

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER

FINAL ORDER

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

**In Re: Securities and Exchange Board of India (Prohibition of Fraudulent and
Unfair Trade Practices Relating to Securities Market) Regulations, 2003 and
Securities and Exchange Board of India (Substantial Acquisition of Shares and
Takeovers) Regulations, 1997**

In the matter of Mefcom Agro Industries Limited

In re Show Cause Notice dated September 26, 2017

In respect of:

Name of the Entity	PAN / Address
Mefcom Agro Industries Ltd.	AAACM2047A
Satyender Kumar	606, Kailash Building, 26, Kasturba Gandhi Marg, New Delhi 110001
Vijay Mehta	AAKPM1588M
Ashok Marwah	AGAPM9028L
Nihar Ranjan Mishra	A-2/215, 1st Floor, Janakpuri, New Delhi, 110057

In the matter of Mefcom Agro Industries Limited

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

In re Show Cause Notice dated September 26, 2017

In respect of:

Name of the Entity	PAN
ISF Securities Ltd.	AAACI1667E
SIC Stocks and Services Pvt. Ltd.	AAHCS8176P
Vishwas Securities Ltd.	AAACV2921N

Master Finlease Ltd.	AAACM6050D
Avisha Credit Capital Ltd.	AAACA5715D
BP Comtrade P Ltd.	AAACA3758Q

In the matter of Mefcom Agro Industries Limited

In Re: Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997

In re Show Cause Notice dated September 26, 2017

In respect of:

Name of the Entity	PAN
Vishvas Securities Ltd.	AAACV2921N
Master Finlease Ltd.	AAACM6050D
Avisha Credit Capital Ltd.	AAACA5715D
Cosmo Corporate Services Ltd.	AAACC3529P

BACKGROUND

1. Mefcom Agro Industries Limited (hereinafter referred to as “**Mefcom/ Company**”) was incorporated as Shree Merchantile Leasing & Finance Corporation Ltd., on August 20, 1983. Shares of the company were listed on BSE Ltd. only with effect from August 07, 1984 and removed from officially quoted securities of the Exchange with effect from March 27, 1987 (consequent to company's request for delisting). Name of the company was changed to Mefcom Credit Corporation Ltd., with effect from February 18, 1988. The shares of the company were readmitted for trading with effect from September 02, 1992. Name of the company was again changed to Mefcom Agro Industries Ltd., with effect from September 16, 1994. The trading in the shares of Mefcom is suspended now at BSE Ltd.
2. During the investigation period, January 1, 2006 to June 30, 2007, while the SENSEX moved from 9,919 to 14,650 registering an increase of 47%, the price of Mefcom scrip opened at ₹ 5.72 and closed at ₹ 34, registering an increase of 494%.

3. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) ordered an investigation in the scrip of Mefcom. The focus of investigation was to ascertain whether there were any violations of the provisions of Securities and Exchange Board of India, Act, 1992 (hereinafter referred to as the “**SEBI Act**”), SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to securities market) Regulations, 2003 (hereinafter referred to as the “**PFUTP Regulations**”) and SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 (hereinafter referred to as the “**SAST, 1997**”) by certain suspected entities while trading in the scrip of Mefcom.

SHOW CAUSE NOTICES

4. Consequent to the completion of investigation, a Show Cause Notice (hereinafter referred to as “**First SCN**”) dated September 26, 2017 was sent to Mefcom, Mr. Satyender Kumar, Mr. Vijay Mehta, Mr. Ashok Marwah and Mr. Nihar Ranjan Mishra in the extant matter to show cause as to why suitable actions/directions in terms of Sections 11 (1), 11(4) and 11B of the SEBI Act should not be initiated against them for the alleged violation of the provisions of regulations 3(a),(b),(c) (d), 4(1), 4 2(f) and (r) of the PFUTP Regulations by all the Noticees. Further, Mr. Satyender Kumar and Mr. Ashok Marwah were also called upon to show cause as to why directions under Section 11B of the SEBI Act read with regulations 44(f) and 44 (i) of SAST Regulations, 1997 should not be issued against them for the alleged violations of regulation 12 of the SAST Regulations, 1997 read with regulation 35(2) of SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 (hereinafter referred to as the “**SAST, 2011**”) by acquiring control over Mefcom.
5. The facts as set out in the First SCN are as follows::

- 5.1. As per annual reports of the company, the Directors of the company during FY 2004-05 to 2007-08 were as tabulated below:

Designation	2004-05	2005-06	2006-07	2007-08
Chairman	Vijay Mehta	Vijay Mehta	--	--
Director	HK Mehta	Ashok Marwah	Ashok Marwah	Ashok Marwah
Director	RL Toshniwal	Satyender Kumar	Satyender Kumar	Satyender Kumar
Director	RK Pandey	Nihar Ranjan Mishra	Nihar Ranjan Mishra	Nihar Ranjan Mishra
Director	Atul Singh Tyagi	--	--	--

5.2. The dates of resignation and appointment of erstwhile and new Directors respectively are as per table below:

Sr. No	Dates of Resignation		Sr. No	Dates of Appointment	
	Name	Resignation date		Name	Appointment Date
1	Vijay Mehta	21/11/2006	1	Nihar Ranjan Mishra	17/08/2006
2	HK Mehta	28/10/2005	2	Satyender Kumar	17/08/2006
3	R.L Toshniwal	28/10/2005	3	Ashok Marwah	17/08/2006
4	RK Pandey	28/10/2005			
5	Atul Singh Tyagi	28/10/2005			
6	Tika Ram Khare	17/08/2006			
7	Karan Mehta	17/08/2006			

5.3. As per disclosures on BSE Ltd., Board of Directors of the company in its meeting dated August 17, 2006 *inter alia* appointed Mr. Ashok Marwah, Mr. Satyender Kumar and Mr. Nihar Ranjan Mishra as Additional Directors of the company from August 17, 2006. The Board also accorded its consent to seek the approval of the members of the company under regulation 12 of the SAST Regulations for change in control of the company in favour of Mr. Satynder Kumar and Mr. Ashok Marwah (having communicated their consent) and classified them as New Promoters of the company.

5.4. The company vide its letter dated February 2, 2014 to SEBI has confirmed that there was change in management control approved by its members in the AGM dated September 20, 2006. However following is noted from the investigation report:

5.4.1. The disclosures on BSE Ltd. with respect to outcome of AGM did not include member's consent regarding change in management control.

5.4.2. BSE Ltd. in its report to SEBI stated that no communication was received from the company regarding approval of change in management in its AGM held on September 20, 2006.

5.4.3. Company has failed to provide scrutinizer report, to SEBI, with respect to shareholders resolution in AGM in favour of change in management control.

- 5.4.4. Mefcom has furnished a copy of postal ballot form and copy of a letter dated September 20, 2006 which it has claimed to have sent to BSE Ltd., intimating outcome of postal ballot approving change in management control. Copy of the letter dated September 20, 2006 submitted by Mefcom, does not bear any acknowledgement from BSE Ltd. BSE Ltd. vide its email dated March 18, 2014 has informed SEBI that the referred letter dated September 20, 2006 of Mefcom was not found in the Exchange records and the same was also communicated to the company. However no reply was received in this regard from the company by BSE Ltd.
- 5.5. In view of the above, it was alleged that no disclosures were made by Mefcom to BSE Ltd. regarding change in control which was approved in the AGM in terms of regulation 12 of the SAST Regulations. Therefore, it was alleged that Mr. Ashok Marwah and Mr. Satyender Kumar have violated regulation 12 of the SAST Regulations, 1997 read with regulation 35(2) of SAST Regulations, 2011 by acquiring control over Mefcom.
- 5.6. Further, it was observed in SCN that during August 08, 2006 to March 31, 2007, company came out with a spate of positive corporate announcements including change in name, issue of bonus shares and shares on preferential basis etc. It was noted that the related/connected entities have dealt in the shares during the said period. Moreover, the SCN observes that some of the announcements were made knowing well that Exchange would not approve it like (a) Issue of Bonus Shares: Company was having negative reserves, (b) Preferential Issue: exchange approval was not sought for issuing preferential issue under clause 24 of the Listing Agreement. Further, when Exchange rejected the proposals, no clarifications were issued. It was further noted that company was making fresh announcements every time without giving any updates on the spate of announcements which it had already made.
- 5.7. The share price moved from ₹ 7.15 on August 18, 2006 to ₹ 13.27 on August 30, 2006 (closing price) - i.e. around 85% increase within 8 trading days and there were two corporate announcements during this period. It was further noted that the price, reached a high of ₹ 217.05 on January 9, 2007 when company continued

with its corporate announcement. Therefore it was alleged that the corporate announcements had an impact on the price of the scrip.

5.8. In view of the above it was alleged that the corporate announcements made by the company during the investigation period were false and/or misleading and were made with a pre meditated intention of having an impact on the price and to provide an exit to the connected entities. The details of connected entities called Mefcom Group is placed below:

Sr.	Name of Entity	Connection
1	Vijay Mehta	➤ Promoter of Mefcom Agro Industries. Also Chairman of Mefcom.
2.	Harsh Kumar Mehta	➤ Promoter group entity-brother of promoter Vijay Mehta-(as per the documents submitted by Vijay Mehta, Harshkumar Mehta expired in 2011).
3	Mefcom Capital Markets Ltd.	Promoter of Mefcom. Also Vijay Mehta was the chairman of Mefcom Capital Markets Ltd.
4	Rakesh Kumar Mishra (Cosmo Corporate Services Ltd.)	➤ Off market transfer with Master Finlease. ➤ As per BSE database, phone number of Cosmo Corporate Services Ltd i.e. "23739998" is registered in the name of Vijay Jindal (Director of Avisha Credit Capital Ltd and Master Finlease Ltd, which shares the new address of Mefcom i.e.606 Kailash Building KG Marg,New Delhi).
5	Avisha Credit Capital Ltd.	➤ Shares new address of Mefcom and also the address of Master Finlease Limited viz., "606 Kailash Building, KG Marg, New Delhi".
6	Sunita Investments (Sunita Gupta)	➤ Off market transfer with Cosmo Corporate Services Ltd.
7	Vishvas Securities Ltd.	➤ Shared same address as that of Mefcom during the Investigation period (viz., 912 Kailash Building KG Marg Delhi). ➤ Off market transfer to Master Finlease Ltd., SIC Stock and Services Pvt. Ltd. and Avisha Credit Capital Ltd. ➤ During the IP, Avisha Credit capital Ltd. and Master Finlease Ltd. were holding 45% of share capital in Vishvas Securities Ltd. (Unlisted Co.) - as on 30/9/2006. ➤ Atul Joshi one of the present Directors of Vishvas Securities Ltd., as on December 16, 2015, is also Director in Mefcom.
8	Vijay Jindal (Master Finlease Ltd.)	➤ Shares new address of the company ("606 Kailash Buildibng, KG Marg, New Delhi), which is also the address of Avisha Credit Capital Ltd. ➤ Master Finlease Ltd. along with Avisha Credit capital Ltd. held 45% of share capital in Vishvas Securities Ltd. (Unlisted Co.). ➤ Off market transfer with Vishvas Securities Ltd.

Sr.	Name of Entity	Connection
9	SIC Stocks & Services P Ltd.	➤ Off market transfer with Vishvas Securities Ltd. ➤ Financial transaction with Avisha Credit Capital Ltd.
10	Purshottam Khandelwal	➤ It was observed that these entities were major counter parties to the sale by original Promoters when the Promoters exited the company.
11	Pushpa Bansal	
12	Deepak Shantilal Rana	
13	Shilpi Krishnakumar Modi	
14	ISF Securities Ltd.	➤ Off market trade with Master Finlease. Financial transaction with Avisha Credit Capital Ltd.
15	BP Comtrade P Ltd.	➤ During IP, BP had purchased 3,80,432 shares and sold 3,80,313 shares. 79% of the counter parties to the buy trade and 67% of the counter parties to the sale trades were Mefcom group entities.

5.9. An overview of gross buy, gross sell and net traded volume of the Mefcom group during the investigation period is given below:

Sl No	Name	Gross Buy Qty	Gross Buy Qty as a % of Mkt Vol.	Gross Sell Qty	Gross Sell Qty as a % of Mkt Vol.	Net Buy(Sell) Qty
1	Purshottam Khandewal	2331871	9.73	2327865	9.713	4006
2	I S F Securities Ltd	1996650	8.331	1598573	6.67	398077
3	Sunita Investments	1773821	7.401	1781414	7.433	-7593
4	Shilpi Krishnakumar Modi	1719495	7.175	1722406	7.187	-2911
5	Cosmo Corporate Services Limited	1323704	5.523	1323704	5.523	0
6	Master Finlease Ltd	1170245	4.883	1132020	4.723	38225
7	Vishvas Securities Ltd	418948	1.748	378901	1.581	40047
8	BP Comtrade Pvt Ltd	380432	1.587	380313	1.587	119
9	Deepak Shantilal Rana	257611	1.075	190052	0.793	67559
10	Avisha Credit Capital Ltd	219815	0.917	184633	0.77	35182
11	Pushpa Mukesh Bansal	176661	0.737	122081	0.509	54580
12	Parveen Poddar	91310	0.381	11237	0.047	80073
13	Mahesh Kumar Agrawal	681	0.003	273059	1.139	-272378
14	Vijay Mehta	200	0.001	113550	0.474	-113350
15	Sangeeta Rani	0	0	40000	0.167	-40000
16	Harsh Kumar Mehta	0	0	37390	0.156	-37390
17	Soma Gupta	0	0	15000	0.063	-15000
18	Jatin Garg	0	0	33726	0.141	-33726
19	Sushil Kumar Jain	0	0	10000	0.042	-10000
20	Maina Devi Karnany	0	0	31073	0.13	-31073
21	Sic Stocks & Services Private Limited	0	0	2827	0.012	-2827
22	Amit Garg	0	0	40044	0.167	-40044
23	Rekha Garg	0	0	41811	0.174	-41811
24	Mefcom Capital Markets Ltd	0	0	1350490	5.635	-1350490

Sl No	Name	Gross Buy Qty	Gross Buy Qty as a % of Mkt Vol.	Gross Sell Qty	Gross Sell Qty as a % of Mkt Vol.	Net Buy(Sell) Qty
25	Pioneer Securities Pvt Ltd	0	0	29000	0.121	-29000
26	Rabindra Kumar Jena	0	0	15000	0.063	-15000
27	Subasini Jena	0	0	10000	0.042	-10000
28	Mahesh Kumar Goyal	0	0	4000	0.017	-4000
29	Daya Nand Goyal	0	0	4000	0.017	-4000
30	Shrey Gupta	0	0	25000	0.104	-25000
31	Ankur Gupta	0	0	25000	0.104	-25000
32	Himani Jain	0	0	2000	0.008	-2000
	Total	11861444	49.49%	13256169	55.31%	-1394725

5.10. Thus, it was alleged that the company and its Directors namely, Mr. Satyender Kumar, Mr. Vijay Mehta, Mr. Ashok Marwah and Mr. Nihar Ranjan Mishra have violated regulations 3(a), (b), (c), (d), 4(1), 4(2)(f) and (r) of PFUTP Regulations.

6. In other words, it was alleged against the company and its Directors named above that they made false / misleading corporate announcements during the investigation period which had influenced the price of the scrip and during the same time the entities connected to the company dealt in the scrip and exited the scrip.
7. Based on the above, Mr. Satyender Kumar and Mr. Ashok Marwah were called upon to show cause as to why directions under Section 11B of the SEBI Act read with regulations 44(f) and 44 (i) of SAST Regulations, 1997 should not be issued against them for the aforesaid alleged violations under SAST Regulations. Further, Mefcom and its Directors namely, Mr. Satyender Kumar, Mr. Vijay Mehta, Mr. Ashok Marwah and Mr. Nihar Ranjan Mishra were also called upon to show cause as to why directions under Section 11B of the SEBI Act should not be issued against them for the aforesaid alleged violations under PFUTP Regulations.

Second SCN

8. A Second SCN dated September 26, 2017 (hereinafter referred to as “**Second SCN**”) was also issued in the matter to Avisha Credit Capital Ltd, ISF Securities Ltd., Master Finlease Ltd., Vishvas Securities Ltd., BP Comtrade Pvt. Ltd. and SIC Stocks & Services Pvt. Ltd. wherein the Noticees were called upon to show cause as to why directions

under Section 11B of the SEBI Act including disgorgement of ill- gotten gains should not be issued against them for the alleged violations of regulations 3(a),(b),(c), (d), 4(1) and 4 (2)(a) of PFUTP Regulations.

9. The aforesaid Second SCN, sets out as follows:

9.1. Based on the price movement in the following 2 patches viz. patch-1 (price rise) January 1, 2006 – January 10, 2007 and patch- 2 (price fall) January 11, 2007 - June 30, 2007, the following was identified:

Patch	No. of trading days	Dates	Price /Vol.	Opening Price (volume) on first	Closing price (volume) on last	Low price (volume) during the period (₹)	High Price (volume) during the period (₹)	Avg. no. of (shares) traded
Patch-I (Price rise)	232	01.01.06-10.01.07	Price	5.72	196.45	3.47	217 (10/1/07)	51563
			Vol.	100	241026	1 (17/10/06)	439188 (28/12/06)	
Patch-II (Price fall)	115	11.01.07-30.06.07	Price	186.65	24.3	17.6	186.65 (11/1/07)	102791
			Vol.	1783	116	182 (30/5/07)	699922 (15/3/07)	

9.2. The Promoter entities namely, Mefcom Capital Markets Ltd., Mr. Vijay Mehta and Mr. Harsh Mehta had sold 14,81,390 shares (52.83 % of shareholding) during March 12, 2006–June 07, 2006. Out of 11 entities who were counter parties to 97% of the sell trades by Promoter entities, nine entities relating to Mefcom group were found to be connected/related to the company. It was observed that during the period January 1, 2006 – June 7, 2006, about 20.24% of the trades of the total market volume were synchronized between Mefcom group entities.

9.3. LTP Analysis – Patch 1- January 01, 2006 and January 10, 2007

9.3.1. On analyzing trades executed at a price higher than the last traded price (hereinafter referred to as “LTP”) it was observed that during patch-1 the market wide cumulative contribution to the positive and net LTP variation (hereinafter referred to as “LTPV”) was ₹ 661.06 and ₹ 190.73 respectively of which ₹ 399.63 and ₹ 268.03 respectively was contributed by the Mefcom group as buyers.

9.3.2. Since, the Mefcom group entities contributed 60.45% to positive market LTP in 1,275 trades, these orders were further analyzed. A positive LTP of ₹ 77.30 i.e. 11.69% of market positive LTP was created in 230 trades by group entities when they traded among themselves.

9.3.3. As Mefcom group entities contributed significant amount of ₹ 77.30 positive LTP (11.55% of market positive LTP) by trading among themselves, group entities who had contributed positive LTP of more than ₹ 5.00 as a buyer in such trades were shortlisted. As group entities were counterparties to these trades, group entities who had contributed positive LTP of more than ₹ 5.00 as a seller in such trades were also shortlisted.

Seller→				Total LTPV as buyer
Buyer↓	BP Comtrade Pvt :Ltd	Sunita Investments	Purshottam Khadelwal	
Cosmo Corporate Services Limited	7.5	1.39	0.83	9.72
I S F Securities Ltd	11.66	0.73	3.7	16.09
Master Finlease Ltd	9.65	0.81	0.52	10.98
Sunita Investments	2.43	0.42	1.26	4.11
Purshottam Khandewal	8.55	4.91	10.13	23.59
Total LTPV As Seller	39.79	8.26	16.44	64.49

9.3.4. The aforesaid 6 entities contributed significant amount of ₹ 64.49 positive LTP (9.75% of market positive LTPV) by trading among themselves and have been alleged to have manipulated the price of the scrip. Therefore, the said entities have been alleged to have violated regulations 3(a),(b),(c), (d), 4(1), 4 (2)(a), (e) and (g) of PFUTP Regulations.

9.4. Order Book Manipulation – SIC Stocks & Services Pvt. Ltd. and its clients

Analysis of order book in the scrip of Mefcom during investigation period revealed that there were substantial number of order deletion/modification by broker SIC Stocks and Services P. Ltd. (hereinafter referred to as “**SIC**”) in the orders placed by it in the name of Mr. Purshottam Khandelwal (hereinafter referred to as “**PK**”) and Ms. Shilpi Modi (hereinafter referred to as “**Shilpi**”) which are detailed herein below:-

9.4.1. Shilpi Modi

A summary of orders placed by SIC in the name of Shilpi is given herein below:-

Total buy orders placed by SIC		Buy Orders placed in the name of Shilpi		Shares Bought	Buy Orders updated		Orders deleted	
No of shares	Count	No of shares	Count	No of shares	No of shares	Count	No of shares	Count
57173092	7142	14902399 (26.06%)	2883	1719495 (11.50%)	30656853	425	13062560 (88%)	389

9.4.2. As can be seen from table above, in total, Shilpi placed 2,883 buy orders for aggregate initial order quantity of 1,49,02,399 shares. It was observed that subsequent to order placement, the order quantity was constantly being increased and the aggregate of such additions was 2,37,47,657 shares. This was despite the fact that the % of order execution to order entry was a meagre 11.50%. This means that when the initial order quantity itself was not being executed, Shilpi was constantly increasing the order quantity which it is alleged reflects the intention of creating a misleading and artificial buy side depth. Also, the total number of shares bought by Shilpi during the investigation period was only 17,19,495 shares, which is a meagre 4.45% of the initial and added buy order quantity (3,86,50,056).

9.4.3. Further, on perusal of orders placed in the account of Shilpi, it was observed that majority of orders were for small quantity except for 48 orders which were placed for quantity 1 Lakh shares or more. Of the 48 orders placed for 1 Lakh shares or more, 46 were buy orders and the balance 2 were sell orders. The summary of the said 46 orders is tabulated below:

Particulars	No. of orders	No. of shares		
		Initial Order Quantity (disclosed Qty)	Traded Qty	Modified Qty of deleted Orders
1.Buy orders with orders placed for 1 Lakh shares or more	46	65,10,000 (56,63,141)	209,684	
2.Out of 1 above, orders deleted	36	50,10,000 (43,08,471)	131,916	51,40,917

9.4.4. As can be seen from table above, the total order quantity in the 46 buy orders, aggregated to 65.10 lakh shares. Of the order quantity of 65.10 lakh shares, only 2,09,648 shares were bought and order quantity of 51,40,917 in 36 orders were deleted leaving the remaining shares unexecuted. The initial order quantity in the 36 orders was 50.10 lakh shares and the quantity deleted (including modified quantity in the 36 deleted orders) was 51,40,917 after trades having executed for 1,31,916 shares. Considering the average volume of 69,066 shares during the investigation period, disclosing substantial quantity in the order book and subsequent deletion of such orders, it is alleged that indicates that such orders were placed with intent of creating of false depiction of depth in the market.

9.4.5. On comparison of the order price and the LTP at the time of order entry, it was observed that only in 14 out of 46 buy orders, the buy order price was more than the LTP (in the range ₹ 0.05 to ₹ 0.10 or in terms of percentage 0.07-0.31%) and in the other cases, the price was at LTP or below (in the range of ₹ 0.00 to ₹ 4.50 in terms of percentage 0.00 - 6.72%). The aggregate of such difference in the 46 buy orders in absolute rupee terms was ₹ -17.40 and the aggregate of % variation was 34.93%. Therefore, it is alleged that the orders were placed far below from the prevailing market price and thus with the intent of not executing.

9.4.6. Further, the average time between order entry and order deletion for the said 36 orders was 23 minutes and 59 seconds. Out of the 36 orders, the prevailing market price, at the time of order deletion increased from the price at the time of order entry in 29 cases and in remaining 7 orders, the price went down. In the said 29 orders, where the prices went up, it was observed that the increase in price was less than 2% in 24 cases and was in the range of 2.14 -2.76% in 4 cases and 4.31% in one case. In the 7 cases where orders

were placed was far below the prevailing market price, it was observed that the orders were later deleted as the prevailing market price started reducing or approaching the order price. The same are tabulated below:

Date	Order ID	Added Qty	Deleted Qty	Added Time	Deleted Time	Time difference	Order price	LTP At the time of order entry	Difference between Order price and LTP	LTP at order deletion	Price fall	Price fall %
16.03.07	92200500020226441	100,000	99,240	10:14:51	10:55:09	0:40:18	68.65	72.8	-4.15	68.8	4	5.49%
13.04.07	92200500020233068	100,000	200,000	9:56:04	10:54:41	0:58:37	27.55	28.95	-1.4	28.6	0.35	1.21%
13.04.07	92200500020233457	125,000	124,650	14:07:14	14:22:40	0:15:26	27.75	27.85	-0.1	27.8	0.05	0.18%
13.04.07	92200500020233463	250,000	246,843	14:10:22	14:22:40	0:12:18	27.8	27.85	-0.05	27.8	0.05	0.18%
16.04.07	92200500020233686	300,000	250,000	10:33:53	11:57:49	1:23:56	26.2	27.6	-1.4	26.7	0.9	3.26%
16.04.07	92200500020233786	100,000	250,000	10:56:28	11:57:49	1:01:21	26.2	26.75	-0.55	26.7	0.05	0.19%
17.04.07	92200500020234075	125,000	116,707	10:03:13	10:11:22	0:08:09	25.75	25.9	-0.15	25.75	0.15	0.58%

9.4.7. As seen from the above table, in case of order no. 92200500020226441, the buy order for 1,00,000 shares was placed at ₹ 68.65 when the LTP was ₹ 72.80 and when the market price reduced to ₹ 68.80, the order was deleted. Similar was the case in respect of other orders.

9.4.8. Considering the aforesaid i.e., buy orders consistently placed far below the prevailing market price, majority of order quantity being disclosed, subsequent deletion of such orders and the fact that 46 order were buy orders and only 2 orders were sell orders out of the 48 orders (with order quantity of 1 Lakh shares or more), it is alleged that the buy orders were entered with the intention to inflate the buy side depth in the market and not to actually buy these shares. Therefore, it is alleged that these orders resulted in a false or misleading appearance of trading in the securities market.

9.5. Purshottam Khandelwal

A summary of orders placed by SIC in the name of PK is given herein below:-

Total buy orders placed by SIC		Buy Orders placed in the name of PK		Shares Bought	Buy Orders updated		Orders deleted	
No of shares	Count	No of shares	Count	23,31,871 (5.96%)	No of shares	Count	No of shares	Count
5,71,73,092	7142	3,91,07,359 (68.40%)	3572		24,71,90,825	4980	8586725 (22%)	458

9.6. As can be seen from table above, it was observed that 3,572 buy orders for aggregate initial order quantity for 3,91,07,359 shares were placed in the account

of PK. It was observed that, subsequent to order placement, the order quantity was constantly being increased and the aggregate of such addition was 24,71,90,825 shares. This was despite the fact that the % of order execution to order entry, was a meagre 5.96%. This means that when initial order quantity itself was not being executed, PK was constantly increasing the order quantity which it is alleged reflects the intention of creating a misleading and artificial buy side depth. Also, the total number of shares bought by PK during the IP was only 23,31,871 shares, which is a meagre 0.81% of the initial and added buy order quantity (28,62,98,184).

9.7. Besides, on perusal of orders placed in the account of PK, it was observed that majority of orders were for small quantity except for 144 orders which were placed for quantity 1 lakh shares or more. Of the 144 orders placed for 1 lakh shares or more, 143 were buy orders and the balance one order was a sell order. The summary of the aforesaid 143 orders is tabulated below:

Particulars	No. of orders	No. of shares		
		Initial Order Quantity (disclosed Qty)	Traded Qty	Modified Qty of deleted Orders
1. Buy orders with orders placed for 1 Lakh shares or more	143	1,92,22,330 (1,76,08,364)	8,45,743	
2. Out of 1 above, orders deleted	27	32,84,610 (31,66,421)	1,22,731	31,71,879

9.8. As can be seen from table above, the total order quantity in the said 143 buy orders aggregated to approximately 1.92 crore shares. Of the order quantity of said approx. 1.92 crore shares, only 8,45,743 shares were bought and order quantity of 31,71,879 in 27 orders were deleted leaving the remaining shares unexecuted. The initial order quantity in the 27 orders was 32,84,610 lakh shares and the quantity deleted (including modified quantity in the 27 deleted orders) was 31,71,879 after trades having executed for 1,22,731 shares. Considering the average volume of 69,066 shares during the investigation period, disclosing substantial quantity in the order book and subsequent deletion of such orders, it is alleged that indicates that such orders were placed with intent of creating of false depiction of depth in the market.

9.9. On comparison of the order price and the LTP at the time of order entry, it was observed that only in 15 out of 143 buy orders, the buy order price was more than the LTP (in the range ₹ 0.39 to ₹ 4.30 or in terms of percentage 0.77-10.26%) and in the remaining orders, the price was at LTP or below (viz., in the range of ₹ 0.00 to ₹ 11, percentage being 0.00 - 9.52%). The aggregate of such difference in the 143 buy orders in absolute rupee terms was ₹ -77.61 and the aggregate of % variation was 178.29%. Therefore, it is alleged that the orders were placed below the prevailing market price with the intent of not executing.

9.10. The average time between order entry and order deletion, for the said 27 deleted orders, was 65 minutes and 34 seconds. However, 19 out of 27 such orders were deleted within 10 minutes of order placement. Out of the 27 deleted orders, in case of 25 orders, the same were deleted despite the market price at the time of order deletion being the same as that at the time of order entry. This it is alleged reflects that there was no intent to buy. Also out of 27 deleted orders, 5 orders got partially traded of which 4 were deleted immediately when the order started resulting in trades. The details of the said 4 orders are as below-

Date	Order No	Order Qty	Order Time	Trade Time	Traded Qty	Order Delete time	Time Difference
28.11.06	92200500020186237	125000	9:56:16	15:25:58	275	15:27:08	00:01:10
13.12.06	92200500020189789	125000	9:55:15	09:55:24 - 10:01:05	48689	10:01:27	00:06:03
13.12.06	92200500020189790	102050	9:55:22	10:01:53 - 10:02:17	26	10:03:16	00:01:23
21.12.06	92200500020196435	125000	9:55:22	09:55:25 - 09:56:33	57438	9:56:33	00:00:52

9.11. As can be seen from above table, the entity deleted the order once the orders started resulting in trades. It is alleged that it indicates that buyer had no intention of buying the shares and the orders were placed only to inflate the buy side depth in the market.

9.12. Considering the aforesaid i.e., buy orders being placed far below the prevailing market price, majority of order quantity being disclosed, subsequent deletion of such orders, deleting the orders immediately once the order execution

begun and the fact that 143 order were buy orders and only 1 order was sell order out of the 144 orders (with order quantity of 1 lakh shares or more), it is alleged that the orders were entered with the intention to inflate the buy side depth in the market and not to actually buy these shares. Therefore, it is alleged that these orders resulted in a false or misleading appearance of trading in the securities market.

10. In view of the above, both SIC and its clients, Shilpi and PK are responsible for the aforesaid trades.

11. As per shareholding details available on BSE Ltd. website, SIC was holding 9.99% of shares of Mefcom for quarter ending June 2006. SIC vide its letter dated October 18, 2013 has submitted to SEBI that it was holding shares on behalf of its clients and that it was not doing any proprietary trading. Since no evidence was provided to substantiate its claim, SIC was asked to provide evidence regarding its contention. SIC vide its letter dated November 13, 2013 provided a statement, claiming to be the client wise net position as on June 2006, which is reproduced herein below:-

Client Name	Client Code	Buy qty	Sell Qty	Net as on June 2006
Vishvas Securities Pvt Ltd	SV1	139505	Nil	139505
Deepak Rana	D004	143690	3690	140000
Pushpa Bansal	P006	160040	19800	140240
P.Khandelwal	P100	326621	191250	135371
			Total	555116

12. It is noted from the investigation report that SIC was not able to provide any documentary evidence in support of its contention that the trades were on behalf of its clients. Both Ms. Pushpa Bansal and Mr. Deepak Rana had denied that they had ever traded in the scrip of Mefcom. There was no credit of shares of Mefcom in their demat accounts also. It is thus alleged that both Ms. Pushpa Bansal and Mr. Deepak Rana have not traded in the scrip of Mefcom and SIC itself was trading using their broking accounts.

13. In view of the above, it is observed that the Promoters of Mefcom had initially sold of their majority holding during the period March- June, 2006 (more than 85%) to connected/related entities through market mechanism, matching trades with connected/related entities as there was illiquidity in the scrip. Thereafter the

company appointed new Directors and passed control of the management to these new Directors in September, 2006 (new Directors were not holding any shares in Mefcom during the investigation period). Simultaneously, the company made several positive corporate announcements during the period August, 2006 to March, 2007, which were found to be false and were done only with the intention to induce buying in the market which led to price rise. The connected entities, to whom the Promoter had initially sold the shares, sold shares in the market and some of them indulged during the investigation period in order book manipulation, contribution to LTP through repeated self trades and LTP manipulation. During the investigation period, the related/connected entities (Avisha Credit Capital Ltd., ISF Securities Ltd., Master Finlease Ltd., Vishvas Securities Ltd., BP Comtrade Pvt. Ltd. and SIC (for gains of Mr. Deepak Rana and Ms. Pushpa Bansal) made substantial unlawful gains (approximately ₹ 4.73 crore) in the market through above purported scheme.

Client Name	Buy Qty	Buy Value (₹)	Wt. Avg. Buy Price (₹)	Sell Qty	Sell Value (₹)	Wt. Avg. Sell Price (₹)	Closing Price (₹)	Gain / Loss (₹)
Avisha Credit Capital Ltd.	219815	7089409.7	32.25	184633	25678594	139.08	34	19785372.30
ISF Securities Ltd.	1996650	209882722	105.12	1598573	181896443	113.79		-14451661
Master Finlease Ltd.	1170245	134355418	114.81	1132020	142377628	125.77		9321860
Deepak Rana (SIC)	257611	11549541	44.83	190052	16083158	84.63		6830623
Vishvas Securities Ltd.	418948	11707786	27.95	378901	18078433	47.71		7732245
Pushpa Bansal (SIC)	176661	4895535.2	27.71	122081	5618435.7	46.02		2578620.50
BP Comtrade	380432	35396228	93.04	380313	36452799	95.85		1060617

Pvt. Ltd.								
Total								47309337.80

14. Therefore, it is alleged that the entities namely Avisha Credit Capital Ltd., ISF Securities Ltd., Master Finlease Ltd., Vishvas Securities Ltd., BP Comtrade Pvt. Ltd. and SIC (for gains of Mr. Deepak Rana and Ms. Pushpa Bansal) have violated regulations 3(a),(b),(c), (d), 4(1) and 4 (2)(a) of PFUTP Regulations.

15. Based on the above, Avisha Credit Capital Ltd., ISF Securities Ltd, Master Finlease Ltd., Vishvas Securities Ltd., BP Comtrade Pvt. Ltd. and SIC were called upon to show cause as to why directions under Section 11B of the SEBI Act including disgorgement of ill-gotten gains should not be issued against them for the aforesaid alleged violation of PFUTP Regulations.

Third SCN

16. A Third SCN dated September 26, 2017 (hereinafter referred to as “**Third SCN**”) was also issued in the matter to Vishvas Securities Limited, Master Finlease Limited, Avisha Credit Capital Limited and Cosmo Corporate Services Limited wherein the Noticees were called upon to show cause as to why directions under Section 11B of the SEBI Act read with regulations 44(f) and 44 (i) of SAST Regulations, 1997 should not be issued against them for the alleged violation of regulation 10 of SAST Regulations, 1997.

17.. The aforesaid Third SCN, sets out the following:

17.1. It is noted from the investigation report that certain entities in Mefcom together as 'person acting in concert' (hereinafter referred to as “**PAC**”) acquired more than 15% shareholding during quarter ended June 2006, the details of which are given below:

Demat A/c Credit Date	Name of Entity / Shareholding				Total shareholding as PAC	Total
	Avisha Credit Capital Ltd*	Cosmo Corporate Ser Ltd	Master Finlease Ltd	Vishvas Securities Ltd		
31/03/2006	0	0	189292	13205	202497	7.22%
04/04/2006	0	0	94271	13205	107476	3.83%
05/04/2006	0	0	94021	13205	107226	3.82%

07/04/2006	0	0	93821	13205	107026	3.82%
21/04/2006	0	25000	93821	13205	132026	4.71%
25/04/2006	0	59971	93821	13205	166997	5.96%
04/05/2006	0	134971	93821	13205	241997	8.63%
09/05/2006	0	94971	93821	13205	201997	7.20%
11/05/2006	0	259742	93821	13205	366768	13.08%
18/05/2006	0	141971	93821	13205	248997	8.88%
05/06/2006	0	141971	93821	13205	248997	8.88%
06/06/2006	0	141971	93821	13205	248997	8.88%
07/06/2006	125000	141971	93821	13205	373997	13.34%
08/06/2006	142000	141971	93821	139505	517297	18.45%
09/06/2006	142000	141971	93821	139505	517297	18.45%
10/06/2012	140000	141971	93821	139505	515297	18.38%
12/06/2006	140000	139971	93821	139505	513297	18.31%
22/06/2006	140000	139971	93821	139505	513297	18.31%
23/06/2006	138000	89971	93821	139505	461297	16.45%
05/09/2006	138000	67924	93821	139505	439250	15.67%
12/09/2006	138000	62924	93821	139505	434250	15.49%
13/09/2006	138000	59924	94021	139505	431450	15.39%
14/09/2006	138000	56924	94021	139505	428450	15.28%
15/09/2006	138000	52924	94021	139505	424450	15.14%
20/09/2006	138000	47924	94021	139505	419450	14.96%
26/09/2006	138000	77513	94021	139505	449039	16.02%
27/09/2006	138000	31189	85346	139505	394040	14.05%

*Note - * shares held in demat A/c of its broker SAM Global Sec P Ltd. In reply letter dated March 6, 2014, Avisha Credit Capital Ltd had not disputed holding of these shares and admitted connection with Master Finlease.*

Date of Acquisition w.r.t demat a/c credit of 08/06/2006 was 06/06/2006.

- None of the entity individually crossed 5% of shareholding.

17.2. It is further observed from the investigation report that the aforesaid 4 entities were also counter parties to sell trades of Promoter entities during the investigation period (the Promoter entities namely Mefcom Capital Markets Ltd., Mr. Vijay Mehta and Mr. Harsh Mehta sold 14,81,390 shares (52.83% of shareholding) during March 12, 2006 – June 07, 2006. The aforesaid 4 entities were amongst the 11 entities who were counter parties to 97% of the sell trades by Promoter entities) and by being counter party gave exit to Promoters through substantial synchronized trades/matching trades. Thus, it is alleged that they had common intent. The acquisition of share by these 4 entities crossed 15% (18.45%) on June 8, 2006 as can be seen from the above table.

17.3. It is therefore alleged that the above 4 entities, who acquired combined shareholding of 18.45% as on June 8, 2006, were persons acting in concert and have failed to make public announcement in accordance with regulation 10 of SAST Regulations, 1997.

18. Based on the above, Vishvas Securities Limited, Master Finlease Limited, Avisha Credit Capital Limited and Cosmo Corporate Services Limited were called upon to show cause as to why directions under Section 11B of the SEBI Act read with regulations 44(f) and 44(i) of SAST Regulations, 1997 should not be issued against them for the aforesaid alleged violation of regulation 10 of SAST Regulations, 1997.

REPLY and HEARING

19. In response to the First SCN, Mr. Vijay Mehta vide his letter dated October 10, 2017 requested for a copy of the investigation report which was provided to him vide letter dated October 26, 2017.

20. In response to the Second SCN, BP Comtrade Pvt. Ltd. (hereinafter referred to as "BPCPL") vide its letter dated October 18, 2017 requested for inspection of documents in the matter. Vide letter dated October 31, 2017, BPCPL was granted an opportunity of inspection on November 7, 2017. SIC, in response to the SCN, vide its letter dated October 30, 2017, requested for additional time to submit a reply to the SCN due to unavailability of advocates on account of court holidays.

21. BPCPL conducted the inspection on the scheduled date and the photocopies of the documents requested by it were provided to the Noticee. Upon request of the Noticee, Noticee was also provided with order log trade log for the investigation period vide letter dated November 20, 2017.

22. Mefcom vide its letter dated November 10, 2017 requested for the documents referred to and relied upon while issuing the First SCN. The Noticee was provided with a copy of the investigation report along with its annexures vide letter dated November 20, 2017.

23. Mr. Vijay Mehta vide his letter dated November 22, 2017 replied to the First SCN and submitted as follows:-

23.1. Mefcom Group of companies are promoted and managed by him since last 40 years. Although it is at the outset clarified that "Mefcom Agro Industries Limited" (now known as Vishvas Projects Ltd.) though promoted by him but the company was sold by June, 2006 and the control changed soon thereafter. Since then he has no control nor any relation with the said company.

23.2. The company was successfully carrying agricultural business for 12 years but it was in the year 2006 that agricultural industry showed a downfall which

resulted in shut down of company's operations despite management's best efforts and it was decided to sell-off the company.

23.3. Subsequently Promoters holding in the company was sold off. Later the company in its Board meeting held on August 17, 2006, with an intent to change the management of the company, approved the following business:

23.3.1. Three new Directors were appointed by Mefcom namely Mr. Ashok Marwah, Mr. Satyendra Kumar and Mr. Nihar Ranjan Mehra.

23.3.2. Mr. Karan Mehta and Mr. Tika Ram Khare resigned from the directorship of Mefcom.

23.3.3. The name of the company to be changed from Mefcom Agro Industries Ltd to Vishvas Infrastructure Ltd subject to the approval of the Registrar of Companies, NCT of Delhi & Haryana and Members in the General Meeting.

23.3.4. The main object clause has been amended in the Memorandum of Association subject to the approval of the members through Postal Ballot and approval of the Registrar of Companies, NCT of Delhi & Haryana.

23.3.5. The Registered office of the company has been changed from Asaf Ali Road, New Delhi to Kasturba Gandhi Marg, New Delhi w.e.f. August 17, 2006.

23.3.6. The Board has accorded its consent to seek the approval of the members of the company under regulation 12 of the SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 1997 for change in control of the company in favour of Mr. Satyender Kumar and Mr. Ashok Marwah. Mr. Satyender Kumar and Mr. Ashok Marwah to be recognized and classified as the New Promoters of the company in place of existing Promoters. Both the Directors communicated their consent to the said proposal subject to the company obtaining the member's approval in accordance with prevailing regulations.

23.4. In light of the above-said, it is pertinent to note here that he was holding position as a Director in Mefcom from October 16, 1993 and pursuant to the above-said Board Meeting the entire control of the company was shifted to the new management of the company and then he finally resigned from the directorship of the company after a period of three months i.e. on November 21, 2006 after handing over the charge of the company to the new Directors. Thus, he had no control over the company from the appointment of the other Directors

and from August 17, 2006 to November 21, 2006, he was merely acting as a facilitator for the new management to hand over the charge and ensure smooth transition.

23.5. Out of the 15 alleged corporate announcements made during the period, only 5 announcements from August 18, 2006 to October 09, 2006 were made while he continued as the Director in the company (but then also did not exercise any control thereof).

23.6. There was nothing erroneous or dishonest w.r. t. announcement vis-a-vis name change. The name of the company was indeed changed subsequently w.e.f. 27.10.2006 and the same fact can also be corroborated from the records of MCA. Further so as to the clarification, it is put forth that w.r.t. name change approval from BSE as per certain documents available with him clarifications and documents were submitted to BSE and there were ongoing communications with BSE in this regard.

23.7. That to the best of his knowledge the company was in final negotiation to invest in real estate during his directorship and there were no misleading or false facts made by the company. Even the object clause of the company was amended only because the company's new management was serious upon taking up the real estate business. Although as on date, he does not possess any document to substantiate the developments in the company during the period and negotiations being carried out at that point of time.

23.8. So as to the observation that "Mefcom had taken 15% shareholding in SRS, the name of Mefcom would have appeared in the list of shareholders as on 31.03.2007", it is herein submitted that the name would not appear if the said holding was sold transferred before 31.03.2007. That merely relying upon the MCA record that too dated 31.03.2007 i.e. of a date 7 months later cannot be made basis of the allegation that the announcement was not genuine. It is further herein submitted that as he recalls the said investment was actually made in SRS Retreat Services with an intent to establish the newly ventured real estate business of the company. Although after his resignation as on 21.11.2006 he cannot comment if the said investment was diluted or transferred.

23.9. The Noticee has submitted that the company had bought equity stake in other companies during the relevant period after amending its Memorandum of Association

namely Gypcrete Building India Pvt. Ltd., and Kamayani Patients (Care) India Ltd. Documentary evidence has been submitted in support of the claim by the Noticee.

23.10. As evident from the SCN, he has been implicated in the SCN merely on the basis of these announcements made by the company and there is no allegation against him as to the trading in the scrip of the company. Hence in light of the aforesaid facts as submitted (more so the facts as drawn from the public domain itself) the allegation against him does not stand at all.

23.11. He had off-loaded his entire shareholding held in Mefcom in the open market during the period March/April, 2006 to June, 2006 for exiting the company and transferred the control of the company to the new management. Necessary disclosures pertaining to above-said off-loading of his shareholding were duly made by him.

23.12. It is noted from the Minutes of the General Meeting held on 20.09.2006 wherein necessary resolution for change in management control was passed by the shareholders. This substantiates that the approval was duly taken by the company by passing the special resolution from the shareholders as prescribed under regulation 12 of SAST, 1997.

23.13. The very fact that the disclosure as the conduct of the General meeting and business transacted is appearing on its website is in itself substantiates the contention that the due disclosure was made to BSE. Now if the disclosure document which was sent from Company to BSE, it is BSE's duty to submit that disclosure document to SEBI. If the same is not available with BSE, it is grave to allege on company and its management that they have failed to make proper disclosure.

23.14. It can also be observed that the price of the scrip was only moved from ₹ 7.15 to ₹ 23.19 during the corporate announcements made during the tenure of his directorship which is not the substantial rise as compared to price-rise post his resignation which shows the immense hike from ₹ 23.19 to ₹ 173.8.

23.15. In November 2006, neither Mr. Harish Kumar Mehta nor Mefcom Capital Markets Ltd. held any shares, and he himself possessed only 3,500 shares. Hence the question of providing exit through misleading corporate announcements does not arise.

24. BPCPL vide its letter dated January 9, 2018 replied to the Second SCN and submitted as follows:-

24.1. At the outset, it is submitted that the SCN is not maintainable as the same pertains to trades that have been executed more than 10 years before the date of issuance of the SCN.

24.2. The entity trades through multiple terminals/dealers and carries out jobbing, arbitrage and positional trading in several securities and F&O contracts on one or more Exchanges using multiple trading strategies and its trades in Mefcom was surely a negligibly small portion of its entire trading. Details of our volume are given hereunder:

Year	No of securities traded	Quantity	Volume in ₹
2015	4126	64,91,62,717	12884,83,12,092
2016	3546	84,67,14,102	12731,17,44,679
2017	10555	1621233,556	33397,61,68,273

24.3. As a trader, entity's profits are made generally due to volume trading and no suspicion ought to be raised or conclusions drawn from the fact that it has traded for 1.6% of the total trades during the investigation period.

24.4. Once the entity places the order on the Exchange, it has no knowledge or control on how its orders will be executed. Relationship between the entity and the alleged Mefcom group cannot be drawn merely for being counterparties to it in light of the fact that;

24.4.1. The alleged group was actively trading and so it was natural that other entities orders would match with its order.

24.4.2. Entity's trading in Mefcom was completely in line with its general business and was no way different from its trading in other securities.

24.4.3. Entity's volume was merely 1.6% of the total market volume and was no way capable of manipulating the markets or otherwise.

24.4.4. Entity's trades during the investigation period were such that its buy and sell quantity were almost equal and therefore it cannot be for providing any exit as alleged or otherwise.

24.4.5. Entity has also sold shares to alleged entities to whom SEBI alleges to have been provided an exit so selling shares to such entities cannot be an exit in

any case.

Therefore, its inclusion in the Mefcom group is itself flawed and the SCN ought to be dropped against it on this ground.

24.5. Placing an order at a price different from an LTP cannot amount to a market manipulation in any circumstances. If the proposition in the SCN is to be accepted, it would entail that the price of a scrip cannot move in any direction as any order at a price above or below the LTP would amount to a market manipulation. The very foundation of trading is that buyers and sellers enter prices different than the LTP which leads to price fluctuation which is the basis for the existence of the equity markets. It is the allegation in the SCN that as a buyer (it may be noted that as a buyer it will always be entity's intention to reduce the LTP so as to get the shares at the cheapest price), the entity impacted the net LTP by -1.52 through 746 trades in total. Further, this is during patch 1, when the SCN makes an allegation against the alleged Mefcom Group entities of increasing the price of the scrip through positive contribution to the LTP. At the same time the SCN itself states that entity's contribution to the LTP during patch 1 was negative. Therefore, the allegation that as a buyer one contributed to negative LTP and therefore it amounts to market manipulation must particularly fail as it goes against the very genesis of the equity markets.

24.6. The allegation in para 24 again goes against the basics of trading in the equity market. As a seller, it will always be the intention of a person trading in the market to enter orders at an increased LTP so as to maximise its return. The allegation against the entity is that as sellers it has contributed to positive LTP in the scrip. Contribution to the positive LTP of a scrip as a seller is the basic principle of trading and therefore any instance of market manipulation cannot be found into such an act by the entity. The very fact that as a seller the entity contributed to positive LTP and as a buyer the entity contributed to negative LTP shows that the entity was acting as regular trader trading in any scrip in the equity market and did not act with any group, as alleged or at all. Therefore the entity denies that it has manipulated the price of the scrip in any manner whatsoever and the allegation of price manipulation against is baseless and ought to be dropped.

25. SIC vide its letter dated January 17, 2018 replied to the Second SCN and submitted as follows:-

25.1. The entity submits that multiple proceedings have been initiated against it for the trading carried out by one client only i.e. Mr. Purshottam Khandelwal. The entity would like to invite the attention to the order passed by Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT**") in the case of '*Aditi Dalal*', SAT appeal number 143 of 2011, decided on 28.11.2011 and submits that its case is similar to the case of Aditi Dalal wherein the Hon'ble SAT has already decided the issue of delay in initiation of proceedings (11 years after the alleged manipulation) and multiple proceedings for the same period.

25.2. Considering the facts and circumstances of the case, the WTM in the matter of Sumeet Industries Ltd., found that the link that can establish the knowledge or involvement of SIC in the impugned trading of Mr. Purshottam Khandelwal or in any plan of Sumeet Industries Ltd., is missing. The WTM therefore, gave the benefit of doubt to SIC with respect to the allegation of collusion with the company in the alleged manipulation of the order book of the scrip of the company. In the scrip of Gangotri Textiles Ltd., SIC has already been given suspension of three months vide order of the WTM dated April 28, 2017 wherein its role with respect to the same client i.e. Mr Purshottam Khandelwal has only been examined.

25.3. It is submitted that the SCN under reference is bad in law, in as much as, it has been issued in gross violation of procedure prescribed in the Regulations. The process prescribed under Chapter V of Intermediaries Regulations, is mandatory and sacrosanct and the same cannot be renounced or undermined. Non-compliance of the prescribed procedure completely vitiates the whole proceedings.

25.4. VSL is registered with the Noticee as a constituent and is having 5V1as Unique Client Code. Noticee was not a registered depository participant with either NSDL or CDSL during that time. Its clients had their DP accounts with other depository participants and whenever there is a pay-in of securities or client is required to deposit the securities with the Noticee for margin or collaterals, the clients used to transfer the securities in off market from their account with other

depository participants to the clients' beneficiary account of the Noticee and from that account the pay in of securities used to take place. These transfers used to take place in off market and various quantities of shares were transferred from the VSL's demat account with Globe Capital Market Ltd. to the clients' beneficiary account of SIC. Hence, the Noticee has been erroneously clubbed in 'Mefcom group' without appreciating that these transactions were carried out in the ordinary course of business.

25.5. As regards financial transactions with Avisha Credit Capital Ltd., the Noticee submits that Avisha Credit Capital Ltd. was a constituent registered with Noticee having UCC-5V. Noticee was maintaining Avisha's account on an open, mutual, current and running account basis and transfer of money to Avisha Credit Capital Ltd. was on account of its trading at BSE Ltd. and in the ordinary course of business.

26. Noticees in all the three SCNs were given an opportunity of hearing on April 10, 2019, vide hearing notices dated March 6, 2019.

27. Avisha Credit Capital Ltd. (hereinafter referred to as “**Avisha**”) and Master Finlease Ltd. (hereinafter referred to as “**MFL**”) vide their letters dated March 14, 2019, in response to the hearing notice requested to adjourn the scheduled hearing and requested for documents relied upon to issue the Second and Third SCNs to them. BPCPL vide its letter dated March 16, 2019 confirmed its attendance for the hearing. Mefcom vide its letter dated April 1, 2019 requested for a copy of the First SCN and also requested time to submit a reply to the said SCN. Mr. Vijay Mehta vide his letter dated April 2, 2019 requested to adjourn the scheduled hearing on medical grounds. SIC in response to the hearing notice, vide its letter dated April 4, 2019, requested for inspection of documents and copy of certain documents. Further, it also requested to adjourn the scheduled hearing. BPCPL also requested to adjourn the scheduled hearing by 2-3 days vide its email dated April 9, 2019.

28. Avisha and MFL were provided the documents as requested by them vide an email dated April 4, 2019. Similarly, Mefcom was provided with the documents as requested by it vide an email dated April 8, 2019. Considering, certain Noticees had requested to adjourn the scheduled hearing, the hearing in the matter for all the Noticees was

adjourned to May 14, 2019.

29. In response to the second hearing notice BPCPL and Mr. Vijay Mehta confirmed their attendance while SIC reiterated its earlier request for inspection of documents and copy of certain documents vide its letter dated May 9, 2019, ISF Securities Ltd. vide its email dated May 6, 2019 (hereinafter referred to as “**ISF**”) requested for a copy of the Second SCN.

30. On the day of scheduled hearing, i.e. on May 14, 2019, BPCPL and Mr. Vijay Mehta attended the hearing. Mr. Ravi V Ramaiya appeared for the hearing as authorized representative of BPCPL (hereinafter referred to as “**AR**”). The AR *inter alia* submitted as follows:

30.1. The AR submitted that the SCN is not maintainable as the same pertains to the trades that have been executed more than 10 years before the date of issuance of SCN.

30.2. The entity is not in possession of the papers and details of impugned trades as the data was kept in earlier data storage devices and software. Since the impugned trades were made more than 10 years ago, it is an extreme hardship for the entity to locate the relevant data.

30.3. The entity has been dealing in the securities market in huge volumes, in excess of several lakh crore for the past 11 years.

30.4. The entity trades through multiple dealers / terminals and carries out jobbing, arbitrage and positional trading in several securities and F&O contracts on one or more Exchanges using multiple trading strategies and its trades in the extant scrip was a negligible portion of its entire trading.

30.5. The SCN does not give any details of any connection of the entity with the Mefcom Group, unlike direct evidence given for other group entities. The only connection that has been purported to be given is that its trades matched with the alleged Mefcom Group entities.

30.6. The allegations with respect to synchronized trades and self trades are baseless and are not maintainable.

30.7. The allegation against the entity that as a seller, it contributed to positive LTP, is not maintainable as a seller will always enter an order at an increased LTP,

so as to maximize its returns.

30.8. The entity has bought and sold almost an equal quantity in the market.

30.9. The entity was granted time till May 17, 2019 to submit the number of scrips the entity had traded and the volume of its trading during the relevant period.

31. Mr. Vijay Mehta along with his authorized representative, Ms. Deepika Sawhney, Advocate (hereinafter referred to as “AR”) appeared for the hearing through teleconferencing from SEBI, NRO, New Delhi. The entity and the AR inter alia submitted as follows:

31.1. The entity had disassociated from the company since November, 2006. Therefore, the entity has limited documents available with him.

31.2. Due to downfall in the agriculture industry, the company was running into continuous losses and as the old management of the company was not able to revive company’s operation, it was decided that the control and the management of the company should be transferred to the new management.

31.3. Shri Vijay Jindal who is a Chartered Accountant had introduced the new management to the company officials.

31.4. During the period, August 17, 2006 to November 21, 2006, the entity was continuing as a Director of the company merely to facilitate transactions and all the decision making was done by the then Directors.

31.5. The entity was advised to submit the following evidence / information on or before June 7, 2019:

31.5.1. Evidence that he had informed shareholders regarding divestment of his holding and change in management of the Company.

31.5.2. Whether approval of shareholder was sought before the name of the company was changed?

31.5.3. The rationale for the investment made in the 3 companies namely Gypcrete Building India Pvt. Ltd., SRS Retreat Services Ltd. and Kamyani Patients (Care) India Ltd.?

32. In response to the request of SIC, the Noticee was granted an opportunity of inspection on May 17, 2019 vide letter dated May 15, 2019. Vide an email dated May 16, 2019, SIC requested to adjourn the scheduled inspection due to non-availability of

advocates.

33. Mefcom vide its letter dated May 16, 2019 submitted its response to the First SCN as follows:

33.1. The company had informed BSE Ltd. on 22.09.2016 regarding change in management. But it is unfortunate that it has not been mentioned in the outcome of Stock Exchange. Enclosed- Resolution passed by Board of Directors on 17.08.2006 for change of in control of the company, resolution passed by shareholders and minutes of AGM held on 20.09.2006, scrutinizer report, outcome of Board Meeting dated 18.08.2006.

33.2. With respect to the corporate announcement of equity stake in SRS Retreat Services, it is submitted that the deal did not matured due to certain misunderstanding. The company submitted that it had acquired equity stake in other companies Gypcrete Building Pvt. Ltd. and in Kamayani patients (Care) India Ltd. on 23/09/2006 and 07/09/2006 respectively pursuant to amendment of its object clause. Further, the Board of the company had approved the issue of shares on preferential basis on 04/01/2007 and bonus shares on 12/01/2007.

33.3. With respect to issue of 4,25,000 equity shares of ₹ 10 each at a premium of ₹ 225, it is submitted that the company did not receive in-principal approval from BSE Ltd. Since the preferential issue was not approved by BSE Ltd., the paid up capital of the company did not increase upto ₹ 10 crore, hence, the shares of the company could not be listed on NSE. Further, as the premium was not created due to non-issue of preferential shares, the company was not able to proceed with the capitalisation of securities premium and the bonus which was to be given out by of securities premium, failed to materialise.

33.4. Change in price of the scrip on 18.08.2006 on the announcement of change in control was ₹ 0.12 paise while on 30.08.2006 on the announcement that the company is in final stage of negotiation to invest in real estate, was ₹ 0.27 paise.

33.5. Two entities sharing the same address does not mean that they are connected with each other.

34. Post hearing BPCPL vide its letter dated May 20, 2019 submitted its turnover for the years 2012-2014.

35. Vide hearing notice dated May 17, 2019, the remaining Noticees were granted an opportunity of hearing on May 29, 2019. In response to the said hearing notice, Avisha and MFL vide their letters dated May 23, 2019 again requested for copy of the Second and Third SCNs and further requested to adjourn the hearing.
36. On the day of scheduled hearing, Mr. Sidharth Handa, Director of SIC, Mr. Brij Pal, Compliance Officer, Shri Prakash Shah, Advocate and Shri Ashwin Parte appeared for the hearing as authorized representatives of SIC (hereinafter referred to as “ARs”). The ARs *inter alia* submitted as follows:
- 36.1. Multiple proceedings have been initiated against the entity for the trading carried out on behalf of its clients namely Mr. Deepak Rana, Ms. Pushpa Bansal, Mr. Purshottam Khandelawl and Ms. Shilpi Modi.
- 36.2. The investigation period in the extant matter is January 1, 2006 to June 30, 2007, whereas the details were sought for the first time from the entity in the year 2013.
- 36.3. The entity has extended full cooperation to SEBI in the investigation process.
- 36.4. The trades of the clients were executed at the then prevailing market price and the account has been settled with the clients, hence it is incorrect to say that unlawful gains were made by executing the said trades.
- 36.5. The clients are not alleged to be connected to the Promoters of the company.
- 36.6. The directions of disgorgement qua the entity in the present proceedings has no applicability as the entity has only earned brokerage from the transactions executed in its clients account.
- 36.7. The entity was advised to submit the following evidence / information on or before June 7, 2019:
- 36.7.1. Evidence for settlement carried out by the entity for its clients.
- 36.7.2. NSDL, CDSL and Bank Statements for the relevant period.
- 36.7.3. Evidence that instructions was received from the client to trade on their behalf.
- 36.7.4. The rational for holding the shares and not crediting it to the clients account.

- 36.8. SEBI was instructed to grant the entity an opportunity of inspection at the earliest. Further, the entity was advised to submit a reply post inspection within three weeks from the date of the inspection.
37. Post hearing, Mr. Vijay Mehta reiterated his earlier submissions and submitted that the information pertaining to divestment of Promoter shareholding was in due knowledge of the shareholders and market at large at the relevant time as the same was duly disclosed by the Promoters within due course of time. This further shows that the Promoters at all times were acting with bona fide intent and ensured that the shareholders of the company are not oblivious to any information pertaining to divestment of shareholding by the Promoters.
38. Vide an email dated June 12, 2019, SIC was granted an opportunity of inspection in the extant matter on June 14, 2019 and the same was conducted on the scheduled date by SIC. ISF had also requested for inspection in the matter vide its letter dated June 13, 2019. The request of ISF was acceded to and ISF also conducted the inspection in the matter on June 14, 2019.
39. The request of Avisha and MFL for copy of SCNs and relied upon documents to issue the said SCNs was once again acceded to and they were provided the aforesaid documents vide letter dated June 12, 2019. Proof of receipt of letter dated June 12, 2019 by Avisha and MFL is on record.
40. ISF vide its letters dated June 20 and 24, 2019 requested for certain documents. The same was provided to the Noticee on July 2, 2019 along with a second opportunity of inspection. Further, vide an email dated July 5, 2019, ISF was provided with the statement showing its off-market trades with MFL.
41. Post hearing, SIC vide its letter dated July 31, 2019 while reiterating its earlier submissions *inter alia* submitted as follows:
- 41.1. Mr. Deepak Rana (hereinafter referred to as “**DR**”) and Ms. Pushpa Bansal (hereinafter referred to as “**PB**”) have not raised any such grievance before any authority even when details were sought from them. It appears to us that they made such bald and sweeping statements to avoid facing any liability and to avoid facing any consequences. It is submitted that it is totally baseless to say that the Noticee has carried out trading using its client codes. The same can also be verified from the stock exchanges records that all pre trade, trade and post trade

activities were carried out by the Noticee on behalf of its client only. Therefore under no circumstances, such allegation is sustainable on facts and in law.

41.2. With regard to Noticee's dealings for DR and PB, it is submitted that the said clients were registered through Mr. K. K. Modi, who was registered as a remisier with BSE through SIC. Mr. Modi had introduced large number of clients to SIC. Even in the KYC form furnished of both these clients, Mr. Modi was the introducer and he had represented himself before SIC saying that he had been authorized by both of these clients to execute the trades on their behalf.

41.3. As is observed from the above, the stock broker has to maintain and preserve books of accounts and documents for a period of five years, however, the details in this case were sought after a period of six years, by the time we did not have all the records and documents to produce before the investigating authority.

41.4. A brief analysis of the trading carried out by DR and PB, as culled out from the SCN, is as follows:-

41.4.1. DR and PB has bought a total of 2,57,611 shares and 1,76,661 shares respectively which is only 1.075% and 0.737% respectively of the total market volume. DR and PB has sold a total of 1,90,052 shares and 1,22,081 shares respectively which is only 0.7930/o and 0.509% respectively of the total market volume. This is miniscule by any standard and measures to have any impact on the market equilibrium.

41.4.2. Both DR and PB have entered into synchronized trades for only 1 day out of total investigation period of 18 months i.e. from 01.01.2006 to 30.06.2007.

41.4.3. DR and PB have contributed to only 0.94% and 0.11% of total market positive LTP respectively which is miniscule.

41.4.4. As regards contribution to new high price, it has been alleged that DR has contributed to only 1.08% of new high price which is again miniscule.

41.4.5. As regards LTP through first trades, it has been alleged that DR has contributed to LTP of ₹ 1.65 only through first trades which is miniscule percentage of total price increase.

41.5. Therefore, apparently all the trades of the clients DR and PB have been executed at the then prevailing market price and the account has been settled

with the clients. Hence, it is absurd to say that unlawful gains were made on the transactions executed in the account of DR and PB as per their instructions and authority.

41.6. Directions of disgorgement qua SIC has no applicability since it has only earned brokerage from the transactions executed in its client's account.

41.7. Under Para 49 of the SCN, the allegation is made against the company and its Promoters that they have made certain gains by executing trades in their connected and related entities. The aforesaid clients are not alleged to be connected or related to the Promoters of Mefcom. Therefore, their transactions ought not to be amongst those entities. Therefore even as per SCN, allegation of ill-gotten gains are not directed towards its clients viz. DR and PB.

42. ISF vide its letter dated August 5, 2019 while denying the allegations levelled against it in the Second SCN *inter alia* submitted as follows:

42.1. ISF received the membership of NSE in 1996, and of BSE Ltd. in 2008. It is pertinent to note that the membership of ISF with BSE Ltd. was renewed in 2012, following a change in the deposit-based membership with BSE Ltd. With respect to trades on BSE Ltd. during the investigation period, it is submitted that it would take orders from its clients for purchase / sale of securities on stock market and pass them on to another SEBI-registered stock broker, Sam Global Securities Limited (hereinafter referred to as "**SGSL**"), since ISF was not registered a stock broker with BSE Ltd. at the time. Such trades at BSE Ltd. were executed by SGSL, in the name of ISF. The securities were credited to the respective accounts of the clients on the same day, or upon receipt of due payments from them. Similarly, upon receipt of instructions of the clients, the securities were sold by the Noticee through SGSL and proceeds of the same were credited to the respective accounts of its clients. Since, during the investigation period the communication technology was not very developed, mostly the client would place the orders over phone or in person at the Noticee's office. Besides this, ISF also did some proprietary trading through its personal account, which was also executed by SGSL.

42.2. It is pertinent to state here that during the Investigation Period, ISF not only traded in Mefcom's scrip but also traded in other scrips in accordance with

the instructions received from its clients. The following table provides a name of some of the securities which were majorly traded by ISF on BSE, during the Investigation Period:

S. No.	Name of the Scrip	Quantity Traded
1.	BAMPSL Securities Limited	70,200
2.	Cerebra Integrated Technologies Limited	1,11,914
3.	Dolphin Medical Services Ltd	22,85,726
4.	Gangotri Textiles Limited	13,54,729
5.	IKF Finance Limited	1,06,398
6.	JK Paper Limited	77,364
7.	Pondy Oxides and Chemicals Limited	37,12,095
8.	Richa Industries Limited	12,09,236
9.	Shiva Cement Ltd	10,51,634
10.	Sumeet Industries Limited	34,49,947

42.3. During the Investigation Period, the Noticee held the following shares on behalf of the following clients:

S. No	Name of the Client	No. of shares as on June 30, 2006)	No. of shares (as on September 30, 2006)	No. of shares as on March 31, 2007)
1.	Amit Garg	26,015	40,444	0
2.	Avisha Credit Capital Limited	-	-	82,000
3.	Jatin Garg	31,001	40,001	0
4.	Mahesh Kumar Agarwal	1,60,000	1,94,000	0
5.	Rekha Garg	4,941	41,811	0
6.	Rabindra Kumar Jena	15,000	15,000	0
7.	Soma Gupta	15,000	15,000	0
8.	Subasini Jena	10,000	10,000	0
9.	Sangita Garg	40,000	40,000	0
10.	Trading Account	70,890.	6,289	32,067
11.	Total	3,72,847	4,02,545	1,14,067

42.4. As evident from the aforementioned table, the Noticee held only 1.67% of the shares of Mefcom as of June 30, 2006 and 1.14% as of March 31, 2007, while

the rest of the shares were held by the Noticee on behalf of its clients, including Avisha.

42.5. It is relevant to note that the transactions in the scrip of Mefcom took place in 2006-07, under the control of the previous management. Therefore, the present management had no knowledge of any irregularity with respect to such transactions. Further, due to the change in registered office, the contract notes issued to clients related to such transactions were not available, making it difficult for the new management to review the same.

42.6. The transactions on behalf of its clients are duly reflected in the bank account statements and the demat ledgers of both ISF and its clients, therefore, it cannot be assumed that trades in Mefcom's scrip have not been undertaken by the Noticee on behalf of its clients.

42.7. It is further alleged in the investigation report that Mefcom's shares were lying in the demat account of the Noticee from March - June 2006 till October 2006, it cannot be accepted that the Noticee was trading on behalf of its clients. It is submitted that as a general business practice, the delivery of purchased securities took place only after receipt of payments by the Noticee from its clients. While the trades in Mefcom's shares took place in March-June 2006, the payments for such trades were received by the Noticee only after September 2006. It is submitted that the Noticee was in possession of such shares only till such period as the payments were due from clients. After receipt of payments, the shares were duly credited to their accounts. It is important to highlight that even in the month of Decembers 2006, the shares were promptly delivered to the clients, without any delay. In this regard, reference is drawn to the bank account statements along with demat ledgers. It is submitted that merely because there was a delay in transfer of securities to clients' accounts owing to *bona fide* reasons mentioned above, it cannot be said that the Noticee was not trading on behalf of its clients.

42.8. It is further submitted that though the shares of Mefcom were held by the Noticee in its own name, separate trading accounts were maintained by the Noticee to segregate its own holdings from that of its clients. As already stated, it is submitted that at any given point of time, less than 2% of the total shares of Mefcom were held by ISF in its own trading account.

- 42.9. It is submitted that during the investigation period, ISF used to place orders with SGSL on behalf of a number of clients, including Avisha. In the month of January 2007, Avisha approached ISF to place orders for purchase of Mefcom's shares on its behalf, for the purpose of short-term trading only. As instructed by Avisha, ISF forwarded the orders to SGSL and bought shares on behalf of Avisha. Since the trades were undertaken for the purpose of short-term trading only and also, due to a delay in receipt of payments from Avisha the shares purchased were not transferred to Avisha's demat account. Later, based on the instructions received from Avisha, the shares were sold on BSE by the Noticee, through SGSL, and the proceeds from such sale were transferred to Avisha's account. The demat ledgers of ISF, reflecting the holdings of Mefcom's scrip on behalf of Avisha during the Investigation Period, are enclosed. As evident from the demat ledger referred above, the payments for all trades undertaken on behalf of Avisha during the Investigation Period were received and settled by March 31, 2008. It is further submitted that during the investigation period, ISF had received orders from 8 of its clients, apart from Avisha for trading in the scrip of Mefcom. The details of such clients are already provided in the reply.
- 42.10. It is important to highlight that similar trades were undertaken by ISF on behalf of Avisha in scrips other than Mefcom, and such trades were undertaken even after the investigation period. Therefore, it is submitted that ISF could not have known that Avisha was connected to Mefcom while executing such trades on its behalf.
- 42.11. On perusal of the document showing off-market trades, it was found that off-market trades with MFL was not reflected in any of the records available with the Noticee. It is submitted that the demat account statements of ISF pertaining to the investigation period do not reveal the execution of any off-market trades between ISF and MFL in Mefcom's scrip in the month of June, 2006 or during the investigation period.
- 42.12. It is submitted that the above mentioned counter-parties involved in the trades relating to Mefcom's shares were not known to the Noticee and there existed no prior relationship of the Noticee with such counter-parties. It is relevant to note that the trades by Noticee with the above three entities were

executed on an anonymous platform of the Stock Exchanges, whereby the identity of the counter-party to such trades were not known. Also, at the time of execution of such trades, the Noticee was not even aware of any connection between Mefcom and the abovementioned entities. Further, the Notice does not contain any specific averments to establish any connection between the Noticee and other entities.

42.13. It is submitted that in the absence of any evidence establishing a connection between the Noticee and the counter parties, the total LTP variation caused by the Noticee cannot be calculated cumulatively with that caused by other entities. Further, since there existed no connection between the Noticee and Mefcom or Mefcom Group, the Noticee cannot be clubbed a group entity of Mefcom for the purposes of positive LTP analysis.

42.14. It is submitted that during Patch - 1, the Noticee executed 951 trades in 11,38,546 shares of Mefcom, whereby the net LTP variation contributed by the Noticee was only 2.4% of the total market positive LTP.³ The positive LTP contributed by the Noticee in its trades with each of the three counter-parties i.e. B.P. Comtrade Pvt. Ltd., Sunita Investments and Purshottam Khandelwal, were approx. 1.76%, 0.11% and 0.56% of the total market positive LTP, respectively. Therefore, the average positive LTP variation contributed by the Noticee in its trades is less than 2% of the total market positive LTP, which is negligible and not significant, contrary to what is alleged in the Notice. Hence, it cannot be said that the Noticee contributed towards 9.75% of the total market positive LTP variation along with other allegedly connected entities of Mefcom.

42.15. It is further submitted that during the investigation, out of 49.49% of gross buy trades in Mefcom's shares, the Noticee's buy trades constituted only 8.33%. Further, it is submitted that while net trades for most of the other entities were negative, the Noticee recorded a net trade volume of 3,98,077. Thus, it is evident that the trades undertaken by the Noticee were genuine and not executed with an intent to manipulate the price of the scrip.

42.16. It is submitted that the usual practice followed by buyers while trading is to place orders at price higher than the LTP, to ensure that the order is executed. Therefore, it is submitted that mere purchase of Mefcom's shares at a price higher

than the LTP by the Noticee, in itself, does not amount to price manipulation.

42.17. It is also pertinent to note that while the allegations pertain only to Patch - 1 of the investigation period, there are no allegations against the Noticee with respect to its trades during the rest of the investigation period, i.e. from January 11, 2007 to June 30, 2007 (Patch - 2). It is relevant to note that the trades with respect to Avisha were primarily undertaken by the Noticee in Patch - 2 of the investigation period. It is submitted that the only plausible link by way of which it was alleged in the SCN that ISF was connected to Mefcom, did not even exist in Patch - 1 of the investigation period. Whereas, with respect to Patch - 2, there are no allegations of manipulation of LTP against the Noticee. It is, therefore, submitted that the allegations regarding the involvement of Noticee in the price manipulation of Mefcom's shares are completely baseless and without any merit.

42.18. It is important to highlight that while significant gains have been recorded against each entity, with respect to ISF, there is a loss of ₹ 1,44,51,661. It is submitted that while the amount of loss stated therein is incorrect, it is pertinent to state that even SEBI has not found any unlawful gains made by the Noticee, while trading in Mefcorn's scrip. Therefore, the allegation that the Noticee has made unlawful gains while trading in Mefcom's scrip, cannot be sustained.

42.19. It is submitted that during the Investigation Period, the Noticee was under the complete control and supervision of its previous directors and key managerial personnel. In light of the same, the Noticee cannot be held liable for acts alleged in the Notice, which were committed by the erstwhile management.

42.20. Since the alleged fraudulent acts took place during the tenure of previous management, no remedial or preventive action by SEBI is required.

43. The remaining Noticees, in the matter i.e., Mefcom, Mr. Satyender Kumar, Mr. Ashok Marwah, Mr. Nihar Ranjan Mishra, Vishvas Securities Limited, MFL, Avisha, Cosmo Corporate Services and ISF were granted a final opportunity of hearing in the matter on September 24, 2019. The hearing notice was served on the aforesaid Noticees by post / hand delivery / email / newspaper publication. SIC was also granted a second opportunity of hearing, post completion of its inspection. SIC vide its mail dated September 23, 2019 requested for time to make additional submissions in lieu of appearing for the hearing.

44. Of all the Noticees on whom the hearing notice was served, only ISF attended the hearing on September 24, 2019. Mr. Sunil Khemka, Director of ISF, Mr. Sandeep Parekh, Advocate and Ms. Sudarshana Basu appeared for the hearing as authorized representatives of ISF (hereinafter referred to as “**ARs**”). The ARs *inter alia* submitted as follows:

44.1. The entity should not be held liable for the alleged fraudulent acts committed during the tenure of the erstwhile management.

44.2. Company being an artificial person is not capable of taking its own decisions. In number of cases, SEBI has held the actual wrongdoer (KMP / Directors) and not the listed entity.

44.3. Owing to continuous losses, the erstwhile Promoters had transferred their stake to the present management. The present management of the entity has no knowledge of the transactions undertaken in relation to Mefcom’s scrip during the investigation period.

44.4. The entity was very cooperative with SEBI’s investigation.

44.5. Directions issued under Section 11B of SEBI Act cannot be punitive but may be preventive or remedial in nature. Since the alleged fraudulent acts took place during the tenure of previous management, which has changed in 2011, no remedial or preventive action by SEBI is required.

44.6. The entity has suffered a loss of ₹ 9.57 lakh for the trades executed in the scrip during the investigation period.

44.7. The allegation of fraud is a grave charge and therefore the standard of proof must be of a higher degree and mere conjectures and surmises will not be sufficient to hold an entity liable for fraud.

44.8. The entity was a registered stock broker of BSE Ltd. prior and post the investigation period and not during the investigation period.

44.9. For the trades executed on BSE Ltd. during the investigation period, the entity used to take instructions from its clients and pass them on to the stock broker, Sam Global Securities Ltd. such trades were executed in entity’s name, the securities were credited to the respective accounts of the clients on the same day or upon receipt of due payment from the clients.

44.10. The entity denies any connection with the company or its Promoters.

Further, entity also has no connection with the Mefcom Group entities with whom it is alleged that the entity has traded to make an impact on the LTP of the scrip.

44.11. Trades executed by the entity were *bona fide* and was on the anonymous trading platform of the Exchange.

44.12. Trades executed by the entity had negligible impact on the LTP of the scrip.

44.13. The entity was advised to submit the following evidence / information on or before October 30, 2019:

44.13.1. Bank Statements and Demat Statements for the transfer of securities to the clients.

44.13.2. Scrips in which the entity has executed trades for Avisha Credit Capital Ltd. other than the extant scrip.

44.13.3. Explanation for the gross buy and sell of the entity in the scrip.

45. SIC vide its letter dated October 7, 2019 while reiterating its earlier submissions *inter alia* made the following additional submissions:

45.1. On verification of its old records, SIC could trace following documents for the period to show that it has dealt on behalf of DR and PB. The details are as under:-

45.1.1. With respect to DR

45.1.1.1. Proof of delivery of statement of account for the following periods:-

i) 01.07.2005 to 31.03.2006 and

ii) 01.04.2006 to 30.06.2006.

45.1.2. Delivery of transaction statement showing scrip wise trading details of the trades executed by him through us during the period 01.04.2006 to 20.09.2006.

45.2. With respect to PB

45.2.1. Proof of delivery of statement of account for the following periods:-

i) 01.04.2005 to 31.03.2006;

ii) 01.04.2007 to 31.03.2008; and

iii) 01.04.2008 to 31.03.2009;

45.2.2. Copy of the relevant Bank statement highlighting payment of ₹ 24,410.80 to PB.

45.3. On perusal of the aforesaid documents it can be seen that both the clients

were aware of the transactions executed by them through us.

46. Post hearing, ISF vide its letter dated October 17, 2019 submitted its demat statement and client master reports for some of its clients to corroborate its submission that trades in the scrip of Mefcom were undertaken on behalf of its clients and that such shares were delivered to the client's account.

FINDINGS & CONSIDERATIONS

47. Before delving into the merits of the case, I would like to highlight that all the issues arising out of the three SCNs have been considered together for the sake of brevity and to avoid repetition as there is a common thread running through all the said three SCNs arising from the same set of facts and circumstances / same investigation. The gist of the allegations in the SCNs and the findings of the investigation report is as follows: Promoters of Mefcom had initially sold of their majority holding (more than 85%) to connected/related entities through market mechanism, matching trades with connected/related entities. The same also resulted in connected entities acquiring more than 15% shareholding in the company. Subsequent to the selling of shares by the Promoters, the company appointed new Directors and passed control of the management / company to the new Directors. Simultaneously, the company made several positive corporate announcements, which as per the allegation in SCN and finding of the investigation report, were found to be false and were done only with the intention to induce buying in the market which led to price rise. The connected entities, to whom the Promoters had initially sold the shares, sold shares in the market and some of them indulged in order book manipulation, contribution to LTP through repeated self trades and LTP manipulation. During the investigation period, the related/connected entities also made substantial unlawful gains in the market through the above purported scheme. Thus, in view of the nature of alleged transactions, connections / relations and other attendant facts and circumstances of this case, I deem it appropriate to deal with all the issues arising out of the respective SCNs at one place.
48. I also note that Mr. Satyender Kumar, Mr. Ashok Marwah in his individual capacity, Mr. Nihar Ranjan Mishra, Avisha, MFL, Vishvas Securities Ltd. and Cosmo Corporate Services Ltd. have neither replied to the SCN nor have availed the opportunity of

hearing granted to them. Service of SCN and hearing notices have been done on the Noticees. In this regard, the observations of Hon'ble SAT in the matter of *Sanjay Kumar Tayal & Others vs. SEBI* decided on February 11, 2014 is pertinent here. The Hon'ble SAT observed as follows:

"...As rightly contended by Mr. Rustomjee, learned senior counsel for respondents, appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges leveled against them in the show cause notices..."

49. Without prejudice to the above observation, I proceed to examine the matter on merits. To that effect, I have perused the SCNs, oral submissions, written submissions and other materials available on record. On perusal of the same, the following issues arise for consideration:

49.1. *Whether the corporate announcements made by the company were false and / or misleading?*

49.2. *Whether, the aforesaid misleading corporate announcements along with the alleged price manipulation done by the connected entities in the scrip was part of the scheme to provide an exit to the connected entities / benefit the connected entities?*

49.3. *Whether any violations of PFUTP Regulations have been committed by any of the Noticees in the extant matter?*

49.4. *Whether any of the Noticees during the investigation period have violated any provisions of SAST Regulations, 1997?*

49.5. *What directions, if any, should be issued against the Noticees in the extant matter?*

50. Before proceeding to consider the allegations on merit, I shall first deal with the preliminary objections of the Noticees. BPCPL and SIC have submitted that there has been inordinate delay in the initiation of the proceedings. In this regard, I note from the records that the involvement of the Noticees in the scrip of Mefcom came to the attention of SEBI through a media report dated October 12, 2010. I also note that

multiple investigating authorities were appointed in the extant matter. Moreover, the investigation process is a detailed one which passes through various levels of analysis. This will invariably consume considerable time depending on the number of Noticees involved and the complexity of the transactions. Therefore questioning the merits of the proceedings on the sole criteria of the time it took to crystallise the extent of the violations, would defeat the ends of justice.

51. It is also noted that there is neither any specific provision contained in PFUTP Regulations or SAST Regulations to issue the SCN nor there is any provision in PFUTP Regulations and SAST Regulations which lays down any limitation period for initiating any action under them. Hon'ble SAT in the matter of *Vaman Madhav Apte & Ors. vs. SEBI* has vide Order dated March 4, 2016 observed as follows –

“Argument of the appellants that the proceedings initiated against the appellants suffer from gross delay and laches and, therefore, the impugned order is liable to be quashed and set aside is without any merit, because firstly, neither the SEBI Act nor the regulations framed thereunder prescribe any time limit for initiating proceedings against the persons who have violated the securities laws. Secondly, neither the SEBI Act nor the regulations framed thereunder provide that if there is delay in initiating proceedings, no action can be taken against the person who has committed violations of the securities laws.”

52. Moreover, the Hon'ble Supreme Court of India recently in the case of *Adjudicating Officer, SEBI vs. Bhavesh Pabari* (2019) SCC Online SC 294 has held as follows:

“There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time, would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc.”

It is noted from the records that in the facts and circumstances of the matter, the lapse of time is not fatal as there was, on a periodic basis, correspondence between SEBI and the Noticees for information / material in the matter at hand since 2013 onwards. Further, in the light of aforesaid Hon'ble Supreme Court of India's Order, it is noted that based on the nature of allegation in the extant matter which is of false corporate announcements leading to market manipulation and failure to make Open Offer, if

proven, are grave economic offences and it is in the interest of investors and orderly development of securities market that instant proceedings should be continued to be adjudicated on merits of the allegation so as to keep the unscrupulous Noticees, if any, away from the securities market. In other words, more harm would be caused by dropping the instant proceedings solely on the ground of delay. Thus, the submission of the Noticees of dropping the SCNs on the ground of delay cannot be accepted.

53. SIC has submitted that the instant proceedings against it should be dropped as SEBI has initiated multiple proceedings against SIC for trading carried out by one client, PK during the same period. Two Orders have already been passed by SEBI against SIC in two different scrips for the trading done by PK. In this regard, I find that though the investigation period pertains to a similar period, in the instant proceedings the investigation period covered 18 months as opposed to shorter duration of investigation period in other 2 scrips (2-5 months) and the findings of the investigation are specific to the activities carried out in the scrip of Mefcom. The findings of each investigation has to be adjudicated based upon its own unique facts and circumstances and it has to be completely independent of the outcome of another proceedings of a similar period, even if the parties involved are same. The two investigations may resemble each other in some aspects like involvement of same Noticees, similar modus operandi, however, the peculiar facts and circumstances of each investigation, for instance, price- volume data, particulars of the trade, trading pattern etc. are not identical. The same necessitates independent examination of facts and circumstances of each investigation without being prejudiced with the outcome of the other proceedings. Thus the submission of SIC is without any merit.

54. SIC has also submitted that SCN is bad in law as the process under Chapter V of SEBI (Intermediaries) Regulations, 2008 has not been followed. In this regard, I would like to refer to regulation 23 of SEBI (Intermediaries) Regulations, 2008 which states as follows:

“Cancellation or suspension of registration and other actions.

23. Where any person who has been granted a certificate of registration under the Act or regulations made thereunder,

–

(a) fails to comply with any conditions subject to which a certificate of registration has

been granted to him;

(b) contravenes any of the provisions of the securities laws or directions, instructions or circulars issued thereunder;

the Board may, without prejudice to any action under the securities laws or directions, instructions or circulars issued thereunder, by order take such action in the manner provided under these regulations."

55. Regulation 23 of SEBI (Intermediaries) Regulations, 2008 unequivocally states that in addition to the powers conferred under regulation 27 of SEBI (Intermediaries) Regulations, 2008, SEBI could also exercise the powers under the securities laws, which in the given case is under Section 11B of the SEBI Act. Further, SEBI under Section 11B of the SEBI Act can issue directions to any person or class of persons referred to in Section 12 of the SEBI Act, or associated with the securities market to prevent the affairs of any intermediary or other persons referred to in Section 12 of the SEBI Act being conducted in a manner detrimental to the interest of investors or securities market or to secure the proper management of any such intermediary or person. In the extant matter the allegation against SIC is of order book manipulation and manipulating the price of the scrip in Mefcom. The allegations *per se* are grave in nature and based on the material available on record at the investigation stage, it was *prima facie* decided to proceed against SIC as the conduct of SIC was detrimental to the interest of investors and securities market. In this regard, it is relevant to refer to the case of *Karvy Stock Broking Ltd. vs. SEBI* 2007 73 SCL 261 SAT, wherein Hon'ble SAT *inter alia* stated the following:

"Parliament by Act 9 of 1995 introduced Section 11B with effect from 25.1.1995. This section enables the Board to issue directions to any intermediary of the securities market or any other person associated therewith if it thinks it is necessary in the interests of investors or orderly development of securities market or to prevent the affairs of any intermediary or any other person referred to in Section 12 from being conducted in a manner detrimental to the interests of investors or securities market or to secure the proper management of any such intermediary."

56. In light of the aforesaid discussions, I note that any interpretation seeking to restrict the power of SEBI under Section 11B of SEBI Act to issue directions to a registered intermediary by submitting that the same can be done exclusively under SEBI

(Intermediaries) Regulations, 2008, is contrary to the plain reading of the provision and the well settled legal position that recognizes SEBI's powers to pass directions / enforcement orders under Section 11B of SEBI Act for the conditions stipulated under the said section including in the interest of investors and orderly development of securities market. Section 11B of SEBI Act is an enabling provision enacted to empower SEBI to prevent malpractices and manipulations *inter alia* by stock brokers. Such an enabling provision must be construed so as to subserve the purpose for which it is enacted and thus, proceedings against a stock broker can be initiated under Section 11B of SEBI Act irrespective of whether any proceedings have been initiated against it under SEBI (Intermediaries) Regulations, 2008. Moreover, under SEBI (Intermediaries) Regulations, 2008, specific directions as stated under regulation 27 of the said Regulations including cancellation and suspension of certificate of registration can be passed. However, if the facts and circumstances of the case requires / merits any other directions, apart from those stated under regulation 27 of SEBI (Intermediaries) Regulations, 2008, the same can be done under Section 11B of the SEBI Act.

57. I now proceed to deal with the merits of the case.

Issue No. 1 – *Whether the corporate announcements made by the company were false and / or misleading?*

58. I note that the charge with regard to false / misleading corporate announcements has been levied against the company and its Directors for corporate announcements made by the company during the investigation period.

59. With respect to the charge of false corporate announcement of change of name of the company, it has been alleged that the company has failed to issue any clarification when the Exchange had rejected the name change. In this regard, Mr. Vijay Mehta has submitted that the name of the company was changed subsequently with effect from October 27, 2006 and he has submitted a copy of fresh certificate of incorporation issued by MCA. He has also submitted that there was some ongoing communication with BSE Ltd. with respect to approval of name change from BSE Ltd. I note from the BSE Ltd. website that the first time the information regarding name change was made public was on August 18, 2006 as part of the outcome of Board meeting of the

company held on August 17, 2006. Thereafter, BSE Ltd. had disseminated the information on September 22, 2006 that members of the company had approved the change of name of the company subject to the approval of Registrar of Companies, NCT of Delhi & Haryana. Finally the information regarding change of the name of the company from "Mefcom Agro Industries Ltd." to "Vishvas Infrastructure Ltd." was disseminated on November 2, 2006. Thus, it can be seen that the company was on a regular basis updating BSE Ltd. with the developments taking place in the process of changing the name of the company. I also note that it has not been brought on record as to when and why, BSE Ltd. rejected the name change of the company and whether or not, company took any steps to address the issue / concern raised by BSE Ltd. In view of the same and in light of the fact that the company's name did indeed change and there were regular disclosures made by the company to BSE Ltd. in this regard, leads to the conclusion that the aforesaid corporate announcement was neither false nor misleading.

60. With respect to acquiring equity stake in SRS Retreat Services, it has been submitted by Mr. Vijay Mehta that the investment was made by the company though the same may have been diluted / transferred later on. Mr. Vijay Mehta has also submitted that the new management of the company was serious upon taking up the real estate business and hence had amended the object clause of the company. Company has also submitted that the deal did not mature. In this regard, I note that the Board of the company in its meeting held on August 17, 2006 had approved the amendment in the Memorandum of Association of the company subject to the approval of the members through postal ballot and approval of the Registrar of Companies, NCT of Delhi & Haryana. Further, it is observed from the Notice to the shareholders dated August 17, 2006 and the newspaper advertisement regarding AGM Notice that the company was taking steps to amend its Memorandum of Association. Moreover, the scrutiniser's report dated September 19, 2006 also states that resolutions approved in the Board meeting held on August 17, 2006 was duly passed by the members of the company as special resolution. Currently also, as seen from the company's website under the heading "*services*", it is in the real estate business.

61. In addition to the aforesaid, the corporate announcements made by the company pursuant to amending its object clause, for acquiring equity stake in Gypcrete Building

India Pvt. Ltd. and Kamayani Patients (Care) India Ltd. appear to have been implemented by the company. The same is evidenced from the Annual Return of Gypcrete Building India Pvt. Ltd. for the AGM held on August 17, 2007 and from the list of shareholders of Kamayani Patients (Care) India Ltd. The aforesaid 2 corporate announcements were made on September 25, 2006 and October 9, 2006 respectively which is subsequent to the amendment of object clause and in close proximation to the announcement with respect to SRS Retreat Services which was made on September 4, 2006. In addition to the aforesaid, a perusal of other corporate announcements made by the company during the period November 21, 2006 to December 29, 2006 shows that the company had diversified its business operations. No adverse inference has been drawn against the said corporate announcements in the Investigation Report. Thus, as noted earlier, the company had amended its object clause and had invested in other companies to diversify its business. The same demonstrates that the company was venturing into other business sectors and hence the announcements were made. Therefore, taking into account the aforesaid factors, at this stage, a benefit of doubt can be given to the company with respect to its announcement regarding acquiring equity stake in SRS Retreat Services.

62. With regard to the corporate announcements relating to preferential allotment of shares to strategic investors, I note that on January 2, 2007 the company made a corporate announcement saying that meeting of its Board of Directors was scheduled on January 4, 2007 to consider the allotment on a preferential basis. Further, on January 4, 2007 a corporate announcement was made by the company saying that its Board of Directors, in the meeting held on January 4, 2007, had decided to issue 4,25,000 shares on preferential basis at a premium of ₹ 225 per share to strategic investors. The closing price of the scrip on January 4, 2007 was ₹ 178.7. In this regard the company has submitted that the Board of the company had approved the preferential issue. I note that the company has not given an explanation as to the reason for which the company was raising the capital. It has also not submitted when the company apply for in-principle approval to the Exchange or any correspondence details with the Exchange on the subject. Further, the company has not given any explanation as to who and how these “strategic investors” were identified. Moreover, the company has also not demonstrated whether any steps were taken by it to

convene the AGM to pass the special resolution for issuing preferential shares to strategic investors.

63. In view of the aforesaid discussion, I find that the company has not been able to demonstrate that post the announcement, it has taken any steps / made an effort to implement its announcement coupled with the fact that the company also did not disseminate any information with respect to the progress or lack of progress in implementing the announcement which kept the investing public in dark regarding the preferential issue that the company had announced. It is noted that once the corporate announcement is made to the public, the same is available to the public for daily consumption. On continuous basis, the investors rely on the said corporate announcement for an informed decision. Therefore, any change in the “truth” or correctness of the statement or the belief in the truth of the statement is an ongoing requirement of the persons responsible for the corporate announcement. Hence it is a pre-requisite for a statement to be qualified as not misleading, its veracity on continuous basis has to be ensured. In case of change of situations questioning the correctness of the statement, the same needs to be updated to the public so that the earlier statement does not qualify to be misleading. I note in the absence of any steps taken by the company to implement the announcement and also the lack of any follow up action on the part of the company with respect to the status of preferential issue by virtue of which the investors continued to deal in the securities under the impression / knowledge that the company is going to come out with a preferential issue, based on a preponderance of probability can be held that the announcement was made by the company to mislead the investors.

64. With regard to the corporate announcements relating to issue of bonus shares, I note that on January 5, 2007 the company made a corporate announcement saying that a meeting of its Board of Directors was scheduled on January 12, 2007 to consider the issue of bonus shares. Further, on January 12, 2007 a corporate announcement was made by the company saying that its Board of Directors, in the meeting held on January 12, 2007, has approved issue of bonus shares. The ratio for the same would be decided later. In this regard, I note from the available record that the financial performance of the company in preceding quarters of September 2006 and December 2006 was not strong as it had made a net profit of ₹ 1,000 and ₹ 82 lakh respectively.

Bonus shares are issued from free reserves which is created out of profit or securities premium received in cash. Considering the profits made by the company in the preceding quarters was meagre and as noted from the Investigation Report that the company had negative reserves and the fact that the company had not received any securities premium coupled with the outcome of the Board meeting (for substantiating the board meeting no proof was submitted) wherein a very pertinent aspect of bonus issue that of the ratio in which it will be issued was not decided, demonstrates that the company was not serious in implementing its announcement. Moreover, the company had also not disclosed as to when the company was convening the AGM to pass the resolution for bonus issue of shares.

65. In view of the aforesaid discussion, I find that the company lacked resources to implement its announcement. Further post publication of the announcement, the facts and circumstances of the case shows that the company has neither taken any steps to implement its announcement nor has updated the investors regarding the status of the implementation of the said announcement as the same is required as discussed in preceding paragraphs. The aforesaid corporate announcement made by the company by virtue of which the investors continued to deal in securities under the impression / knowledge that the company is going to come out with a bonus issue, on a preponderance of probability can be held that the announcement was made by the company to mislead the investors.

66. Company had also made a corporate announcement relating to EGM on March 2, 2007. The details of the same as noted from website of BSE Ltd. is as follows: Increasing the authorised share capital of the company, re-issuing of forfeited equity shares at a premium of ₹ 200, preferential issue of 4,25,000 equity shares of ₹ 10/- each at a premium of ₹ 225, to list the equity shares of the company on National Stock Exchange of India Ltd. and capitalization of a sum of ₹ 6,87,75,000/- standing to the credit of the company's securities premium account and the aforesaid amount of ₹ 6,87,75,000/- be applied in terms of article 123 of the articles of association of the company for paying up in full at par 68,77,500 equity shares of ₹ 10 each in the capital of the company to be allotted and distribution as fully paid bonus shares to such members who are holding equity shares as per the register of members or in the record of depository (NSDL and CDSL) as beneficial owners of the company's equity

shares at the record date determined by the Board of the Directors of the company in proportion of twenty one bonus shares for ten existing fully paid equity shares (21:10), subject to necessary provisions & approvals. In this regard, the company has submitted that it has not implemented the announcement of increased authorized share capital. With respect to issue of forfeited shares, the company has submitted that it has received the payment for the same on March 10, 2007. For the preferential issue, the company has submitted that the company had applied for in-principal approval to BSE Ltd. in the month of February, 2007 but the same was not given and hence, the announcement was not implemented. Further, as the preferential issue was not approved by BSE Ltd., the paid up capital of the company did not increase upto ₹ 10 crore. Therefore the company could not list its shares on NSE. In respect of non-implementation of announcement to capitalize securities premium account, the company submitted that as the premium was not created due to non-issue of preferential shares, the company was not able to proceed with the capitalisation of securities premium and the bonus which was to be given out by of securities premium, failed to materialise.

67. The aforesaid submissions of the company has been taken into consideration. I note that it is an admitted fact the company did not implement the announcement of increasing authorized share capital of the company. However, it is also observed that the company has neither submitted any explanation for the requirement to increase the share capital nor has submitted any documentary evidence to substantiate the steps taken to implement the same, for instance, copy of the notice of EGM. Irrespective of the aforesaid observation, I also note that the company had neither issued any clarification on the Exchange website for not implementing the said announcement nor has disseminated the information that it will not be implementing the said announcement. Thus, the lack of any steps to implement the said announcement coupled with the subsequent omission of the company to publish the information that it was not going to implement the announcement of increasing the authorized share capital of the company, makes the act / omission, misleading in nature as discussed in preceding paragraphs. With respect to re-issue of forfeited shares to Avisha, it is observed that company has not submitted its bank statement showing receipt of consideration from Avisha. It has neither submitted any details of

the shareholders whose share have been forfeited or a copy of the announcement in the newspapers with respect to same. Thus, in the absence of any documentary evidence, the submission of the Noticee is not acceptable.

68. With respect to preferential issue, I note that the company is making the same announcement within a span of 2 months, without providing any updates post the first announcement of preferential issue in the month of January, 2007. The company has submitted that it did not implement the second announcement regarding preferential issue because in-principal approval was not given by BSE Ltd. The company has not submitted any evidence of applying for in-principle approval to BSE Ltd. Even, if the same is taken on face value, the company has not submitted any reason for the refusal of BSE Ltd. to grant the said in-principle approval and what steps the company took to address the concerns raised by the Exchange. Moreover, no clarifications / updates were issued by the company in respect of its announcement of issuing of preferential shares. Therefore, in the absence of any steps taken by the company to implement the announcement and also the lack of any follow up action on the part of the company with respect to the status of preferential issue by virtue of which the investors continued to deal in the securities under the impression / knowledge that the company is going to come out with a preferential issue, based on a preponderance of probability can be held that the announcement was made by the company to mislead the investors.

69. The announcement to list the shares on NSE was also not implemented by the company. The submission of the company that it could not list its shares on NSE due to lack of in-principle approval from BSE Ltd. for issuing preferential shares, is without merit. I find that to make such an announcement which is contingent upon receiving approval from the Exchange and is also further contingent on successful completion of issue of preferential shares that too without any caveat, shows the callous approach of the company with regard to the announcement and is also misleading in nature. Moreover, no clarifications / updates were issued by the company for failure to list its shares on NSE.

70. The submission of the company with respect to capitalization of securities premium and utilising the same for issue of bonus shares has been considered. I find that the submission of the Noticee is without any merit. The act of the company to make an

announcement which is contingent on another event taking place (preferential issue) which itself is contingent on host of other factors falling in place, reflects the callous approach of the company with regard to the announcement and is also misleading in nature. It is also noted that the aforesaid announcement was made without any caveats and no update was provided by the company later on for not implementing the announcement.

71. In view of the aforesaid discussions, it is held that the corporate announcements with respect to change of name of the company and acquisition of equity stake in SRS Retreat Services made during the period August, 2006 till December, 2006, were not misleading in nature. However, as noted above based on preponderance of probability, the subsequent corporate announcements from January 2, 2007 till March 2, 2007 with respect to preferential issue, issue of bonus shares, increase in authorized capital of the company and listing of shares on NSE, were misleading in nature as the company has not been able to demonstrate that post announcement, it had taken steps to implement the same and also by omitting to publish the status of the corporate announcement.

Issue No 2 – *Whether, the aforesaid misleading corporate announcements along with the alleged price manipulation done by the connected entities in the scrip was part of the scheme to provide an exit to the connected entities/ benefit the connected entities?*

72. To effectively address the issue, the following sub-issues have to be answered:

72.1. *Whether the corporate announcements had or could have had an impact on the price of the scrip and / or whether the same had the potential to induce the investors to trade in the scrip?*

72.2. *Whether the connected entities manipulated the price of the scrip?*

72.3. *If the answers to the aforesaid sub-issues are in affirmative, who benefitted from the scheme?*

73. To answer the first sub-issue, I find that it has already been held that the corporate announcements made by the company till December, 2006 were not misleading in nature. Any impact which the said corporate announcements had on the price of the scrip would be considered as genuine. With respect to the corporate announcements

made during the period January 2, 2007 till March 2, 2007, I note that the corporate announcements with respect to preferential issue and bonus issue of shares were made within a span of 3 days. The said announcements without doubt are price sensitive information. They have the potential to impact the price of the scrip and generate trading interest therein. It is noted from the records that on the day of announcement of preferential issue of shares on January 2, 2007, the price of the scrip opened at ₹ 159.4 which was 4.8% higher than the previous close of ₹ 152.8 and closed at ₹ 162.1 which is 6% higher than the previous day close. The opening price of the scrip on the next day was ₹ 169.8. Similarly on the day of announcement of bonus issue of shares on January 5, 2007, the price of the scrip opened at ₹ 187.6 which was 5% higher than the previous close of ₹ 178.7. The opening price of the scrip on the next day was ₹ 196.5. The volume in the scrip also increased during the period of the aforesaid 2 corporate announcements. The volume in the scrip as on December 29, 2006 was 2,00,659 shares which increased to 3,35,049 shares on January 4, 2007 and the volume on January 5, 2007 was 2,80,983 shares. With respect to the corporate announcement made on March 2, 2007, I note that the same is also a price sensitive information and sends a positive signal to the market. Thus, it has also the potential to impact the price of the scrip and generate trading interest. Here , I would like to refer to the order of Hon'ble SAT in the matter of *Balchandra K. Patel vs. SEBI* decided on August 24, 2012, wherein the Hon'ble SAT observed as follows;

"We are inclined to agree with the view taken by the adjudicating officer that a false impression about the scrip of the company was created in the market by corporate announcements which were not fulfilled, which led to rise in the price of the scrip luring innocent investors to invest in the scrip..."

74. In light of the aforesaid discussion and the observation of Hon'ble SAT, I find that the misleading corporate announcements made by the company during the period January 2, 2007 to March 2, 2007 had the potential to impact the price of the scrip and to lure investors to trade in the scrip.
75. With respect to the second sub-issue regarding manipulation of the price of the scrip by connected entities, I note that as per SCN, the connected entities have manipulated the price of the scrip by LTP manipulation by trading amongst themselves, contributing to the LTP through repeated self trades and by indulging in order book

manipulation.

76. For the allegation of LTP manipulation, I note that the SCN has alleged that 6 entities namely, BPCPL, ISF, SIC trading on behalf of PK, MFL, Sunita Investments and Cosmo Corporate Service Ltd. by trading amongst themselves had contributed significant amount of ₹ 64.49 to the LTP (9.75% of market positive LTPV). I find that the allegation rests on the premise that the aforesaid 6 entities are part of a Group. The said premise requires evaluation of the basis of connection amongst the entities. As per the SCN, the said 6 entities are part of a larger group of 15 entities called the Mefcom Group and are related as per the connection shown in Table at paragraph 5.8 of this order.

77. BPCPL is alleged to have been connected to the Mefcom Group based on its trading in the scrip of Mefcom. 79% of the counter parties to its buy trades and 67% of the counter parties to its sale trades were Mefcom Group entities. The Noticee has submitted that relationship between the Noticee and the alleged Mefcom group cannot be drawn merely for being counterparties to it in light of the fact that the alleged group was actively trading and so it was natural that other entities orders would match with its order.

78. I find that the basis of connection of BPCPL with the Mefcom Group is not tenable for the following reasons:

78.1. 6 entities excluding BPCPL out of top 10 buy entities in the scrip during the investigation are allegedly part of Mefcom Group. Thus, the probability of BPCPL's sell trades matching with them are high. Similarly, 6 entities excluding BPCPL out of top 10 sell entities in the scrip during the investigation are allegedly part of Mefcom Group. Thus, the probability of BPCPL's buy trades matching with them are high.

78.2. The other entities in the Mefcom Group are connected with the company directly or indirectly either by way of common address or through off market transfer or through financial transaction or other such means. However, BPCPL is not connected either directly or indirectly with the company except by its trading in the company's scrip.

78.3. The connection of BPCPL with the Group has to be prior to / concurrent

with its trading in the scrip unless there is evidence that the trading pattern of BPCPL indicates meeting of minds with the counter parties, which in the given case has not been alleged against BPCPL.

79. The connection of Cosmo Corporate Service Ltd. is by way of a telephone number which is registered in the name of the Director of Avisha and MFL which shares a common address with the company. The sharing of a common telephone number between Cosmo Corporate Service Ltd. and the Director of Avisha and MFL shows the existence of business relationship between them. Therefore, the connection of Cosmo Corporate Service Ltd. to the company via Director of Avisha and MFL, is tenable. Sunita Investments is also connected to the group through Cosmo Corporate Service Ltd. as it had an off market transfer of 50,000 shares of Mefcom with Cosmo Corporate Service Ltd. on June 23, 2006. MFL is also connected to the group as it shares a common address with the company.

80. ISF has been alleged to be connected to the Group based on two counts:

80.1. The first being financial transaction with Avisha which is connected to the company.

80.2. The second connection is based on off-market transfer between ISF and MFL on June 9, 10, 13, 16, 27-30, 2006.

81. With respect to the first connection, I note that ISF has submitted that the financial transactions with Avisha were independent business transactions between a stock broker and a client. The Noticee has submitted demat ledgers reflecting Avisha's holding in the scrip of Mefcom during the investigation period. In this regard, I note that ISF has submitted that since it was not registered as a stock broker of BSE Ltd., it used to place order on behalf of its clients on BSE Ltd. through another stock broker, Sam Global Securities Ltd. and used to transfer the shares to the account of its clients as and when the money was paid by its clients. The same practice was followed by ISF for the trades of Avisha in the scrip of Mefcom. Without going into the merits of the practice adopted by ISF, I find that though the entries made in the demat ledger for the period April 1, 2006 to March 31, 2007 corresponds with the summary of the financial transaction of ISF with Avisha as noted in the SCN, however, the same has not been supported by the demat statement. Therefore, the ledger statement cannot

be an adequate proof to state that the transitions were in the nature of broker and client. Thus, it cannot be said that ISF and Avisha had broker-client relationship and the financial transactions were in the normal course of ISF's business.

82. With respect to the allegation of off- market transfers with MFL, ISF has submitted that it had never had any off market transfer with MFL in the extant scrip and has submitted its demat statement for the relevant period. From the said demat statement, I note that no credits have been made in its demat account for the scrip of Mefcom on June 9, 10, 16, 27-30, 2006. One credit entry is there for June 13, 2006. However, there is a mismatch between the quantity of shares as alleged in the SCN and the demat statement. Thus, in light of the demat statement, it can be held that no off market transfer in the scrip of Mefcom took place between ISF and MFL. However, I note from the records that ISF had received shares in off market from MFL during the aforesaid dates in other scrips. ISF has not submitted that shares received from MFL was in normal course of its stock broking business. In the absence of the same, it can be held that ISF is also connected to the Mefcom Group through MFL.

83. It has been alleged in the SCN that both PK and SIC are responsible for the trades executed in the name of PK in the scrip of Mefcom. Therefore, *prima facie* the connection of either PK or SIC or both has to be established with the Mefcom Group. It is observed from the SCN that PK is connected with the Mefcom Group as he was a major counter party to the sale by original Promoters when the Promoters exited the company. In this regard, I note that there is no allegation of connection of PK with the promoters other than by being counter parties. It is a different case if there is an allegation to the effect that the trading pattern of PK suggests the prior understanding with the Promoters. However, there is no such case. Therefore, there is no material on record to indicate that transaction / trades between PK and the original Promoters was not in the normal course. Hence, the said trading activity of PK cannot be a basis for his connection with the Mefcom Group.

84. The connection of SIC with the Mefcom Group has been established through its off market transfer with Vishvas Securities Ltd. and its financial transaction with Avisha. SIC has submitted that since it was not a registered depository participant with either NSDL or CDSL during that time its clients had their DP accounts with other depository participants. Whenever there was a pay-in of securities or client was required to

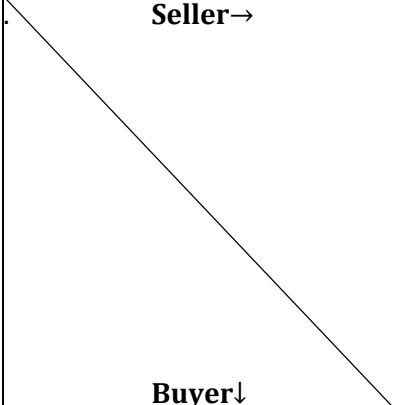
deposit the securities with the Noticee for margin or collaterals, the clients used to transfer the securities in off market from their account with other depository participants to the clients' beneficiary account of the Noticee and from that account the pay in of securities used to take place. These transfers used to take place in off market and various quantities of shares were transferred from the Vishvas Securities Ltd 's demat account with Globe Capital Market Ltd. to the clients' beneficiary account of SIC. The Noticee has submitted its demat account statement for the relevant period. In this regard, I note that the practice adopted by the stock broker is a valid practice and is permitted by law. Hence, no fault can be found with the same. It also goes on to establish broker-client relationship between SIC and Vishvas Securities Ltd. Thus, SIC cannot be said to be connected with the Mefcom Group through Vishvas Securities Ltd. Similarly with respect to Avisha, SIC has submitted a copy of its KYC which again proves that Avisha was the client of SIC prior to the investigation period. Thus, the financial transaction between them, in the absence of any contrary evidence has to be in the normal course of trading business in the securities market. Thus, SIC cannot be said to be connected with the Mefcom Group through MFL.

85. It is made clear here that since the connection to the Mefcom Group is germane to the issue of LTP manipulation in the scrip of Mefcom and considering the connection cannot be established either of PK or of SIC with the Mefcom Group, the trading activity of PK/ SIC has not been considered on merits. Any manipulative trading done by PK or SIC in the trading account of PK is not the subject matter of extant proceedings as they are independent of connection with the Mefcom Group and hence have been kept open for SEBI to take any action, if deemed fit, as per law.

86. In view of the aforesaid discussions, I find that out of 6 entities namely, BPCPL, ISF, SIC trading on behalf of PK, MFL, Sunita Investments and Cosmo Corporate Service Ltd. who were alleged to have manipulated the price of the scrip by trading amongst themselves, it is held that based on material available on record, BPCPL and SIC / PK cannot be said to be the part of Mefcom Group. Their trades have not been independently considered on merits as the allegation against their trading in Mefcom scrip was based on the premise that they were part of the Mefcom Group.

87. In light of the aforesaid conclusion, only the trades of ISF, MFL, Sunita Investments and Cosmo Corporate Service Ltd. have to be analysed to see whether their trading

amongst themselves has led to manipulation of the price of the scrip by contributing significantly to the LTP, as alleged in the SCN. The table below depicts their contribution to LTP while trading amongst themselves:

Seller→  Buyer↓		Total LTPV as buyer
	Sunita Investments	
Cosmo Corporate Services Limited	1.39	1.39
ISF	0.73	0.73
Master Finlease Ltd	0.81	0.81
Sunita Investments	0.42	0.42
Total LTPV As Seller	3.35	3.35

88. From the order log trade log, it is noted that LTP contribution of ₹ 1.39 by Cosmo Corporate Services Ltd. as a buyer and Sunita Investments as a seller was done through 13 trades executed on 6 days during the period September 4-7, 25 and 27, 2006 for 17,575 shares. It is noted from BSE Ltd. website that during the month of September 2006, the opening price of the scrip was ₹ 14.25 and the closing price of the scrip was ₹ 18.04 and 15,65,968 shares were traded during the month.

89. I note that trades at higher than LTP, undoubtedly have a potential of raising the price of the scrip. It must not be forgotten that every trade establishes the price of the scrip and trades executed at higher than LTP results in the price of the scrip going up which may influence the innocent/gullible investors. In cases of market manipulation, admittedly, no direct evidence would be forthcoming / available. Manipulative transactions are to be tested on the conduct of parties and abnormality of practices which defy normal logic and laid down procedures. What is needed, is to prove that in a factual matrix, preponderance of probabilities indicate a fraud. In this regard, the observations of Hon'ble Supreme Court of India in *SEBI vs. Kishore R Ajmera et.al.*

decided on February 23, 2016 wherein the Hon'ble Court while deciding the matter under SEBI Act and PFUTP Regulations where there was no direct evidence forthcoming, observed as follows:

"It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion..."

90. In light of the aforesaid observation of Hon'ble Apex Court, I find from the particulars of the trades executed between Cosmo Corporate Services Ltd. and Sunita Investments that the frequency of placing the orders is not high, trades were executed within the LTP rate of ₹ 0.01 to ₹ 0.49, number of shares traded on an average in the said 13 trades was approximately 1,352 shares as opposed to approximately 78,298 shares traded on an average during the month of September, 2006. Further, the traded quantity was 1.12% of the total traded quantity during the month. Thus, the aforesaid does not reveal a clear and set pattern / behavior of Cosmo Corporate Services Ltd. and Sunita Investments of consistently executing trades far removed from LTP and that too in large volumes on a regular basis to have an impact on the price of the scrip. Therefore the totality of the picture that emerges from the pattern of trades executed by the group members is that the same is not indicative of a concerted level of activity to have a substantial impact on the price of the scrip.

91. The next set of group members who have been alleged to manipulate the price of the scrip by contributing significantly to LTP is that of ISF and Sunita Investments. It is observed from the SCN that their trades have contributed ₹ 0.73 to the LTP. From the order log trade log, it is noted that the said LTP contribution by ISF as a buyer and Sunita Investments as a seller was done through 5 trades executed on 4 days during the period September 15, 18, 20 and 25, 2006 for 2,750 shares. As also noted in

preceding paragraphs, the frequency of placing the orders is not high, trades were executed within the LTP rate of ₹ 0.02 to ₹ 0.54, number of shares traded on an average in the said 3 trades was approximately 550 shares as opposed to approximately 78,298 shares traded on an average during the month of September, 2006. Further, the traded quantity was 0.17% of the total traded quantity during the month. Therefore the totality of the picture that emerges from the pattern of trades executed by the group members is that the same is not indicative of a concerted level of activity to have a substantial impact on the price of the scrip.

92. The next set of group members who have been alleged to manipulate the price of the scrip by contributing significantly to LTP is that of MFL and Sunita Investments. It is observed from the SCN that their trades have contributed ₹ 0.81 to the LTP. From the order log trade log, it is noted that the said LTP contribution by MFL as a buyer and Sunita Investments as a seller was done through 3 trades executed on 3 days during the period September 4, 7 and 26, 2006 for 6,650 shares. As also noted in preceding paragraphs, the frequency of placing the orders is not high, trades were executed within the LTP rate of ₹ 0.04 to ₹ 0.61, number of shares traded on an average in the said 3 trades was approximately 2, 217 shares as opposed to approximately 78,298 shares traded on an average during the month of September, 2006. Further, the traded quantity was 0.42% of the total traded quantity during the month. Therefore the totality of the picture that emerges from the pattern of trades executed by the group members is that the same is not indicative of a concerted level of activity to have a substantial impact on the price of the scrip.

93. It is also noted from the order log trade log that Sunita Investments has executed 2 self trades for 199 shares on September 4, 2006 by which Noticee has contributed ₹ 0.42 to the LTP.

94. Since the allegation in the SCN is that of 4 entities trading together as a group have manipulated the price of the scrip, I proceed to analyse whether all the trades put together had manipulated the price of the scrip by contributing to the LTP. I find from the particulars of the trades executed between Cosmo Corporate Services Ltd., ISF, MFL and Sunita Investments that the frequency of placing the orders is not high (23 trades executed on 10 days during the period September 4-7, 15, 18, 20, 25-27, 2006),

trades were executed within the LTP rate of ₹ 0.01 to ₹ 0.61 (the spread during the month of September, 2006 i.e., the difference between the high price and low price was ₹ 5.14), number of shares traded on an average in the 23 trades was approximately 1,182 shares as opposed to approximately 78,298 shares traded on an average during the month of September, 2006. Further, the traded quantity was 1.73% of the total traded quantity during the month. Thus, the aforesaid does not reveal a clear and set pattern / behavior of ISF, Cosmo Corporate Services Ltd., MFL and Sunita Investments of consistently executing trades far removed from LTP and that too in large volumes on a regular basis to have an impact on the price of the scrip.

95. In view, of the aforesaid discussions, it cannot be held that the Mefcom Group entities namely, ISF, Cosmo Corporate Services Ltd., MFL and Sunita Investments have contributed significantly to the positive LTP by trading among themselves. Thus, it cannot be also held that they have manipulated the price of the scrip.

96. The next allegation of price manipulation by Mefcom Group entities is that of contributing to the LTP through repeated self trades and by indulging in order book manipulation. For the allegation of contributing to the LTP through repeated self trades and the allegation of the order book manipulation by Mefcom Group entities leading to misleading appearance of trading in the scrip, I note that the said allegations are levelled against SIC, PK and Ms. Shilpi Modi. In other words, for the purpose of extant proceedings, the issue that has to be determined is whether, SIC, PK and Ms. Shilpi Modi being part of the Mefcom Group and in furtherance of the purported scheme, did indulge in repeated self trades and order book manipulation in the scrip of Mefcom. It has already been held in the preceding paragraphs that SIC and PK are not part of the Mefcom Group. I note that Ms. Shilpi Modi is alleged to be part of Mefcom Group as she was a major counter party to the sale of shares by the original Promoters. For the reasoning already stated in preceding paragraph for PK, I find that Ms. Shilpi Modi is also not a part of the Mefcom Group. Thus, considering the aforesaid 3 entities are not part of Mefcom Group, for the purpose of extant proceedings which is to determine whether any manipulation took place in the scrip of Mefcom due to purported scheme of Mefcom Group, there arises no need to independently consider the allegations of repeated self trades and order book manipulation as the first leg of the allegation regarding connection to the Mefcom

Group has not been established. It is reiterated that the merits of the allegations of repeated self trades and order book manipulation by SIC, PK and Ms. Shilpi Modi on a standalone basis is kept open for SEBI to take action, if any, as per law.

97. Thus, to answer the second sub-issue, I find that there is not adequate material available on record to establish that the connected entities of Mefcom Group have indulged in significant LTP contribution enough to qualify as price manipulation in the scrip. I further find that the alleged manipulation of the price by contributing significantly to LTP was in the month of September, 2006 while the false corporate announcements were made during the period January 2, 2007 to March 2, 2007.

98. To address the third sub-issue as to who all were the beneficiaries of the alleged scheme, I note from the SCN that the allegation of making substantial gain through the purported scheme of approximately ₹ 4.73 crore is levelled against Avisha, ISF, MFL, Vishvas Securities Ltd., BPCPL and SIC. To put things in perspective, it will be apt to once again refer to the purported scheme of Mefcom Group in brief. The alleged purported scheme was original Promoters selling shares in the market to connected entities, followed by false corporate announcements by the company and manipulation in the scrip by the connected entities and finally the connected entities exiting the scrip by making substantial gains. The following 3 steps go to make the purported scheme.

98.1. *Sale of shares by the original Promoters*-Investigation Report finds that the Promoters have sold the shares to the group entities. Out of the said group entities, four of them have been alleged to have manipulated the price of the scrip by LTP contribution. Further two entities have been alleged to have executed self-trades and have also indulged in order book manipulation.

98.2. *False corporate announcements by the company*- The false corporate announcements as found in the current proceedings were made during the period January 2, 2007 to March 2, 2007, almost 6 months after the sale of shares by the original Promoters. There is no allegation of manipulation of price / volume by the connected entities during the period January, 2007 to March, 2007.

98.3. *Manipulation by the connected entities*- As noted in the preceding paragraphs, the allegation of LTP manipulation against the connected entities

was in the month of September, 2006 for which adequate evidence is not on record. Moreover the allegations of self trades and order book manipulation was based on the premise that the entities were connected and have allegedly done the same. However, based on material on record in respect to their basis of connection, it was held that the connection was not established. Thus, the allegation on the basis of connection does not stand.

99. It is noted as the allegation of scheme consists of various steps, to establish the scheme, the entire steps of the scheme have to be proved or some of the steps which can still constitute the scheme. In the instant case, legs of price manipulation by LTP contribution among the connected entities is not established due to insufficient evidence. Similarly the corporate announcements prior to the alleged LTP manipulation were also not established to be misleading. Without these essential legs of the scheme, the purported scheme does stand as a “scheme” or device under the PFUTP Regulations. Therefore, the question of who has benefited out of the scheme also does not arise, in view of non-establishment of “scheme”. Needless to say that individual instances of manipulation, if any, may stand on its own leg, independent of the alleged scheme.”

Issue No. 3- *Whether any violations of PFUTP Regulations have been committed by any of the Noticees in the extant matter?*

100. Before embarking on further discussions, I deem it necessary to refer to relevant provisions of the PFUTP Regulations as charged in the SCNs. These provisions are reproduced hereunder:-

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:-

...

(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.

101. It has been held in the preceding paragraphs that out of several corporate announcements made by the company, the announcements made by the company during the period January 2, 2007 to March 2, 2007 are misleading in nature. Here, I would like to refer to the order of Hon'ble SAT in the matter of *Sumeet Industries Limited et. al. vs. SEBI* decided on June 30, 2016 wherein the Hon'ble SAT observed as follows;

"Moreover, fact that most of the public announcements were found to be genuine cannot be a ground not to take any action in respect of public announcements which were found to be not made with bona fide intentions."

102. I note that SEBI has adopted a disclosure based regulatory regime. Under this framework, issuers and intermediaries disclose relevant details about themselves, the products, so that the investor can take informed investment decisions based on such disclosures. Full, fair and timely disclosures form the cornerstone of any disclosure requirement stipulated by SEBI. The guiding principle in a disclosure based regulatory regime is the need for the issuers of securities to disseminate true, fair and adequate information to the potential investors in respect of the issuer and the

security being issued to enable the potential investors to make their own informed investment decisions. The same is also with a view to bring transparency in the securities market. As discussed in preceding paragraphs, the facts and circumstances of the case shows the price sensitive corporate announcements were made subsequent to which it took no steps to implement it and also omitted to publish the updated status / progress of implementation of the corporate announcement. Hence, the liability for the making misleading corporate announcements has to be fastened on the Noticees.

103. Hon'ble SAT in the matter of *V. Natarajan vs. SEBI*, Appeal No. 104 of 2011, has observed as follows:

"... We are satisfied that the provisions of Regulations 3 and 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003, were violated... These regulations also prohibit persons from indulging in a fraudulent or unfair trade practice in securities which includes publishing any information which is not true or which he does not believe to be true. Any advertisement that is misleading or contains information in a distorted manner which may influence the decision of the investors is also an unfair trade practice in securities which is prohibited. The regulations also make it clear that planting false or misleading news which may induce the public for selling or purchasing securities would also come within the ambit of unfair trade practice in securities..."

104. Additionally, to consider whether the act of making false corporate announcement is covered under the definition fraud as defined under PFUTP Regulations, I would like to refer to the matter of *SEBI vs. Kanaiyalal Baldev Bhai Patel* (2018) 13 SCC 753 which dealt with the definition of "fraud" as given under regulation 2(1) (c) of PFUTP Regulations. The following was observed by the Hon'ble Court:

"6. The definition of 'fraud', which is an inclusive definition and, therefore, has to be understood to be broad and expansive, contemplates even an action or omission, as may be committed, even without any deceit if such act or omission has the effect of inducing another person to deal in securities. Certainly, the definition expands beyond what can be normally understood to be a 'fraudulent act' or a conduct amounting to 'fraud'. The emphasis is on the act of inducement and the scrutiny must, therefore, be on the meaning

that must be attributed to the word “induce”

105. The examination of the definition of fraud under the PFUTP Regulations envisages among other things fraud by way of “act” so as to have an “effect of inducement” on another person for dealing in securities. Further, regulations 3 (b), (c) (d) of PFUTP Regulations prohibits employment of any device, scheme or artifice for fraud. In the given situation, the company has made price sensitive corporate announcements. It goes without saying that the said act of the company will send a positive signal to the market and has the potential to induce the investors. Thus, the company by publishing misleading corporate announcements subsequent to which it took no steps to implement it and also omitted to publish the updated status / progress of implementation of the corporate announcement, has by the act of publishing misleading corporate announcements has induced the investors to trade in its scrip thereby violating regulations 3(b),(c) (d), 4 2(f) and (r) of PFUTP Regulations.

106. Regulation 4(1) of PFUTP Regulations refers to unfair trade practices in securities. It would be noteworthy to quote the observations of Hon’ble Supreme Court of India in the matter of *SEBI vs. Kanaiyalal Baldev Bhai Patel* (2018) 13 SCC 753 wherein it was observed as follows:

“...Although unfair trade practice has not been defined under the regulation, various other legislations in India have defined the concept of unfair trade practice in different contexts. A clear cut generalized definition of the ‘unfair trade practice’ may not be possible to be culled out from the aforesaid definitions. Broadly trade practice is unfair if the conduct undermines the ethical standards and good faith dealings between parties engaged in business transactions. It is to be noted that unfair trade practices are not subject to a single definition; rather it requires adjudication on case to case basis. Whether an act or practice is unfair is to be determined by all the facts and circumstances surrounding the transaction. In the context of this regulation a trade practice may be unfair, if the conduct undermines the good faith dealings involved in the transaction. Moreover the concept of ‘unfairness’ appears to be broader than and includes the concept of ‘deception’ or ‘fraud’. ”

107. In the extant matter, considering the company has planted misleading price sensitive corporate announcements subsequent to which it took no steps to

implement it and also omitted to publish the updated status / progress of implementation of the corporate announcement, undermines the good faith dealing between the company and the investors. The said act of the company does not conform to the fair and transparent principles of transactions in the stock market and is an unfair trade practice. In view of the same, it is further held that the aforesaid act of the company is an unfair trade practice and therefore, the company has violated regulation 4 (1) of PFUTP Regulations.

108. I further note that any company though a legal entity cannot act by itself, it can act only through its Directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence. In terms of Section 291 of the Companies Act, 1956, the Board of Directors of a company shall be entitled to exercise all such powers and do all such acts and things as the company is authorized to exercise and do. Therefore, the Board of Directors collectively being responsible for the conduct of the business of a company are liable for any non-compliance of law and such liability shall be upon the individual Directors also. Here I would like to refer to the observations of Hon'ble Supreme Court of India in the matter of *N Narayanan vs. Adjudicating Officer, SEBI* decided on April 26, 2013, wherein the Court observed as follows:

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

109. In the present case, I note that Mr. Satyender Kumar and Mr. Ashok Marwah had acquired control of the company in September, 2006 and the misleading corporate announcements were made from January, 2007. Thus, Mr. Satyender Kumar and Mr. Ashok Marwah, being in control of the company are responsible for the misleading

corporate announcements. I, further note that all the price sensitive misleading corporate announcements were approved in the Board Meetings. Mr. Nihar Ranjan Mishra being part of the Board in his capacity as a Director was part of the decision making processes through Board's resolution. Consequently, he is also liable for the impugned misleading corporate announcements. The Directors of the company, namely, Mr. Satyender Kumar, Mr. Ashok Marwah and Mr. Nihar Ranjan Mishra failed to exercise due care and diligence as expected from a prudent person. Hence, the Directors of the company have violated regulations 3(b),(c) (d), 4(1),4 2(f) and (r) of PFUTP Regulations.

Issue No. 4- *Whether any of the Noticees during the investigation period have violated any provisions of SAST Regulations, 1997?*

110. It is observed from the SCNs that there are two allegations of violations of provisions of SAST Regulations, 1997. The first allegation is against Mr. Ashok Marwah and Mr. Satyender Kumar for violation of regulation 12 of SAST Regulations, 1997 pursuant to change in control of the company. The second allegation is against Vishvas Securities Limited, MFL, Avisha and Cosmo Corporate Services Limited for acquiring combined shareholding of 18.45% as on June 08, 2006 in the company, without making a public announcement in accordance with regulation 10 of SAST Regulations, 1997.

111. Before proceeding further, I would like to quote the relevant provisions of SAST Regulations:

Acquisition of fifteen per cent or more of the shares or voting rights of any company.

10. No acquirer shall acquire shares or voting rights which (taken together with shares or voting rights, if any, held by him or by persons acting in concert with him), entitle such acquirer to exercise fifteen per cent or more of the voting rights in a company, unless such acquirer makes a public announcement to acquire shares of such company in accordance with the regulations.

Acquisition of control over a company.

12. Irrespective of whether or not there has been any acquisition of shares or voting

rights in a company, no acquirer shall acquire control over the target company, unless such person makes a public announcement to acquire shares and acquires such shares in accordance with the regulations:

Provided that nothing contained herein shall apply to any change in control which takes place in pursuance to a special resolution passed by the shareholders in a general meeting:

Provided further that for passing of the special resolution facility of voting through postal ballot as specified under the Companies (Passing of the Resolutions by Postal Ballot) Rules, 2001 shall also be provided.

Explanation.—For the purposes of this regulation, acquisition shall include direct or indirect acquisition of control of target company by virtue of acquisition of companies, whether listed or unlisted and whether in India or abroad.

112. With respect to the allegation of failure to make open offer pursuant to change in control of the company, the company has submitted the following documents:

112.1. Extract of the minutes of the Board meeting held on August 17, 2006 wherein the resolution for change in control of the company was approved by the Board subject to the approval of members of the company.

112.2. Disclosure of the outcome of Board meeting held on August 17, 2006 on BSE Ltd.

112.3. Copy of the Notice sent to the members of the company pursuant to the Board meeting held on August 17, 2006 for special resolution on change in control of company.

112.4. Copy of the newspaper advertisement issued for the AGM to be held on September 20, 2006.

112.5. Minutes of the AGM held on September 20, 2006 approving change in control

112.6. Certified true copy of the resolution passed by the members of the company at the AGM held on September 20, 2006 approving change in control

112.7. Scrutiniser's Report dated September 19, 2006 reflecting the outcome of the postal ballot.

113. In light of the aforesaid documents submitted by the company, I note that though the disclosure made by the company for change in control is not reflecting on the BSE Ltd. website, based on preponderance of probability, in view of other evidences submitted, I find that at this stage, a benefit of doubt can be given to the Noticees, Mr. Ashok Marwah and Mr. Satyender Kumar. Therefore, the allegation that the Directors, namely Mr. Ashok Marwah and Mr. Satyender Kumar have violated regulation 12 of SAST Regulations, 1997 does not stand established.
114. Regarding the second allegation of violation of regulation 10 of SAST Regulations, 1997, I note that Vishvas Securities Limited, MFL, Avisha and Cosmo Corporate Services Limited are the Acquirers for the purposes of the impugned acquisition of 18.45% shares in the company. From the available records, I find that MFL and Avisha have admitted that they are related to each other by way of having common Directors. Further, they also share a common address with the company. It is also seen from the records that MFL and Avisha were holding 45% controlling shareholding in Vishvas Securities Limited. Thus, it can be said that MFL, Avisha and Vishvas Securities Limited are companies under the same management. With respect to Cosmo Corporate Services Limited, I note as follows;
- 114.1. It shares the telephone number which is registered in the name of Mr. Vijay Jindal, Director of MFL and Avisha.
- 114.2. It bought shares of Mefcom for the first time on April 21, 2006 when the other 3 Acquirers were also buying.
115. From the aforesaid, I note that the sudden interest shown by Cosmo Corporate Services Limited in the scrip of Mefcom which during that period was running at a loss and that too buying a substantial stake in Mefcom when its connected entities namely MFL and Avisha were also acquiring substantial stake, indicates that it had a prior understanding with MFL and Avisha for acquiring substantial stake in Mefcom.
116. In view of the aforesaid discussions, I note that Vishvas Securities Limited, MFL, Avisha and Cosmo Corporate Services Limited were related to each other and were acting in concert with each other for the purpose of acquiring substantial stake in Mefcom.
117. It is noted from the demat statement of Vishvas Securities Limited, MFL, Avisha

and Cosmo Corporate Services Limited that as on March 31, 2006, Vishvas Securities Limited and MFL were holding 7.22% shareholding in Mefcom. Subsequently, MFL's shareholding decreased on April 4-5, 2006, taking the shareholding of all the Acquirers to 3.82% which due to subsequent acquisition by Avisha and Cosmo Corporate Services Limited increased to 18.45% on June 8, 2006. It is noted from records that Vishvas Securities Limited, MFL, Avisha and Cosmo Corporate Services Limited have not made any public announcement to acquire 18.45% shares in Mefcom. As per regulation 14(1) of SAST Regulations, the said 4 Noticees should have made the public announcement not later than 4 working days of acquisition of shares. i.e. on or before June 14, 2006. Therefore, it is held that the said 4 Noticees have violated regulation 10 of SAST Regulations, 1997.

Issue No. 5- *What directions, if any, should be issued against the Noticees in the extant matter?*

PFUTP Regulations

118. Hon'ble Supreme Court of India in the matter of *N Narayanan vs. Adjudicating Officer, SEBI* decided on April 26, 2013 while dealing with the concept of market abuse in securities market has observed as follows:

"Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law. Section 12A read with Regulations 3 and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'. The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. 'Market abuse' impairs economic growth and erodes investor's confidence. Market abuse refers to the use of manipulative and deceptive devices, giving out incorrect or misleading information, so as to encourage investors to jump into conclusions, on wrong premises, which is known to be wrong to the abuser.

...

A word of caution:

43. SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading etc. or else they will be failing in their duty to promote orderly and healthy growth of the Securities market. Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country's economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India's securities market. Message should go that our country will not tolerate "market abuse" and that we are governed by the "Rule of Law". Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and 'market security' is our motto. People with power and money and in management of the companies, unfortunately often command more respect in our society than the subscribers and investors in their companies. Companies are thriving with investors' contributions but they are a divided lot. SEBI has, therefore, a duty to protect investors, individual and collective, against opportunistic behavior of Directors and Insiders of the listed companies so as to safeguard market's integrity.

...

SEBI has the duty and obligation to protect ordinary genuine investors and the SEBI is empowered to do so under the SEBI Act so as to make security market a secure and safe place to carry on the business in securities."

119. I note that Section 11 of SEBI Act casts a duty on the Board to protect the interests of investors in securities and to promote the development of and to regulate the securities market. For achieving such object, it has been authorised to take such measures as it thinks fit. Thus, power to take all measures necessary to discharge its duty under the statute which is a reflection of the objective disclosed in the preamble has been conferred in widest amplitude. Pursuant to the said objective, PFUTP Regulations have been framed. The said regulation apart from bringing transparency and fairness among other things aims to preserve and protect the market integrity in order to boost investor confidence in the securities market. By making misleading price sensitive corporate announcements not only the investors were defrauded and misled but it has also impaired the integrity of the securities market. In view of the same and considering the violations committed by Mefcom Agro Industries Limited and its Directors namely, Mr. Satyender Kumar, Mr. Ashok Marwah and Mr. Nihar

Ranjan Mishra, I find that it becomes necessary for SEBI to issue appropriate directions against them.

SAST Regulations

120. I note that the obligation of the Acquirer to make an Open Offer continues till the time it has been made. Moreover, Hon'ble Supreme Court of India in the matter of *Clariant International Limited and another vs. SEBI* [Appeal (Civil) No. 3183/2003] while determining the question to whom the interest is payable in case of delayed Open Offer made the following observation:

“ ...

While compensating a person, the court should see that he is not unjustly enriched. Interest is directed to be paid on the default of the acquirer occasioning loss suffered by an investor of his money. The question of paying interest by way of compensation to persons who had not suffered any loss, thus, would not arise.

Interest was, therefore, payable only to such persons who shareholders were of target company as on the triggering date.

...”

In the aforesaid order, the Hon'ble Court made a distinction between shareholders who were eligible to be paid interest and shareholders who are not eligible for the same. To put it differently, shareholders whose name appear in the register of the company at the time when public announcement of the Open Offer should have been made as per the SAST Regulations, 1997, were eligible to be compensated for the delayed Open Offer while the shareholders whose name did not appear in the register of the company at the time when public announcement of the Open Offer should have been made as per the SAST Regulations, 1997, but will tender their share prior to the closure of Open Offer, were not eligible to be compensated for delayed Open Offer. Corollary to this is that every shareholder of the Target Company is eligible to tender their shares in the Open Offer prior to its closure irrespective of whether their name appears in the register of the company as on the date of public announcement of the Open Offer. In the extant matter, though some of the shareholders of the Target Company would have reduced their shareholding in the company or would have exited

the company and new shareholders would have come in their place, but that does not discharge the Noticees from their Open Offer obligation to make it to all the existing shareholders of the company, as the Open Offer is yet to be completed by the Noticees / Open Offer is yet to be closed. Therefore, the direction to make open offer should be extended to all shareholders including the new shareholders of the company.

121. In addition to the directions to be issued under the provisions of the Takeover Regulations, the legal sanctity of SEBI's directions of imposing interest on delayed open offer has been affirmed by the Hon'ble Supreme Court of India in the matter of *Clariant International Limited and another vs. SEBI* [Appeal (Civil) No. 3183/2003]. In the said case, the Hon'ble SC had held *inter alia* as follows:

"..Interest can be awarded in terms of an agreement or statutory provisions. It can also be awarded by reason of usage or trade having the force of law or on equitable considerations. Interest cannot be awarded by way of damages except in cases where money due is wrongfully withheld and there are equitable grounds therefor, for which a written demand is mandatory.

....

In Executive Engineer, Dhenkanal, Minor Irrigation Division, Orissa and Others vs. N.C. Budharaj (Deceased) by Lrs. And Others [(2001) 2 SCC 721], Raju, J. speaking for the majority held that a person deprived of the use of money to which he is legitimately entitled has a right to be compensated for the deprivation by whatever name it may be called, namely, interest, compensation or damages.

.....

Directions by the Board are required to be issued for the purpose of protecting the interest of the investors which would imply that such protection be extended to the persons who are entitled thereto and not any other shareholder who would get the same by windfall. The shareholders contemplated under clause (i) of Regulation 44 must be those shareholders whose shares have been accepted upon public announcement of offer and who have suffered loss owing to blockage of amount by not being able to sell the shares held by them. The object of the said provision is to protect the interest of such shareholders who had suffered a loss for delay in making the public announcement and, thus, may have to be compensated. The very fact that the bench-mark as regard the rate

of interest has been fixed is also a pointer to the fact that the interest is to be paid to such investors who had suffered some loss. While compensating a person, the court should see that he is not unjustly enriched. Interest is directed to be paid on the default of the acquirer occasioning loss suffered by an investor of his money. The question of paying interest by way of compensation to persons who had not suffered any loss, thus, would not arise. Interest was, therefore, payable only to such persons who were shareholders of target company as on the triggering date.

....

In view of our findings aforementioned, we are of the opinion that while calculating the amount of interest, the amount of dividend paid to the shareholders should be excluded. The shareholders who by reason of default on the part of acquirer have been deprived of interest payable on the difference of the offer price and market price would be entitled to interest as direction to pay interest being not penal in nature, they cannot make double gains."

122. In this context, I note that interest of investors would be protected timely, if action for investigation for fact finding is initiated sufficiently early, if the allegation of violation comes to the knowledge of SEBI. The elapse of time can be treated as a mitigating factor for moulding the directions, if any, in the facts and circumstances of the case. Since the shareholders who held shares on the date of public announcement of i.e. on June 14, 2006 were denied of their statutory right to exit, in light of the provisions of the Takeover Regulations and the mitigating circumstance of passage of time, I find that it would be appropriate in the ends of justice that those shareholders are entitled to receive interest of 4% on the Open Offer price.

123. I note that Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 has been repealed and Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 as notified on September 23, 2011 and has been brought into force from thirtieth day from the date of its publication in the Official Gazette. Regulation 35 of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, provides as under:

Repeal and Savings

35 (1) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, stands repealed from the date on which these regulations come into force.

(2) Notwithstanding such repeal, — (a) anything done or any action taken or purported to have been done or taken including comments on any letter of offer, exemption granted by the Board, fees collected, any adjudication, enquiry or investigation commenced or show-cause notice issued under the repealed regulations, prior to such repeal, shall be deemed to have been done or taken under the corresponding provisions of these regulations;

(b) the previous operation of the repealed regulations or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the repealed regulations, any penalty, forfeiture or punishment incurred in respect of any offence committed against the repealed regulations, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture or punishment as aforesaid, shall remain unaffected as if the repealed regulations has never been repealed;

(c) any open offer for which a public announcement has been made under the repealed regulations shall be required to be continued and completed under the repealed regulations.

124. Thus, the present proceedings are saved by above mentioned regulation of Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

ORDER

125. In the facts and circumstances of the case, I, in exercise of the powers conferred upon me in terms of Section 19 read with Sections 11(1) and 11B (1) of the Securities and Exchange Board of India Act issue the following directions:

125.1. Mefcom Agro Industries Limited and its Directors namely, Mr. Satyender Kumar, Mr. Ashok Marwah and Mr. Nihar Ranjan Mishra are hereby restrained from accessing the securities market for a period of two years from the date of

this order and are 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 two years, from the date of this order.

125.2. Mr. Satyender Kumar, Mr. Ashok Marwah and Mr. Nihar Ranjan Mishra are also restrained from being associated with any other listed company or a SEBI registered intermediary, in any capacity including as a Director or key managerial person, directly or indirectly, for a period of two years, from the date of this order.

125.3. Needless to say, in view of prohibition on sale of securities, it is clarified that during the period of restraint, the existing holding, including units of mutual funds, of the aforesaid Noticees shall remain frozen.

126. In view of the aforesaid observations and findings with respect to violation of SAST Regulations, 1997, I, in exercise of the powers conferred under Section 19 of the Securities and Exchange Board of India Act, 1992 read with Sections 11(1) and 11B (1) of the SEBI Act and regulations 44 and 45 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 read with corresponding provisions of regulations 32 and 35 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, hereby issue the following directions:

126.1. Vishvas Securities Limited, Master Finlease Limited, Avisha Credit Capital Limited and Cosmo Corporate Services Limited, jointly and severally, shall make an Open Offer, within a period of 45 days from the date of service of this Order.

126.2. The Noticees mentioned in above sub paragraph shall along with consideration amount, will pay, as per the ratio of, judgment of Hon'ble Supreme Court of India in *Clariant International Limited and another vs. SEBI* [Appeal (Civil) No. 3183/2003] to the eligible shareholders, interest at the rate of 4% per annum, from the trigger date for Open Offer, i.e, on June 14, 2006, on the Open Offer price at which they were supposed to make the Open Offer when they had triggered regulation 10 of SAST, 1997, till the date of payment of consideration to the eligible shareholders who were holding shares in Mefcom Agro Industries Limited on the date of trigger, i.e, on June 14, 2006 and whose shares would be accepted in the current Open Offer directed to be made in this Order, after adjustment of dividend, if any, paid.

127. In the facts and circumstances of the case, I, in exercise of the powers conferred upon me in terms of Section 19 of the Securities and Exchange Board of India Act, 1992, hereby dispose of the show cause notice dated September 26, 2017 issued to Shri Vijay Mehta and the show cause notice dated September 26, 2017 issued to Avisha Credit Capital Ltd, ISF Securities Ltd., Master Finlease Ltd., Vishvas Securities Ltd., BP Comtrade Pvt. Ltd. and SIC Stocks & Services Pvt. Ltd. issued for the violation of PFUTP Regulations, without any directions.
128. This order disposes of three show cause notices dated September 26, 2017 issued in the extant proceedings.
129. The order shall come into force with immediate effect.
130. This order is without prejudice to any other actions that SEBI may take in accordance with securities laws.

DATE: February 12, 2020

PLACE: Mumbai

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