

WTM/ AB / EFD-I / DRA-I /38/ 2019-20

SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: ANANTA BARUA, WHOLE TIME MEMBER
ORDER

Under Sections 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 in the matter of Trading in the Shares of Sunteck Realty Limited

Noticee no.	Name of the Noticee	PAN
1.	Shri Chiranjilal Jayram Vyas	ADGPV0696L
2.	Shri More Namdeo H.	AHZPM5440L
3.	Shri Deendayal Bohara	AAEPB4676P
4.	Shri Kishorilal Amrutlal Bissa	AGOPB2274M
5.	Shri Jitendra Harivansh Joshi	ADLPJ6593K
6.	Shripal Shares and Securities Limited	AAECS9253L
7.	Shri Kishore B. Giri	ALPPG4999L

The aforesaid entities are hereinafter referred to individually, by their respective names/ Noticee numbers and collectively as “the Noticees”

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1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) issued show cause notice dated May 19, 2009 (hereinafter referred to as “**SCN**”) to Shri Chiranjilal Jayram Vyas (hereinafter referred to as “**Shri Chiranjilal/ Noticee no. 1**”), Shri More Namdeo H. (hereinafter referred to as “**Shri Namdeo/ Noticee no. 2**”), Shri Deendayal Bohara (hereinafter referred to as “**Shri Deendayal/ Noticee no. 3**”), Shri Kishorilal Amrutlal Bissa (hereinafter referred to as “**Shri Kishorilal/ Noticee no. 4**”), Shri Jitendra Harivansh Joshi (hereinafter referred to as “**Shri Jitendra/ Noticee no. 5**”), M/s Shripal Shares and Securities Limited (hereinafter referred to as “**Shripal Shares/ Noticee no. 6**”) and Shri Kishore B. Giri (hereinafter referred to as “**Shri Kishore/ Noticee no. 7**”) under Sections 11(4) and 11B of the SEBI Act, 1992 (hereinafter referred to as “**SEBI Act**”). The SCN alleged that the Noticees who were

connected to each other had carried out circular trading amongst themselves in the scrip of Sunteck Realty Limited (earlier known as Insul Electronics Limited) (hereinafter referred to as “**Sunteck**” or “**the Company**” or “**SRL**”) to create artificial volumes and influence the price of the scrip thereby violating Section 12A (a), (b) and (c) of the SEBI Act, 1992 and Regulation 3(a), (b), (c) and (d), 4(1) and 4(2) (a) and (b) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003 (hereinafter referred to as “**PFUTP Regulations**”). Accordingly, the SCN called upon the Noticees to show cause as to why suitable directions under Sections 11B and 11(4) of the SEBI Act including restraining them from accessing the capital market and prohibiting them from buying, selling or dealing in the securities in any manner whatsoever for a particular period should not be issued against them.

2. The SCN alleged that during the period from February 2007 to July 2008 (hereinafter referred to as “**investigation period**”), the Noticees carried out circular trades in the following manner: the Noticees were transferring shares off-market amongst themselves as well as to a large number of other entities (hereinafter referred to as “**transferees**”). These transferees were then selling those shares on the Bombay Stock Exchange (hereinafter “**BSE**”), which were being purchased back by the Noticees themselves. The SCN further alleged that due to such circular trading the price of the scrip rose from Rs. 494.05 on April 02, 2007 to Rs. 1,957.10 on November 21, 2007 and closing at Rs.1,725.00 on December 31, 2007. Subsequently, during the period from January 01, 2008 to July 31, 2008 the price of the scrip declined by only 20% which was less than the sharp decline in other Indian real estate stocks. The SCN alleged that due to the circular trading carried out by the Noticees the scrip, price declined less than other Indian real estate stocks.
3. The following documents were enclosed as annexures to the SCN.

Table A: Annexures to SCN	
Annexure	Particulars

1.	Off market transfers between Noticees between June to October 2007
2.	Price Movement of the Scrip
3.	Diagrammatic representation of circular trading of Mr. Namdeo Harishchandra More
4.	Extract of bank account of the particular Noticee was provided in case of Shri Kishore , Shri Deendayal, Shri Chiranjilal and Shri Namdeo
5.	Profit Calculation of the particular Noticee was provided in case of Shri Kishorilal Bissa , Shri Kishore, Shri Deendayal, Shri Chiranjilal and Shri Namdeo

Replies and Personal Hearing:

4. As no reply was received from the Noticees within the time period of 15 days from the receipt of the SCN, the matter was proceeded further and an opportunity of personal hearing was granted to the Noticees on June 20, 2013. The Noticees had asked for adjournment vide letters received on June 20, 2013 and the next date of hearing on June 23, 2013 was granted to them. On the said date, none of the Noticees appeared for the hearing. The Noticees (except Shri More Namdeo H.) vide respective letters all dated July 05, 2013, sought copies of certain documents. An opportunity of inspection of documents was provided to the Noticees on November 04, 2015. However, none of the Noticees attended the same. Vide respective letters dated January 12, 2016 the following documents were provided to the Authorized Representative (hereafter referred to as “AR”) of the Noticees, in line with the documents sought by them:

Table B: Further documents provided vide letters dated January 12, 2016	
Annexure	Particulars
For Shri Chiranjilal Vyas	

1.	Complete Order Log and Trade Log in the scrip of Sunteck Realty Ltd. for the investigation period
2.	Details of KYC
3.	Details of bank account statements for the period starting from February 2007 to July 2008
4.	Corrected version of Annexure 1
5.	Clarification with regard to figures suggesting unjust enrichment arrived at
For Shri Deendayal Bohara	
6.	Complete Order Log and Trade Log in the scrip of Sunteck Realty Ltd. for the investigation period
7.	Details of bank account statements for the period starting from February 2007 to July 2008
8.	Details of call data records
9.	Corrected version of Annexure 1
10.	Clarification with regard to figures suggesting unjust enrichment arrived at in Annexure 5
For Kishore B. Giri	
11.	Copies of all the Annexure to the show cause notice dated May 19, 2009
For Jitendra Joshi	
12.	Complete Order Log and Trade Log in the scrip of Sunteck Realty Ltd. for the investigation period
13.	Details of bank account statements for the period starting from February 2007 to July 2008
14.	Corrected version of Annexure 1
15.	Details of call data records
For Shripal Shares and Securities Ltd.	
16.	Complete Order Log and Trade Log in the scrip of Sunteck Realty Ltd. for the investigation period

17.	Details of bank account statements for the period starting from February 2007 to July 2008
18.	Corrected version of Annexure 1
For Kishorilal Amrutlal Bissa	
19.	Complete Order Log and Trade Log in the scrip of Sunteck Realty Ltd. for the investigation period-
20.	Details of bank account statements for the period starting from February 2007 to July 2008
21.	Details of call data records
22.	Corrected version of Annexure 1-
23.	Clarification with regard to figures suggesting unjust enrichment arrived at in Annexure 5

5. These letters dated January 12, 2016 were delivered to all Noticees except Noticee nos. 1 and 4, i.e. Shri Chiranjilal and Shri Kishorilal. Thereafter, opportunities of personal hearing was granted to the Noticees on January 15, 2016 and April 01, 2016. The hearing notices were delivered to Noticee no. 3 i.e. Shri Deendayal, Noticee no. 5 i.e. Shri Jitendra, Noticee no. 6 i.e. Shripal Shares and Noticee no. 7 i.e. Shri Kishore by hand delivery and to the other Noticees by affixture at the last known address. None of the Noticees appeared for the hearing on the said dates and Noticees nos. 3, 5, 6 and 7 requested for an adjournment on the ground of non-availability of their counsel on both these dates. The hearing notices with respect to Noticee No.2, Shri Namdeo and Noticee No. 4, Shri Kishorilal were affixed at their last known address but no response was received from them.
6. In the meantime, all the Noticees submitted replies dated May 04, 2016, which were taken on record. An opportunity of hearing was granted to the Noticees on December 17, 2018. The hearing notice communicating the date of hearing was duly served on Noticee nos. 3 to 7 by post and on Noticee nos. 1 and 2, by publication in newspaper.

7. SEBI received letters dated December 18, 2018 and January 08, 2019 from Noticee nos. 1 (Shri Chiranjilal), 3 (Shri Deendayal), 4 (Shri Kishorilal), 5 (Shri Jitendra) and 6 (Shripal Shares) seeking copies of complete trade log and order log in the scrip of SRL for the investigation period and requesting for an adjournment of the date of hearing. The information was provided to the Noticee nos. 1, 4, 5 and 6 in a Compact Disc (hereinafter referred to as “CD”) vide letter dated January 11, 2019 and to Noticee no. 3, Shri Deendayal vide letter dated January 23, 2019. These Noticees were also given another opportunity of hearing on March 01, 2019 (for Shri Chiranjilal Jayram Vyas) and on March 12, 2019 (for the remaining entities). The hearing notice was served through Hand Delivery to Noticee no. 3, 4, 5 and 6 and newspaper publication to Noticee no.1. However, the said Noticees failed to appear before me. Thereafter, final opportunity of hearing was granted to all the Noticees on September 18, 2019. However, the Noticees again failed to appear. Vide letters dated September 14, 2019, Noticee Nos. 3, 4, 5 and 6 submitted that certain details were not available in the copy of the trade log and order log provided to them and they requested for another opportunity of hearing. It was noted that the details sought by these Noticees were already available in the copy of the order log and trade log available with the Noticees and in view of the fact that six opportunities of hearing has been provided to the Noticees, no further opportunity of hearing was provided to the Noticees.
8. In the replies dated May 04, 2016 all the Noticees have made submissions on similar lines which *inter alia* are as follows:
 - i) The SCN is vague and based on conjectures. The SCN fails to even show a single instance wherein the Noticees have entered into a structured, circular or synchronised trade with any of the other entities. The SCN and the annexures provided along with it do not provide details like counter party name, order quantity, trade quantity, order price, trade price, and order time, trade time. Therefore, the SCN is not tenable. The Noticees have cited various case law in support of its submission.

- ii) The SCN has levelled an allegation against the Noticees of executing circular, reverse and synchronized trades but has failed to provide any evidence to substantiate how any attempt was made to manipulate the price and volume of the scrip by the Noticees.
- iii) The SCN levels a charge of price rise without any basis. It fails to show a single instance wherein trades were above or below LTP or have set a new high or new low price on any given day. The SCN at no place even mentions the positive contribution made by the Noticees to the price rise.
- iv) The order log trade log provided to the Noticees are incomplete and do not contain client details (name, code, etc.). Therefore, the Noticees cannot substantiate their trading based on incomplete data.
- v) The Noticees have been linked on the basis of call data records but such records can only prove that the Noticees knew each other and not that they were acting as an alleged group. The Noticees know each other but fund transfers within the Noticees was in normal course of business, no adverse conclusion can be drawn based on the same.
- vi) There was no prior understanding between the Noticees, no agreement to defy the law or to carry out any illegal object, and no evidence of connection of the Noticees to the alleged manipulative scheme. Therefore, the charge of collusion is not established.
- vii) Apart from the Noticees, there are several persons/ entities enlisted in the SCN which have been a part of the alleged scheme (transfers/ transferees of shares and counterparties on exchange of the Noticees), but there is no averment of any allegation with respect to them and/ or any relation/connection with them.
- viii) In the exchange oriented platform the buyer and seller do not come face to face and thus none of the parties have any means to know the counter party to a particular transaction. As far as the allegation of matching of trades/circular trading is concerned the Noticees were one of the few buyers among various others and the sellers and also constituted a majority, thus it is impossible to think of a scenario where a few trades won't match with each other.

- ix) The alleged circular trades carried out by the Noticees (individually) on exchange only constitutes a small percentage of the total volume of the Company during the Investigation Period.
- x) The SCN merely states the number of shares traded by a particular person/entity, however it does not mention the details of the price and time of such trades which are not only imperative to level a charge of fraud but also necessary to enable the Noticees to reply to the allegations made in the SCN.

Consideration of Issues and findings

- 9. Before going into the merits of the matter, I note that the Noticees in their replies dated May 04, 2016 have sought the following documents:
 - i) Copy of complete order log and trade log for the relevant period;
 - ii) Statement of the other Noticees taken and relied upon;
 - iii) The complete investigation report based on which the SCN is issued;
 - iv) Details as to how the Noticees' trades on the exchange were attributable to price and volume creation; and
 - v) Any material to show connection between the Noticees.
- 10. In this regard, I note that the Noticees were provided an opportunity for inspection of documents on November 04, 2015. However, none of the Noticees attended the same. The trade log and order logs have been provided to the Noticees vide letters dated January 12, 2016, January 11, 2019 and January 23, 2019. It is observed that the trade logs provided to the Noticees mention the names of the clients, contrary to the submissions of Noticees 3, 4, 5 and 6. I also note that no statement of any of the Noticees are available on record. Further, the material regarding connection between the Noticees have also been provided and the relevant portion of the Investigation Report has been reproduced in the SCN. Therefore, I find that the documents relied on in the SCN have been provided to the Noticees and the same is sufficient for the Noticees to make submissions in their defense. The Noticees have submitted replies

to the SCN and several opportunities of hearing were also provided to the Noticees which the Noticees have failed to avail.

11. Before dealing with allegations levelled against Noticees in the SCN and the replies of the Noticees thereto, it would be appropriate to refer to the provisions of law which are alleged to have been violated by the Noticees. These provisions are reproduced hereunder:

Relevant extract of the provisions of 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 the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

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

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

....”

Relevant extract of the provisions of the PFUTP Regulations:

“Regulation 3. Prohibition of certain dealings in securities

“No person shall directly or indirectly

(a) buy, sell or otherwise deal in the securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any

manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

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

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

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

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

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

(a) including in an act which creates false or misleading appearance of trading in the securities market

(b) dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss;

.....”

12. The crux of the allegations levelled against the Noticees in the SCN is that, during the investigation period, the Noticees, while being connected to each other, sold certain quantity of shares to the transferees through off market transactions, who, in turn, sold back such shares to the Noticees on the platform of the stock exchange. Thus, the SCN alleges circular trading by the Noticees which in turn increased the volume traded

in the scrip. I have considered the SCN along with the findings of the investigation stated therein, all documents/ information provided to the Noticees and replies thereto received from the Noticees in the matter and my findings thereon are given in the following paras.

13. The SCN alleges that the Noticees were connected to each other *inter alia* based on phone call records and fund transfers among the Noticees and off-market transactions. The Noticees submit that the call data records as well as the fund transfers only prove that the Noticees knew each other and the SCN has been unable to establish any collusion between the Noticees with respect to their trading in SRL.
14. In this regard, I observe that the Noticee no. 2 (Shri Namdeo), Noticee no. 3 (Shri Deendayal), Noticee no. 4 (Shri Kishorilal) and Noticee no. 5 (Shri Jitendra) were in contact with each other during the investigation period and the fact has been accepted by these Noticees.
15. In addition to the above, there were instances of fund transfers among the Noticees. The details of which are as under:
 - a) There were numerous transactions of large amounts in the bank account (A/c no. 008620110000017, Bank of India) of Shri Chiranjilal (Noticee no. 1) with Shri Kishorilal (Noticee no. 4), Shri Namdeo (Noticee no. 2) and Shri Kishore (Noticee no. 7). There are a number of transactions with one Sumi Investment whose proprietor is Shri Deendayal (Noticee no. 3). During the period from February 2007 to April 30, 2008, the total credits to the bank account of Shri Chiranjilal from one Sumi Investments, whose proprietor is Shri Deendayal (Noticee no. 3) amounts to Rs. 21,20,000/- and the total of debits amount to Rs. 41,55,000/-.
 - b) There are a number of transactions of large amounts in the bank account of Shri Namdeo (Noticee no. 2) with Mr. Chiranjilal (Noticee no. 1), Sumi Investment (proprietor: Shri Deendayal i.e. Noticee no. 3) and Mr. Kishore (Noticee no. 7). During the period from June 2007 to June 2008, the total credits to the bank account of Shri Namdeo from Shri Kishore were Rs. 17,00,000/-.

During the said period, the total credits to the bank account of Shri Namdeo from Sumi Investments amounts to Rs. 30,91,000/- and the total of debits amount to Rs. 1,30,63,000/-.

- c) The bank account of Shri Deendayal (Noticee no. 3) have credit and debit entries from Shri Kishore (Noticee no. 7). Similarly, there are credit and debit entries in the bank account of Shri Kishore (Noticee no. 7) from Shri Chiranjilal (Noticee no. 1), Shri Namdeo (Noticee no. 2), Shri Deendayal (Noticee no. 3) and Sumi Investments.
- d) I note that during the period of April 2007 to June 04, 2008, Shripal Shares had received Rs. 4.46 core from Sumi Investments (prop: Deendayal) and has given Rs. 1 crore to Sumi Investment.

16. Regarding the transfer of funds, the Noticees have stated that the transactions were made in the ordinary course of business. Further, Noticee no. 3 has stated that Rs. 41,55,000 was a short term loan which was extended by Noticee no. 1 to him and as repayment he paid back Rs. 21,20,000/-. He has also submitted that he gave a loan of approximately Rs 4 crores to Noticee no. 6 out of which Noticee no. 6 paid back Rs 1 crore. In support of this contention the Noticee nos. 1 to 6 have produced a purported bond copy executed on a single paper. I note that the said paper does not mention any details such as terms, interest or default clause, etc. Moreover, the Noticee No. 3 and 6 has not submitted any proof regarding the payment of the remaining amount of these loans. Therefore, such an agreement does not inspire confidence. Noticee no. 1 and Mr. Noticee no. 4 have stated that complete details of fund transfers have not been provided to them such as complete name and account number of transferor and transferee, amount of fund transferred, date etc. However, I note that the bank account statements have been provided as Annexure to the SCN and also additionally to those Noticees who have sought the same and it is their own bank account statements and contain all the relevant details.

17. In addition to above, as regards connection amongst the Noticees, it is further observed that, the Noticees also carried out off-market transfer of shares of SRL during the investigation period, the details of which are provided in the Annexure 1 to

the SCN. Off market transactions are possible only amongst known parties as it involves counter party risk and these trades are not settled through clearing corporation of a stock exchange nor there is any benefit of settlement guarantee fund of stock exchange in case of default by the counter party. Since off market transfers do not take place on the anonymous platform of the exchange, it is understood that the parties know each other and also know that the seller is holding shares of particular scrip say SRL and willing to sell and are required to negotiate the quantity and price to come to an understanding among themselves to carry out off- market trades. Therefore, it further implies that the parties were known to/ connected with each other and knew about each other's holdings in SRL and willingness to sell and purchase. Further, it is a matter of record that the Noticees 5 and 6 namely, Mr. Jitendra and Shripal Shares were operating from the same premises and Mr. Jitendra was also the contact person for Noticee no. 5. Noticee no. 6 was registered with broker M/s B. R. Mehta & Sons Shares Stocks & Finance Brokers Pvt. Limited and Noticee no. 6 was registered as a beneficial owner therein. The Noticees have not denied these off market transfers. Noticee No. 5 has not denied that he was in control of Shripal Shares (Noticee no. 6).

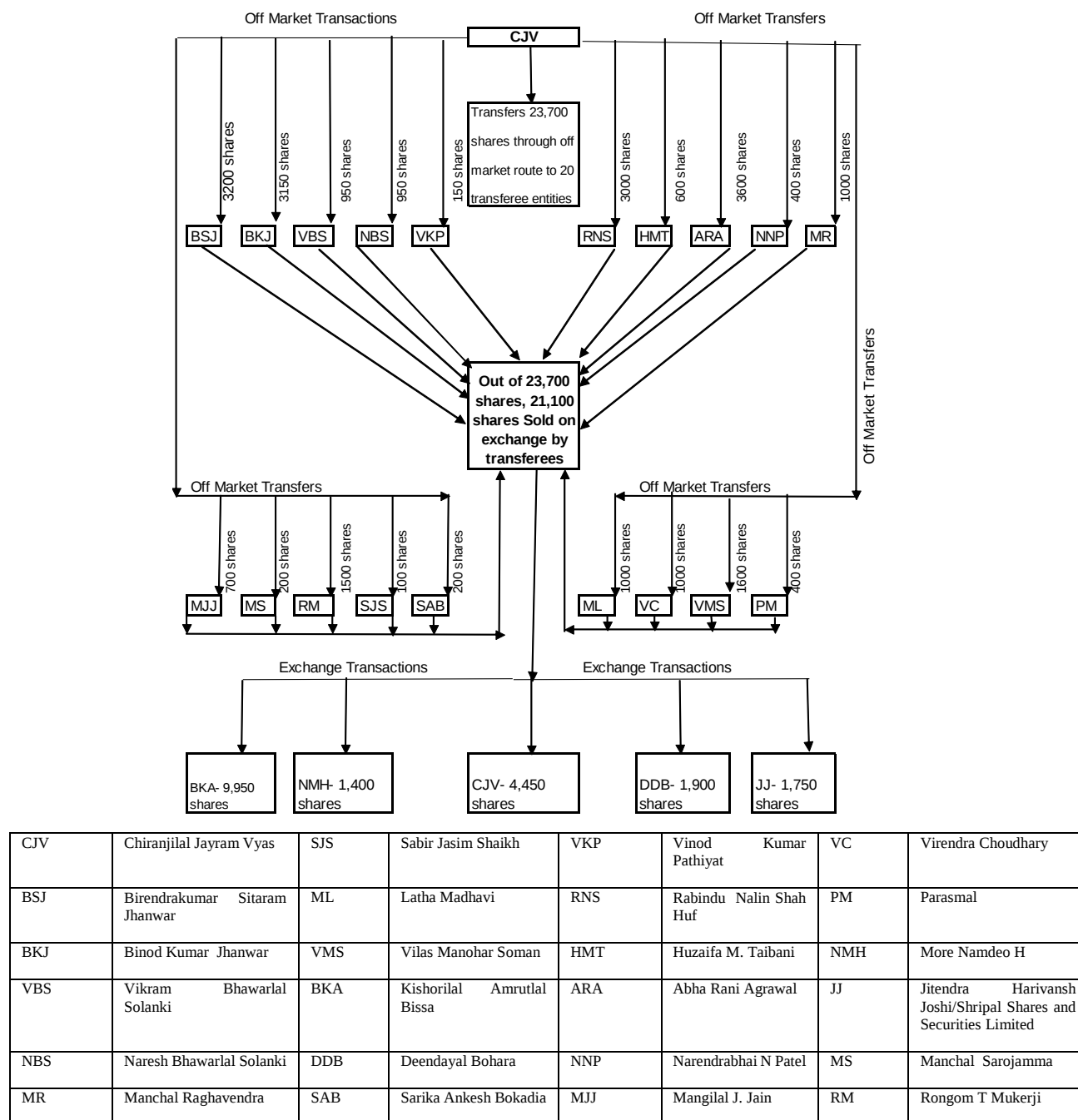
18. The facts such as the Noticees being in touch with each other as evidenced by the call data records, fund transactions among themselves, off market transfer of shares in SRL and pattern of trading, show connection amongst the Noticees. The Noticees have contended that the connection is not a violation. In this regard, I note that the SCN is not alleging that there is a violation merely because Noticees are connected. The SCN is alleging that the connection between the Noticees coupled with circular nature of their trading in the scrip of SRL during the investigation period led to the violations as alleged in the SCN. The connection is not *ipso facto* the allegation, as contended by the Noticees, and the same has to be seen in light of the off market and on market transactions carried out by the Noticees in the scrip of SRL in a circular manner which is in violation of the provisions of the SEBI Act and PFUTP Regulations. The connection merely points to the fact that the Noticees were acting in unison and have to be seen together with the pattern of trading by the Noticees in the scrip of SRL

during the investigation period, i.e. the sale of shares in off- market and subsequent purchase on the exchange platform, to establish violation.

19. The SCN alleges that the Noticees have carried out circular trades off market and on the exchange platform in the scrip of SRL during the investigation period. The Noticees, in their defense, have submitted that the SCN has not shown a single instance wherein the Noticees have entered into a structured, circular or synchronised trade with any of the other entities since the SCN and annexure do not provide certain details and that the SCN has failed to provide any evidence to substantiate how any attempt was made to manipulate the price and volume of the scrip by the Noticees. The Noticees have also stated that price and time of circular trades have not been provided to them. I note that the order log trade log containing details of trading has been provided to the Noticees and the same contains details such as counter party name, order quantity, trade quantity, order price, trade price, trade date and time etc. a perusal of the Noticees' trades reveal as under:

Circular Trades of Shri Chiranjilal J. Vyas (Noticee No. 1)

20. In the period from April 01, 2007 to December 31, 2007, Noticee no. 1 transferred 39,200 shares of SRL off-market to different persons/entities. Out of these 15,500 shares were transferred to other Noticees (Noticee nos. 2,4,5,6) and another entity M.C. Jain. The remaining 23,700 shares of SRL were transferred to 19 different transferees. These 19 transferees had in turn sold 21,100 shares on the exchange trading platform and the buyers were Noticee no. 4 (9,950 shares), Noticee no. 2 (1,400 shares), Shri Chiranjilal himself (4,450 shares), Noticee no. 3 (1,900 shares) , Noticee no. 6 (1,750 shares) and other non-related entities (1,650 shares) . Thus 21,100 shares were transferred by Shri Chiranjilal to the 19 transferees out of which 19,450 shares (amounting to almost 90%) were bought back by Shri Chiranjilal and the other Noticees on the exchange. This circular transaction pattern of these 19,450 shares of SRL is illustrated by way of the following diagram where names of transferees are also indicated:

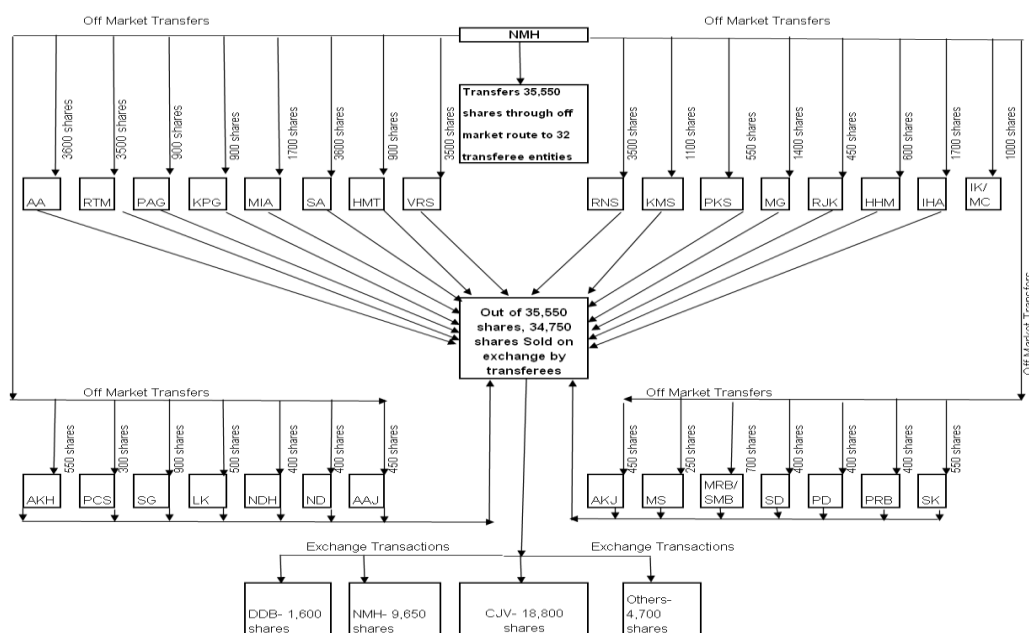


21. In the period from January 01, 2008 to July 31, 2008, Shri Chiranjilal had transferred 16,500 shares of SRL to Noticee no. 2 and 7 and 28,300 shares to 40 different transferees. These transferees had then sold 24,950 shares on the exchange. These transferees sold 27,550 shares on the exchange (2,600 shares out of transfers made in period from April 01, 2007 to December 31, 2007 and 24,950 shares from transfers made in this period). Out of these 27,550 shares sold, 8,350 shares have been bought

back by Noticee no.7. The SCN brings out that the annual income as disclosed by Shri Chiranjilal Jayram Vyas in KYC documents as available from his broker is less than Rs. One lakhs (1,00,000/-). However he had bought shares worth more than Rs. 4.21 crore during the period of April to November 30, 2007 in the scrip of SRL.

Circular Trades of Shri Namdeo H. More (Noticee No. 2)

22. In the period from June to November 2007, Shri Namdeo transferred 7000 shares of SRL to Shri Jitendra (Noticee no. 5) and 35,550 shares to 32 different transferees. It is observed that out of these 35,550 shares of SRL, 34,750 shares were sold by these transferees on the stock exchange and the buyers were Shri Namdeo himself (9,650 shares), Noticee no.1, Shri Chiranjilal (18,800 shares), Noticee 3, Shri Deendayal (1,600 shares) and other non-related entities (4,700 shares). It is noted that 86% of the shares transferred by the Noticee no. 2 to the 32 transferees were purchased back by the Noticees. This circular pattern of trading for these 34,750 shares of SRL during this period is given diagrammatically as follows:



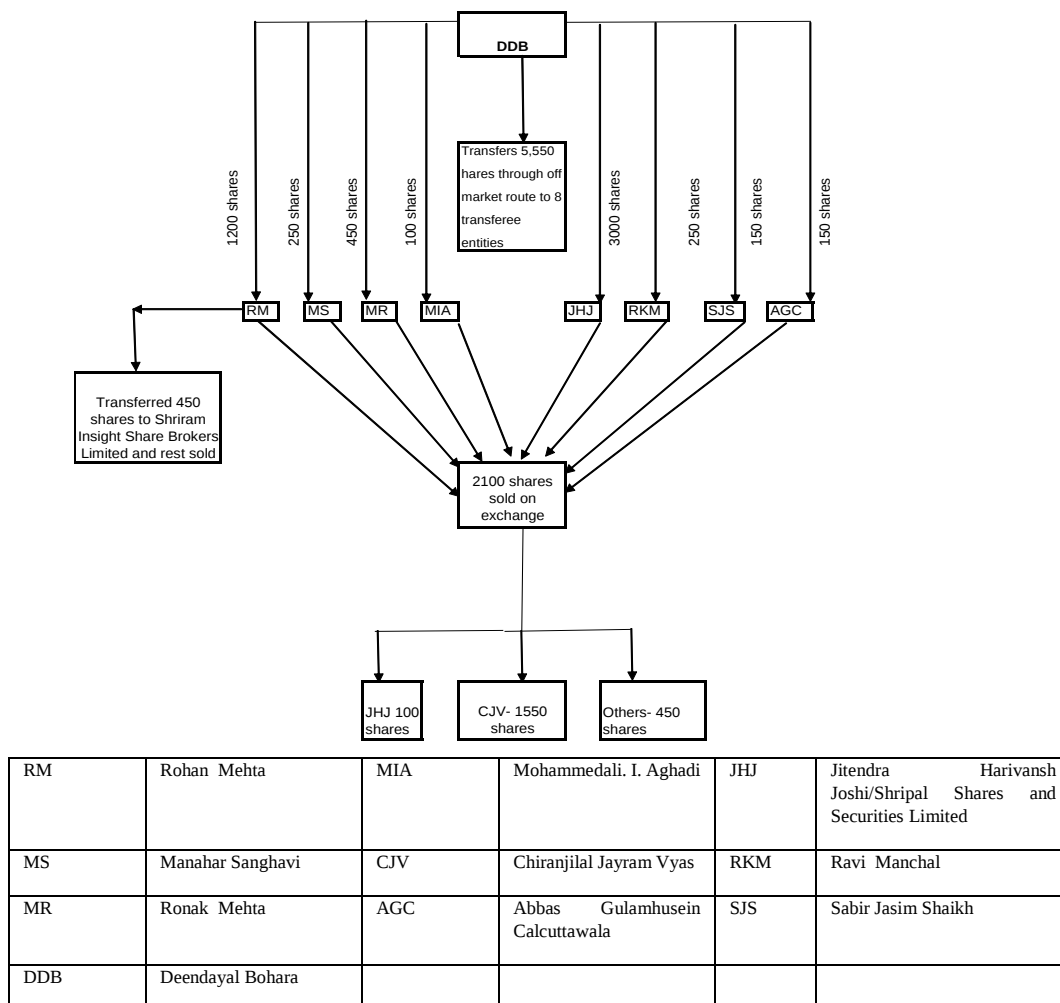
AA	Ashutosh Agrawal	RNS	Rashmi Nalin Shah
RTM	Rongom T Mukerji	KMS	Keshrimal Mafatlal Seth
PAG	Pushpendrasingh A Gour	PKS	Pramila Keshrimal Seth
KPG	Kranti Pushpendrasingh Gour	MG	Manmohan Gupta

MIA	Mohammedali. I. Aghadi	RJK	Rajesh J Kokane
SA	Suresh Agrawal	HHM	Hemang Hiren Mewada
HMT	Huzaifa M. Taibani	IHA	Iqbal H. Aghadi
VRS	Vaishali Rabindu Shah	AKJ	Ashokkumar Jain
AKH	Ashok Kumar Huf	MS	Manahar Sanghavi
PCS	Prafull Chandmal Sakhala	MRB	Manoj Ramanlal Bafana
SG	Sahdev Ghei	SD	Suman Daga
LK	Lalitkumar	PD	Punit Daga
NDH	Navratan Mal Daga H.U.F	PRB	Pankajbhai Ramanlal Bhagatwala HUF
ND	Navratan Daga	JHJ	Jitendra Harivansh Joshi
AAJ	Anita A Jain	DDB	Deendayal Bohara
SK	Sanjay Kumar	NMH	Namdeo Harischandra More
CJV	Chiranjilal Jayram Vyas	SMB	Survana Manoj Bafana
IK	Indira Kumari	MC	Mahaveer Chand P.

23. In the period from January 01, 2008 to August 31, 2008, Shri Namdeo also transferred 29,900 shares to 28 transferees off –market who subsequently sold them on the exchange. The buyers were Noticee no.7 (3,150 shares) and 800 shares were bought back by Shri Namdeo himself. Therefore, a circular trading pattern is also established for the Noticee no.2's trades during these eight months.

Circular Trades of Shri Deendayal M. Bohara (Noticee No. 3)

24. In the period from July 01, 2007 to July 31, 2008, through off-market transfers, Noticee no. 3, Shri Deendayal transferred 3000 shares to Noticee no.5, Shri Jitendra and 2,550 shares to 7 transferees. The transferees then sold 2,100 shares on the exchange which was purchased by Noticee no.1, Shri Chiranjilal (1,550 shares) and Noticee no. 6, Shripal Shares (110 shares) and others (450 shares). It is observed that 79% of the shares sold by the transferees of Shri Deendayal were repurchased by some of the Noticees. This is depicted by way of the following diagram:

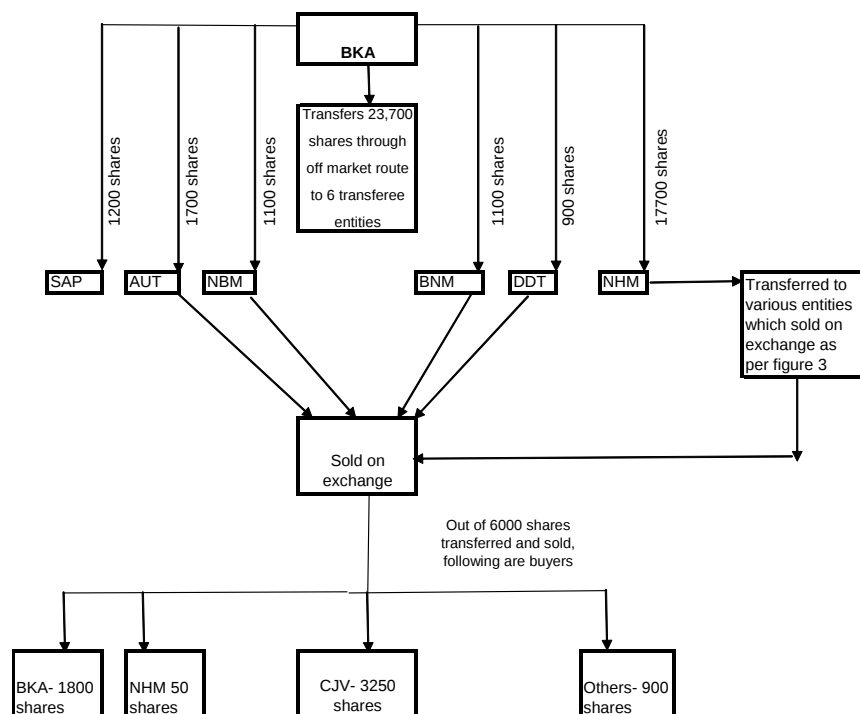


25. From January 01, 2008 to August 31, 2008, Noticee no. 3 transferred 6,500 shares to 9 transferees, off-market. The total amount of 6,500 shares has been sold by the transferees on the exchange which was purchased by Noticee no. 7, Shri Kishore (1,600 shares) and Shri Deendayal himself (1,650 shares).

Circular Trades of Shri. Kishorilal Amrutlal Bissa (Noticee No. 4)

26. During the period from April 01, 2007 to June 30, 2007, Shri Kishorilal received 1,000 shares of SRL in off market route from Shri Chiranjilal (Noticee no.1) and transferred 23,700 shares of SRL, off-market, to 6 entities which included Noticee no.2 (Shri Namdeo) and 5 other transferees. Out of 23,700 shares, 17,700 shares were transferred to Noticee no.2 (Shri Namdeo), who in turn transferred them to various

other persons as detailed in earlier para 22 and 23 above. Further the remaining 6,000 shares have been sold by the transferees and the purchasers were Noticee no.1 (3,250 shares), Shri Kishorilal himself (1,800 shares) and Noticee no.2 (50 shares). About 85% of the shares transferred by Shri Kishorilal and the transferees were bought back by the Noticees. This is depicted by way of the following diagram:



AUT	Asma Usama Taibani	BNM	Binal Nirav Mehta
NBM	Nirav Bhushan Mehta	NHM	Namdeo Harischandra More
BAK	Kishorilal Amrutlal Bissa	CJV	Chiranjilal Jayram Vyas
SAP	Savitri Anand Patil	DDT	Deepali Dayanand Thakare

Circular Trades of Shri Jitendra Joshi (Noticee No. 5) and Shripal Shares and Securites Ltd. (Noticee no.6)

27. It is noted that Shripal Shares (Noticee no.6) made a purchase of 9,200 shares and sold 9,050 shares of the scrip on the exchange during the investigation period. Noticee no. 6 received 5,000 shares from Shri Chiranjilal (Noticee no.1) during April 2008 and transferred 15000 shares through off market route to Noticee no.1 during the month

of December 2007. Noticee no. 6 also received 7,000 shares from Shri Namdeo (Noticee no.2), and 3,000 shares from Shri Deendayal (Noticee no.3) during this period. Shri Jitendra received 4,400 shares from Noticee no.1 during the period from June to October 2007 and transferred 3,600 shares to Noticee no.1 during April 2008.

Circular Trades of Shri Kishore Bhikaji Giri (Noticee No. 7)

28. During the period from January 01 to August 31, 2008 Shri Kishore made off market transfers amounting to a total of 27,650 shares of SRL to 15 transferees. The entire lot of 27,650 shares were then sold by these transferees on the exchange and out of these shares 3,400 shares were bought back by Mr. Kishore himself, 2,000 shares were bought by Shri Namdeo (Noticee no.2) and 1250 shares were bought back by Shri Deendayal (Noticee no.3).
29. I note from the above discussions as well as the diagrams presented in the SCN that, a circular pattern of trading in the scrip is established wherein the Noticees were participants. The names of the counter parties and participants in the circular trades as well as the pattern of trade have been clearly laid out in the SCN. Therefore, I do not accept the Noticees' contention that SCN has not demonstrated any instance of circular trading and that it is vague.
30. I note that during period from April 01, 2007 to December 31, 2007 Noticees 1,2,3,4 and 6 were major buyers on the exchange in the scrip of SRL, contributing as high as 80.27% in April 2007, 79% in May 2007, 77.80% in July 2007 to the exchange turnover in the scrip of SRL. Therefore, the Noticees' contention that the alleged circular trades carried out by the Noticees on exchange only constitutes a small percentage of the total volume of the Company during the Investigation Period is not tenable. As demonstrated above, a high percentage of the Noticees' trades were circular trades. Therefore, I find that a significant volume on the exchange in the scrip during the period from April 01, 2007 to December 31, 2007 is attributable to the circular trading among the Noticees. I note that during the investigation period the scrip was illiquid and the Noticees contributed to the majority of the trading in the scrip of SRL. Prior to the investigation period and after the investigation period, no transactions by the

Noticees were observed either on the exchange or off-market in the scrip of SRL. The Noticees have not provided any explanation for their pattern of trading nor have they provided an explanation regarding their temporary interest in the scrip.

31. The Noticees have contended that apart from the Noticees, there are several persons/entities mentioned in the SCN which have been a part of the alleged scheme but there is no averment of any allegation with respect to them and/ or any relation/connection with them. I note that in the present proceedings, the determination is to be made with respect to the violations committed by the Noticees, as alleged in the SCN. There may have been other entities who were allegedly part of the circular trades but their absence or presence in the list of Noticees in the SCN does not prejudice the present Noticees in defending their case, in so far as allegations made against the present Noticees are concerned. SEBI may take appropriate action depending on extent of participation of each entity in the different legs of trade and pattern of their trading and extent of culpability of each entity involved, taking into consideration evidence available and facts and circumstances of each case.
32. The Noticees have also contended that in the anonymous platform of the exchange they had no means to know who the counter party for their trades would be. In this regard the observation of the Hon'ble Supreme Court of India in *SEBI vs. Kishore R. Ajmera* [(2016) 6 SCC 368] may be referred to:

"According to us, knowledge of who the 2nd party/ client or the broker is, is not relevant at all. While the screen based trading system keeps the identity of the parties anonymous it will be too naive to rest the final conclusions on said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned."

In the present case, it has been found that the Noticees were known to each other. It has also been established that the Noticees during the investigation period suddenly

showed interest in an illiquid scrip of SRL and the pattern of trading both off market and on the stock exchange amongst the Noticees were circular as brought out against each Noticee in paras 20 to 28 . These circumstances, unequivocally leads to the conclusion that the Noticees had colluded among themselves to carry out circular trading in the scrip of SRL during the investigation period.

33. The Noticees have contended that there has been no impact on the price of the shares of SRL by virtue of their trades. In this regard, I note that in the matter of *SEBI vs. Rakhi Trading Pvt. Ltd. and others* (2018) 13 SCC 753 the Hon'ble Supreme Court of India observed as under:

"According to SAT, only if there is market impact on account of sham transactions, could there be violation of the PFUTP Regulations. We find it extremely difficult to agree with the proposition. As already noted above, SAT has missed the crucial factors affecting the market integrity, which may be direct or indirect. The stock market is not a platform for any fraudulent or unfair trade practice. The field is open to all the investors."

34. In *Ashish M. Gantra Vs, SEBI* (Appeal No. 40 of 2011 decided on 19.07.2011), Hon'ble SAT has observed that:

"Circular trade is a mischievous market practice and it deserves to be curbed."

35. In view of the above, I find that the Noticees indulged in circular trading among themselves and generated volume in the scrip of SRL as mentioned above, during the investigation period and therefore, violated Section 12A (a), (b) and (c) of the SEBI Act, 1992 and Regulations 3(a), (b), (c) and (d) and 4(1) and 4(2) (a) and (b) of the PFUTP Regulations, 2003.

Directions

36. I note that adjudication proceedings have also been initiated against the Noticees. Having regard to all the facts and circumstances of the present case, I, in exercise of

the powers conferred upon me under Sections 11(1), 11(4) and 11B read with Section 19 of the Securities and Exchange Board of India Act, 1992, hereby restrain the Noticees from accessing the securities market and further prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of one year from the date of this order. During the period of restraint, the existing holding including units of mutual funds, of the Noticees shall remain frozen.

37. This order shall come into force with immediate effect.

38. A copy of this order shall be served on all the Noticees, recognized stock exchanges, depositories and RTAs of mutual funds to ensure compliance with above directions.

Date: December 24, 2019

Place: Mumbai

**ANANTA BARUA
WHOLE TIME MEMBER**