

**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**CONFIRMATORY ORDER**

**Under Sections 11(1), 11(4) and 11B (1) of the Securities and Exchange Board  
of India Act, 1992**

**In respect of:**

<b>S. no.</b>	<b>Name of the Noticee</b>	<b>PAN</b>
1.	Jatin Manubhai Shah (Noticee no. 4)	AEGPS5807M
2.	Heli Jatin Shah (Noticee no. 5)	BXYPS2148P
3.	Daivik Jatin Shah (Noticee no. 6)	BXYPS2715J
4.	Angad M Rathod (Noticee no. 7)	CIUPR1814B
5.	Karavan Tradelink OPC Private Limited (Noticee no. 9)	AAGCK2880F

**(Noticee nos. correspond to the nos. mentioned in the Interim Order dated  
March 02, 2023, collectively referred to as “Noticees”)**

**In the matter of Stock Recommendations using YouTube in the scrip of  
Sadhna Broadcast Limited**

**A. BACKGROUND**

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted a preliminary examination for the period April 27, 2022 to September 30, 2022 (hereinafter referred to as “**Examination Period**”) in the scrip of Sadhna Broadcast Limited (hereinafter referred to as “**Sadhna**”), based on certain complaints, to look into possible violations of provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) and

various regulations framed thereunder including SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”).

## **B. INTERIM ORDER**

2. Pursuant to SEBI’s preliminary examination, an Ad-interim Ex-parte order dated March 02, 2023 (hereinafter referred to as “**Interim Order**”) was passed by SEBI against 31 *Noticees* wherein *inter alia* the following were noticed:

2.1. The company, Sadhna was incorporated in 1994 and has its registered office at New Delhi. Sadhna is engaged in the business of launching television channels & to carry out the business of T.V. news, films, music, serials etc.

2.2. There was a spurt in the price and volume of scrip of Sadhna between April 2022 to mid-July 2022. A significant portion of the volume during this period was the result of the trades executed by some of the *Noticees* to the *Interim Order*.

2.3. During the second half of July 2022, false and misleading videos (“**YouTube Videos**”) about the company were uploaded on two YouTube channels namely, “The Advisor” and “Moneywise” (“**YouTube Channels**”/ “**Channels**”). These YouTube videos peddled false and misleading news to recommend that investors should buy the Sadhna stock for extraordinary profits. These YouTube Channels had lakhs of subscribers and the misleading YouTube videos had crores of viewership aided by promotion through paid advertising campaigns. After a while, the misleading YouTube videos ceased to be available for public viewing.

2.4. Subsequent to the release of the misleading YouTube videos, there was an increase in the price and trading volume of the Sadhna scrip. The volumes appear to have been contributed by large number of retail investors likely influenced by the misleading YouTube videos. During this period, certain promoter shareholders, key management personnel of Sadhna, and non-promoter shareholders who held more than 1% of shareholding in Sadhna

offloaded a significant part of their holdings at inflated prices and booked profits.

2.5. The Noticees in this case were broadly classified as follows - the creator of both the YouTube Channels was classified as Misleading Message Disseminator (“**MMDs**”). Some of the Noticees were Net Sellers/ Promoters and profit makers (“**NSs**”), i.e., persons who held shares of Sadhna at the start of the examination period either as a promoter or as a shareholder, and who traded in and net sold shares during the said period. Other Noticees were Volume Creators (“**VCs**”), or persons, outside of those classified as NSs, who both bought and sold shares of Sadhna during the examination period, hence contributing to a rise in trading volumes and interest in the scrip. Two of the Noticees were classified as Information Carriers (“**ICs**”). Connection between all the *Noticees* across the MMDs, NSs, VCs and ICs has been established based on several facts on record including familial relationships, KYC details, common address & email IDs, call data records and fund transfers.

2.6. *Prima facie*, across the MMDs, NSs, VCs and ICs, the Noticees orchestrated an egregious case of ‘pump-and-dump’ of Sadhna Broadcast Ltd. – i.e., they collectively helped create trading volumes and interest in the scrip, spread patently false and misleading YouTube videos about the scrip, and hence induced unsuspecting small investors to buy the Sadhna scrip at elevated prices, thereby *prima facie* violating the provisions of the SEBI Act and PFUTP Regulations. Collectively, the NSs and some of the VCs have booked extraordinary profits as a result of this scheme.

2.7. It was *prima facie* concluded that the Noticee NSs and certain VCs which includes the promoters and CEO of Sadhna Broadcast Limited, through the coordinated involvement of MMD, ICs and VCs were alleged to have made illegal gains amounting to INR 41,85,82,283 by way of the alleged fraudulent and manipulative scheme and therefore, *prima facie* violated Sections 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(1), (b), (c), (d) and Regulations 4(1) and 4(2)(a), (d), (k) and (r) of the PFUTP Regulations.

3. Noticee nos. 4, 5, 6 and 9 filed an appeal against the Interim Order before the Hon'ble Securities Appellate Tribunal (SAT) and SAT vide its Order dated July 12, 2023 directed SEBI to pass an appropriate order in relation to them by July 21, 2023. I also note that Noticee no. 7, along with the aforesaid Noticees, represented by a common advocate, was among the first to complete their written and oral submissions to the Interim Order. The other noticees in respect of whom post-decisional orders are pending are in various stages of completing their submissions. Thus, I find it only fair that the said Noticee no. 7 is also included in this order as well.
4. The role of the Noticees in respect of whom the instant Order is being passed is given in the Table below.

**Table no. 1**

<b>S. No.</b>	<b>Entity Name</b>	<b>Role</b>
1.	Jatin Manubhai Shah (Noticee No. 4)	Volume Creator and profit maker (VC 3)
2.	Heli Jatin Shah (Noticee No. 5)	Volume Creator and profit maker (VC 4)
3.	Daivik Jatin Shah (Noticee No. 6)	Volume Creator (VC 5) and connected with Karavan Tradelink OPC Private Limited (VC 8)
4.	Angad M Rathod (Noticee No. 7)	Volume Creator and profit maker (VC 6)
5.	Karavan Tradelink OPC Private Limited (Noticee No. 9)	Volume Creator (VC 8)

5. Based on the information collected during the preliminary examination and findings as recorded in the *Interim Order*, pending further investigation in the matter, certain directions were issued against the above *Noticees* vide the aforesaid *Interim Order* which were *inter alia*, as follows:
- 5.1. The *Noticees* were restrained from buying, selling or dealing in securities either directly or indirectly, in any manner whatsoever until further orders.

- 5.2. The bank accounts of the *Noticees* to the extent of their liability for illegal gain made from the alleged fraudulent scheme in the scrip of Sadhna was impounded. The *Noticees* were directed to open an escrow account with a Scheduled Commercial Bank and deposit the impounded amount therein within 15 days from the date of service of the Order. The escrow account/s was to be an interest bearing escrow account with a lien in favour of SEBI. Further, it was directed that the monies kept therein shall not be released without permission from SEBI.
- 5.3. *Noticees* were directed not to dispose of or alienate any asset, whether movable or immovable, or create any interest or charge on any of such assets held in their name, jointly or severally, including money lying in bank accounts except with prior permission of SEBI until the impounded amount is deposited in the escrow account.
- 5.4. *Noticees* were directed to provide a full inventory of all assets held in their name, jointly or severally, whether movable or immovable, including details of all bank accounts, demat accounts and mutual investments, or any interest or charge on any of such assets, immediately but not later than 15 days from the date of receipt of the Order.
6. Further, vide the aforesaid *Interim Order*, the *Noticees* were also advised to submit their replies, if any, within 21 days from the date of service of the *Interim Order* and to indicate whether they desire to avail an opportunity of personal hearing in the matter.

## **C. SERVICE OF INTERIM ORDER, REPLY AND HEARING**

7. It is noted that the *Interim Order* was served on the *Noticees* vide emails dated March 02, 2023. All the *Noticees* who are the subject of this Order, have filed their replies and made their submissions. However, I note that *Noticees* have neither complied with the direction to deposit the proceeds nor provided the details of their assets to SEBI.

8. The Noticees vide letters dated March 13, 2023 requested for inspection of documents and the same was granted on March 28, 2023. Thereafter, the *Noticees* have filed their written replies in which they have denied the *prima facie* observations made against them in the *Interim Order*. The contentions in their written submissions are summarised below.

**Submissions of Jatin Manubhai Shah (Noticee no. 4)**

9. Vide his letter dated April 19, 2023, he has denied the allegations made in the *Interim Order* and has *inter alia* submitted the following:
- 9.1. The ex-parte order stated that the Noticee had made a profit of INR 1,04,08,388, however, the examination report states that the Noticee made a profit of INR 28,14,276. According to the trade logs data provided to the Noticee, the Noticee had made a profit of INR 28,41,666 during the entire period of examination. The Noticee had paid expenses of INR 4,75,006 during the examination period and therefore, the net profit is INR 23,34,235. Thus, there are apparent mistakes in the method adopted by SEBI for calculation of profit made by the Noticee.
- 9.2. Further, the Noticee made a gross profit of INR 15,62,490 in patch 2 and a net profit of INR 11,29,194 after deduction of expenses/ taxes.
- 9.3. Most of the requisite information and documents requested by the Advocate of the Noticee vide emails dated March 29, 2023 and March 30, 2023 have been denied to be provided.
- 9.4. The Noticee has taken a franchise of member stock broker, MNM Stock Broking Pvt. Ltd. since 2017 and had more than 25 active clients.
- 9.5. Before passing of the *Interim Order*, the Noticee was an authorized person with SEBI registered stock broker, MNM Stock Broking Pvt. Ltd. and after passing of the said order, he is unable to continue his business.
- 9.6. The Noticee has submitted that Heli Jatin Shah (Noticee no. 6) is the Noticee's daughter and Daivik Jatin Shah (Noticee no. 7) is the Noticee's son. Manish Mishra (Noticee no. 1), Anshu Mishra (Noticee no. 2), Dipak Dwiwedi (Noticee no. 3) and Angad Rathod (Noticee no. 5) are Noticee's clients. The aforesaid

Noticees have communicated with him over phone for placing orders in their respective trading accounts.

- 9.7. The Noticee as a dealer had placed orders in the trading account of his clients and his family members in various scrips including the scrip of Sadhna during the examination period.
- 9.8. The Noticee has submitted that he had provided a loan of INR 25,00,000 to Manish Mishra (Noticee no. 1) as he had purchased a residential property in Ahmedabad. The Noticee had provided a loan of INR 50,00,000 to Anshu Mishra on 20-09-2022. Out of the said loan of INR 50,00,000, she has returned INR 15,00,000 on 20-01-2023. The Noticee had provided a loan of INR 10,00,000 to Dipak Dwiwedi (Noticee no. 5) which he had returned in January 2023.
- 9.9. The Noticee has submitted that the aforesaid loan transactions had nothing to do with the trades executed by the Noticee in scrip of Sadhna.
- 9.10. The Noticee had contacted Subhash Agarwal (Noticee no. 10) over phone to inquire about Merchant Banker and RTA related work for a company which was planning to enter the securities market through IPO. The trades executed by the Noticee has nothing to do with Subhash Agarwal.
- 9.11. The ex-parte order does not bring on record any documentary evidence except CDR and Bank statement to substantiate the allegation of connection between Noticee nos. 1, 3, 5 and 10 and the Noticee. The Noticee has submitted that the phone calls with his clients as a dealer and 2 phone calls with one of the Noticee for business purpose and loan transactions with 3 of the Noticees do not establish that he was part of a manipulative scheme.
- 9.12. The Noticee does not have any connection with the promoter/ director/ key managerial persons of the Company, Sadhna. The Noticee did not purchase any shares of Sadhna during the examination period through off-market transactions.
- 9.13. The Noticee has submitted that there was a time difference of 0 second to 6 hours and 29 minutes between placing of buy/sell order by the counterparties and orders placed by the Noticee. Further, there is no allegation

against the Noticee that the Noticee had executed any reversal/ synchronized/ circular trades in the scrip of Sadhna.

- 9.14. The Noticee has submitted that there was no meeting of mind between counterparties' buyers and the Noticee for sell trades. Further, there are no allegations of price manipulation.
- 9.15. The Noticee has submitted that he has no connection with the counterparties of its trades. The trades of the Noticee matched with 1000's of entities.
- 9.16. The total market volume during the examination period was 10,76,89,483 and the Noticee had purchased 40,61,320 shares and sold 40,28,854 shares during the examination period resulting in a net buy position of 32,466 shares at the end of the examination period. The Noticee has denied that he had created any artificial volume. The orders were placed at the prevailing market prices on the anonymous platform of the stock exchange.
- 9.17. The Noticee has submitted that there is no evidence to show that the Noticee was involved in the creation and distribution of the alleged misleading videos.
- 9.18. The Noticee has not induced any person for dealing in the shares of Sadhna. The Noticee has submitted that he has not made any unlawful gains as alleged in the Interim Order.
- 9.19. The Noticee has borrowed loan from private parties and family members and should be allowed to use his bank account and liquidate his portfolio to repay the loans.
- 9.20. The Noticee has submitted that there is no evidence to show that the trades of the Noticee led to an increase in the price of the scrip. Further, he has submitted that there is no evidence to show that the sale of shares by the Noticee was made to gullible unsuspecting investors.
- 9.21. The Noticee came to know about the YouTube Channels and uploading of misleading videos in the said channels when the Noticee received a copy of the ex-parte order. Further, he has submitted that after passing of the interim order, the Noticee lost his business and cannot access securities market.



- 9.22. The Noticee further submitted that the basis of urgency as shown in the interim order was purely on account of presumption and was not based on any piece of evidence. The Noticee has also submitted that the ex-parte order is in gross violation of principles of natural justice as embodied in Article 14 of the Constitution of India.
- 9.23. The Noticee submitted that the ratio laid down by the Hon'ble Tribunal in the matter of Affluence Fincon Services Pvt. Ltd. & Ors. Vs. SEBI appeal no. 269 of 2020 decided on September 07, 2020, Dr. Udayant Malhotra vs. SEBI appeal no. 45 of 2020 decided on June 02, 2020, Cameo Corporate Services Limited vs. SEBI appeal no. 566 of 2019 decided on November 26, 2019, North End Foods Marketing Pvt. Ltd. & Anr. Vs. SEBI appeal no. 80 of 2019 decided on March 12, 2019 and Arshad Hussain Warsi & Ors. Vs. SEBI appeal no. 284 of 2023 decided on March 27, 2023 and a decision of the Hon'ble Supreme Court in Radha Krishnan Industries vs. State of Himachal Pradesh & Ors. [(2021) 6 SCC 771] squarely cover the case of the Noticee.
- 9.24. The Noticees in the instant case have been arbitrarily and unlawfully directed to bear joint and several liabilities for the alleged illegal gains made by each Noticee. The Noticee has submitted that there is no such principle of joint and several liabilities under SEBI Act and that Joint and several liability arises only when the wrongful gains have been distributed and the Noticee has not made any unlawful gain.
- 9.25. The Noticee has submitted that he had borrowed loan from private parties and should be allowed to use his bank account and liquidate his portfolio to repay the loans and also to pay advance tax.

#### **Submissions of Daivik Jatin Shah (Noticee no. 6)**

10. Vide his letter dated April 19, 2023, he has denied the allegations made in the *Interim Order* and has *inter alia* submitted the following:

- 10.1. The ex-parte order states that the Noticee had made a profit of INR 4,61,497, however, the examination report does not mention the name of the Noticee. According to the trade logs data provided to the Noticee, the Noticee

had made a loss of INR 7,21,780.94 during patch 2 of the period of examination. Thus, there are apparent mistakes in the method adopted by SEBI for calculation of profit made by the Noticee.

10.2. Most of the requisite information and documents requested by the Advocate of the Noticee vide emails dated March 29, 2023 and March 30, 2023 have been denied to be provided.

10.3. The Noticee was active in the securities market from the last couple of years and holds a post graduate diploma in finance.

10.4. Heli Jatin Shah is the Noticee's sister and Jatin Manubhai Shah is the Noticee's father. The ex-parte order does not bring on record any documentary evidence except familial relationship to substantiate the allegation of connection among Noticees. The Noticee has submitted that the said connection does not establish that he was part of a manipulative scheme.

10.5. The Noticee had no on-off market transaction in the scrip of the company with any of the Noticee.

10.6. The Noticee does not have any connection with the promoter/director/key managerial persons of the Company, Sadhna.

10.7. The Noticee did not purchase any shares of Sadhna during the examination period through off-market transactions.

10.8. There was a huge time difference between placing of buy/sell order by the counterparties and sell/buy order placed by the Noticee. Further, there is no allegation against the Noticee that the Noticee had executed any reversal/synchronized/ circular trades in the scrip of Sadhna.

10.9. The Noticee has submitted that there was no meeting of mind between counterparties' buyers and the Noticee for sell trades. The trades of the Noticees matches with 400-500 entities. Further, there are no allegations of price manipulation.

10.10. The Noticee has submitted that he has no connection with the counterparties of its trades. The Noticee has denied that he had created any artificial volume in the scrip.

10.11. The total market volume during the examination period was 10,76,89,483 and the Noticee had purchased 7,09,492 shares and sold

6,50,992 shares during the examination period resulting in a net buy position of 58,500 shares at the end of the examination period. The Notice denies that it had created any artificial volume.

10.12. The orders were placed at the prevailing market prices on the anonymous platform of the stock exchange.

10.13. The Noticee has submitted that there is no evidence to show that the Noticee was involved in the creation and distribution of the alleged misleading videos.

10.14. The Noticee has not induced any person for dealing in the shares of Sadhna. The Noticee has submitted that he has not made any unlawful gains as alleged in the Interim Order.

10.15. The Noticee has submitted that there is no evidence to show that the Noticee disseminated false or misleading information.

10.16. The Noticee came to know about the YouTube Channels and uploading of misleading videos in the said channels when the Noticee received a copy of the ex-parte order. The Noticee has submitted that his main source of income was earning from securities market and due to passing of ex-parte Order, he lost his earnings from the securities market.

10.17. The Noticee has invested in a couple of scrips in the market by borrowing loan from private parties and family members.

10.18. The Noticee has submitted that there is no evidence to show that the trades of the Noticee led to an increase in the price of the scrip or that he was engaged in a co-ordinated scheme induce investors. Further, he has submitted that there is no evidence to show that the sale of shares by the Noticee was made to gullible unsuspecting investors.

10.19. The Noticee further submitted that the basis of urgency as shown in the interim order was purely on account of presumption and was not based on any piece of evidence. The Noticee has also submitted that the ex-parte order is in gross violation of principles of natural justice as embodied in Article 14 of the Constitution of India.

10.20. The Noticee submitted that the ratio laid down by the Hon'ble Tribunal in the matter of Affluence Fincon Services Pvt. Ltd. & Ors. Vs. SEBI appeal no.

269 of 2020 decided on September 07, 2020, Dr. Udayant Malhotra vs. SEBI appeal no. 45 of 2020 decided on June 02, 2020, Cameo Corporate Services Limited vs. SEBI appeal no. 566 of 2019 decided on November 26, 2019, North End Foods Marketing Pvt. Ltd. & Anr. Vs. SEBI appeal no. 80 of 2019 decided on March 12, 2019 and Arshad Hussain Warsi & Ors. Vs. SEBI appeal no. 284 of 2023 decided on March 27, 2023 and a decision of the Hon'ble Supreme Court in Radha Krishnan Industries vs. State of Himachal Pradesh & Ors. [(2021) 6 SCC 771] squarely cover the case of the Noticee.

- 10.21. The Noticees in the instant case have been arbitrarily and unlawfully directed to bear joint and several liabilities for the alleged illegal gains made by each Noticee. The Noticee has submitted that there is no such principle of joint and several liabilities under SEBI Act and that Joint and several liability arises only when the wrongful gains have been distributed and the Noticee has not made any unlawful gain.
- 10.22. The Noticee has submitted that he had borrowed loan from private parties and should be allowed to use his bank account and liquidate his portfolio to repay the loans and also to pay advance tax.

### **Submissions of Heli Jatin Shah (Noticee no. 5)**

11. Vide her letter dated April 19, 2023, she has denied the allegations made in the *Interim Order* and has *inter alia* submitted the following:

- 11.1. The ex-parte order states that the Noticee had made a profit of INR 12,05,538, however, the examination report states that the Noticee had made a profit 7,28,508. According to the trade logs data provided to the Noticee, the Noticee had made a profit of INR 6,63,888 during patch 2 of the examination period and the net profit is INR 5,90,643 after deduction of expenses/ taxes. Thus, there are apparent mistakes in the method adopted by SEBI for calculation of profit made by the Noticee.
- 11.2. Most of the requisite information and documents requested by the Advocate of the Noticee vide emails dated March 29, 2023 and March 30, 2023 have been denied to be provided.

- 11.3. The Noticee was active in the securities market from the last couple of years and holds a post graduate diploma in finance.
- 11.4. Jatin Manubhai Shah is the Noticee's father and the ex-parte order does not bring on record any documentary evidence except familial relationship to substantiate the allegation of connection among Noticees. The Noticee has submitted that the said connection does not establish that she was part of a manipulative scheme.
- 11.5. The Noticee had no on-off market transaction in the scrip of the company with any of the Noticee.
- 11.6. The Noticee does not have any connection with the promoter/director/key managerial persons of the Company, Sadhna.
- 11.7. The total market volume during the examination period was 10,76,89,483 and the Noticee had purchased 8,03,924 shares and sold 8,03,114 shares during the examination period resulting in a net buy position of 810 shares at the end of the examination period.
- 11.8. The Noticee did not purchase any shares of Sadhna during the examination period through off-market transactions.
- 11.9. There was a huge time difference between placing of buy/sell order by the counterparties and sell/buy order placed by the Noticee. Further, there is no allegation against the Noticee that the Noticee had executed any reversal/ synchronized/ circular trades in the scrip of Sadhna. The Noticee has submitted that there was no meeting of mind between counterparties' buyers and the Noticee for sell trades. Further, there are no allegations of price manipulation.
- 11.10. The Noticee has submitted that she has no connection with the counterparties of its trades. The trades of the Noticees matches with 400-500 entities. The Noticee has denied that she had created any artificial volume in the scrip.
- 11.11. The orders were placed at the prevailing market prices on the anonymous platform of the stock exchange.

- 11.12. The Noticee has submitted that there is no evidence to show that the Noticee was involved in the creation and distribution of the alleged misleading videos.
- 11.13. The Noticee has not induced any person for dealing in the shares of Sadhna. The Noticee has submitted that she has not made any unlawful gains as alleged in the Interim Order.
- 11.14. The Noticee has submitted that there is no evidence to show that the Noticee disseminated false or misleading information.
- 11.15. The Noticee came to know about the YouTube Channels and uploading of misleading videos in the said channels when the Noticee received a copy of the ex-parte order. The Noticee has submitted that her main source of income was earning from securities market and due to passing of ex-parte Order, she lost her earnings from the securities market.
- 11.16. The Noticee has invested in a couple of scrips in the market by borrowing loan from private parties and family members.
- 11.17. The Noticee has submitted that there is no evidence to show that the trades of the Noticee led to an increase in the price of the scrip or that she was engaged in a co-ordinated scheme induce investors. Further, she has submitted that there is no evidence to show that the sale of shares by the Noticee was made to gullible unsuspecting investors.
- 11.18. The Noticee further submitted that the basis of urgency as shown in the interim order was purely on account of presumption and was not based on any piece of evidence. The Noticee has also submitted that the ex-parte order is in gross violation of principles of natural justice as embodied in Article 14 of the Constitution of India.
- 11.19. The Noticee submitted that the ratio laid down by the Hon'ble Tribunal in the matter of Affluence Fincon Services Pvt. Ltd. & Ors. Vs. SEBI appeal no. 269 of 2020 decided on September 07, 2020, Dr. Udayant Malhotra vs. SEBI appeal no. 45 of 2020 decided on June 02, 2020, Cameo Corporate Services Limited vs. SEBI appeal no. 566 of 2019 decided on November 26, 2019, North End Foods Marketing Pvt. Ltd. & Anr. Vs. SEBI appeal no. 80 of 2019 decided on March 12, 2019 and Arshad Hussain Warsi & Ors. Vs. SEBI appeal no. 284

of 2023 decided on March 27, 2023 and a decision of the Hon'ble Supreme Court in Radha Krishnan Industries vs. State of Himachal Pradesh & Ors. [(2021) 6 SCC 771] squarely cover the case of the Noticee.

- 11.20. The Noticees in the instant case have been arbitrarily and unlawfully directed to bear joint and several liabilities for the alleged illegal gains made by each Noticee. The Noticee has submitted that there is no such principle of joint and several liabilities under SEBI Act and that Joint and several liability arises only when the wrongful gains have been distributed and the Noticee has not made any unlawful gain.
- 11.21. The Noticee has submitted that she had borrowed loan from private parties and should be allowed to use her bank account and liquidate her portfolio to repay the loans and also to pay advance tax.

#### **Submissions of Angad M Rathod (Noticee no. 7)**

12. Vide his letter dated April 21, 2023, he has denied the allegations made in the *Interim Order* and has *inter alia* submitted the following:

- 12.1. The ex-parte order stated that the Noticee had made a profit of INR 9,60,710, however, the examination report states that the Noticee made a profit of INR 5,22,864. According to the trade logs data provided to the Noticee, the Noticee had made a profit of INR 5,42,010 during the entire period of examination which also includes 2500 shares sold through auction or sold post patch 2 of the examination period. The Noticee had paid expenses of INR 29,899.34 during the examination period and therefore, the net profit is INR 4,94,013.65. Thus, there are apparent mistakes in the method adopted by SEBI for calculation of profit made by the Noticee.
- 12.2. Further, he has submitted that he had made a gross profit of INR 3,47,111 and a net profit of INR 3,17,212 after deduction of expenses/taxes in patch 2 of the examination period.
- 12.3. Most of the requisite documents requested by the Advocate of the Noticee vide emails dated March 29, 2023 and March 30, 2023 have been denied to be provided.

- 12.4. The Noticee submits that Jatin Shah is the dealer of the member broker, MNM Stock Broking Pvt. Ltd. and the Noticee has no other relation with Jatin Shah except the relationship of client and dealer.
- 12.5. The Noticee had provided a loan of INR 72,00,000 to Anshu Mishra and the said loan has nothing to do with the trades executed in the scrip of Sadhna.
- 12.6. The Noticee's communications with Jatin Shah was because he was the Noticee's dealer and the fund transfer with Anshu Mishra does not establish the fact that the Noticee was a part of any manipulative scheme.
- 12.7. The Noticee does not have any connection with the promoter/director/key managerial persons of the Company, Sadhna. The Noticee did not purchase any shares of Sadhna during the examination period through off-market transactions.
- 12.8. The Noticee had no on or off market transaction in the scrip of Sadhna with any of the Noticees.
- 12.9. There was a huge time difference between placing of buy/sell order by the counterparties and sell/buy order placed by the Noticee. Further, there is no allegation against the Noticee that the Noticee had executed any reversal/ synchronized/ circular trades in the scrip of Sadhna. There was no meeting of mind in between the counterparties' buyers/ sellers and the Noticee for sell/ buy trades executed by the Noticee. There are no allegations of price manipulation.
- 12.10. The Noticee submitted that it has no connection with the counterparties of its trades. The trades of the Noticees matches with 100's of entities.
- 12.11. The total market volume during the examination period was 10,76,89,483 and the Noticee had purchased 2,82,564 and sold 2,82,219 shares during the examination period. Further, the Noticee had sold 2155 shares through auction on September 22, 2022 resulting in a net buy position of 345 shares at the end of the examination period. The Notice denies that he had created any artificial volume.
- 12.12. The orders were placed at the prevailing market prices on the anonymous platform of the stock exchange.



- 12.13. The Noticee has invested in a couple of scrips in the market by borrowing loan from private parties and family members.
- 12.14. There is no evidence to show that the Noticee was involved in the creation and distribution of misleading videos or that the trades of the Noticee led to increase in the price of the scrip. Further, there is no evidence to show that the sale of shares by the Noticee was made to gullible unsuspecting investors. The Noticee has not induced any person for dealing in the shares of Sadhna.
- 12.15. The Noticee came to know about the YouTube Channels and uploading of misleading videos in the said channels when the Noticee received a copy of the ex-parte order.
- 12.16. The Noticee further submitted that the basis of urgency as shown in the interim order was purely on account of presumption and was not based on any piece of evidence. The Noticee has also submitted that the ex-parte order is in gross violation of principles of natural justice as embodied in Article 14 of the Constitution of India.
- 12.17. The Noticees in the instant case have been arbitrarily and unlawfully directed to bear joint and several liabilities for the alleged illegal gains made by each Noticee. The Noticee contends that there is no such principle of joint and several liabilities under SEBI Act. Joint and several liability arises only when the wrongful gains have been distributed and the Noticee has not made any unlawful gain.
- 12.18. The Noticee submitted that the ratio laid down by the Hon'ble Tribunal in the matter of Affluence Fincon Services Pvt. Ltd. & Ors. Vs. SEBI appeal no. 269 of 2020 decided on September 07, 2020, Dr. Udayant Malhotra vs. SEBI appeal no. 45 of 2020 decided on June 02, 2020, Cameo Corporate Services Limited vs. SEBI appeal no. 566 of 2019 decided on November 26, 2019, North End Foods Marketing Pvt. Ltd. & Anr. Vs. SEBI appeal no. 80 of 2019 decided on March 12, 2019 and Arshad Hussain Warsi & Ors. Vs. SEBI appeal no. 284 of 2023 decided on March 27, 2023 and a decision of the Hon'ble Supreme Court in Radha Krishnan Industries vs. State of Himachal Pradesh & Ors. [(2021) 6 SCC 771] squarely cover the case of the Noticee.

12.19. The Noticee has borrowed loan from private parties and should be allowed to use his bank account and liquidate his portfolio to repay the loans.

**Submissions made by Karavan Tradelink OPC Pvt. Ltd. (Noticee no. 9):**

13. Vide its letter dated April 25, 2023, the Noticee has denied the allegations made in the *Interim Order* and has *inter alia* submitted the following:

13.1. The Interim order states that the Noticee had made a profit of INR 24,13,152, however, the examination report provided during the course of inspection does not include the name of the Noticee. As per the trade logs provided, the Noticee has made a profit of INR 5,02,759 during the entire examination period. The Noticee has paid INR 1,11,257.30 as expenses during the investigation period and therefore, the net profit made by the Noticee is INR 3,64,970. Thus, there are apparent mistakes in the method adopted by SEBI for calculation of profit made by the Noticee.

13.2. Most of the requisite documents requested by the Advocate of the Noticee vide emails dated March 29, 2023 and March 30, 2023 have been denied to be provided.

13.3. The Noticee company was incorporated in 2016 and was mainly in the business of trading in stock market. The Noticee submitted that Mr. Daivik Jatin Shah is the director and the authorized signatory of the Noticee company. Merely because the Noticee is connected with its director and authorized signatory does not establish the fact that the Noticee was part of any manipulative scheme.

13.4. The Noticee does not have any connection with the promoter/director/key managerial persons of the Company, Sadhna. The allegation of connection made against the Noticee has nothing to do with the trades executed by the Noticee in the scrip of Sadhna.

13.5. The Noticee did not purchase any shares of Sadhna during the examination period through off-market transactions.

13.6. The Noticee had no on or off market transaction in the scrip of Sadhna with any of the Noticees.

- 13.7. There was a huge time difference between placing of buy/sell order by the counterparties and sell/buy order placed by the Noticee. Further, there is no allegation against the Noticee that the Noticee had executed any reversal/ synchronized/ circular trades in the scrip of Sadhna. The Noticee has submitted that there was no meeting of mind between counterparties' buyers and the Noticee for sell trades. There are no allegations of price manipulation.
- 13.8. The Noticee submitted that it has no connection with the counterparties of its trades. The trades of the Noticees matched with 500 to 600 entities.
- 13.9. The total market volume during the examination period was 10,76,89,483 and the Noticee had purchased 9,70,702 and sold 9,20,702 shares resulting in a net buy of 50,000 shares at the end of the examination period. The Noticee denied that it had created any artificial volume.
- 13.10. The orders were placed at the prevailing market prices on the anonymous platform of the stock exchange.
- 13.11. There is no evidence to show that the Noticee was involved in the creation and distribution of misleading videos or that the trades of the Noticee led to increase in the price of the scrip. The Noticee has not induced any person for dealing in the shares of Sadhna. Further, there is no evidence to show that the sale of shares by the Noticee was made to gullible unsuspecting investors.
- 13.12. The Noticee came to know about the YouTube Channels and uploading of misleading videos in the said channels when the Noticee received a copy of the ex-parte order.
- 13.13. The Noticee further submitted that the basis of urgency as shown in the interim order was purely on account of presumption and was not based on any piece of evidence. The Noticee has also submitted that the ex-parte order is in gross violation of principles of natural justice as embodied in Article 14 of the Constitution of India.
- 13.14. The Noticee has invested in a couple of scrips in the market by borrowing loans from private parties and family members. The Noticee needs to return the loans and pay interest on loans which he has borrowed and also needs to deposit advance tax.

13.15. The Noticee should be allowed to use its Bank account to pay advance tax and to repay loan. Further, it has been requested that it should be allowed to liquidate its portfolio to arrange money for the said purposes.

14. The Noticees were granted an opportunity of personal hearing on June 05, 2023 and on the said date, a common Authorised Representative (“AR”) of the Noticees appeared and reiterated the submissions made by the Noticees in their respective written replies. Further, the AR *inter alia* made the following common additional submissions with respect to Noticee nos. 4, 5, 6, 7 and 9.

14.1. The Noticees have not been provided couple of documents/data collected during the course of examination.

14.2. In the Examination Report, profit has been computed based on FIFO method and in the Interim Order, average buy price has been used for cost of acquisition.

14.3. The Examination Report has no findings against Noticee nos. 6 and 9. The profits made by Noticee nos. 4, 5 and 7 in the Interim Order is different from the profit in the Examination Report.

14.4. With respect to the joint and several liabilities imposed on Noticees nos. 4 to 7, it has been submitted that the alleged unlawful gain made by each Noticee has to be calculated separately which is required to be paid individually by the Noticees. Further, the Noticees have referred to the Order dated February 02, 2023 in the matter of “SRSR Holdings Pvt. Ltd. vs. SEBI Appeal no. 1/2019 and other connect appeals” passed by the Hon’ble Tribunal and have requested to consider individual liability for the Noticee nos. 4 to 7.

14.5. The Noticees have also requested to accede to their request for joint and several liability of gain made by the Noticees and also to allow them to deposit the same in an interest-bearing escrow account under protest.

#### **D. CONSIDERATION**

15. I have considered the allegations in the Interim Order, the replies/ written submissions of the Noticees and other materials available on record. I note that the

directions issued against the Noticees in the Interim Order were based on *prima facie* findings made on the basis of the material available on record. The present proceedings before me are in the nature of confirmatory or revocation proceedings which allow me the very limited remit of assessing whether the directions issued against the Noticees based on the *prima facie* conclusions arrived at in the Interim Order need to be confirmed, revoked or modified in any manner in light of the submissions of the Noticees. I understand that a detailed investigation into this matter is being conducted by SEBI, aided further by extensive search-and-seizure operations conducted by SEBI against some noticees, the outcome of which will decide the further course of action and initiation of further proceedings in the matter as per law.

16. Before I proceed further, it may be useful to summarise what a typical and tell-tale case of “pump-and-dump” stock manipulation looks like.

16.1. Initially, there is a period with minimal interest or trading activity in a scrip.

16.2. Thereafter, there is a sudden relative spurt in scrip trading volumes and price, without any visible fundamental reason for the same. Much of the activity is accounted for by a few connected individuals (“Volume Creators” and “Net Sellers”). I refer to this period – which creates the appearance of interest and activity in the scrip - as “patch 1”.

16.3. With an appearance of activity and interest being created in patch 1, a Misleading Message Disseminator (MMD) then spreads patently false and misleading messages about the scrip via social media or other forum, to entice and induce small investors to invest into the scrip immediately.

16.4. Many hapless retail investors then fall prey to the breathless and false messages being spread, and rush in to buy the scrip. This sets up a period of frenzied activity in the scrip, which I refer to as “patch 2”, where persons and entities directly or indirectly connected with the VCs and NSs of patch 1, and with the MMD, sell their holdings at elevated prices effectively to unsuspecting small investors.

16.5. Finally, after much of the selling by the connected conspirators is completed, the frenzy meets its inevitable end, and in the absence of fundamentals, prices drop back sharply. At the end of all this, many retail investors are left holding the scrip often at a fraction of the peak price seen during patch 2.

16.6. When such a tell-tale pattern exists, the totality of evidence would overwhelmingly suggest that the connected persons (the VCs, the MMDs, the ICs, and the NSs) have put together a nefarious scheme to defraud hapless investors by fraudulently manipulating the stock.

17. This particular case meets the criteria of such a nefarious “pump-and-dump” scheme to the T. The volume and price movement in the scrip during the period (January 01, 2023 to March 01, 2023) is produced below:

**Image no. 1**



18. The chart given above is adjusted for split 10:1 (ex-date – June 10, 2022). For consistency and clarity, all volumes and scrip prices referred to hereafter are in post-split terms, unless explicitly stated otherwise. Based on the price and volume

chart given above, it becomes evident that the instant case fulfils shows all the characteristics of a 'pump and dump' scheme.

- a. Pre-Examination period – During the pre-examination period (January 01, 2022 to April 26, 2022), the scrip's average daily traded volume was 43,740 shares.
- b. Creation of Interest: In patch 1 of the Examination period (April 27, 2022 to July 14, 2022), a sudden surge in the interest was observed in the scrip, unexplained by any fundamental news about the scrip, marked by substantial increase in both trading volumes and scrip price. The closing price of the scrip surged by 360% (from INR 2.76 to over INR 12.68) and the daily average traded volume of the scrip escalated by 493% (from 43,740 shares to 2,59,561 shares) during this period. Notably, certain connected Noticees to the *Interim Order* accounted for 27.97% of the total traded volume in this patch i.e., accounting for 138% increase in volume. It can be said that the appearance of market interest, created by the Noticees to the *Interim Order* in patch 1, built the conditions for the subsequent dissemination of misleading messages.
- c. Spreading Misinformation: In Patch 2 of the Examination period (July 15, 2022 to September 30, 2022), YouTube videos containing patently false and misleading information were disseminated by a person (MMD) directly or indirectly connected with the Noticee Net Sellers, Volume Creators and Information Carriers. These videos seemingly pumped the price and volume of the scrip, resulting in increased participation from retail investors. The average daily traded volume of the scrip increased by 629 % and the closing price of the scrip increased by 161% during this period, from around INR 12.68 to INR 33.15.
- d. Dumping of Shares: During the same period when false and misleading YouTube videos were being disseminated, certain large shareholders who were categorised as 'Net Sellers' – who were also directly or indirectly connected to the earlier ICs/ VCs/ and MMD - dumped their entire holdings in Sadhna scrip on unsuspecting gullible investors at

inflated prices. In total, all the connected Net Sellers collectively dumped 1,65,06,820 shares of Sadhna during this period.

- e. Aftermath: Post dumping of shares by the large shareholders, the scrip's price witnessed a decline, inevitably falling to INR 17.70 by end-September. Meanwhile, the number of small shareholders significantly increased from 2,167 as of June 30, 2022 to 55,343 by September 30, 2022. As noted in the *Interim Order*, additional videos were uploaded in the said YouTube Channels after the Examination period which appear to have increased the retail investors' participation and caused the consequent increase in price and volume. Certain Noticee Net Sellers were observed to have exited the scrip or offloaded a significant portion of their holdings by December 2022. The above chart indicates a pronounced collapse in the price and volume of the scrip after December 2022. I understand that the trades subsequent to the said videos would be examined in detail as a part of the ongoing investigation.

19. During the relevant period, it was *prima facie* noted that Noticee nos. 4, 5, 6 and 7 were Volume Creators in the scrip of Sadhna. The specific contentions raised by the Noticees have been considered and are dealt with as follows: -

19.1. **Documents not provided**

19.1.1. During the course of the hearing held on June 05, 2023 and in the replies of the Noticees, it was contended that though an opportunity of inspection of documents had been granted on March 28, 2023, there were certain documents which had not been provided by SEBI on the said date. These were documents that explained and reconciled the differences in illegal gains made by the Noticees as computed in the Examination Report, vis-à-vis the *Interim Order* itself. Pursuant to the hearing, basis my instruction, those documents sought by the Noticees were also provided vide email dated June 08, 2023. After providing the same, no further submissions were made by the noticees in the context of these additional



documents. In any case, the contents of these documents were of no material consequence to the Noticees in respect of the interim order itself, and in no way altered the merits of the case. Therefore, I find that the Noticees' grievance regarding access to documents no longer holds true.

19.2. **Ex-parte Order is in violation of principles of natural justice**

19.2.1. The Noticees have contended that the basis of urgency as shown in the interim order was purely on account of presumption and was not based on any piece of evidence and that the ex-parte Order is in violation of principles of natural justice.

19.2.2. It is pertinent to note that Sections 11 and 11B of the SEBI Act empower SEBI to pass ex-parte interim orders in order to safeguard the interest of the investors and to maintain the market integrity in cases where imminent action is necessary.

19.2.3. The dissemination of patently false and misleading YouTube videos, had led to sharp increase in the number of small shareholders (i.e., from 2,167 to 55,343 shareholders) who ended up buying shares from the Noticees at inflated prices. It was also observed that as on February 20, 2023, both the YouTube Channels had published a video recommending the same stock. Considering the alleged illegal conduct of the Noticees in the extant matter, there was a high probability that they might employ the same *modus operandi* in other scrips as well.

19.2.4. As recorded in the *Interim Order*, certain Noticees to the *Interim Order* (specifically, Noticee Nos. 1,4,5,6,7,10,11,23 and 31) were found to be involved in a similar "pump-and-dump" *modus operandi*, involving interest creation, followed by false and misleading videos being published, and subsequently followed by huge offloading of shares by large shareholders in at least one other scrip i.e., Sharpline Broadcast Limited. Broker dealer noticee no. 4, with the capability to operate and execute such fraudulent schemes expediently, misused his position as a regulated entity and was repeatedly implicated. The potential threat posed by these

Noticees could have severely compromised the integrity of the securities market had they not been restrained from the securities market through the *Interim Order*.

19.2.5. Furthermore, considering the probability that the Noticees may divert the unlawful gains before investigation concluded and directions for disgorgement, if any, were passed, impounding directions were issued vide the *Interim Order*. Consequently, I find that the available evidence supported the *prima facie* case against the Noticees. As noted above, the balance of convenience favoured passing orders against the Noticees, as failure to do so would have caused irreparable damage to the integrity of the securities market.

### 19.3. **Difference between the Examination report and the *Interim Order***

19.3.1. The Noticees have contended that the Examination Report did not contain any findings or recommendations against Noticee nos. 6 and 9 whereas the ex-parte Order has adverse findings and adverse order has been passed against the said Noticees. Further, it has been submitted that the profits made by Noticee nos. 4, 5 and 7 in the *Interim Order* is different from the profit in the Examination Report.

19.3.2. In this regard, I note that the Examination Report erroneously did not examine whether profits were made by Noticee nos. 6 and 9. Further, profit calculation in respect of Noticee nos. 4, 5 and 7 pertained to the trades executed by the said noticees during the entire examination period. This was contrary to the allegation in the instant case that the illegal gains were made by dumping shares of Sadhna after the YouTube videos were published. Therefore, illegal profits, if any, were to be determined based only on the trades executed after the publication of the impugned videos. These deficiencies were sought to be rectified while passing the *Interim Order*. As pointed out earlier, copies of the relevant documents discussing the rectification were furnished to the noticees to this Order through email dated June 08, 2023. Additionally, the Noticees' submission in respect of

the illegal gain computation is addressed separately in the subsequent paragraph. Further in the context of determining whether any of the Noticees to the Interim Order were required to be subjected to joint and several liabilities, the similar *modus operandi* adopted by some of the Noticees (Nos. 4, 5, 6 and 7) in executing a similar *prima facie* fraudulent scheme of ‘pump and dump’ in the scrip of Sharpline Broadcast Limited was also taken into consideration.

19.4. **No artificial volume created:**

19.4.1. The Noticees have denied that they had created any artificial volume in the scrip. They have submitted that their volume contribution to the total market volume during the examination period was miniscule. Further, the orders were placed at the prevailing market prices on the anonymous platform of the stock exchange.

19.4.2. Between April 2022 and mid-July 2022, there was a conspicuous surge in both the price and volume of the scrip, characteristic of the tell-tale “patch 1” of the pump-and-dump scheme. Given the absence of any corporate announcements or significant financial developments related to Sadhna, the inexplicable escalation in the scrip’s volume during this period, followed by the dissemination of tell-tale misleading messages in patch 2, leads to the *prima facie* inference that the sudden activity during patch 1 was artificial and not driven by genuine interest in the scrip. This conclusion is corroborated by the observation that identified connected Noticees contributed to an unusually large percentage of the total traded volume during this patch 1.

19.4.3. As brought out in paragraph 16 of the *Interim* Order, all the Noticee Volume Creators in the instant Order along with other connected Noticees to the Interim Order contributed 27.97% to the total market volume of the scrip between April 2022 and mid-July 2022, i.e., during patch 1 of the Examination period.

19.4.4. It was noted that Noticee nos. 4, 5, 9 contributed 11.24% to the total market volume in patch 1. Particularly, Noticee no. 4 contributed 7.72% to the total market volume in this period.

19.4.5. Even when the number of unique buyers increased from 2,319 to 77,293 (i.e., an increase of 3,233%) in patch 2, Noticee nos. 4, 5, 6 and 9 contributed a significantly large portion of the total market volume i.e., 4.94%.

19.4.6. After the impugned YouTube videos were uploaded, the price, volume and number of entities who traded in the scrip of Sadhna increased multifold and certain Net Sellers were observed to have offloaded majority of their holdings. Therefore, the submission that no artificial volume was created is devoid of any merit. On the contrary, the totality of evidence overwhelmingly suggests, *prima facie*, that the connected persons have orchestrated a nefarious scheme to defraud hapless investors

#### 19.5. **Connection among Noticees**

19.5.1. The Noticees have contended that there is no other documentary evidence except familial relationship, CDR and bank statement to establish connection between the Noticees. Further, the Noticees have submitted that the phone calls were in respect of client-dealer/ broker relationship or in respect of business purposes and the financial transactions were part of loans provided to each other. In this regard, I note that the *inter-se* connections amongst the Noticees as illustrated in the *Interim Order* have not been disputed. Further, it is pertinent to note that reliance on CDRs and financial transactions have been made to *prima facie* establish that a strong connection exists among the Noticees and that the Noticees are connected with the MMD either directly or indirectly. The extent of the collusion/ connivance/ participation of the Noticees in the alleged fraudulent scheme is a subject matter of further investigation which is currently ongoing.

19.5.2. The alleged fraudulent scheme in the *Interim Order* was most evidently manifested in the dissemination of misleading messages through YouTube by the MMD which was preceded as well as followed by abnormal surge in volumes in the Sadhna scrip. The abnormal rise in volumes prior to the publication of the videos (i.e., during patch 1) in effect lent some credibility to the outlandish claims made in the YouTube videos about market interest in the Sadhna scrip. Consequently, it is reasonable to conclude that those persons, who can be said to be associated directly or indirectly with the said MMD and had themselves engaged in the unusual pattern of trading during that period, were *prima facie* a part of the alleged fraudulent ‘pump and dump’ scheme.

19.5.3. The connection of the Noticees to the instant Order with the other Noticees in the *Interim Order* has not been disputed. The trades executed by the Noticees to this Order have also not been disputed. Jatin Manubhai Shah (Noticee no. 4), Heli Jatin Shah (Noticee no. 5) and Daivik Jatin Shah (Noticee no. 6) are family members. Jatin Manubhai Shah (Noticee no. 4) had a direct financial relationship with Manish Mishra (Noticee no. 1), Anshu Mishra (Noticee no. 2) and Dipak Dwiwedi (Noticee no. 5). Angad Rathod (Noticee no. 5) had direct financial relationship with Anshu Mishra (Noticee no. 2). While Jatin Shah has argued that the relationship was solely a dealer-client one, the admitted fact that Jatin Shah had lent significant amount of money to the said connected Noticees suggests a much closer relationship. A similar inference can be drawn from Angad Rathod (Noticee no. 5)’s acknowledged loan of INR 72 lakh to Anshu Mishra (Noticee no. 2/ Wife of Manish Mishra). Daivik Jatin Shah (Noticee no. 6) is the authorized signatory for the demat account of the Noticee company, Karavan Tradelink OPC Private Limited (Noticee no. 9). Although a company is a separate legal entity, its actions are the results of the decision-making entity i.e., the authorized signatory in the instant case.

19.5.4. The Noticees to this Order have not been able to present any facts that would lead to a different inference, aside from making

unsubstantiated assertions about the content of the conversations between the Noticees or the nature of their financial transactions.

19.5.5. The Noticees have submitted that they have no connection with the counterparties of their trades and that their trades matched with 1000's of entities. The Noticees have submitted that there was no meeting of minds between counterparties' buyers and the Noticees' trades. The Noticees have also contended that there was a significant time difference between the orders placed by the Noticees and that of the counterparties. They have also contended that they had no off-market transaction in the scrip of the company with any of the Noticee. I note that the said issues do not in any way form the crux of the arguments in the Interim Order. Nonetheless, as recorded in paragraph 16 of the Interim Order, there were instances where the Noticees' trades matched with other connected Noticees to the *Interim Order*. Therefore, the contentions of the Noticees are factually incorrect. In any case, the crux of the interim order relied on the overall evidence pointing to a set of connected persons concocting a nefarious pump and dump scheme to defraud small investors. These arguments provided by the notices do not alter that conclusion.

19.6. **Calculation of illegal profits made**

19.6.1. The Noticees have contended that the Examination Report contains profit computation based on FIFO method whereas the *Interim Order* has chosen average buy price. Further, they have submitted that the cost of acquisition was higher in patch 2 and so the profit calculation based on average buy price has inflated the profit made by the Noticees. The Noticees have submitted that they made profits as mentioned in the table given below.

**Table no. 2**

<b>Noticee name</b>	<b>Gross profit in patch 2 (INR)</b>	<b>Net profit in patch 2 (INR)</b>
Jatin Manubhai Shah (Noticee no. 4)	15,62,490	11,29,194
Heli Jatin Shah (Noticee no. 5)	6,63,888	5,90,643
Daviik Jatin Shah (Noticee no. 6)	-6,54,556	-7,21,781
Angad M Rathod (Noticee no. 7)	3,47,111	3,17,212
Karavan Tradelink OPC Private Limited (Noticee no. 9)	5,02,759	3,64,970

19.6.2. I note that the intent of the *Interim Order* was to compute the alleged illegal gain made by the Noticees solely based on the shares sold during patch 2 of the examination period, which is after the videos were uploaded. The cost of acquisition for the trades executed during this period was taken as average buy price for volume creators. After careful examination of the Noticees' submission, the profit calculations were revisited. It appears that the average buy price used for computation covered the entire examination period, as raised by the Noticees. Accordingly, the revised profit calculation, based on average buy price of the shares sold by the Noticees in patch 2 is provided in the table below.

**Table no. 3**

<b>VC</b>	<b>Name of the VC</b>	<b>Sale consideration (INR)</b>	<b>Cost of acquisition (INR)</b>	<b>Profit in Patch 2 (INR)</b>
VC 3	Jatin Manubhai Shah	6,47,36,116	6,32,02,893	15,33,223
VC 4	Heli Jatin Shah	1,56,17,714	1,49,49,533	6,68,181
VC 5	Daivik Jatin Shah	1,19,86,798	1,22,69,148	0 (loss ignored)
VC 6	Angad M Rathod	28,74,729	25,36,669	3,38,060
VC 8	Karavan Tradelink OPC Private Limited	1,38,66,335	1,34,72,785	3,93,550

19.6.3. In light of these revised individual gains, the total illegal gains made by all the Noticees, as stated in the Interim Order, have been adjusted to INR 40,60,66,012.

19.6.4. Noticees nos. 4, 5, 6, 7 and 9 have contended that they have not made unlawful gains as alleged in the Interim Order. Further, they have submitted that they had incurred expenses for trading in the scrip of Sadhna during the examination period. In this regard, I note that the said transactions were *prima facie* part of a manipulative scheme and the profits directed to be impounded arose from these transactions. Therefore, offsetting the tax/ cost paid would amount to conceding a portion of profit from the fraudulent scheme.

19.6.5. Further, administrative expenses and brokerage charges cannot be regarded as legitimate expenses for the purpose of claiming deductions in order to arrive at the net profit, as held by the Hon'ble SAT in the matter of Janak Chimanlal Dave vs. SEBI decided on September 20, 2021.

19.6.6. Further, Noticees have also contended that only the individual gains made by them should be considered for impounding/ disgorgement. In this regard, I note that none of the Noticees have even deposited the individual gains made by them in support of their request. In any case, the contentions of the Noticees regarding joint and several liability is addressed in the subsequent paragraph.

#### 19.7. **Joint and Several Liability**

19.7.1. The Interim Order casts joint and several liability for the total illegal gain made in the scrip of Sadhna *inter alia* on Noticee nos. 4, 5, 6 and 7. These 4 noticees have submitted that there is no such principle of joint and several liabilities under SEBI Act and that Joint and several liability arises only when the wrongful gains have been distributed. Further, it has been submitted that the alleged unlawful gain made by each Noticee has to be calculated separately which is required to be paid individually by the Noticees. Further, the Noticees have referred to the Order dated



February 02, 2023 in the matter of “*SRSR Holdings Pvt. Ltd. vs. SEBI*” Appeal no. 1/2019 and other connect appeals passed by the Hon’ble SAT and have requested to consider individual liability for the Noticee nos. 4, 5 and 7.

19.7.2. I note that as recorded in the *Interim Order*, the *prima facie* fraudulent scheme could not have been executed by the Net Sellers unless the Noticee MMDs, ICs and VCs had played their respective roles. Noticee nos. 4, 5, 6 and 7 have *prima facie* played the role of Volume Creators in the alleged fraudulent scheme and are also found to have been part of fraudulent ‘pump and dump’ scheme in another scrip i.e., Sharpline Broadcast Limited, using a similar *modus operandi*. Considering that these Noticees have facilitated the perpetration of the fraudulent scheme and the probability that they may be the ultimate beneficiaries of the scheme, the liability of the said Noticees cannot be limited to the profit, if any, made by them individually. I note that the submissions of Noticee Nos. 4, 5, 6 and 7 do not bring out any material that adequately contradicts the *prima facie* conclusions drawn against them in the *Interim Order*. Therefore, pending further investigation, I am of the view that these Noticees must bear an overall liability for the cumulative gain made by all the Noticees as already directed in the *Interim Order*.

#### 19.8. **Other submissions**

19.8.1. All the Noticees have also made the following submissions.

- i. There is no evidence to show that the trades of the Noticee led to an increase in the price of the scrip.
- ii. There is no evidence to show that the sale of shares by the Noticee was made to gullible unsuspecting investors.
- iii. They have not induced any person for dealing in the shares of Sadhna.
- iv. There are no allegations of price manipulation.

- v. There is no allegation that the Noticees had executed any reversal/ synchronized/ circular trades in the scrip of Sadhna.
- vi. The Noticees do not have any connection with the promoter/ director/ key managerial persons of the Company, Sadhna.
- vii. There is no evidence to show that the Noticee was involved in the creation and distribution of the alleged misleading videos.
- viii. The Noticees did not purchase any shares of Sadhna during the examination period through off-market transactions.

19.8.2. In this regard, I note that except for the contentions at point no. (ii.) and (iii.), the *Interim Order* does not specifically allege any of the other points raised by the Noticees in relation to this Order. The contentions at points (ii) and (iii) have already been addressed in the previous paragraphs of this Order.

19.8.3. The sharp increase in retail shareholding in the scrip of Sadhna subsequent to the dissemination of false and misleading YouTube videos was alarmingly high i.e., an increase of around 2,454% (from 2,167 as of June 30, 2022 to 55,343 to September 30, 2022). Volumes and prices in these scrips had also increased abnormally in and around the period these messages were disseminated and were followed by near complete exit of large shareholders in these scrips. Such schemes cannot be perpetrated by one or two persons alone. There are likely to be several persons who may be involved in various aspects of fraud, the activities of each of whom when individually seen in isolation may appear genuine or mundane. Fraudulent scheme in securities market usually involve co-ordinated activity by several connected persons individually playing separate parts such as volume creation, price escalation, misleading message dissemination etc. all leading up to illegal profit booking. As explained in the paragraphs above, when such a tell-tale pattern of a “pump-and-dump” scheme exists, the totality of the evidence overwhelmingly suggests that the connected persons have put together a nefarious scheme to defraud hapless investors.

- 19.8.4. The Noticees to the instant Order were noted to have allegedly played the role of Volume Creators based on their *inter-se* connections and trading pattern. Further, the ex-parte order is only interim in nature designed to avoid continued perpetration of such suspicious activity and with a view to avoid diversion of illegal gains made.
- 19.8.5. The *Interim Order* has *prima facie* concluded that the false and misleading YouTube videos along with the artificial volume created by the Volume Creators were *prima facie* designed to facilitate the complete exit of the Net Sellers from the scrip of Sadhna at inflated prices. The Noticees have not substantiated their submissions with any documentary evidence to dispute their direct or indirect connection with the Misleading Message Disseminator.
- 19.8.6. With respect to the contention that lack of evidence for sale of shares to unsuspecting investors, I note that the Noticees have admitted the fact that they sold their shares in the scrip of Sadhna to 100's or 1000's of entities in patch 2 based on the trade log provided to them. The profit made by the Noticees were seemingly at the expense of unsuspecting investors who appear to have dealt in the scrip of Sadhna induced by the false and misleading videos and artificial volume that created a misleading appearance of trading. Therefore, I do not find any merit in this contention.
- 19.8.7. I also note that the noticees have not deposited any amount constituting illegal gain in escrow accounts despite specific directions in the Interim Order. None of the other directions passed against them (*excluding restraint from dealing in securities which has been enforced through the depository and stock exchange mechanism*) have been complied with by the Noticees. The conduct of the noticees clearly demonstrates a blatant and audacious disregard for the law.

19.9. **Relaxation sought by the Noticees**

19.9.1. Noticee nos. 4, 5, 6, 7 and 9 have submitted that they have borrowed loan from private parties and that they should be allowed to use their bank accounts and also to liquidate their portfolio to repay the loans. Further, all the Noticees have submitted that they need to pay advance tax.

19.9.2. In this regard, I note that all the Noticees have failed to comply with the direction to provide the list of assets and to deposit the impounded amount in escrow accounts. Further, they have failed to substantiate their requests with relevant supporting documents which would have enabled the verification of the authenticity of their requests. The Noticees have also claimed that they need to repay the loans borrowed from private parties, however, they have not furnished any documents regarding their loan payment details i.e., loan amount, loan agreement(s) executed, lender details etc. The Noticees have also informed that they need to pay advance tax. They have also informed that they have lost their jobs and/or their earnings from the securities market. In this regard, I note that advance tax is required to be paid by every person whose estimated tax liability for the financial year is INR 10,000 or more. I also note that the Noticees have been debarred since March 02, 2023. In the absence of documentary evidence showing the receipt of income in the first quarter of this financial year, I do not find any merit in the requests for relaxation sought by Noticee nos. 4, 5, 6, 7 and 9.

20. The *Interim Order* was passed based on the *prima facie* conclusions to prevent further perpetration of fraudulent schemes and to prevent defalcation of the illegal gains. In view of the reasons as discussed in preceding paragraphs, I find that the submissions of the Noticees are insufficient to refute the *prima facie* conclusions drawn in the *Interim Order*. Consequently, the *prima facie* findings in the *Interim Order* dated March 02, 2023 that the Noticees have *prima facie* engaged in a fraudulent and manipulative scheme resulting in *prima facie* contravention of

provisions of Sections 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(1), (b), (c), (d) and Regulations 4(1) and 4(2)(a), (d), (k) and (r) of the PFUTP Regulations, stand confirmed. *Prima facie* the broker dealer namely Noticee No. 4 has misused his position to engage in a *prima facie* fraudulent conduct. The possibility that the Noticees would be able to continue facilitating such schemes remains an area of concern. However, considering that the alleged *prima facie* illegal gains made by the Noticees have been revised, I find that the same needs modification while confirming the directions issued in the *Interim Order*.

## **E. ORDER**

21. In view of the above, pending conclusion of investigation, I, in exercise of the powers conferred upon me under Sections 11, 11(4) and 11B (1) read with Section 19 of the SEBI Act and after taking into account the specific facts and circumstances of the present matter, hereby confirm the directions issued *vide the Interim Order* dated March 02, 2023, subject to the following modifications:

21.1. The liability for the illegal gain made by Noticee nos. 4, 5, 6, 7 and 9 individually shall stand modified as mentioned at Table no. 3. Consequently, the total illegal gain made by all the *Noticees* also stands modified to INR 40,60,66,012.

21.2. The direction in para 38.7 of the *Interim Order* shall not prohibit the credit of shares to be received on account of corporate actions.

22. It is further clarified that the observations made in the present Order are tentative in nature. The investigation shall be carried out without being influenced by any of the directions passed or any observation made either in the *Interim Order* or in the present Order. Based on the outcome of the investigation, appropriate proceeding will be initiated in accordance with law.

23. This Order is without prejudice to the right of SEBI to take any other action against the *Noticees* in accordance with law.

24. This Order shall come into force with immediate effect.

25. A copy of this Order shall be served on the *Noticee Nos. 1, 4, 5, 6, 7, 9, 10, 11, 23 and 31* as well as on recognised Stock Exchanges, Depositories, Registrar and Share Transfer Agents and Banks for necessary action and compliance with the above directions.

-Sd-

**ANANTH NARAYAN G.**

**DATE: JULY 20, 2023**

**WHOLE TIME MEMBER**

**PLACE: MUMBAI**

**SECURITIES AND EXCHANGE BOARD OF INDIA**