

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

UNDER SECTIONS 11(1), 11(4), 11(4A) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF SUPERIOR FINLEASE LTD.

IN RESPECT OF:

S. No.	ENTITY	PAN
1.	RAJNEESH KUMAR	ANDPK4877B
2.	ASHISH P. SHAH	AJRPS7737C
3.	KIRTIDAN K. GADHAVI	AJAPG0901B
4.	JALAJ AGRAWAL	AUDPA0226H
5.	ARVIND SHUKLA	ISZPS7481G
6.	ASHISH KUMAR SINGH	CNKPS7612D
7.	ORION RETAIL PVT. LTD.	AABCO2314B
8.	SPIRE MARKETING PVT. LTD.	AAJCS5228G
9.	SPLENDID HOTELS RESORTS PVT. LTD.	AASCS5684F
10.	DEEPIKA SHARMA	HFDPS1131F
11.	ROMIKA	DSZPR7910C
12.	BALLEY BUILDERS & DEVELOPERS PVT. LTD.	AACCB7383E
13.	ANCIENT EDUCATION PVT. LTD.	AALCA2837R
14.	SANTOSH SINGH KARKI	AHMPK4222D
15.	SANJAY KUMAR PATHAK	AMIPP8453C
16.	JITNEY INVESTMENTS PVT. LTD.	AADCJ0092M
17.	SHRAWAN	KVSPS2783B
18.	ANITA KARKI	BMSPK6708E
19.	ASHWORTH CONSTRUCTIONS PVT. LTD.	AALCA3008J

(THE AFORESAID ENTITIES ARE HEREINAFTER REFERRED TO BY THEIR RESPECTIVE NAMES /SERIAL NUMBERS OR COLLECTIVELY AS “**THE NOTICEES**”).

BACKGROUND:

- As part of the investigation initiated pursuant to a complaint received at Securities and Exchange Board of India (“SEBI”), pertaining to suspicious trading transactions carried out by certain entities in the scrip of Superior Finlease Ltd.

(“**SFL /the Company**”), an Interim Order cum Show Cause Notice (Order no. WTM/SM/ISD/ISD–SEC–4/23158/2022–23), was issued by SEBI, against the Noticees on January 25, 2023 (“**Interim Order**”).

2. In the Interim Order, SEBI had *prima facie* observed that: “... *entities connected to Noticee 1 (had) traded in the scrip (of SFL) during the period leading up to the recommendation (i.e. from the period February 1, 2021 to September 13, 2021, which was before the **Recommendation Day – September 14, 2021**). Their alleged manipulative trading led to inflation in the price of the scrip. (Noticee 1 had) separately got in touch with two operators (Noticee 2 and 3) who in turn, through Noticee 4, utilised the services of Noticee 5, who was the administrator of two Telegram Channels, (viz. ‘Intraday Trading Equity Stock’ and ‘Intraday Share Trading Equity Stock’¹, to disseminate messages to attract investors to the scrip. Taking advantage of the liquidity brought in by the misleading messages floated on Telegram Channels, connected Noticees dumped shares on unsuspecting investors at an inflated price (on the Recommendation Day). In essence, it was alleged that Noticees had executed a pump and dump operation in the scrip of SFL.*”
3. Accordingly, the following directions were issued vide the Interim Order, against the Noticees:
 - a. “... Noticee nos. 1 to 19 are restrained from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever until further orders.
 - b. If the Noticees have any open position in any exchange-traded derivative contracts, as on the date of the order, they can close out/square off such open positions within 3 months from the date of this order or at the expiry of such contracts, whichever is earlier. The Noticees are however permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order;

¹ Telegram is cross-platform instant messaging service which permits users to create ‘channels’, which are one-way communication platforms, that can be used to broadcast information to a large number of subscribers.

- c. *The amount of unlawful gains of Rs. 2,13,60,626.40 earned during the period of February 1, 2021 to September 13, 2021 by manipulating the share price of SFL (through LTP contributions) ... and an amount of unlawful gains of Rs. 1,75,49,588.55 ... generated by way of dumping the shares of SFL on the Recommendation Day, i.e. September 14, 2021, are hereby being impounded, jointly and severally, from the respective Noticees ...”*
4. Vide the Interim Order, the Noticees were also called upon to show cause as to why suitable directions including the following, should not be issued /imposed against them,
- a. *under Sections 11(1) and 11B(1) of the SEBI Act, 1992 (“SEBI Act”), directing them to:*
- i. *disgorge the amount equivalent to the alleged unlawful profits made on account of the scheme, as described above (along with interest); and*
- ii. *refrain from accessing the securities market and prohibiting them from buying, selling or otherwise dealing in securities for an appropriate period.*
- b. *appropriate penalty under Sections 11B(2) and 11(4A) read with Section 15HA of the SEBI Act for alleged violations of the provisions of the SEBI Act and the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (“PFUTP Regulations, 2003”).*
5. Noticees 1, 14 and 18 i.e. Rajneesh Kumar, Santosh Karki and Anita Karki, had filed an Appeal against the Interim Order (**Appeal No. 325 of 2023**), before the Hon’ble Securities Appellate Tribunal (“SAT”). The SAT had disposed of the Appeal vide its Order dated May 4, 2023 (“**SAT Order**”), observing: “(We) are of the opinion that the appellants should apply for vacation of the Ex Parte Ad Interim Order. If such an application is filed, the authority will consider and pass appropriate orders after giving an opportunity of hearing within three weeks thereafter.”

6. In compliance with the SAT Order, an opportunity of hearing was granted by SEBI, to Noticees 1, 14 and 18, and thereafter, an Order dated August 24, 2023 (Order no. WTM/AB/ISD/ISD–SEC–4/28901/2023–24) (“**Misc. Order**”), was issued by SEBI *inter alia* directing that:
- The bank accounts of Noticee 14, Santosh Singh Karki, shall stand de-frozen.*
 - All other directions of the Interim Order shall continue to apply as directed therein, (against Noticees 1, 14 and 18).*
7. Subsequent to the Misc. Order, an opportunity of hearing was granted to all the Noticees and thereafter, replies were filed by them, details of which are reproduced below:

NOTICE E No.	NAME	DATE OF HEARING	REPRESENTED BY
1.	RAJNEESH KUMAR	AUGUST 8, 2023	SANJEEV KUMAR CHOUDHARY
2.	ASHISH P. SHAH	SEPTEMBER 6, 2023	NEVILLE LASHKARI
3.	KIRTIDAN K. GADHAVI	NOVEMBER 3, 2023	IN PERSON
4.	JALAJ AGRAWAL	SEPTEMBER 6, 2023	MANISH GUPTA
5.	ARVIND SHUKLA		RUPENDRA PARWAL
6.	ASHISH KUMAR SINGH		SANJEEV KUMAR CHOUDHARY
7.	ORION RETAIL PVT. LTD.	SEPTEMBER 6, 2023	
8.	SPIRE MARKETING PVT. LTD.		
9.	SPLENDID HOTELS RESORTS PVT. LTD.		
10.	DEEPIKA SHARMA		
11.	ROMIKA		
12.	BALLEY BUILDERS & DEVELOPERS PVT. LTD.		

13.	ANCIENT EDUCATION PVT. LTD.	
14.	SANTOSH SINGH KARKI	AUGUST 8, 2023
15.	SANJAY KUMAR PATHAK	SEPTEMBER 6, 2023
16.	JITNEY INVESTMENTS PVT. LTD.	
17.	SHRAWAN	
18.	ANITA KARKI	AUGUST 8, 2023
19.	ASHWORTH CONSTRUCTIONS PVT. LTD.	SEPTEMBER 6, 2023

8. During the intervening period, Noticee 1 had filed an Application before the Hon'ble SAT (***Misc. Application no. 287 of 2024 in Appeal no. 325 of 2023***), which vide its Order dated May 2, 2024, had disposed of the matter noting that: *"Learned Advocate for (SEBI) submits that final order in the matter of SFL shall be passed within an outer limit of three weeks from today. Learned Advocate for the Applicant is satisfied. Nothing further survives."*

CONSIDERATION

9. Before I proceed to deal with the submissions /contentions advanced by the Noticees on merit, the following facts as contained in the Interim Order are reproduced herein:

- 9.1 SFL is a Non-Banking Finance Company registered with the Reserve Bank of India ("**RBI**"), having its registered office at 92, Khasra No. 33/21, Ranaji Enclave, Najafgarh, New Delhi, 110043. The equity shares of the Company are listed on BSE Ltd. ("**BSE**").

- 9.2 The Board of SFL, as per the Annual Report of the Company for FY21, was as under:

TABLE 2 – BOARD OF SFL FOR FY21	
S. No.	NAME
1	RAJNEESH KUMAR
2	RAVI KANT SHARMA
3	VINEETA LOOMBA
4	SURENDER KUMAR

(Source: Annual Report FY 2021)

- 9.3 A substantial increase in trading volume was noted in the scrip of SFL on September 14, 2021 (“**Recommendation Day**”). The trading volume, which averaged around 9,440 shares during the period February 1, 2021 to September 13, 2021, spiked to 2,28,337 shares, a twenty-four-fold increase, on the *Recommendation Day*.
- 9.4 The investigation initiated by SEBI into the trading in the scrip of SFL for the period leading up to and in the immediate aftermath of the *Recommendation Day* was divided into three patches i.e. for the period from February 1, 2021 to September 30, 2021 (“**Investigation Period**”):
- (a) Patch 1 – Prior to *Recommendation Day* (February 1, 2021 to September 13, 2021) (“**Price Rise Period**”);
 - (b) Patch 2 – *Recommendation Day* (September 14, 2021); and
 - (c) Patch 3 – Post *Recommendation Day* (September 15–30, 2021).

9.5 The spike and fall in price noticed in the scrip of SFL, during the period February 1, 2021 to September 30, 2021, is depicted below:

IMAGE 2: PRICE VOLUME CHART



9.6 The opening and closing price of the scrip along with the average trading volume during the three Patches is given below:

TABLE 3 – PRICE VOLUME MOVEMENT						
PERIOD		OPENING PRICE (INR) & VOLUME ON FIRST DAY OF THE PERIOD	CLOSING PRICE (INR) & VOLUME ON LAST DAY OF THE PERIOD	LOW PRICE (INR) & VOLUME DURING THE PERIOD	HIGH PRICE (INR) & VOLUME DURING THE PERIOD	(AVG.) NO. OF SHARES TRADED PER DAY DURING THE PERIOD
1-FEB-21 TO 13-SEP- 21-PATCH 1	PRICE	100.05 (FEB 1, 2021)	183.75 (SEP 13, 2021)	94 (FEB 12, 2021)	209 (JUN 28, 2021)	9,440
	VOL.	1,477 (FEB 01, 2021)	21,233 (SEP 13, 2021)	145 (JUL 02, 2021)	32,027 (JUL 07, 2021)	
14-SEPT- 21- PATCH 2	PRICE	186.2 (SEP 14, 2021)	193.15 (SEP 14, 2021)	185.9 (SEP 14, 2021)	220 (SEP 14, 2021)	TOTAL VOL.- 2,28,337
15-SEP-21 TO 30-SEP- 21- PATCH 3	PRICE	190 (SEP 15, 2021)	63.15 (SEP 30, 2021)	63.15 (SEP 30, 2021)	190 (SEP 15, 2021)	3,112
	VOL.	26,009 (SEP 15, 2021)	909 (SEP 30, 2021)	259 (SEP 21, 2021)	26,009 (SEP 15, 2021)	

- 9.7 The share price of SFL had increased significantly in the days leading up to the *Recommendation Day*. It moved from
- (a) Rs.100.05 on February 1, 2021,
 - (b) touched a high of Rs.209 on June 28, 2021, and
 - (c) closed at Rs.183.75 on September 13, 2021.
- 9.8 On the *Recommendation Day*, the scrip
- (a) opened at Rs.186.20,
 - (b) touched a high of Rs. 220 and
 - (c) closed at Rs. 193.15.
- 9.9 The share price, thereafter, saw a steady decline with the price moving from Rs. 190 (opening price on September 15, 2021) to close at Rs. 63.15 as on September 30, 2021.
- 9.10 As the scrip witnessed a significant increase in price and volume followed by a precipitous drop, the financials of the company was looked at to understand whether the trading pattern was supported by fundamentals of the Company. The financials of SFL for the Years FY-17 to FY-21 is given in the Table below:

(in Rs. Crore)

	MAR-17	MAR-18	MAR-19	MAR-20	MAR-21
SALES	0.18	0.22	0.26	1.02	3
EXPENSES	0.11	0.17	0.13	0.76	3.74
OPERATING PROFIT	0.07	0.05	0.13	0.26	-0.74
OTHER INCOME	0	0	0	0	1.04
INTEREST	0	0	0	0.04	0
DEPRECIATION	0	0	0	0	0
PROFIT BEFORE TAX	0.07	0.05	0.13	0.22	0.3
NET PROFIT	0.14	0.04	0.1	0.16	0.22

(This Table was not part of the Interim Order.)

- 9.11 It can be noted from the Table above that SFL reported negligible sales and profits all through the five-year period leading up to the *Price Rise Period*. The sharp escalation in the share price, without any substantive improvement in the Company's operational or financial performance, led to an examination of the trading activity in the scrip during this period.

- 9.12 It was noted that eleven entities i.e. Noticees 7–9 and 12–19 (“**Price Rise Entities**”) had a significant concentration in the trading witnessed in the scrip of SFL during the *Price Rise Period*. The aforementioned *Price Rise Entities* bought 5,90,030 shares of SFL during Patch 1, which was 41.12% of the total market volume of 14,34,996 shares transacted during the said period. The trades for 79,073 shares executed by them during Patch 1 had resulted in a positive Last Traded Price (“**LTP**”) contribution of 63.35% of the total market positive LTP.
- 9.13 Further, trades involving 67,079 out of the 79,073 shares (84.83%), which resulted in positive LTP, were executed by the *Price Rise Entities* through trading amongst themselves.
- 9.14 The *Price Rise Entities*, many of whom were funded either by SFL or Indian Finance Guaranty Ltd. (“**IFGL**”), (a stock broker having Noticee 1, Rajneesh Kumar, as its Director), had contributed significantly to the positive LTP during the *Price Rise Period*.
- 9.15 Thereafter, eleven entities i.e. Noticees 6 to 16 (“**Top Sellers**”), had a significant concentration in the sell trades executed in the scrip of SFL on *Recommendation Day*.

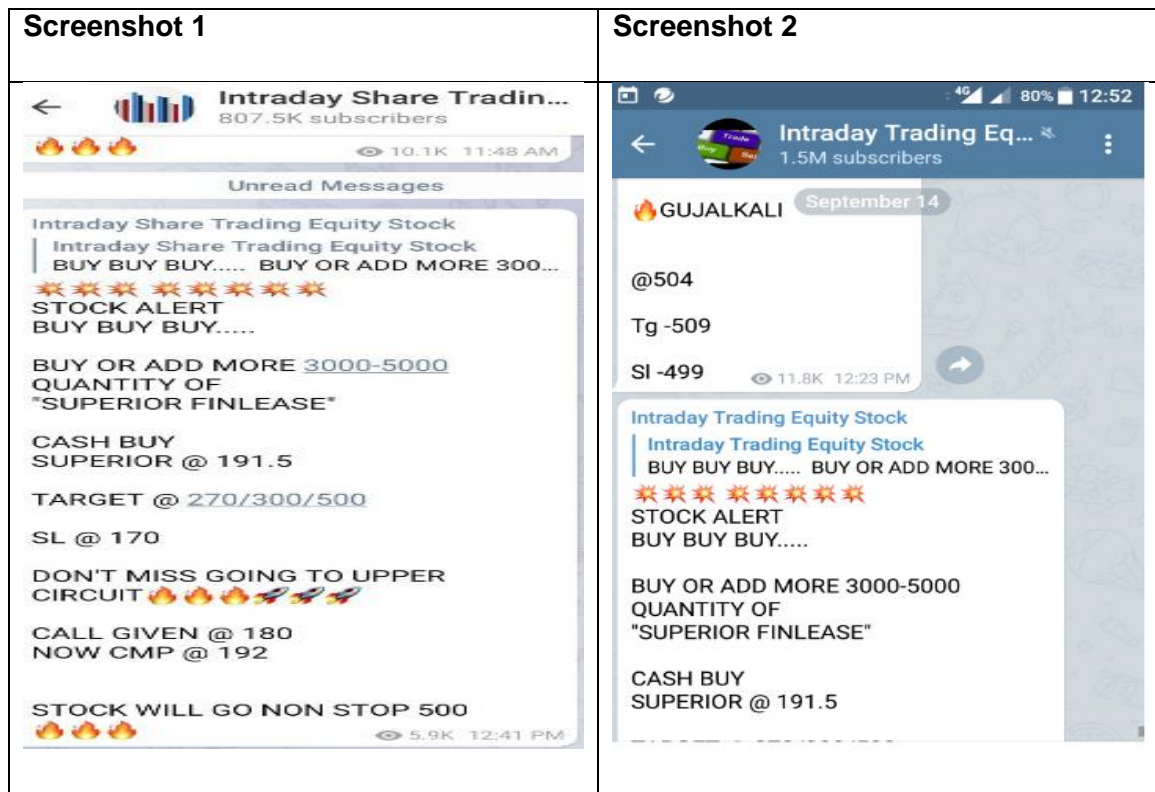
TABLE 4 – DETAILS OF TRADES OF TOP SELLERS						
S. No.	CLIENT NAME /TOP SELLER	BROKER NAME	GR BUY VOL	GR SELL VOL	NET VOL	VOL% - NET TRADED VOL/ MKT NET
1.	ASHISH KUMAR SINGH (“ ASHISH ”)	IFGL		45,998	45,998	26
2.	ORION RETAIL P LTD. (“ ORION ”)	R. K. STOCK HOLDING PVT.		41,050	41,050	23
3.	SPIRE MARKETING PVT. LTD. (“ SPIRE ”)	IFGL	-	18,247	18,247	10
4.	SPLENDID HOTELS RESORTS PVT. LTD. (“ SPLENDID ”)	IFGL	-	15,054	15,054	9
5.	DEEPIKA SHARMA (“ DEEPIKA ”)	IFGL	-	9,859	9,859	6

6.	ROMIKA	IFGL	-	9,209	9,209	5
7.	BALLEY BUILDERS & DEVELOPERS PVT LTD. ("BALLEY")	IFGL.	-	7,851	7,851	4
8.	ANCIENT EDUCATION PVT LTD. ("ANCIENT")	IFGL	-	5,454	5,454	3
9.	SANTOSH SINGH KARKI ("SANTOSH")	IFGL	532	5,013	4,481	3
10.	SANJAY KUMAR PATHAK ("SANJAY")	IIFL SECURITIES LTD.	1,358	4,556	3,198	2
11.	JITNEY INVESTMENTS PVT LTD. ("JITNEY")	NIRMAL BANG SECURITIES PVT.	-	2,000	2,000	1
TOTAL			1890	1,64,291	1,62,401	92

9.16 From the above Table, it is seen that eight of the eleven *Top Sellers* had traded through IFGL. In addition to the aforesaid, the eleven Top Sellers were *prima facie* noted to be connected to each other and also to Noticee 1.

9.17 The screenshots of the buy recommendations that appeared on the two *Telegram Channels* on the *Recommendation Day* are given below:

IMAGE 1: SCREENSHOT OF THE MESSAGE POSTED ON THE TELEGRAM CHANNELS



9.18 An individual, Arvind Shukla (Noticee 5), was the Administrator of both the above mentioned *Telegram Channels*. The analysis of his bank account statements pointed the needle of suspicion to Jalaj Agarwal (Noticee 4), and subsequently to Ashish P. Shah (Noticee 2) and Kiritan K. Gadhavi (Noticee 3), as persons from whom he was receiving instructions for posting the recommendation in the scrip of SFL on the *Recommendation Day*.

9.19 Consequently, a *search and seizure operation* was carried out by SEBI targeting the said suspected entities, details of which are given below:

TABLE 5 – DETAILS OF ELECTRONIC DEVICES SEIZED			
S. No.	NAME	LOCATION	No. of DEVICES SEIZED
1.	RAJNEESH KUMAR (NOTICEE 1)	DWARKA, NEW DELHI	<ul style="list-style-type: none"> • MOBILE PHONES- 4 • HARD DISK -1 • TABLET-3 • PEN DRIVES -2 • SIM-2
2.	ASHISH P. SHAH (NOTICEE 2)	AHMEDABAD, GUJARAT	<ul style="list-style-type: none"> • MOBILE PHONES- 5 • HARD DISK -1
3.	JALAJ AGGARWAL (NOTICEE 4)	NEEMUCH, MADHYA PRADESH	<ul style="list-style-type: none"> • MOBILE PHONES- 7

9.20 The statements of Noticees 1, 2 and 4 were recorded by SEBI. Based on the information gathered during the investigation, it was *prima facie* noted that the Director of SFL, Rajneesh Kumar, had utilised certain connected entities and the services of ‘operators’ Ashish P. Shah, Kiridan K. Gadhavi and Jalaj Agarwal for orchestrating a ‘*pump and dump*’ operation in the scrip of SFL.

9.21 The ‘*pump and dump*’ operation *prima facie* involved inflating the price of the scrip through manipulative trades executed by connected entities and thereafter, off-loading the shares to unsuspecting public investors utilising the services of ‘operators’. The public investors were *prima facie* induced to trade in the scrip of SFL by the buy recommendations posted in the *Telegram Channels* operated by Noticee 5, on the *Recommendation Day*.

10. All the Noticees have filed their replies to the Interim Order upon completion of their personal hearing in the instant proceedings. Accordingly, the contents of their replies have been summarised as under:

10.1 **Noticee 1 – Rajneesh Kumar** *inter alia* submitted:

- a. *He had not executed any trades in the scrip of SFL during Patch 1 or Patch 2 of the Investigation period nor did he reduced his shareholding in the said scrip. Further, contrary to the allegation contained in the SCN, he had not made any disproportionate gains from trading in the scrip of SFL.*
- b. *As per the SCN, eleven Noticees had contributed to 63.35% of the positive LTP through execution of trades for 79,073 shares. However, the fact that trades for 1,39,428 shares were executed by the same eleven Noticees contributed 82.04% of the total market negative LTP and 3715290 shares were executed at zero LTP, have not been considered.*
- c. *The narrative in the Interim Order that entities connected to him took up position in the scrip of SFL during Phase I and then dumped the scrip on the Recommendation Day, does not hold up if the trading pattern of Anita Karki and Ashworth Constructions Pvt. Ltd. (“Ashworth”) were considered. Both the said Noticees had a positive net position on September 14, 2021. i.e. they had bought more shares than they had sold in the scrip.*
- d. *He was not aware of the recommendation given by Noticee 5 through his Telegram Channels.*
- e. *If he had some scheme or intention to dump the share of SFL, he would have used the Telegram Channel for stock recommendation of the scrip regularly and he would have dumped larger numbers of shares of SFL on or around June 28, 2021 when the price of the scrip touched its highest.*
- f. *When he came know late evening on the Recommendation Day that a buy recommendation was broadcast on certain Telegram Channels, he had filed a police complaint with the local police station at Najafgarh,*

Delhi, intimated Surveillance Department of BSE, published a public notice through Newspaper Publication and on the Company's Website.

- g. The contents of the WhatsApp chat reproduced in the Interim Order, were misconstrued by SEBI. The calculation referenced in the said WhatsApp chat pertained to the prospective commission to be given when shares of SFL would be placed with new investors to be brought on board by Noticee 2.*
- h. There is only one instance, on September 14, 2021, alleged in the Interim Order regarding the use of the Telegram App contrary to references therein that the Noticees had extensively used such App.*
- i. SFL and IFGL had never funded the trades of certain Noticees as alleged in the Interim Order. On the contrary, IFGL had taken short-term loans from certain entities, which were repaid periodically. As regards SFL, it is an NBFC. As funding is its core business, SFL had facilitated loans to the entities including some Noticees in compliance with regulatory provisions.*
- j. He was coerced by SEBI officials and forced to depose as per their directions and wishes. Further, there is a strong presumption that the other Noticees were also strong-armed by SEBI to make statements and therefore, the contents of the said statements are also tainted.*
- k. The market price of the scrip was hovering at around Rs. 175 when as per the allegation in the Interim Order, the deal was finalized between him and Ashish P. Shah. This therefore, raises the question regarding the need for inflating the price of the scrip of SFL as alleged in the Interim Order.*
- l. SEBI had seized 12 devices from the Noticee. However, only two call recordings and one WhatsApp chat were obtained as evidence by SEBI. Further, SEBI had misinterpreted the contents of the call recordings.*
- m. As regards the connections drawn between the Noticees based on Call Data Records, only a few call logs were identified as exchanged amongst Noticees as depicted in Table 21 at page 54 of the Interim Order. The said Table recorded the date and time of calls made /received amongst the Noticees. However, the date and time of calls do not support the allegation made in the Interim Order.*

Submissions with regard to the connections alleged in the Interim Order.

- n. *The Interim Order alleged that Santosh Singh Karki was connected with three other Noticees based on a common address. It was submitted that Santosh Singh Karki was not a permanent resident of Delhi but was only residing in a rented accommodation in Delhi. Before the present lease, Santosh Singh Karki was staying at the address mentioned in the Interim Order, based on which a connection was sought to be established with certain other Noticees. Similarly, other Noticees may also have taken the said premises on rent in an earlier period. Given the same, the connection sought to be established in this regard is not appropriate.*
- o. *The attempt to connect the Noticee with certain non-individual Noticees would not stand as the Noticee was not presently associated with them. Any connection with the said entities, it was submitted, had ended.*
- p. *In respect of the connection sought to be established between Noticees 7 to 9, 12, 13 and 16, based on a common email address, as per the records of IFGL, it is submitted that all these six entities were shown as having separate email IDs. A similar argument was made in respect of the connection sought to be established between three Noticees based on a common phone number.*
- q. *In respect of the connection drawn between four Noticees (Deepika Sharma, Romika, Santosh Karki and Sanjay Pathak) with the Noticee based on call records, it was submitted that the said Noticees were clients of IFGL and therefore, he was only getting in touch with clients. Similar arguments were made with respect to the connection drawn in the Interim Order on the ground that the mobile number and email IDs of certain Noticees were saved in the mobile of the Noticee.*
- r. *As for the fund transfer observed between an allegedly connected entity and the Noticee, it was submitted that in an emergency circumstance, a client had lent Rs. 10,000 as a short-term friendly loan.*
- s. *Sanjay Pathak, Noticee15, was a client of IFGL. As Sanjay Pathak was visiting Hyderabad for some personal work, he requested him to submit certain documents to the Enforcement Department (“ED”).*

- t. *He was not connected to Jalaj Agarwal or Arvind Shukla. Further, there was no nexus or commonality of interests between the Noticee and other entities.*
- u. *The Interim Order is completely silent on how he has benefitted from the alleged fraud. On the contrary, the Interim Order only alleged that certain Noticees had made unlawful gains to the tune of Rs. 3.89 Crore but failed to state where the money went.*
- v. *BSE had initially withheld the payout of funds for the trades executed in the SFL on the Recommendation Day. However, BSE did not find any manipulative trades in the scrip and therefore, released the payout.*

Submissions with regard to the calculation of ill-gotten gains.

- w. *The allegation that fourteen Noticees cumulatively made ill-gotten gains to the tune of Rs. 2.13 Crore during Patch 1 is wrong and not sustainable.*
- x. *As per the Interim Order, for the majority of the trades undertaken by connected entities during Patch 1, the counterparties were other connected entities. Therefore, if the allegation in the Interim Order is accepted for the sake of argument, then the charge that the Noticees collectively benefitted from such trades is devoid of any merit. The profits in such a situation would be a zero-sum game with the profits of one entity being the losses suffered by another.*
- y. *The Interim Order states that Ashish (Noticee 6) had bought 9415 shares at a weighted average price of Rs. 126.34 and sold 6811 shares at Rs. 127.42. So the difference between the buy and sell price is Rs. 1.08 and the profit amount is calculated to Rs. 7,355.88. However, the Interim Order erroneously shows gains accrued to Ashish as Rs. 6.74 Lakh.*
- z. *The Interim Order stated that execution of manipulative trades commenced w.e.f. February 1, 2021 and therefore, the trades executed before February 1, 2021, should be considered as genuine. Given the same, genuine and bona fide trades executed before the investigation period cannot be taken into consideration while calculating the ill-gotten gains.*
- aa. *The average weighted price of trades used while calculating the ill-gotten gains takes into consideration trades executed much before the investigation period, which the Noticee submitted would not be the right*

approach. Trades executed till January 31, 2021 were genuine and the opening price of the scrip on February 1, 2021 was Rs. 100.05 when alleged manipulative trading practice allegedly commenced. Therefore, the unlawful profit must be calculated from the difference of average sale price of trading date i.e. September 14, 2021 and Rs. 100.05 for the Noticees who have not bought shares before Patch 1 and sold on the Recommendation Day. In case shares were purchased during the period Patch 1 and sold on Patch 2, then profit must be calculated taking into account the actual buying and selling price.

- bb. In the case of Noticee 6, the alleged profit was calculated erroneously as the average weighted buy price was taken as Rs. 36.16 for the 45,998 shares sold on Recommendation Day. It is on record that Ashish had bought 9,415 shares at a weighted average price of Rs. 126.34 and sold 6,811 shares during Patch 1. Hence, his unlawful holding was 2,604 shares at the cost of Rs. 126.34 which was sold on Recommendation Day at an average weighted price of Rs. 191.27. His unlawful gain from the 2,604 shares was Rs. 1.69 Lakh and his unlawful gain from the remaining sold quantity of 43,394 (45,998 – 2,604) was Rs. 39.58 Lakh. The total alleged unlawful profit therefore, amounted only to Rs. 41.27 Lakh, not Rs. 71.35 Lakh, as provided in the Interim Order.*
- cc. Impounding unlawful profit on jointly and severally basis is incorrect. Even if the allegations in the Interim Order are taken at face value, it would only follow that Noticees 2 to 5 are connected to Noticees 6 to 19. Hence, the remaining amount of unlawful profit after deducting the commission paid to the middlemen and telegram channel operator needs to be recovered from me along with Noticees 6 to 19, jointly and severally.*
- dd. The allegation of 1,69,962 shares of SFL dumped to innocent investors as depicted under Tables no. 20 and 24 of the Interim Order was incorrect. Different yardsticks have been applied while ascertaining the alleged number of shares dumped to the investors which shows that allegations have been made against the Noticees in a predetermined manner.*

- ee. *The Interim Order had adopted two different formulas for calculating the number of shares allegedly dumped on unsuspecting investors on September 14, 2021. In the case of Noticees 6 to 17, the difference of opening and closing stocks of trading on the Recommendation Day was taken as the net sale on that date whereas, in the case of Noticees 18 and 19 a different approach was adopted.*

10.2 Noticee 2 – Ashish P. Shah *inter alia* submitted:

- a. *He was engaged in providing consultancy services to companies. Noticee 1, Rajneesh Kumar, had approached him for seeking his help in securing contracts and finance from third parties.*
- b. *Noticee 1, Rajneesh Kumar, had initially transferred Rs. 50 Lakh to him. Subsequently, it was mutually decided between Noticee 1 and him that the consideration for the services provided by Noticee 2 would be Rs. 4 Lakh and therefore, as per the instructions of Rajneesh Kumar, Rs. 12.5 Lakh was transferred to Jalaj Agarwal and Rs. 14.78 Lakh was transferred to Kirtidan K. Gadhavi.*
- c. *The buy recommendation which appeared on the Telegram Channels was broadcast on the instructions of Rajneesh Kumar and it was done based on his genuine belief that SFL was a good stock to invest in.*
- d. *He had not traded in the scrip and was not aware or in any way connected to the price manipulation, if any, witnessed in the scrip of SFL. The allegation regarding price rigging, in any case, pertained to a period before he was alleged to have been in touch with Rajneesh Kumar.*
- e. *He was not acquainted with or knew Arvind Shukla.*
- f. *He had sought an opportunity to cross-examine Rajneesh Kumar, Arun Shukla and Jalaj Agarwal.*
- g. *The Interim Order had sought to characterize the statement he had given before SEBI as a ‘confession’ which was not correct.*
- h. *As regards the image that was sent to him by Rajneesh Kumar over WhatsApp (reproduced at page 60 of the Interim Order), it was submitted that what was being conveyed by the said image is still not clear to the*

him. It was denied that the said image pertained to the sharing of commission amounting to Rs. 1,16,73,998.

- i. He cannot be held jointly and severally liable with the other Noticees to disgorge the alleged ill–gotten gains as he was not part of any conspiracy and had not even traded in the scrip during the Investigation period. Further, he had also not received any part of the ill–gotten gains.*

10.3 Noticee 3 – Kirtidan K. Gadhavi *inter alia* submitted:

- a. He was not connected to the Company or its Directors and also did not have any financial dealings with the other Noticees.*
- b. He was in no way responsible for the conduct of the other entities who have been made party to these proceedings.*
- c. The statements, if any, made by any of the other Noticees implicating him in the scheme brought out in the Interim Order are false and without any factual basis.*

10.4 Noticee 4 – Jalaj Agarwal *inter alia* submitted:

- a. He had sought an opportunity to cross–examine Ashish P. Shah.*
- b. The screenshot of the purported buy recommendation reproduced in the Interim Order only contains a timestamp and there is no material to identify the date on which the said text was posted.*
- c. The only allegation against him was that he had introduced Arvind Shukla to Ashish P. Shah.*
- d. The Interim Order relied heavily on the fact that the Telegram channels together had a subscriber count of around 23 Lakh. The Interim Order however, failed to take into account the fact that the buy recommendations posted on the channel were viewed only by 5,900 subscribers. It was also stated that the tips were circulated after 12:41pm on September 14, 2021, and only around 90,883 shares were traded after 12:41pm out of the total volume of 2,28,300 transacted on the day.*

- e. *The SEBI investigation failed to take into consideration the surge in volume that happened on December 29, 2021, January 17, 2022 and February 2, 2022.*
- f. *He was in no way connected to the LTP contributors or the exit providers.*
- g. *In respect of the allegation in the Interim Order that Noticee 4 had received money in his bank account from some of the other Noticees in the matter, it was stated that he was not denying the charge. He facilitated the deal between Noticee 2 (Ashish P. Shah), Noticee 3 (Kirtidan K. Gadhavi) and Noticee 5 (Arvind Shukla). However, apart from facilitating the meeting between the aforesaid Noticees, he had no other role to play in the matter nor was not connected to any of the other entities in the matter.*
- h. *He had indeed received Rs. 12.5 Lakh from Noticee 2, out of which Rs. 8 Lakh was transferred to Arvind Shukla.*
- i. *The statement recorded before SEBI was not admissible as he was coerced into making admissions.*
- j. *The calls exchanged between him and Ashish P. Shah were made as Noticees 2, 3 and 5 could agree upon a deal which was acceptable to all of them.*
- k. *Other than for the commission which was received in his bank account, he had received no other amount. The statement made by Kirtidan K. Gadhavi in his deposition before SEBI that cash payments were made to the Noticee was denied.*

10.5 Noticee 5 – Arvind Shukla *inter alia* submitted:

- a. *He had started two Telegram Channels during the initial lockdown which was imposed in the wake of the COVID–19 pandemic.*
- b. *He had posted the buy recommendation for SFL on the instructions of Noticee 4. However, the recommendation to buy the scrip was propagated widely through social media and it was not just the channels which were managed by him which carried this.*
- c. *The recommendations posted on his channels came with the necessary disclosures which among other things advised the investors to consult their financial advisor before making any investment decision.*

- d. *He was not well aware of the workings of the stock market and various people had tried to take advantage of this fact to their benefit. Noticee 4 had approached him regarding posting the buy recommendation in SFL and had portrayed the recommendation as part of creating awareness about the stock among the general investors. He therefore, did not suspect that such actions were part of a larger conspiracy.*
- e. *He had not traded in the scrip during the Investigation period.*
- f. *No link has been made in the Interim Order as to how many investors who had traded in the scrip on September 14, 2021, were actually induced by the messages which appeared on the Channels that were managed by him.*
- g. *He was paid Rs. 8 Lakh for posting the recommendation and other than this, he had received no other benefit.*

10.6 Noticees 6–19, viz. Ashish K. Singh, Orion Retail Pvt. Ltd., Spire Marketing Pvt. Ltd., Splendid Hotels Resorts Pvt. Ltd., Deepika Sharma, Romika, Balley Builders & Developers Pvt. Ltd., Ancient Education Pvt. Ltd., Santosh Singh Karki, Sanjay K. Pathak, Jitney Investments Pvt. Ltd., Shrawan, Anita Kari and Ashworth Constructions Pvt. Ltd. *inter alia* made submissions similar to those submitted by Noticee 1. In view of the aforesaid, the same are not repeated herein. However, submissions specific to the aforementioned Noticees are reproduced below:

- a. *The allegation in the Interim Order that funds which were borrowed from SFL were utilized to purchase the shares of the Company was factually incorrect. On the contrary, a significant portion of the borrowed funds were used for settling the debit balance arising from trades in scrips other than SFL.*
- b. *In the event SEBI proposes to disgorge ill–gotten gains in the present matter, then the commission paid to the “middlemen” should be deducted from the said amount.*
- c. *Further, the ill–gotten gains have not been quantified correctly in the Interim Order.*

FINDINGS ON THE PRELIMINARY OBJECTIONS RAISED BY THE NOTICEES –

12.1 REQUEST FOR CROSS EXAMINATION BY NOTICEES 2 (OF NOTICEE 1, 4 AND 5) AND NOTICEE 4 (OF NOTICEE 2):

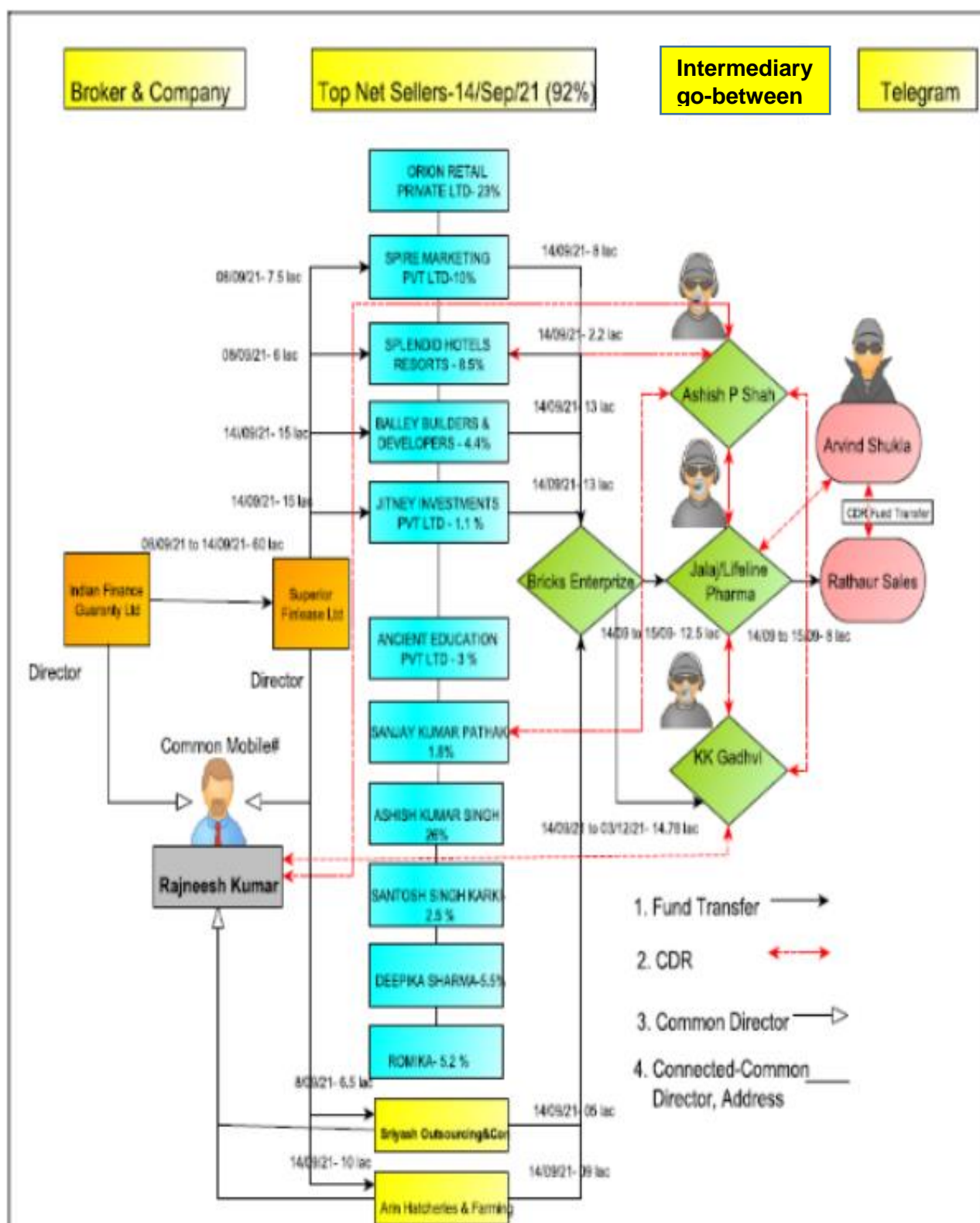
In their replies /submissions, Noticees 2 and 4 had separately requested SEBI to provide an opportunity to cross-examine Noticees 1, 4 and 5 and Noticee 2. This request was denied as it was noted that statements recorded do not form the sole basis of the allegations qua the said Noticees. Evidence in the form of bank account statements, call data records and call recording, etc. were available. It is also noted that certain Noticees had submitted that their statements were recorded by SEBI under duress. I am not proposing to get into the merits of this contention as statements recorded are being relied upon in this Order only to the extent they can be corroborated with other evidence available on record.

FINDINGS ON MERITS –

13.1 I have considered the Interim Order along with the replies /submissions made by the Noticees and all the relevant material on record. I shall now proceed to take up for adjudication the following charges as reproduced from the SCNs.\\

A. Alleged violation of Sections 12A(a), (b) and (c) of the SEBI Act and Regulations 3(a), (b), (c), (d) read with Regulations 4(1), 4 (2) (a), (d), and (e) of the PFUTP Regulations, 2003 by Noticee nos. 1–19. In addition, the alleged violation of Regulation 4(2)(k) and (r) of the PFUTP Regulations, 2003 by Noticees 1 to 5 who were instrumental in planting and disseminating misleading and false information about the scrip of SFL on the *Telegram Channels*.:

13.2 In the instant proceedings, the *modus operandi* adopted by the Noticees has been reproduced at paragraph 2 of page 2. However, for ease of reference, a diagrammatic representation of the role played by them is provided below:



- 13.3 Given the above, the issues that arise for consideration are as under:
- I. Was Noticee 1 connected to the Top Sellers and the Price Rise Entities?
 - II. Did the Price Rise Entities manipulate the price of the scrip?

- III. *Is there sufficient material on record to substantiate the preliminary findings that Noticee 1 had utilised the services of Noticees 2 to 5 to generate liquidity in the scrip on the Recommendation Day to provide exit to Top Sellers?*
- IV. *If the Noticees had executed a pump and dump scheme in the scrip of SFL, the amounts, if any, to be disgorged from them?*
- V. *Monetary penalty to be imposed, if any.*

I. Was Noticee 1 connected to the Top Sellers and the Price Rise Entities?

13.4 As per the Interim Order, fourteen Noticees i.e. Noticees 6 to 19, were *prima facie* noted to be connected to Noticee 1. As stated earlier, Noticees 7–9 and 12–19 were the *Price Rise Entities* who contributed to the increase in the price of the scrip prior to the *Recommendation Day* while Noticees 6 to 16 were the *Top Sellers* on the *Recommendation Day*.

TABLE 6– DETAILS OF <i>PRICE RISE ENTITIES</i> AND <i>TOP SELLERS</i>			
NOTICEE NO.	NAME	PRICE RISE ENTITY	TOP SELLER
6.	ASHISH KUMAR SINGH	X	√
7.	ORION	√	√
8.	SPIRE	√	√
9.	SPLENDID	√	√
10.	DEEPIKA SHARMA	X	√
11.	ROMIKA	X	√
12.	BALLEY	√	√
13.	ANCIENT	√	√
14.	SANTOSH S. KARKI	√	√
15.	SANJAY K. PATHAK	√	√
16.	JITNEY	√	√
17.	SHRAWAN	√	X
18.	ANITA KARKI	√	X
19.	ASHWORTH	√	X
*NOTICEE 1 IS A DIRECTOR IN BOTH SFL AND IFGL (STOCK BROKER). IT IS NOTED THAT 8 OUT OF THE 11 TOP SELLERS HAD TRADED THROUGH IFGL ON THE RECOMMENDATION DAY.			

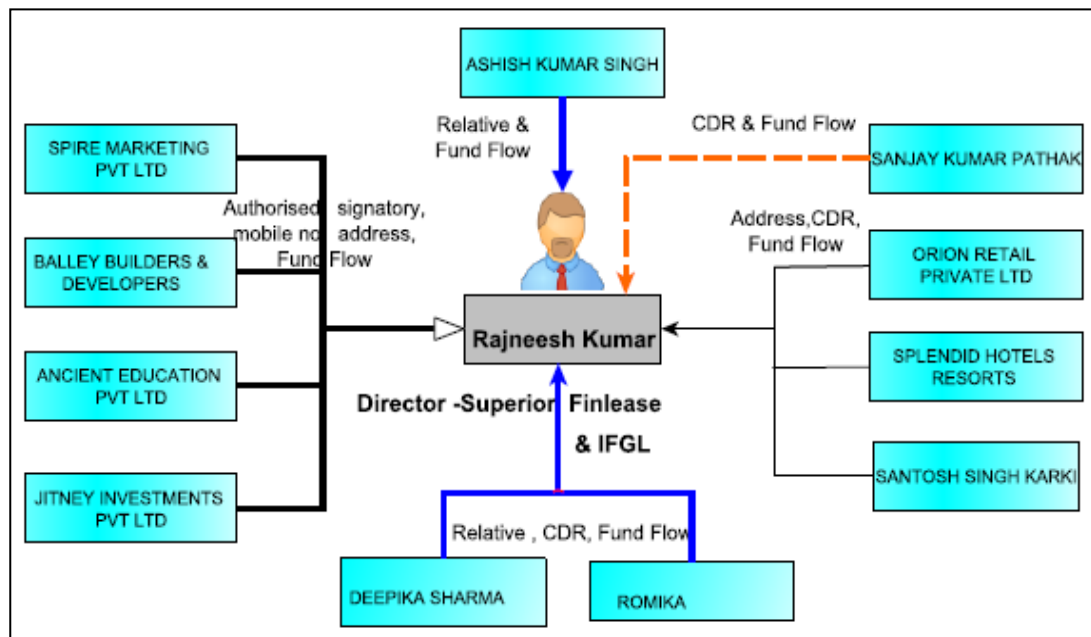
13.5 The *inter se* connection between the above mentioned Noticees and their connection with Noticee 1 was explained in the Interim Order and the same is reproduced below:

TABLE 7 – INTER SE CONNECTION BETWEEN TOP SELLERS			
NOTICEE No.	PAN	NAME	CONNECTION
6.	CNKPS7612D	ASHISH KUMAR SINGH	<p>COMMON DIRECTORS: NOTICEES 7, 8, 9, 12, 13 & 16 ARE CONNECTED THROUGH COMMON DIRECTORS NAMELY SANJAY KUMAR PATHAK AND/OR SHRAWAN (DIN: 09480938). NOTICEE 15 IS CONNECTED TO NOTICEES 7, 8, 12, 13 & 16 THROUGH COMMON DIRECTORSHIP.</p> <p>COMMON ADDRESS: NOTICEES 9, 13 & 16 ARE CONNECTED BASED ON A COMMON ADDRESS 33-21, BLOCK NS RANAJI ENCLAVE NAJAFGARH, DELHI-110043. THE AFORESAID ADDRESS IS SIMILAR TO THE REGISTERED ADDRESS OF SFL. NOTICEE 14 IS CONNECTED TO NOTICEES 7, 8 & 12 THROUGH COMMON ADDRESS AD-19, PLOT NO.-3, SECTOR -5, MANSAROVAR APARTMENT, DWARKA, NEW DELHI -110075.</p> <p>COMMON EMAIL ID: NOTICEES 7, 8, 9, 12, 13 & 16 ARE CONNECTED BASED ON A COMMON EMAIL ID I.E. BACKOFFXXXX@GMAIL.COM (EMAIL ID MASKED TO MAINTAIN PRIVACY)</p> <p>COMMON MOBILE No.: NOTICEES 8, 12 & 16 ARE CONNECTED BASED ON COMMON MOBILE NO. 987X04XXXX (MOBILE NUMBER MASKED TO MAINTAIN PRIVACY).</p>
7.	AABCO2314B	ORION	
8.	AAJCS5228G	SPIRE	
9.	AASCS5684F	SPLENDID	
10.	HFDPS1131F	DEEPIKA SHARMA	
11.	DSZPR7910C	ROMIKA	
12.	AACCB7383E	BALLEY	
13.	AALCA2837R	ANCIENT	
14.	AHMPK4222D	SANTOSH S. KARKI	
15.	AMIPP8453C	SANJAY K. PATHAK	
16.	AADCJ0092M	JITNEY	

TABLE 8 – CONNECTION BETWEEN TOP SELLERS AND NOTICEE 1		
NOTICEE No.	TOP SELLER	CONNECTION WITH NOTICEE 1
6.	ASHISH KUMAR SINGH	<p>KYC & ACCOUNT OPENING FORM (“AOF”) FROM BANKS:</p> <p>1. AS PER THE AOF OF ASHISH KUMAR SINGH (ASHISH) OF HIS ACCOUNT WITH YES BANK, THE NAME OF RAJNEESH KUMAR (NOTICEE 1), IS MENTIONED AS THE NOMINEE FOR THE SAID BANK ACCOUNT AND THE RELATIONSHIP WITH ASHISH HAS BEEN MENTIONED AS “NEPHEW”.</p> <p>2. RAJNEESH KUMAR (NOTICEE 1) IS THE AUTHORIZED SIGNATORY FOR THE RESPECTIVE BANKS OF NOTICEES 8, 9, 12, 13 AND 16.</p>
7.	ORION	
8.	SPIRE	
9.	SPLENDID	
10.	DEEPIKA SHARMA	
11.	ROMIKA	
12.	BALLEY	
13.	ANCIENT	
14.	SANTOSH S. KARKI	
15.	SANJAY K. PATHAK	

TABLE 8 – CONNECTION BETWEEN TOP SELLERS AND NOTICEE 1		
NOTICEE No.	TOP SELLER	CONNECTION WITH NOTICEE 1
16.	JITNEY	<p>FUND TRANSFERS:</p> <p>3. NOTICEES 6, 8, 9, 10, 12, 13 AND 16 HAVE RECEIVED FUNDS FROM SFL.</p> <p>4. NOTICEE 15 HAS RECEIVED FUNDS FROM IFGL.</p> <p>KYC AND CDR FROM TSP:</p> <p>5. IN TERMS OF THE KYC DOCUMENTS PROVIDED BY THE TELECOM SERVICE PROVIDER, THE MOBILE NUMBER ASSOCIATED WITH NOTICEE 7 IS REGISTERED IN THE NAME OF SEEMA SHARMA, WIFE OF RAJNEESH KUMAR (NOTICEE 1).</p> <p>6. THE MOBILE NUMBER ASSOCIATED WITH NOTICEE 9 IS REGISTERED IN THE NAME OF SANJAY, WHO WAS ALSO ONE OF THE TOP SELLERS ON SEPTEMBER 14, 2021.</p> <p>7. NOTICEES 10 & 11 ARE CONNECTED TO RAJNEESH KUMAR (NOTICEE 1) AND HIS WIFE, SEEMA SHARMA, AS THEY HAVE EXCHANGED CALLS WITH NOTICEE 1 AND HIS WIFE.</p> <p>8. THE MOBILE NUMBER(S) ASSOCIATED WITH NOTICEES 12, 13 & 16 IS REGISTERED IN THE NAME OF RAJNEESH KUMAR (NOTICEE 1).</p> <p>9. NOTICEES 14 & 15 ARE CONNECTED TO RAJNEESH KUMAR (NOTICEE 1), AS THEY HAVE EXCHANGED CALLS WITH HIM.</p>

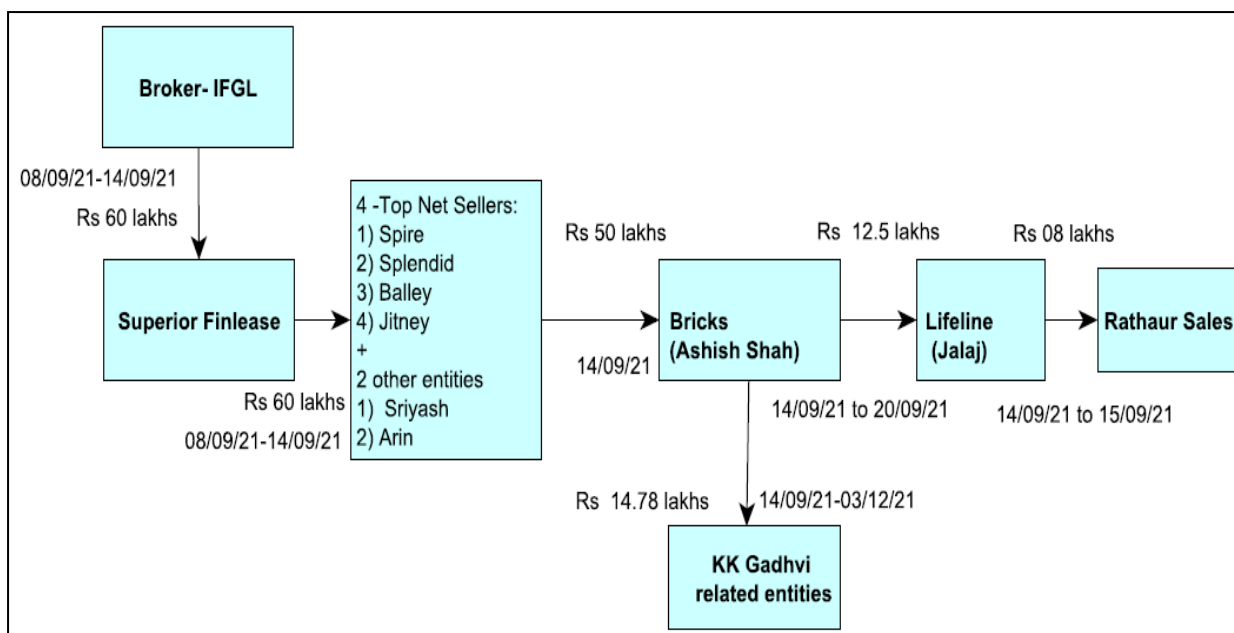
13.6 The connections were also graphically represented in the Interim Order and the same is being reproduced below:



13.7 In addition to the above, based on an analysis of the bank statements carried out during the Investigation, it was observed that there were fund transfers between the Noticees, details of which are provided below:

TABLE 9 – DETAILS OF FUND TRANSFERS				
S. No.	PAID FROM THE BANK ACCOUNT OF	PAID TO THE BANK ACCOUNT OF	DATES OF PAYMENT	AMOUNT (IN INR)
1.	IFGL (AXIS BANK ACCOUNT - 910020015504157)	SFL (IDFC FIRST BANK ACCOUNT-10062703961)	8.09.2021 TO 14.09.2021	60 LAKH
2.	SFL (IDFC FIRST BANK ACCOUNT-10062703961)	SPIRE (KOTAK BANK ACCOUNT- 9611179235)	8.09.2021 TO 14.09.2021	7.5 LAKH
3.		SPLENDID (HDFC BANK ACCOUNT- 13617630000203)		6 LAKH
4.		BALLEY (HDFC BANK ACCOUNT - 50200005058536)		15 LAKH
5.		JITNEY (KOTAK BANK ACCOUNT- 4111290732)		15 LAKH
6.		SRIYASH OUTSOURCING AND CONSULTANCY PRIVATE LIMITED (“SRIYASH”) (KOTAK BANK ACCOUNT -9111180472)		6.5 LAKH
7.		ARIN HATCHERIES AND FARMING PRIVATE LIMITED (‘ARIN’) (HDFC BANK ACCOUNT -50200005058779)		10 LAKH
8.	SPIRE SPLENDID BALLEY JITNEY ARIN AND SRIYASH (COLLECTIVELY)	BRICK ENTERPRISES (IDBI BANK A/C NO- 1643102000003858)	14.09.2021	50 LAKH
9.	BRICKS ENTERPRISES	LIFELINE PHARMA (ICICI BANK- 076505002844)	14.09.2021 TO 20.09.2021	12.50 LAKH
10.		MRS. GADHAVI PURNABA KIRTIDAN WIFE OF KIRTIDAN K GADHAVI	14.09.2021 TO 3.12.2021	14.78 LAKH
11.		GADHAVI SIDDHARTH KIRTIDAN SON OF KIRTIDAN K GADHAVI		
12.		DHARMISTHA K GADHAVI SON OF KIRTIDAN K GADHAVI		
13.	LIFELINE	RATHAUR SALES (HDFC A/C No. -50200046932045)	14/09/2021- 15/09/2021	8 LAKH

13.8 It can be noted from the Table above that the funds originated from IFGL, from where they moved to the bank account of SFL and from thereon to accounts of certain other Noticees. The flow of funds is graphically depicted below:



13.9 At this stage, it would be appropriate to consider the replies furnished by the Noticees to the above mentioned *prima facie* connections as noted between them in the Interim Order.

Connection between Price Rise Entities who were also Top Sellers and Noticee 1.

13.10 It is noted that Noticee 6, in his reply before me, has accepted that he is the nephew of Noticee 1. The Noticee has, however, contended that such familial connection cannot be the only basis for alleging that he was connected to Noticee 1 and involved in the alleged ‘*pump and dump*’ operation. In this regard, it can be noted from the above, that fund transfers were observed between SFL and Noticee 6. Such fund transfers along with the pattern of trading is sufficient in my considered opinion to conclude on a preponderance of probability that Noticee 6 was indeed connected to Noticee 1.

13.11 It is trite law that the evidentiary principle for a quasi-judicial proceeding for adjudication of violations under the SEBI Act and regulations made thereunder, including the PFUTP Regulations, is preponderance of probabilities. The principle of preponderance of probabilities, to put it simply, envisages that for a fact to be established it must be the preponderant probability on the weighing

of all possible probabilities. In this context, reference is made to the judgement of the Hon'ble Supreme Court in the matter of *Securities and Exchange Board of India v. Kishore R. Ajmera* [AIR 2016 SC 1079], wherein the Supreme Court has held that “*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....*”

13.12 As per the Interim Order, Noticee 15, Sanjay Kumar Pathak, was *prima facie* noted to be connected to Noticee 1 as he appeared to be an employee of IFGL. Noticee 1 and Noticee 15, in their respective replies, have on similar lines denied that Noticee 15 was an employee of IFGL. It is, however, noted that they have not produced any evidence to rebut the finding in the Interim Order that in the AOF of the Corporate Salary Account (No. 309002110923) of Sanjay Kumar Pathak maintained with RBL Bank, IFGL is mentioned as the employer. Further, the said AOF was signed by Noticee 1 in his capacity as the Director of IFGL. Given the aforesaid, I note that there is sufficient material to conclude that Sanjay Kumar Pathak was an employee of IFGL and, therefore, connected to Noticee 1.

13.13 Santosh Singh Karki was noted to be connected to the other Noticees on the basis that the address in his KYC documents i.e. AD-19, Plot No.-3, Sector -5, Mansarovar Apartment, Dwarka, New Delhi -110075, also appeared in the KYC documents of Orion, Spire and Balley. It was also noted that calls were exchanged between him and Noticee 1. In his reply, Noticee 14 had admitted to being neighbours with Noticee 1. In response to a common contention that was raised by Noticees 1 and 14 stating that the address appearing in the KYC documents of Noticee 14 and certain other Noticees was common because all these entities had taken the premises on rent at different periods, I am of the view that this defence, terming such address appearing in the KYC of Noticees alleged to be part of a scheme to manipulate the price of the scrip SFL as mere coincidence, cannot be accepted. It is highly improbable that unconnected entities would have independently taken the same premises for rent at different times on their own that too in a metropolis like Delhi. Given the same, I hold on the basis of preponderance of probabilities that there is

sufficient material to consider Noticee 14 to be connected to Noticee 1, especially if the connections are taken together with the trading pattern exhibited in the scrip of SFL. Further, Noticee 18, Anita Karki, I note is the wife of Noticee 14. I therefore, find that she was also connected to Noticee 1.

13.14 Noticees 10 and 11, Deepika Sharma and Romika, sisters-in-law of Noticee 1, are significant shareholders in SFL. Noticees 10 had also received funds from SFL. Accordingly, these aforementioned facts considered with the trading pattern of the said Noticees are sufficient to conclude that they were connected to Noticee 1.

13.15 Noticees 8, 9, 12, 13 and 16 i.e. Spire, Splendid, Balley, Ancient and Jitney, are Companies where Noticee 1 was noted to be the authorized signatory in the bank records. In his reply, Noticee 1 had contended that even though he was associated with these Companies in the past, he had severed all connections with them through his resignation in 2015. It is, however, noted that he continued to be an authorized signatory capable of operating the bank accounts of these Companies even after such resignation.

13.16 Apart from the above, it is also noted that Spire, Splendid, Balley, Ancient and Jitney had received funds from SFL. Orion, Spire, Splendid, Balley, Ancient and Jitney also shared a common email ID while Spire, Balley and Jitney shared a common phone number. I therefore, am of the view that there is sufficient material to hold that these entities were connected to Noticee 1.

Connection between Price Rise Entities who were not part of Top Sellers and Noticee 1.

13.17 The connections between *Price Rise Entities* who were also *Top Sellers* and Noticee 1 have been dealt with in the preceding paragraphs. Accordingly, I shall now consider the connection between three *Price Rise Entities*, viz. Anita Karki, Shrawan and Ashworth (who are not part of the *Top Sellers*) and Noticee 1.

13.18 It is reiterated that Noticee 18, Anita Karki is connected to Noticee 1 by virtue of her trading pattern and also because she is the wife of Noticee 14, Santosh Karki.

13.19 As regards Noticee 17, Shrawan, it is noted that he along with Noticee 15, Sanjay Kumar Pathak, were Directors in Noticees 7, 8, 12, 13 and 16 i.e. Orion, Spire, Balley, Ancient and Jitney. Sanjay Pathak has been found to be connected to Noticee 1. Noticee 17, it is noted, had also traded in the scrip of SFL on the *Recommendation Day*. Given the aforesaid, I note that Noticee 17 was connected to Noticee 1.

13.20 Noticee 15, who has already been held in this Order to be connected to Noticee 1, was a Director in Ashworth, which in turn was noted to have traded substantially in the scrip of SFL during Patch 1. Accordingly, I note that there are sufficient grounds to hold that Ashworth was also connected to Noticee 1.

13.21 Upon a consideration of the preceding paragraphs, I find that Noticee 1 was connected to the *Top Sellers* and the *Price Rise Entities*.

II. Did the Price Rise Entities manipulate the price of the scrip?

13.22 The Investigation in the instant proceedings included an analysis of trades executed in the scrip of SFL during the period February 1, 2021 to September 13, 2021 (Patch 1). During this period, the *Price Rise Entities* i.e. Noticees 7–9 and 12–19 cumulatively bought 5,90,030 shares of SFL, which was 41.12% of the total market volume of 14,34,996 shares transacted during the said period.

13.23 The impact of these trades on the LTP was analyzed during the Investigation and it was noted that these 11 entities had cumulatively contributed around 63.35% to the total market positive LTP in the pre-stock recommendation period /Patch 1.

TABLE 10 – DETAILS OF LTP CTB								
S. No.	NAME	(+) LTP		(-) LTP		(0) LTP	NET LTP	
		LTP IN INR	TRADED QTY.	LTP IN INR	TRADED QTY.	TRADED QTY.	LTP IN INR	TRADED QTY.
1.	ORION (NOTICEE 7)	22.70	6,696	-35.75	19,871	43,361	-13.05	69,928
2.	SPIRE (NOTICEE 8)	26.45	5,169	-69.55	7,055	23,101	-43.10	35,325
3.	SPLENDID (NOTICEE 9)	66.10	12,160	-90.45	23,294	42,824	-24.35	78,278
4.	BALLEY (NOTICEE 12)	101.40	6,764	-97.10	9,748	21,936	4.30	38,448
5.	ANCIENT (NOTICEE 13)	22.65	787	-64.10	5,380	15,523	-41.45	21,690
6.	SANTOSH (NOTICEE 14)	103.00	4,681	-82.05	9,132	21,798	20.95	35,611
7.	SANJAY (NOTICEE 15)	223.70	23,562	-242.80	30,115	70,580	-19.10	1,24,257
8.	JITNEY (NOTICEE 16)	32.10	3,678	-55.65	15,387	40,884	-23.55	59,949
9.	SHRAWAN (NOTICEE 17)	54.30	5,831	-76.65	6,085	29,910	-22.35	41,826
10.	ANITA KARKI (NOTICEE 18)	50.80	4,867	-59.40	7,307	23,951	-8.60	36,125
11.	ASHWORTH (NOTICEE 19)	47.45	4,878	-28.05	6,054	37,661	19.40	48,593
12.	TOTAL (A)	750.65	79,073	-901.55	1,39,428	3,71,529	-150.90	5,90,030
	MARKET LTP CTB (B)	1,184.90	3,67,409	-1,098.85	3,06,815	7,60,772	86.05	14,34,996
	% (A/B)	63.35%	21.52%	82.04%	45.44%	48.84%	-175.36%	41.12%

13.24 The Investigation had also noted that for a substantial number of trades executed by the aforesaid *Price Rise Entities*, the counterparty was one among the said eleven *Entities*. An analysis of such trades, where both counterparties were part of the aforesaid eleven *Price Rise Entities*, revealed that the *inter se* trading amongst said Noticees had a disproportionate impact on the positive LTP during the pre-stock recommendation period /Patch 1. The details of such trades are given in the Table below:

TABLE 11 – LTP CONTRIBUTION BY TRADES WITHIN THE <i>PRICE RISE ENTITIES</i> GROUP							
S. No.	NAME OF (+LTP) CONTRIBUTOR	COUNTERPARTIES TO (+) LTP CONTRIBUTOR				TOTAL	
		CONNECTED ENTITIES		OTHER THAN CONNECTED ENTITIES			
		(+) LTP CONTRIBUTION INR (A)	TRADED QTY (B)	(+) LTP CONTRIBUTION (C)	TRADED QTY (D)	(+) LTP CONTRIBUTION IN INR (A+C)	TRADED QTY (B+D)
1.	SANJAY (NOTICEE 15)	147.75	21,743	75.95	1,819	223.70	23,562
2.	SANTOSH (NOTICEE 14)	55.85	4,529	47.15	152	103.00	4,681
3.	BALLEY (NOTICEE 12)	53.20	4,686	48.20	2,078	101.40	6,764
4.	SPLENDID (NOTICEE 9)	36.90	11,260	29.20	900	66.10	12,160
5.	SHRAWAN (NOTICEE 17)	50.05	5,066	4.25	765	54.30	5,831
6.	ANITA KARKI (NOTICEE 18)	44.25	4,759	6.55	108	50.80	4,867
7.	ASHWORTH (NOTICEE 19)	5.45	2,058	42.00	2,820	47.45	4,878
8.	JITNEY (NOTICEE 16)	30.30	3,505	1.80	173	32.10	3,678
9.	SPIRE (NOTICEE 8)	14.35	3,756	12.10	1,413	26.45	5,169
10.	ORION (NOTICEE 7)	22.00	5,452	0.70	1,244	22.70	6,696
11.	ANCIENT (NOTICEE 13)	19.60	265	3.05	522	22.65	787
		479.70	67,079	270.95	11,994	750.65	79,073
		63.90%	84.83%	36.10%	15.17%		

13.25 It can be noted from the Table 11 that out of trades for 79,073 shares which resulted in positive LTP, executed by the aforesaid eleven *Price Rise Entities* during Patch 1, the counterparty for trades involving 67,079 shares (84.83%) was one of the said eleven *Entities*.

13.26 It is reiterated that fund transfers were observed between SFL /IFGL and the aforementioned eleven *Entities*. Certain instances where such funds were utilized for trading in the scrip of SFL have already been detailed at paragraph 24 of the Interim Order and therefore, the same are not being reproduced in this Order.

13.27 In their replies, Noticees 7–9 and 12–19 / *Price Rise Entities* had contended that the Interim Order only considers the positive LTP impact of the trades executed by them and did not take into account their trades which resulted in negative LTP. In this context, it is noted that what is being considered, while alleging their role in price manipulation, is their contribution to gross positive market LTP during the *Price Rise Period*, the substantial majority of which was contributed by trades within the *Price Rise Entities* group (see Table 11). Their negative LTP contribution in my view, becomes irrelevant when considering the gross market positive LTP contribution. It may be a factor only if the net positive market LTP contribution was the metric that was being considered. Accordingly, I am inclined to reject the argument made by the Noticees.

13.28 It can, therefore, be noted from the above that the aforesaid eleven *Entities* /Noticees had a significant concentration in the trades executed in the scrip of SFL during Patch 1. Further, such trades had significantly contributed to the market LTP. Additionally, the counterparty to a significant majority of positive LTP trades were other entities from the *Price Rise Entities* Group and lastly, many such trades were executed through funds given by SFL /IFGL. Given the same, I note that the preliminary findings in the Interim Order that the *Price Rise Entities* had manipulated the price of the scrip of SFL during Patch I stands established.

III. *Is there sufficient material on record to substantiate the preliminary findings that Noticee 1 had utilised the services of Noticees 2 to 5 to generate liquidity in the scrip on the Recommendation Day to provide exit to Top Sellers?*

13.29 As stated in the preceding paragraphs, the volume of trading on *Recommendation Day* was substantially higher than the average daily trading volume witnessed during the *Price Rise Period*. It was also noted that the eleven selling Noticees had significant concentration on the sell side on *Recommendation Day* and 92% net sell volume was accounted for by the

trades of these entities. The details of the trades of the eleven selling Noticees / *Top Sellers* on the *Recommendation Day* is captured in the following Table:

TABLE 12 – DETAILS OF SHARES SOLD BY TOP SELLERS						
S. No.	CLIENT	BROKER	GR BUY VOL	GR SELL VOL	NET VOL	VOL% - NET TRD VOL/ MKT NET
1.	ASHISH KUMAR SINGH (NOTICEE 6)	INDIAN FINANCE GUARANTY LTD.	-	45,998	45,998	26
2.	ORION (NOTICEE 7)	R. K. STOCK HOLDING PVT. LTD.	-	41,050	41,050	23
3.	SPIRE (NOTICEE 8)	INDIAN FINANCE GUARANTY LTD.	-	18,247	18,247	10
4.	SPLENDID (NOTICEE 9)	INDIAN FINANCE GUARANTY LTD.	-	15,054	15,054	9
5.	DEEPIKA SHARMA (NOTICEE 10)	INDIAN FINANCE GUARANTY LTD.	-	9,859	9,859	6
6.	ROMIKA (NOTICEE 11)	INDIAN FINANCE GUARANTY LTD.	-	9,209	9,209	5
7.	BALLEY (NOTICEE 12)	INDIAN FINANCE GUARANTY LTD.	-	7,851	7,851	4
8.	ANCIENT (NOTICEE 13)	INDIAN FINANCE GUARANTY LTD.	-	5,454	5,454	3
9.	SANTOSH (NOTICEE 14)	INDIAN FINANCE GUARANTY LTD.	532	5,013	4,481	3
10.	SANJAY (NOTICEE 15)	IIFL SECURITIES LTD	1,358	4,556	3,198	2
11.	JITNEY (NOTICEE 16)	NIRMAL BANG SECURITIES PVT. LTD.	-	2,000	2,000	1
TOTAL			1890	1,64,291	1,62,401	92

13.30 It can be noted from the above Table that the eleven selling Noticees / *Top Sellers* had taken advantage of the spike in prices of SFL and offloaded the stake they had built up in the Company on the *Recommendation Day*. Their cumulative selling amounted to 92% of the net market volume on that day.

13.31 It can further be noted that eight out of the eleven selling Noticees / *Top Sellers* had traded through IFGL. In this regard, it was noted in the Interim Order, based on the statement of Noticee 2, that on *Recommendation Day* he was instructing Noticee 15, an employee of IFGL, regarding the sell trades to be placed in the scrip of SFL. These trades, it was noted, were placed from the accounts of the aforementioned selling Noticees / *Top Sellers*.

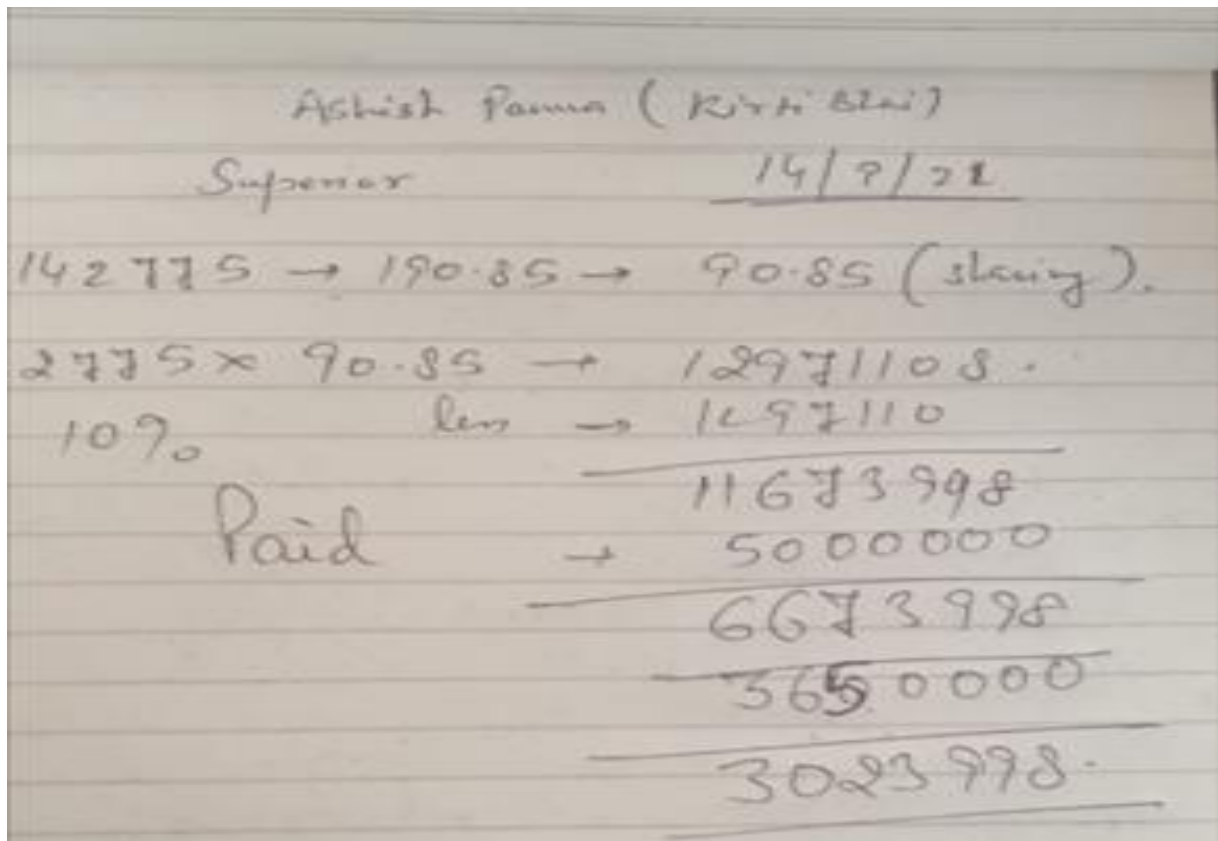
13.32 It was further stated by Noticee 2 that Noticee 3 was also present in the office of IFGL on *Recommendation Day*. However, vide his reply, Noticee 2 had sought to distance himself from the statement made before SEBI on the grounds that his statement had been characterised as a '*confession*'. The mobile tower locations of Noticees 3 and 15 on the *Recommendation Day* clearly indicate that they were present at IFGL's office on September 14, 2021. Further details regarding this aspect will be discussed in this Order while dealing with role played by Noticees 2 to 5.

13.33 From the above, especially given the concentration of trades of the connected entities on the sell side on the *Recommendation Day*, I noted that there is sufficient evidence to conclude that these entities were acting in a concerted manner on the *Recommendation Day*.

Role of Noticees 2 and 3.

13.34 It is noted from the Interim Order that three critical pieces of evidence were relied upon for establishing the role of Noticees 2 and 3, viz.:

- a. Noticee 2's (Ashish P. Shah) statement recorded before SEBI on March 14, 2022.
- b. The recording of the call exchanged between Noticees 1 and 2 on the *Recommendation Day* at 10:23:07am, which was retrieved from Noticee 1's phone. (Copy of the transcript of this recording was provided in the Interim Order and is not being reproduced in this Order for the sake of brevity. It may still be considered as relied upon and part of this Order).
- c. A picture shared via WhatsApp with Noticee 2, by Noticee 1 (retrieved from his phone), capturing the calculation of commission payable to Noticee 2, which is shared below:



13.35 The reliance placed on Noticee 2's statement in these proceedings is for the limited extent that it can be corroborated through other material available on record, primarily the recording of the call exchanged between Noticees 1 and 2 and WhatsApp Chat between them. Vide his statement, Noticee 2 had admitted that Noticee 1 had engaged his services for providing an exit to the entities connected to Rajneesh Kumar at an inflated price.

13.36 Vide his reply, however, Noticee 2 had submitted that he had extended consultancy services to SFL, for which he was initially paid Rs. 50 Lakh by Noticee 1, out of which he had paid Rs.14.78 Lakh to Noticee 3 (Kirtidan K. Gadhavi) and Rs.12.50 Lakh to Noticee 4 at the advice of Noticee 1. Other than this, it was submitted that further payments were made subsequently to Noticee 3 and he was eventually left with only Rs.4 Lakh, which was the remuneration for providing consultancy services.

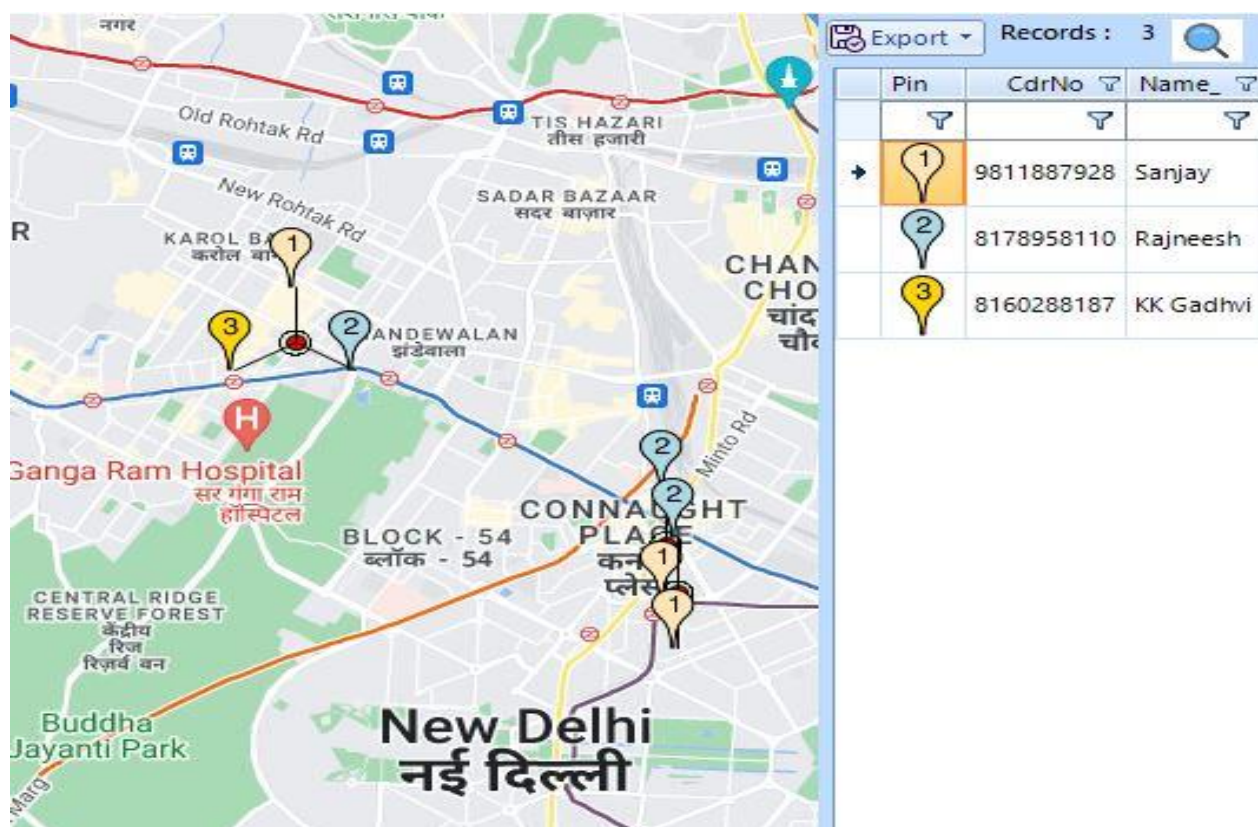
13.37 The contents of his reply are at odds with the call recording and calculation sheet referenced above. It can instead be noted that the call recording and

calculation sheet align with his initial statement before SEBI wherein he had admitted that: *“Rajneesh Kumar called me in the 1st week of September 2021 asking me to provide exit opportunity for approx. 5 Lakh shares of scrip - Superior Finlease Ltd. For the same, commission was decided over phone with Rajneesh Kumar ...Base Price was decided as Rs 100 and selling of shares above this base price multiplied by number of shares sold on that day for the scrip superior will be the commission given to me for providing exit opportunity in this scrip.”*

13.38 Noticee 1 adopted a similar line of defence in his reply before me. He admitted in his reply to knowing Noticee 2 but had, however, stated that the conversation with Noticee 2 that was referenced in the Interim Order along with the calculation sheet that was shared over WhatsApp, pertained to discussions he was having with Noticee 2 regarding a follow-on public offering of SFL. This argument, in my considered opinion, appears to be far-fetched and not aligned with other material available on record.

13.39 As regards Noticee 3, Noticee 1 in his statement before SEBI and also his reply before me had submitted that even though he knew Noticee 3 for some time, they had never met in person. This contention raised by Noticee 1 was refuted in the Interim Order by presenting evidence in the form of tower locations of Noticee 1, 3 and 15 on *Recommendation Day*. It was noted that the mobile phones used by these three Noticees were at the same place as per the tower locations data (reproduced below), thereby disproving Noticee 1's assertions.

GEO LOCATIONS OF NOTICEES 1, 3 AND 15 ON *RECOMMENDATION DAY*



13.40 In addition to the above, the analysis of banks statements revealed that out of Rs.50 Lakh received by Noticee 2 (through Bricks Enterprises), Rs.14.78 Lakh was transferred to bank accounts of the family members of Noticee 3. A few instances of fund transfers made to the bank account of Mr. Dharmistha K. Gadhavi, son of Noticee 3, are captured in the Table below:

TABLE 13 – AMOUNTS PAID TO MR. DHARMISTHA K GADHAVI			
S. No.	AMOUNT	DATE	NARRATION IN THE BANK ACCOUNT STATEMENT
1.	100000	04.10.2021	MMT/IMPS/127513119617/SUPERIOR/BRICKSENTE/IDBI BAN
2.	35000	11.10.2021	MMT/IMPS/128220115349/SUPERIOR/BRICKSENTE/IDBI BAN
3.	45000	19.10.2021	MMT/IMPS/129221142412/SUPERIOR/BRICKSENTE/IDBI BAN

13.41 Interestingly, it may be seen from the above that such fund transfers to the account of a family member of Noticee 3 have been backed by narrations that specifically mentions “Superior”, which implies that these funds were transferred by Bricks Enterprises to the account of family members of Noticee 3 in connection with the role played by Noticee 3 in the scrip of SFL.

13.42 It can be found out from the call recording that the conversation between Noticees 1 and 2 pertained to providing an exit to the entities connected to Noticee 1 at a price higher than Rs.100 per share of SFL. It can also be noted that in the deal agreed upon between these two Noticees, the commission was the weighted average selling price at which exit was provided minus 100 multiplied by the number of shares the entities managed to sell on *Recommendation Day*. It is further noted that the calculation sheet, which was shared post-market hours on *Recommendation Day*, clearly captures the details as agreed between them over the phone. Given the same, I have no hesitation in holding that Noticee 1 had engaged the services of Noticees 2 and 3 for providing an exit in the shares of SFL to entities connected to him at an inflated price.

Role of Noticees 4 and 5.

13.43 The Interim Order had *prima facie* identified Noticee 5 as the operator of the two *Telegram Channels* where the recommendation to buy the scrip of SFL had appeared on the *Recommendation Day*. The Interim Order had relied on bank statements and other related material to identify Noticee 5 as the operator of these two channels. I, however, note that it is not necessary to get into these details in this Order as Noticee 5 in his reply before me had accepted that he was running the two *Telegram Channels* identified in the Interim Order.

13.44 Noticee 5 (Arvind Shukla) had also submitted that he had received a commission for posting stock recommendations regarding SFL on the *Telegram Channels*. This commission, Noticee 5 submitted, was paid by Noticee 4 (Jalaj Agarwal), under whose instructions he had posted the stock recommendations in the scrip of SFL on the *Recommendation Day*. The commission amount as per the submission was Rs.8 Lakh, received in the bank account of Rathaur Sales (Account No.: 50200046932045 with HDFC Bank). This account was used by Noticee 5 to collect commissions and subscription fees from the members of the *Telegram Channels*. The Proprietor of Rathaur Sales, Noticee 5 submitted, would withdraw the money and hand it over to him in cash.

13.45 In his reply, Noticee 4 (Jalaj Agrawal) had contended that his role was limited to introducing Noticee 5 to Noticees 2 and 3. He had submitted that he was

paid Rs.12.5 Lakh for his services out of which Rs.8 Lakh was transferred to Noticee 5. From the analysis of Noticee 4's bank statement, it was noted that an amount of Rs.12.50 Lakh was received in the bank account of M/s Lifeline Pharma (medical store and Proprietorship Firm of Noticee 4), from Bricks Enterprises (Proprietorship Firm connected to Noticee 2).

13.46 It is, therefore, noted that Noticees 4 and 5 had accepted the *prima facie* findings qua them in the Interim Order.

13.47 In view of the above, I find that Noticee nos. 1–19 had violated Sections 12A(a), (b) and (c) of the SEBI Act and Regulations 3(a), (b), (c), (d) read with Regulations 4(1), 4 (2) (a), (d) and (e) of the PFUTP Regulations, 2003. Further, I find that Noticees 1 to 5 had also violated Regulation 4(2)(k) and (r) of the PFUTP Regulations, 2003.

IV. If the Noticees had executed a pump and dump scheme in the scrip of SFL, the amounts, if any, to be disgorged from them?

13.48 From the findings contained in the preceding paragraphs, it has been established that the Noticees had violated the provisions of the SEBI Act and the PFUTP Regulations, 2003. In view of the same, the SCN has contemplated appropriate directions under the SEBI Act including disgorgement against all the Noticees for the aforesaid violations. In their replies, Noticees 1, 4 and 5 had raised certain objections and disputed the manner in which the disgorgement amount /ill–gotten gains was calculated in the Interim Order.

13.49 In the Interim Order, the ill-gotten gains made by the Noticees were separately calculated for trades during the *Price Rise Period* and for those on the *Recommendation Day*, details of which are provided below:

TABLE 14 – PROFIT MADE BY THE NOTICEES																	
			OPENIN G	TRADES DURING THE PERIOD FEBRUARY 01, 2021-TO SEPTEMBER 13, 2021				PROFIT PRIOR TO THE DAY OF RECOMMENDATION (A)		TRADING ON THE DAY OF RECOMMENDATION					PROFIT ON THE DAY OF RECOMMENDATION (B)	TOTAL PROFIT (A+B) (IN LAKH)	CLOSING BAL
S. No.	NET SELLER	HOLDING PERIOD SINCE	QTY	Tot. BUY QTY.	W Avg. BUY PRICE	Tot. SELL QTY	W. Avg. SELL PRICE	Wv. Avg. BUY PRICE FOR THE QTY SOLD	PROFIT IN LACS	BUY QTY	TOTAL BUY VALUE IN LAKH	SELL QTY	W. Avg. SELL PRICE	W Avg. BUY PRICE	IN LACS		QTY
1.	ASHISH	NOV 2018	52287	9415	126.34	6811	127.42	28.48	6.74			45998	191.27	36.16	71.35	78.08	8893
2.	ORION	JAN 2019	64911	69928	151.22	63960	147.91	89.48	37.37			41050	191.02	124.98	27.11	64.49	29829
3.	SPIRE	APR 2020	34589	35325	149.65	8121	177.88	77.44	8.16			18247	189.47	94.60	17.31	25.47	43546
4.	SPLENDID	DEC 2019	87626	78278	150.15	61524	147.14	70.12	47.38			15054	191.53	106.41	12.81	60.20	89326
5.	DEEPIKA	MAR 2019	54845	35	152.45	1314	185.47	14.96	2.24			9859	189.66	14.96	17.22	19.46	43707
6.	ROMIKA	MAR 2019	97107	170	128.70	1333	176.72	16.34	2.14			9209	191.90	16.36	16.16	18.30	86735
7.	BALLEY	SEPT 2020	2224	38448	146.59	30087	149.09	136.71	3.72			7851	191.61	164.52	2.13	5.85	2734
8.	ANCIENT	JULY 2020	21803	21690	170.39	2967	184.40	130.04	1.61			5454	187.72	131.31	3.08	4.69	35072
9.	SANTOSH	JAN 2019	27648	35611	152.57	37669	150.97	96.83	20.39	532	0.99	5013	193.00	137.83	2.77	23.16	21109
10.	SANJAY	JAN 2019	58805	124257	149.58	125875	148.01	112.02	45.30	1,358.00	2.61	4556	190.72	157.44	1.52	46.82	53989
11.	JITNEY	FEB 2020	4454	59949	147.59	50110	151.19	136.83	7.20	-	-	2000	192.00	169.96	0.44	7.64	12293
12.	ASHWORTH	JUN 2020	23386	48593	140.76	4309	170.28	111.81	2.52	7,301.00	13.99	5486	192.97	127.36	3.60	6.12	69485
13.	ANITA	SEPT 2018	38807	36125	153.33	38704	152.40	83.22	26.78	1,126.00	2.11	149	193.00	193.00	-	26.78	37205
14.	SHRAWAN	JUN 2020	819	41826	164.23	38603	165.80	160.49	2.05	-	-	-	-	-	-	2.05	4042
TOTAL				599650		471387			213.61			169926			175.50	389.10	527648

13.50 It can be noted from the above Table that the Interim Order identified two sources of ill–gotten gains:

- a. from the sale of shares to third parties during Patch 1 /*Price Rise Period*;
- b. sale of shares on the *Recommendation Day*.

13.51 The profits made by the individual Noticees, who have traded in the scrip of SFL during the *Price Rise Period* or on the *Recommendation Day*, have been computed by first calculating the weighted average price at which the respective Noticees have sold shares for the period from February 1, 2021 to September 14, 2021 and then, subtracting the weighted average buy price from the said number and then multiplying the resultant number with the number of shares sold during this period.

13.53 By way of an explanation, the manner in which the profits made by one of the Noticees i.e. Noticee 11 (Romika), is explained below:

TABLE 15 – PROFIT COMPUTATION FOR NOTICEE ROMIKA															
					BEGINNING INVENTORY		ADDITION IN INVENTORY		AVAILABLE FOR SALE		COST OF ACQUISITION OF SOLD SHARES		ENDING INVENTORY		
DATE	GR BUY VOL	GR SELL VOL	GR BUY VALUE	GR SELL VALUE	QTY	AVG RATE	QTY	AVG RATE	QTY	AVG RATE	QTY	AVG RATE	QTY	AVG RATE	PROFIT FOR DAY
22/03/2019	29998	0	449970.00	0.00	0	0.00	29998	15.00	29998	15.00	0	15.00	29998	15.00	0.00
25/03/2019	35315	0	526193.50	0.00	29998	15.00	35315	14.90	65313	14.95	0	14.95	65313	14.95	0.00
28/03/2019	34710	0	510237.00	0.00	65313	14.95	34710	14.70	100023	14.86	0	14.86	100023	14.86	0.00
01/07/2019	1	0	18.80	0.00	100023	14.86	1	18.80	100024	14.86	0	14.86	100024	14.86	0.00
02/07/2019	1	0	19.70	0.00	100024	14.86	1	19.70	100025	14.86	0	14.86	100025	14.86	0.00
28/08/2020	0	1904	0.00	178830.80	100025	14.86	0	0.00	100025	14.86	1904	14.86	98121	14.86	150536.08
02/09/2020	0	2005	0.00	190194.90	98121	14.86	0	0.00	98121	14.86	2005	14.86	96116	14.86	160399.25
17/09/2020	0	535	0.00	51271.00	96116	14.86	0	0.00	96116	14.86	535	14.86	95581	14.86	43320.54
18/09/2020	232	0	22298.80	0.00	95581	14.86	232	96.12	95813	15.06	0	15.06	95813	15.06	0.00
05/10/2020	1259	0	123605.20	0.00	95813	15.06	1259	98.18	97072	16.14	0	16.14	97072	16.14	0.00
29/12/2020	35	0	3437.00	0.00	97072	16.14	35	98.20	97107	16.17	0	16.17	97107	16.17	0.00
02/02/2021	0	133	0.00	13034.00	97107	16.17	0	0.00	97107	16.17	133	16.17	96974	16.17	10884.05
22/03/2021	170	0	21879.00	0.00	96974	16.17	170	128.70	97144	16.36	0	16.36	97144	16.36	0.00
09/09/2021	0	1200	0.00	222540.00	97144	16.36	0	0.00	97144	16.36	1200	16.36	95944	16.36	202905.62
14/09/2021	0	9209	0.00	1767161.50	95944	16.36	0	0.00	95944	16.36	9209	16.36	86735	16.36	1616484.02

13.54 It is noted that the Noticees had contended that as per the findings in the Interim Order the Noticees have been instrumental in manipulating the price of the scrip by trading among themselves. In such an event, it was canvassed that no profits can be made as profit made by one entity would result in losses being suffered by the counterparty connected entity. Upon considering the said contention, I note that it is without merit. This can be explained by the following illustration:

Consider a situation where 5 entities are trading in the scrip on a given day, out of which three are connected to each other. For the purpose of this illustration the two non-connected entities are being denoted A and B and the three connected Noticees are being denoted C1, C2 and C3. In such a scenario, if entity A sells the scrip to C1 at Rs.1, and C1. to C2 at Rs. 2, C2 to C3 at Rs.3 and C3 to B at 4, then the profit made by C1 to C3 as a group amounts to Rs. 3. This illustration illuminates how entities can make a profit by raising the price of scrip by trading among themselves and thereafter offloading it to an entity outside the group.

13.55 Given the same, I find no merit in the above contention.

13.56 It was submitted that the Interim Order states that Ashish (Noticee 6) had bought 9,415 shares at a weighted average price of Rs.126.34 and sold 6,811 shares at Rs.127.42. So the difference between the buy and sell price is Rs.1.08 and the profit amount is calculated to Rs.7355.88. However, the Interim Order erroneously showed gains accrued to the said Noticee as Rs.6.74 Lakh. Having considered this contention, I am of the view that the same is liable to be rejected. It is noted from the records that Rs.126.34 is the weighted average price of acquisitions made by the Noticee during the *Price Rise Period*; whereas for the purpose of calculating profits, as explained above, his actual weighted average cost of acquisition during the entire period has been taken into consideration.

13.57 It was canvassed on behalf of the Noticees that the Interim Order itself states that execution of manipulative trades commenced w.e.f. 1.02.2021 and therefore, the trades executed prior to 1.02.2021 should be considered as genuine. Having considered the argument, I am of the view that it is also liable to be rejected as profits made can be deduced only by taking the actual selling price and subtracting from it, the average price at which a similar amount of shares was brought as on the sale date.

13.58 Further, even though there is no allegation of price manipulation in the period prior to February 1, 2021, given the liquidity prevailing in the scrip during that period it is unlikely the Noticee would have been able to offload a similar amount of shares during that period at the price prevailing during such period.

13.59 It was submitted that the Interim Order adopted two different formulas for calculating the number of shares allegedly dumped on unsuspecting investors on September 14, 2021. In the case of Noticees 6 to 17, the difference of opening and closing stocks of trading on the *Recommendation Day* was taken as the net sale on that date whereas in the case of Noticees 18 and 19, a different approach was adopted. It is noted from the records that both Noticees 18 and 19 had bought more shares than they had sold on the *Recommendation Day*. However, in respect of the manner in which the profits made by them was calculated, I note from the records that the approach had been similar to the one explained above. Given the same, I note that there is no merit in this argument.

13.60 I am now proceeding to the arguments regarding the extent of liability of the individual Noticees for disgorgement. In this regard, I noted that the *Top Sellers* and *Price Rise Noticees* would be liable to the extent of the profits made by them while dealing in the securities of SFL during the Investigation Period. Noticee 1, I note, would be jointly and severally liable with individual Noticees 6 to 19 as he has been held to be the mastermind behind the '*pump and dump*' operation and the said Noticees have been held to be connected to him. Similarly, Noticees 2 and 3 had actively colluded with Noticee 1 in orchestrating

the 'pump and dump' operation whereby the connected entities manage to liquidate their holding on the *Recommendation Day*.

13.61 Given the above, I note that Noticees 2 and 3 will also be jointly and severally liable along with the individual Noticees to disgorge the profits made by the trading Noticees on the *Recommendation Day*. The joint and several liability, however, is not being fastened upon Noticees 4 and 5 as I am of the view that there is merit in their argument that they did not have visibility over the entire 'pump and dump' operation that was being orchestrated. Having said that, it is noted that it is only the extent of the manipulation that the Noticees may have not been aware off, but the fact that the other Noticees were attempting to manipulate the scrip of SFL must have been known to them. This aspect will be considered when the question of monetary penalty to be imposed against them is being considered.

13.62 The liability of the Noticees for disgorgement of profits vide the trade during the *Price Rise Period* is given in the Table below:

TABLE 16 – LIABILITY OF THE NOTICEES FOR DISGORGEMENT OF PROFITS			
S. No.	NAME OF NET SELLER NOTICEE A	PROFIT IN INR LAKH UNLAWFULLY EARNED B	NAME OF THE NOTICEES JOINTLY AND SEVERALLY LIABLE C
1.	ASHISH (NOTICEE 6)	6.74	NOTICEE 1 ALONG WITH NOTICEE NOS. 6 TO 19
2.	ORION (NOTICEE 7)	37.37	
3.	SPIRE (NOTICEE 8)	8.16	
4.	SPLENDID (NOTICEE 9)	47.38	
5.	DEEPIKA (NOTICEE 10)	2.24	
6.	ROMIKA (NOTICEE 11)	2.14	
7.	BALLEY (NOTICEE 12)	3.72	
8.	ANCIENT (NOTICEE 13)	1.61	
9.	SANTOSH (NOTICEE 14)	20.39	
10.	SANJAY (NOTICEE 15)	45.30	
11.	JITNEY (NOTICEE 16)	7.20	
12.	SHRAWAN (NOTICEE 17)	2.05	
13.	ANITA (NOTICEE 18)	26.78	
14.	ASHWORTH (NOTICEE 19)	2.52	
		213.61	

13.63 The details of the liability for disgorgement of profits made during the *Recommendation Day* is given in the Table below:

TABLE 17 – LIABILITY FOR DISGORGEMENT OF PROFITS MADE DURING THE <i>RECOMMENDATION DAY</i>			
S. No.	NAME OF NET SELLER A	TOTAL WRONGFUL GAINS (INR) THAT IS TO BE IMPOUNDED TOWARDS DISGORGEMENT (IN INR LAKH) B	NOTICEES RESPONSIBLE FOR IMPOUNDING OF WRONGFUL GAINS JOINTLY AND SEVERALLY C
1.	ASHISH (NOTICEE 6)	71.35	NOTICEE NOS. 1, 2, 3 AND 6
2.	ORION (NOTICEE 7)	27.11	NOTICEE NOS. 1, 2, 3 AND 7
3.	SPIRE (NOTICEE 8)	17.31	NOTICEE NOS. 1, 2, 3 AND 8
4.	SPLENDID (NOTICEE 9)	12.81	NOTICEE NOS. 1, 2, 3 AND 9
5.	DEEPIKA (NOTICEE 10)	17.22	NOTICEE NOS. 1, 2, 3 AND 10
6.	ROMIKA (NOTICEE 11)	16.16	NOTICEE NOS. 1, 2, 3 AND 11
7.	BALLEY (NOTICEE 12)	2.13	NOTICEE NOS. 1, 2, 3 AND 12
8.	ANCIENT (NOTICEE 13)	3.08	NOTICEE NOS. 1, 2, 3 AND 13
9.	SANTOSH (NOTICEE 14)	2.77	NOTICEE NOS. 1, 2, 3 AND 14
10.	SANJAY (NOTICEE 15)	1.52	NOTICEE NOS. 1, 2, 3 AND 15
11.	JITNEY (NOTICEE 16)	0.44	NOTICEE NOS. 1, 2, 3 AND 16
12.	ASHWORTH (NOTICEE 19)	3.60	NOTICEE NOS. 1, 2, 3 AND 19
		175.50	

V. *Monetary penalty to be imposed, if any.*

13.64 The SCN has also contemplated directions under Sections 11(4A) and 11B(2) of the SEBI Act read with Rule 4 of Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (“**Adjudication Rules, 1995**”) imposing monetary penalty as stated in Section 15HA of the SEBI Act in respect of all the Noticees.

13.65 It would be, therefore, relevant to place hereunder the extracts of the appropriate penalty provisions for facility of reference:

Penalty for fraudulent and unfair trade practices. Section 15HA of SEBI Act, 1992: “If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.”

13.66 Upon a consideration of the aforementioned penalty provision, I find that Section 15HA of the SEBI Act has been invoked for fraudulent and unfair trade practices indulged by the Noticees. It has already been brought out that fraudulent and unfair trade practice, in this case the ‘*pump and dump*’ operation, was carried out by the Noticees. The preceding paragraphs of this Order contain findings in unequivocal terms demonstrating the role played by all the Noticees. I, therefore, find that penalty under Section 15HA of the SEBI Act is clearly attracted.

13.67 It is relevant to mention here that for the imposition of penalty under the provisions of the SEBI Act, guidance is provided by Section 15J of the said Act. The said provision reads:

“Factors to be taken into account while adjudging quantum of penalty. 15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.

Explanation. —For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.”

13.68 Additionally, reference is made to the case of *Adjudicating Officer, SEBI V. Bhavesh Pabari*,² whereby the Supreme Court had held, “...if the penalty provisions are to be understood as not admitting of any exception or discretion and the penalty as prescribed in Section 15-A to Section 15-HA of the SEBI Act

² (2019) SCC Online SC 294

is to be mandatorily imposed in case of default/failure, Section 15-J of the SEBI Act would stand obliterated and eclipsed. Hence, the question referred. Sections 15-A(a) to 15-HA have to be read along with Section 15-J in a manner to avoid any inconsistency or repugnancy."

13.69 In view of the above-mentioned facts, I will be considering the specific role played by each of the Noticees while considering the monetary penalties to be imposed against them.

13.70 As brought out in the preceding paragraphs, the Noticees have orchestrated a well-planned '*pump and dump*' operation in the scrip of SFL. The mastermind behind this whole operation was Noticee 1, who was not just a shareholder Director of SFL, but also happened to be a Director of a SEBI registered intermediary, IFGL. Noticee 1, utilizing connected entities, first manipulated the price of the scrip of SFL and, thereafter, utilizing the services of certain '*operators*', off-loaded the shares of the Company at an inflated price to the unsuspecting public investors. The majority of the trading by the connected entities on the *Recommendation Day* also happened through IFGL, the broking entity where Noticee 1 was a Director.

13.71 The use of Telegram Channels to disseminate messages to unsuspecting investors led to a huge surge in trading volume in the scrip of SFL, on the *Recommendation Day*. The Company which only saw trading volumes of around 9,440 shares per day in the lead up to the *Recommendation Day* witnessed 2,28,337 shares changing hands on September 14, 2021. This represented almost 7.6% of the total issued shares of the Company being traded in a single day.

13.72 This has resulted in public shareholders purchasing the scrip at not just an inflated price but also ended up being '*stuck*' with shares having little liquidity. In this regard, it is noted that the number of public shareholders in the company saw a marked increase during this period. The company, which only had 526 public shareholders at the end of FY21, ended FY22 with 6,970 public

shareholders, a more than 1225% increase within the span of a year. The shares of SFL as on date of this Order, trade at Rs.10.26 per share (split adjusted price). The Company had split the face value of its shares from Rs.10 to Rs.1 w.e.f January 27, 2022.

13.73 Incidentally, it is also noted from the reported financials of the Company that its borrowings, reflected in the balance sheet, increased exponentially in the period FY19 to FY23 (Rs. 1 Crore in FY18 to Rs. 72.70 Crore in FY21) and thereafter, stabilized at around Rs.48 Crore. It is, however, noted that during this period, there was no commensurate increase in the expenses/income reported by the Company. This raises questions regarding the integrity of the financials reported by the Company. I note that this issue is beyond the remit of the present Order and, therefore, it may be appropriate to refer the matter to the National Financial Reporting Authority of India for its consideration.

13.74 The weak financial situation of the Company also gives a clear indication as to why Noticee 1 resorted to the elaborate '*pump and dump*' operation, which has been detailed in this Order. The weak financials appears to have prompted Noticee 1 to orchestrate the '*pump and dump*' operation as there was perhaps a realization that engineering such an operation, through connected entities and the help of 'operators' and the administrator of Telegram Channel, would result in generating profits for the Noticee which the Company otherwise was not in a position to create.

13.75 Such fraudulent activity dents investor confidence in the fairness of the markets and has a significant impact on investor participation, in the long run. Any such move, would not only be detrimental of effective allocation of resources in the economy, but could also result in increasing the cost of capital for companies looking to raise resources from the capital markets.

13.76 The regulator when faced with such instances has a bounden duty to ensure that stringent punitive measures are taken against the perpetrators of such activities. The digital and forensic evidence that has been marshaled in this

case by the investigation has clearly brought out how the Noticees have conspired to profit at the cost of the ordinary investors. The fraudulent scheme perpetrated by the Noticees has undermined the integrity of our markets and inflicted substantial harm on unsuspecting investors. The measures taken by SEBI in such cases need to serve as an effective deterrent.

13.77 This Order serves as a message that such manipulative practices by interested parties will be met with appropriate action. Investors are urged to exercise due diligence and caution, especially while investing in companies which see sudden spikes in prices without any attributable change in fundamentals.

ORDER

14. In view of the aforesaid findings and having regard to the facts and circumstances of the matter, I, in exercise of the powers conferred upon me under Section 19 read with Sections 11(1), 11(4), 11(4A) and 11B read with Section 15I of the SEBI Act and Rule 5 of the Adjudication Rules, 1995, hereby direct as under:

- a. Noticees 1 to 3 and Noticees 6 to 19 are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of **five (5) years** from the date of this Order.
- b. Noticees 4 and 5 are restrained from accessing the securities market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of **three (3) years** from the date of this Order.
- c. Noticees 1 to 3 and Noticees 6 to 19 shall also be liable to disgorge the amounts provided in Tables 16 and 17 of pages 46 and 47 of this Order,

along with simple interest at the rate of 12% per annum, calculated from the *Recommendation Day* (i.e. September 14, 2021) till the date of actual payment /impounding.

- d. The amount mentioned in paragraph 14(c) shall be remitted by the aforementioned Noticees to the Investor Protection and Education Fund (IPEF) referred to in Section 11(5) of the SEBI Act, within 45 (forty-five) days from the date of receipt of this Order. An intimation regarding the payment of said disgorgement amount directed to be paid herein, shall be sent to “*The Division Chief, ISD-SEC 6, SEBI, SEBI Bhavan II, Plot no. C - 7, ‘G’ Block, Bandra Kurla Complex, Bandra (E), Mumbai-400 051*” .
- e. Noticees shall be liable to pay a monetary penalty under Sections 15HA of the SEBI Act, as indicated in the Table below:

NOTICEE	NAME	PENALTY
1.	RAJNEESH KUMAR	Rs. 5,00,00,000
2.	ASHISH P. SHAH	Rs.2,00,00,000
3.	KIRTIDAN K. GADHAVI	Rs. 2,00,00,000
4.	JALAJ AGRAWAL	Rs. 1,00,00,000
5.	ARVIND SHUKLA	Rs. 50,00,000
6.	ASHISH KUMAR SINGH	Rs. 10,00,000
7.	ORION RETAIL PVT. LTD.	Rs. 10,00,000
8.	SPIRE MARKETING PVT. LTD.	Rs. 10,00,000
9.	SPLENDID HOTELS RESORTS PVT. LTD.	Rs. 10,00,000
10.	DEEPIKA SHARMA	Rs. 10,00,000
11.	ROMIKA	Rs. 10,00,000
12.	BALLEY BUILDERS& DEVELOPERS PVT. LTD.	Rs. 10,00,000
13.	ANCIENT EDUCATION PVT. LTD.	Rs. 10,00,000
14.	SANTOSH SINGH KARKI	Rs. 10,00,000
15.	SANJAY KUMAR PATHAK	Rs. 10,00,000
16.	JITNEY INVESTMENTS PVT. LTD.	Rs. 10,00,000
17.	SHRAWAN	Rs. 10,00,000
18.	ANITA KARKI	Rs. 10,00,000
19.	ASHWORTH CONSTRUCTIONS PVT. LTD.	Rs. 10,00,000

- f. Noticees shall pay the monetary penalty imposed on them [amount mentioned in paragraph 14(e)] within a period of forty-five (45) days from the date of receipt of this Order. In case of their failure to do so, simple interest

at the rate of 12% per annum shall be applicable from the expiry of the said 45 days till the date of actual payment.

- g. Noticees shall pay the monetary penalty by online payment through following path on the SEBI website: www.sebi.gov.in/ENFORCEMENT → Orders → Orders of Chairman / Members → Click on PAY NOW. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.
- h. The Noticees shall forward details of the online payment made in compliance with the directions contained in this Order to “*The Division Chief, ISD-SEC 6, SEBI, SEBI Bhavan II, Plot no. C - 7, ‘G’ Block, Bandra Kurla Complex, Bandra (E), Mumbai-400 051*” and also to e-mail id: tad@sebi.gov.in in the format given below:

1. CASE NAME:	
2. NAME OF THE PAYEE:	
3. DATE OF PAYMENT:	
4. AMOUNT PAID:	
5. TRANSACTION NO:	
6. BANK DETAILS IN WHICH PAYMENT IS MADE:	
7. PAYMENT IS MADE FOR:	PENALTY

- i. Banks / depositories / depository participants / registrar and transfer agents / stock exchanges shall permit transfer of the amounts frozen in the accounts of Noticees. 1–3, Noticees Nos. 6 to 19 to the Investor Protection and Education Fund referred to in Section 11(5) of the SEBI Act for the purpose of complying with this Order.
- j. The Division Chief, ISD–SEC 6, SEBI, shall within a period of two (2) days from the date of payment of amount disgorged as per this Order, issue a certificate of compliance upon production of which, the banks shall defreeze the accounts frozen pursuant to the Interim Order dated January 25, 2023.

15. This Order comes into force with immediate effect.
16. The directions issued in the Interim Order, apart from as provided above, stands revoked. The bank accounts of Noticees 4 and 5 to the said extent, shall stand defreezed.
17. This Order shall be served on all the Noticees, Recognized Stock Exchanges, Depositories and Registrar and Share Transfer Agents and Banks to ensure necessary compliance.
18. A copy of this Order shall be forwarded to the National Financial Reporting Authority of India.

Date: May 22, 2024

Place: Mumbai

ASHWANI BHATIA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA