos. 15 to 19);
- E. Intermediate entities(Noticee nos. 20 to 25);
- F. Off Market Transferees(Noticee nos. 26 to 74); and
- G. Price Manipulators (Noticee nos. 75 to 80)

27. Now, I proceed to discuss the allegations, the replies / submissions made by the Noticees and the arguments advanced by them in course of the personal hearing, with respect to each of the aforesaid groups of Noticees separately, in the subsequent paragraphs.

A. Company and its directors- (Noticee nos. 1 to 8)

28. From the perusal of the SCN, it is noted that the major allegations made against the Noticee nos. 1 to 8 in the SCN are highlighted as follows:

- i. **Falsification of accounts:** As have been brought out succinctly in the Forensic Audit report that the Company (PAL) has falsified its books of accounts for the financial years 2012-13 and 2013-14. The accounts contained income from trading in commodities derivatives, which were not at all executed. No supporting document with respect to the purported commodities derivative trades has been unearthed in the investigation nor the same was provided either by PAL or by Kali

Commodities, the broker through whom such trades were claimed to have been made. In this regard, MCX has also informed that there is no Unique Client Code (hereinafter referred to as “UCC”) in the name of PAL in their database which further falsifies the claim of PAL having ever traded in commodities derivatives on the platform of MCX. Further, it has been observed that PAL has overstated the value of shares of other companies held by it as investments thereby managing to book fictitious profits. The books of accounts of PAL for the financial year 2013-14, also reflected certain commission income, which was found to be unsubstantiated. Further, during Forensic Audit, PAL has not been able to produce any cogent evidence of any expenditure having been incurred to earn such commission income. Moreover, the absence of any employee in the Company during the relevant period indicates that the said profits claimed by the Company were mere book entries.

- ii. **Misrepresentation of facts about the affairs of the Company to stock exchange and investors:** The annual performance of the Company based on the aforesaid falsified books of accounts and unsubstantiated revenue and profits formed a part of the Annual Reports which in turn was disclosed to the stock exchange. Such Annual Reports that were filed with the stock exchange contained false annual accounts on the basis of fictitious claims of income from various sources.
- iii. **Connection with Mr. Jagdish Prasad Purohit(Noticee no.9):** PAL has executed many transactions as pointed out by the Forensic Auditor and referred to in page no. 13 of the SCN whereby funds were transferred from the accounts of PAL to the companies allegedly being managed or connected with the Noticee no. 9.
- iv. **Funding of the preferential allottees:** PAL had made two preferential allotment in 2012 and 2013. From the analysis of the bank account statements, it has been alleged that PAL had indirectly funded two preferential allottees to subscribe to the shares of PAL and the said funding was done out of the share application money received from other preferential allottees.
- v. **Utilisation of the preferential allotment proceeds:** The purpose of raising funds through preferential allotment was disclosed as to meet additional funding requirements for acquisition and development of movable and immovable properties. However, the funds received from the allottees pursuant to preferential

allotments were observed to have been immediately transferred to various entities and were also utilised for trading in equities hence, not utilised for the objects disclosed. The entities to whom the loans were extended out of the proceeds of preferential allotment, also had relations /connection to entities related/connected to Noticee no. 9. To be precise, a sum of ₹9.00 Crore was transferred to seven such entities. Therefore, the objects of the preferential issues, as disclosed by PAL were misleading.

vi. In response to the aforesaid allegations and fraudulent activities that have been charged in the SCN, the Noticees no. 1 to 8, except for Notice no.2, have filed almost similar replies vide separate letters and have explained their position as follows:

- a) Forensic Auditor and one of its working partners (who happens to be an ex-CBI officer) exhorted pressure beyond tolerance and threatened with dire consequences. Hence, they found it practically very difficult to participate with the audit in a fair manner. Despite all these, the Company provided all possible documents and extended their full support to the forensic auditors.
- b) The Board of the Company was having expertise in finance, investments and software. It was in December 2012, that the main object of the Company was changed to software development as the Director of the Company, Mr. Nagaraja Sharma was having IT background and expertise in software industry. In order to fulfil the capital requirement for this object, the Company made preferential allotments, which were in compliance with the applicable laws.
- c) The resignation of Mr. Nagaraj Sharma in December 2013 was a major setback for the proposed software development project. As the project got delayed and the money was lying idle in the bank accounts of the Company, the Board of Directors of the Company decided to deploy the money in investment activities, trading in securities and commodities and granting short term loans and advances. These investments gave good returns to the Company and it started making profits.
- d) They were appointed as Directors and were entrusted with the responsibility of managing the business affairs of the Company in consultation with other board members of the Company. During their tenure as Directors of PAL, they have acted honestly and in accordance with the decision of the board in carrying out the work and managing the affairs of the Company. They have not been the beneficiaries of the alleged fraudulent scheme in their personal capacity.
- e) The financial statements of the Company were prepared as per applicable

rules and regulations and were duly approved by the audit committee as well as the shareholders of the Company in their general meeting.

f) With regard to non-compliance with Accounting Standard 2(AS-2) – Valuation of inventories, it has been submitted that the board of the Company has power to quote their investments at cost or market price whichever is higher. It has been stated that the same was adopted by the board but at the time of reporting the same could not come out in the note of the auditors.

g) As regards trading on MCX through Kali Commodities, it is claimed that an UCC- PD054 was generated for trading on commodities. The KYC kit with UCC was received by PAL and was kept at its Chennai Office. The Directors (Noticee nos. 3 to 8) in their reply have stated that due to natural calamities in Chennai in 2015, the office premises were flooded and all papers, documents, computers etc., were destroyed. In contrast to the above explanation, the Company in its reply has stated that it has lost its records and documents in transit while shifting its office for which a FIR has been lodged by it. The Company as well as the Directors (as aforesaid) have claimed to have lodged a FIR albeit for separate reasons, however, copies of the FIRs have not been provided.

h) The trades executed on MCX were genuine trades and the trades were executed through the afore-stated UCC. They duly met their pay-in and pay-out obligations without being aware of any sort of default at the end of the member (Kali Commodities).

i) It was the duty of the member to upload the UCC of its client to the exchange database, failure in this regard, if any, is on the part of the member and the Noticees can't be held responsible for the defaults or breach at the stock exchange.

j) The trades in quoted shares were genuine and were executed without any intention to give profitable exit to the preferential allottees. They are not connected with any of the preferential allottees of any scrip as alleged in the SCN.

k) With regard to commission income, it has been stated that the same was received from M/s. KVM Advisory and that Board of Directors of the Company had enough experience and qualification to carry out the business themselves, without help of any in-house staff.

l) They are not related/connected, either directly or indirectly, with the Noticee no.9. The information available on MCA website shows that Company was managed professionally and the Noticee no.9 was never a director of PAL or was related to any of its past or present directors.

- m) Making investments in the companies related/connected with the Noticee no. 9 was the decision of the Board of the Company and were made with a prospect to reap benefit from business synergies JMD Sounds Ltd. & Jai Ambe Cassettes Pvt. Ltd. were in software business.
- n) The Company had commercial transactions with Pyramid Trading and Finance Ltd. (hereinafter referred to as **“Pyramid”**) and Grover Metalloys Ltd. (hereinafter referred to as **“Grover Metalloys”**).
- o) The Company and its Directors are not connected with other Noticees. Further, they have not traded in the scrip of PAL and were not involved in the manipulation of the price of the scrip.
- p) The price of the scrip of a company is based on many factors apart from fundamentals which, apart from past performance may also include current performance and future plans.

29. **Consideration:**

- I. I note that the Company is claiming that preferential allotment was made with a view to achieve the object of business in software industry which got delayed due to the resignation of Mr. Nagraja Sharma (Noticee no. 2), who had expertise in the said field. In this connection, I note that the Noticee no. 1 is a Company duly incorporated under the provisions of the Companies Act, 1956 and is not a sole proprietorship or partnership concern. Unlike a partnership Firm, a company and its business segment, ought not to be dependent on any particular individual and is expected to be run by a team of professionals. The Company, though claiming that delay in the proposed software development plan was the reason for putting money in investment activity, has however, failed to produce an iota of evidence qua the ‘delayed project’. On the one hand, it has been submitted that the board was competent and professionally experienced enough to take decisions and earn commission income on the strength of their own expertise without the support of any employee, whereas on the other hand, one director (Noticee no. 2) has been projected to be indispensable to implement the proposed software project for which money was raised under preferential allotment, so much so that the Company was helpless to implement the project after his resignation. Moreover the Company has at no point of time explained the nature of software project that the Noticee no. 2 was supposed to implement and why even after his departure, the said project could not be pursued, although money was raised through preferential allotment only for executing such project. Incidentally, I find that the Company raised funds through preferential allotment in the month of December 2012 and March 2013 and Noticee no. 2 who was entrusted with the work of

implementing the software project, resigned from the Company in December 2013. Thus, there is a time lag of almost 10-12 months during which the project ought to have been implemented at least partially and there was no need for investing the entire funds for purposes other than what was projected and that too immediately after the receipt of the proceeds. However, the Company has not furnished any account of the details of implementation of the said software project, if any, till such time the Noticee no. 2 was working for the Company. The so called software project for which the Company claimed to have raised funds through preferential issue, remains till date, a figment of imagination without a shred of evidence, if at all there was any such project in contemplation of the Company.

- II. Furthermore, it is noted from the disclosures made by the Company with respect to the preferential allotment that the purpose for raising of funds was not connected to any software development project. In this respect, it is observed that there is apparent contradiction in the submissions advanced by the Company to the allegation made in the SCN and the disclosure made pertaining to utilisation of the funds raised pursuant to the preferential allotment. As per notice filed with MCA, it was disclosed that the funds so raised through the preferential allotment would be utilised to fulfil additional funding requirements for acquisition and development of moveable and immovable property, whereas in the reply to the SCN, it has been submitted that funds were raised for the development of software development projects. I further observe that the fixed assets schedules of the Company for the financial years 2012-13, 2013-14 and 15-16 as attached to the Annual Report for the respective years reflect that there had been no additions to the fixed assets of the Company nor was there any information with respect to any capital work in progress. It is also observed that the cash statement for the afore-stated financial years do not have any cash flow with respect to acquisition and development of any movable/immovable property.
- III. Under the circumstances, I cannot persuade myself that the Company had indeed raised the funds for any software project as per its claim in its written submissions. At this stage also, it is relevant to refer to the comparative financials of the Company as observed from the website of BSE. As can be seen from the below mentioned table, the revenue of the Company in the year 2013-14 was ₹86.14 Crore which after passage of only four years, has been reduced to nil:

Annual Trends

(in.Cr.)	2018	2017	2016	2015	2014
Income Statement					
Revenue	--	0.12	0.83	9.53	86.14

Other Income	0.01	0.05	--	--	1.42
Total Income	0.01	0.18	0.83	9.53	87.56
Expenditure	-0.03	-0.16	-0.59	-8.82	-86.67
Interest	--	--	--	--	--
PBDT	-0.03	0.02	0.24	0.71	0.89
Description	--	--	--	0.00	0.00
PBT	-0.03	0.02	0.24	0.71	0.89
Tax	--	-0.01	-0.08	-0.22	-0.28
Net Profit	-0.03	0.01	0.16	0.49	0.61
Equity	27.70	27.70	27.70	27.70	27.70
EPS	--	0.01	0.01	0.02	0.02
CEPS	--	--	--	--	--
OPM%	--	16.39	28.81	7.42	1.03
NPM%	--	11.48	19.69	5.10	0.71
	Standalone	Standalone	Standalone	Standalone	Standalone
	--	--	--	--	--

- IV. The claim of the Company with respect to the profits earned through trading in commodities derivatives has already been denied by MCX. Neither the commodities broker (Kali Commodities) nor the Company has been able to contradict the denial by MCX about the false claim of commodities derivative trading made by the Company. The Noticee has only resorted to evasive responses stating that it was the duty of the member broker to maintain UCC. The Noticees have not brought any documents before me to establish that they had actually traded in commodities and have taken action against the member broker for raising false and frivolous contract notes in this regard. Even till date, the Company has not been able to submit any confirmation either from the commodities broker or from MCX to substantiate its claim of trading in commodities. On account of such gross failure on the part of the Company to substantiate its claim, the findings by the Forensic Auditor with respect to falsification of accounts, especially the false claim of earning profit out of commodities derivative trading is established beyond doubt.
- V. It has been alleged that the Company has falsely shown in its books of accounts, that it has earned commission income of ₹80,43,113/-from KVM Advisory Services Private Limited, Chennai and M/s. VAM Enterprises, Mumbai during the F.Y. 2013-14. The SCN alleges that the said income is a result of falsification of books of accounts as the Company did not have any employee or other manpower or any prior experience to execute such a contract. Moreover, the accounts of the Company do not indicate any supporting expenditure having been incurred by the

Company to provide such advisory services for earning commission income as claimed in its books of accounts. In this connection, I note that during the Forensic Audit, the Company had stated that Mr. Santosh Kumar (Noticee no.6), the Director of the Company was responsible for the execution of the services for which he has been paid a directors remuneration. However, no details with respect to the said transactions or rendering of services, copies of bills/invoices raised on the beneficiary companies, based on which such commission income accrued was furnished to the Forensic Auditors. I further note that the Forensic Auditors also tried to seek details from Ms/ KVM Advisory Services Private Limited (hereinafter referred to as “**KVM Advisory**”) as well as from M/s VAM Enterprises Private Limited (hereinafter referred to as “**VAM Enterprises**”) regarding any services having been rendered by the Company (PAL). As recorded in the Forensic Audit Report, VAM Enterprises did not provide the details of transactions and documentary proof for the same and KVM Advisory merely stated that the payments were made for ‘certain large business’ generated through their advisor Mr. Denroop Betala, who could not be contacted by the Forensic Auditor on the contact number provided by the said company. KVM Advisory did not give any further details/documents with respect to the said transactions. Insofar as the allegation of purported commission income of the Company is concerned, I note that the Company in its reply dated March 09, 2019, has stated that it earned commission income from KVM Advisory for ‘giving reference’ and from VAM Enterprises on sale of cotton yarns and other commodity trading business, transacted with VAM Enterprises during the relevant year. It has also been submitted that the Board of the Directors of the Company had enough qualification and expertise to carry out the business and they did not need support of any in-house staff for the purpose. In this connection, I note that the replies/responses, as stated above are full of contradiction and contained bald statements. During the Forensic Audit, the execution of services which led to earning of such income has been attributed to one Mr. Santosh Kumar (Noticee no.6) but no supporting details or documentary evidence have been provided. However, before me, the Noticee no. 6 has submitted that “Board of Directors” had enough qualification for rendering such services and for such activity, support of any staff was not required. Thus, Notice no. 6 has not corroborated to the reply filed by the Company before Forensic Auditor during the Forensic Audit and has not confirmed that he is the one who had rendered the services to earn commission income for the Company. I therefore note that the stand taken by the Company with respect to earning of such income remains only a fabricated statement, neither confirmed by the counter party to such transactions nor is supported by any kind

of documentary evidence. Thus, it is blatantly unreasonable to accept the contention of the Company and its Directors.

- VI. Furthermore, such an explanation put forth by the Company, cannot be accepted, as the Board of Director is not supposed to function as revenue earners for the Company. The Board of Directors of a company looks after the overall governance of the company and is not supposed to lend their services for the revenue generation of a company. Before me, the Company has not produced any such document to support its contentions that the Directors had the mandate to work for earning income of the Company. In the absence of any supporting evidence, given the fact that the Company did not have any employee having requisite expertise to render the stated services for earning any commission income, the explanation offered by the Company remains a mere claim on paper with no substance. Therefore, I am convinced that allegations made based on the observations made by the Forensic Auditor with respect to the false claim of commission income of ₹80,43,113/- made by the Company in its books of accounts stand established.
- VII. I note that the Company in its reply has not submitted any cogent evidence controverting the allegations made in the SCN and supporting documents annexed with SCN pertaining to the allegations of falsification of accounts. The Company has also preferred not to appear before me to make any submissions in response to the allegations made in the SCN. I am therefore left with no option but to rely on the outcome of the Forensic Audit that the accounts of the Company were falsified and fabricated with wrong and misleading entries.
- VIII. It is relevant here to note that the financials of the Noticee Company in the past were not good. The scrip of the Company remained under suspension for almost 14 long years. The Company had a meagre operative income and had incurred losses in the F.Y. 2009-10, 2010-11 and 2011-12. From the disclosure made by the Company and from the details stated in the Annual Reports for the FY 2011-12 to F.Y 2013-14, it has been observed that revenue of the Company from the operations suddenly started witnessing a phenomenal rise. The revenue of the Company which was ₹8,94,000/- for the F.Y. 2011-12 rose to ₹8,76,36,983/- for the F.Y. 2012-13. Thus, there was an exponential growth of 9703% in the revenue of the Company within a year. It was also noted that the revenue further witnessed growth from ₹ 8,76,36,983 in the FY 2012-13 to ₹86,13,67,052/- for the FY 2013-14. It is a strange coincidence that immediately after the trade resume following revocation of a 14 years suspension on the scrip of the Company, the revenues of the Company started witnessing exceptional growth year to year for two continuous financial years and such growth was also accompanied by sharp rise in

the price of its scrip till July 2014, after which the price of the scrip drastically fell down.

- IX. As already observed above, the increase in revenue of the Company, a part of which was claimed to have come as profits from Commodity Derivatives trading was not substantiated by any documentary evidence and has been found to be a false claim. Further, MCX has also informed that its trading member Kali Commodities, through whom the transaction was shown to have been executed was expelled by MCX on May 20, 2015, as the broker member (Kali Commodities) was found guilty of repeated involvement in unauthorized/illegal trading activities, by issuing illegal and forged contract notes for transactions that were not actually executed at all. Consequently, the profit of ₹1,92,22,572.70 (for F.Y. 2012-13 – ₹70,33,048 and for F.Y. 2013-14 – ₹1,21,89,524.70) and turnover of ₹84,54,29,255 (for F.Y. 2012-13 – ₹8,39,20,895 and for F.Y. 2013-14 – ₹76,15,08,360.50) from commodity trading, shown in the books of accounts are found to be false and fabricated in as much as evidence received from MCX goes to show that such transactions never ever happened on its platform.
- X. Similarly, the income from commission against advisory/referral services claimed to have been rendered by the Directors of the Company have been found to be standing on false grounds. Under the circumstances, a major portion of revenue of the Company declared for the aforesaid two financial years that registered such exponential growth can be stated to be specious and misleading. Therefore, such a misleading revenue reporting cannot be projected as strong financial fundamentals of the Company in the relevant period. Hence, the disclosure of such fabricated books of account showing artificially inflated profit by the Company are more than sufficient to induce investors to trade in its scrip thereby depriving to the investors from taking an informed decision on the basis of true and correct information about the Company. Hence such act of the Company and its Directors definitely fall within the realm of fraudulent and unfair practices.
- XI. It is also observed that there are apparent inconsistencies in the explanations advanced by the Company and its Directors relating to the destruction of documents, books of accounts of the Company. On the one side, the reason was attributed to the severe flood in Chennai for not being able to submit the UCC code and other particulars pertaining to Commodity Derivatives trading, whereas the Company has also claimed that the documents were destroyed while shifting of its office premises. Further, the Company has made no effort whatsoever to collect the particulars of UCC (if at all it existed) either from the broker or MCX to substantiate the bonafide of its claims of commodity derivatives trading. Therefore, such unverifiable explanation offered by the Company can only be

termed as concocted and fictitious.

XII. Advancing to the alleged connection between Mr. Jagdish Prasad Purohit (Noticee no.9) and his connected entities with PAL, I find that the transactions between PAL and the entities connected to Mr. Jagdish Purohit have been elaborately discussed at page 13 of SCN. The SCN reveals various fund transfers made by PAL from its accounts to the accounts of different companies that are either directly or indirectly linked to the Noticee no. 9, some of which are illustrated below:

- i. Transfer of ₹50 Lakhs from PAL to Denim Developers Limited (13.12.2012)- Noticee no.9 was a Director during 20.08.2009 to 24.01.2013
- ii. Transfer of ₹125 Lakhs from PAL to Unisys Softwares And Holding Industries Limited (25.03.2013) – Noticee no.9 is a Director.
- iii. Transfer of ₹100 lakhs from PAL to Nirnidhi Consultant Pvt. Ltd (13.12.2012) – Noticee no.9 is a Director along with Anil Kumar Purohit.

XIII. The SCN has also pointed out transfer of funds from PAL to various other companies in which though the Noticee no. 9 was not a Director but was connected to them through his close relatives who were directors in those companies. The aforesaid transactions as referred to in the SCN are evident of the fact that the Company and its Directors were certainly having links with the Noticee no. 9, but for which transfer of large sums of money by the Company mostly from the proceeds of the preferential share issue could not have taken place.

XIV. I may state here that the proceeds of the preferential allotments, which were supposedly raised for the software project of the Company were diverted by the Company towards making investments in various other entities including the entities connected to the Noticee no. 9. Apart from the above noted fund transfers to the entities connected to Noticee no. 9, it is also observed that PAL had made investment in shares of following companies, having connection with Mr. Jagdish Prasad Purohit (Noticee no.9):

- i. PAL invested ₹9.42 crore in the shares of Unisys Softwares & Holdings Limited. Mr. Jagdish Prasad Purohit (Noticee no. 9) is the Managing Director of the said company.
- ii. PAL purchased shares of 27500 shares of JMD in 2012-13. Mr. Kailash Prasad Purohit and Mr. Pawan Kumar Purohit (family member of Noticee no.9) are Directors of JMD.
- iii. PAL purchased 50,000 shares of Neha Cassettes Ltd. in 2012-13,

wherein Mr. Kailash Prasad Purohit is a Director since 02.09.2005.

- iv. PAL purchased 50,000 shares of Jaiambe Cassettes Pvt. Ltd. in 2012-13, wherein Mr. Kailash Prasad Purohit is a Director since 02.09.2005.

- XV. The Company has asserted that these investments were decision of the Board of Directors to reap benefits of business strategies. The annual accounts were approved by shareholders and none of the shareholders have raised any query regarding such investments. It has further been contended that investments in companies where relatives of Noticee no.9 are director will not lead to a connection of PAL with Noticee no.9. Further, the Company has taken a general stand that the investments/loans advances during investigation period is for benefits of its shareholders but, it does not have any direct/indirect connection with Noticee no. 9 .
- XVI. Before me, the Company has not produced any documentary support such as Board resolution or resolution passed by the AGM to substantiate it's claim that the abovementioned investment of funds were duly supported by the Board and the shareholders. The Noticees have also not furnished any justifiable rationale to suggest as to why the funds meant for the stated object of the preferential issue had to be diverted in the form of investment to various entities, more particularly when the Noticee no. 2 resigned only in the month of December 2013, i.e., after 8-10 months from raising of funds for the software project meant to be executed by the Noticee no. 2. Moreover, in one instance, it has also been alleged in the SCN that JMD Sounds Ltd, had transferred fund to Ms. Prem Lata Nahar (Noticee no.11), who has been alleged to have manipulated the price of the scrip of the company by contributing to LTP of the scrip of the PAL. Thus, the aforesaid transactions not only reveal glaring business connections between PAL and Noticee no. 9 and his connected entities but also reflect on the conduct of the Directors of PAL in diverting the funds of the Company for purposes other than the stated objects of raising such funds through allotment on preferential basis.
- XVII. Moving on to the allegations that Mr. Jagdish Purohit (Noticee no. 9) is the most important link in the entire case and PAL was under his de-facto control which has been vehemently denied by the Company and its Directors, I find the Forensic Audit has provided a convincing finding that the Company was functioning under effective control of the Noticee no. 9. The Forensic Auditor have pointed out that the Auditor as well the Chartered Accountant of PAL were introduced to the Company by the Noticee no. 9 and during their interaction with the Forensic Auditor, they have expressed that they were working under the control and command of the Noticee no. 9. Although it is not disputed that the Noticee no. 9

was not holding any official position in PAL, the preponderance of probability of the Company functioning under effective control of the Noticee no. 9 comes out of the very fact that most of the funds mobilised through preferential issue have been diverted to various companies connected to the Noticee no. 9, directly or indirectly, in the form of either share capital or other transactions which also includes investment in the shares of Unisys Software and Holdings Ltd where Mr. Jagdish Purohit was the Managing Director.

XVIII. The aforesaid transactions and fund transfers to the entities connected to the Noticee no. 9 remained undisputed and there has been no statement so far by the Auditor and Chartered accountant of PAL controverting the observations made by the Forensic Auditor that they were functioning under the control and command of the Noticee no. 9. In the absence any evidence to the contrary, I see no reason to disbelieve the observations and remarks made by the Forensic Auditor. The reasons cited by the Company and its Directors that the Noticee no. 9 was never a Director on PAL, and hence cannot be said to have effective control over the Company, don't carry the strength to repudiate a finding made by the Forensic Auditor, based on the strength of certain tangible observations which are sufficiently backed by the transactions between PAL and the entities controlled/connected with the Noticee no. 9. In this respect, it is also noted that the Noticee no. 9 has also not come forward with any defence to controvert the findings made by the Forensic Audit nor has he offered any justification for huge sums of money that have been received by his connected entities so as to persuade me that the transactions have been entered into at arm's length for business purposes. The aforesaid discussion about the effective controlling role that the Noticee no. 9 has stated to have played in the affairs of PAL further exposes the culpability of the Company and its Directors in not only falsification of accounts and misstatements of financial affairs but also for their collusive nexus with the Noticee no. 9.

XIX. I find that the submission made by the Noticees that as Directors of the Company, they have not derived any personal benefit from the alleged transactions of the Company is of no relevance and cannot be used as a defence against the violations allegedly committed by the Company by way of falsification of accounts, thereby painting a rosy picture of the Company's accounts before the public so as to cause inducement to trade in the scrip of Company. It cannot be denied that the Board of Directors is the centre of control and management and is the heart and soul of the Company. The Company can function only as per the directions and superintendence of its Board of Directors. The Board of Directors and the management are the repository of the wisdom and perform the functions for a

company that are performed by a brain for an individual. Therefore, all acts of commission and omission of a company have to be attributed to its Directors and the management. I note that the Hon'ble Supreme Court of India in *N. Narayanan Vs. Adjudicating Officer, SEBI (2013) 12 SCC 152*, while dealing with the role of a director in disclosing wrong and distorted financial statements of a listed company wherein the defence taken by the director was that he was only in charge of the human resources functions of the company, have observed as under:

“33. Company though a legal entity cannot act by itself, it can act only through its Directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence. This Court while describing what is the duty of a Director of a company held in Official Liquidator v. P.A. Tendolkar (1973) 1 SCC 602 that a Director may be shown to be placed and to have been so closely and so long associated personally with the management of the company that he will be deemed to be not merely cognizant of but liable for fraud in the conduct of business of the company even though no specific act of dishonesty is provide against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the company even superficially.”

- XX.** Keeping in view the observations made by the Hon'ble Supreme Court as quoted above, the Directors of the Noticee Company are equally liable for the allegations of falsification of accounts and misrepresentation of financial affairs of the Company to the public. The Company has fraudulently falsified its accounts, claimed bogus income and has filed Annual Reports to exchange containing a false profit and loss account thereby disseminating a misleading picture about the financial affairs of the Company to the public and in turn creating a false perception about the valuation of scrip of the Company. Such activities on the part of the Company and its Directors certainly fall in the ambit of fraudulent and manipulative trade practices related to securities market, in terms of PFUTP Regulations. Accordingly, the violations of Section 12A (a), (b) and (c) of SEBI Act read with Regulation 3(a), (b), (c), (d), 4(1), 4(2) (f), (k) and (r) of PFUTP Regulations, as have been alleged in the SCN qua Noticee nos. 1 to 8, stand established.

B. Operator/price manipulator (Noticee no. 9 to 11)

- i. In the SCN, it has been pointed out that one of the observations of the Forensic Auditor suggests that Mr. Jagdish Prasad Purohit (Noticee no. 9) was practically operating the affairs of PAL which has been discussed in the preceding paragraphs. On the basis of such transactions and fund transfers, the SCN has alleged that the

Noticee no. 9 was part of a fraudulent scheme through which the price of scrip of PAL was fraudulently manipulated by the Company and its related entities for the benefit of those entities who acquired/purchased shares through off-market and for the preferential allottees who were funded by the Company itself to pay their subscription money.

- ii. It is noted that the scrip of the Company was suspended from trading for almost 14 years. Pursuant to revocation of suspension of trading, a SPOS was conducted in its scrip on March 28, 2013. It has been alleged in the SCN that Decent Vincom Pvt. Ltd. (Noticee no.10) which was connected to Noticee no.9 has allegedly manipulated the opening price of the scrip of PAL during the said SPOS. The Noticee no. 10 was instrumental as a buyer to determine the price of the scrip of PAL at ₹441 on the opening day itself, whereas, its last traded price on August 03, 1994 prior to the suspension of trading was only ₹12. It may be noted that at the time of SPOS, the Company had neither made any material disclosures nor any significant corporate announcements with respect to any positive development in its business affairs which could have caused such a high price on the first day when trading was resumed. Thus, not only the Noticee no. 9 was found to have acted as an important link between PAL and other players but also is found to have played a major role in manipulating the opening price of the scrip of PAL, bereft of any fundamental or any material development in its affairs since the day the scrip was last traded for only ₹12 in the year 1994. I can observe that Noticee no. 9 was instrumental in determining the opening price of PAL at ₹441/- through his connected entity, i.e., the Noticee no. 10.
- iii. I find that the Noticee no. 9 vide letters dated January 10, 2018 and April 19, 2018 and the Noticee no. 10 vide letter dated January 10, 2018, have denied the allegations and have requested for time to furnish their replies. However, no reply pertaining to the allegations made in the SCN has been furnished by them till date. They were also granted an opportunity of personal hearing on October 23, 2018. However, they requested for adjournment of hearing and accordingly, the hearing was rescheduled on January 23, 2019. However, for reasons best known to them, they failed to appear for the hearing. Thus, till date, neither the Noticee no. 9 nor the Noticee no. 10 has submitted any written reply in response to the allegations made against them in the SCN.

30. **Consideration:**

- a) Insofar as the allegations made against the Noticee no.9 are concerned, I find that the allegations have prima facie arisen out of the fact that there have been huge

amounts of funds flows from PAL to various corporate entities in which either the Noticee no. 9 or his relative/family members were directors. The allegations have further been strengthened on the basis of observations made by the Forensic Auditor who, on the basis of feedback received from Mr. Nikunj Kanodia, Chartered Accountant and Consultant of the Company, Mr. Shyam Sundar Parasramka, Director of PAL and Rahul Jain, auditor of the Company, have stated in the report that PAL was being controlled by the Noticee no 9. Although the Noticee no. 9 has directly not dealt with in the scrip of PAL, it has been brought out clearly in the SCN that he was managing the affairs in the capacity of a Director of some of the entities, to which funds were transferred from PAL and one such entity allegedly connected to him viz., Decent Vincom Pvt. Ltd. (Noticee no. 10), had also established the opening price of share of PAL at an exorbitant rate of ₹441 in SPOS on March 28, 2013, when trading in the scrip of PAL was resumed after 14 years of suspension. Thus, I observe that the Noticee no. 9 was instrumental in determining the opening price of PAL at ₹441/- through his connected entity, Noticee no. 10, and the said Noticee no. 10 never sold those shares (which it had purchased for ₹441/- per share) at any point of time, even though the price of PAL had reached to ₹1000.6/- (unadjusted to split of shares) on June 22, 2013. The Noticee no. 10 has not been able to justify the rationale behind buying the scrip of PAL at ₹441 per share which had no sound financials and there was also no corporate announcements to support the buying of the scrip at such an exorbitant price in the opening session. The trading pattern of the Noticee no. 10 clearly indicates that it was not a genuine investor of securities market and its decision to purchase the shares of PAL in SPOS was motivated for some contrived reason.

- b) It has also been noticed that the Noticee no. 11, who has been alleged to have played an active role in further manipulating the share price of PAL by way of contributing to LTP and NHP as pointed out in the SCN, had nexus with the Noticee no. 9 through JMD Sounds Ltd., a company to which of the Noticee no. 9 was connected through his relatives. Investigation has found that the Noticee no.11 received ₹17.5 lakhs from this company (JMD Sounds Ltd.) during the relevant period.
- c) Thus, on the whole, even though the Noticee no. 9 has not traded in the scrip of PAL directly in his name, the fact remains undisputed that large sums of money have been remitted by PAL to the entities connected to him (Noticee no. 9) and his family members for which no bonafide explanation has been offered either by the Company or its Directors. The Noticee no. 9 also has not been able to explain

the reasons for receiving those funds from PAL. Moreover, the fact that the Decent Vincom Pvt. Ltd. (Noticee no. 10), a connected entity of Noticee no. 9, has set the price of PAL share in SPOS at a very high rate followed by which the Noticee no. 11 has played an active role in further contributing to the price rise of the scrip, as alleged in the SCN, reveals the culpability of the Noticee no. 9 and other two Noticees, Noticee no. 10 and 11, in the manipulation of share price of PAL which ultimately benefitted the entities who bought shares of PAL through off-market deals, to sell those shares at highly inflated prices established through manipulative trades.

- d) As pointed out earlier, the Director, the consultants and auditor of PAL who were looking after the affairs of the Company at the time of Forensic Audit (post investigation period), have clearly expressed that the Company (PAL) was being effectively controlled and operated by the Noticee no. 9. However, the Directors who are Noticees in this case, (namely Noticee nos. 3 to 8) and who were in charge of the affairs of the Company during the investigation period, have denied that the PAL was having any connection with the Noticee no. 9 and have stated further that all the transactions that were entered into with the entities connected/related directly or indirectly with the Noticee no. 9 were purely in the nature of business transactions. I can observe from the allegations made in the SCN and the documents annexed thereto that such denials from the Noticees-Directors, are quite a natural response to the allegations made in the SCN, since they were the ones who were reportedly under effective influence of the Noticee no. 9 during the relevant point of time. Under the circumstances, the observations made by the subsequent incumbent Director, consultant and auditor of the Company during the Forensic Audit, carry substantial evidentiary value. It is pertinent to note that the Noticee no. 9 has not come forward with any submission till date to rebut the allegations against him or to advance any argument in his own defence. It has not been disputed that the chartered accountant and auditor of PAL referred to above were introduced to the Company by the Noticee no. 9 and they were functioning under the control and command of the Noticee no. 9 on a day to day basis. Under the circumstances, the Noticee no. 9 and 10, by preferring not to file any reply or to explain their case before me in person, have indicated that they have no argument in their defence to dispute the allegations made in the SCN. In this regard the observation of Hon'ble SAT in *the matter of Sanjay Kumar Tayal & Ors. Vs. SEBI (in appeal No. 68/2013)* decided on February 11, 2014, is relevant and same is referred to hereunder:-

“ 29. We see no merit in above contentions. As rightly contended by Mr. Rustomjee, learned senior counsel for respondents, appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices.....”

- e) The Noticee Company, i.e., PAL and its Directors have not been able to offer any plausible justification or any documents to controvert the allegations made in the SCN that the Company PAL was functioning under the influence of the Noticee no. 9. Further the decision of the Noticee nos. 9 & 10 to not to file any reply to rebut the allegations made against them in the SCN and their conduct of abstaining from personal hearing, constrain me to conclude that the role of Noticee no. 9 in collusion with the Company and its Directors in falsification of accounts and in disseminating misleading information about the Company so as to induce investors to invest in its shares, can't be ruled out. At the same time, the Noticee no. 10, which is connected to Noticee no. 9, has been responsible for setting up an exorbitant opening price of the scrip of the Company which lacked even basic fundamentals required for a listed company to evoke any interest by the investors in its scrip. In view of his active role in the affairs of PAL as well as for his fraudulent acts in manipulating the share price of PAL through his connected entity (Noticee no. 10), the Noticee nos. 9 is held liable for the violations of Section 12A (a), (b) and (c) of SEBI Act, 1992, and Regulations 3(a), (b), (c), and (d) and 4(1) of PFUTP Regulations and & the Noticee no. 10 is held liable for the violations of Section 12A (a), (b) and (c) of SEBI Act, 1992, and Regulations 3(a), (b), (c), and (d) and 4(1), 4(2) (a), and (e) of PFUTP Regulations.

31. As regards Noticee no. 11, (Ms. Prem Lata Nahar), she has replied vide letters March 28, 2018, June 26, 2018 and has also filed her written submission dated October 25, 2018 (along with a copy of her demat account statement and ITR for AY 2014-15). In her reply, the Noticee no. 11 has denied all the allegations levelled in SCN and has *inter alia* submitted that:

- a) The transaction /dealing in the shares of PAL was carried out by her husband, Mr. Naxtramal Nahar, who passed away on August 22, 2017. Therefore, she is not aware of the trades mentioned in the SCN. Copy of death certificate has been furnished.
- b) During the period from April 1, 2009 to December 13, 2014, her husband traded in around 176 stocks and she was holding more than 50 stocks as on December 31, 2014. These stocks consisted of blue chip companies, large cap and mid cap

- companies. She was also holding a small proportion of penny stocks or small cap.
- c) PAL was in the business of producing customised software for animation industries which was having good prospects due to significant capacity expansion requirements during 2011-12. Scope of operation of PAL included developing various applications in animations in gaming, live search etc.
 - d) She has bought only 265 shares of PAL by trading on 4 days over a period of 2 months (May 2013 and June 2013). The buy order price on many occasions were at upper circuit limit so as to ensure that she is able to buy from the market. She sold all the shares on January 10, 2014 when the price of the scrip was at ₹93.25 and made a small profit of ₹9,541/-.
 - e) She has traded merely on 5 days during the entire period of investigation and all her transactions were executed on the anonymous screen based trading system of the stock exchange. She has no connection/relation with counterparty to her trades. Therefore, she could not have manipulated the price of the scrip.
 - f) Her husband would have wanted to gain from a fast mover advantage, therefore he placed trades at the upper circuit limits to be able to get shares.
 - g) She has denied having any connection with the entities mentioned in the SCN.
 - h) With regard to receipt of ₹17.5 lakh from JMD Sounds Ltd. it has been stated that she has no connection with either JMD Sounds Ltd., and or the Noticee no. 9 or PAL and the financial transactions were looked into by her husband.
 - i) Interim orders were passed against her by SEBI in the matter of Radford Global and Kamalakshi Finance Corporation, however, the directions issued against her vide the said interim orders were revoked as no adverse evidence were found.
 - j) The Noticee also placed reliance on the few of the SEBI's orders, wherein directions passed by SEBI against LTP contributors were revoked.
 - k) Reliance has been sought to be placed on the following decisions to buttress that strict proof is required to arrive at a finding of 'fraud' solely on the basis of the dealings in the scrip:
 - (i) *R.K. Global Vs. SEBI- Appeal no. 158/2008- Securities Appellate Tribunal;*
 - (ii) *Narendra Ganatra Vs SEBI- Appeal no. 47/2011- Securities Appellate Tribunal;*
 - (iii) *Parsoli Corporation Vs. SEBI- Appeal no. 146/2011- Securities Appellate Tribunal; and*
 - (iv) *Ram Sharan Yadav S. Thakur Muneshwar Nath Singh- Hon'ble Supreme Court.*

32. I have gone through the reply of Noticee no.11, viz. Prem Lata Nahar vis-à-vis the allegations levelled in the SCN and I observe that:

- a) The explanation of the Noticee sounds hollow and is unsubstantiated in the

absence of any corroborative evidence. On the one hand, she has submitted that it was her husband who dealt in the shares on her behalf while on the other hand, she has furnished various explanations in defence of her trading with technical fineness which give an impression that it was she who was responsible for the trades executed in her name in the scrip of PAL. She has not only dealt with the nature of business of PAL and financial prospects that the Company offered, but also has explained about intricacies of share trading in penny stocks and the fast profit/gain that her husband wanted to make by dealing in such shares. Her explanations don't go hand in hand with her contentions that she is aged 69 years and is a house wife and had no knowledge of details of trading executed in her name by her husband. The explanations offered by her cannot be relied upon as neither has she been able to explain the reasons for buying small amounts of shares on different dates thereby contributing to LTP nor has she been able to explain her financial dealing with JMD Sounds Ltd.

- b) In her reply, the Noticee has provided elaborate details of the technicalities of the stock market and how her husband invested in A class and Z class of shares etc. She has also explained the rationale of the decision taken by her deceased husband, for dealing in the shares of PAL. Such an explanation with lot of technical justifications can be provided by only a seasoned trader of securities market. It is difficult to comprehend two opposite stands together taken by the Noticee no. 11, i.e., the one that her deceased husband was doing all the trades in her name and she has no knowledge of these trades, and the second one that all those trades are justified for various technical and market driven reasons as cited above. Further, on the one hand, she claims to be a house wife, while on the other hand, the bank statement of the Noticee no. 11 as annexed to the SCN shows pay out of fixed amount on a continuous basis and also credit entries in the form of 'salary'. Accordingly, the explanation offered by the Noticee in her defence remains contradictory and does not inspire confidence.
- c) Further, with respect to the reasoning given by the Noticee to support her purchase of scrip of PAL by stating that PAL was into animation business etc., I find that such an explanation lacked credence since at that point of time the Company lacked even basic fundamentals which could have enticed any prudent investors to invest in its shares and that too at such a high price. I note that at the point of time when the Noticee purchased small quantities of shares of the Company, PAL had not made any material corporate announcement; trading in its scrip resumed after such a long period of suspension and there was no history of profit in the Company. Therefore, the stand taken by the Noticee that decision to invest in the

shares of PAL was made following the fundamental business attributes of the Company is baseless.

- d) As noted above, the Noticee no. 11, has been found to be connected to PAL and her connection with Noticee no. 9 has been dealt with separately earlier at paragraph no. 30 (b) above. Apart from her connections and transactions with entities linked to Mr. Jagdish Purohit, the other important allegation that has been levelled against her in the SCN is that the Noticee no. 11, had also indulged in manipulation of the price of PAL during the investigation period. It has been pointed out in the SCN that the Noticee no. 11 has on certain days placed buy orders in the scrip of PAL at higher prices resulting in contributing to the LTP and thereby establishing New High Prices in the scrip. The total trades of Noticee no. 11 are captured in the table below:

Sr. No.	Date of Trade	Buy/Sale	Trade Rate	Trade Qty. (Orders placed)	Total number of trades in the day/Shares traded
1)	22/05/2013	Buy	47.20	200 (2 trades at same price) (Order: 200 shares)	2/200
2)	30/05/2013	Buy	60.15	10 (100)	1/10
3)	06/06/2013	Buy	76.65	5 (50)	1/5
4)	13/06/2013	Buy	94.90	50 (100)	2/55
5)	10/01/2014	Sale	93.25	265	107/ 417266

- e) Further, the table capturing the details of session, LTP, counter party etc., of the buy trades executed by Noticee no.11, as noted from the SCN is as follows:

Entity name (Buyer)	Date	PCAS Session	Price Points	Cum .Buy Qty in the session	Cu. Sell Qty in the session	Buy Order Qty by the entity	Equilibrium Price	Total Trades Qty at eq. price	Trade Qty of the Entity	LTP Cont . by entity	Buy Order Time	Sell Order Time	Seller
Premalata Nahar	22/05/2013	10:30 to 11:30	47.20	200	200	200	47.25	200	200	1.50	11:11:02	10:34:07	Abar Sanjay
Nellakkara Rghunath	24/05/2013	9:30 to 10:30	49.55	50	50	50	49.55	50	50	2.35	09:45:56	10:08:08	Ajay Kulwal
				205	50	200							
Nellakkara Rghunath	28/05/2013	11:30 to 12:30	54.60	410	405	410	54.60	405	5	2.60	11:55:31	11:34:04	Darshan Patel
				510	5	410							
Premalata Nahar	30/05/2013	10:30 to 11:30	60.15	600	10	100	60.15	10	10	2.85	10:45:33	10:38:47	Akash Jain
Nellakkara Rghunath	04/06/2013	10:30 to 11:30	69.60	200	5	200	69.16	5	5	3.30	10:30:50	10:37:56	Akash Jain
Nellakkara Rghunath	05/06/2013	9:30 to 10:30	73.05	150	50	100	73.00	50	50	3.40	09:36:45	09:36:05	Sreeya Singha nia
				150	50	100							
Premalata Nahar	06/06/2013	11:30 to 12:30	76.65	55	5	50	76.65	5	5	3.65	11:32:14	11:31:19	Akash Jain
Nellakkara Rghunath	07/06/2013	9:30 to 10:30	80.30	50	50	50	80.30	50	50	3.65	09:42:09	09:30:20	Sreeya Singha nia*
Dhirendra Kumar Gupta and Sons HUF	10/06/2013	10:30 to 11:30	84.45	450	5	250	84.45	5	5	4.00	10:30:18	11:10:34	Akash Jain
Dhirendra Kumar Gupta and Sons HUF	11/06/2013	11:30 to 12:30	88.65	505	5	505	86.65	5	5	4.20	11:38:28	11:30:30	Akash Jain
Premalata Nahar	13/06/2013	9:30 to 10:30	94.90	350	50	100	94.90	50	50	1.85	09:35:19	09:46:44	Rajesh Kumar Shukla
Nellakkara Rghunath	14/06/2013	13:30 to 14:30	96.75	115	10	10	96.75	15	10	1.85	14:14:07	14:13:31	Hiralbn Kalpen bhai Shah
				15	10								

*Wrongly Shown as N. Malathi in the SCN.

- f) As can be seen from the above table, the Noticee no. 11 had placed buy orders on May 22, 2013 for 200 shares at a price of ₹47.20 (adjusted to split of shares) and has contributed LTP of ₹1.50. It is also observed that in that session starting from 10:30 am to 11:30 am of the said day, the total cumulative buy quantity was 200 only at that particular rates, which means, Noticee no. 11 was the only buyer in that session who purchased the shares.
- g) Further, the price of the scrip moved to ₹49.55 on May 24, 2013, and ₹54. 60 on May 28, 2013. However, it is observed that Noticee no. 11 did not buy any share of PAL on the said days. However, on May 30, 2013, Noticee no. 11, placed a buy order of 100 shares (inadvertently written as 600 shares in the narration of SCN, however, the relevant table in the SCN depicts that order of 100 shares only was placed by Noticee no. 11) of PAL at ₹60.15. Again, buy orders were placed by

the Noticee no. 11 on June 06, 2013 at ₹76.65 and on June 13, 2013 at ₹94.90. Thus, it can be seen that no orders were placed by Noticee no. 11 on other days, even though the shares of PAL were available at comparatively lesser prices. Noticee no. 11 chose to place her buy orders at higher rates so as to contribute to the LTP of the share of PAL.

- h) It is also pertinent to mention here that all the trades executed by Noticee no. 11 were during the time when the scrip of PAL was trading in Periodic Call Auction Session (“**PCAS**”) due to the reason that the scrip was illiquid at that time. The scheme of PCAS has been laid down in SEBI’s Circular no. CIR/MRD/DP/6/2013 dated February 14, 2013, which provides that trading in illiquid scrips shall be conducted in Periodic Call Auction Session wherein six sessions of one hour each are conducted and every hour of PCAS comprised 45 minutes of order entry period and 15 minutes of order matching and confirmation period including buffer period. The circular lays down the criteria for illiquidity as average daily trading volume in a quarter being less than 10000 and average daily number of trades being less than 50 in a quarter.
- i) I note that despite being having less liquidity in the scrip and in the absence of any good fundamentals or financials which could have attracted a common prudent investor to invest in the share of PAL, the Noticee no. 11 has shown a continuous buying pattern. As can be noticed from the table above, out of 4 trading days when the Noticee no. 11 had purchased shares of PAL, on 3 trading days, she was the only buyer of the shares of PAL. Further, even on 4th day, she had purchased 50 out of total 55 shares of PAL traded on June 13, 2013.
- j) It is also observed that she has placed buy orders of adequately big quantity of shares which matched with comparatively lesser quantity of sell orders. However, after executing such trades, she has not made attempts to purchase the balance number of shares, i.e., difference between the no. of shares for which buy order was placed and no. of shares which were already bought, which implies that she had no intention of purchasing the entire quantity for which she placed her buy order. I note that a total positive LTP of ₹98.5 (unadjusted to split of share; adjusted to split ₹ 9.85) has been contributed by the Noticee no. 11 as a buyer which is 17.9% of the total market positive LTP, in the scrip of PAL. It has been submitted by the Noticee no. 11 that the shares purchased by her were sold subsequently. The pattern of trading in the scrips of PAL by the Noticee no. 11 further strengthens the suspicion about her relation/association with the Company and its related entities and her being part of the scheme to manipulate the price of

the scrip of PAL. The same is evident from the fact that the Noticee no. 11 had contributed to LTP by purchasing the shares of PAL at a time when there was no volume in the its trading and the fundamental of the Company was also not supporting the desperation she displayed to buy the scrip. It is relevant to mention here that the Trade Log reveals that the Noticee no. 11 had purchased shares on May 22, 2013, May 30, 2013, June 06, 2013 and June 13, 2013 and on all such days, except on June 13, 2013, the Noticee no. 11 was the only buyer of the scrip of PAL. Subsequent to the purchase by the Noticee no. 11, she did not sell the shares when the price of the scrip rose further in the following days. Instead, the Noticee no. 11 waited and as per the pre-arranged scheme, when the price of PAL reached its peak, then only she sold her shares. No explanation has been furnished by the Noticee as to why did she hold on to the shares despite the fact that the price had risen from ₹441/- (Opening price after resumption) to ₹1006/- (unadjusted to split of shares; highest price in the investigation period). When one examines the trades of the Noticee keeping in mind the background of her association with the Noticee no. 9, who in turn was found to have been influencing the affairs of the Company, it leaves no doubt in mind that the trades of the Noticee no. 11 in the scrip of PAL were not genuine trades and her contribution to the LTP in the scrip was motivated and therefore, can't be held to be trades executed in the normal course of trading by a normal investor in the securities market. The unusual buying pattern exhibited by the Noticee no. 11 in the scrip of PAL which was not supported by any fundamentals which hardly made any business sense, coupled with the fact that the Noticee no. 11 has been found to be indirectly connected with the Company, strongly implies that Noticee no. 11 was part of a fraudulent scheme and played her role by increasing the price of the scrip of PAL. The connection of the Noticee no. 11 with the Company and the Noticee no. 9, her preference to keep silence on her financial dealing with JMD Sound, coupled with her desperation to buy shares of PAL- a company having no financial strength and her trading pattern of placing buy orders for relatively big quantity of shares, despite there being no corresponding quantities of sell orders, exhibit the malafide motive of the Noticee to manipulate the price of the scrip to create misleading volume in the scrip of PAL. It is also noticed that with her intent to cause price rise in the scrip, she has chased the price of the sellers with larger quantities of buy orders and the orders got executed for smaller quantities within a shorter duration establishing a higher LTP. It shows that the Noticee no. 11 has played an active role in manipulating the share price of PAL through her fraudulent trades.

- k) According to Noticee no. 11, the allegations made against her in the SCN require

stricter proof of evidence and her nexus with the Company or Noticee no.9 has to be established, which is absent in the present case. Few judgments have also been cited to support her argument. I have gone through the said judgments which, in my view, have no bearing with the matter. I observe that the issue of degree of proof with respect to violations in securities market has been dealt with in detail by Hon'ble Supreme Court of India in the matter of *SEBI v. Kishore R. Ajmera* [(2016) 6 SCC 368]. In the said case, Hon'ble Supreme Court, while laying down the principle relating to evidentiary value has observed that in the absence of direct evidences, the attendant facts and circumstances which surround the allegations levelled may also form an inference towards proof of culpability. The Hon'ble Apex Court, in the said matter, while appreciating the purpose of SEBI Act and the regulations framed thereunder, have observed that measures under the said enactments/regulations are taken to pre-empt manipulative trading and to contain the impermissible conduct so as to boost the investors' confidence in securities market. The Hon'ble Supreme Court, in yet another matter of *Kanaiyalal Baldev Bhai Patel v. SEBI* (2017) 15 SCC 1, while analysing the import of Regulation 2 (c) of PFUTP Regulations, have observed that irrespective of the fact that an act is done in a deceitful manner, if such an act or omission has an effect of inducing another person to act in a manner, in which he would not have acted had such inducement not been there, such act will constitute a fraudulent act. Thus, I have no doubt in holding that, in the present case, the trading conduct on part of Noticee no.11, which have been found to be fraudulent and manipulative, was designed to induce the investors in securities market, since a misleading picture of trading in the scrip of PAL at a higher price, has been painted by her acts and trading behaviour.

- 1) It is, therefore, concluded that, based on the attendant circumstances of the trades executed by Noticee no. 11 in the scrip of PAL as highlighted above, such trades cannot be executed in normal course of trading by an investor who claimed to be a house wife. Having noted her long association with the securities market, even if the deceased husband of the Noticee was responsible for her trades, no plausible explanation or justification has been put forth by the Noticee before me to support her decision to trade in the shares of PAL at higher prices thereby contributing to the LTP in the scrip, more so when the Company did not enjoy a sound fundamental and there wasn't any corporate announcements made by the Company during the period. Therefore, the dealing by the Noticee no. 11 in the scrip of PAL is found to have been motivated to manipulate the price of the scrip so as to create a false and misleading appearance of trading in the scrip. Under the circumstances, in my view the allegations of violations of Section 12A (a), (b) and

(c) of SEBI Act, 1992 and regulations 3(a), (b), (c), (d), 4(1), 2(a) and (e) of SEBI PFUTP Regulations, 2003 against the Noticee no. 11 stand vindicated.

- m) The Noticee has submitted that she was restrained from dealing in securities vide interim orders dated December 19, 2014 passed by SEBI in the case of *Radford Global Limited* and subsequently in the final order passed by SEBI dated September 20, 2017, she has been exonerated from charges similar to this case. She has also pointed out to SEBI's order dated September 22, 2017 passed in the matter of *Kamalakshi Finance Corporation Limited*, wherein she has been exonerated from similar charges by the competent authority. In this regard, I further note that Noticee no. 11 has been debarred from accessing securities market for a period of three years by virtue of order dated April 02, 2018, passed by SEBI in the matter of *First Financial Services Limited* as she was *inter alia* found to be involved in trading with a manipulative intent. Thus, although in some cases, she has been exonerated, in another case she has been held guilty for violation of securities law. It may be noted that facts of every case is distinguishable from other case and the culpability and extent of action to be taken or not to be taken against a noticee depends on the specific facts and exact details of trading undertaken by the Noticee in the context of the whole set off acts of the case. Therefore, neither the case where a noticee has been exonerated nor the case where a noticee has been held guilty should influence the outcome of a proceedings involving separate facts and circumstances and separate trading activities in the securities market. Rather, an entity and its culpability require examination in the gamut of the facts of each case separately. Moreover, the contentions of the Noticee indicate that she has been involved in multiple proceedings for her alleged mi-conduct in securities market involving trading in different scrips. In my view, the proceedings before me has to be dealt with and disposed of on the merit of the facts pertaining to all the Noticees including Noticee no. 11 and the same cannot be allowed to be influenced by any other proceedings involving the Noticee.

C. Preferential Allottees (Noticee no. 12 to 14):

33. With respect to Pradip Damji Shah (Noticee No. 12) and Rajesh D Joshi (Noticee no. 13), it has been alleged in the SCN that the said Noticees were preferential allottees of the shares of PAL, for which funding was done through PAL itself, through Pyramid Trading and Finance Limited.
34. Pradip Damji Shah (Noticee No. 12) has replied vide letters dated January 13, 2018 and April 18, 2018. Rajesh D Joshi (Noticee no. 13) have replied vide letters dated January 15,

2018 and April 18, 2018. They have also filed their written submissions vide letters dated February 21, 2019 and February 22, 2019, respectively. Further, post their personal hearings, vide separate letters dated August 06, 2019, identical submissions have been made by them. In the replies and submissions, the following have been contended by the above noted two Noticees:-

- a) They are in real estate business and are required to borrow funds regularly in the course of their business. They have denied having any connection with PAL.
- b) The transfer of ₹30,00,000/- from Pyramid to each of them (to the account of Lata Joshi in case of Noticee no. 13) was on account of short term loan and the said amount was returned by them on January 24, 2013. It has been stated that this transaction does not pertain to allotment of shares of PAL to them.
- c) The entities have furnished copy of Confirmation of Accounts and Certificate of Chartered Accountant dated January 28, 2019 certifying that the amount was returned to Pyramid on January 24, 2013.
- d) They are investors and had invested money in the preferential allotment of PAL in the normal course of their investment activity on the basis of a corporate presentation on PAL provided by Mr. Tushar Vora, a Chartered Accountant. The transactions in scrip of PAL were bonafide and they were not aware of any manipulation in the said scrip.
- e) SCN has been issued after 5 years of the transactions and therefore it deserves to be set aside. The prospects of growth of PAL were reasonable due to growing animation industry.
- f) Due to limited knowledge, the investments were made based on the recommendations. Investment in PAL was not substantial as compared to their net worth.
- g) The sale of shares by them have not affected the volume/price of scrip of PAL and thus allegation in the SCN are baseless. They do not know the buyers as shares were sold through online system of exchange.
- h) Pradip D. Shah (Noticee no. 12) has stated that he sold shares of PAL on 18 trading days during the period of February 2014 to October 2014, when the prices reached reasonable level. He still holds 70.32% of the total shares of PAL acquired by him in the preferential allotment.
- i) Similarly, Rajesh D Joshi (Noticee no. 13) has also stated that he sold 2,00,000 shares of PAL on only 4 trading days during the period February 2014 to June 2014. He still holds 93% of the total shares of PAL acquired by him in the

preferential allotment.

j) The following judgments have been cited in support their contentions that strict proof is required for a serious charge of fraud:

- *R.K. Global Vs. SEBI- Appeal no. 158/2008- Securities Appellate Tribunal;*
- *Narendra Ganatra Vs SEBI- Appeal no. 47/2011- Securities Appellate Tribunal;*
- *Parsoli Corporation Vs. SEBI- Appeal no. 146/2011- Securities Appellate Tribunal;*
- *Ram Sharan Yadav Vs. Thakur Muneshwar Nath Singh- Hon'ble Supreme Court; and*

k) Further, the judgment in the matter of *Gorkha Security Services Vs. Govt. of NCT of Delhi & ors.* – Hon'ble Supreme Court, has been relied upon to support the argument that SEBI needs to put on notice as what specific measures have been contemplated so that the delinquent is able to put upon appropriate defence.

35. After considering the allegations levelled against the Noticee no. 12 and 13 and the written submissions and arguments made on their behalf, I have the following observations:

i. It's a fact that funds had moved from PAL to Pyramid and from Pyramid to these two Noticees, who were allotted shares through preferential allotment by PAL. Based on these fund movements, it has been alleged that the shares purchased by these two Noticees through preferential allotment, were practically funded by the Company itself. Therefore it can be stated that these two Noticees were connected with the Company and were part of the scheme of price manipulation in the scrip of the Company. The Noticees have not denied having received the money from Pyramid, but have argued that the funds received from Pyramid did not have nexus with their subscription to their preferential shares of PAL. However, on a careful analysis of the details of fund flows, as available in the SCN, following facts have been observed:-

- **December 08, 2012**– ₹60.00 Lakh was received from PAL by Pyramid.
- **December 10, 2012** – ₹30.00 Lakh each was transferred to respective accounts of Lata V. Joshi and Pradip D. Shah by Pyramid.
- **December 10, 2012** – ₹30. 00 Lakh transferred to account of PAL from the account of Lata V. Joshi (wife of Noticee no. 13).
- **December 12, 2012** – ₹30.00 Lakh transferred to account of PAL from the account of Pradip D. Shah.

- **December 13, 2012**—3.00 Lakh shares each allotted by PAL to Rajesh D Joshi; and Pradip D. Shah jointly with Chhaya Pradip Shah.

ii. It is also observed that the two Noticees did not have adequate bank balance to finance their application for preferential allotment. From the flow of transaction narrated above it becomes evident that the application for the subscription to the preferential allotment were made from the money, which was received from Pyramid by them, which was also in turn received by Pyramid from PAL just two days prior to the fund transfer from Pyramid to their accounts. In the absence of such fund transfer to their accounts as highlighted above, these two Noticees would not have been able to apply for the preferential allotment of shares of PAL. The two Noticees have further contended that the transfer of funds from Pyramid to them was in the form of loan and the same was returned on January 24, 2013. However, the two Noticees have not been able to submit any documents to show that they had availed a loan from Pyramid. There is nothing on record to show as to how they got in contact with Pyramid and why Pyramid had agreed to advance such a huge amount to them. The Noticees have not brought any document to show that receipt of funds from Pyramid was a routine transaction or they had availed any other loan in the past from Pyramid or any other such entities. Mere submissions that the amount was received as a loan in their normal course of transaction and was paid back to the purported lender, would not absolve them from the allegation of receiving funds from PAL to subscribe to the Company's preferential allotment, in the absence of any supportive evidence to corroborate their submissions. It has been noted that money was provided through layering to the two Noticees (Noticee nos. 12 & 13) without verifying their credentials and capacity to pay back and even no document was executed for the purpose of securing the repayment of loan. The amount was transferred just at the time of preferential allotment of PAL. The Noticees have neither provided any supporting documents to substantiate their claim of having received the amount as loan nor have they demonstrated that they were otherwise capable to subscribe to the preferential allotment of PAL and the money received from the PAL through Pyramid was not used for subscribing to the preferential allotment. Therefore, the aforesaid two Noticees cannot absolve themselves from the allegation of their collusion and nexus with PAL as far as the issue of preferential allotment is concerned. With regard to the explanations offered by the said two Noticees that they have returned the money to Pyramid on January 24, 2013, it is observed that in the case of Noticee no. 13, the said repayment was made out of credit entry of

₹30.00 Lakh in the account of Lata Joshi (wife of Noticee no. 13) on January 24, 2013 and in the case of Noticee no. 12, a credit of ₹30.00 Lakh was received on January 23, 2013, i.e., a day before repaying to Pyramid. The nature of such credit entries remains unexplained. Nonetheless, the issue that requires consideration in the instant proceedings is whether on the date of application for the allotment of shares under preferential issue, the Noticees had sufficient fund to subscribe to the shares in preferential allotment. The answer to this question remains negative. It is also not the defence of the Noticees that they were otherwise financially sound and were capable to subscribe to the shares of PAL.

- iii. The Noticees have produced confirmation from Pyramid to support their claim that the transactions under reference were arising out of the loan from Pyramid, however, a mere confirmation from an entity which itself acted as a conduit on behalf of PAL may not be sufficient enough to change the colour of the transactions. In this case, movements of funds and the sequence of transactions thereafter speaks for themselves as to for what purpose the said movement of funds was initiated by the Company. A loan confirmation letter from Pyramid cannot alter the real nature of such transactions which comes out so glaringly from the manner in which the funds were utilised for purchasing shares under preferential allotment immediately after receiving the funds from the account of Pyramid.
- iv. The reliance placed by the Noticees on the decisions in the matters of *R.K.Global* and in the matter of *Narendra Gantara* etc., to emphasise that strict proof is required to establish any charge of fraud against them will be of no help to the Noticees. As noted above, the transfer of funds coupled with the fact that there was insufficient funds available in the bank accounts of the Noticees indicate that the subscription to the preferential allotment by the two Noticees was primarily funded by PAL. Moreover, the observations made by the Hon'ble Supreme Court in the matter of *Kishore Ajmera (supra)* as have been referred to while dealing with the contentions of Noticee no. 11 deserves a reiteration here to counter the aforesaid assertions made by the two Noticees. Further, the judgment of Hon'ble Supreme Court in the matter of *Gorkha Security* will also be of no help to the case of the Noticees. I find that the judgment of Hon'ble Supreme Court in the case of *Gorkha Security* being distinguishable on several counts is not applicable to the present case. The decision in *Gorkha Security* pertained to blacklisting of a contractor by a government agency, which results into depriving the contractor from entering into any public contracts, thus violating the fundamental rights of such person. Further, in *Gorkha Security* case, the contractor was blacklisted for breaching the terms of the contract, whereas the present SCN has been issued for breach of statutory

provisions. Also, in *Gorkha Security* case, blacklisting was imposed by way of penalty whereas the instant proceedings propose to issue directions, if found necessary, which are preventive and remedial in nature. Further, in *Gorkha Security* case, provision for blacklisting of the contractor was provided in the contract itself as a penalty to be imposed in case of breach of terms of contract, whereas in the present matter, provisions of law under which directions are contemplated to be issued, confer statutory discretion on SEBI to take such measure as it thinks fit in the interest of investors and securities market. The SCN has already stated the provisions of law under which the directions proposed to be issued and the specific directions that may be issued by the competent authority can be determined only after the competent authority examines the submissions and explanations of the Noticee. In my view, the reliance upon the judgment of the Hon'ble Supreme Court, in the case of *Gorkha Security(supra)*, by the Noticees is misplaced on facts and is devoid of merit. Further, the submissions that they still hold a substantial portion of shares of PAL will also not absolve them from the charge of having not subscribed to the shares of PAL for a genuine consideration.

- v. The Noticees have contended that they are still holding the substantial portion of shares received under the preferential allotment. In this regard, I note from the annexure to the SCN that the Noticee no. 12 had sold 890500 shares whereas the Noticee no. 13 had sold 200000 shares. It is also observed that the Noticee no. 12 realised ₹8.00 Crore by off-loading the above quantity of 890500 shares @ an average price of ₹932.50 (unadjusted to split of shares; split adjusted ₹93.250). Similarly, the Noticee no. 13 has also realised ₹1.87 Crore by selling 200000 shares at an average price of ₹935.40 (unadjusted to split of shares; split adjusted price ₹93.54). As observed above, the two Noticees had received funds @ ₹30 Lakhs each from PAL and utilised the same for subscribing to the shares under preferential allotment against which they have realised sales proceeds of ₹8.00 Crore and ₹1.87 Crore, respectively, by selling a part of their allotted shares thereby booking huge amount of profits. As the two Noticees have not been able to furnish any documents to substantiate their claim of having received the amounts in the normal course of loan transactions and keeping in view the close nexus between the receipt of funds and utilisation of such funds for purchase of shares of PAL, I am persuaded by the SCN to hold that the Noticee nos. 12 and 13 were also part of the scheme whereby, they subscribed to the shares of PAL out of the fund of PAL itself and subsequently sold them at artificially inflated price.

Arvind Chhotalal Morzaria (Noticee No. 14)

36. As far as Noticee no. 14 is concerned, the SCN alleges that PAL had transferred ₹95 Lakh from the proceeds of preferential allotment, to a person named as Mr. Ravindra Kumar Grover on the date of preferential allotment of shares (December 13, 2012), who in turn immediately transferred the said amount to a company called Grover Metalloys (wherein he was a director) maintained with the same bank. It is observed in the SCN that the Noticee no. 14 and two other preferential shareholders of PAL were connected with the said company viz., Grover Metalloys due to the following factors:

Entity Name	Connection
Ravindra Kumar Grover	Ravindra Kumar Grover, Subhash Chotalal Morzaria, Dilip Chotalal Morzaria were directors of Grover Metalloys Limited
Arvind Chhotalal Morzaria	
Lalit Navin Morzaria	
Subhash Chotalal Morzaria	Arvind Chhotalal Morzaria, Lalit Navin Morzaria, Subhash Chotalal Morzaria and Dilip Chotalal Morzaria were directors of Premier Industrial Corporation Limited

37. On the basis of the aforesaid connection, the SCN alleges that PAL had transferred the allotment proceeds to one such entity that was connected to the preferential allottees.
38. Arvind Chhotalal Morzaria(Noticee No. 14) in his written submission filed vide letter dated February 23, 2019 and vide his post hearing submission dated August 06, 2019, has pleaded that:
- He is the managing director of Premier Industrial Corporation which is a part of Kamman Group.
 - He was director in Grover Metalloys Ltd. (GML) from June 1, 2007 to November 29, 2010. The alleged fund transfer of ₹95 Lakh between PAL, Ravindra Grover and Grover Mettalloys pertains to December 13, 2012, i.e., after two years of his resignation. Therefore, he cannot be linked with PAL and Grover Mettalloys.
 - His investment in preferential allotment of PAL was based on advice given to him by a person known to him viz. Mukesh Champaklal Das. He invested in PAL as it was a listed company.
 - He sold shares of PAL on 10 trading days during July 2014 to November 2014 and was not aware of the counterparty buyers. He still holds 72.81% of the shares he had acquired.

39. After perusing the SCN and the written submission of the Noticee, I find that the SCN alleged that the Noticee no. 14 has traded in the shares of PAL at artificially inflated price. It has also been alleged that there was fund movement from PAL to an entity connected with the Noticee. It has been stated in the SCN that the Noticee no 14 was connected with Grover Metalloys. Even though Grover Metalloys has received money from PAL on the date of preferential allotment of shares, it has not been the case in the SCN that there has been any actual fund transfer from the account of Grover Metalloys to the account of the Noticee. Moreover, the Noticee no. 14 had already ceased to be a director of Grover Metalloys since November, 2010. The SCN is silent as to on what basis and under what circumstances, the Noticee no. 14 can be said to be connected to the said company in December 2012 when he had already severed his ties with the Company two years back and there was no funds trail to the account of the Noticee no. 14. In view of the aforesaid infirmities in the SCN and due to the absence of any evidence to establish any nexus between the Noticee no. 14 and PAL, or between the Noticee no. 14 and other Noticees who have allegedly manipulated the share price of PAL, no allegation against the Noticee no. 14, appears to be established. In fact, I find that the SCN contains narration about his connection with Grover Metalloys and the fund received by Grover Metalloys from PAL, without specifying as to how his former association with Grover Metalloys would make the Noticee a part of the scheme allegedly framed by the entities to manipulate the price of PAL or to commit any other fraudulent activities as have been alleged in the SCN against the Noticee. Under the circumstances, I don't find it necessary to pursue the proceedings against the Noticee no. 14 and accordingly Noticee no. 14 stands exonerated from the charges made in the SCN.

D. Promoter companies of PAL and its directors- (Noticee no. 15 to 19) and Intermediate Entities - (Noticee nos. 20 to 25)

40. From the SCN, I note that there are claims and counter claims with respect to the Noticee nos. 15 to 19 on one side and Noticee nos. 20 to 25 on the other. In view thereof, it would be appropriate that the allegations levelled against aforesaid Noticees and their respective claims are dealt with together.
- i. Unique Image Production Private Ltd. (Noticee No. 15) and First Entertainment Pvt. Ltd. (Noticee No. 16) were the promoting companies of PAL while Murali Shanmugam (Noticee No. 17), Prabu Sekar (Noticee No. 18) and Sekar Vasu (Noticee No. 19) were their Directors. It has been alleged in the SCN that the promoter companies transferred their shareholding in PAL, held in physical form, to six (06) entities, during the periods of January 05, 2013 and February 09, 2013,

whereas in terms of the information furnished by the promoters entities during the investigation, they have claimed to have transferred their shareholding in PAL to the six (06) entities in March 2012 itself. However, contrary to the said claim, as per the information available in public domain, especially in the BSE website, the above mentioned promoter entities, continued to be shown as promoters of the company till December 2012.

- ii. The six entities, in favour of whom the promoter entities had transferred their shares in PAL are as follows:
 - (a) Mahaganapati Financial Services Ltd. (Noticee no. 20);
 - (b) Gajakarna Trading Pvt. Ltd. (Noticee no. 21);
 - (c) Nimesh S. Joshi (Noticee no. 22) ;
 - (d) Hitesh N Kawa (Noticee no. 23);
 - (e) Rashmi N. Joshi (Noticee no. 24) ; and
 - (f) Roopal H. Kawa (Noticee no. 25)
- iii. In is noted that the promoter entities, viz., Unique Image Production Private Ltd. (Noticee No. 15) and First Entertainment Pvt Ltd. (Noticee no. 16) and its directors, Mr. Murali Shanmugam (Noticee no. 17), Prabu Sekar (Noticee No. 18) and Sekar Vasu (Noticee No. 19) have filed similarly worded replies vide letters dated December 18, 2017 and October 23, 2018. Mr. Murali Shanmugam has also filed an affidavit dated October 24, 2018 in support of his contentions. The points that the aforesaid entities have tried to make in their submissions are as follows:
 - a) Mr. Murali Shanmugam (Noticee no. 17), was a Director of the promoter entities of PAL, viz. Unique Image Production Private Limited (Noticee no.15) as well as of First Entertainment Private Limited (Noticee no.16). He has stated that Mr. Nagaraja Sharma Rajagopalan (Noticee no. 2) called him up sometime in January 2012 and told him that two persons from Mumbai, namely Mr. Nimesh S Joshi (Noticee no. 22) and Mr. Hitesh Kawa (Noticee no. 23) want to buy the shares of PAL held by Unique Image Production Private Ltd. and First Entertainment Pvt Ltd. Thereafter, he along with Mr. Nagaraja Sharma (Noticee no.2), visited to meet Noticee no. 22 and Noticee no. 23 at their Mumbai office and discussed about selling the shares of PAL.
 - b) Immediately thereafter, the Noticee no. 22 and the Noticee no. 23 visited Chennai and started working with the RTA, namely, Cameo Corporate Services Ltd., and other people in connection with formalities relating to changing of directors and transfer of shares. It has been stated that Noticee nos. 17 to 19 were never Directors of PAL and they were not looking after the affairs of PAL and were associated with the Company only in the capacity of promoters and shareholders.

- c) It has been submitted that the promoting companies sent the physical share certificates of PAL held by them (Noticee nos. 15 & 16) along with share transfer forms to the Noticee no. 22 and the Noticee no.23 at their Mumbai office in February 2012, by courier. It has been stated that the consideration amount was received by them through banking channel in March 2012. An amount of ₹8,18,250/- was received from Gajakarna Trading Private Ltd. (Noticee no. 21) during March 07 & 09, 2012 by the Noticee no.16 and an amount of ₹7,00,250/- was received from Mahaganapati Financial Services Ltd. (Noticee no. 20) on March 9, 2012 by the Noticee no. 15.
- d) It has been further submitted that the Noticee no. 17 had received an email from the Noticee no. 23 on September 22, 2012 stating that he will be required to sign some forms to transfer shares as the lock-in on the shares were getting over on October 01, 2012. However, the Noticee no. 17 had refused to sign on those forms as he believed that when he had sold those shares in February 2012, the shares were without any lock-in period and he was not aware as to how those shares came under lock-in. Copy of the email dated September 22, 2013 intimating the refusal to sign any further document was furnished in support thereof.
- e) It has been also submitted that the Noticee no. 22 and the Noticee no. 23 were directly involved in the affairs of Company since January 2012. In fact all payments to BSE, RTA (Cameo) and others were made by the Noticee nos. 22 and 23. In this connection several emails written from the email account of the Noticee no. 22 to others in connection with affairs of the Company have been furnished, wherein some of the email were marked to the Noticee no. 02 or the Noticee no. 23 as well.

Replies of Noticee nos. 20 to 25

- 41. As stated earlier, there are claims and counter claims exchanged between the two sets of Noticees, i.e., Noticee nos. 15 to 19 and the Noticee nos. 20 to 25. Hence, before proceeding to examine the allegations levelled against them, it would be appropriate to summarise the submissions advanced by the Noticee nos. 20 to 25 which are as under:
 - i. Mahaganapati Financial Services Pvt. Ltd. (Noticee no. 20) has filed a reply dated March 1, 2018 followed by a written submission dated November 27, 2018. Gajakarna Trading Pvt. Ltd. (Noticee no. 21) has also replied to the SCN vide letter dated February 22, 2018. Noticee nos. 20 and 21 have also filed their replies to the queries raised during the proceedings vide separate letters dated January 19, 2019.

The gist of their contentions are as follows:

- a) The Noticee no. 20 was incorporated on March 11, 2011 while the Noticee no. 21 was incorporated on March 12, 2011.
 - b) The Noticee no. 20 gave a loan of ₹7,00,000/- to Unique Image Production Pvt. Ltd. (Noticee no. 15) on March 9, 2012 and Noticee no. 21 gave a loan of ₹8,18,250/- to First Entertainment Pvt. Ltd. (Noticee no. 16) on March 9, 2012. They regularly followed up with the respective companies for repayment of the said loan amount. These companies expressed their inability to repay the loan amount. The Noticee no. 15 offered to transfer 2,80,000 shares of PAL and the Noticee no. 16 offered to transfer 3,27,000 shares of PAL in lieu of the loan given to them by Noticee nos. 20 and 21. They were not very confident that they will be able to recover the loan amount and interest thereon by selling the shares of PAL, therefore, they tried to identify prospective buyers through one Mr. Vinayak Sarkhot, who facilitated the sale of the said shares of PAL. The Noticee no. 20 received a total consideration of ₹8,40,000/ and the Noticee no. 21 received a total consideration of ₹13,41,900/- from all the buyers put together. Thus, in total they received ₹22,81,900 against the sale of 607000 shares of PAL.
 - c) The SCN alleges that Noticee nos. 20 and 21 are connected as they have common Directors namely Mr. Ashish Agarwal and Ms. Rachita Agarwal. The relationship between Noticee nos. 20 and 21 based on common Directors (Mr. Ashish Agarwal and Rachita Agarwal) has been denied. It has been submitted that both of them had resigned from Noticee no. 20 on March 14, 2011 and from Noticee no. 21 on September 8, 2011.
- ii. Mr. Nimesh S Joshi (Noticee no. 22), Hitesh N Kawa (Noticee no. 23), Rashmi Nimesh Joshi (Noticee no. 24) and Roopal Hitesh Kawa (Noticee no. 25) have filed similar replies vide letters dated February 22, 2018 and have also filed written submissions dated November 27, 2018. Further, vide separate but identical letters dated January 19, 2019, they have submitted their responses to certain queries raised during the personal hearing. It has been contended by the said four Noticees that:
- a) The Noticee no. 24 is wife of the Noticee no. 22 and the Noticee no. 25 is wife of the Noticee no. 23.
 - b) It has been stated by Rashmi Joshi (Noticee no. 24), Nimesh Joshi (Noticee No. 22) and Roopal Kawa (Noticee no. 25) that they had given loan of ₹2,00,000/- each to First Entertainment Pvt. Ltd. (Noticee no. 16) on February 12, 2012. In this regard a copy of Bank Statement has been furnished. It has been stated that they regularly followed up with the Noticee no. 16 for repayment of the said

amount. The Noticee no. 16 expressed its inability to repay the loan amount and offered to transfer 50,000 shares of PAL to Noticee nos. 24 and 25 each and 1,20,000 shares to Noticee no. 22 carrying face value of ₹10 each, in lieu of the loan advanced by aforesaid three Noticees. As these three Noticees were not very confident as to whether the loan amount and interest thereon would be recovered by selling the shares of PAL, hence, they first tried to identify prospective buyers through one Mr. Vinayak Sarkhot who facilitated the sale of the said shares of PAL received by these Noticees from the above stated promoter company of PAL. The three Noticees received a total consideration of ₹1,50,000/- each by selling PAL shares to others in an off-market transactions.

- c) Mr. Hitesh N Kawa (Noticee no. 23) has stated that he is a Chartered Accountant by profession. He had also given a loan of ₹2,00,000/- to First Entertainment Pvt. Ltd. (Noticee no. 16) on February 12, 2012. The said company failed to repay loan amount even after repeated reminders and instead offered to transfer 1,00,000 shares of PAL, which he accepted and in turn sold those shares for a total consideration of ₹3,00,000/- received from different buyers put together.
 - d) With regard to the location of the Mumbai office of PAL at the address at A-1, Padam CHS, Near Registration Office, Natakwalla Lane, Off SV Road, Borivali (West), Mumbai – 400092, it has been stated that the Noticee no. 23 is the owner of the said flat and he had given the flat on Leave and Licence basis to PAL for a monthly rent of ₹2,000/- (Rs. Two Thousand only) for eleven months vide agreement dated April 16, 2012. Copy of the agreement has been furnished.
 - e) The Noticee no. 23 and the Noticee no. 22 were directors in Dhanhit Financial Services Pvt. Ltd. Mr. Hitesh Kawa (Noticee no. 23) and Ms. Roopal Kawa (Noticee no. 25) have denied any 'malicious nexus' with Narendra C. Solanki (director of Gajakarna Trading Pvt. Ltd.) and Gajakarna Trading Pvt. Ltd. (Noticee no. 21). However, it has been admitted that Narendra C. Solanki is father of the Noticee no. 25.
- iii. Since the explanations offered by Noticee nos. 15 to 19 and Noticee nos. 20 to 25 pertaining to the facts and circumstances under which the shares of PAL were transferred by the promoting companies to Noticee nos. 20 to 25 contradicted each other, a copy of the affidavit along with annexures filed on behalf of the Noticee nos. 15 to 19 were sent to Noticee nos. 20 to 25 requesting them to furnish their responses to the same. Noticee no. 20 vide its letter dated February 14, 2019, Noticee no. 21 vide its letter dated February 7, 2019, Noticee no. 23 and 25 vide their common letter dated February 7, 2019 and Noticee nos. 22 and 24 vide their

common letter dated February 7, 2019 have filed responses to the aforesaid affidavit filed on behalf of the Noticee nos. 15 to 19. In their letters, apart from reiterating the contentions of their earlier replies, the Noticee nos. 20 to 25 have contended the following:

- a) Notice nos. 15 & 16 were shown as promoters of PAL on the website of BSE. The sale of shares of PAL was reflected in their disclosure to BSE in 2013 itself. Noticee nos. 15 & 16 had not shown any income or loss in their books of accounts from the sale of shares of PAL in the year 2012.
- b) As the loan was not being repaid, Air tickets of Noticee no. 2 from USA to Chennai and from Chennai to Mumbai in January 2013 were booked by Noticee no. 23. Noticee no. 2 has signed the share transfer form as witness as well as in the capacity of Director of PAL which bears date of 2013 thereby reflecting that shares were handed over in 2013. There is no mention of payments made by the individuals.
- c) The meeting that was held in Chennai in January 2012 was for the purpose of loan. In the said meeting, taking of office space in Mumbai on rent as well as compliance related issues were also discussed.
- d) Noticee nos. 20 to 25 have played no role in controlling affairs of PAL as claimed in the affidavit. All claims in the affidavit are false as Mr. Murali was in touch with them till September 2012.
- e) The emails annexed to the affidavit or its contents have not been disputed. However, it has been submitted that the emails do not show that the shares were transferred to them. It has been also submitted that the cheque of ₹28,077/- issued by Hitesh Kawa & Co.- Client Account to Cameo Corporate Services Ltd., copy of which was annexed with the affidavit, was never presented for encashment. Certificate dated February 07, 2019 from IDBI Bank certifying that the cheque was never presented for encashment has been furnished.

Consideration:

42. In view of the afore-stated submissions and materials available record, I proceed to examine the sustainability of the allegations made against the Noticee nos. 15 to 19 as well as against Noticee nos. 20- 25, with the following observations:
- i. After carefully examining the SCN and the replies including the affidavit submitted by the former promoter entities and their Directors (Noticee nos. 15 to 19), I find that there has been no specific allegations against the promoter entities or their Directors, with respect to their role or collusive nexus, if any, with other Noticees

who have allegedly manipulated the share price of PAL or sold the shares of PAL at artificially inflated prices. The SCN merely states the fact that the earlier Chennai based promoter entities and their Directors have transferred their shares in PAL in physical form to six entities located in Mumbai through off-market deals. It is the contention of the promoter entities that on the basis of suggestion and reference from the Noticee no. 2, who was the Director of PAL, they came in touch with the prospective buyers of their shares in PAL and accordingly sold their shares to the said buyers located in Mumbai. The evidence of receipts of sale proceeds have also been furnished along with the affidavit submitted by them after their personal hearing. The SCN has not made any specific allegation either with respect to the valuation of the shares sold or with respect to the intent behind the selling of the shares of PAL to buyers in Mumbai. Rather, it is the Noticee no. 2 who was a Director of PAL for the period of April 30, 2008 to December 02, 2013, and reportedly mediated between the promoter entities and the six buying entities in Mumbai, can be stated to have connection with the six buying entities who were introduced by him to the promoter entities. Thus, the nexus between the Noticee no. 2 and the six buying entities, becomes apparent on the basis of submissions made by the promoter entities. It is an admitted position that the Company PAL was operating at Mumbai from the premises rented by one of the Noticees forming part of the group of Noticee nos. 20 to 25. In this regard, it is to be noted that that Noticee no. 2 who was mediator between the promoter entities of PAL and the Noticee nos. 20 to 25 based at Mumbai, has neither filed any written submission nor has appeared before me for personal hearing to defend his case. It may be noted here that the SCN has also pointed out various linkages between PAL with the six entities, i.e., the Noticee nos. 20 to 25, the details of which are discussed in connection with the role played by the said six entities in subsequent paragraphs.

- ii. In their replies and explanation, Noticee nos. 15 to 19 have claimed that the transfer of shares of PAL by them was an outright sale in the year 2012, wherein Noticee no. 2, acted as a link between Noticee nos. 15 to 19 being the sellers and Noticee nos. 20 to 21 being the buyers. On the contrary, Noticee nos. 20 to 25 have vehemently denied that the transfer of shares of PAL, was an outright sale and instead, have claimed that the said transfers were executed in lieu of obligation to repay the loan which was extended by Noticee nos. 20 to 25 to Noticee nos. 15 and 16.
- iii. Having gone through the records and rival submissions advanced by these two groups of Noticees, I find merit in the explanations offered by the Noticee nos. 15 to 19 as opposed to the explanations of Noticee nos. 20 to 25 which are devoid of

any merit. First, I note that the purported loan transaction claimed to have been entered into by the Noticee nos. 20 to 25 with the Noticee nos. 15 & 16 is a bald assertion not supported by any reliable piece of evidence. Though, the Noticee no. 22 was a professional Company Secretary and Noticee no. 23 is a Chartered Accountant, they have claimed to have advanced loan amounting to ₹2.00 Lakhs each, to the Noticee no. 16 a company located in Chennai, without any documentation, correspondences or loan confirmation and also without verifying the antecedents of the company. The loan was advanced without taking any collateral as security to ensure the repayment. No justification has been furnished behind advancing an interest free loan to the Noticee no 15 & 16 by each of the Noticees including the individual Noticees. Similarly no justification has been shown as to, on what basis the number of shares of PAL to be received by each of these Noticees was determined. I find that different quantities of shares have been received by different Noticees, even though the so called loan amount advanced by each of them was same. It is not known if any valuation of share price of PAL was done to determine the number of shares to be received in lieu of the so called loan advanced to the promoting entities.

- iv. I don't find force in the submissions advanced on behalf of the Noticees nos. 20 to 25 that they were interested in realising their loan amount and therefore before accepting the physical shares of PAL from the Noticee nos. 15 & 16, they identified the prospective buyers through a middleman so that the loan amount could be recovered. It gives an uncanny feeling that in case the Noticee nos. 20 to 25 had already identified the prospective buyers from whom they intended to recover their loan amounts, why they at all received the shares in their own names. In case the prospective buyers were already identified through a middleman as claimed by them who had expressed their willingness to buy the shares of PAL in off-market transactions at an agreed rate, the same could have been logically done by getting the shares straightaway transferred from the Noticees nos. 15 & 16 to the identified prospective buyers and the realised amount could have been received as repayment of the loan, directly by the Noticee nos. 20 to 25. When the sellers (promoter companies) were willing to sell and the buyers were willing to buy, it defies any business prudence as to why the Noticee nos. 20 to 25 would receive the shares in their own names and then sell them, just to recover the loans, more so at a time when trading in the scrip of PAL was under suspension.
- v. The clinching piece of evidence that corroborate the stand of Noticee nos. 15 to 19 as against the claims of Noticee nos. 20 to 25, are the copies of Share Transfer Forms (**STF**). A close look at the STFs lead to the following observations:

- a) The STF for the transfer of shares from Noticee nos. 15 & 16 to Noticee nos. 20 to 25 had a common witness, i.e., Mr. Nagaraja Sharma Rajagoplan (Noticee no.2).
 - b) The shares were transferred to Noticee nos. 20 to 25 in the year 2013 but the STF contains a stamp of ***Dy. Registrar of Companies, Tamil Nadu, Andaman & Nicobar Islands, Chennai, bearing date of February 14, 2012.*** The said stamp appears to be an endorsement done in compliance of Section 108 (1A) (a) and (b) of Companies Act, 1956.¹
- vi. Apart from the above, from the STFs involving sale of shares by the Noticee nos. 20 to 25 to the Noticees nos. 26 to 74, it is observed that in a few of the STFs, where Mr. Hitesh Kawa (Noticee no.23) is the transferor, the witness is Nimesh S. Joshi (Noticee no.22) or someone from 'Nimesh Joshi & Associates, Company Secretaries' and when Nimesh S. Joshi (Noticee no.22) is the transferor, the witness is someone from 'Hitesh Kawa & Co., Chartered Accountants'.
 - vii. On the face of the aforesaid documentary evidence, the factum of transfer of shares by the promoter companies, who were located in Chennai to certain entities in Mumbai cannot be *per se* alleged to be fraudulent in nature, insofar as the same relates to alleged role of Noticee no. 15 to 19. The SCN has not been able to bring on record any evidence to implicate the promoter entities by establishing any nexus, with other Noticees who have either manipulated the share price of PAL or have been responsible for other violations alleged against them in the SCN. In the absence of any evidence against the Noticee no. 15 to 19 as highlighted above, In my considered opinion, the role of Noticee nos. 15 to 19 is limited only to the extent of transferring their stake in PAL to the Mumbai based six entities through the help of Noticee no. 2, hence it would not be right to hold the Noticees nos. 15 to 19 as accountable for the scheme of manipulations in the scrip of PAL which occurred subsequent to their transfer whereby the buyers who purchased the shares of PAL through off-market deals from the Noticees nos. 20 to 25, could exit at a highly inflated artificial price. Accordingly, I find that the allegations of various violations, alleged to have been committed by the aforesaid Noticees nos.

¹***"(1A) Every instrument of transfer of shares shall be in such form as may be prescribed, and - (a) every such form shall, before it is signed by or on behalf of the transferor and before any entry is made therein, be presented to the prescribed authority, being a person already in the service of the Government, who shall stamp or otherwise endorse thereon the date on which it is so presented, and (b) every instrument of transfer in the prescribed form with the date of such presentation stamped or otherwise endorsed thereon shall, after it is executed by or on behalf of the transferor and the transferee and completed in all other respects, be delivered to the company, -..."***

15 to 19 are not maintainable for want of merit and supporting evidence. Therefore, Noticee nos.15 to 19 are exonerated from the charges made against them in the SCN.

- viii. As discussed above, the promoter entities (Noticee nos. 15 to 19) transferred their entire shareholding in PAL to Noticee nos. 20 to 25. The six entities who purchased the shares of PAL from the said two promoter corporate entities, comprised two corporate bodies and four individuals. These six entities, viz: Noticee nos. 20 to 25 have been alleged to be connected amongst themselves as well as with PAL. It has further been alleged that Noticee nos. 20 to 25 transferred their entire shareholding in PAL, as received from the promoter entities, to 62 other entities, Out of the said 62 entities, 49 entities sold the shares on the stock exchange platform, at artificially inflated prices during the investigation period. Therefore, it has been alleged that Noticee nos. 20 to 25 have acted as conduits and have thus played an important role in the scheme of manipulation in the price of scrip of PAL through which, the 49 entities have benefitted themselves by off-loading their shares at high price which they had procured through off-market transfer from the said six Noticees.
- iv. The explanations offered by the aforesaid six entities (Noticee nos. 20 to 25) have been considered. At the outset, I note that the aforesaid six entities have claimed to have received shares in lieu of the loan claimed to have been advanced by them to the promoter entities of PAL in the following manner:

Name of entity	Amount of Loan claimed	Date of transfer of Loan	No. of shares of PAL received against loan	Amount realized after selling shares of PAL (in ₹)
Gajakarna Trading Private Limited	8,18,250	09/03/2012	3,27,300	13,41,900
Hitesh N. Kawa	2,00,000	12/02/2012	1,00,000	3,00,000
Nimesh S Joshi	2,00,000	12/02/2012	1,20,000	1,50,000
Roopal H Kawa	2,00,000	12/02/2012	50,000	1,50,000
Rashmi N Joshi	2,00,000	12/02/2012	50,000	1,50,000
Mahaganapati Financial Services Private Limited	7,00,250	09/03/2012	2,80,100	8,40,000

- v. In this regard, it may be recalled that the promoter entities in their replies have submitted that they have transferred the shares of PAL to the above mentioned

six entities, by way of outright sale against which they have received ₹8,18,250 and ₹7,00,250 from Noticee no. 21 and 20, respectively, which have been duly transferred to their bank accounts on March 07, 2012 and March 09, 2012. The promoter entities, i.e., the Noticee nos. 15 & 16 have denied having taken any loan from any of the above mentioned six entities of Mumbai and have stated that they have only sold the shares to them. I find the promoter entities have adequately discharged their onus by demonstrating before me the sale proceeds which they have actually received against transfer the shares of PAL. During the proceedings, the promoter entities, have also shown their books of accounts etc., to support their submission that they have not taken any loan from any of the six entities. Correspondingly, during the personal hearing before me, the six entities were directed to produce evidence to support their claim that they had actually given loan to the promoter entities as claimed by them. However, none of the six entities has been able to produce any tangible evidence such as loan agreement, loan confirmation and statement of loans & interest affirmed by the borrowers in support of their claim of actually having advanced any loan to the promoter entities. Thus, the strength of evidence for the purpose of deciding as to whether the six entities of Mumbai had actually lent any money to the promoter entities at Chennai, is tilted against the six entities and favours the promoter entities who have satisfactorily demonstrated that the shares of PAL transferred by them to the six entities were as part of an outright sale done against which they had received the sale proceeds into their bank accounts. Under the circumstances, I find the claim of the six Noticees having advanced any loan to the promoter entities falls on a false ground and in the absence of any reliable evidence, such claim made by them is not acceptable.

- vi. Having held the aforesaid view with regard to the transaction between the promoter entities and the six entities who have purchased the shares of PAL from the promoter entities, I find that the facts of the case rather reveals a strong nexus between the six entities and Company (PAL) and its Directors. This is evident from the fact that the Company (PAL), had located its Mumbai office in the premises owned by one of the aforesaid six entities, viz., Hitesh N. Kawa (Noticee no. 23). Further, one of the Noticees of the promoter entities, Mr. Murali S. (Noticee no. 17), has affirmed in its affidavit that it is Mr. Nagaraja Sharma Rajagopalan (Noticee no. 2), who was a Director of PAL, through whom he got introduced to Mr. Nimesh Joshi (Noticee no. 22) and Mr. Hitesh Kawa (Noticee no. 23) and after discussions with them in the presence of the Noticee no. 2 at Mumbai, the promoter entities completed their sale deal with the six entities at Mumbai. It is therefore, evidently clear that Noticee nos. 20 to 25, who purchased the entre

shareholding of the promoter entities were well known to and connected with the company PAL through its Directors.

vii. The submissions made by the six entities(Noticee nos. 20 to 25), as summarised above, also lack credibility for the following reasons:

- a) The number of shares that were transferred by the promoter entities in the name of Mahaganapati Financial Services Pvt. Ltd., (Noticee no. 20) and Gajakarna Trading Pvt. Ltd. (Noticee no. 21) and four individuals, are not proportionate to the amount of loan claimed to have advanced.
- b) While the Noticee no. 20 received 2,80,100 shares against a loan of ₹7,00,000; the Noticee no. 21 received 3,27,300 shares against a loan of ₹8,00,000/- (Approx). No rationale has been indicated as to how the number of shares of PAL to be transferred to Noticee nos. 20 and 21 was determined. No valuation report has been produced to justify the quantum of shares transferred vis-à-vis the quantum of loan supposedly advanced by these six Noticees. With respect to the four individuals of this group, namely, Mr. Hitesh N. Kawa, Ms. Roopal N. Kawa, Mr. Nimesh S. Joshi and Ms. Rashmi N. Joshi, it is observed that all of them had claimed to have extended loan of ₹ 2,00,000 each to the promoter entities of PAL. However, Ms. Roopal N. Kawa and Ms. Rashmi N. Joshi received 50,000 shares each whereas, Mr. Hitesh N. Kawa received 1,00,000 shares and Mr. Nimesh S. Joshi received 1,20,000 shares for the same amount of loan advanced by each one of them. With regard to the said transactions, no reason has been advanced as to why Mr. Hitesh N. Kawa received 1,00,000 shares against a loan of ₹2.00 lakhs claimed to have been advanced to the promoter entity of PAL while Ms. Roopal N. Kawa and Ms. Rashmi N. Joshi received 50,000 shares each from the same promoter entity, though each of them have given equal amounts of loan of ₹2.00 lakhs.
- c) If the promoters wanted to settle their outstanding loan by transferring shares, the valuation of shares vis-a-vis the loan received ought to have been uniform since the transfer of shares happened during the same time and between the known entities. It is not understood as to why one entity will receive less number of shares as compared to other entity from the same promoter entity. Neither the valuation of shares of PAL, nor the exchange ratio of shares against the loans claimed to have been advanced has been explained by these Noticee nos. 20 to 25
- d) It is also beyond any business prudence as to how the six entities of Mumbai had extended unsecured loan to two companies of Chennai

without any documentation/agreement against such loan and had to settle the loan by receiving shares of a third company, namely, PAL which was under trading suspension and the shares of PAL at that point of time practically did not carry any value. It has been claimed by the six Noticees that they had been following up for the recovery of loan amount with the promoter companies, but no documentary evidence (exchange of emails/letters etc.) to support their contention of following up with the borrowers has been made available to me, hence such claims only remain on paper without any substance.

- e) It is claimed by the Noticee nos. 20 to 25 that they had to engage the services of Mr. Vinayak Sarkhot to ensure that the shares received by them from the promoter entities could be immediately sold off so as to recover their loans. Such a claim however has not been supported by any evidence or even a confirmatory letter from Mr. Vinayak Sarkhot who is supposed to have rendered such services to them has not been produced before me. Again, such a claim made by the said Noticees has not been confirmed by any of the 49 persons/entities (Noticee nos. 26 to 74) who have purchased those shares of PAL from the six entities. On the contrary, I find that the 49 entities/persons who had purchased those shares from these six entities, have furnished various divergent explanations with respect to their respective purchases of shares of PAL and none of them has named the aforesaid person, Mr. Vinayak Sarkhot, as the mediator through whom they have purchased the shares.
- f) In this connection, I also note that if the objective of the six entities was only to recover their loan (which they had supposedly advanced to promoter entities) by way of liquidating those shares in the market immediately after receiving them and they had already identified the prospective buyers for those shares through the services of one Mr. Vinayak Sarkhot, they could have very well requested the promoter entities to directly sell their shares to those 62 entities who were identified through Mr. Vinayak Sarkhot and out of the sale proceeds so realised, the promoter entities could have not only repaid the loan but also could have earned some profit as well. However, the identical manner in which all the six entities acted to realise their loans, first by acquiring shares from the promoter entities of PAL, then getting the ownership changed to their names, and then by selling them onwards, to as many as 62 persons/entities in off-market transactions, appears to defy a practical and prudent business decision and instead, leaves strong reasons for suspecting

- their true intentions behind effecting such transactions. Interestingly, I note that a few of the entities out of 62 to whom shares of PAL were sold by the above noted six Noticees, received their shares after the trading resumed in the scrip of PAL at a price of ₹441 in SPOS. However, despite such a high market driven opening price, the Noticees did not sell the shares that were received by them from the promoter companies on the exchange platform which could have yielded in high profit for them, and instead, continued to transfer through off-market transactions for nominal prices, disregarding the high market price already established for the scrip.
- g) As per their claims, the Noticee nos. 22 to 25 have advanced loan to the promoter companies of PAL on the same day, i.e., on February 12, 2012 when each of them had lend ₹2.00 lakh to the promoting companies. Thereafter ₹ 15,18,250 was advanced in total by the Noticee nos. 20 & 21 to the promoter entities (Noticee nos. 15 & 16) of PAL on March 07, 2012 and March 09, 2012. The Directors of the promoter entities of PAL have claimed that they are well educated and financially sound and were never in need of money or financial support at that point in time. When Directors of the promoter entities have stated that there was no need for them to take any loan, the claim put forth by the Noticee nos. 20 to 25 of having lent around ₹23.00 lakh to the promoter's entities without any documentations raises serious doubts about the integrity of such a claim. The six entities have also miserably failed to explain the circumstances under which they thought it proper to lend the money to the promoter entities residing out of Mumbai, without execution of any documents to support such loan transaction. They have also not come out with any justifiable explanations as to how the promoter entities got in touch with them and what persuaded them to lend the amount to them without any documentation and also without obtaining any collateral to secure the recovery of the amount so lent.
- h) It is also surprising to note that though the six entities claimed to have received the shares of PAL from the promoter entities in settlement of the amount of loans advanced by them to the promoters entities, it is not explained as to why and how, the three individual Noticees, i.e. the Noticee nos. 23 to 25 had to incur loss while selling the shares of PAL whereas the Noticee nos. 20 to 22 were able to sell the shares at reasonably higher price and thereby booked sufficient profit, even though all the shares were sold by all the six Noticees through the same mediator person and around the

same time and the prospective buyers were already pre- identified by the mediator person.

- i) The six entities (Noticee nos. 20 to 25) in their replies, have disputed to their inter-se nexus and connections which have been brought out in the SCN. However, on a factual analysis of the relationships that each one of these six entities shared with each other, I am convinced that all the six Noticees, are well connected with each other and have acted in a concerted manner to purchase the shares of PAL from the erstwhile promoters of PAL. I find from the SCN that Noticee nos. 22 and 24 are spouses and Noticee no. 23 and 25 are also spouses. Both Hitesh N. Kawa and Nimesh S. Joshi were director of a company namely, Dhanhit Financial Services Private Limited (hereinafter referred to as “**Dhanhit**”) and therefore stand connected with each other. Dhanhit shares its Corporate address with M/s Hitesh Kawa & Co., a proprietorship firm of Hitesh and also with the Mumbai office of PAL, and the common address of all these three entities was ***A-1, Padam CHS Limited, Near Registration Office, Natakwala lane, Off. SV Road, Borivali (West), Mumbai-400092***, during the relevant period of time. Further, Noticee nos. 23 and 25 share their mobile number with Mr. Narendra C. Solanki. Mr. Solanki is the Director of Gajakarna (Noticee no. 21) and is also father of of Roopal H. Kawa (Noticee no. 25). It has already been brought out in the SCN that Gajakarna (Noticee no. 21) and Mahaganpati (Noticee no. 20) were connected by common directorship. Thus, there runs a common thread amongst all the six entities who have also displayed their unity by acting in unison while dealing with the promoter entities of PAL. Moreover, the fact that the promoter entities of PAL had held discussions with Noticee nos. 22 & 23 for offloading their entire shareholding in PAL, shows that it is Noticee nos. 22 & 23 who were responsible for acquisition of entire shareholding of PAL and for subsequent apportionment of those shares of PAL amongst the six entities (Noticee nos. 20 to 25) after purchasing them from the promoter entities. The same is also evident from the reply and affidavit filed by the Noticee no. 15 to which, he has also enclosed certain emails, that were exchanged while making payment to the RTA as well while taking steps to get the suspension of the PAL restored. These emails were also marked to the Noticee nos. 22 and 23. Therefore, all the six entities (Noticee nos. 20 to 25), in my view, have acted in unison and in concert as far as acquisition of shares of PAL from the promoter entities is concerned, as well as for onward transfer of those shares to 62

entities/persons through off-market transactions. It may be said that these six entities together have virtually stepped into the shoes of the promoter entities (Noticee nos. 15 & 16) of PAL, after the promoter entities transferred their entire stake to the six Noticees.

43. Keeping the aforesaid observations and factual analysis in view, I cannot persuade myself to accept the contentions of the six entities that their actions of acquiring the shares of PAL, and onward transmission to 62 entities/persons spread across the country by engaging the services of a third person, were genuine transaction aimed at only realisation of their loans.
44. Mr. Murali S (Noticee no. 17) has stated in his reply that Mr. Nimesh (Noticee no. 22) and Mr. Hitesh (Noticee no. 23) were directly involved with the company since January 2012. In this connection he has furnished the following:
- a) A copy of an email dated February 14, 2012 from the email account of the Noticee no. 22 (Mr. Nimesh) sending 'consent letters of proposed directors' of Four K Animation Ltd. (erstwhile name of PAL) to someone at '*3acapital.in*' with a carbon copy of the mail marked to the Noticee no. 23 (Mr. Hitesh).
 - b) An email written from the email account of the Noticee no. 22 (Mr. Nimesh) on April 24, 2012 to one Dominic S David of Ascend Management Consultants with a carbon copy to the Noticee no. 2 (Director of PAL), confirming that they will make payment for RTA and Depository services in a short time and furnished a copy of cheque dated April 24, 2012 for an amount of ₹28,077/- issued by Hitesh Kawa & Co.- Client Account to Cameo Corporate Services Ltd.
 - c) An email from the email account of the Noticee no. 22 sending as an attachment a copy of letter dated April 10, 2012 issued by Cameo to BSE confirming that 9,27,400 shares held by promoters are kept under lock-in.
 - d) Copy of e-mail dated July 21, 2012, written by the Noticee no. 22 (Mr. Nimesh) from the email id of Four K Animation Ltd. (erstwhile name of PAL) to the Noticee no. 2 with carbon copy to the Noticee no. 23. In this email, the Noticee no. 22 refers to his visit to Chennai after the visit of the Noticee no. 2 to Mumbai and states that they have repeatedly requested the Noticee no. 2 to give the duly signed transfer forms along with his signature.
 - e) Email from the Noticee no. 23 (Mr. Hitesh) to the Noticee no. 17 on September 22, 2012 stating that he will be required to sign on some declaration to transfer shares as the lock-in on the shares were getting over.
45. I have gone through the submissions, as aforesaid and with regard to the same, I observe that even if it is accepted that the cheque issued by Hitesh Kawa & Co. Client Account to

Cameo Corporate Services Ltd. was never presented, it does not negate the fact that these entities had confirmed that they will make payment for RTA and Depository services in a short time, in pursuance of which the said cheque was 'issued'. Further, they had also procured the consent letters of proposed Directors of Four K Animation Ltd. (erstwhile name of PAL). It is observed that the issue is not merely related to payment of fee to RTA but it shows that the Noticee nos. 22 & 23 were very much interested in the affairs of PAL and were instrumental in revoking the suspensions and the resumption of listing of the securities of PAL. Further, from the email of the Noticee no. 22 thereby sending as an attachment a copy of letter dated April 10, 2012 issued by Cameo to BSE confirming that 9,27,400 shares held by promoters are kept under lock-in, ostensibly suggest that these persons were actively involved in managing the affairs of PAL. It is also interesting to note that the corporate office address of PAL was also shifted from Chennai to Mumbai, and it is operated from the same address from where Hitesh Kawa & Co. (CA Firm) was working. It has been stated by the Noticee no. 23 that he is the owner of the Flat A-1, Padam CHS, Near Registration Office, Natakwalla Lane, Off SV Road, Borivali (West), Mumbai – 400092 and the same was given on Leave and Licence basis to PAL at a monthly rent of ₹2,000/- for eleven months vide agreement dated April 16, 2012.

46. Based on the totality of the circumstances, as narrated above, I can observe that the claim of Noticee no. 23 that he had given the flat/premises on Leave and License basis is only an afterthought submission. It is also not conceivable as to why the premises was given on Leave and License to a company on a meagre monthly rent of ₹2,000/- at a location in Mumbai where the said premises could have fetched a much higher rent. It is interesting to note here that the rent agreement with PAL was signed on behalf of the Company by the Noticee no. 8, Mr. Nirmal P. Jodhani. As I can observe from the emails furnished on behalf of Noticee nos. 15 to 19, in the email dated March 07, 2012, which was issued by one 'shyam.ascend@gmail.com' to Noticee no. 22 (with a copy to Noticee no.2), they were discussing about the appointment of other Directors of PAL and modification relating to the consent letters, and at the same time, had discussed the appointment of another Director of PAL, i.e., the Noticee no 8. In this regard, it would be pertinent to quote the relevant text of the email which states: *"Please note Consent Letter of Mr. Nirmal Jodhani has not being sent. Kindly send the same immediately for enabling us to file Form 32 today."* Thus, the person/director who has signed the rent agreement on behalf of PAL was appointed as Director by active indulgence/involvement of the Noticee no. 22. Moreover, the Noticee nos. 22 to 25 have also admitted that tickets for Noticee no. 2 (as noted above) were booked by Noticee no. 23. All these correspondences and activities clearly demonstrate a strong connection of the said Noticees with Noticee no. 2 and also shows their active involvement in the affairs of PAL. Furthermore, a holistic examination of the said emails

also belies the fact that shares were acquired by the six Noticees as a set off of the purported loan advanced by them to the promoter entities, since in the entire chain of emails, that were exchanged between these Noticees with the Director (Noticee no.2) of PAL, there is no mention of any loan amount which has been claimed to have been advanced by Noticee nos. 20 to 25. I note that the emails, as quoted above, are very strong pieces of evidence which point towards the control exercised by the Noticee nos. 22 & 23, during the relevant period of time over the affairs of PAL.

47. Further, as I understand from the submissions made by the promoter entities, pursuant to the acquisition of shares by the six entities from the promoters, it is Mr. Nimesh Joshi (Noticee no. 22) who had interacted through emails with a Management Consultant, namely, Ascend Management Consultant for further interaction with RTA of PAL. Such indulgence on the part of the Noticee no. 22 and his connection with the rest of the Noticees, viz. Noticee nos. 20, 21, 23, 24 & 25, further shows that the six entities had practically not only stepped into the shoes of the erstwhile promoting companies (Noticee nos. 15 & 16) but at the same time were also discharging all the functions that were required to be performed by the entities managing the affairs of PAL. Further, their association and nexus with the company and Mr. Nagraja Sharma (Noticee no. 2) have already been discussed by me in preceding paragraphs. The communication through the emails exchanged, as stated above brings the fact to the forefront that the Company PAL, its Directors and the six entities of Mumbai (Noticee nos. 20 to 25) are connected and have actively coordinated with each other in the matter of acquisition of shares of PAL in off market transactions, as well as in getting the suspension of the listing of the PAL's shares revoked and also in taking active interest in the management of the Company.
48. As regard the possible motive behind such off-market acquisition and onward transfer of shares of PAL, I note from the events that followed soon after the transmission of the shares to 62 persons/entities that trading of scrip of PAL on the exchange platform resumed with a very high opening price of ₹441/- per share established in SPOS. The price of the scrip which was transacted in off-market for only ₹3 per share and the trading of which was resumed after a prolonged 14 years of suspension, resumed trading with spectacular opening price of ₹441 and very soon touched its peak of ₹1006 (unadjusted to split and ₹100.6 adjusted to split) in the month of June, 2013. Thus, a sharp rise in the price of the scrip without support of any bare minimum fundamentals of the financial health of the Company, point to a bonafide strong suspicion that such transfer of shares was rather a part of a pre-mediated scheme of fraudulent activities to manipulate the price of the scrip of PAL so as to enable the off –market transferees, to off load their shares at an artificially inflated price. As have been found during the investigation and also stated in the SCN, such manipulation of the scrip of PAL which did not have any financial strength

has immensely helped and facilitated the persons/entities who had acquired shares of PAL by way of such off-market transactions to offload such shares at artificially inflated price to earn huge profits. Given the facts and circumstances under which the Noticees nos. 20 to 25 had acquired the shares of PAL and transferred to 62 sundry buyers throughout the country and the manner in which the price of share of PAL skyrocketed immediately after resumption of trading in its shares without any bonafide reasons, clearly suggests the active indulgence of Noticee nos. 20 to 25 in a pre-designed plan to manipulate the share price of PAL so as to benefit the ultimate buyers of those physical shares. The conduct of Noticee nos. 20 to 25 is evidently laced with malicious intent and fraudulent motive, hence I cannot persuade myself to exonerate these six Noticees from the allegations made against them in the SCN.

E. Beneficiaries of Price Manipulation (Noticee no. 26 to 74)

- a) The SCN alleges that the Noticee nos. 26 to 74 (49 entities) purchased shares from Noticee nos. 20 to 25 who were having nexus with the Company, at a time when the scrip was not being traded on the Stock Exchange. The Stock Exchange had suspended the trading in the shares of PAL since the year 1998. Further, the operating income of the Company was negligible and there was no profit made by the Company in previous financial years. The fundamentals of the Company were poor and no material corporate announcements were made by the Company. Under the circumstances, the shares of such a company would be purchased in physical form by a person only when he is sure that such shares can be sold at a later date at a relatively higher price. It is alleged in the SCN that an entity which was connected to the Company played a major role in establishing a price rise in the scrip of the Company during SPOS as well as during Patch-2 (May 22, 2013 to June 19, 2013) of the Investigation Period. The SCN finally alleges that promoter entities of PAL transferred their shareholding in PAL to 62 entities through Noticee nos. 20 to 25, just a few months before the trading commenced in its scrip. Thus, as part of a pre-mediated plan, shares of PAL were transferred to 62 entities with the aid of Noticee nos. 20 to 25 who were allegedly related to the Company, in order to enable these off market buyers to sell their shares at prices artificially inflated by other entities related with the Company, during SPOS and subsequently in Patch-2 of the Investigation Period.
- b) Before adverting to the aforesaid allegation, I note that the allegations have been made in the SCN based on the findings from the investigation, which considered various documentary evidences. However, after going through all the records and the submissions made by the Noticees in their replies to the SCN, I have observed

that the allegations against Noticee nos. 15 to 19, i.e., the promoter entities could not be substantiated. I find the role of the two promoting companies and their Directors was confined to only divesting their entire stake in PAL to Noticee nos. 20 to 25 and beyond that I haven't found them playing any role in colluding with the Noticee nos. 20 to 25 in any manner. However, simultaneously, it has been observed by me that the Noticees nos. 20 to 25 had a larger role to play in the scheme including exercising de-facto control over the affairs of the Company as soon as they bought the 30.91% shareholding of PAL from the two promoter companies. Therefore, the exoneration of the Noticee nos. 15 to 19 from the allegations against them in the SCN, will not at all, dilute the guilt of other Noticees starting from Noticee no. 1 to Noticee no. 74.

- c) I note that the Noticee nos. 20 to 25 transferred their shareholding to 62 entities, out of which 49 entities, namely Noticee nos. 26 to 74 sold their shares on the platform of stock exchange during the investigation period. Out of the said 49 entities, seven entities, viz., Noticee no. 31 (Bina Devi Dhanuka), Noticee no. 43 (Madan Mohan Dhanuka), Noticee no. 46 (Mayank Dhanuka), Noticee no. 51 (Neha Dhanuka), Noticee no. 52 (Nikunj Dhanuka), Noticee no. 59 (Rajkumari Dhanuka) and Noticee no. 70 (Umang Dhanuka) were alleged to be internally connected amongst themselves as well as connected with PAL. The connection amongst the said seven entities, is depicted herein below:

Entity Name	Connection
Pine Animation Limited	PAL had transferred ₹100 lakhs from its bank account no.50103075412 with Allahabad bank to Bihariji Constructions (India) Limited between December 13, 2012 and October 13, 2013 in which Bina Devi Dhanuka, Rajkumari Dhanuka, Mayank Dhanuka and Umang Dhanuka are directors
Bina Devi Dhanuka (Noticee no. 31)	Bina Devi Dhanuka, Madan Mohan Dhanuka, Mayank Dhanuka, Neha Dhanuka, Nikunj Dhanuka, Rajkumari Dhanuka and Umang Dhanuka share common address. Bina Devi Dhanuka, Rajkumari Dhanuka, Mayank Dhanuka and Umang Dhanuka are directors of Bihariji Constructions (India) Limited.
Madan Mohan Dhanuka (Noticee no. 43)	
Mayank Dhanuka (Noticee no. 46)	
Neha Dhanuka (Noticee no. 51)	
Nikunj Dhanuka (Noticee no. 52)	
Rajkumari Dhanuka (Noticee no. 59)	
Umang Dhanuka (Noticee no. 70)	

49. **Replies of Noticee nos. 26 to 74:**

- A. I find that six of the afore-mentioned 49 Noticees, viz: Akash Ranchhodbhai Golakia (Noticee no. 26), Chintan Ranchhodbhai Golakia (Noticee no. 32), Vijuben Ranchhodbhai Golakia (Noticee no. 71), Ranchhodbhai Jasmatbhai Golakia (Noticee no. 60), Rajkumar Budhram Agarwal (Noticee no. 58) and Pinky Rajkumar Agrawal (Noticee no. 55) have filed similar replies which were received on January 11, 2018. They have also filed identical written submissions which were received on February 7, 2019. Their contentions are summarised as under:
- i. They regularly invest in securities, and the investment in the shares of PAL was made out of their own savings. The amount of investment in PAL was small hence, the financials of the PAL were not looked into while buying its shares.
 - ii. They acquired shares of PAL from Mr. Hitesh Kawa relying upon the representation made by Mr. Narayan Jagetiya (who was introduced to them by CA Suraj Soni) with an objective of earning dividend and profits. The shares were purchased at a price of ₹3.00 per share. Merely by purchasing shares in an off-market deal and selling it at higher prices does not render their trades manipulative.
 - iii. They are neither directly nor indirectly related to PAL or any of its promoters and directors, or counterparties to their trades. It has been submitted that they cannot be termed promoter related entities merely because they purchased shares from promoter related entities. They were not party to any manipulative scheme as alleged in the SCN.
- B. Alok Navinchandra Kubadia (Noticee no. 27) has replied vide letter dated February 14, 2018 and has submitted as under:
- i. As an ingenuous investor, he invested in the shares of the Company after he was made aware by his friends and peer group about the revocation of suspension from trading in shares of the Company, its plans to raise funds by issuance of shares and about Mahaganpati Financial Services Pvt. Ltd. who wanted to sell shares of the Company.
 - ii. It has been stated that he does not know any other individual or entity named in the SCN and the allegation of being part of the alleged fraudulent scheme in the SCN is preposterous.
 - iii. He bought and sold shares of the Company as any other stock market investor

would do and in the manner permissible under regulations without any intention to enter into any kind of fraudulent activity.

C. Six more Noticees, viz., Mr. Omprakash Ramniwas Jajoo (Noticee no. 53), Ms. Anuradha Omprakash Jajoo (Noticee no. 28), Ms. Kiran Sunil Jajoo (Noticee no. 41), Ms. Snehlata Sudesh Jajoo (Noticee no. 66), Mr. Sudhesh Laxminarayan Jajoo (Noticee no. 67), Mr. Sunil Jajoo (Noticee no. 68) have filed similar replies which were received on January 4, 2018. They have waived their right of personal hearing vide letters dated September 10, 2018. In the replies, it has been submitted by them that:

- i. Their transactions are limited to purchase of shares of PAL and later selling them on the stock exchange platform. They were not party to any transaction on the stock exchange during any of the patches of the investigation period when price of the shares of PAL increased due to alleged manipulation.
- ii. It has been denied that they are part of the promoters of PAL or connected with them. It has been stated that the shares of PAL were purchased from Ms. Roopal H. Kawa (Noticee no. 25) for consideration and that they are not connected/related to Noticee no. 25.
- iii. They have carried out purchase, payment, dematerialisation, sale and transfer through normal market sources without any connection or concern with the Company, its promoters or any exit providers, etc.
- iv. The shares were sold over a period of several weeks in the normal course on the anonymous trading platform of stock exchange. They have not sold all the shares of PAL. They are not connected to any of the counterparty buyers.
- v. The standard of proof required for establishing the allegation of fraud is high. In view of the submissions made, the charges and allegations levelled against them in the SCN may be dropped.

D. Ashish Goel (Noticee no.29) had during the pendency of the proceedings filed an application seeking settlement of the proceedings under SEBI (Settlement Proceedings) Regulations, 2018 which was subsequently withdrawn vide his letter dated September 12, 2019. Noticee no. 29, vide letters dated May 23, 2018 and January 31, 2019 has submitted as under :

- i. He has denied violations of provisions of securities laws, as have been alleged in the SCN. The allegations with respect to him are baseless and bald.
- ii. He was debarred vide Interim Order dated May 8, 2015 and the debarment was confirmed vide confirmatory order dated August 22, 2016. He has already undergone debarment for almost four years.

- iii. The SCN does not make any specific case against him and also does not provide any allegation that he has to meet. The allegations in SCN are general and vague. All transactions by him are genuine. He is not connected to counter parties.
 - iv. He is not connected to PAL, or any promoter related entity including the Noticee no. 21 (Gajakarna Trading Private Limited) from whom the shares of PAL were purchased by him. In the month of January 2013 his father-in-law (since deceased), who was a regular investor in securities, advised him to purchase the shares of PAL. On March 20, 2013, he purchased 20,000 shares of PAL from Noticee no. 21 at a price of ₹3.00 per share in an off-market deal through a broker/agent. It has been submitted that the details of the broker would be furnished, if asked for. The decision to invest in shares of PAL was due to the fact that Pine was in business of animation and the entertainment/animation industry was growing.
 - v. The presumption that in an off-market transaction, buyer and seller are connected is baseless. SEBI has no record to establish any understanding between him and the Noticee no. 21. The only relation between him and Noticee no. 21 is of buyer and seller of shares and the said relation cannot make him part of the alleged scheme of manipulation.
 - vi. He has relied upon the Information Memorandum related to Long Term Capital Gain Cases and submitted that he is only an alleged beneficiary and SEBI should not take action against him as no allegation of LTP contribution etc., has been levelled.
 - vii. He had not played any role in price manipulation and is not connected to the exit providers. As an ordinary investor, it was not possible for him to detect falsification of accounts which came to knowledge of SEBI through Forensic Audit.
 - viii. He has earned long term capital gain which is tax free as per provisions of Income Tax Act, 1961. Copy of trade logs, income tax returns, bill, receipt etc. have been furnished. He has relied upon the decisions of SEBI in the matter of Reliance Petroleum, Temptation Foods Limited etc.
- E. Bharti Dhaval Shah (Noticee no.30) has replied vide letter dated June 25, 2018 and Dipti Paresh Shah (Noticee no.36) has filed her submissions vide letter dated October 25, 2018. Their submissions are similar hence are summarised as under:
- i. They had purchased the shares in off-market in response to an advertisement by Bhushit Trading Pvt. Ltd (hereinafter referred to as **“Bhushit”**) in the Economic Times dated January 2, 2013 about availability of shares in off-market. Photocopy

of newspaper cutting of the said advertisement has been furnished with the reply.

- ii. They do not have any connection with Mahaganpati Financial Services Ltd. (Noticee no. 20) from whom they purchased 16,000 shares each at the rate of ₹3.00 per share. The consideration amount was paid through cheque.
 - iii. Their trades were bonafide and have been done in the normal course of business. They were not connected with any of the counterparties to their trades, whether it was a buyer or seller.
- F. Seven Noticees, viz., Bina Devi Dhanuka (Noticee no. 31), Mayank Dhanuka (Noticee no. 46), Neha Dhanuka (Noticee no.51), Nikunj Dhanuka (Noticee no.52), Madan Mohan Dhanuka (Noticee no.43), Umang Dhanuka (Noticee no.70), and Rajkumari Dhanuka (Noticee no.59) have filed almost identical replies vide letter dated January 4, 2018. In the said replies, the following have been contended:
- i. They have been debarred from accessing the securities market vide Interim Order. It has been contended that the submissions made against the Interim Order/Confirmatory Order have not been considered by SEBI and in pursuance to the Confirmatory Order, the SCN has been issued.
 - ii. Vide order dated September 19, 2017 SEBI had revoked the directions against 114 entities, based on the observation that there was no adverse findings against such entities with respect to their role in the manipulation of the scrip of PAL. The said observations are contrary to the case built by SEBI through Interim and Confirmatory Orders. As other entities, who were attributed roles in the aforesaid orders have been let off, there is no reason of continuation of proceedings against these Noticees belonging to the Dhauka Group.
 - iii. SCN deserves to be quashed, as SEBI has taken selective action by not impleading Chayya Pradip Shah as a Noticee in the SCN, who was a preferential allottee along with Mr. Pradip D. Shah (Noticee no. 12) and for such allotment, funding was done by PAL indirectly.
 - iv. The Noticees have claimed that they as well as Bihariji Constructions (India) Limited (hereinafter referred to as “**Bihariji**”), are not aware about the source of funds which were advanced by PAL to Bihariji. It has been stated that Bihariji is a NBFC and it sourced loans from PAL in the usual course of its business. Bihariji received three loans of ₹25 lakh each from PAL on December 13, 2012, March 20, 2013 and October 01, 2013 and the amount was utilised in the usual course of its business. It has been also stated that some parts of the loans were utilised to clear outstanding loans and part of loan amount was transferred to sister concerns,

which in turn invested the money in mutual funds. The loans were repaid on September 02, 2013 and October 15, 2013 along with interest at the rate of 10% p.a.

- v. As Dhanuka Group has not been alleged to have manipulated the scrip of PAL, based on parity with the entities who have been let off by an order of SEBI dated September 19, 2017, particularly the preferential allottees, their case also deserves exoneration from the charges.
- vi. The shares of PAL were sold on the platform of BSE which maintains anonymity and they do not know the buyers of the shares. The shares purchased by them were too negligible in number to allege them to be part of the manipulation mechanism.
- vii. They are not concerned with the Company or with Noticee no. 21. The only link with the Company has been made on the basis of loan transaction between Bihariji and PAL. However, in the Interim Order and Confirmatory Order, they were alleged as promoter related entity. The SCN raises allegations based on conjectures and surmises.
- viii. The submissions made before SEBI that the share certificates transferred by the Noticee no. 21 did not contain the name of the promoters of PAL have not been dealt with before issuance of SCN.
- ix. The role attributed in the SCN to the Noticees is of purchase of shares of PAL in off-market transactions and selling of such shares on the platform of BSE during the investigation period and none of the aforesaid activities is illegal. There is no connection between them and the price manipulator. They are not part of any manipulation scheme and SCN only makes bald allegations against them. The only allegation that SCN levels is that they have sold the shares at an artificially inflated price. SEBI has shortlisted Noticees based on the quantum of profits made, which is an arbitrary ground.
- x. Nikunj Dhanuka (Noticee no. 52), Madan Mohan Dhanuka (Noticee no. 43) and Neha Dhanuka (Noticee no.51) have stated that they cannot be held responsible for transactions entered into between Bihariji and PAL merely because they share common address with directors of Bihariji. The shares of PAL were purchased as the shares were available at a relatively lower prices. They sold the shares on the trading platform of stock exchange during March 31, 2014 to October 16, 2014.

G. Darshan D Bhanushali (Noticee no.33) has replied vide letters dated January 8, 2018 and January 21, 2019 (filed through the Authorised representative) in which it has been

submitted that:

- i. He is a partner in a construction firm and is not an active trader in securities market. He purchased 16,000 shares from Mahaganpati Financial Services Ltd. (Noticee no. 20), at the rate of ₹3.00 per share. He was not aware that the Noticee no. 20 was connected to promoters of the Company at the time of purchase of those shares.
 - a) He does not know the Noticee no. 20 also. He had purchased the shares on the basis of an advertisement in the Economic Times on January 02, 2013 by one Bhushit, wherein it was mentioned that they were dealing in physical/odd lot shares of all companies. He sold his shares during the month of June 2014 to August 2014 on the trading platform of stock exchange. He is not related/connected with any of the counterparties to his trades.
 - b) He has no acquaintance or familiarity with the promoters/directors of PAL or any company referred to in the notice.
 - c) He has relied upon the decision in the matter of *Libord Finance Limited Vs. WTM, SEBI (Date of decision: March 31, 2008)* to contend that the Interim Order is in force and therefore SCN is bad in law.
- H. Deepak Agrawal –HUF (Noticee no. 34), through its Karta has filed replies dated January 15, 2018 and November 22, 2018, stating that:
- (i) He had purchased 10,000 shares of PAL during January 2013 and sold them during the period September 2014 to December 2014. It has been denied that the transaction were linked to manipulation of the price of the shares of PAL during the period.
 - (ii) He met Mr. Hitesh Kawa (Noticee no. 23) during his transit at Mumbai. During the discussions with Noticee no. 23, he came to know that Noticee no. 23 is dealing in the shares of suspended companies. Noticee no. 23 also informed him that many times such investments have given good returns. On his pursuance, he decided to risk ₹30,000/- as investment in small companies. Considering the poor fundamentals of the Company, the shares were purchased at ₹3.00 per shares having a face value of ₹10 per share. The payment was made through cheque.
 - (iii) He is not connected with the Company, promoters or the persons who are alleged to be manipulators of share price of PAL.
- I. Devesh Valecha (Noticee no.35) has replied vide letter dated February 25, 2018 and has also filed response to queries raised during the personal hearing, vide letter dated November 12,

2018. It has been submitted by him that:

- a) He has been investing his savings in shares and securities since 2013-14, i.e., since the time when he was doing his B.Com and he is a regular investor.
- b) He invested in the shares of PAL as he was getting the shares at the rate of ₹5.00 per share whereas the preferential allotment was made by the Company in December 2012 at the rate of ₹10.00 per share. Therefore, he decided to invest ₹50,000/- in the share of PAL.
- c) He has furnished his ITR for AY 2013-14 wherein his annual income from salary from scientific supply and job work has been shown to be at ₹5.00 lakh.
- d) He sold his shares during May 2014 to July 2014. It has been stated that he is not connected/related to promoters of PAL and he does not know them.
- e) As SEBI has exonerated preferential allottees, he also deserves exoneration.

J. Ganesh Laxman Wagh (Noticee no. 37) and Seema Ganesh Wagh (Noticee no. 63) have filed their replies vide letters dated January 16, 2019 and have filed post hearing submissions vide common letter dated March 01, 2019. It has been stated that:

- a) Noticee no. 37 and Noticee no. 63 are husband and wife. Noticee no. 37 is a civil engineer and working with MIDC, Aurangabad since 1989 and Noticee no. 63 is a founder shareholder and director of Excellence Casting Pvt. Ltd. They are regular investors in stock market. They have made several investments in securities in the range of ₹15,000/- to ₹50,000/-
- b) Each of them has bought 5000 shares of PAL from Noticee no. 21 at the rate of ₹5.00 per share through an intermediary. The shares were transferred in their name on March 30, 2013. They had no reason to believe that the promoters were selling the shares of PAL as the name on the face of the share certificate was that of Noticee no. 21.
- c) SEBI has exonerated preferential allottees who were earlier alleged to be connected with PAL. Preferential allottees are connected to company or its promoters/directors and on ground of parity, they too deserve exoneration.
- d) They sold the shares of PAL in June 2014 and September 2014 as the price of the shares of PAL had increased and Noticee no. 63 required funds for business purposes.
- e) They have stated that they were not part of any plan where shares were sold by promoter related entities to give a profitable exit to transferees.

- f) It has been submitted by the aforesaid Noticees that it may be noted from trade log that their trades have matched with four entities and out of these four, three entities who were alleged to be exit providers, have been exonerated by SEBI. Those entities have been either exonerated vide order dated September 19, 2017 or were never alleged to have violated the provision of securities law.
 - g) In order to establish artificial trade, various principles, as laid down in the orders of Hon'ble SAT, viz., Jagruti Securities etc., need to be followed to show some collusion with the buyer.
- K. Govind Agrawal –HUF (Noticee no. 38) has replied through its Karta Govind Agrawal, vide letter dated January 15, 2018 and has filed his written submissions vide letter dated November 22, 2018. It has been submitted that:
- a) It purchased 10,000 shares of PAL in an off-market deal from Hitesh N. Kawa (Noticee no. 23) on January 14, 2013, who had convinced it to purchase the shares of PAL. The shares were purchased in off-market deal as there was no trading in the scrip on stock exchange and the shares of face value of ₹10 each, were given to him at a price of ₹3.00 per share. The financials of the Company were showing improvement. The price of scrip was ₹441 on March 28, 2013 with the same financial position, and after the shares were purchased by it. Compared to the said price, the sale price is not exorbitant.
 - b) The investment in the shares of PAL was made in the normal course and they were sold during September 2014 to December 2014 on the stock exchange platform.
 - c) When he purchased the shares he was not aware that Noticee no. 23 is connected with the promoters of PAL. It has been also stated that he has not played any role in the alleged manipulative and fraudulent scheme nor it is connected with Company or its promoter/directors.
 - d) SCN is silent as to how the transactions entered by it has impacted the market or what was the role played by it and what were the terms of the alleged scheme.
- L. Heena Hitendra Nagda (Noticee no. 39) has replied vide letter dated January 6, 2018 and has filed a written submission dated January 21, 2019. She has contended that:
- a) She is a house wife and also conducts tuition classes. She has furnished copy of ITR for AY 2013 -14 and 2014-15 which shows her gross total

annual income at around ₹2 lakh. She is not an active trader in stock market.

- b) She purchased 16,000 shares of PAL in March 2013 in an off-market deal from Noticee no. 20 from her own funds. One Mr. Jasubhai Mehta, whom she knows through a friend, advised her to buy the shares of PAL. She got shares of PAL having face value of ₹10 at ₹ 3.00 per share. The percentage of shareholding held by her in PAL was in significant to influence the share price.
- c) She sold the shares after noticing increase in its price, during the period May 26, 2014 to June 13, 2014 on the screen based trading platform of the exchange and thus does not know the counter parties. It has been stated that she does not know Noticee no. 20 and that she is not related/connected to any of the promoters or promoter related entity or is associated with anyone else.
- d) SEBI needs to justify the exceptional circumstances under which the power under Section 11B is being used after three years of the alleged transactions. The SCN issued by SEBI is infructuous as vide order dated September 09, 2017, SEBI has confirmed the directions issued by Interim Order against 62 entities including her. She is facing discrimination as restraint directions against preferential allottees have been revoked.
- e) She is not part of any group and did not have contemporaneous knowledge of any wrongdoing in the trading of the shares of PAL, as alleged. Her dealings in the shares of PAL were separate, independent and stand alone. She is not a preferential allottees and has not contributed to price or volume rise in the scrip. She does not know the buyers of her shares since exchange platform maintains anonymity.
- f) She has undergone debarment from May 8, 2015. Guilty intention of the Noticee is required to be considered to impose penalty, as laid down by Hon'ble Supreme Court in the matter of *Bhartjatia Steel Industries Vs. Commissioner, Sales Tax, Uttar Pradesh*.

M. Kajari Nagori (Noticee no. 40) has replied vide letter received on February 8, 2018 and has filed written submission vide letter dated October 30, 2018, submitting therein as under:

- a) She is not related or connected to the Company or Noticee no. 9. An investor cannot be liable for the acts of the Company.
- b) She purchased 10,000 shares from Gajakarna Trading Pvt. Ltd., as an

investor on the advice of her father-in-law, Mr. Dilip Nagori, who has expired. The trading in the scrip was suspended at the time when she purchased the shares. She has also studied certain fundamentals of the Company before making the investment and there was no prohibition from SEBI or BSE with respect to dealing in shares of the Company. There is no prohibition to deal in shares in off-market

- c) BSE had allowed the share price to trade at ₹441.00 on March 28, 2013, i.e., after shares were purchased by her.
- d) She was not involved in the manipulation of the price of the scrip and she sold shares on the screen based trading platform of the stock exchange. She was not aware of the manipulations as alleged in the SCN. Mere transaction of sale of shares will not create any relationship with any one. The allegations of violations have also been denied.
- e) SCN has not pointed out the role allegedly played by her which impacted the market equilibrium. SCN had not specified as to what the scheme was and who made it. She is undergoing debarment since May 08, 2015.

N. Pankaj Kumar Beria (Noticee no. 42), Poonam Pankaj Beria (Noticee no. 57), Shribhagwan Fatehpuria Sushilkumar (Noticee no. 65), and Sushilkumar Fatehpuria Umadevi (Noticee no. 69) have filed separate but similar replies vide letters dated March 26, 2018. They have also filed written submission vide a common letter dated October 30, 2018 and letter dated November 30, 2018 and have contended as follows:

- a) Mr. Suraj Soni, Chartered Accountant introduced them to one Mr. Narayan Jagetiya and Narayan Jagatia introduced them to Mr. Nimesh Joshi (Noticee no. 22). The Noticee no. 22 influenced them to invest in the shares of PAL by saying that the Company had recently successfully concluded preferential allotment of its shares. It has been stated that even if it is considered that the book value of the shares of PAL prior to preferential issue was zero, the value post preferential issue became ₹8.33 and they were being offered the same at ₹3/- therefore, there was commercial rationale for them to purchase the shares of PAL.
- b) Each of them purchased 10,000 shares for ₹30,000/- out of their own funds and sold them in the market through the stock exchange mechanism.
- c) It has been stated that they are not connected with promoter and directors of PAL and they cannot be categorised as promoter related entities.
- d) Investment in shares of Company in off-market transaction is similar to

preferential allotment. Orders have been passed by SEBI where several preferential allottees have been exonerated. The same principles ought to be applied in their case too.

O. Madanlal Jain (Noticee no. 44), Moolchand Jain (Noticee no. 47), Mukesh Kumar Jain (Noticee no. 48) and Vikas Jain (Noticee No. 73) have replied to the SCN, vide letters dated April 24, 2018. They have contended that:

- a) In January 2013, their father/grandfather Mr. Mangilal Jain came across a newspaper advertisement about availability of shares of PAL for sale. They purchased the shares, on the advice of their father/grandfather.
- b) Noticee no. 44 and Noticee no. 47 purchased the shares of PAL from Nimesh Joshi (Noticee no. 22); Noticee no. 48 purchased the shares from Rashmi N. Joshi (Noticee no. 24) and Noticee no. 73 purchased the shares from Mahaganpati Financial Services Ltd. (Noticee no. 20). The consideration amount was paid on February 12&13, 2013 at the rate of ₹3.00 per share.
- c) They sold the shares during August 2014 to February 2015. Noticee no. 44 has also stated that he still holds 64.75% of the shares of PAL purchased by him.
- d) They are not related to any entity/individual mentioned in the notice, except for their family members. They are not connected/related to PAL, its promoters/directors and to the counterparties to their trades.
- e) It has been stated that their trades in PAL were bonafide and were executed in the ordinary course of trading without any sinister intent or design.
- f) It has been submitted that the off-market transferees must be treated equally with the preferential allottees.

P. Manisha Narpatkumar Chopra (Noticee no. 45) has replied vide letters dated January 5, 2018, October 24, 2018, November 3, 2018 and October 14, 2019. She has *inter alia* submitted that:

- a) There was no collusion or arrangements or intermingling of funds with the investee Company or any tainted person which could lead to any inference of any wrongdoing. She was not part of the manipulative scheme described in the SCN. She has already undergone debarment of 4 years due to Interim Order.
- b) The shares of PAL were purchased through a mediator named Mr. Jaswant

Raj Mehta. She has given an address claiming to be old address of Mr. Jaswant Raj Mehta. It has been also stated that she has not been able to contact him recently.

- c) She does not have any connection with Mahaganpati Financial Services Pvt. Ltd. (Noticee no. 20) or PAL.
- d) If any manipulation happened in any scrip, it cannot be termed that all the investors who traded in the said scrip did the same with manipulative intent. There is nothing on record to show that any activity was carried out by her as part of a scheme. The SCN does not make any specific case against her.
- e) In other cases of Kailash Auto Finance Limited, SEBI has exonerated entities who received the shares due to scheme of merger and sold such shares at profit, as SEBI did not find sufficient evidence for establishing connection with promoter of the said company. The same principle needs to be followed in present case also.
- f) She has also relied upon the Information Memorandum related to Long Term Capital Gain Cases and submitted that she is only an alleged beneficiary and SEBI should not take action against her as no allegation of connection with LTP contributors etc., has been levelled. SEBI has exonerated promoter related entities in the matter of Mishka Finance Ltd. and Moryo Industries Ltd. Further reference has been made to the decision of SEBI passed in the matter of Reliance Petroleum Ltd. and Temptation Foods Limited, on the ground of quantum of debarment.

Q. Murlidhar Mundhra–HUF (Noticee no. 49), Paras Chand Maru (Noticee no. 54), Saurabh Maru (Noticee no. 62), Shakuntala Maru (Noticee no. 64) have filed similar replies vide separate letters which were received on January 22, 2018. Further, vide letter dated January 22, 2019 all of the above said Noticees requested for time of one month to file their submissions., however till date they have not filed any written submissions. As per the replied filed by them, they had invested in the shares of PAL as bonafide investors without any knowledge about the wrongdoing on the part of the promoters and Directors of the Company and surrounding circumstances, hence an individual investor cannot be held liable for acts of the Company.

R. Narayan Balkrishan Toshniwal (Noticee no.50) has filed reply dated March 19, 2018 and has also filed written submissions vide letter dated November 6, 2018 in which he has submitted as under:

- a) He had purchased 4000 shares of PAL in off-market from Gajakarna Trading Pvt. Ltd. (Noticee no. 21) at the rate of ₹5.00 on January 14, 2013 and has sold 40,000 (after split) shares in July 2014 and September, 2014 for ₹33, 89,000/-. He came to know about such sale of shares through one Mr. Dhanroop Betala, as the last traded price of scrip of PAL in the year 1994 was ₹12.00 and it had also made preferential allotment.
- b) There is no basis or material on record to even suggest that he was connected to the promoters of the Company or any of its related entities or Gajakarna or he had knowledge of the alleged fraud.
- c) It has been submitted that in the absence of any other fact or document brought on record to establish the alleged violations, the mere fact of purchasing in off-market and sale through stock exchange is not sufficient to hold him liable for the alleged violations.
- d) SCN has not shown as to how he formed part of the alleged fraudulent scheme and no specific allegation has been made against him.
- e) The revocation order dated September 19, 2017 passed in the matter of PAL has exonerated certain persons including preferential allottees and it has been claimed that there is no evidence to show any connection with PAL or its promoters/directors and therefore on the basis of parity with such preferential allottees, the proceedings against him should be dropped on the similar grounds.
- f) Judgment of Hon'ble Supreme Court in the matter of *Gorkha Security Services Vs. Govt. of NCT* and other cases has been relied upon to submit that the SCN is bad in law. Other cases like *Sterlite Industries (India) Ltd. Vs SEBI* have also been cited to support that burden of proof is on SEBI to establish fraud.

S. Poonam P Jain (Noticee no. 56) has replied vide a letter dated January 5, 2018. She has waived her right to be heard personally vide letter dated December 17, 2018. It has been submitted by her that:

- a) She is a regular investor in securities and generally invests in the equity market based on various factors like reports in media, market condition etc., with medium to long term prospective through registered broker.
- b) She invested in shares of PAL through Bhushit, whom she contacted on the basis of an advertisement in the Economic Times on January 2, 2013. The shares were purchased from both Mahaganpati and Gajakarna.

- c) She was not involved in manipulation of price of the scrip on the stock exchange. She is not aware of the background of the case as mentioned in SCN and is unable to understand the same
 - d) SCN is silent about the transactions executed by her nor the allegations in the SCN attribute any kind of irregularity to her transactions.
- T. Rishikumar Rajnarayan Bagla HUF (Noticee no. 61) has replied through its Karta, Mr. Rishikumar Rajnarayan Bagla vide letters dated January 16, 2018 and has filed a post hearing submission vide letter dated December 4, 2018, in which, it has been submitted that:
- a) He came to know about some brokers dealing in physical shares through newspaper advertisement and contacted them and accordingly, he got in touch with Noticee no. 21.
 - b) He came to know that shares of PAL are available for sale at a price of ₹3.00 per share whereas the preferential allotment was made by the Company at the rate of ₹10.00 per share. Therefore, he invested a small amount of ₹30,000/- in the shares of PAL. He still holds certain number of shares and the said fact indicates that he was unaware of the manipulation in its share price. Copy of Share Transfer Form and Demat Statement have been furnished.
 - c) He sold the shares during the financial year 2014-15. It has been submitted that there is no adverse findings against the counterparties to his trades and few of the counter parties, who were alleged to be 'exit providers' have been exonerated by SEBI
 - d) From the orders passed by SEBI in the matter, it is clear that SEBI has changed its stand on the alleged violation by the preferential allottees and exit providers. SCN is silent on the aspect of differential treatment given to preferential allottees and off- market transferees. Few of the trades by him were matched with exit providers who have been exonerated. Order of SEBI passed in the matter of Mishka has been relied upon as in the said order, off market purchaser who did not transact when price was increasing were exonerated.
 - e) He is not related/connected with any of the promoters/directors of PAL or with any entity alleged to be connected with the promoters/directors of PAL.
- U. Vikas Jain (Noticee No. 72) has filed his reply dated December 20, 2018. Noticee no. 74 filed reply dated April 13, 2018 and undated letter received on January 13, 2019. Mr. Vineet

Jain (Noticee no. 74) appeared for hearing in person as well as for Mr. Vikas Jain, his brother. They have contended that:

- a) Noticee nos. 72 and 74 are brothers.
- b) They do not know the transferor or the Company and have no relationship with them. The shares of PAL were purchased by them in off-market deal through Bhushit, whom they contacted on the basis of the newspaper advertisement given by them in the Economic Times.
- c) They had purchased the shares with long term investment perspective as the shares of face value of ₹10.00 each were given to them at a price of ₹3.00 per share. The trading done by them is de hors any manipulative intent. They were not aware of any manipulation in the price of scrip of PAL.
- d) The allegation in the SCN that shares were purchased as they were sure to sell them profitably at a later date, is baseless and every one intends to sell at higher price.

Consideration:

50. From the replies and submissions advanced on behalf of the Noticee nos. 26 to 74, it is noted that all these Noticees have more or less similar and in some cases, identical explanations to offer in their defence against the allegations made in the SCN. Briefly speaking, the arguments advanced by these Noticees can be broadly classified into following categories:

- I. That they are not connected with PAL, its promoters, directors in any manner and they should be treated on par with those preferential allottees, who were exonerated by SEBI after the completion of the investigation.
- II. That they have purchased shares through off-market deals on the basis of references received from various sources. Many of the Noticees cited an advertisement published in the Economic Times dated January 2, 2013 by Bhushit. Some other Noticees have taken the names of Suraj Soni CA, Narayan Jagetiya and Jashubhai Mehta as the persons on whose advice, they have purchased the shares. Some other Noticees have claimed to have come to know about off-market sale of PAL shares through unnamed friends, peers or relatives. Some other Noticees have also stated that they have directly purchased the shares from the Noticee nos. 22 to 25 on the advice of Noticee nos. 22 & 23. It has been argued that they are not involved in any price manipulations activities and have no relation with any counter

party to their transactions through the exchange. The SCN is not specific as to how their trades caused fraud upon the securities market, and their trades were executed on the exchange platform which maintains anonymity of the parties to a trade.

- III. That the investment made by them was for miniscule amount and many of these Noticees were persuaded by the Noticee nos. 22 & 23 to buy the shares of PAL who assured them of a prospect of good return.
- IV. That most of them have already been under debarment for around four years.
- V. That few of them are still holding some shares of PAL.
- VI. That they are investors in securities market and their trade in the shares of PAL was executed in the normal course of trading done from their own funds and sources.

51. I would now deal with the afore-stated explanations and arguments under separate heads, in the following paragraphs:-

I. No connection with the Company and its promoters/directors & discriminatory approach vis-à-vis preferential allotment:

- i. It is the case of the aforesaid Noticees that they have procured the shares of PAL in off-market deals from certain entities and not from the Company or its promoters/directors. Therefore, they have claimed to have no nexus with Company or its promoters, whereas the shareholders/entities who were issued shares on preferential basis by the Company can be better regarded as entities well known to the promoters/directors of the Company. It has been contended that if selling of shares at artificially inflated price can be taken as a ground for making allegations of manipulative and fraudulent trades against them, such allegations ought to have been levelled against all the preferential allottees too, who have also been benefitted by selling their shares at artificially inflated prices. However, no such allegation has been made against those preferential allottees. These Noticees, have therefore, taken a defence of discrimination in the matter of issuance of SCN against them.
- ii. The aforesaid arguments advanced by the Noticees are considered, however, found to be devoid of any merit. It is undisputed that these Noticees have purchased shares of PAL through off market deals from the six entities (Noticee nos. 20-25), who in turn had purchased those shares from the promoters of PAL. I have already discussed as to how, the six entities (Noticee nos. 20 to 25) took over the entire stake of erstwhile promoter entities of PAL and were actively interested in the affairs of PAL thereafter, and also took over the role of erstwhile promoters based on the shareholding they purchased as well as based on the control they actually exercised over the affairs of PAL. It has been highlighted that after the six entities bought the

entire stake of the erstwhile promoters, they have taken various steps with respect to shifting of Corporate office of PAL to Mumbai, appointment of Directors on the Board of PAL and thereafter transferred their shares in PAL to 62 entities as a part of a preconceived plan to help these persons/entities to sell their stake at manipulated and inflated prices. Out of the said 62 entities to whom shares were sold through off-market mode for only ₹3 to 6.25 per share, the investigation found that 49 of such recipients of shares have actually sold their shares when the price of the scrip was in the range of ₹800-900 (unadjusted to split of shares), thereby exiting from their shares with huge amounts of windfall gains. Thus, the share prices of PAL were manipulated in a manner that Noticee nos. 26 to 74 (49 shareholders), got the opportunity to offload their shares at exorbitant price and have booked substantial gains.

- iii. The connection of someone with a company or its promoters can be ascertained on the basis of various factors such as common address/contact details with the company or its directors/promoters; common management, the nature of business dealing with the company; financial transactions etc. The aforementioned factors will reflect on the connection explicitly. However, apart from the aforementioned attributes, the overall conduct of a person, in respect of his investments in a company can also serve as a pointer on the underlying connection between the investor and the company and/or its management. In the present case, the following chain of events would fortify the preponderance of probabilities of existence of a connection between the company and the 49 Noticees and will also answer to their grievances of discriminatory treatment vis-à-vis the preferential allottees :

- a) The trading in the scrip of PAL was suspended since 1998. The suspension was revoked in 2012 but trading recommenced only in 2013. The fundamentals and financials were not worthy of any investment by a reasonably prudent person. Thus, although it was a listed company, in view of the poor track record of its scrip which remained under suspension and was having weak fundamentals, PAL was barely known to the public. In the given facts as stated above, it was hardly expected that any investor would make an investment in a company when there was no trading in the scrip nor was there any inspiring financial promise held out by the weak fundamentals of the company to attract investors with the hope of future gains, unless someone gets a tacit promise about a definite assured gain either from the end of the company or its promoters / directors or any person on their behalf.

- b) I note that many of the Noticees have attempted to seek shelter under the argument that the preferential allotment was done at the rate of ₹ 10 per share while, the price at which shares were received by them through off market deals was much lesser than the said price. It is a matter of record that in the SPOS session conducted on March 28, 2013, the opening price of the scrip of PAL was discovered at ₹441/- (pre-split) prior to which, most of these 49 entities had acquired the shares through off-market deals from Noticee nos. 20-25. Thus, after the trading recommenced at ₹441 and soon thereafter the price of the scrip reached a level of ₹457 on May 14, 2013, the value of the investment made by the 49 entities rapidly registered multi-fold in a few days, as against the cost of acquisition per share incurred by these 49 Noticees which was in the range of only ₹.3-₹6.25/-. The arguments put forth above by the 49 Noticees are of no help to them and rather would be contrarian to their conduct.
- c) As stated above, these Noticees had admittedly purchased the shares of the Company for a paltry sum as compared to the price which the preferential allottees had to pay to purchase the same shares. Therefore, as soon as the trading opened with spectacular opening trade price of ₹441/-, it was certainly throwing an excellent opportunity to these shareholders to exit from their shares with a spectacular gain on the price of ₹3-6.25/- per share that they had paid to purchase the shares. However, curiously enough, despite such an exponential price rise within a couple of months after they purchased the shares, none of the 49 entities has attempted to liquidate his holdings in PAL despite such a splendid performance by the scrip in the opening trade itself. It raises a bonafide suspicion that the 49 entities had a pre-conceived indication that the prices of the scrip of PAL would further increase to a pre-determined level at which they can off-load their shares for a larger profit.
- d) It is to be noted here that for the 49 entities, who purchased shares through off-market deals, there was no lock-in period, unlike the mandatory requirement of lock-in for preferential allottees. These 49 Noticees were completely free to sell and exit from the shares at any point of time as soon as the price started moving up. However, I note that all the 49 Noticees waited for around one year, and began offloading their shares on the platform of stock exchange thereafter. It is also found that few of the Noticees were successful in off-loading 100% of their respective shareholding. None of the Noticees incurred loss and in fact huge profits

were made by even those who were able to sell only part of their shareholding.

- e) I find the submissions by the 49 Noticees about giving them differential treatment vis-à-vis preferential shareholders, are not based on sound logic for the reason that the two are not equal and similarly placed. The preferential allottees had made fresh investment in the Company by increasing the capital of the Company, whereas the 49 Noticees who received the shares from Noticee nos. 20 to 25, merely purchased the existing shares from secondary market as part of their pre-determined plan to exit with good fortunes out of the shares purchased by them. Therefore, by any stretch of argument, it cannot be established that all these 49 entities had full faith in the future prospects of the Company given the accepted fact that the track record and the financials of the Company for the past years did not contain anything worthwhile to offer any potential for future growth of the Company.
- f) Further, the 49 Noticees have contended that they purchased the shares of PAL because they were available at cheaper rates as compared to preferential issue made by the Company. These entities have tried to justify their off-market purchase of shares of PAL on the ground that the Company had already allotted shares through preferential allotment for ₹10/- per share whereas they were offered the shares of the Company at a much cheaper rate. I refute these explanations which have apparently been advanced as an afterthought exercise to impute some rationale to their purchase decision. As stated earlier, there were two rounds of preferential allotment made by the Company prior to resumption of trading. However, on the basis of records I can observe that none of the preferential issues involved any strategic investment by any strategic investor so as to signal any major landmark in the business affairs of the Company, nor was there any follow up major announcement made by the Company pursuant to infusion of such preferential capital, indicating any growth prospects for the Company. As stated earlier, many of these 49 entities purchased the shares through off-market deals at a time when the trading of the share of Company had not resumed and there was no scope for these entities to discover the future potential worth of their investment. These entities cannot also claim to have ascertained that the infusion of capital through the preferential issue had any potential to create any positive impact on the business prospects of the Company. Under the circumstances, the alibi

taken by these entities that their purchase decision was influenced by the allotment of preferential issue is futile. It rather throws light on their insidious design behind taking the decision to purchase the shares so as to reap exorbitant benefits out of these investments just after one year.

- g) In such a scenario, the purchase decision by these Noticees certainly cannot be called a normal prudent investment decision by a genuine investor since at that point of time, neither the Company enjoyed a good financial prospect nor had made any material corporate announcement, which could have inspired prospective investors to buy the shares of the Company. The manner in which the six entities (Noticee no 20-25) had purchased and indulged in onward transfer of those shares of PAL to entities spread across the country by way of off-market deal, which ultimately enriched 49 of them in an unjust manner by selling those shares at an exorbitantly inflated price, certainly throws up a preponderance of probabilities that the onward transfer of shares by these 6 entities was done as part of a pre-planned arrangement with a definite assurance to the buyers that they would be able to sell the shares at higher rates. Such preponderance of probabilities is further accentuated by the fact that even the inflated financial results of the Company for FY 2012-13 (which was found to be fabricated and misleading by the Forensic Auditor) was not prepared by the Company around that time when the off-market transfers took place thereby falsifying the claims of some of these entities that they had decided to purchase the shares of the Company after being inspired by future prospects of the Company. Under the circumstances, it leaves no doubt in my mind to hold that the decision by the 49 entities to purchase shares of PAL through off-market deals from the aforesaid 6 entities was guided by certain other extraneous consideration as per their pre-determined mutual arrangement not known to public or to any other investors of the Company.
- h) The objective of the quasi-judicial proceedings before me is limited to decide the allegations charged against the entities in the SCN based on the facts revealed and evidences collected during the course of investigations. Therefore, it would be appropriate for me to confine my findings in the instant proceedings to the facts narrated in the SCN and based on evidences annexed therewith and to decide if the allegations levelled against the respective Noticee are sustainable or not. The Noticees are required to present their case by rebutting the allegations made qua them in the SCN

with supporting evidences. It is not open to the Noticees to mislead the proceedings by taking such plea about their case vis-à-vis the case of preferential shareholders, etc. With regard to the ground of discriminatory treatment in favour of some of the entities who have not been subjected to the present proceedings as submitted by the Noticees, in my view, the objective of the instant proceedings are to examine as to whether in the facts and circumstances as narrated in the SCN and evidence available on record, the allegations against the Noticees would sustain or not. Hence, the proceedings would not be vitiated merely by their claim that some of the other people have not been named in the proceedings. Further in case of *Systematix Shares & Stocks India Limited v. SEBI* (DoD- 23.04.2012) in which, the Hon'ble SAT had the occasion to deal with a similar argument as put forth by the Noticees contending that the action against a few entities alone is discriminatory, the Hon'ble SAT observed that "*We cannot subscribe to this view since the Board has set its own benchmark in selecting cases for action and, in any case, the appellant cannot plead himself innocent or his trades as lawful.*"

- iv. With respect to one of the group of Noticees belonging to these 49 entities, viz., Dhanuka Group, the SCN contains certain additional facts, as compared to the rest of the Noticees from Noticee nos. 26 to 74. It is noted that the aforesaid Notices are connected amongst themselves as they share common address. Further, Noticee no. 31, Noticee no. 59, Noticee no. 46 and Noticee no. 70 are directors of an NBFC, viz., Bihariji. The said company, viz., Bihariji had received ₹100 lakhs from PAL through its bank account no.50103075412 held with Allahabad bank, between the period of December 13, 2012 and October 13, 2013. It is also seen that 7 members of Dhauka Group had also purchased shares of PAL in off-market deals, and sold the same at artificially inflated price. It is noted that they have sold 9,63,000 number of shares of PAL (acquired only for ₹6.25/- per share) and earned exorbitant sale proceeds of ₹ 8 Crore (approx.)
- v. While all the Noticees of Dhanuka Group are linked to each other not only by common addresses but also by their inter-se relationships, their close proximity to the Company (PAL) is evident from the fact that 4 Noticees of Dhanuka Group were actively engaged with Bihariji by being on its Board, with whom PAL had financial transactions. Therefore, contrary to the claims made by the group that it was maintaining an arm's length relationship with Bihariji, the facts on record suggest that Dhanuka Group had close ties with the Company PAL.

II. Purchased shares through various sources:

- i. It is also interesting to note that the 49 Noticees (Noticee nos. 26 to 74), who purchased shares through off-market transfers from the Noticee nos. 20-25 hailed from diverse locations, and diverse professional backgrounds from across the country. These Noticees come from different places such as Indore, Surat, Gwalior, Mumbai, Aurangabad, Jodhpur, New Delhi and various other locations of India and profession wise they range from being student to housewife and from senior citizens to persons of limited means. Further, there is also a subset of Noticees within the said group of 49, who are directors in a NBFC in Mumbai, and other affluent entities.
- ii. A large number of such entities have claimed that the investments made by them in the scrip of PAL was after they saw an advertisement published in the newspaper by an entity called Bhushit which was offering services for selling in physical and odd lot shares. A few other Noticees have stated that they came to know about the sale of shares of PAL by Noticee nos. 20-25 through some other individuals, friends, peers etc. For example, Mr. Narayan Toshniwal has stated that he came to know about the sale of shares through one Mr. Dhanroop Netala from Chennai. One thing comes out very clearly from their explanations is that none of these 49 off-market buyers has named Mr. Vinayak Sarkhot as the person through whom they have purchased the shares from Noticee nos. 20-25. Therefore, the claim of the Noticee nos. 20-25 that it was Mr. Sarkhot who had arranged the buyers stand demolished.
- iii. Those Noticees who named 'Bhushit' have also filed a copy of the advertisement made by Bhushit in the Economic Times on January 02, 2013. It is highly improbable to accept as to how these Noticees have preserved the copy of an advertisement for last so many years only to produce before me to prove their bonafide as genuine investor in the scrip of PAL. The said advertisement reads as under:

“WE deal in Physical/Odd Lot share of all Cos. Contact: Bhushit Trading Private Limited. ...”



iv. It can be seen that the aforesaid advertisement neither talks about PAL shares nor specifies any other company whose shares, it was offering for sale in off-market. Therefore, on the face of it, it can't be substantiated that such purchases were made after being brokered by Bhushit, whose advertisement has been placed on record.. None of the Noticees who took the name of Bhushit as the mediator could furnish the name of the person managing affairs of Bhushit or whom they had interacted with for the purchase of shares of PAL. None of the Noticees who claimed to have bought shares based on the above advertisement has submitted any record to show as to how he got to know about PAL and on what basis the person with whom he had interacted, persuaded him to buy only the scrip of PAL and not any other scrip. Moreover, it is heartening to find that all these Noticees coming from different parts of the country have been able to produce the copy of an obscure advertisement, even after passage of so many years. The said fact indicates that all the Noticees have deliberately tried to manufacture an explanation to pass off their concocted transaction as a genuine purchase. Some of the persons from the 49 entities were found to be first time investors and were not having any active association with the securities market which further raises serious questions about their antecedents as genuine investors. At this stage, it is pertinent to mention here that Bhushit Trading Pvt. Ltd. is also alleged to be an entity connected with the Company, through Noticee no. 9, Mr. Jagdish Purohit. The connection between "Bhushit" and Noticee no. 9 further strengthens the allegation about existence of a pre-arranged scheme amongst these Noticees about the scrip of PAL and the afore-stated transactions in the scrip of PAL was carried out to accomplish the objectives of such pre-arranged scheme. Meanwhile, the thread that establishes the connection of Bhushit with PAL through the Noticee no 9 is shown as below:

Entity Name	Connection
Pine Animation Limited	<ul style="list-style-type: none"> Rajkumar Dabriwal is director of Bhushit Trading Pvt Ltd. Rajkumar Dabriwal and Chandrakala Purohit are common directors in Honeydew Trading company Pvt Limited, Woodside Constructions Pvt. Ltd. Chandrakala Purohit and Jagdish Purohit share common residential address as per MCA database. Jagdish Purohit is connected to Pine animation Limited.
Bhushit Trading Pvt Ltd	

v. I also note that most of the 49 entities have claimed to have no connection with each other and have claimed to have acted independently in their purchase and sale

decision vis-à-vis the scrip of PAL, however, their conduct and the pattern in which they have transacted in the scrip of PAL suggest otherwise. It is seen that almost all these entities have purchased the shares of PAL through off-market deals from the six (06) entities (Noticee nos. 20 to 25) noted above around the same point of time. Similarly, most of them have decided to sell their shares of PAL after holding them for an uniform period. These Noticees started selling the shares of PAL from the first week of March 2014. It is also seen from the records that most of the 49 Noticees have sold their shares in a sequential manner on the exchange platform as borne out from the trade log annexed to the SCN. Some of such trades executed in sequential manner by the Noticees have been illustrated below:

TRADE_DATE	CP_CLIENTNAME
06/03/2014	CHINTAN RANCHHODBHAI GOLAKIA (Noticee no. 32)
06/03/2014	CHINTAN RANCHHODBHAI GOLAKIA
06/03/2014	CHINTAN RANCHHODBHAI GOLAKIA
06/03/2014	CHINTAN RANCHHODBHAI GOLAKIA
06/03/2014	CHINTAN RANCHHODBHAI GOLAKIA
06/03/2014	RAJKUMAR BUDHRAM AGARWAL (Noticee no. 58)
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06/03/2014	RAJKUMAR BUDHRAM AGARWAL
06/03/2014	CHINTAN RANCHHODBHAI GOLAKIA (Noticee no. 32)
10/03/2014	RAJKUMAR BUDHRAM AGARWAL
10/03/2014	RAJKUMAR BUDHRAM AGARWAL
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	PINKY RAJKUMAR AGRAWAL (Noticee no. 55)
14/03/2014	PINKY RAJKUMAR AGRAWAL
14/03/2014	AKASH RANCHHODBHAI GOLAKIA (Noticee no. 26)
14/03/2014	AKASH RANCHHODBHAI GOLAKIA
14/03/2014	AKASH RANCHHODBHAI GOLAKIA
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27/03/2014	MADAN MOHAN DHANUKA (Noticee no. 43)
27/03/2014	MADAN MOHAN DHANUKA
27/03/2014	MADAN MOHAN DHANUKA
27/03/2014	MADAN MOHAN DHANUKA

27/03/2014	MAYANK DHANUKA
	MAYANK DHANUKA (Noticee no. 46)
27/03/2014	MAYANK DHANUKA
----	----
26/05/2014	HEENA HITENDRA NAGDA (Noticee no. 39)
26/05/2014	HEENA HITENDRA NAGDA
26/05/2014	HEENA HITENDRA NAGDA
26/05/2014	DEVESH VALECHA (Noticee no. 35)
26/05/2014	DEVESH VALECHA
26/05/2014	DEVESH VALECHA

- vi. The afore stated illustration suggest that the decision to sell the shares of PAL was taken by these supposedly unrelated buyers in a manner that it conveniently suited each one's economic needs. Therefore, the transactions of these entities, starting from purchase to sale, vis-à-vis the scrip of PAL, have been conducted systematically, which is not otherwise possible to happen without a pre-orchestrated design, with the entities from whom the shares were purchased by these entities. If the six entities (Noticee nos. 20 to 25) can be called as benefactors, the 49 Noticees who have purchased the shares in off-market transactions are beneficiaries of the entire scheme and it would be discriminatory on my part if I consider the six Noticees and the 49 Noticees separately from each other as in my view, all of them are part and parcel of the same strategy to maximize their gains by manipulating price of the shares of PAL.

III. No relation with counter party and the SCN has not elaborated as to how their trades were fraudulent and no manipulation has been attributed to them.

- i. The Noticees have also submitted that for a charge of 'fraud' to be established there has to be some relationship/ nexus/ prior meeting of mind with the other Noticees, which is not present in this case. In this regard, I note the observations of the Hon'ble Supreme Court in *SEBI v. Kishore R. Ajmera (2016) 6 SCC 368* wherein the Hon'ble Supreme Court have held that direct proof of such meeting of minds would rarely be found and in the absence of such direct evidence, it would be justified to draw conclusion with respect to fraudulent trading from various other attending circumstances.
- ii. In the instant matter, as I have already held that contrary to their claims of having no inter connections amongst them, the transactions made by these entities in the

shares of PAL actually have been conducted in a co-ordinated and pre-conceived manner, both at the time of purchase as well as the time of sale of shares of PAL. Moreover, these 49 entities have purchased shares from a common set of six entities, and in terms of timing of their purchases as well as sell, and in the manner they have off-loaded their shares after earning huge sums of profit, provide a strong preponderance of probabilities that all these entities and the six entities from whom they purchased the shares were bound by a common action plan and a common intent in the matter of dealing with the shares of PAL in collusion with the Company and its Directors.

- iii. I further note that Hon'ble Supreme Court of India in the matter of *Kanaiyalal Baldev Bhai Patel v. SEBI* [2017] 143 SCL 124 (SC) while dealing with the definition of "fraud" as defined under SEBI (PFUTP) Regulations, 2003, have observed as under: "...The difference between inducement in criminal law and the wider meaning thereof as in the present case, is that to make inducement an offence the intention behind the representation or misrepresentation of facts must be dishonest whereas in the latter category of cases like the present the element of dishonesty need not be present or proved and established to be present. In the latter category of cases, a mere inference, rather than proof, that the person induced would not have acted in the manner that he did but for the inducement is sufficient. No element of dishonesty or bad faith in the making of the inducement would be required....". The Hon'ble Supreme Court further observed that: "...14. To attract the rigor of Regulations 3 and 4 of the 2003 Regulations, mens rea is not an indispensable requirement and the correct test is one of preponderance of probabilities. Merely because the operation of the aforesaid two provisions of the 2003 Regulations invite penal consequences on the defaulters, proof beyond reasonable doubt as held by this Court in Securities and Exchange Board of India Vs. Kishore R. Ajmera(supra) is not an indispensable requirement. The inferential conclusion from the proved and admitted facts, so long the same are reasonable and can be legitimately arrived at on a consideration of the totality of the materials, would be permissible and legally justified..."
- iv. In view of the aforesaid observations of the Hon'ble Supreme Court, the contention of the Noticees that parties to the trades did not have any collusion amongst themselves which can establish the charges of fraudulent trading against them deserve rejection. I am strongly of the view that the relations/connections between the six entities with the Company and its Directors on the one hand and with the 49 off market buyers on the other, now stand established in the light of factual evidence brought on record and the circumstances in which the transactions have been conducted by the Noticees in a coordinated manner as discussed in preceding paragraphs. Therefore, the submissions of the Noticees that there is no collusion with counter party is irrelevant. As regards, the reliance

by the Noticees on the observations of the Hon'ble SAT in *M/s Jagruti Securities Ltd. v. SEBI* to contend that in an artificial trade there has to be collusion between the buyer and seller and in the absence of any collusion the trade cannot be termed as artificial, it is observed that SCN makes no allegations that their trades were artificial, hence, reliance on any such observation is misplaced. It is the prices of the scrip of PAL at which the 49 beneficiaries got exit from their shares with huge profits which were artificially inflated.

- v. As highlighted by me in the above para, contrary to the claims made by the 49 Noticees, citing absence of any collusion amongst themselves, the factual findings about their transactions and the circumstances in which they have purchased and sold the shares of PAL are rather strongly pointing towards an existence of an explicit pre-arranged understanding and meeting of minds between them with the 6 Noticees who sold them the shares of PAL. Therefore, the pleas taken by the 49 Noticees citing absence of any collusion are not maintainable. As per the SCN, it is not the case against the Noticee nos. 26 to 74 that they have colluded with the counterparty buyers. The Noticees are rather allegedly found to be part of a common scheme or arrangement wherein, through off market transfers, shares of PAL were received by them which were subsequently sold at artificially inflated prices, by resorting to fraudulent and unfair trade practice. Apparently, no such connection was found in the investigation or observed in the SCN with respect to the counter parties to their trades. Further, the allegations against the Noticees are that they were part of the scheme of fraud in collusion with other Noticees in the SCN. The allegations in the SCN have not been made based on their association with counter parties, as no common thread appears to have been found between the 49 beneficiaries Noticees and the counter parties to their trades through which they exited from their shares of PAL with profit. From the perusal of the SCN, it is observed that the scheme was conceived apparently to enable the 49 Noticees to sell their shares at artificially hiked price. Therefore, the contention of the Noticees about absence of any collusion with counter parties to their trades is irrelevant, in the light of the allegations against them that they have sold shares of PAL at artificially inflated price, a part of their pre-arrangement with the six sellers (Noticee nos. 20 to 25).

IV. Investment was miniscule:

- i. It has been claimed that the price at which they bought the shares was very low so the Noticees did not ascertain the fundamentals of the company. The off market purchases were made by the 49 entities during the period when the trading in the scrip was under suspension and trading had not resumed. There was also no

corporate announcement or material development in the affairs of the Company even at the time when the scrip resumed trading. Under the circumstances, the rationale and justification and various reasons advanced by the entities to justify their purchase of shares of PAL, even though apparently for small investments, are found to be far away from the fundamentals of the Company, more so when these entities ultimately benefitted by selling the shares at exorbitantly inflated prices. Thus, irrespective of the financial capacity of a person and how miniscule the amount of his investment was, the decision *per se* to purchase these shares on the face of all the details that were available about the company in public domain at that point of time, defies logic and basic principles of business prudence. No one would knowingly invest money in a company with such pitiable financials unless there is some assurance of getting exit at a later stage at a profitable price. It is also a point to be taken into cognizance that had there been any inkling about any real future prospects of the Company, none of the Noticees seems to have raised any query to any of the six shareholders, i.e., Noticee nos. 20-25 as to why they were so desperate to sell the shares of PAL when according to them the Company had a bright future in coming days. Not only the act of Noticee nos. 20-25 to sell the shares after purchasing them from the promoters of the Company goes against business prudence if actually there was any future prospect of the Company but also the manner in which they have further transferred the shares to entities spread across the country, strengthens the suspicion that the same were transferred for a definite pre-planned motive to give these buyers an exit at an inflated price, in lieu of gains best known to them.

V. Still holding percentage of shares and period of debarment already undergone:

- i. It is noted that few of the Noticees have claimed that they still hold a substantial percentage of the shares of PAL which were purchased by them in off-market deals from Noticee nos. 20-25. I note that there are also few such Noticees who have successfully sold out all the shares of PAL which they had purchased in off-market. Further, the prices at which shares have been sold, either in part or in full, were approximately more than 100 times of the purchase price. Moreover, the quantity of the shares purchased, sold or retained, cannot be a ground to dilute the fraudulent, manipulative and unfair trade practices, indulged in by these Noticees as highlighted in the preceding paragraphs. It is also observed that after reaching a peak, the price of shares of PAL witnessed a fall, hence the Noticees have not preferred to sell their balance holding for the apparent reason that they have already realised multiple times of their full investments, even by part selling

their shares. I also note that the trading in the scrip of PAL was suspended by the Interim Order passed by SEBI, which could also be a reason for these Noticees for not being able to sell their entire holding of shares of PAL, however, the same is being displayed as a ground to prove their bonafide as genuine investor. However, in view of the acts and various misdemeanours on part of the Noticees as narrated earlier, the said ground does not hold any favourable consideration. I observe that the Interim Order in the matter was passed by SEBI as a preventive measure, pending investigation, to avert further damage to the integrity of the securities market. As part of the directions passed in the Interim Order, many entities were restrained from accessing the securities market. The passing of an interim order and consequent debarment during the pendency of the proceedings cannot be a ground for exoneration of an entity in the proceedings before me. Thus, I do not find any merit in the submission by the Noticees that they deserve leniency in the proceedings because of debarment already undergone by them.

VI. The trades were in normal course of business using their own fund:

- i. I note that the fundamentals of the Company that existed at the time of investments made by the Noticee nos. 26 to 74 need no further reiteration at this stage. None of the Noticees has produced any cogent argument/explanation which could be said to have driven him/her to make a genuine investment in the scrip of PAL, particularly at the time when the scrip was suspended for 14 years. As noted above, irrespective of the amount of loss that a person has potential to bear, an investment decision of an individual needs to be based on some parameters, more so when in the present case, most of the Noticees falling in the group of Noticee nos. 26-74 were not regular investors in securities market. Thus, in terms of my findings in para 51 (I) (e) to (g) above, pertaining to the connection of the Noticee nos. 26-74 with the Noticees nos. 20 to 25, the investments made by the said Noticees cannot be termed as a regular investment made in normal course of business or trading. As regards the contentions of the Noticees to the effect that they had used their own funds to buy the scrip of PAL, I am of the view that the SCN does not contain any allegations about the source of funding as far as these 49 Noticee (Noticee nos. 26 to 74) are concerned, therefore the issue which is not under dispute, does not require any consideration or adjudication.
- ii. I note that some of the Noticees have also sought to justify their buying of the shares of PAL on the ground that they have bought the shares subsequent to resumption of trading in the said scrip, i.e., after March 28, 2013. Having heard the parties and after perusing the records, the allegation of orchestrating a scheme

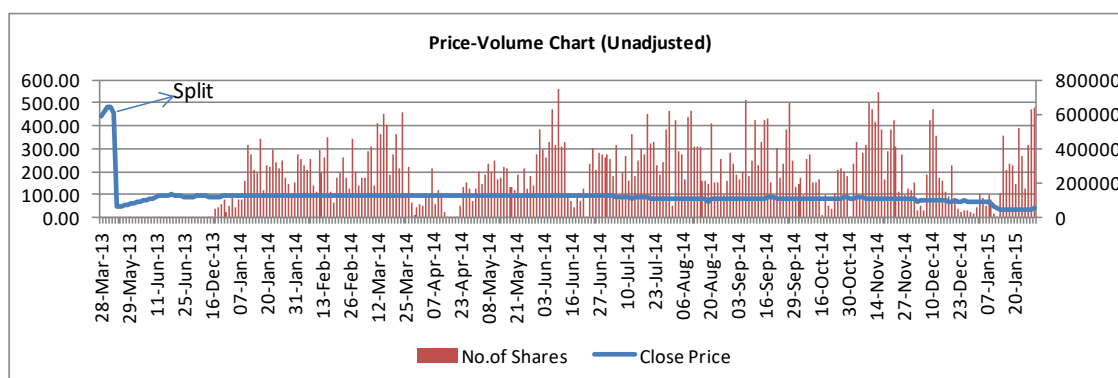
further find strength from such submissions of the Noticees, where they attempt to justify the buying of PAL after the resumption of trading. It is beyond my comprehension as to why and how, a holder of scrip of PAL decided to sell shares for a partly amount of ₹3.00 to ₹6.00, when the shares had already started trading at price of ₹441/-. It all the more reinforces the allegation that the shares were sold by the Noticee nos. 20 to 25 under a pre-decided scheme, with an assurance to give the 49 Noticees a profitable exit by manipulating the scrip of PAL. Under the circumstances, I see no reason to justify the transactions made by the 49 entities as transactions executed purely in the normal course of trading, free from any unfair and manipulative traits so as to be not classified as fraudulent.

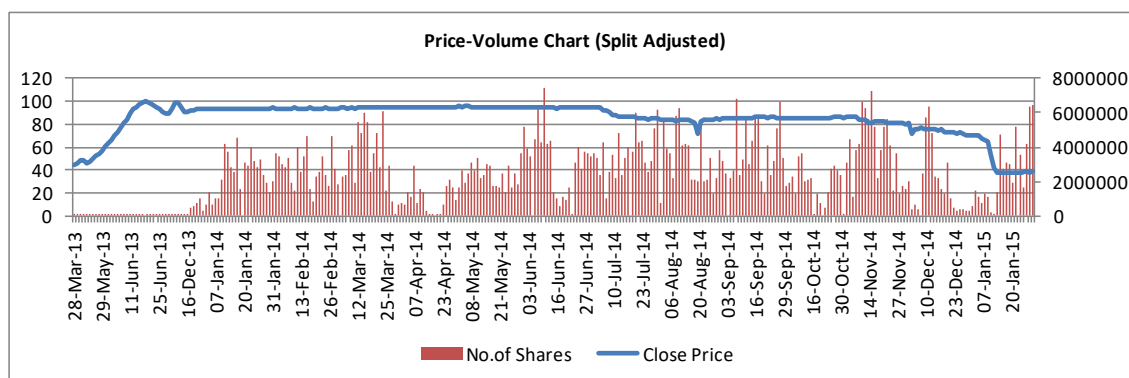
- iii. Under the circumstances, I find that the claims of the Noticees can't be relied upon as it is beyond one's comprehension as to how those Noticees could have managed to purchase the shares of PAL at such a throw away price when the market driven opening price of the share had already been discovered at a level of ₹441 on the first day of trading after revocation of suspension of trading in the scrip. The claim put forth by these Noticees who purchased the shares in off-market from the six entities at a nominal price further emboldens the suspicion that these Noticees had a strong established nexus with the Noticees no. 20-25 from whom they have purchased the shares. One does not have to probe further to hold that the aforesaid Noticees were acting in concert with the selling entities, namely, Noticee nos. 20-25.

- 52. After having dealt with all the grounds raised and arguments advanced by the Noticee nos. 26-74, it is relevant to mention here that the reasons advanced by the six entities (Noticee nos. 20 to 25) for selling their shares of PAL acquired from the former promoter entities, to the 49 entities/persons so as to recover their loans are not acceptable. It has been pointed out that soon after the shares were transferred by the six entities/persons, certain persons/entities traded in the scrip of PAL in a fraudulent manner by way of contributing to LTP which led to the price of shares of PAL to rise to the level of ₹1006 (unadjusted to split and; split adjusted ₹100.6) and such drastic rise in the price offered opportunities to these 49 buyers to sell their shares at a highly inflated price to earn exorbitant profit. In this regard, the Company, its Directors and other related/connected persons, by resorting to dissemination of falsified accounts to the market have also created inducement in the minds of the investors of securities market. The series of events starting from off-market transactions through which the six entities acquired the shares from the promoter companies and onward transfer of those shares to 62 entities, followed by the manipulation of the price of the scrip thereby facilitating highly profitable exit from such shares to the 49 Noticees, all suggest to the fact that the transfers made by the six entities were not

merely for the purpose of recovering their loan from the erstwhile promoters but to give effect to a pre-conceived plan to manipulate the price of shares of PAL and offering a profitable exit to their buyers.

53. Under the circumstances, it cannot be denied that the 49 noticee buyers who made exorbitant profits in a short span by selling the scrip of PAL at a highly artificially inflated prices were very much assured of the prospect of the price of PAL touching new heights when they entered into off market dealing with six entities. Such a dealing which assures spectacular amounts of profits out of sale of a penny stock like PAL within a short span of time cannot be possible without a systematic abuse of market mechanism. I reiterate that the price of scrip of PAL which was under a 14 years period of suspension, resumed its trading with a spectacular opening price of ₹441 because of manipulated trading by Decent Vincom Pvt. Limited (Noticee no. 10) which has been highlighted in para no. 30 (a) of this order. This itself belies all rationale and fundamentals of market mechanism when a scrip which was available in off market only for ₹3.00, got a huge start in Pre-Open Session trading (i.e. ₹441), bereft of any fundamentals, any corporate announcement or any noticeable development with respect to the business affairs of the Company. With such an artificial opening price, the scrip started trading at higher and higher rates and after its split into the ratio of 10: 1 with effect from May 17, 2013, the price moved on to ₹441 on March 28, 2013 and ₹1006 (unadjusted to share split; ₹100.6 adjusted to share split) on June 20, 2013 before it started declining and closing at ₹38.85 on January 30, 2015. The split of shares was also executed with an ulterior motive to ensure that the price rise in the shares caused by the manipulative trades is not easily noticeable.
54. It is in fact surprising that the market capitalisation of the Company with such weak financials, went upto ₹27,86,62,00,000 (27,70,00,000 shares of ₹100.6 each) on June 20, 2013 which is not possible even for the highest earning blue chip companies of the country to achieve. The unadjusted price volume chart and price volume chart adjusted for the stock split, will give a better picture of the aforesaid observation, as shown below:





55. In addition to the above, the per day volume of trading in the scrip till July 25, 2013 was hardly around 1 share to 200 shares, whereas the total number of trades in said scrip ranged between 1 to 11 trades per day. The scrip which was facing only 2 trades involving 15 shares on December 16, 2013, suddenly faced 12 trades involving 53,000 shares only after a gap of only 10 days on December 26, 2013. I note from the Annexure-6 to the SCN containing price volume data that the share of PAL witnessed a sharp rise in volume from around December 26, 2013, as is evident from the following table:

Date	Open Price	High Price	Low Price	No. of Shares	No. of Trades
28-Mar-13	441.00	441.00	441.00	200	1
01-Apr-13	463.05	463.05	441.00	100	11
02-Apr-13	485.00	485.00	485.00	32	4
04-Apr-13	480.00	480.00	480.00	25	1
14-May-13	457.00	457.00	457.00	20	2
22-May-13	47.20	47.20	47.20	200	2
.....					
28-Nov-13	95.00	95.00	95.00	10	1
06-Dec-13	90.30	90.30	90.30	145	1
16-Dec-13	91.00	91.00	91.00	15	2
26-Dec-13	92.10	92.15	92.10	53000	12
27-Dec-13	92.50	92.50	92.50	60000	12
30-Dec-13	92.60	92.60	92.60	80030	7
31-Dec-13	92.75	93.00	92.75	102050	36
.....					
06-Mar-14	94.10	94.35	93.00	236170	566
07-Mar-14	93.50	93.75	93.40	387000	509
.....					
12-May-14	94.80	95.00	94.70	336000	1859
.....					
08-Sep-14	84.80	85.40	84.80	680600	528
.....					
30-Jan-15	38.70	38.90	38.10	640212	335

56. The aforesaid observations and from the trend of share trading, one can easily observe that the trading in the scrip of PAL was pre-planned with a specific purpose to take the price up to a spectacular level so that the 49 Noticees in this case who had purchased the shares through off market transaction get a profitable exit without any effort. Therefore, in view of my afore-stated observations, I find that the acts of the Noticee nos. 26 to 74 are undoubtedly in violations of provision of PFUTP Regulations as alleged in the SCN.
57. Therefore, from all the aforesaid discussions, I observe that the Noticee nos. 1 to 13, 20 to 74 were part of a common fraudulent scheme/device/artifice wherein misleading information was disseminated by the Company, the price of the scrip was manipulated by the Company related entities and the shares of the Company were sold at artificially inflated price by two preferential allottees funded by the Company as well as by other 49 entities who purchased the shares in off-market deals, from six entities. Under the circumstances, I find that the aforesaid entities have violated Section 12A (a), (b) and (c) of SEBI Act, 1992 and 3(a), (b), (c) and (d) and 4(1) of PFUTP Regulations, 2003.

F. Price Manipulators (Noticee nos. 75 to 80)

58. It is noted from the SCN that a total number of 7 Noticees out of 80 Noticees have been alleged to have played a role of price manipulator in the scrip of PAL during the investigation period. In this connection, as observed earlier, Noticee no. 11 (Ms. Prem Lata Nahar) has been found to be connected with the Company through Noticee no. 9. The trades executed by Noticee no. 11 in the scrip of PAL had resulted into LTP contribution and based on her buying pattern and connection with the Company, the Noticee no. 11 has been found to be part of the scheme for manipulation of the price of the scrip. I further note that while Noticee no. 76 as well Noticee no. 80 have been alleged to have played their respective independent role in manipulation of the price of the scrip of PAL, with respect to Noticee nos. 11, 75, 77, 78 and 79, SCN alleges that all of them have acted together and took turns to execute only a single transaction on different trading days which resulted in higher LTP for the scrip of PAL. Further Noticee no. 11 has been alleged to have connection with the Company, which has been discussed at para no. 32 of this order, wherein the allegation against the Noticee no. 11 have been found established, hence upheld by me.
59. Now, I shall deal with the allegation against Noticee no. 75, 76, 77, 78, 79 and 80. As Noticee no. 76 has been alleged to have played an individual role in increasing the price of the scrip of PAL, I shall first proceed to deal with allegations levelled against him.

Noticee no. 76

60. The Noticee no. 76, Mr. Sanjay Abar, has been observed during the Patch -1 (March 28, 2013 to May 14, 2013) of the investigation, to be a trader in the shares of PAL on the exchange platform. During Patch-1, the scrip of PAL was traded on only for five trading days wherein 19 trades took place. He is observed to have sold 25 number of shares in the following manner:

Sl. No.	Date of transaction	Seller name	Sell order volume	Buy order volume	Traded Qty	LTP cont. (₹)	LTP cont. (%)	Buy Order Time	Sell Order Time	Trade Time	No of shares held before trade	Balance no of shares after trade
1	01/04/2013	Sanjay Abar	200	5	5	22.05	33.38	09:30:35	09:36:40	09:36:40	200	195
2	01/04/2013		85	5	5	22.00	33.31	10:16:06	09:38:15	10:16:06	185	180
3	02/04/2013		25	10	10	22.00	33.31	10:37:56	09:21:48	10:37:56	100	90

61. Based on the aforesaid transactions, it has been alleged in the SCN that the Noticee no. 76 has not acted as a genuine seller and had no *bonafide* intention to sell. As on April 01, 2013, the Noticee was holding 200 shares of PAL and it has been alleged in the SCN that despite holding adequate quantity of shares of PAL, he has sold small quantities of shares and the trades executed for such small quantity contributed 100% positive LTP for the scrip. As per SCN, even though the number of shares held by him were 200, the same was adequate to manipulate the price when compared with the miniscule number of shares actually sold by him on different trading days as indicated above.

62. The Noticee No. 76 has replied vide letter dated December 27, 2017 and has also filed a written submission dated October 29, 2018. In his reply and written submission, it has been contended that:

- He is a regular investor in securities market and he invests in small quantities.
- In the year 2006, he purchased shares of two companies in off-market deals from one Mr. Suresh Chand Jain residing at 72, Perambalu Chetty Street, Old Washerman Pet, Chennai – 600021. This purchase included 200 shares of Marudhupandi Finance Ltd. (old name of Pine Animation Ltd.). He held these shares in physical form till 2013, i.e., till the time when the shares of the Company became available for dematerialisation.
- He was waiting to sell the shares of PAL since a long time. On March 28, 2013, when suddenly the shares of PAL started trading, he placed sell order for his holdings on the next trading day i.e. April 1, 2013.
- He was able to sell 100 shares on April 1, 2013. He placed sell order (190001238019403) for the balance quantity on April 2, 2013, which resulted in sale of 32 shares at a price of ₹485/- .

- e) It has been submitted that he intended to sell his entire shares of PAL. This is evident from the fact that he sold 132 shares out of his total holding of 200 shares in two trading days. Thereafter, he again placed sell order for balance quantity on April 4, 2013. He was able to sell only 25 shares due to lack of liquidity. He again placed sell order for balance quantity on May 14, 2013 but was able to sell only 20 shares.

Consideration:

63. I have carefully perused the explanations offered by Mr. Sanjay Abar, along with the supporting documents viz., contract notes etc. , and my observations are as under:

- a) At the outset I find that the dates on which the Noticee has claimed to have sold his shares are in variance with dates on which he has allegedly sold his shares as per the SCN. Moreover, I find that the Noticee had sold 100 shares, 32 shares, 25 shares and 20 shares on different dates namely April 01, 2013, April 02, 2013, April 04, 2013 and May 14, 2013, respectively. Out of the sales of those quantities, I find that as per the SCN, he sold 5 shares on April 01, 2013, another 5 shares on the same date and another set of 10 shares sold on April 02, 2013 have allegedly resulted in contribution to LTP by ₹22.05 (33.38%), ₹22.00 (33.31%), and ₹22 (33.31%) respectively, for which the Noticee has been alleged to have played a role in manipulating the price of the scrip.
- b) The trades executed by the Noticee were verified with the tradelog for the relevant period and it is found that apart from the aforementioned trades, the Noticee no. 76 has also sold 100 shares each on May 22, 2013 and June 7, 2013 and further 25 shares on June 19, 2013.
- c) It is noted that the SCN has not alleged the Noticee for having any connection with the Noticee nos. 1-74. Further, the Noticee had purchased his shares in physical form long ago in the year 2006, which he sold as soon as the trading in the scrip resumed. The trade details as per the trade log highlighted above, do not agree with the findings in the SCN that the said Noticee's sales transactions have actually contributed to the LTP by the percentages as mentioned in the SCN. Under the circumstances, I find that the Noticee no. 76 has not played an active role either in concert with the other Noticees or individually in manipulating the price of the shares of PAL as have been alleged in the SCN. Under the circumstances, the proceedings against Noticee no. 76, Mr. Sanjay Abar are being dropped without any directions.

64. Moving on to the remaining 5 Noticees in the SCN, viz., Nellakkara Raghunath (Notice No. 75), Prem Lata Nahar (Noticee No. 11), and Dharendra Kumar Gupta and Sons HUF

(Noticee 78), their counter parties, viz., Akash Jain (Noticee No. 77) and Sreeya Singhanian (Noticee No. 79), the SCN alleges that the aforesaid five Noticees have acted together and have taken turns, to execute single transactions on different trading days, so as to contribute to the LTP of the scrip of PAL. It has further been alleged that based on their trading pattern, it appears that the said entities did not have any bona fide intention to buy or sell the said shares and the intention was to create misleading appearance of trading in the scrip and to take the price higher, by price manipulations.

65. The issue of Noticee no. 11 has already been dealt in the previous part of the order and therefore, does not require any further examination.

Noticee no. 75, 77, 78 and 79:

66. Nellakkara Raghunath (Noticee No. 75) has replied vide letter dated December 24, 2017. He has submitted copy of his demat statement for the calendar year 2013 vide email dated October 25, 2018. It has been submitted that:
- a. He is an NRI working in Dubai for the past 20 years. He has no connection or knowledge of other buyers or their intentions and was not acting together with other parties.
 - b. He is not connected/related with any entity mentioned in the notice and was not acting together with other parties who have been alleged to be involved in the price manipulation.
 - c. The contribution to LTP by his trade is due to non-availability of sale quantity.
 - d. His aim was to collect some shares for trading like he did for some other illiquid scrips also for which, he faced heavy losses. As intention was to trade for short term, research on the fundamentals of the Company was not done. The allegation of violation has been denied.
67. Akash Jain (Noticee no. 77) has replied vide letter dated April 19, 2018 and submitted that he is a regular trader and investor in stock market. He bought shares of PAL through his online trading account and sold them at profit. It is not possible for him to know from whom he is purchasing the shares and to whom he is selling as it is an online platform. He had placed large quantity order, but only small quantity was traded and as the volume increased, all the shares got sold.
68. Dhirendra Kumar Gupta and Sons HUF (Noticee no. 78), through its Karta Mr. Dhirendra Kumar Gupta, has filed a reply to the SCN vide letter dated January 2, 2018 and has also filed a written submissions vide email dated November 10, 2018. It has been submitted that:

- a. It does regular trading in stock market. It purchased the shares of PAL on the stock exchange platform on June 10 & 11, 2013. As the price of the shares were not rising much therefore, it was sold on January 7, 2014. It made a profit of ₹89.5/- by trading in the shares of PAL.
- b. It is not connected/with any of the other entities as mentioned in the order.
- c. Mr. Dharendra Kumar Gupta, Karta of the said HUF, was working as an accountant with Priti Mercantile Company and RRP Management Services (P) Ltd. during the relevant time. His total taxable salary was ₹2,45,000/-. He has submitted copy of demat account statement for FY 2012-13, Income Tax Return along with computations for F.Y. 2012-13 & 2013-14.

69. Sreeya Singhania (Noticee no. 79) has replied vide letter dated January 4, 2018.

- a) She is a retail investor/trader and is earning income from investing in shares and other sources. She purchased the shares of PAL on the basis of general talks of the market with persons related to securities market. She purchased 200 shares of PAL on May 14, 2013 on the exchange platform at an average price of ₹45.82 per share which is in line with her trading and investment portfolio.
- b) The price of shares of PAL were rising. She sold 200 shares on 5 days during the month of June 2013 and January, 2014 and earned a total profit of ₹7,668.51. She does not have any means to indulge in manipulation and nor has any connection or knowledge of any entities/persons who have been alleged to have committed price manipulation in the SCN. She has denied violations of PFUTP Regulations, as alleged in the SCN.

70. I have gone through the allegations levelled against the Noticee no.75, Noticee no. 77, Noticee no. 78 and Noticee no. 79 and the replies filed by them as well as other relevant documents available on record. At the outset, insofar as the said Noticees are concerned, the details of their trades as noted from the trade log as well as trade volume in the scrip of PAL on the respective days of trading taken from Price Volume Data, as annexed to the SCN, are highlighted in the tables below:

Noticee no. 75

Sr. No.	Date of Trade	Buy/Sale	Trade Rate	Trade Qty. (Orders placed)	Total number of trades in the day/Shares traded

1)	24/05/2013	Buy	49.55	50 (2 orders of 50 shares and 200 shares)	1/50
2)	28/05/2013	Buy	54.60 (2 trades at same price)	405 (2 orders of 410 shares each)	2/405
3)	04/06/2013	Buy	69.60	5 (200)	1/5
4)	05/06/2013	Buy	73	50 (2 orders of 100 shares each)	1/50
5)	07/06/2013	Buy	(i) 80.30 (ii) 80.45	(i) 50 (50) (ii) 55 (55)	4/155
6)	14/06/2013	Buy	96.75 (3 trades at same price)	110	3/110
7)	22/01/2014	Sale	93.25 (77 trades at same price)	725	918/ 397760

- a) The Noticee no. 75 bought a total number of 725 shares in 10 trades during the period from May 24, 2013 to June 14, 2013 for a total consideration of ₹47670.75/-. Thus, on an average he had purchased 72.50 shares per trade and the average price incurred by him in purchasing the shares of PAL was ₹65.75 per share. It is further noted that the entire holdings in PAL was sold by him and the said holding of 725 shares was sold in 77 trades for a total consideration of ₹67606.25. The Noticee had executed those 77 trades on the same day, i.e., January 22, 2014. Based on the same, it is noted that on an average he sold 9.29 shares per trade and the average price per share at which he sold the shares was ₹93.25. Although, he was holding only 725 shares and cost of acquisition of those 725 shares was ₹47670.75, the consideration received against the sale of those 725 shares was ₹67606.25. In the process, the profit that the Noticee earned out of transaction in the scrip of PAL in the period of six month was around 42%.

Noticee no. 77

Sr. No.	Date of Trade	Buy/Sale	Trade Rate	Trade Qty. (Orders placed)	Total number of trades in the day/Shares traded
1)	01/04/2013	Buy	463 (6 trades at	73 (5	11/100

			same price)	orders of 10 shares each and 1 order of 50 shares)	
2)	02/04/2013	Buy	485 (3 trades at same price)	30 (10 shares each)	4/32
3)	28/05/2013 to 03/01/2014	Sale	93.23 (average price for 119 trades)	1030	---

- b) Similarly, the Noticee no. 77 purchased 103 shares in 9 trades for a total sum of ₹ 48349 and out of the said 9 trades, 6 trades for 73 shares were executed on April 01, 2013 and balance 30 shares were purchased in 3 trades on April 02, 2013. Thus, the average price paid by the Noticee no. 77 to purchase the shares of PAL was ₹470.33 and the average shares traded per trade was 11.44 shares. These 103 shares became 1030 shares after splitting of shares made by the Company in the ratio of 1:10 on May 17, 2013. It is also observed that the Noticee had subsequently sold all the 1030 shares and it took 119 trades for him to sell those holding in PAL. Though he purchased the entire shares over 2 trading days, he sold the same over a long period of time that commenced from May 28, 2013 with his last sell trade being executed on January 03, 2014. In the process, he sold the entire holding for a sum of ₹79638.2. The average price of selling the share was ₹93.23 and the average share sold per trade was 8.66 (after the split, he became beneficial owner of 1030 shares). Thus, he has also registered a profit around 43% while dealing in the scrip of PAL.

Noticee no. 78

Sr. No.	Date of Trade	Buy/Sale	Trade Rate	Trade Qty. (Orders placed)	Total number of trades in the day/Shares traded
1)	10/06/2013	Buy	84.45	5 (250)	1/5
2)	11/06/2013	Buy	88.65 (2 trades at same price)	10 (505)	2/10
3)	09/01/2014	Sale	93.15	15	78/ 210015

- c) The Noticee no. 78 bought 15 shares in 03 trades executed on June 10 & 11, 2013. The Noticee paid ₹1308.75 to buy those 15 shares. The average price incurred for buying the 15 shares were ₹ 87.25 and the average share purchased per trade was 5.00 shares. The Noticee no. 78 also sold the entire holding of 15 shares on January 09, 2014 in 01 trade for a total consideration of ₹1397.25. The average selling price per share is ₹93.15. In the process, he has earned profit of ₹90.00 (approx.), which is 07%.

Noticee no. 79

Sr. No.	Date of Trade	Buy/Sale	Trade Rate	Trade Qty. (Orders placed)	Total number of trades in the day/Shares traded
1.	14/05/2013	Buy	457 (2 trades at same price)	20 (2 orders of 10 shares each)	2/20
2.	05/06/2013	Sale	73	50	1/50
3.	07/06/2013	Sale	80.30	50	4/155
4.	06/01/2014	Sale	93.20	50	15/ 65050
5.	20/01/2014	Sale	93	25	911/ 308715
6.	23/01/2014	Sale	93	25	802/ 322025

- d) It is noted that the Noticee no 79 executed 02 trades for buying 20 shares for a consideration of ₹9140.00. After split of shares, she came to hold 200 shares with her. The average price paid by her for buying shares of PAL was ₹457.00. She had also preferred to sell her entire stock in PAL in 05 trades executed on June 05, 2013, June 07, 2013, January 06, 2014, January 20, 2014, and January 23, 2014. In this process, she sold her stake for a total consideration for ₹16975.00 and earned a profit of ₹7835.00, which is more than 85% of the investment made in the scrip of PAL.
71. Before I proceed to analyse the trades of the above named Noticees, it is relevant to note that the shares of PAL resumed trading on March 28, 2013, after suffering suspension of about 14 years. The scrips were further split in the ratio of 10:1 w.e.f. May 17, 2013. The price of the scrip opened at ₹ 472.00 (unadjusted to share split, adjusted to split @ ₹ 47.20) on May 22, 2013 and reached a level of ₹1006.00 (unadjusted to share split, adjusted to split ₹ 100.60) on June 19, 2013, thereby registering a price rise of ₹534.00 (unadjusted to share split; split adjusted ₹ 53.40), (which is 113%) within a month's period. It is interesting to note here that the scrip of PAL, during the period of May 22, 2013 to June 19, 2013, was traded only on 19 trading days in Periodic Call Auction Session.
72. In the scrip of PAL, during the period of May 22, 2013 to June 19, 2013, only 11 entities traded on buy side. Out of 31 trades executed during the said period, 20 trades resulted in contribution to positive LTP and 11 trades did not contribute to any LTP. There was no trade which contributed to negative LTP.
73. With respect to the aforesaid Noticees (i.e. Noticee nos. 75, 77, 78 and 79), it is noted that though these Noticees have executed their trades in the capacity of a buyer as well as seller, all the trades executed by them have not been alleged to be fraudulent and manipulative. Based on their trading pattern, some of trades of the Noticees have been alleged to be in violations of PFUTP Regulations. The SCN alleges that the Noticees were "acting

together” and took turns, to execute only a single transaction on different trading days and their trades caused contribution to LTP.

74. It is observed that the entities executing buying trades above the LTP repetitively (i.e. more than one trade) were Nellakkara Raghunath (Notice No. 75), Prem Lata Nahar (Noticee No. 11), Dharendra Kumar Gupta and Sons HUF (Noticee 78).
75. Similarly, the Akash Jain (Noticee no. 77) and Sreeya Singhania (Noticee no. 79) while acting as sellers, released smaller quantities of shares of PAL despite the fact that big buy orders were available in the market. Thus, they were also found to be counter party to the aforesaid three buying entities (Noticee nos. 11, 75 and 78) on more than one occasion. Such act of releasing of shares in smaller quantities despite availability of big buy orders caused misleading appearances in the scrip of PAL and therefore, the trades have been alleged to be not fair. The order-log analysis of the entities which have apparently caused the aforesaid allegation in the SCN are given below:

Entity name (Buyer)	Date	PCAS Session	Price Points	Cum .Buy Qty in the session	Cu. Sell Qty in the session	Buy Order Qty by the entity	Equilibrium Price	Total Trades Qty at eq. price	Trade Qty of the Entity	LTP Cont . by entity	Buy Order Time	Sell Order Time	Seller
Premalata Nahar	22/05/2013	10:30 to 11:30	47.20	200	200	200	47.25	200	200	1.50	11:11:02	10:34:07	Abar Sanjay
Nellakkara Rghunath	24/05/2013	9:30 to 10:30	49.55	50	50	50	49.55	50	50	2.35	09:45:56	10:08:08	Ajay Kulwal
				205	50	200							
Nellakkara Rghunath	28/05/2013	11:30 to 12:30	54.60	410	405	410	54.60	405	5	2.60	11:55:31	11:34:04	Darshan Patel
				510	5	410							
Premalata Nahar	30/05/2013	10:30 to 11:30	60.15	600	10	100	60.15	10	10	2.85	10:45:33	10:38:47	Akash Jain
Nellakkara Rghunath	04/06/2013	10:30 to 11:30	69.60	200	5	200	69.16	5	5	3.30	10:30:50	10:37:56	Akash Jain
Nellakkara Rghunath	05/06/2013	9:30 to 10:30	73.05	150	50	100	73.00	50	50	3.40	09:36:45	09:36:05	Sreeya Singhania
				150	50	100							
Premalata Nahar	06/06/2013	11:30 to 12:30	76.65	55	5	50	76.65	5	5	3.65	11:32:14	11:31:19	Akash Jain
Nellakkara Rghunath	07/06/2013	9:30 to 10:30	80.30	50	50	50	80.30	50	50	3.65	09:42:09	09:30:20	Sreeya Singhania*
Dhirendra Kumar Gupta and Sons HUF	10/06/2013	10:30 to 11:30	84.45	450	5	250	84.45	5	5	4.00	10:30:18	11:10:34	Akash Jain
Dhirendra Kumar Gupta and Sons HUF	11/06/2013	11:30 to 12:30	88.65	505	5	505	86.65	5	5	4.20	11:38:28	11:30:30	Akash Jain
Premalata Nahar	13/06/2013	9:30 to 10:30	94.90	350	50	100	94.90	50	50	1.85	09:35:19	09:46:44	Rajesh Kumar Shukla
Nellakkara Rghunath	14/06/2013	13:30 to 14:30	96.75	115	10	10	96.75	15	10	1.85	14:14:07	14:13:31	Hiralbn Kalpenbhai Shah
				15	10								

*Wrongly Shown as N. Malathi in the SCN.

76. As can be noted from the above trade summary, the trades executed by the three buyers, viz., Nellakkara Raghunath (Notice No. 75), Prem Lata Nahar (Noticee No. 11), Dhirendra Kumar Gupta and Sons HUF (Noticee 78) have resulted in LTP increase by ₹352.00 (unadjusted to share split; adjusted to split by ₹35.20) during 12 call auction sessions. Further, it was observed during investigation that the two entities viz., Akash Jain (Noticee No. 77) and Sreeya Singhania (Noticee No. 79) appeared as counter-parties to these three entities (Notice No. 75, Noticee No. 11, and Noticee 78) repetitively (i.e. on more than one occasion) and contributed to market positive LTP. The order-log analysis of these two entities as sellers were carried out and the summary of the same is as follows:

Akash Jain											
Date	PCAS Session	Price points	Cum. Buy Qty in the session	Cu. Sell Qty in the session	Sell Order Qty by the entity	Equilibrium Price	Total Traded Qty at eq. price	Traded Qty of the Entity	LTP Cont. by entity	LTP as % of Total Mkt Pos LTP	No. of shares held before placing sell order
30-05-2013	10:30 to 11:30	60.15	600	10	10	60.15	10	10	2.85	5.19	610
04-06-2013	10:30 to 11:30	69.60	200	7	5	69.60	5	5	3.00	5.46	590
		69.50	200	2							
		66.30	200	1							
06-06-2013	11:30 to 12:30	76.65	55	5	5	76.65	5	5	3.65	6.65	585
10-06-2013	10:30 to 11:30	84.45	750	5	5	84.45	5	5	4.00	7.29	575
11-06-2013	11:30 to 12:30	88.65	505	5	5	88.65	5	5	4.20	7.65	570
									Total	32.24	

Sreeya Singhania											
Date	PCAS Session	Price points	Cum. Buy Qty in the session	Cu. Sell Qty in the session	Sell Order Qty by the entity	Equilibrium Price	Total Traded Qty at eq. price	Traded Qty of the Entity	LTP Cont. by entity	LTP as % of Total Mkt Pos LTP	No. of shares held before placing sell order
05.06.2013	9:30 to 10:30	73.05	150	50	50	73.00	50	50	3.40	6.19	200
		73.00	150	50							
07.06.2013	9:30 to 10:30	80.30	50	50	50	80.30	50	50	3.65	6.65	150
									Total	12.84	

77. From the aforesaid table, I observe that Noticee no. 75 has acted as a buyer in the scrip of PAL on 6 occasions, (when the scrip was an illiquid scrip and was trading in PCAS), and contributed to market positive LTP amounting to ₹171.50 (unadjusted to share split; adjusted to split ₹17.15). The said amount of ₹171.50 (unadjusted to share split; adjusted to split ₹17.15) is 31.20% of the total Positive LTP contribution in the scrip. As I have observed earlier with regard to trading activity and buying pattern of Noticee no. 11, I note here also that the fundamentals in the scrip of PAL were too weak to attract any kind of buying activity, as has been executed by the Noticee no. 75. I note that the trading pattern of Noticee no. 75 is akin to the trading pattern of Noticee no. 11. It is noted that on May 24, 2013, in the trading session between 09:30 am to 10:30 am, the Noticee no. 75 had placed buy orders of 50 and 200 shares each. In the said session, the cumulative buy quantities were 50 and 205. Based on said orders, Noticee no. 75 executed a buy trade of 50 shares and contributed to LTP by ₹23.50 (unadjusted to share split; adjusted to split

₹2.35). However, no action for buying the remaining shares for which he had placed orders but the same did not get executed, was taken by the Noticee no. 75. Similarly, on May 28, 2013, Noticee no. 75 placed 2 buy orders for 410 shares each wherein the cumulative buy orders were 410 and 510. However, despite such a huge demand by Noticee no. 75, trade of only 5 shares took place which contributed ₹26.00 (unadjusted to share split; adjusted to split ₹2.60) to LTP. He is seen to have entered the buy side again on June 04, 2013. On the said date also, total traded quantity was only 5 shares and no further action towards buying remaining shares were taken by the Noticee no. 75, though his order was placed for 200 shares.

78. The exuberance of the Noticee no. 75 to buy the scrip, which remained under suspension for almost 14 years and for which no positive fundamentals including the falsified financial results were available in the public domain at that time which could have enticed any investor to take an informed decision before making investment in the scrip. It raises a strong suspicion on the intent of Noticee no. 75 behind executing such trades. The intention of the Noticee to buy the scrip even at price higher than the LTP, which commenced at a price of ₹ 495.50 (unadjusted to share split; adjusted to split ₹49.55) on May 24, 2013 and continued up to June 14, 2013, becomes glaring when the Noticee even decided to buy the shares at ₹ 967.50 (unadjusted to share split; adjusted to split ₹96.75). In these 20 days' period, the price of share of PAL witnessed a rise of ₹472.00 (unadjusted to share split; adjusted to split ₹47.20) (from ₹ 495.50 to ₹967.50; unadjusted to share split) and the contribution of the Noticee no. 75 in this price rise is ₹173.50 (unadjusted to share split; adjusted to split ₹17.35), which is more than 30%. In this period, the Noticee no. 75 has not taken contra position to sell. From the details of trades as annexed with SCN and as referred to in the table above, it is observed that on most of the occasions, the trade executed by the Noticee was the only trade executed in the scrip of PAL in entire day. In the circumstances, where there was hardly any liquidity in the scrip of PAL, such unusual interest and willingness on the part of Noticee no. 75 to buy the scrip above the LTP, in the absence of any fundamentals of the Company, constrains me to hold that the trades of the Noticees were executed with a malafide intent only to help the price of the scrip to rise higher.
79. The proof of bonafide intention could have been the factum of placing of buy orders for the remaining quantities of shares, which were not executed. However, such a fact is missing in the trades of Noticee no. 75, as no further order was placed for buying the remaining shares as per his initial buy orders of 410 shares as against which Noticee no. 75 was able to execute a trade of only 5 shares. It shows that the Noticee did not have any serious interest to buy the remaining shares and had placed those buy orders only to create a misleading appearance of trading in the scrip. With respect to a scrip which was highly

illiquid, the buying pattern created by the acts of the Noticee no. 75, and by not attempting to buy the remaining buy orders, provides a strong piece of preponderance to exhibit the illicit intention of the Noticee no. 75 in trading in the scrip of PAL.

80. It is strange that the price of an illiquid scrip got doubled in a month's time thereby bringing handsome return of 42% on the investment and yet, did not find any further interest by the Noticee. The last buy trade made by the Noticee was on June 14, 2013. In the meantime, there was continuous rise in the price of scrip of PAL, however, the Noticee never bothered to effect sale of the shares during the rise, rather he continued to buy till its price reached ₹ 967.50 (unadjusted to share split; adjusted to split ₹96.75). The scrip which has continuously been showing growth and for which the Noticee had shown an extra interest to buy it even at a price above than LTP, suddenly got disinterested with it and sold his entire stock at one go on January 22, 2014. It throws up two strong possibilities viz., either the Noticee had knowledge about when the scrip was likely to reach its maximum price and trades were executed by him to contribute to the rise in the price accordingly or alternatively, he had decided to execute the trades in the scrip which had no fundamentals to support its price so that he can contribute significantly to the LTP and then exit subsequently at higher inflated price. Thus, in either of the possibilities, the trades of the Noticee no. 75 can't be held as trades genuinely executed in the scrip of PAL, in a fair manner.
81. At this stage, I would refer to the order of Hon'ble SAT in the matter of *Saumil Bhavnagari Vs. SEBI (Date of decision : March 21, 2014)* wherein it was observed that: "... but by purchasing shares at the higher price in LTP in most of the trades, the Noticee had given a wrong impression about the liquidity of the scrip in the market. It must not be forgotten that every trade establishes the price of the scrip and the Noticee's trading at higher than LTP resulted in the price of the scrip going up and were done with a view to set the price at a desired level and thereby influencing the innocent/gullible investors. By purchasing at a higher price in most of his trades, the Noticee had given the wrong impression about the price of the scrip in the market. "
82. Thus, I find that Noticee no. 75 has indulged in an act amounting to manipulation of the price of the scrip and has created a false and misleading appearance of trading in the scrip of PAL, thereby indulging in a fraudulent trade practice in the securities market.
83. With respect to Noticee no. 78, I note that the allegations in the SCN are identical, as have been levelled against Noticee no. 75. It is noted that Noticee no. 78 had placed buy order of 250 and 505 shares of PAL on June 10, 2013 and on June 11, 2013, respectively. The total buy quantity in the relevant sessions on the said two dates were 450 and 505, respectively. It is noted that the buying pattern of Noticee no. 78 is similar to the Noticee no. 75. The said two orders placed by Noticee no. 78 for 250 and 410 shares have resulted

into trades of mere 5 shares on each of the two sessions. It is pertinent to note here that in those 2 trades involving 5 shares each, the Noticee no. 78 contributed ₹82 (unadjusted to share split; adjusted to split ₹8.2) positive LTP which is 14.9% of the total market positive LTP in the scrip of PAL. However, despite buying 5 shares in each session at prices higher than LTP, the Noticee no. 78 did not turn up again in order to buy his remaining quantity of shares of PAL for which he has initially placed orders but could not get them executed. Hence, it can be seen that Noticee no. 78 also did not have any bonafide intention to buy the shares of PAL. Herein also, it is observed that on June 10, 2013, the trade of the Noticee was the only trade executed in the entire day's trading. Thus, I reiterate and adopt my findings given with respect to Noticee no. 75, for the purpose of adjudication of culpability of Noticee no. 78 as well.

84. To sum up, the trades executed by the said two entities viz. Noticee no. 75 and Noticee no. 78, in an illiquid scrip which was not having any worthy investment credentials, in PCAS Session, i.e., when the scrip was highly illiquid, speaks volume about the culpability of Noticee nos. 75 and 78. Therefore, I hold that the Noticee nos. 11, 75 and 78 had no bona fide intention to trade/buy in the scrip of PAL for the reasons, as noted above and the acts and omission on their part resulting in contribution to LTP of the scrip, amounts to manipulation of the price of the scrip of PAL which created a false and misleading appearance in trading in the scrip.
85. Further, it has been observed that Noticee no. 77, namely, Akash Jain and Noticee no. 79, Sreeya Singhania, appeared as counter-parties to the aforesaid three Noticees (Noticee nos. 11, 75 and 78) on more than one occasion and all such trades had resulted in market positive LTP.
86. It is noted from the aforesaid table under para no. 75 that Noticee no. 77 acted as counter party to all the three Noticees, viz. Noticee nos. 11, 75 and 78. The Noticee no. 77, acted as counter party to two trades each with Prem Lata Nahar (Noticee no. 11) and Dhirendra Kumar Gupta and Sons HUF (Noticee no. 78) and once with Nellakkara Raghunath (Noticee no. 75).
87. Insofar as Noticee no. 79 is concerned, I note that the table mentioned under para no. 12.7 (g) of the SCN inadvertently reflects that Noticee no. 79 appeared as counter party to the Noticee no. 75 only on June 05, 2006. However, the table under para no. 12.7 (h), as well as the trade log, which was furnished to the Noticees as annexure to the SCN, reflect that the trade of 50 shares executed on June 07, 2013, in the PCAS session between 09:30 am to 10:30 am, was executed between Nellakkara Raghunath (Noticee no.75) and Noticee no. 79.
88. It is relevant to note here that the Noticee no. 79 was holding sufficient number of shares

in the range of 150-200 at the time of placing the orders, however, the sell orders were placed by her at prices higher than LTP, for quantities lesser than the quantities of share she was holding. In both the trades, Noticee no. 79 had placed sell orders of 50 shares each, despite availability of buy orders of larger quantities. The analysis of the orders placed by Noticee no. 77 and Noticee no. 79 reflects that even though sufficient buy orders were available before or after placing the sell orders in each of the PCAS, the said Noticees placed sell orders repeatedly for smaller quantities of shares (despite holding adequate number of shares), at prices higher than LTP. For instance, Noticee no. 77 was holding 610 shares of PAL before he placed the order on May 30, 2013 for 10 shares only.

89. It is also observed that the Noticee no. 79 had initially bought 20 shares and pursuant to the split of the shares, she became beneficial owner of 200 shares of PAL. As observed above, after purchasing shares of PAL, the Noticee no. 79 executed two sell order on June 05, 2013 and June 07, 2013 and preferred to retain the balance stock with her. In the meanwhile she did not buy any further shares of PAL. During the period of price rise, the Noticee rather preferred to sell twice in smaller quantities and thereby created artificial scarcity and a misleading appearances in trading in the scrip which had no sound fundamentals to support such trading behaviour. It is an undisputed position that the scrip of PAL was not liquid and hence was being traded in Periodic Call Auction Sessions. Hence, releasing of shares in smaller quantities against larger buy orders available on the platform, is bound to give rise to inducement to the market and therefore, would not be categorised as a fair trade executed in the normal course of trading.
90. Similarly, it is also observed that the Noticee no. 77 had purchased 103 shares and the same upon split, became 1030 shares He has been charged of releasing smaller quantities of shares despite there being sufficient buy orders available in the system and in the process, he had created an artificial scarcity in the scrip in the market and a misleading appearance of trading in the scrip of PAL. From the afore-stated sale trades, I find that the trades of the Noticee were not bonafide trades executed by him as a genuine and prudent investor, more particularly, when the trades are examined in the background of certain undisputed fact viz., lack of liquidity, sufficient buy orders present in the system, the Company having no fundamentals to attract investors etc. In this scenario, trading behaviour of the Noticee no. 77 in releasing shares in smaller quantities can't be viewed as normal/bonafide trading.
91. With respect to the trades of the above noted Noticees who have been charged for contributing to the LTP of the scrip of PAL, I find it apt to refer to and rely on the observations made by the Hon'ble Supreme Court of India, in the case of *Securities and Exchange Board of India v. Kishore R. Ajmera (supra)*, wherein Hon'ble Supreme Court, while dealing with the issue of degree of proof required to prove the culpability have observed

that: “...While the screen based trading system keeps the identity of the parties anonymous it will be too naive to rest the final conclusions on said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned.... The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors....”

92. Applying the above settled principle in the instant matter, I find certain uncanny similarities in the trades of these five Noticees, viz., (a) Strong enthusiasm to own the shares of PAL even when the scrip was trading in PCAS and was highly illiquid; (b) purchase of the shares (by Noticee nos. 11, 75 and 78) even at a price above the LTP on repeated basis; (c) they have executed their trades taking turns and on most of the occasions, it is seen that the trades of the Noticees were the only trade during the entire day; (d) All of them sold their holding in the month of January 2014; (e) The strong faith reposed by them in the scrip which had brought very good return for them surprisingly disappeared in the month of January 2014; (f) When they executed their initial trading in the scrip, no details of the Company was available in public domain, however, at the time of off-loading the shares, price of the scrip had seen a level of ₹1006 (unadjusted to share split; split adjusted ₹100.60). At the time of off-loading their shares some positive news about the profit earned by the Company (on the basis of falsified accounts) had been disclosed by the Company for the market. Despite the same, instead of retaining their shares so acquired by them, all these Noticees (Noticee nos. 11, 75 and 78) sold their entire stake as if, they had the prior knowledge about the maximum price range that the scrip was destined to witness and also about its future declining performance, hence these Noticees sold their entire stock.
93. After analysing the trading behaviour of the Noticees on the touchstone of the principles laid down in the matter of *Kishore Ajmera* (supra), I find that even in the absence of any evidence to show their association with Company or its directors, the very trading pattern adopted by these Noticees self explains their ill- conceived intentions and goes to further strengthen the allegation that a scheme was pre-planned to provide an exit to the off-market buyers of the shares of PAL at artificially inflated price in which the role of the aforesaid Noticees in inflating the price of PAL can't be ruled out. Their contributions to the LTP individually or in concert with each other are significant. The scrip resumed in trading with ₹ 441/- on March 28, 2013 and reached a level of ₹1060.00 (unadjusted to share split; split adjusted ₹100.60) on June 20, 2013. i.e., a rise of ₹619.00 (unadjusted to share split; split adjusted ₹61.90) and out of such rise of ₹. 619.00 (unadjusted to share

split; split adjusted ₹61.90) in its price, ₹ 352.00 (unadjusted to share split; split adjusted ₹. 35.20) was contributed by the acts of these above noted five Noticees. As observed in the earlier part of the order, the manner in which trading by these Noticees has been undertaken in the scrip of PAL, it is sufficient to conclude that it was done with a fraudulent intention and not in the normal course of trading in securities market. In the light of the above cited observations of the Hon'ble Supreme Court and my observations with respect to the scheme as recorded above, I am unable to accept the argument of the Noticees that there has to be necessarily a collusion between the buyer and seller to establish a charge of fraud.

94. A holistic analysis of the trading pattern of the aforesaid 5 Noticees, viz. Noticee No. 77, Noticee No. 79, Notice No. 75, Noticee No. 11 and Noticee 78, particularly, the manner and fashion in which trades have been executed by them in the scrip of PAL whether from the buyer side or from the seller side, reflect that the transactions were not bonafide and free from manipulation, hence, do not deserve acceptance as normal trades executed in the course of trading activities by these Noticees.
95. It is evident from the trading pattern of the above noted Noticees that they had a common objective to manipulate the scrip of PAL so as to create a misleading appearance of trading in the scrip. The trades executed by these Noticees were not done in normal course of dealing in securities and are devoid of any bonafide intentions. In this regard, I note that the Hon'ble Supreme Court in *Kanaiyalal Baldev Bhai Patel v. SEBI [supra]* have explained that: “...The definition of 'fraud', which is an inclusive definition and, therefore, has to be understood to be broad and expansive, contemplates even an action or omission, as may be committed, even without any deceit if such act or omission has the effect of inducing another person to deal in securities. Certainly, the definition expands beyond what can be normally understood to be a 'fraudulent act' or a conduct amounting to 'fraud'. The emphasis is on the act of inducement and the scrutiny must, therefore, be on the meaning that must be attributed to the word “induce”.
96. The aforesaid analysis establishes a strong preponderance of probability in support of the SCN that the above mentioned entities have acted with an intention to create a misleading appearance of trading in the scrip of PAL and to raise the price higher than the last traded price, and thus, they had no bona fide intention to buy or sell the shares. Under the circumstances, I hold that the Noticee No. 11, Noticee no. 75, Noticee No. 77, Noticee No. 78, and Noticee 79, have violated section 12A(a), (b) and (c) of SEBI Act, 1992 and regulations 3(a), (b), (c), (d), 4(1), 2(a), and (e) of PFUTP Regulations, 2003.
97. It is observed from the SCN that the price of the scrip opened at ₹ 940.00 (unadjusted to share split; split adjusted ₹ 94.00) on July 07, 2014 and on January 16, 2015, it fell down to ₹ 350 (unadjusted to share split; split adjusted ₹ 35) and closed at the price of ₹ 388.50

(unadjusted to share split; split adjusted ₹ 38.85) on January 30, 2015. As far as Noticee no. 80, viz., Rajendra Kumar Chhotamalji Mehta is concerned, I note that he has been alleged to have indulged in self-trades in the scrip of PAL. The total number of such self-trades were 10 which have resulted into contribution of ₹228.00 (unadjusted to share split; split adjusted ₹ 22.80) to net LTP and ₹ -395.50 (unadjusted to share split; split adjusted ₹ 39.55) to negative LTP which was 6.09% of market LTP. The details of trades of the Noticee no. 80 are culled out from the trade log as annexed to the SCN so as to comprehend the allegations in proper perspective and the same are as under:

A	B	C	D	E	F
TRADE_DAT E	ORDER_ TIME	CP_ORDER _TIME	TRADE_T IME	ORDER_LM TIME	CP_ORDER_LM TIME
04/12/2014	15:22:34	15:23:25	15:23:25	15:22:34	15:23:25
04/12/2014	15:22:34	15:26:24	15:26:24	15:22:34	15:26:24
04/12/2014	15:22:34	15:29:31	15:29:31	15:27:18	15:29:31
05/12/2014	14:38:26	10:58:22	14:38:26	14:38:26	14:38:22
05/12/2014	15:10:16	10:58:22	15:10:16	15:10:16	15:02:20
05/12/2014	15:27:23	15:27:25	15:27:25	15:27:23	15:27:25
12/01/2015	14:57:04	14:57:01	14:57:04	14:57:04	14:57:01
13/01/2015	09:21:58	09:21:57	09:21:58	09:21:58	09:21:57
29/01/2015	15:15:07	15:13:58	15:15:07	15:15:07	15:13:58
29/01/2015	15:16:26	15:18:54	15:18:54	15:16:26	15:18:54

CP connotes 'Counter Party' and LM Time connotes 'Last Modified time'.

98. Mehta Rajendra Chhotamalji (Noticee no. 80) has filed his reply to the SCN vide letter dated May 17, 2018 and has also provided copies of contract notes vide his letter dated December 5, 2018. It has been contented by him that:

- He is a regular investor/trader in the stock market and does diversified investment/trading to mitigate risk.
- He is not related/ associated directly/indirectly with the alleged entities mentioned in SCN. He is a stock market trader and purchased shares on hear-say basis.
- He was trading in the scrip of PAL on intraday basis for which instructions were given to the dealer to sale/purchase such shares. Majority of the trades were on intra-day basis.
- As he was not aware of his pending orders, the same had resulted in self trades.

99. From the above analysis of the trade log, it is noted that out of total 10 trades done by Noticee no. 80, all trades except one, were of 1 share only. It is further pertinent to note here that the time gap in placing the two orders by Noticee no. 80, which resulted in self

trades, is as less as 01 seconds. The time gap between two orders, which resulted in self trades is the clinching evidence against the Noticee no. 80 as it demolishes the defence sought to be taken by the Noticee no.80 that some intraday trades have resulted in self-trades since he himself was unaware of the pending order and a reverse order was placed by him. It is further observed that based on these self-trades, Noticee no. 80 contributed ₹228 (unadjusted to share split; split adjusted ₹ 22.80) to net LTP and ₹395.50 (unadjusted to share split; split adjusted ₹ 39.55) to negative LTP.

100. I observe that when a self-trade is executed, the beneficial ownership of the shares is not changed, however, an impression of a trade in the scrip, (which unless controverted), indicating a change in beneficial ownership is given to the market at large. As the beneficial ownership remains the same, but the trade is executed, the same forms the basis of impacting the decision of the other investors and thereby causing inducement to trade. Moreover, if self-trades result in contribution to LTP, either positive or negative, the same distorts the price discovery mechanism of the market as the price populated as LTP due to the self-trade is not the actual price. Therefore, I note that such a price may lead to inducement to other investors and is a fraudulent and unfair trade under PFUTP Regulations.
101. At this stage, I refer to the judgment of Hon'ble SAT in its order dated July 26, 2012 in Appeal no. 85/2011- *M/s Marmadi Shares and Finance Limited Vs. SEBI* (Appeal no. 85/2011, date of decision : July 26, 2012 wherein it was observed that: “.....Self trades, by their very nature, are fictitious.Such transactions executed for and on behalf of the clients will fall within the definition of suspicious transactions having no economic rationale or bona fide purpose...” Further, in another matter of *Systematix Shares & Stocks India Limited v. SEBI*, Hon’ble SAT observed that trades, “where beneficial ownership is not transferred, are admittedly manipulative in nature.”
102. I, accordingly, find that Noticee no. 80 had indulged in an act amounting to manipulation of the price of PAL and has created false and misleading appearance in the trading of scrip and therefore hold that the Noticee no. 80 has violated Section 12A (a), (b) and (c) of SEBI Act, 1992 and regulations 3(a), (b), (c), (d), 4(1), 2(a), (e) & (g) of SEBI PFUTP Regulations, 2003.
103. Adverting to the concluding part of this order it would be relevant here to sum up the facts and circumstances of the case under which, different categories of Notices have played their respective roles in the affairs of the Company (PAL) through a collusive nexus by which, the price of the scrip of PAL was manipulated in a calculated manner so that each category of players could derive their respective benefits as per a pre-designed scheme:

- a) The Company, Pine Animation Limited, was a non-descript listed company

registered at Chennai having practically no business. There was no trading in the scrip of the Company since 1998, hence, the price of the scrip was never discovered on exchange platform till the trading of the scrip resumed on March 28, 2013, after the suspension was revoked on June 22, 2012. The Forensic Audit has clearly exposed the role played by the Company and its Directors (Noticee nos. 1 to 8) in falsifying the accounts and misleading the market by disseminating a baseless financial performance as a pre-cursor to translate their pre-mediated intention to pump up the share price. In fact as the chronology of events presented at para no. 25 coupled with the comparative table of the financials of the Company shown at para no. 29 (III) would indicate, as soon as the manipulated trading and artificial increase in the share price of PAL ceased (after enabling the investors to earn exorbitant profit), the turnover and profit of the Company from the year 2015 onwards drastically reduced to the extent of becoming close to nil as on date. The Company had issued preferential shares to various investors out of which, a few of the investors (Noticee nos. 12 and 13) were found to be linked to the Company because of the funding that they had received to invest in the preferential issue.

- b) As the investigation has revealed, Noticee no. 9 stood behind all the aforesaid malicious activities as is evident from large sums of money received by the Company under its preferential issues getting diverted from the Company to various entities which were directly/indirectly associated with him. This is further corroborated by the findings of Forensic Auditors who, after interacting with the officials of the Company have stated that Noticee no. 9 has been the de-facto controller of the affairs of the Company during the relevant period. His complicity is further exemplified by the fact that one such Company associated to him (Noticee no. 10) was responsible for providing a thumping start to the share price of PAL in the SPOS. A scrip whose price was never discovered for last more than 14 years and a company which did not have any business worth reckoning suddenly gets an opening price of ₹ 441/- for its scrip, because of the Noticee no. 10. Further, Noticee no. 11 takes the pre-planned strategy to ramp up the price of the scrip a step forward by her manipulative trades in the said scrip as have been narrated in the order at para no. 32.
- c) A few months before resumption of trade in the scrip of PAL on the exchange platform, Noticee nos. 20 to 25 based out of Mumbai have acquired the entire stake of 30.91% of shareholding of PAL from the two promoting corporate entities and their directors (Noticee nos. 15 to 19) with the help of Noticee no. 2 (the then Director of PAL). Immediately after acquiring the 30.91% stake, the Noticee nos. 20 to 25 start taking all the measures required to establish their control over the Company and its affairs as is visible from the way they have conducted

their activities post acquisition of those shares from the erstwhile promoters. The transactions of these Mumbai based six entities through the mediation of Noticee no. 2 demonstrates that these six entities were well connected with the Company and its Directors and with a view to give effect to the pre-meditated plan pertaining to the share price of PAL, the Company and its Directors wanted the erstwhile promoting companies to be eased out so that the Company in collusion with the six entities of Mumbai can implement their fraudulent strategy with respect to the shares of PAL. The active role of the six entities and the fact that they were guided by some pre-designed plan becomes evident from the fact that the rationale provided by them for purchasing the shares of PAL never matched with the rationale provided by the erstwhile promoters for transferring their shares to these six entities of Mumbai. While the erstwhile promoters of PAL made a strong case with supporting evidence about the fact that they simply made an outright sale of their stake to the six Mumbai based entities on the suggestion and with the help of the then Director of PAL (Noticee no.2), the six entities of Mumbai (Noticee nos. 20 to 25) tried in vain and without any substance or evidence, to persuade me to believe that the purchase of shares of PAL by them from the erstwhile promoting companies was only to recover some unsecured loan advanced by them to the erstwhile promoters. I have already dealt with on this issue at length at para nos. 42 to 48 before holding that such claims made by Noticee nos. 20 to 25 is false and specious and is devoid of merit. Moreover, the subsequent conduct of these six Noticees in their endeavour to recover their so called loans, further exposes their illicit intent with respect to share price of PAL. The six entities (Noticee nos. 20 to 25) transferred those 30.91% stake in PAL that they received from the erstwhile promoters through off-market deals to as many as 62 entities/persons at a throw away price ranging between ₹ 3 to 6.25/- per share, out of whom 49 entities/persons (Noticee nos. 26 to 74) were found during the investigation to have sold those shares at exorbitant rates ranging between ₹ 800 – ₹ 900 per share (price unadjusted to share split) thereby earning huge amounts of gains within a span of around one year or little more. In this process of price manipulation, the investigation has also found that some other traders have also fraudulently traded only with a view to contribute to the last traded price (LTP) of the scrip of PAL which helped the 49 entities to offload their shares at highly inflated prices. These traders have been identified as Noticee nos. 11, 75, 77, 78, 79.

- d) The 49 entities (Noticee nos. 26 to 74) who had purchased shares through off-market deals from the Noticee nos. 20 to 25 and have enormously gained from the manipulation of the price of the scrip of PAL that was artificially inflated to a peak of ₹1006.00 on June 20, 2013, have made a plea that those investors who had

subscribed to the preferential issues of the Company have also similarly gained from their holding in PAL but have not been charged in the present proceedings. Therefore, the SCN has adopted a discriminatory approach by accusing only them of collusion and fraudulent trade practices leaving out the preferential allottees who also stand on par with them. However, as I have dealt with this issue at para no. 51, such plea taken by the 49 entities does not hold water since, unlike preferential allottees who had subscribed to fresh capital of the Company in response to the offers made by the Company, these 49 entities deliberately chose to buy the shares of the Company through off-market deals from a group of six entities who had taken over the stake from the erstwhile promoters of the Company and had practically stepped into the shoes of the promoters and were actively associated with the affairs of the Company. There is again a factual mis-match between the explanation offered by the 49 entities and the explanation given by the six entities (Noticee nos. 20 to 25) pertaining to the off-market deal between them. While the six entities have claimed that they had identified all the buyers through a person named Vinayak Sarkhot, none of the buyers has mentioned the name of Mr. Sarkhot and instead have taken various other names through whom they have claimed to have contacted the sellers. Further, the 49 entities who have purchased the shares through off-market deals have furnished various reasons and rationale behind their decisions to purchase the shares which again, do not hold any ground for the reasons I have explained at para no. 51.

- e) To sum up all the aforesaid transactions and to join the dots between various players whose role in the affairs of the Company and in the matter of dealing with shares of PAL have been found to be unacceptable, it can be observed that the Company and its Directors, the Noticee no. 9 who wielded effective control over the Company and the entities who manipulated the share price, the six entities of Mumbai who had visible nexus with the Company and the two preferential allottees as well as the 49 entities who earned huge profits from their investment made in the shares of PAL are connected through a common thread and a common plan of action and therefore had close nexus with each other. It leaves no doubt in the mind that the prices of PAL were manipulated to give exorbitant profit to the investors, as part of deal that these investors had with the Company and its Directors, the six entities who sold the shares through off-market and all other related persons including the Noticee no. 9 and his associates. The facts and circumstances of the case bring to the fore a strong preponderance of probabilities to suggest that all the Noticees that have been held guilty in this order have fulfilled their respective unlawful goals by playing around a scrip on the exchange platform which did not deserve to be traded the way it has been traded in the market due to

absolute absence of basic fundamentals on which the trading prospect of a scrip rests. Therefore, the activities, trading behaviour and conduct of the Noticees as pointed out in this order strongly establish that they have violated the provisions of SEBI Act, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, as have been alleged in the SCN. Such activities are not permissible and deserves to be strongly dealt with to protect and preserve the market integrity and also the interest of the innocent investors who are misled by such artificial volume and price rise of the scrip created because of handiwork of few such operator/players of the market.

Directions

104. In view of the above, in exercise of powers conferred upon me under sections 11(1), 11(4) and 11B read with section 19 of the Securities and Exchange Board of India Act, 1992, in order to protect the interest of investors and the integrity of the securities market, I hereby pass following directions:

- i. The following Noticees are debarred from accessing the securities market and further prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for the respective periods as specified in the table below, from the date of this order.

Noticee No.	Noticee Name	Debarred by Interim Order dated May 08, 2015	Period of debarment
1	Pine Animation Limited	Yes	8 Years
2	Nagaraja Sharma Rajagopalan	Yes	7 Years
3	Deepak Prakash Rane	Yes	6 Years
4	Pethe Priyesh Prakash	Yes	6 Years
5	Lalji Ramraj Yadav	Yes	6 Years
6	Santosh Kumar	Yes	6 Years
7	Mandar Subhash Palav	Yes	6 Years
8	Nirmal P Jodhani	Yes	6 Years
9	Jagdish Prasad Purohit	No	5 Years
10	Decent Vincom Pvt. Ltd.	No	5 Years
11	Prem Lata Nahar	Yes	5 Years
12	Pradip D Shah	Yes	5 Years
13	Joshi Rajesh D	Yes	5 Years

20	Mahaganapati Financial Services Pvt. Ltd.	Yes	5 Years
21	Gajakarna Trading Pvt. Ltd.	Yes	5 Years
22	Joshi Nimesh S	Yes	5 Years
23	Hitesh Kawa	Yes	5 Years
24	Rashmi Nimesh Joshi	Yes	5 Years
25	Roopal Hitesh Kawa	Yes	5 Years
26	Akash Ranchhodbhai Golakia	Yes	5 Years
27	Alok Navin Kubadia	Yes	5 Years
28	Anuradha Jajoo	Yes	5 Years
29	Ashish Goel	Yes	5 Years
30	Bharati Dhaval Shah	No	5 Years
31	Bina Devi Dhanuka	Yes	5 Years
32	Chintan R Golakia	Yes	5 Years
33	Darshan D Bhanushali	Yes	5 Years
34	Deepak Agrawal HUF	Yes	5 Years
35	Devesh Valecha	No	5 Years
36	Dipti Paresh Shah	No	5 Years
37	Ganesh Wagh	No	5 Years
38	Govind Agrawal HUF	Yes	5 Years
39	Heena Hitendra Nagda	Yes	5 Years
40	Kajari Nagori	No	5 Years
41	Kiran Jajoo	Yes	5 Years
42	Kumar Baria Pankaj	Yes	5 Years
43	Dhanuka Madan Mohan	Yes	5 Years
44	Madanlal Jain	Yes	5 Years
45	Chopra Manisha Narpatkumar	Yes	5 Years
46	Dhanuka Mayank	Yes	5 Years
47	Mool Chand Jain	Yes	5 Years
48	Mukesh Jeerawala	Yes	5 Years
49	Murlidhar Mundara HUF	No	5 Years
50	Narayan B Toshniwal	No	5 Years
51	Dhanuka Neha Mayank	Yes	5 Years
52	Dhanuka Nikunj Shyamsunder	Yes	5 Years
53	Omprakash Jajoo	Yes	5 Years
54	Maru Paras Chand	Yes	5 Years
55	Pinky Rajkumar Agrawal	Yes	5 Years
56	Poonam P Jain	No	5 Years

57	Poonam Pankaj Beria	Yes	5 Years
58	Rajkumar Budharam Agrawal	Yes	5 Years
59	Raj Kumari Dhanuka	Yes	5 Years
60	Ranchhodbhai Jasmatbhai Golakia	Yes	5 Years
61	Rishikumar Rajnarayan Bagla HUF	No	5 Years
62	Saurabh Maru	Yes	5 Years
63	Seema Ganesh Wagh	No	5 Years
64	Shakuntala Maru	Yes	5 Years
65	Shribhagwan Fatehpuria Sushilkumar	Yes	5 Years
66	Snehlata Jajoo	Yes	5 Years
67	Jajoo Sudhesh Laxminarayan	Yes	5 Years
68	Sunil Jajoo	Yes	5 Years
69	Fatehpuria Umadevi Sushilkumar	Yes	5 Years
70	Dhanuka Umang	Yes	5 Years
71	Vijuben Ranchhodbhai Golakia	Yes	5 Years
72	Vikas Jain	No	5 Years
73	Vikas Jain	Yes	5 Years
74	Vineet Jain	No	5 Years
75	Nellakkara Raghunath	Yes	5 Years
77	Akash Jain	No	5 Years
78	Dhirendra Kumar Gupta And Sons HUF	Yes	5 Years
79	Sreeya Singhania	No	5 Years
80	Mehta Rajendra Chhtmalji	No	5 Years

105. It is further clarified that during the period of restrained the existing holding of securities, including the units of mutual funds shall remain under freeze.
106. It is clarified that while calculating the period of debarment as directed above, the period already undergone by the respective Noticees, in pursuance of the Interim Order shall be taken into consideration and the same shall be set-off to give effect to the directions of restraint and prohibition as directed above.
107. With respect to the Noticee nos. 14, 15, 16, 17, 18, 19 and 76, for the reasons recorded in this order while dealing with the allegations against these Noticees, the allegations and

charges made against them have not been found sustainable, hence, the proceedings against them are hereby being disposed of without any directions.

108. A copy of this order shall be served upon the Noticees, Stock Exchanges, Depositories and Registrar and Share Transfer Agents of all Mutual Funds for ensuring compliance with the above direction.

-Sd-

Date: November 18, 2019

S. K. MOHANTY

Place: Mumbai

WHOLE TIME MEMBER