

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER**

AD INTERIM EX PARTE ORDER

**Under sections 11 and 11B of the Securities and Exchange Board of India Act, 1992
in the matter of Supreme Tex Mart Ltd. in respect of:**

S. No.	Entity's name	PAN
1	Goldleaf International Pvt. Ltd.	AABCG6705E
2	Sanjay Gupta	ABMPG6231C
3	Ajay Gupta	ABMPG0822F
4	Shikha Gupta	ABWPG3108Q
5	Gautam Gupta	AKQPG8560R
6	Kajal Rai	ALYPK6163D
7	Ram Lal Gupta	ABHPG9098E
8	Neeleshkumar Radheshyam Lahoti	ABJPL7269A
9	Future Fintrade represented by Mr. Preyesh Mehta	PAN not available; Having registered office at F-1/A, Profit Centre, Mahavir Nagar, Above Pizza Hut, Kandivali West, Mumbai - 67
10	Mr. Mohsin	PAN not available; Having ICICI Account number 657101502167

1. Supreme Tex Mart Ltd. ("STML") was incorporated on October 25, 1988 and its shares are listed on both Bombay Stock Exchange Limited ("BSE") and National Stock Exchange of India Limited ("NSE").
2. Securities and Exchange Board of India ("SEBI") conducted a preliminary examination into the trading in the scrip of STML for the period July 1, 2016 to January 31, 2017 ("the examination period") specifically in relation to bulk Short Message Service

("SMSs") being sent with questionable recommendations on trading in the scrip of STML.

3. As a part of the examination, the financial statements of STML during the period 2012 and 2016 were analyzed, a summary whereof is as under:

Table 1 - Summary of financial statements

	2012	2013	2014	2015	2016	2017
Revenue (In ₹ Cr.)	845.59	894.19	830.66	429.92	362.35	396.01
Net Profit (In ₹ Cr.)	15.85	16.05	1.15	-208.34	-178.84	-43.39
Equity Capital (In ₹ Cr.)	32.21	32.23	34.12	34.12	34.12	34.12
EPS	3.04	2.49	0.17	-30.54	-26.21	--
OPM* %	10.9	10.22	9.28	-26.64	-29.92	-11.32
NPM** %	1.87	1.8	0.14	-48.46	-49.36	-10.96

* Operating Profit Margin ** Net Profit Margin

4. From the above, it is seen that the revenue of STML has been declining and over last three years it has incurred losses aggregating to over Rs. 400 crore. Annual Report of STML for FY 2014-15 states that *"Company's accumulated losses have exceeded its entire net worth as on 31.03.2015 and has become Sick Industrial Company in accordance with the provisions of Sick Industrial Companies (Special Provisions) Act, 1985"*.
5. The Promoter and Public shareholding in STML since March 2016 as shown on BSE website is as under :

Table 2 – Shareholding status of STML

(in %)	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun - 17	Sep-17
Promoter	58.23	58.23	31.06	29.07	29.07	30.75	30.24
Public	41.77	41.77	68.94	70.93	70.93	69.25	69.76
Others	--	--	--	--	--	--	--
Total	100.00	100.00	100.00	100.00	100.00	100.00	100.00

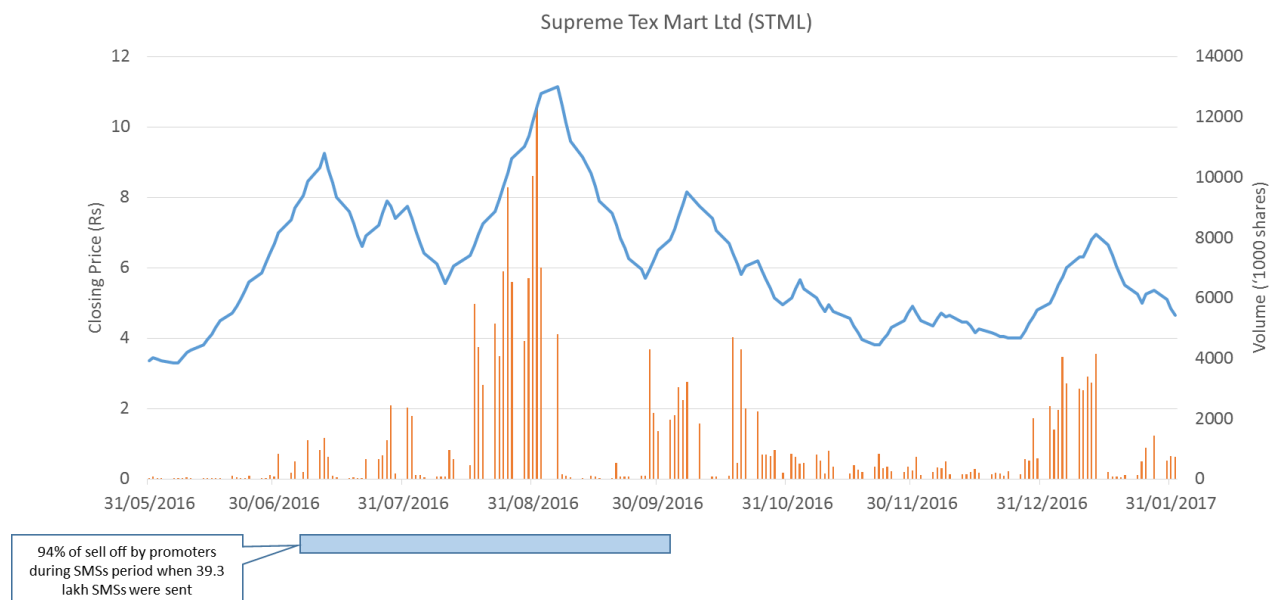
6. It is observed that there was a significant drop in promoter shareholding by 27%+ in 1 quarter and 1.99% in subsequent quarter. The promoters presently hold 30.24% of the shareholding.
7. The preliminary examination revealed that within the examination period, during the period July 08, 2016 to October 04, 2016, many SMSs were sent from multiple Telecom service providers such as Reliance Telecommunications Ltd. ("Reliance"), MTNL and IDEA Cellular relating to the scrip of STML. At least 39.3 lakh bulk SMSs were sent giving buy recommendations for the scrip of STML. A comparative analysis of the volume in the scrip of STML before, during and after the *SMSs period* (i.e. July 08 to October 4, 2016) is depicted in the table below:

Table 3 - Impact of SMSs on the scrip volume

Period	Telecom service providers	Average daily volume in the scrip
March 01 – July 07, 2016	No SMSs noticed	73,991
SMSs period (July 08 to Oct 04, 2016)*	RELIANCE (July 08 to Sep 02, 2016)	20,37,023
	MTNL (July 24-28, 2016)	
	IDEA Cellular (Aug 30 to Oct 04*, 2016)	
Oct 05- December 31, 2016	No SMSs noticed	7,81,221

* October 4, 2016 has been considered as the end date for SMSs period because certain set of SMSs mentioned October 4, 2016 as the date for achieving the target mentioned therein. (September 29, 2016 was the last date of SMSs).

8. From the table above, it is noted that in comparison to the period prior to the SMSs period, the average daily volume in the scrip of STML increased by 2653% during the SMSs period.
9. A pictorial representation highlighting the price volume movement in the scrip of STML during the examination period is as under:



10. In the above, Price volume chart, the prior and later periods are shown to depict the impact of the SMSs on Price Volume when SMSs were sent.

1/7/2016 to 7/7/2016 - Scenario when there were no known Bulk SMSs sent recommending buy in the scrip

8/7/2016 to 4/10/2016 - Scenario when Bulk SMSs were sent recommending buy in the scrip of STML. It was observed that this period accounted for 94% of the total sell off by the promoters of STML out of their total sell off during the examination period.

5/10/2016 to 31/1/2017- period after the Bulk SMSs buy recommendations were given for the instant scrip

Impact of SMSs on the scrip:

11. As noted above, during the SMSs period, 39.3 lakh bulk SMSs were sent giving buy recommendations for the scrip of STML the impact of these SMSs on the trading of SMSs recipients is shown below:

Table 4: Impact of SMS on the trading in the scrip

Telecom Service Provider	SMSs date range	Period considered for volume	Total volume in the scrip	Buy Volume by first SMS recipients	Volume by first SMS recipients as a % of total volume
IDEA Cellular	Aug 30 to Sep 29, 2016	30/8/2016-30/10/2016	8,30,05,343	90,60,720	10.92%
Reliance	July 08 to Sep 02, 2016	8/7/2016-30/09/2016	11,81,53,840	24962619	21%
MTNL	24-28 July 2016	24/7/2016-31/08/2016	7,92,11,164	56,32,452	7%

12. The period when SMSs were sent has witnessed rise in volume in the scrip of STML. Based on tables 3 and 4 above, it is noted that the first SMS recipients contributed significantly to aforesaid increased volume in the scrip. It is possible that the first SMS recipients would have forwarded the SMSs received by them which could have induced onward recipients into buying the shares of STML. Further, it is observed that the initial impact of the SMSs, which were sent, was building of initial momentum in the trading in the scrip of STML as a result of which many unsuspecting investors would have been induced into trading in the scrip of STML because of the said momentum. Therefore, the actual percentage of buy volume by innocent investors could be much higher than what has been shown in table 4.

13. It is observed that during the SMSs period, the promoters and directors of STML had sold significant quantity of shares held by them. As already noted, the SMSs period accounted for 94% of the total sell off (2.01 crore shares out of 2.16 crore shares) by the promoters of STML out of their total sell off during the examination period. The trades by the Promoters/directors (named in the table below) are detailed as under:

Table 5: Trading by promoters and directors of STML

Period	Name*	Sum of Gross Buy Volume	Avg price buy	Sum of Gross Sell Volume	Avg. sell price	% sell off by value**
July 01, 2016 to	Sanjay Gupta (P)	-		10,000	7.94	
	Kajal Rai (D)	2,400	7.87	-		

Period	Name*	Sum of Gross Buy Volume	Avg price buy	Sum of Gross Sell Volume	Avg. sell price	% sell off by value**
July 07, 2016						
Total		2,400	7.87	10,000	7.94	0%
During SMSs period – i.e. July 08, 2016 to October 04, 2016	Goldleaf International Pvt. (P)	-		32,00,000	9.44	
	Ajay Gupta (P&D)	-		37,00,000	7.54	
	Sanjay Gupta (P)	-		50,19,183	7.67	
	Gautam Gupta (s/o Sanjay Gupta) (P&D)	3,53,527	9.21	34,29,392	10.49	
	Kajal Rai (D)	-		1,200	9.00	
	Bhavna Gupta (Ajay Gupta's relative) (P)	13,10,000	7.52	48,44,665	7.30	
Total		16,63,527	7.88	2,01,94,440	8.32	94%
October 05, 2016 to January 31, 2017	Shikha Gupta (w/o Ajay Gupta) (P)	-		13,55,200	7.83	
	Kajal Rai (D)	-		1,200	8.04	
Total		-		13,56,400	7.83	6%
Grand Total		16,65,927	7.88	2,15,60,840	8.29	

* P: Promoter; D: Director

** It is observed that 94% of the sell off by promoters happened during the SMSs period.

14. As noted above, SMSs relating to buy recommendations in the scrip of STML were sent using three Telecom Service Providers ("TSP") namely, Reliance Communications, MTNL and Idea Cellular. As a part of the preliminary examination SEBI found out the ultimate sender of SMSs / person at whose behest the SMSs were

sent using the services provided by Idea Cellular. SEBI also found the connection of these entities with the persons (including promoters / directors of STML) who traded in the scrip of STML during the examination period. The same is discussed in subsequent paragraphs. In case of SMSs sent through TSP - Reliance and TSP - MTNL, the connection of actual sender of SMS with promoters/directors of STML could not be established during the preliminary examination, and therefore, the same have not been considered for the purpose of this order.

EXAMINATION OF BULK SMSS SENT THROUGH TSP- IDEA CELLULAR

15. Through TSP - Idea Cellular, large number of SMSs were sent during the period Aug 30 to Sep 29, 2016. The contents of some of the SMSs sent via Idea Cellular are mentioned in the table below:

Table 6 – Sample SMSs

Content
INSIDER TRADING:BUY 53000 SUPREME TEXMART" NSE/BSE @ 9.75 TGS 15/21 SL 9 (DAILY UPPER CIRCUIT +5%)(NSE TOP GAINER) WWW.THECINRESEARCH.CO"
NSE TOP MULTI BEGER STOCK :- SUPREME TEXTILES" BUY BUY BSE/NSE CASH @10.20 TGS 17/22 SL 9.75 FROM :- CV RESEARCH"
STOCK CASH PREMIUM :- BUY SUPREME TEX" @10.10 TG 14 SL 10 "
NSE MONTH TOP GAINER :- BUY BUY 8700 SHARE OF SUPREME TEXTILES" @9.60 TGS 18/22 SL 9 (NOT A FAKE JUST FOR 35% STAKE BY RAYMAND LTD) http://goo.gl/CmeKkC "
CV PREMIUM STOCK CASH:- BUY 26600 SHARE OF SUPREME TEXTILES " @ 8.70 SL 8 TGT 14/20 WWW.CAPITALVIA.COM"
CV NSE PREMIUM STOCK CASH:- BUY 26600 SHARE OF SUPREME TEXTILES " @ 8.30 SL 8 TGT 14/20 WWW.CAPITALVIA.COM 8268151460"
NSE STOCK CASH:- BUY 18700 SHARE OF SUPREME TEXT MART" @ 6.20 SL 5 TGT 12 IN(4 OCTOBER) (UPSIDE :+5)(NSE TOP GAINER)"

16. It is observed that during the period August 30, 2016 to October 30, 2016, over 90.6 lakh shares of STML were bought by 2,303 unique entities after receiving the SMSs which were sent through TSP- Idea Cellular.

TRADES OF PROMOTERS/DIRECTORS OF STML WHEN SMSs THROUGH IDEA CELLULAR WERE BEING SENT

17. It was noted that during the period when SMSs were being sent through TSP – Idea Cellular, certain promoters/directors of STML sold heavily in the scrip of STML. The transactions of the promoters/directors who sold in the said period are detailed in the table below:

Table 7 – Trades of promoters / directors of STML after sending of SMSs via Idea Cellular

Period	Name	Gross Buy Volume	Buy Price	Gross Sell Volume	Sell Price
30/8/2016 - 4/10/2016	GOLDLEAF INTERNATIONAL PVT. LTD.(PROMOTER)			15,65,000	10.41
	SANJAY GUPTA (PROMOTER)			6,00,000	10.36
	GAUTAM GUPTA (PROMOTER AND DIRECTOR)	93,527	10.95	30,44,392	10.73
	Sub Total	93,527	10.95	52,09,392	10.59
5/10/2016 - 31/1/2017	SHIKHA GUPTA (PROMOTER)			13,55,200	7.83
	KAJAL RAI (DIRECTOR)			1,200	8.04
	Sub Total			13,56,400	7.83
Total		93,527	10.95	65,65,792	10.02

EXAMINATION OF FUND TRANSFERS TO ROUTESMS FOR SENDING THE BULK SMSs

18. Examination revealed that for the aforesaid SMSs were sent via Idea Cellular, using stylized ID IM-CINRES through RouteSMS Solutions Ltd. ("**RouteSMS**"), a messaging service provider. RouteSMS entered into a Messaging Services agreement with an

entity named “Future Fintrade” (represented by Mr. Preyesh Mehta) for providing service of sending SMSs using stylized ID CINRES. RouteSMS has confirmed that it is possible that multiple entities can send bulk SMSs using same sender ID. Sample SMSs sent by Future Fintrade via RouteSMS are mentioned in the table 6 above.

19. During the examination, it was confirmed by ICICI Bank and RouteSMS that the service fees received by it for sending bulk SMSs (via number stylized as *CINRES*) for Future Fintrade came from account number **657101502167** of ICICI Bank that belongs to one Mr. Mohsin. The agreement of sending SMSs was between RouteSMS and Future FinTrade, however the payment for the same was done by Mr. Mohsin .
20. KYC details of the person who was the point of contact on behalf of Future Fintrade for executing the contract with RouteSMS for sending bulk SMSs was sought from RouteSMS. RouteSMS did not provide the KYC details but it furnished contact number of Future Fintrade’s person as +919867996996, which was also incidentally the phone number of one Mr. Neeleshkumar Radheshyam Lahoti (“Mr. Lahoti”) when verified with his KYC available with his broker, Unity Fincap Pvt. Ltd.

a) Payments from Mr. Lahoti to Mr. Mohsin

21. It is noted that Mr. Lahoti had transferred Rs. 24 lakhs to Mr. Mohsin during July 11, 2016 to July 28, 2016 i.e. a month before SMSs were sent through TSP- Idea Cellular. The particulars are given in the table below:

Table 10 – Fund transfers from Mr. Lahoti to Mr. Mohsin

Date	Amount (INR)	Transfer
11.7.2016	5,00,000	Mr. Lahoti -> MR. MOHSIN
12.7.2016	2,00,000	Mr. Lahoti -> MR. MOHSIN
18.7.2016	1,00,000	Mr. Lahoti -> MR. MOHSIN
25.7.2016	2,00,000	Mr. Lahoti -> MR. MOHSIN
26.7.2016	2,00,000	Mr. Lahoti -> MR. MOHSIN
27.7.2016	2,00,000	Mr. Lahoti -> MR. MOHSIN
28.7.2016	10,00,000	Mr. Lahoti -> MR. MOHSIN
TOTAL	24,00,000	

b) Payments from joint account of STML to Mr. Lahoti

22. During the period July 01, 2016 to Aug 23, 2016, there were fund transfers between joint account of STML (having account number 0534200012981 with UCO bank) and Mr. Lahoti (having account number 123201501001 with ICICI bank). The particulars are as under:

Table 8 – Transfer of funds between joint account of STML and Mr. Lahoti

Date	Amount	From->To
28.7.2016	15 lakh	STML -> Mr. Lahoti
28.07.2016	10 lakh	STML -> Mr. Lahoti
03.08.2016	25 lakh	STML -> Mr. Lahoti
22.08.2016*	25 lakh	STML -> Mr. Lahoti
22.08.2016*	25 lakh	Mr. Lahoti -> STML
TOTAL	50 lakhs	STML->Mr. Lahoti

*Last 2 transactions did not go through, as confirmed by UCO Bank (sending bank) as under:

“The subject RTGS was rejected (S25927568) with the reason 'Account Frozen' on the same day and amount was credited back in the account of M/s Supreme Tex Mart (Account no. 053402100012981)”.

23. The aforesaid UCO Bank account (having account number 0534200012981) of STML was joint account of :

- a) STML (Primary account holder),
- b) Ram Lal Gupta (Joint holder 1),
- c) Sanjay Gupta (Joint holder 2) (Promoter of STML) and
- d) Ajay Gupta (Joint holder 3) (Promoter and Director of STML)

24. The promoters/directors of STML who sold shares of STML when the SMSs using TSP-Idea Cellular were being sent namely, Goldleaf International Pvt. Ltd., Mr. Sanjay Gupta, Mr. Gautam Gupta, Ms. Shikha Gupta and Ms. Kajal Rai along with the joint holders of account of STML which was used for making fund transfers as discussed hereinabove (i.e. Mr. Ram Lal Gupta, Mr. Sanjay Gupta and Mr. Ajay Gupta) shall hereinafter collectively be referred to as **“identified entities”**.

c) Payments from STML's joint account to Mr. Mohsin and onward to RouteSMS

25. Via aforesaid STML's joint account bearing number 0534200012981 with UCO bank, the following was transferred:

- i. Rs 65 lakh to Mr. Mohsin (account number 657101502167) in tranches shown in following table during period June to Nov 2016
- ii. As seen in the table below and based on the sequence of fund transfers, Mr. Mohsin, in turn, transferred funds to RouteSMS.

Table 9 – Fund transfers : STML → Mr. Mohsin → RouteSMS

Date	Amount (INR)	Transfer
23.8.2016	25,00,000	STML -> MR. MOHSIN
24.8.2016	51,000	MR. MOHSIN -> ROUTESMS
25.8.2016	30,000	MR. MOHSIN -> ROUTESMS
26.8.2016	1,72,500	MR. MOHSIN -> ROUTESMS
29.8.2016	1,00,000	MR. MOHSIN -> ROUTESMS
29.8.2016	2,50,001	MR. MOHSIN -> ROUTESMS
30.8.2016	2,00,001	MR. MOHSIN -> ROUTESMS
31.08.2016	15,00,000	STML -> MR. MOHSIN
31.8.2016	4,00,002	MR. MOHSIN -> ROUTESMS
3.9.2016	25,00,000	STML -> MR. MOHSIN
5.9.2016	1,50,001	MR. MOHSIN -> ROUTESMS
6.9.2016	1,40,000	MR. MOHSIN -> ROUTESMS
6.9.2016	3,00,000	MR. MOHSIN -> ROUTESMS
14.9.2016	1,00,000	MR. MOHSIN -> ROUTESMS
15.9.2016	1,00,005	MR. MOHSIN -> ROUTESMS
20.9.2016	60,000	MR. MOHSIN -> ROUTESMS
28.9.2016	4,00,000	MR. MOHSIN -> ROUTESMS
TOTAL	65,00,000	STML-> MR. MOHSIN
TOTAL	24,53,510	MR. MOHSIN -> ROUTESMS
CASH	3,00,000	MR. MOHSIN -> ROUTESMS

- iii. It is noted that fund transfers from the joint account of STML to Mr. Mohsin started as soon as the fund transfer from the joint account of STML to Mr. Lahoti was unsuccessful i.e. August 22, 2016.

- iv. It *prima facie* appears that the funds transferred by the joint account of STML to Mr. Mohsin were for the payment to RouteSMS for the purpose of sending bulk SMSs.

d) Payments received by RouteSMS

26. The payment to RouteSMS was made by Mr. Mohsin on behalf of Future Fintrade (through bank account transfers). It was also observed that RouteSMS received funds through direct cash deposits from Future Fintrade, even though the source of the same could not be traced.

27. The Amount received by RouteSMS (a/c no 038805001508 held with ICICI Bank) (total of Rs 27.54 lakhs from August 24, 2016 to Sept. 30, 2016 i.e. Rs 24.54 lacs through bank transfer and Rs 3 lacs in cash) is detailed in following transactions.

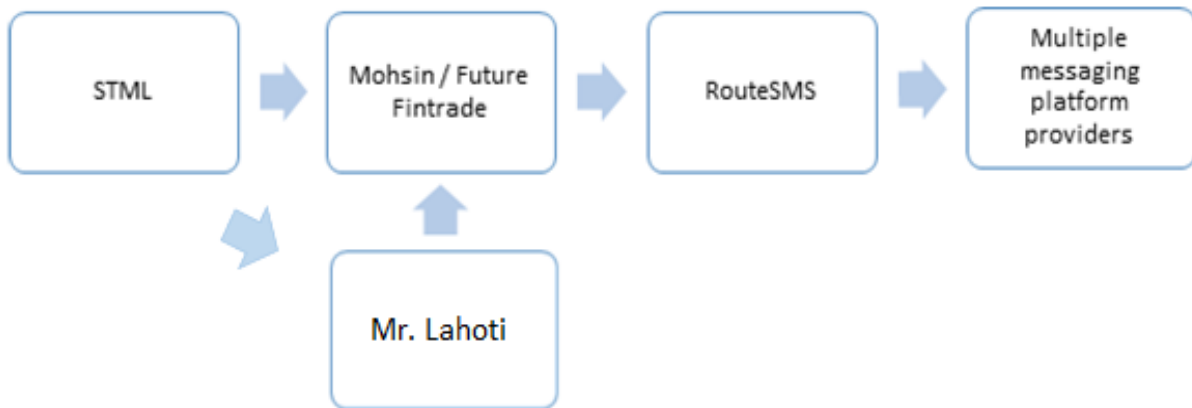
Table 11 – Funds received by RouteSMS

Transaction ID	Value Date	Transaction Amount(INR)	Received from a/c no.	Basis
S52237294	24-08-2016	51,000	657101502167	ICICI Bank mentions that these funds were received by RouteSMS from Mr. Mohsin
S56247750	25-08-2016	30,000	657101502167	
S59214036	26-08-2016	1,72,500	657101502167	
S63808141	27-08-2016	1,00,000	657101502167	
S67543412	29-08-2016	2,50,001	657101502167	
S72100494	30-08-2016	2,00,001	657101502167	
S78953207	31-08-2016	4,00,002	657101502167	Bank statement of Mr. Mohsin
S2679057	05-09-2016	1,50,001	657101502167	

Transaction ID	Value Date	Transaction Amount(INR)	Received from a/c no.	Basis
S4803441	06-09-2016	1,40,000	657101502167	
S8106059	06-09-2016	3,00,000	657101502167	
S37311949	14-09-2016	1,00,000	657101502167	
S41399784	15-09-2016	1,00,005	657101502167	
S59689263	20-09-2016	60,000	657101502167	
S86689043	28-09-2016	4,00,000	657101502167	
	Sub-total	24,53,510		
S92906389	29-09-2016	96,000	Cash transactions.(Cash deposited in the account of RouteSMS through Cash Deposit Machine)	
S92922160	29-09-2016	46,000		
S93647010	29-09-2016	97,000		
S93666052	29-09-2016	50,000		
M3340743	30-09-2016	11,000		
	Sub-total	3,00,000		
	Total	27,53,510		

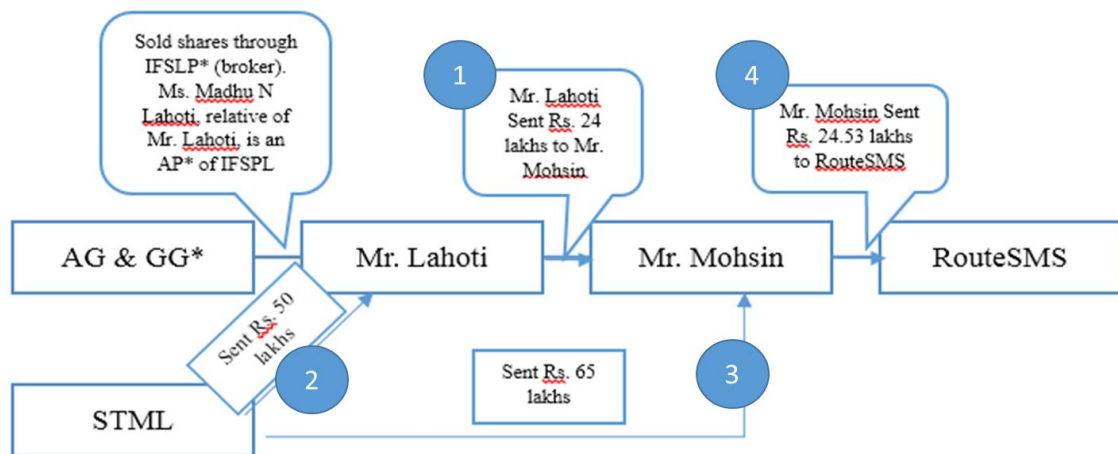
Fund flow details:

28. STML and Mr. Lahoti had fund transactions and both paid Mr. Mohsin, *prima facie*, for sending SMSs. Mr. Mohsin paid to RouteSMS on behalf of Future Fintrade, as confirmed by RouteSMS and ICICI Bank. SMSs were sent through RouteSMS using stylized Sender ID as CINRES which contained BUY recommendations for the scrip STML and other scrips. Following chart shows the fund trail between the entities.



Connection of Mr. Lahoti and Mr. Mohsin with *identified entities*

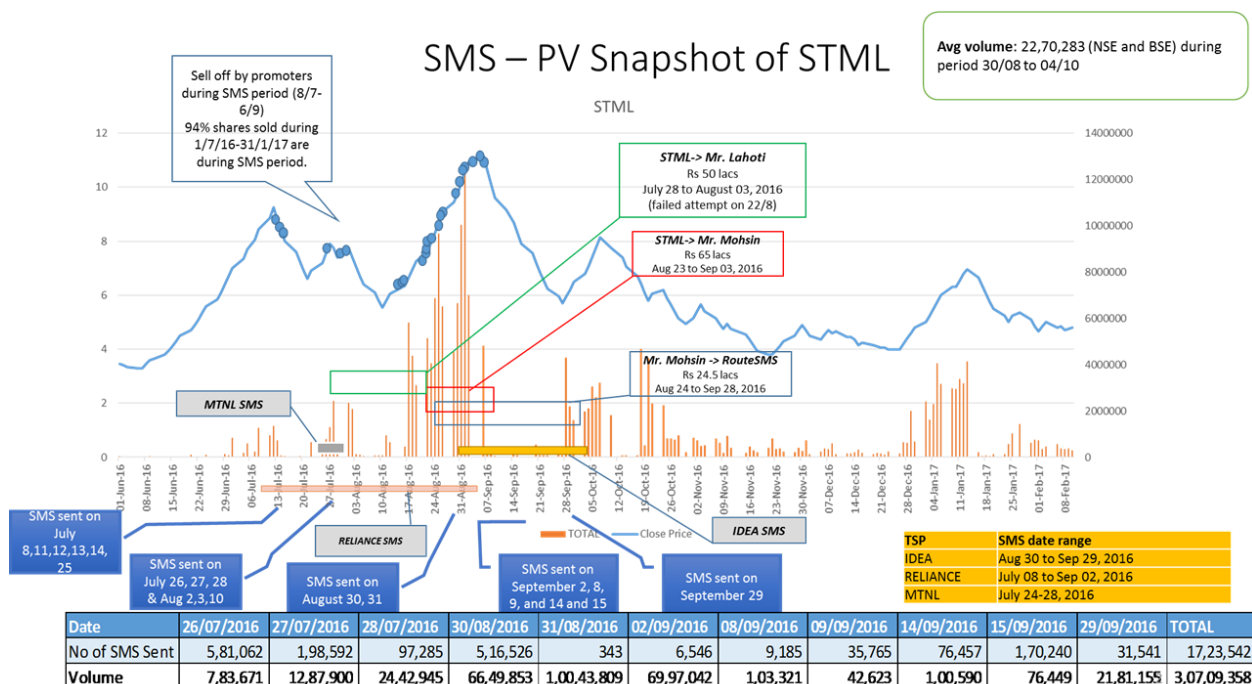
29. It was noted that one of the relatives of Mr. Neeleshkumar Lahoti i.e. Ms. Madhu Neeleshkumar Lahoti (having common address), was the Authorized person of Investeria Financial Services Ltd. i.e. the broker through whom the promoters and directors of STML i.e. Ajay Gupta and Gautam Gupta have traded in STML. A pictorial representation of the flow of funds from joint account of STML to Mr. Lahoti and Mr. Mohsin and subsequently to RouteSMS is shown below:



*AG - Mr. Ajay Gupta and GG - Mr. Gautam Gupta, both being promoters of STML
 IFSLP: Investeria Financial Services Pvt. Ltd (IFSLP)
 AP: Authorized Person

1-4 depicts the sequence of the transaction from joint account of STML to RouteSMS.

30. Snapshot of timelines for sending SMSs and payment schedule from company to actual SMS sender is depicted below:



Trades by Mr. Lahoti

31. During the examination period, of all his buy trades across all scrips, Mr. Lahoti's, transaction in STML accounted for 48.13% by value and of all his sell trades across all the scrips, Mr. Lahoti's transactions in STML accounted for 49.43% by value. Mr. Lahoti's trades in the scrip of STML are as under:

Table 12 – Trades of Mr. Lahoti

Date	Gross Buy Volume	Buy Price	Gross Sell Volume	Sell Price	SMSs Sent*
1/7/2017-29/8/2017	40,81,160	7.47	41,66,886	7.71	
30/08/2016	2,50,000	9.70	-	-	
30/08/2016					8,17,258

Date	Gross Buy Volume	Buy Price	Gross Sell Volume	Sell Price	SMSs Sent*
31/08/2016	-	-	2,50,000	10.20	
31/08/2016					2,35,095
01/09/2016	2,50,000	10.59	82,424	10.63	
02/09/2016	4,50,000	10.89	4,00,000	10.95	
06/09/2016	1,01,193	11.10	1,01,193	11.10	
08/09/2016					27,993
09/09/2016					99,760
14/09/2016					2,27,400
14/09/2016	-	-	67,137	8.70	
15/09/2016					4,03,355
28/09/2016	3,050	5.22	-	-	
28/09/2016	1,50,000	5.45	-	-	
29/09/2016					3,59,853
29/09/2016	-	-	3,03,000	6.20	
30/09/2016	23,015	6.32	-	-	
30/09/2016	1,50,000	6.45	-	-	
03/10/2016	54,105	6.70	1,70,000	6.80	
04/10/2016	-	-	55,000	7.10	
05/10/2016	-	-	2,688	7.40	
02/01/2017	9,50,000	5.00	5,50,000	5.00	
05/01/2017	-		2,00,000	5.77	
05/01/2017	2,00,000	5.75	4,00,000	5.75	
06/01/2017	3,00,000	6.00	-		
11/01/2017	-		1,70,000	6.54	

Date	Gross Buy Volume	Buy Price	Gross Sell Volume	Sell Price	SMSs Sent*
11/01/2017	-		1,30,000	6.54	
July 01, 2016 to Jan 31, 2017	69,62,523	7.41	70,48,328	7.55	21,70,714

* SMSs information provided by RouteSMS

32. Based on the fund transfers and aforesaid trades, it *prima facie* appears that, in addition to channelizing funds from STML to RouteSMS, Mr. Lahoti was also instrumental in pumping up volume in the scrip of STML.

33. From the above discussed facts and circumstances, the following sequence of events is observed:

- a) Prior to sending of SMSs, there was fund transfer of Rs 50 lakhs from joint account of STML with promoters/directors of STML to Mr. Lahoti (between July 28, 2016 to August 3, 2016)
- b) It is also noted that Mr. Lahoti had transferred Rs. 24 lakhs to Mr. Mohsin, a month before SMSs were sent i.e. from July 11, 2016 to July 28, 2016.
- c) On August 22, 2016, an attempt was made by holders of joint account of STML to transfer Rs 25 lakhs to Mr. Lahoti, however, Mr. Lahoti's account was frozen on August 22, 2016. Subsequently, the very next day, an exact amount of Rs. 25 lakhs was transferred from the joint account of STML to Mr. Mohsin.
- d) Subsequently, there were more payments from joint account of STML and promoters/directors of STML to Mr. Mohsin totaling to Rs 65 lakhs during August 23, 2016 to September 03, 2016.
- e) Meanwhile, during the period August 24, 2016 to September 28, 2016, as soon as Mr. Mohsin got funds from the joint account of STML, within next few days he transferred funds to RouteSMS towards payment for dissemination of bulk SMSs. In total, Mr. Mohsin transferred Rs. 24.53 lakhs to RouteSMS.
- f) During the period 30/8/2016 - 4/10/2016 (i.e. when SMSs were being sent through Idea Cellular) , Goldleaf International Pvt. Ltd., Mr. Sanjay Gupta and Mr. Gautam Gupta sold 52,09,392 shares of STML.
- g) During 5/10/2016 - 31/1/2017 (i.e. the period immediately after the bulk SMSs were sent), Ms. Shikha Gupta and Mr. Kajal Rai sold 13,56,400 shares of STML.

34. Considering the above, I *prima facie* observe that the identified entities caused the SMSs (containing buy recommendations in the scrip of STML) to be sent to public at large, in collusion with Mr. Lahoti and Mr. Mohsin, who channelized funds to RouteSMS on behalf of Future Fintrade. It was observed that Future Fintrade entered into the agreement with RouteSMS for the purpose of sending bulk SMSs, however, payments to RouteSMS were made predominantly by Mr. Mohsin, who in turn received funds, either directly from joint account of STML, or indirectly (apparently through Mr. Lahoti). It was also observed that in the agreement between RouteSMS and Future Fintrade, the contact number given was that of Mr. Lahoti, which *prima facie* shows that Future Fintrade was merely a front entity used by Mr. Lahoti. The identified entities were found to be connected with Mr. Lahoti and Mr. Mohsin as there were direct fund transfers from the joint account of STML (operated by Mr. Ram Lal Gupta, Mr. Sanjay Gupta and Mr. Ajay Gupta) to Mr. Lahoti and Mr. Mohsin. Mr. Lahoti, himself, also traded heavily in the scrip of STML during the period when SMSs were being sent through TSP- Idea Cellular.
35. From the above facts and circumstances, I *prima facie* observe that there was a nexus amongst the *identified entities*, Mr. Lahoti, Future Fintrade and Mr. Mohsin. The following was observed in respect of the role played by the aforementioned entities in the *modus operandi* discussed hereinabove:
- a) The account of STML which was used to fund the sending of bulk SMSs was jointly held by Mr. Ram Lal Gupta, Mr. Sanjay Gupta and Mr. Ajay Gupta.
 - b) Ms. Shikha Gupta (wife of Mr. Ajay Gupta), Mr. Gautam Gupta (son of Mr. Sanjay Gupta) and Goldleaf International Pvt. Ltd. (whose directors were Mr. Gautam Gupta and Mr. Ajay Gupta) along with Mr. Sanjay Gupta and Mr. Ajay Gupta are the promoters of STML.
 - c) Further, Mr. Gautam Gupta, Ms. Kajal Rai and Mr. Ajay Gupta are the directors of STML.
 - d) During and after the period when SMSs were sent through TSP – Idea Cellular, Goldleaf International Pvt. Ltd., Mr. Sanjay Gupta, Mr. Gautam Gupta, Ms. Shikha Gupta and Ms. Kajal Rai offloaded a significant part of their shareholding in STML.
 - e) Mr. Lahoti and Mr. Mohsin channelized the funds from STML to RouteSMS for the purpose of sending bulk SMSs. Mr. Lahoti also bought and sold shares of STML during the examination period thereby pumping up the volume in the scrip of STML.

- f) Future Fintrade was used as a front entity by Mr. Lahoti for entering into agreement with RouteSMS for sending bulk SMSs and channelizing fund transfer from STML to RouteSMS. Mr. Preyesh Mehta represented Future Fintrade to RouteSMS.

36. It is noted that STML had been a loss making company and Company's accumulated losses had exceeded its entire net worth as on 31.03.2015 and it had become a Sick Industrial Company in accordance with the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 as stated in its annual report for FY 2014-15. Thus, *prima facie*, the *modus operandi* of alluring innocent investors through fake SMSs recommending purchase of shares of STML was deployed by the *identified entities* along with Mr. Lahoti, Future Fintrade (represented by Mr. Preyesh Mehta) and Mr. Mohsin to pump up the volume in the scrip of STML and attract innocent investors with an ultimate goal of offloading the shareholding of promoters/directors of STML who eventually sold a substantial portion of their shareholding in STML.
37. The fund flow and sell off of promoters/directors *prima facie* shows that the *identified entities* engaged in a premeditated, manipulative practice of indirectly sending SMSs recommending "BUY" for STML, and selling during the period when volumes in the scrip of STML increased as a result of the SMSs. It is noted that during July 2016 to September 2016, the promoters / directors of STML offloaded more than 27% shares of STML adopting the above mentioned *modus operandi*. All the promoters / directors of STML collectively, are currently holding 30.24 % of the shares of STML and there is a likelihood that the same *modus operandi* may be repeated by the promoters/directors to further offload their shareholding at the cost of innocent investors in an illegitimate manner. Hence, in my view, there is a need to take immediate action in the matter to prevent the recurrence of such practice.
38. I note that the aforesaid entities have made/caused to be made known misrepresentations by making unrealistic claims and representations in reckless and careless manner in their SMSs. By their acts and omissions they have solicited, enticed and induced investors to deal in securities on the basis of their investment advices, stock trade tips, etc. and as discussed above, certain promoters/directors sold their shares when the volumes in the scrip of STML increased as a result of SMSs. In my view the *modus operandi* of *identified entities* along with Mr. Lahoti, Future Fintrade and Mr. Mohsin indicates a scheme, plan, device, artifice or contrivance that is, *prima facie* 'fraudulent' as defined in regulation 2(1)(c) of the SEBI

(Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (“PFUTP Regulations”) which reads as under:-

Regulation 2(1)(c).

“fraud” includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

(1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;

(2) a suggestion as to a fact which is not true by one who does not believe it to be true;

(3) an active concealment of a fact by a person having knowledge or belief of the fact;

(4) a promise made without any intention of performing it;

(5) a representation made in a reckless and careless manner whether it be true or false;

(6) any such act or omission as any other law specifically declares to be fraudulent;

(7) deceptive behaviour by a person depriving another of informed consent or full participation;

(8) a false statement made without reasonable ground for believing it to be true;

(9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price. And “fraudulent” shall be construed accordingly;

.....”

39. In light of the aforesaid observations, it is *prima facie* established that *identified entities* along with Future Fintrade, Mr. Lahoti and Mr. Mohsin have acted in fraudulent and deceitful manner which attracts prohibitions enshrined in section 12A (a) (b) and (c) of the SEBI Act and regulation 3 (a), (b), (c) and (d) and regulation 4(1) and 4(2) (f) and (r) of the PFUTP Regulations.

40. In addition to the above, it is noted that *Future Fintrade* (who sent bulk SMSs through RouteSMS), is not registered with SEBI as an investment advisor or as a research analyst. The characteristics and features of the role played by *Future Fintrade* as

discussed in the preceding paragraphs, *prima facie*, leads to the conclusion that *Future Fintrade* had acted as a research analyst as defined in Regulation 2(u) of SEBI (Research Analysts) Regulations, 2014. I am, therefore, convinced that *prima facie* *Future Fintrade* has violated the provisions of section 12(1) of SEBI Act read with Regulation 3(1) of SEBI (Research Analysts) Regulations, 2014.

41. The relevant sections and regulations are reproduced as under: -

Section 12(1) of the SEBI Act

"No stock broker, sub-broker, share transfer agent, banker to an issue, trustee of trust deed, registrar to an issue, merchant banker, underwriter, portfolio manager, investment adviser and such other intermediary who may be associated with securities market shall buy, sell or deal in securities except under, and in accordance with, the conditions of a certificate of registration obtained from the Board in accordance with the regulations made under this Act:"

Section 12A of the SEBI Act- "Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

"12A. No person shall directly or indirectly—

(a) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made there under;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;"

Regulations 3 and 4 of PFUTP Regulations

"3. Prohibition of certain dealings in securities No person shall directly or indirectly— (a) buy, sell or otherwise deal in securities in a fraudulent manner; (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under; (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange; (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under."

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

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

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

.....
(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

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

Regulation 3(1) of the SEBI (Research Analysts) Regulations, 2014

"On and from the commencement of these regulations, no person shall act as a research analyst or research entity or hold itself out as a research analyst unless he has obtained a certificate of registration from the Board under these regulations:..."

42. In view of the aforesaid *prima facie* findings, it is felt necessary to intervene in this matter to safeguard the interest of the investors and protect the integrity of the securities market. I am convinced that this is also a case where, pending investigation/detailed inquiry, effective and expeditious action is required to be taken to prevent any further harm to investors and to send a stern message to prevent any person from indulging in acts of omissions and commissions as observed in this case.
43. In view of the foregoing and in order to protect the interest of the investors and the integrity of the securities market, I, in exercise of the powers conferred upon me by sections 11(1), 11(4), 11B and 11D read with section 19 of the SEBI Act, 1992, pending investigation in the matter, hereby direct that Goldleaf International Pvt. Ltd., Mr. Sanjay Gupta, Mr. Gautam Gupta, Ms. Shikha Gupta, Ms. Kajal Rai, Mr. Ram Lal Gupta, Mr. Ajay Gupta, Mr. Neeleshkumar Radheshyam Lahoti, Future Fintrade and Mr. Mohsin are:
- a) prohibited from buying, selling or dealing in securities, directly or indirectly, in any manner whatsoever, till further directions;
 - b) directed to cease and desist from disseminating messages or news in any form related to the securities market, directly or indirectly, by any means whatsoever.
44. The findings in this order have been rendered on the basis of the *prima facie* material available at this stage. However, detailed examination needs to be undertaken to unearth the entire extent of violations.
45. The entities against whom this order is being passed, may file their objections/replies, if any, within thirty (30) days from the date of this Order and, if they so desire, avail themselves of an opportunity of personal hearing before the Securities and Exchange Board of India, on a date and time to be fixed on a specific request, received from them in writing. In the event the said entities fail to file their objections/ replies or to request for an opportunity of personal hearing within the said 30 days, the preliminary findings of this Order and *ad-interim* directions shall stand confirmed against them automatically, without any further orders.
46. This order is without prejudice to any enforcement action that SEBI may deem necessary against the entities in the matter.

47. This interim order shall come into force with immediate effect and shall be in force until further orders. The Stock exchanges and Depositories are directed to ensure that all the above directions are strictly enforced.

Sd/-

DATE: November 1, 2017

PLACE: MUMBAI

**MADHABI PURI BUCH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**