

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA**

**CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER**

**FINAL ORDER**

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

**In the matter of Voltaire Leasing and Finance Ltd.**

**In re: Violation of provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003**

**In respect of:**

| <b>Sr. No.</b> | <b>Name of the Entity</b>           | <b>PAN</b>  |
|----------------|-------------------------------------|-------------|
| 1              | Voltaire Leasing and Finance Ltd.   | AAACV1794R  |
| 2              | Dilip Rajkumar Patodia              | AAAPP9584A  |
| 3              | Amlesh Sadhu                        | BEZPS8956R  |
| 4              | Harivallabh Mundra                  | AAAPM8378D  |
| 5              | Chandrakant Babu Mohite             | ANKPM2741H  |
| 6              | Rajesh Tukaram Dambre               | AHAPD8240L  |
| 7              | Archana Tiwari                      | AHPPT8658M  |
| 8              | Awadhraj Badrinath Chaubey          | AJQPC9829G  |
| 9              | Reshma Rajesh Dambre                | ARNPD4171D  |
| 10             | Goldensight Traders Private Limited | AAFCG4773J  |
| 11             | Reachsmart Dealtrade Private Ltd.   | AAFCR9881C  |
| 12             | Mukesh Kumar Purohit                | ATSPPT7576M |
| 13             | Reeta Sanjay Sharma                 | BMWPS6864D  |
| 14             | Jaya Ramchand Kotwani               | AQUPK1024G  |
| 15             | Ajay Niranjana Thaker               | AEVPT3698G  |

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*Order in the matter of Voltaire Leasing & Finance Limited*

| Sr. No. | Name of the Entity                  | PAN        |
|---------|-------------------------------------|------------|
| 16      | Mangesh Madhukar Dhotre             | AJPPD8297E |
| 17      | Goodness Trading Private Limited    | AACCG8008R |
| 18      | Sebika Commodities Private Limited  | AARCS9144H |
| 19      | Hanshika Dealers Private Limited    | AADCH3599R |
| 20      | Overarching Dealers Private Limited | AABCO6949E |
| 21      | Looklike Trade Pvt. Ltd.            | AACCL2013K |
| 22      | Badriprasad Chiripal                | ADUPC9547M |
| 23      | Richi Consultants Pvt. Ltd.         | AADCR9667C |

1. The Securities and Exchange Board of India (SEBI) conducted an investigation into the trading and dealings in the scrip of Voltaire Leasing & Finance Limited (“**VLFL**” or “**the Company**”) pursuant to receipt of a reference from Department of Income Tax, Chandigarh, for possible violation, if any, of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) and rules and regulations made thereunder. Investigation was conducted in the scrip of VLFL for the period August 12, 2014, to July 31, 2015 (hereinafter referred to as “**Investigation Period/ IP**”). The company is listed on BSE. During the IP the price of the scrip opened at Rs. 2.42 and reached a high price of Rs. 32.10 and closed at Rs.32.10.
2. Pursuant to the investigation, a common Show Cause Notice (SCN) dated October 13, 2017 was issued to all the Noticees, with the following observations:
  - 2.1. During the investigation period, the board of directors of the company were as follows (as per Annual Reports of the Company/ MCA/ Company’s reply):

| <b>DIN/PAN</b>           | <b>Name</b>            | <b>Designation</b>                | <b>Appoin<br/>tment<br/>Date</b> | <b>Cessatio<br/>n Date</b> |
|--------------------------|------------------------|-----------------------------------|----------------------------------|----------------------------|
| 01357786/<br>AAAPP9584A  | Dilip Patodia          | Independent<br>Director*          | 29-Oct-<br>2013                  | 03-Jun-<br>2016            |
| 00239377/<br>AMEPM2160M  | Nirmal Kr.<br>Manna    | Independent<br>Director           | 29-Oct-<br>2012                  | Still<br>continuing        |
| 05165741/<br>CDVPS3594R  | Ravi Saraswat          | Independent<br>Director           | 03-Jul-<br>2014                  | Still<br>continuing        |
| 07245292/<br>AIAPC41772B | Uma Chatterjee         | Independent<br>Director           | 28-Mar-<br>2015                  | Still<br>continuing        |
| 00235198/<br>BEZPS8956R  | Amlesh Sadhu           | Chairman<br>&Managing<br>Director | 03-Sept-<br>2012                 | 13-Apr-<br>2015            |
| 00434785/<br>AAAPM8378D  | Harivallabh<br>Mundra  | Executive Director                | 21-Jun-<br>1990                  | 29-Sept-<br>2014           |
| 00434820                 | Shreevallabh<br>Mundra | Independent<br>director           | 17-Feb-<br>1994                  | 29-Sept-<br>2014           |

\*Chairman & Managing Director from 13/4/2015 till 3/3/2016. Dilip Patodia was also Chief Financial Officer till 16/10/2014.

2.2. The Company made three (03) preferential allotments during the period November 2012 to August 2013. The profits of the Company decreased in financial years 2014-15 and 2015-16 and the Profit After Tax of VLFL is as follows (Source: BSE website):

| <b>Description</b>                    | <b>2013-14</b> | <b>2014-15</b> | <b>2015-16</b> |
|---------------------------------------|----------------|----------------|----------------|
| Profit After Tax ( <i>Rs. lakhs</i> ) | 24.5           | 20.1           | 4.2            |

2.3. The company registered decreasing profits during the investigation period. Further, the total shareholding of the company during the period was

41,18,000 shares and the high price during IP was observed as Rs. 32.10 /-. Accordingly, the market capitalization of the VLFL scrip on the high price day was Rs. 13.21 crores. The profit of Rs 20.1 lakh and 4.2 lakhs registered by the company during the F.Y 2014-15 and 2015-16 does not justify the price rise in its scrip's price during the IP. During the investigation period, most of the corporate announcements pertained to shareholding pattern, closure of trading window, change in compliance officer, financial results, open offer, limited review report, board meeting, book closure for AGM, change of CFO, etc. Thus, it is observed that there were no major announcements or developments which could support the price rise in the scrip during the investigation period.

2.4. The scrip was suspended by BSE prior to the investigation period (from July 19, 2010) and the suspension was revoked w.e.f. July 26, 2010. Post-revocation, the scrip was traded for just 2 days i.e., on February 28, 2011, and May 31, 2013, for a total traded volume of 700 shares. Thereafter, on August 12, 2014, the scrip opened at Rs.2.42.

2.5. During the investigation period, the shares of VLFL were traded for an average volume of 15 shares per day and a total volume of 1326 shares in a total of 88 days. The price movement of the scrip during the investigation is as follows:

| Period of Investigation                    | Details | Open | High                 | Low                             | Close | Average Volume |
|--------------------------------------------|---------|------|----------------------|---------------------------------|-------|----------------|
| Price Rise<br>12/08/2014 to<br>26/06/2015* | Price   | 2.42 | 32.1<br>(26/06/2015) | 2.42<br>(12/08/2014)            | 32.1  | 15             |
|                                            | Volume  | 1    | 65<br>(29/12/2014)   | 1 (12/08/2014<br>to 27/08/2014) | 15    |                |

\* Last traded date during investigation period. No trades between 27/6/2015 to 3/8/2015.

2.6. There were 16 buyers and 22 sellers in the scrip during the investigation period. Further, out of the 22 sellers, a group of 17 sellers was found to be connected on the basis of KYC/UCC data, off-market transactions and MCA data. Out of these 17 connected sellers, 14 sellers received shares in the off-market from three other entities namely, Badriprasad Chiripal, Richi Consultants Pvt Ltd and Looklike Trade Pvt. Ltd. (hereinafter referred to as “**off-market transferors**”) The details of connections of the 17 sellers along with off –market transferors are as follows:

**Table 1**

| Sr. No. | Name of The Entity                  | Basis of Connection                                                                                                                                                                                                                                                                                                                                                                               | Seller / Off-market transferor | Receipt of shares in the off-market by Seller                                       |
|---------|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-------------------------------------------------------------------------------------|
| 1       | Badriprasad Chiripal                | As per SoT provided by NSDL, Badriprasad Chiripal (Entity 1) has received shares in the off market from Looklike Trade Pvt. Ltd. (Entity 14). He has transferred shares in the off market to Goldensight Traders Pvt. Ltd.(Entity 2), Richi Consultants Pvt. Ltd.(Entity 15), Goodness Trading Pvt. Ltd.(Entity 16) and Reachsmart Dealtrade Pvt.Ltd.(Entity 10).                                 | Off-market transferor          | Not applicable                                                                      |
| 2       | Goldensight Traders Private Limited | Goldensight Traders Private Ltd. (Entity 2) has received shares in the off-market from Badriprasad Chiripal (Entity 1) and has transferred shares to Chandrakant Mohite (Entity 3), Rajesh Tukaram Dambre (Entity 4) and Mangesh Madhukar Dhotre (Entity 5), Jaya Ramchand Kotwani (Entity 6), Ajay Dadhich HUF (Entity 7) and Ajay N Thaker (Entity 8). Further as per the KYCs provided by CSE, | Seller                         | Received shares from Badriprasad Chiripal (399), and Looklike Trade Pvt.Ltd. (800). |

| Sr. No. | Name of The Entity      | Basis of Connection                                                                                                                                                                                                                                                                                                                           | Seller / Off-market transferor | Receipt of shares in the off-market by Seller            |
|---------|-------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------------------------------------|
|         |                         | Goldensight Traders (Entity 2) and Reachsmart Dealtrade (Entity 10) have common telephone No.9748808656.                                                                                                                                                                                                                                      |                                |                                                          |
| 3       | Chandrakant B Mohite    | As per transaction statements provided by NSDL and CDSL, Chandrakant Mohite (Entity 3), Rajesh Tukaram Dambre (Entity 4), Mangesh Madhukar Dhotre (Entity 5), Jaya Ramchand Kotwani (Entity 6), Ajay Dadhich HUF (Entity 7) and Ajay N Thaker (Entity 8) have received shares in the off-market from Goldensight Traders Pvt.Ltd. (Entity 2). | Seller                         | Received shares from Goldensight Traders Pvt. Ltd. (100) |
| 4       | Rajesh Tukaram Dambre   |                                                                                                                                                                                                                                                                                                                                               | Seller                         | Received shares from Goldensight Traders Pvt. Ltd. (100) |
| 5       | Mangesh Madhukar Dhotre |                                                                                                                                                                                                                                                                                                                                               | Seller                         | Received shares from Goldensight Traders Pvt. Ltd. (100) |
| 6       | Jaya Ramchand Kotwani   |                                                                                                                                                                                                                                                                                                                                               | Seller                         | Received shares from Goldensight Traders Pvt. Ltd. (100) |
| 7       | Ajay Dadhich Huf        |                                                                                                                                                                                                                                                                                                                                               | Seller                         | Received shares from Goldensight Traders Pvt. Ltd. (100) |
| 8       | Ajay N Thaker           |                                                                                                                                                                                                                                                                                                                                               | Seller                         | Received shares from Goldensight Traders Pvt. Ltd. (100) |
| 9       | Reshma Rajesh Dambre    | Rajesh Tukaram Dambre (Entity 4) has transferred shares in the off-market to Reshma Rajesh Dambre (Entity 9). Further, as per KYCs forwarded by the broker, Wellworth Shares and Stock Broking Ltd.,                                                                                                                                          | Seller                         | Received shares from Rajesh TukaramDambre (25)           |

| Sr. No. | Name of The Entity                  | Basis of Connection                                                                                                                                                                                                                                                                                         | Seller / Off-market transferor | Receipt of shares in the off-market by Seller  |
|---------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|------------------------------------------------|
|         |                                     | Rajesh Tukaram Dambre and Reshma Rajesh Dambre have common telephone No. 9320791110 and email ID. rajeshdambre@rediffmail.com.                                                                                                                                                                              |                                |                                                |
| 10      | Reachsmart Dealtrade Pvt Ltd        | As per MCA data, Reachsmart Dealtrade Pvt. Ltd (Entity 10), Sebika Commodities Pvt. Ltd.(Entity 11) and Hanshika Dealers (Entity 12) have common address i.e 4,N S Road,1st Floor, Kolkata WB 700001                                                                                                        | Seller                         | Received shares from BadriprasadChiripal (100) |
| 11      | Sebika Commodities Private Limited  | Sebika Commodities Pvt. Ltd. (Entity 11) and Reachsmart Dealtrade (Entity 12) have common email ID.kolkatakolkata1402@gmail.com.                                                                                                                                                                            | Seller                         | Did not received shares in off-market          |
| 12      | Hanshika Dealers Private Limited    |                                                                                                                                                                                                                                                                                                             | Seller                         | Did not received shares in off-market          |
| 13      | Overarching Dealers Private Limited | As per the KYCs, Overarching Dealers Pvt. Ltd.(Entity 13) and Reachsmart Dealtrade (Entity 10) have common address ie. 12, Kapalitolla Lane, Ground Floor, Kolkata 700012.                                                                                                                                  | Seller                         | Did not received shares in off-market          |
| 14      | Looklike Trade Private Limited      | From the bank statement of Voltaire Leasing and Finance Ltd. with ICICI Bank (Account No.000405102589), Looklike Trade Private Ltd. is connected to Voltaire Leasing and Finance Ltd. through fund transaction. Further the entity has also received shares in preferential allotment from the company. The | Off-market transferor          | Not applicable                                 |

| Sr. No. | Name of The Entity             | Basis of Connection                                                                                                                                                                                                           | Seller / Off-market transferor | Receipt of shares in the off-market by Seller          |
|---------|--------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------------------------------|
|         |                                | entity has also transferred shares to Badriprasad Chiripal (Entity 1) and Richi Consultants (Entity 15) in off market.                                                                                                        |                                |                                                        |
| 15      | Richi Consultants Private Ltd. | As per MCA data, Richi Consultants Pvt.Ltd. (Entity 15) and Goodness Trading Pvt. Ltd. (Entity 16) have                                                                                                                       | Off-market transferor          | Not applicable                                         |
| 16      | Goodness Trading Pvt. Ltd.     | same email ID workoffice1974@gmail.com. Richi Consultants (Entity 15) also has off market transactions with Looklike Trade Pvt. Ltd.(Entity 14).                                                                              | Seller                         | Received shares from Badriprasad Chiripal (100)        |
| 17      | Archana Tiwari                 | Archana Tiwari (Entity 17), Mukesh Kumar Purohit (Entity 18), Awadhraj Badrinath Chaubey (Entity 19) and Reeta Sanjay Sharma (Entity 20) have received shares in the off market from Richi Consultants Pvt. Ltd. (Entity 15). | Seller                         | Received shares from Richi Consultants Pvt. Ltd. (150) |
| 18      | Mukesh Kumar Purohit           |                                                                                                                                                                                                                               | Seller                         | Received shares from Richi Consultants Pvt. Ltd. (100) |
| 19      | Awadhraj Badrinath Chaubey     |                                                                                                                                                                                                                               | Seller                         | Received shares from Richi Consultants Pvt. Ltd. (200) |
| 20      | Reeta Sanjay Sharma            |                                                                                                                                                                                                                               | Seller                         | Received shares from Richi Consultants Pvt. Ltd. (100) |

2.7. Investigation further revealed that trades by 16 sellers contributed to increase in the price from the last trade price (LTP increase). The 17 connected sellers except Ajay Dadhichi HUF (hereinafter referred to as "**16 connected sellers group**") contributed Rs.28.38 i.e. 95.27% increase in Positive and Net LTP during the price rise. It was observed that trades by Mr. Ajay Dadhichi HUF



did not contribute to increase in Positive and Net LTP. The LTP contribution by the 16 connected sellers group was analyzed. The details are as follows at Table 2:

Table 2

| Sr. No. | PAN        | Seller Name                         | Net LTP   |         |            |               | Positive LTP |         |            |               |
|---------|------------|-------------------------------------|-----------|---------|------------|---------------|--------------|---------|------------|---------------|
|         |            |                                     | LTP (Rs.) | LTP (%) | Traded Qty | No. of Trades | LTP (Rs.)    | LTP (%) | Traded Qty | No. of Trades |
| 1       | ANKPM2741H | Chandrakant Babu Mohite             | 8.32      | 27.93   | 100        | 8             | 8.32         | 27.93   | 100        | 8             |
| 2       | AHAPD8240L | Rajesh Tukaram Dambre               | 3.39      | 11.38   | 75         | 9             | 3.39         | 11.38   | 50         | 5             |
| 3       | AHPPT8658M | Archana Tiwari                      | 2.62      | 8.79    | 70         | 5             | 2.62         | 8.79    | 55         | 4             |
| 4       | AJQPC9829G | Awadhraj Badrinath Chaubey          | 2.54      | 8.53    | 185        | 16            | 2.54         | 8.53    | 160        | 14            |
| 5       | ARNPD4171D | Reshma Rajesh Dambre                | 2.15      | 7.22    | 25         | 2             | 2.15         | 7.22    | 25         | 2             |
| 6       | AAFCG4773J | Goldensight Traders Private Limited | 2         | 6.71    | 126        | 13            | 2            | 6.71    | 71         | 8             |
| 7       | AAFCR9881C | Reachsmart Dealtrade Pvt. Ltd.      | 1.85      | 6.21    | 93         | 12            | 1.85         | 6.21    | 73         | 10            |
| 8       | ATSP7576M  | Mukesh Kumar Purohit                | 1.24      | 4.16    | 100        | 10            | 1.24         | 4.16    | 70         | 7             |
| 9       | BMWPS6864D | Reeta Sanjay Sharma                 | 1.11      | 3.73    | 100        | 9             | 1.11         | 3.73    | 55         | 5             |
| 10      | AQUPK1024G | Jaya Ramchand Kotwani               | 1         | 3.36    | 100        | 8             | 1            | 3.36    | 77         | 6             |
| 11      | AEVPT3698G | Ajay Niranjana Thaker               | 0.8       | 2.69    | 70         | 6             | 0.8          | 2.69    | 55         | 5             |
| 12      | AARCS9144H | Sebika Commodities Private Limited  | 0.68      | 2.28    | 5          | 5             | 0.68         | 2.28    | 5          | 5             |
| 13      | AJPPD8297E | Mangesh Madhukar Dhotre             | 0.25      | 0.84    | 10         | 1             | 0.25         | 0.84    | 10         | 1             |

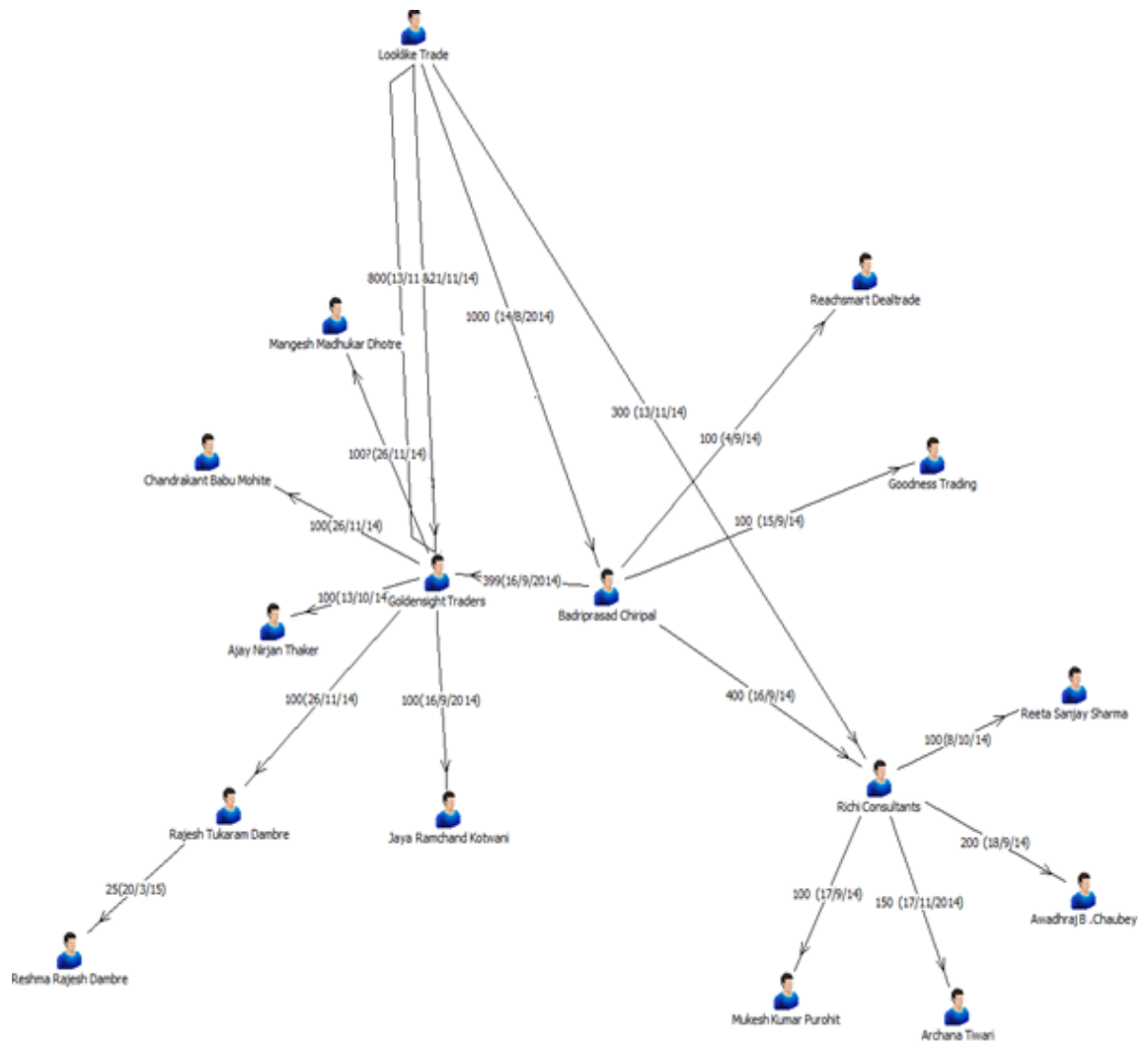
|                  |            |                                     |              |              |             |            |              |              |            |           |
|------------------|------------|-------------------------------------|--------------|--------------|-------------|------------|--------------|--------------|------------|-----------|
| 14               | AADCH3599R | Hanshika Dealers Private Limited    | 0.16         | 0.54         | 1           | 1          | 0.16         | 0.54         | 1          | 1         |
| 15               | AABCO6949E | Overarching Dealers Private Limited | 0.15         | 0.5          | 1           | 1          | 0.15         | 0.5          | 1          | 1         |
| 16               | AACCG8008R | Goodness Trading Private Limited    | 0.12         | 0.4          | 50          | 3          | 0.12         | 0.4          | 20         | 1         |
| <b>Sub total</b> |            |                                     | <b>28.38</b> | <b>95.27</b> | <b>1111</b> | <b>109</b> | <b>28.38</b> | <b>95.27</b> | <b>828</b> | <b>83</b> |

2.8. It is observed that 13 entities (Sr. Nos. 1-11, 13 and 16 of Table 2), out of the 16 connected sellers group have received shares in the off market from 3 entities namely Badriprasad Chiripal, Richi Consultants Private Ltd. and Looklike Trade Pvt. Ltd. (**hereinafter referred to as "3 off market transferors"**) (refer table 1).

2.9. It is further observed that Badriprasad Chiripal and Richi Consultants Pvt. Ltd. also received shares in the off market from Looklike Trade Pvt. Ltd. who is connected to the company by way of fund transaction. Investigation revealed that Looklike Trade Pvt. Ltd. also received shares in the preferential allotment made by the Company.

2.10. Further, one of the sellers, i.e. Goldensight Traders Pvt. Ltd. (entity at serial No.6 of Table 2) who received shares in off market from Badriprasad Chiripal and Looklike Trade Pvt. Ltd., transferred some of these shares to 6 other connected sellers as well as traded on the market during the investigation period.

2.11. The pictorial representation of off-market transfers of shares between the 3 off market transferors and the 13 entities is given below:



2.12. It was further observed that these 13 entities who received shares in the off market, sold these shares in the market over a period of 6 months. The details of the shares received by the sellers in the off market and their sale on market thereafter, are tabulated below at Table 3:

Table 3

| Sr. No. | Name of seller who received shares in off market | Period of trading with the LTP contributors |            | Name of Entity who transferred shares to sellers in off market (Qty) | Date of receipt        |
|---------|--------------------------------------------------|---------------------------------------------|------------|----------------------------------------------------------------------|------------------------|
|         |                                                  | Beginning date                              | End date   |                                                                      |                        |
|         | A                                                | B                                           | C          | D                                                                    | E                      |
| 1.      | Chandrakant Babu Mohite                          | 11/12/2014                                  | 26/06/2015 | Goldensight Traders Pvt. Ltd. (100)                                  | 26/11/2014             |
| 2.      | Rajesh Tukaram Dambre                            | 01/12/2014                                  | 12/03/2015 | Goldensight Traders Pvt. Ltd. (100)                                  | 26/11/2014             |
| 3.      | Archana Tiwari                                   | 20/11/2014                                  | 12/05/2015 | Richi Consultants Pvt. Ltd. (150)                                    | 17/11/2014             |
| 4.      | Awadhraj Badrinath Chaubey                       | 19/09/2014                                  | 16/12/2014 | Richi Consultants Pvt. Ltd. (100) & (100)                            | 18/09/2014 & 3/11/2014 |
| 5.      | Reshma Rajesh Dambre                             | 25/03/2015                                  | 06/05/2015 | Rajesh Tukaram Dambre (25)                                           | 20/03/2015             |
| 6.      | Goldensight Traders Private Limited              | 19/08/2014*                                 | 18/12/2014 | Badriprasad Chiripal (399)                                           | 16/09/2014             |
|         |                                                  |                                             |            | Looklike Trade Pvt.Ltd. (300)                                        | 13/11/2014             |
|         |                                                  |                                             |            | Looklike Trade Pvt.Ltd. (500)                                        | 21/11/2014             |
| 7.      | Reachsmart Dealtrade Pvt. Ltd.                   | 12/08/2014*                                 | 17/11/2014 | Badriprasad Chiripal (100)                                           | 04/09/2014             |
| 8.      | Mukesh Kumar Purohit                             | 18/09/2014                                  | 13/11/2014 | Richi Consultants Pvt.Ltd. (100)                                     | 17/09/2014             |
| 9.      | Reeta Sanjay Sharma                              | 09/10/2014                                  | 09/12/2014 | Richi Consultants Pvt. Ltd. (100)                                    | 08/10/2014             |
| 10.     | Jaya Ramchand Kotwani                            | 17/09/2014                                  | 10/11/2014 | Goldensight Traders Pvt. Ltd. (100)                                  | 16/09/2014             |
| 11.     | Ajay Niranjantaker                               | 14/10/2014                                  | 28/10/2014 | Goldensight Traders Pvt. Ltd. (100)                                  | 13/10/2014             |
| 12.     | Mangesh Madhukar Dhotre                          | 27/11/2014                                  | 27/11/2014 | Goldensight Traders Pvt. Ltd. (100)                                  | 26/11/2014             |

| Sr. No. | Name of seller who received shares in off market | Period of trading with the LTP contributors |            | Name of Entity who transferred shares to sellers in off market (Qty) | Date of receipt |
|---------|--------------------------------------------------|---------------------------------------------|------------|----------------------------------------------------------------------|-----------------|
|         |                                                  | Beginning date                              | End date   |                                                                      |                 |
| 13.     | Goodness Trading Private Limited                 | 15/09/2014                                  | 24/09/2014 | Badriprasad Chiripal (100)                                           | 15/09/2014      |

\* Entities Goldensight Traders Private Limited and Reachsmart Dealtrade Pvt. Ltd. did not hold shares at the beginning of the trading and hence trades were settled through auction.

2.13. Investigation revealed that the remaining 3 entities of the 16 connected sellers group i.e. Sebika Commodities Private Ltd., Hanshika Dealers Private Ltd. and Overarching Dealers Private Ltd. (mentioned at sr. no. 12,14 and 15 of Table 1) who did not receive shares in the off-market, traded during the first 11 days of the investigation period. These three entities placed sell orders for 1 share each day even though they did not hold shares in their demat accounts during these 11 days. Investigation revealed that they were unable to meet the pay-in obligations for these transactions and BSE used the auction process to complete the settlement. Since, there was no offer in the auction, these transactions went in for close out. Details of these transactions which were subsequently auctioned are given below at Table 4:

Table 4

| Name of seller                       | Dates when entity has traded (sell orders) | Qty sold | Trade Rate (Rs.) | LTP (Rs.) |
|--------------------------------------|--------------------------------------------|----------|------------------|-----------|
| Reachsmart Dealtrade Private Limited | 12/08/2014                                 | 1        | 2.42             | 0         |
| Sebika Commodities Private Limited   | 13/08/2014                                 | 1        | 2.54             | 0.12      |

| Name of seller                                                            | Dates when entity has traded (sell orders) | Qty sold | Trade Rate (Rs.) | LTP (Rs.) |
|---------------------------------------------------------------------------|--------------------------------------------|----------|------------------|-----------|
| Sebika Commodities Private Limited                                        | 14/08/2014                                 | 1        | 2.66             | 0.12      |
| Sebika Commodities Private Limited                                        | 18/08/2014                                 | 1        | 2.79             | 0.13      |
| Goldensight Traders Private Limited                                       | 19/08/2014                                 | 1        | 2.92             | 0.13      |
| Sebika Commodities Private Limited                                        | 20/08/2014                                 | 1        | 3.06             | 0.14      |
| Overarching Dealers Private Limited                                       | 21/08/2014                                 | 1        | 3.21             | 0.15      |
| Reachsmart Dealtrade Private Limited                                      | 22/08/2014                                 | 1        | 3.37             | 0.16      |
| Hanshika Dealers Private Limited                                          | 25/08/2014                                 | 1        | 3.53             | 0.16      |
| Sebika Commodities Private Limited                                        | 26/08/2014                                 | 1*       | 3.7              | 0.17      |
| Reachsmart Dealtrade Private Limited                                      | 27/08/2014                                 | 1        | 3.88             | 0.18      |
| *settlement obligation met from the demat account of Badriprasad Chiripal |                                            |          |                  |           |

2.14. During the investigation, the order book analysis of connected sellers group revealed that there was a relatively large demand (buy order quantity) for VLFL shares during the investigation period in which connected sellers group sold VLFL shares in the market. However, it was found that despite large demand, the connected sellers group repeatedly placed sell orders for small quantity (in many instances for 10 shares) at upper limit of daily price band of the VLFL scrip. For instance, analysis of the orders of one of the seller entity, Chandrakant Babu Mohite is given below at Table 5:

Table 5

| Order date | Order time | Order No.           | Sell order rate | Sell order quantity | Pending buy order at this price | LTP  | Shareholding before sell order      |
|------------|------------|---------------------|-----------------|---------------------|---------------------------------|------|-------------------------------------|
| 11/12/2014 | 14:48:19   | 1418268600001021013 | 15.64           | 10                  | 10406                           | 0.3  | 100 (received shares in off market) |
| 12/12/2014 | 15:16:53   | 1418355000001007015 | 15.95           | 10                  | 8550                            | 0.31 | 90                                  |
| 12/02/2015 | 13:24:47   | 1423711800001040002 | 18.1            | 5                   | 2500                            | 0.86 | 80                                  |
| 13/05/2015 | 15:21:20   | 1431487800002042002 | 26.5            | 15                  | 2200                            | 1.25 | 75                                  |
| 16/06/2015 | 14:12:53   | 1434425400008096001 | 27.8            | 15                  | 2000                            | 1.3  | 60                                  |
| 22/06/2015 | 14:03:48   | 1434943800011113001 | 29.15           | 15                  | 2000                            | 1.35 | 45                                  |
| 24/06/2015 | 14:42:32   | 1435116600008115006 | 30.6            | 15                  | 1840                            | 1.45 | 30                                  |
| 26/06/2015 | 14:04:31   | 1435289400006436701 | 32.1            | 15                  | 185                             | 1.5  | 15                                  |

2.15. It is observed from the above analysis that Chandrakant Babu Mohite was repeatedly placing sell orders for very small quantity as compared to the number of shares held by him when sufficient buy orders were pending. Investigation revealed that the sell order placement by the remaining 15 sellers was similar.

2.16. It is thus observed that the trades of the 16 connected sellers group (Sr. Nos. 1-16 at Table 2) contributed Rs. 28.38 i.e., 95.27% increase to the Positive and Net LTP in 83 trades. These entities were sellers in 83 out of the 88 positive LTP trades during the investigation period when the price increased from Rs.2.42 to Rs.32.10 i.e., an increase of over 1226%.

- 2.17. In view of the above, it is alleged that the 16 connected sellers group along with the three off market transferors were part of a manipulative scheme wherein three off market transferors transferred shares in off-market to the 16 connected sellers who sold these shares in small quantities over a period of 1-6 months at progressively higher prices. The trades were done in a manner to mark a new high price every day with very low volume. Hence, the 16 connected seller entities contributed Rs. 28.38 i.e 95.27% increase to the Positive and Net LTP by indulging in manipulative and non-genuine trades as part of a scheme to manipulate the price of VLFL scrip along with 3 connected entities who provided them the shares for indulging in the manipulative trading.
- 2.18. Further, investigation revealed that the company made 3 preferential allotments of shares during the period November 2012 to August 2013. Looklike Trade Pvt. Ltd., who was one of the preferential allottees received 80,000 shares in the allotment which were under lock-in up to August 4, 2014. It was observed that Looklike Trade Pvt. Ltd. is also connected to the company through a fund transaction. The bank statement of the company with ICICI Bank Ltd. (Account No.000405102589) revealed that the company on January 9, 2015 has transferred funds (Rs.27.25 lacs) to Looklike Trade Pvt. Ltd. 21. After the completion of lock-in period, Looklike Trade Pvt. Ltd. transferred shares in the off market to other entities i.e. Badriprasad Chiripal and Richi Consultants Pvt. Ltd. as well as Goldensight Traders Pvt. Ltd. who is one of the connected seller. Thereafter, these entities who received shares from Looklike Trade Pvt. Ltd. transferred these shares to the other connected sellers who then sold shares in small quantities and manipulated the price of the VLFL scrip as described above.
3. It was, therefore, inferred from the above that the Company and its non-independent directors were also a part of the scheme for manipulating the price of the VLFL scrip as one of its connected entity has been instrumental in providing shares to the sellers who have then by their trades manipulated the price of the scrip by 1226%.



4. In view of above, it was alleged in the SCN that the Company as well as its directors, namely, Mr. Amlesh Sadhu who was the Chairman and Managing Director, Mr. Dilip Patodia, who initially was CFO and later became the Chairman and Managing Director as well as Mr. Harivallabh Mundra, Executive Director of the Company during the investigation period, were also part of the scheme to manipulate the price of this scrip.
5. Therefore, it was alleged in the SCN that the 16 connected sellers group, the off-market transferors and the the company VLFL as well as its directors viz., Mr. Amlesh Sadhu, Mr. Dilip Patodia and Mr. Harivallabh Mundra, (herein after collectively referred to as the “**Noticees**”) have violated Regulations 3 (a), (b), (c) and (d) and Regulation 4(1) and 4(2) (a) and (e) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as the “**PFUTP Regulations**”).
6. Accordingly, the Noticees were called to show cause as to why suitable directions under Sections 11(1), 11(4) and 11B of the SEBI Act should not be issued against them for the violations alleged hereinabove. The documents enclosed as annexure to the SCN were (a) relevant extract of the reference received from the IT Department, Chandigarh, (b) corporate announcements of the Company during the investigation period, (c) the documents on the basis of which connection was established between entities, (d) reply received from BSE, (e) complete trade log and (f) order log for VLFL scrip for the period and sell order log analysis.
7. I note from the material available on record that the SCN was delivered to all the Noticees through hand delivery/ affixture/ paper publication. However, reply was received only from only two entities, Noticee Nos. 1 and 4. While Noticee No. 1 provided a reply to the SCN vide letter dated July 26, 2018, Noticee No. 4, vide letter dated July 25, 2018, sought copies of documents, investigation report and other relevant records which have been relied upon by SEBI while making the allegations in the SCN. Noticee No. 4 also sought an opportunity to inspect the original documents.

8. Subsequently, in compliance with the principle of natural justice, an opportunity of personal hearing was accorded to the Noticees, for which hearing notices dated April 12, 2019, were issued to all the Noticees for hearing to be held on May 09, 2019. From the records, I note that the hearing notice could be delivered to only seven Noticees (Noticee Nos. 1, 3, 5, 7, 8, 10 and 16). However, none of the seven Noticees nor anyone on their behalf appeared before me on the aforementioned scheduled date of hearing. However, prior to the hearing, Noticee No. 1 sought an adjournment to the hearing. Noticee No. 16 also sought an adjournment in the hearing and a date of June 20, 2019, was granted to him; however, neither the Noticee nor anyone on his behalf appeared. Therefore, hearing in respect of Noticee Nos. 3, 5, 7, 8, 10 and 16 was concluded.
9. In the interests of natural justice, another opportunity of personal hearing was granted on August 22, 2019, to Noticee Nos. 1, 2, 4, 6, 9, 11, 12, 13, 14, 15, 17, 18, 19, 20, 21, 22 and 23. I note that the hearing notices have been served on these Noticees through Speed Post-Acknowledgment Due/ Paper publication. Only Noticee No. 1 appeared for the hearing scheduled on August 22, 2019, while Noticee No. 4 sought an adjournment. None of the other Noticees appeared for the hearing. Therefore, hearing in respect of Noticee Nos. 1, 2, 6, 9, 11, 12, 13, 14, 15, 17, 18, 19, 20, 21, 22 and 23 was concluded.
10. Noticee No. 4 was granted hearing on October 10, 2019, and hearing notice was delivered to the Noticee. This hearing was rescheduled to October 16, 2019, due to administrative exigencies and the same was communicated to the Authorized Representative of the Noticee on October 01, 2019. The Authorized Representative of Noticee No. 4 requested for an adjournment vide email dated October 16, 2019, which was rejected since one request for adjournment had already been granted and the Noticee was given 10 days' time to submit his reply. I note that as per available records, no reply has been received from the Noticee. In this regard, it is noted from the record that all the material / evidences based on which the charges in the SCN have been levelled on the Noticee were enclosed along with the SCN as annexures. Thus, no prejudice has been caused to the Noticee on account of the same. While the Noticee has sought inspection of original documents, it is relevant to highlight that the Noticee has not availed of

the opportunity of personal hearing before me despite being granted an adjournment. Even without inspection of original documents, I am of the view that the Noticee was not constrained in any manner from making submissions in his defense with regard to the allegations in the present SCN. Hence, I am constrained to consider that the hearing in respect of Noticee No. 4 is concluded.

11. I note that Noticee No. 1 vide letter dated July 26, 2018, has provided a reply to the SCN. Further, in the personal hearing held on August 22, 2019, Noticee No. 1 made its submissions and was granted further time till August 29, 2019, for additional submissions. The Noticee was informed that if no submissions were received before August 29, 2019, then the matter would be proceeded further on the basis of documents available on record. Thereafter, the Noticee has provided its written submissions vide letter dated September 07, 2019.

12. As per available record, I note that there are no written submissions from the other Noticees.

13. The submissions of Noticee No. 1 (the Company) vide letter dated July 26, 2018, are as below:

13.1. The allegations made in the SCN are strictly denied and refuted.

13.2. The investigation is conducted after receipt of reference from Department of Income Tax, Chandigarh, with respect to trading activities of certain entities in our scrip between periods August 12, 2014, to July 31, 2015. In absence of details in this regard, we are unable to comment on the same. The reference received from Income Tax may be forwarded to us to enable us to reply more comprehensively.

13.3. Between August 12, 2014 and July 31, 2015, a total volume of 1326 shares has taken place as available from website of BSE and price range is between Rs. 2.42 and Rs. 32.10. As this is a public record, we have no comments to offer.

- 13.4. Our total paid share capital is 4118000 shares of Rs. 10 each fully paid up. Percentage wise, approximately only 0.033% of our equity has been traded during the investigation period.
- 13.5. Point nos. 3, 4, 5, 6, 7, 8 and 9 are matter of fact and we have no comments to offer.
- 13.6. With regard to profitability, we would like to state that the company is taxed and assessed regularly for income tax. The quarterly and annual compliances are done as per the guidelines laid down in strict adherence to law. We are sure that profitability alone cannot be the criteria for deciding the market price of the shares of any company. It is pertinent to mention that you have overlooked the fact that the book value of our company for the previous financial years are substantially higher compared to the market price prevailing. We present the following table for your consideration depicting the Book Value of our shares:

| <b>Sr. No.</b> | <b>Financial Year</b> | <b>Book Value</b> |
|----------------|-----------------------|-------------------|
| 1              | 2013-14               | 47.06             |
| 2              | 2014-15               | 47.55             |
| 3              | 2015-16               | 47.68             |
| 4              | 2016-17               | 46.51             |

- 13.7. The preferential allotment done by the company has been in accordance with the laws, regulation and guidelines formed from time to time with prior approval from the BSE.
- 13.8. Moreover the fact was that an intimation of an open offer for acquiring the shares of the company had been made by the acquirer along with PAC on dated January 29, 2014 at the price of Rs. 50/- per share and the market price at the same time was Rs. 2.42/- per share. The investigation period mentioned in your notice is as August 12, 2014 to July 31, 2015 and the market price on the respective dates was Rs. 2.42 and Rs. 32.1 per share. Further, the open offer was opened on dated March 12, 2015, and closed on March 25, 2015 at a price of Rs. 50/- per share which was substantial premium over the prevailing market price, which was Rs. 21.9 and Rs. 22.93

on these dates.

- 13.9. The company would like to draw the attention of SEBI that the event of open offer happened during the investigation period which could also be the reason of spike in the prices of the shares but this fact was also overlooked by your goodself while considering the reasons for price increase of shares of the company.
- 13.10. Further, the investigation period also relates to the period when the new promoter took over the management of the company in April 2015 which has not been mentioned in your observations.
- 13.11. As per the trading in the scrip, we would like to state that except for one Looklike Trading Pvt. Ltd. with which we have had a business transaction, we are not known to any of the buyer/ seller. It is our company policy as not to comment on the trading pattern of our own scrip. We had paid a sum of Rs. 27,25,000/- which has been duly and fully reflected in our books of account. This payment was made as our company owed money to Looklike Trade Pvt. Ltd.
- 13.12. We strongly deny and refute all the allegations that either our company or its directors were part of a scheme for manipulating the price of our own scrip. The allegations seems far over stretched. It is amusing that the company and the director be accused of fraudulent and unfair trade practices when none of the directors or the promoters have sold any shares in the market nor pledged any shares.
- 13.13. We would like to state that a mere 1326 shares have been traded during the investigation period compared to our capital size of 4118000 shares. We have always adhered to all rules, regulations and guidelines and have no investor complaints against us.
14. The submissions of Noticee No. 1 (the Company) during the personal hearing are as below:
- 14.1. The current managing director of the company is Mr. Anoop Kumar Behra.
- 14.2. VLFL made three preferential allotments and made allotment of 80000

shares to Looklike. VLFL received advance from Looklike for the said preferential shares but as it could not deliver the shares to Looklike, VLFL made payment of Rs. 27 lakhs to Looklike.

- 14.3. In January 2014, there was a public offer for acquisition of 26% shares of VLFL at the rate of Rs. 50 by the acquirer. Proposed acquisition as per the letter of offer was approximately 10 lakh shares; however, the current management could acquire only 1.5 lakh shares.
  - 14.4. Preferential allotment was made at the rate of Rs. 50 per share. None of the preferential allottees had sold the shares. There is no motivation to increase the price of the scrip. VLFL has not increased the price to provide the exit opportunity to the preferential allotment.
  - 14.5. VLFL has no role to play with the entities who traded in the price manipulation. Just because VLFL had connection with Looklike, which had transferred 800 shares to these entities, who had in turn sold the shares in the market and due to which the price has increased, SEBI is of the view the VLFL had indulged/ played role in price manipulation. This presumption is far fetched.
  - 14.6. There is nothing on record except fund connection with Looklike and action of Looklike should not fasten upon VLFL. There is nothing else in the SCN to suggest that VLFL has manipulated the price. Price escalation has been done by other entities and not by VLFL.
15. During the hearing, the Company was advised to submit the following information:
- 15.1. To provide record of having received advance against shares from Looklike from its books of accounts and annual reports.
  - 15.2. To provide bank statement to show when the original fund transfer was made from Looklike to VLFL and the amount that was transferred.
  - 15.3. To submit demat account statement to show which shares had VLFL transferred to Looklike. If these shares were transferred through off-market, then to submit the reason for the same.
  - 15.4. Date of the last transaction of VLFL with Looklike.

15.5. Date of new management joining board of VLFL.

15.6. At time of open offer, details of public shareholding of VLFL.

16. The submissions of Noticee No. 1 (the Company) vide letter dated September 07, 2019, are as below:

16.1. VLFL made three preferential allotments on 02.11.2012, 28.02.2013 and 03.08.2013 to different investors in accordance with applicable provisions of SEBI regulations. In all these allotments, the shares were issued by VLFL at Rs. 50/- per share and these shares were under lock-in for a period of one year.

16.2. In the allotment made on 03.08.2013, one of the allottees was Looklike Trade Pvt. Ltd. and was allotted 80,000 shares, which were under lock-in till 03.08.2014.

16.3. These allotments were bonafide and made in ordinary course dehors sinister intent and had the approval of the shareholders and stock exchanges. The funds raised by the Company were profitably deployed and the same is evidenced from the financials where the profit after tax has increased from Rs. 4.9 lacs in 2012-13 to Rs. 35.7 lacs in 2013-14.

16.4. On 29.11.2014, a public announcement under Takeover regulations was made by Mr. Dilip Patodia (Acquirer) for acquiring 26% shares of VLFL at Rs. 50/- per share. As per the post offer advertisement dated 01.04.2015, the Acquirer had acquired around 103,684 shares at offer price of Rs. 50/- in the public offer.

16.5. Regarding our connection with Looklike, we submit the following:

16.5.1. Looklike was one of the 123 allottees to whom preferential allotment of 80,000 shares was made. As alleged in SCN, 800 shares were transferred to others by way of off-market after expiry of lock-in. We had no right over the shareholding of Looklike and as owner of these shares, Looklike could transfer its shareholding to anyone. We cannot control the action of a shareholder.

16.5.2. Regarding the fund transfer, VLFL received Rs. 25 lacs and Rs. 12.5

lacs during FY 2013-14 from Looklike towards sale of shares held by VLFL as investments. Thereafter, we have sold shares worth Rs. 25,000/- to Looklike on November 20, 2013, and shares worth Rs. 2 lacs on March 25, 2014. Details of these shares are borne out in our ledger statement for FY 2013-14. Bills issued to Looklike are enclosed.

16.5.3. Thereafter, balance advance amount of Rs. 27.25 lacs and Rs. 8 lacs had been refunded on 09.02.2015 and 06.01.2016 by VLFL to Looklike as the deal could not be fully materialized. The same is evident from our ledger statement for FY 2013-14 to 2015-16. A clarification from Chartered Accountant dated August 29, 2019, by M/s Maheshwari & Co., *inter-alia*, certifying that the amount received from Looklike during FY 2013-14 was towards an advance and the balance amount of Rs. 35.25 lacs was repaid by us to Looklike by FY 2015-16.

16.5.4. Hence, no inference can be drawn that we had connection or nexus with Looklike to manipulate the scrip price as part of the alleged scheme. The actions of Looklike regarding transfer of shares to the alleged sellers during the investigation period or trading by Buyers and Sellers cannot be fastened upon us.

16.5.5. There is nothing on record to suggest that we were involved in the decision of Looklike to transfer the shares by way of off-market to other entities or that Looklike was acting at our behest and on our behalf.

16.5.6. Normal bonafide business relationships cannot be extended to such an extent to fasten alleged manipulative actions of other entities on innocent entities who had no role to play in these acts.

16.5.7. SEBI has gone by theory of 'guilty by association' and fastened the acts of Looklike and the Sellers on us.

16.6. Regarding the trading in the scrip, we submit the following:

16.6.1. At no point were we acting in concert with the said entities who traded in the scrip of the Company. There is nothing on record to show any connection between us and these entities viz., 16 Buyers and 22 Sellers or Badriprasad Chiripal and Richi Consultants Pvt. Ltd.

16.6.2. VLFL has no control over the persons/ entities who trade in the scrip or the manner in which they trade. The charges leveled under PFUTP



regulations are legally untenable and unsustainable. The trading of these entities was not on our behalf or at our behest. Hence, no adverse inference can be drawn against us.

16.7. The following case laws are referred to:

16.7.1. Smitaben N. Shah vs. SEBI, SAT order dated 30.07.2010, Appeal No. 37 of 2010.

16.7.2. Babubhai Desai vs. SEBI, SAT order dated 15.02.2016, Appeal No. 81 of 2014.

16.7.3. HB Stockholdings Ltd. Vs. SEBI, SAT order dated 27.08.2013, Appeal No. 114 of 2012.

16.8. In the present case, there is no unambiguous or clear evidence so as to even remotely demonstrate our involvement in the alleged scheme of price manipulation

16.9. Significantly, there is no allegation that we had made any profits in any manner by virtue of trading by the alleged entities. We have not made any gains or gained any unfair advantage and we have also not caused loss to investors or anybody. Same is not even alleged.

16.10. The SCN is an offshoot of reference from IT Department regarding booking of LTCG in the scrips of certain companies. The same is not true in our case as there the preferential allottees have not sold the shares and booked LTCG. No allegation has been made in the SCN.

16.11. The price rise could be due to open offer during the investigation period at Rs. 50/- per share, which was much higher than the prevalent market price. One could buy the shares at a lower price from the market and tender the shares in the open offer.

17. I note here that the Noticee has not submitted the information that was sought from it, as mentioned in paragraph 15, at the time of the personal hearing, in spite of being given a specific opportunity for providing the same. The Noticee has submitted bills and ledgers in support of its submissions and I note that these documents of the Noticee. The submissions of the Noticee are not supported by any independently verifiable third-party documents such as bank and demat

account statements. Further, I have perused the clarification provided by a Chartered Accountant and I note that it has been produced on the basis of the audited financial statements, groupings and books of accounts of VLFL and not on the basis of any independently verifiable third-party documents.

**Issues for Consideration and Findings:**

18. I have considered the allegations of the SCN, submissions made by the Noticees and the material available on record. The following issues arise for consideration:

- 18.1. **Issue No. 1:** *Whether the Noticees have manipulated the price in the scrip of VLFL during the period August 12, 2014, to July 31, 2015?*
- 18.2. **Issue No. 2:** *If answer to Issue No. 1 is in affirmative, whether the Noticees have violated the provisions of PFUTP Regulations?*
- 18.3. **Issue No. 3:** *If answer to Issue No. 2 is in affirmative, what directions, if any, should be issued against the Noticees?*

**Issue No. 1: Whether the Noticees have manipulated the price in the scrip of VLFL during the period August 12, 2014, to July 31, 2015?**

19. The Noticees can be grouped together in the following groups (on the basis of allegations):

- 19.1. **Group 1:** Noticee Nos. 21, 22 and 23 who are the 3 off-market transferors.
- 19.2. **Group 2:** Noticee Nos. 5 to 20 who are the 16 connected sellers.
- 19.3. **Group 3:** Noticee Nos. 1, 2, 3 and 4 who are the Company and its Directors.

20. I note here that the premeditated scheme, as alleged in the SCN, is that the entities in Group 1 i.e., the off-market transferors, have transferred shares of the Company through off-market transfers to the entities in Group 2. These Group 2

entities are the sellers who, allegedly, through their trading pattern during the investigation period, have contributed to an increase in the net and positive LTP of the share price of the Company. The Group 3 entities i.e., the Company and its Directors, are also alleged to be a part of this scheme by virtue of a connection between the Company and one of the off-market transferors.

#### **Group 1:**

21. I proceed to consider whether the Group 1 entities are connected to each other and to the 13 sellers. This group comprises of Noticee Nos. 21, 22 and 23 i.e., Looklike Trade Pvt. Ltd., Badriprasad Chiripal and Richi Consultants Private Limited, who are the three off-market transferors. The details of these three Noticees are as below:

| <b>Sr. No.</b> | <b>Name</b>                 | <b>Comment</b>                                                                                                                                       |
|----------------|-----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1              | Looklike Trade Pvt. Ltd.    | Connected to the Company by way of fund transfer and has received shares of the Company in preferential allotment.                                   |
| 2              | Badriprasad Chiripal        | Received shares from Looklike by way of off-market transfer. These shares were further transferred to the 16 sellers by way of off-market transfers. |
| 3              | Richi Consultants Pvt. Ltd. |                                                                                                                                                      |

22. I note that these Noticees have transferred shares of VLFL through off-market transfers to the 13 sellers (three sellers did not receive shares through off-market). I note that for off-market transactions to be executed successfully, the following four parameters are essential: (a) the buyer and seller should know each other, (b) the buyer must have knowledge of the fact that seller is holding the shares of the scrip which the buyer is interested to buy, (c) the buyer must have knowledge of the fact that seller is willing to sell the shares in that scrip and (d) the buyer must have knowledge of the price at which the seller is willing to sell the shares.

23. I note that in the case of off-market transfer of shares, only when the buyer and seller are known to each other and the buyer knows about the holding of such shares by the seller, they can negotiate the price and quantity of shares. In view of the above and off-market transfers from Looklike Trade Pvt. Ltd. to Badriprasad Chiripal and Richi Consultants Pvt. Ltd., I note that it can be reasonably concluded that these three Noticees knew each other and thus, are connected to each other through off-market transfers. Further, in view of the off-market transfers from Badriprasad Chiripal and Richi Consultants Pvt. Ltd. to the remaining the 13 sellers, it can be reasonably concluded that the 13 sellers and these off-market transferors are connected to each other.

## **Group 2**

24. Group 2 consists of the allegedly 16 connected sellers. As already noted above, neither have the Noticees in this group submitted any reply to the SCN nor have they appeared before me for a personal hearing. In the absence of any reply, though I am inclined to conclude that the allegations made against these Noticees stand established; however, I deem it fit to consider on merits the available material on record against these Noticees.

25. As per the SCN, during the investigation period, there was a relatively large demand for shares of VLFL and during this period, these seller Noticees sold VLFL shares in the market. However, despite the large demand, it was seen that these seller Noticees placed sell orders for very small quantities (in many instances for 10 shares) at upper limit of daily price band for the VLFL scrip. These seller Noticees have also acquired the shares of VLFL through off-market transactions.

26. At the time when the price of the scrip was going up, I note that there were no corporate announcements or news in relation to the company which would justify such a steep rise in the prices of the shares. The submissions of the Company in this regard have been suitably dealt with from paragraph 34 onwards. I now proceed to analyze the transactions of a few of the Noticees, as below:

**26.1. Noticee No. 5 - Chandrakant Babu Mohite**

| Order date | Order time | Order No.           | Sell order rate | Sell order quantity | Pending buy order at this price | LTP  | Shareholding before sell order      |
|------------|------------|---------------------|-----------------|---------------------|---------------------------------|------|-------------------------------------|
| 11/12/2014 | 14:48:19   | 1418268600001021013 | 15.64           | 10                  | 10406                           | 0.3  | 100 (received shares in off market) |
| 12/12/2014 | 15:16:53   | 1418355000001007015 | 15.95           | 10                  | 8550                            | 0.31 | 90                                  |
| 12/02/2015 | 13:24:47   | 1423711800001040002 | 18.1            | 5                   | 2500                            | 0.86 | 80                                  |
| 13/05/2015 | 15:21:20   | 1431487800002042002 | 26.5            | 15                  | 2200                            | 1.25 | 75                                  |
| 16/06/2015 | 14:12:53   | 1434425400008096001 | 27.8            | 15                  | 2000                            | 1.3  | 60                                  |
| 22/06/2015 | 14:03:48   | 1434943800011113001 | 29.15           | 15                  | 2000                            | 1.35 | 45                                  |
| 24/06/2015 | 14:42:32   | 1435116600008115006 | 30.6            | 15                  | 1840                            | 1.45 | 30                                  |
| 26/06/2015 | 14:04:31   | 1435289400006436701 | 32.1            | 15                  | 185                             | 1.5  | 15                                  |

**26.2. Noticee No. 6 - Rajesh Tukaram Dambre**

| Order date | Order time | Order No.           | Sell order rate | Sell order quantity | Pending buy order at this price | LTP  | Shareholding before sell order |
|------------|------------|---------------------|-----------------|---------------------|---------------------------------|------|--------------------------------|
| 01/12/2014 | 11:45:44   | 1417404600001005037 | 13.65           | 5                   | 2330                            | 0.26 | 100*                           |
| 01/12/2014 | 12:18:39   | 1417404600001005040 | 13.65           | 5                   | 6775                            | 0    | 100                            |
| 08/12/2014 | 12:51:29   | 1418009400001005014 | 14.75           | 10                  | 8760                            | 0.28 | 90                             |
| 09/12/2014 | 15:27:07   | 1418095800001009019 | 15.04           | 10                  | 9260                            | 0    | 80                             |
| 12/02/2015 | 13:51:24   | 1423711800001040003 | 18.1            | 5                   | 2495                            | 0    | 70                             |
| 13/02/2015 | 15:13:33   | 1423798200005040002 | 19              | 5                   | 2500                            | 0.9  | 65                             |
| 13/02/2015 | 15:16:51   | 1423798200005040003 | 19              | 5                   | 2495                            | 0    | 65                             |
| 24/02/2015 | 15:09:59   | 1424748600001047003 | 19.95           | 15                  | 2035                            | 0.95 | 55                             |
| 12/03/2015 | 13:37:01   | 1426131000001042008 | 21.9            | 15                  | 4212                            | 1    | 40                             |

### 26.3. Noticee No. 8 - Awadhraj Badrinath Chaubey

| Order date | Order time | Order No.           | Sell order rate | Sell order quantity | Pending buy order at this price | LTP  | Shareholding before sell order |
|------------|------------|---------------------|-----------------|---------------------|---------------------------------|------|--------------------------------|
| 19/09/2014 | 14:33:12   | 1411097400001008023 | 5.97            | 15                  | 49235                           | 0    | 100*                           |
| 22/09/2014 | 14:00:39   | 1411356600001023025 | 6.08            | 15                  | 57161                           | 0.11 | 85                             |
| 25/09/2014 | 14:10:05   | 1411615800001027017 | 6.44            | 14                  | 40935                           | 0.12 | 70                             |
| 29/09/2014 | 14:42:52   | 1411961400001026020 | 6.69            | 15                  | 58000                           | 0.13 | 56                             |
| 01/10/2014 | 15:12:25   | 1412134200001024018 | 6.95            | 11                  | 54590                           | 0.13 | 41                             |
| 08/10/2014 | 14:34:19   | 1412739000001006021 | 7.22            | 10                  | 57700                           | 0    | 30                             |
| 09/10/2014 | 15:12:19   | 1412825400001024021 | 7.36            | 10                  | 59990                           | 0.14 | 20                             |
| 10/10/2014 | 13:37:42   | 1412911800001028026 | 7.5             | 10                  | 65720                           | 0.14 | 10                             |
| 03/11/2014 | 13:58:38   | 1414985400001005019 | 9.63            | 10                  | 42160                           | 0.18 | 0                              |
| 05/11/2014 | 14:37:14   | 1415158200001008019 | 9.82            | 10                  | 43060                           | 0.19 | 100*                           |
| 07/11/2014 | 14:09:08   | 1415331000001005019 | 10.01           | 10                  | 44940                           | 0.19 | 80                             |
| 11/11/2014 | 14:31:36   | 1415676600001027022 | 10.41           | 15                  | 37780                           | 0.2  | 70                             |
| 14/11/2014 | 15:15:54   | 1415935800001001015 | 11.03           | 10                  | 16620                           | 0.21 | 55                             |
| 19/11/2014 | 14:53:58   | 1416367800001004012 | 11.69           | 10                  | 20423                           | 0.22 | 45                             |
| 03/12/2014 | 14:06:41   | 1417577400001005018 | 14.19           | 10                  | 15471                           | 0.27 | 35                             |
| 16/12/2014 | 13:40:37   | 1418700600001013010 | 16.26           | 10                  | 22920                           | 0.31 | 25                             |

27. From the above three tables, it can be observed that these seller Noticees were placing sell orders for very small quantities although the pending buy orders were substantially large. Further, the holding of these Noticees was more than the amount of sell quantity they placed. Investigation has revealed that the sell order placement of all the 16 seller Noticees was similar. I also note here that these Noticees have not provided any reply to justify this trading pattern. Based on the above, I note the trades of these 16 seller Noticees has led to contribution to the increase in positive LTP and Net LTP, as mentioned in the SCN.

28. In this regard, it needs to be pointed out that under normal circumstances, the trading pattern of these Noticees may not be considered as manipulative. However, in the present case, there are certain factors which indicate that there is a connection between these seller Noticees and these factors cannot be mere

coincidences. These factors are as below:

- 28.1. The scrip was suspended by BSE from July 19, 2010, which was revoked on July 26, 2010. Post-revocation and before the investigation period, the scrip traded on only two occasions and that too for a total traded volume of 700 shares. Hence, the scrip was not a frequently traded one.
- 28.2. The financials of the Company did not justify the rise in the scrip price (dealt with in detail from paragraph 34 onwards).
- 28.3. Out of the 16 sellers, 13 sellers have received shares through off-market mode transfers from the same three transferors.
- 28.4. Further, three sellers, namely Sebika Commodities Pvt. Ltd., Hanshika Dealers Pvt. Ltd. and Overarching Dealers Pvt. Ltd., have not received shares of the Company through off-market transfers. However, they have sold shares of the Company even though they did not hold these shares. Investigation has noted that the settlement obligation for one trade of Sebika Commodities Pvt. Ltd. was met from the demat account of one of the off-market transferors, namely Badriprasad Chiripal. From the same, it can be reasonably concluded that these two entities were connected to each other.
- 28.5. The trading pattern of these Noticees, even if considered independent of each other, is similar, as borne out by the investigation, and none of them have provided any submissions to justify the same.
- 28.6. These Noticees have traded in small quantities and frequently, with steady contribution to the LTP.
- 28.7. It is noted from the trade details of these Noticees that all these trades were executed well after the market opening hours. Since the Noticees' trades were the only sell trades on the trading days, it becomes clear that they placed the sell orders after carefully noticing the pending buy orders and therefore were able to match the buy order at highest possible price.
- 28.8. Further, between these Noticees, I note that the following connections:
  - 28.8.1. Chandrakant B Mohite, Rajesh Tukaram Dambre, Mangesh Madhukar Dhotre, Jaya Ramchand Kotwani and Ajay N Thaker are connected to each other by virtue of having received shares through off-market

transfers from Goldensight Traders Pvt. Ltd. (also one of the 13 sellers), who in turn has received shares through off-market from two of the off-market transferors, Badriprasad Chiripal and Looklike Trade Pvt. Ltd.

28.8.2. Rajesh Tukaram Dambre, who has received shares in off-market transfers from Goldensight Traders Pvt. Ltd., has transferred shares through off-market to Reshma Rajesh Dambre. Rajesh Dambre and Reshma Dambre have a common telephone number and email ID, as can be seen from their KYC documents.

28.8.3. Goldensight Traders Pvt. Ltd. and Reachsmart Dealtrade Pvt. Ltd. have a common phone number.

28.8.4. Reachsmart Dealtrade Pvt. Ltd. and Sebika Commodities Pvt. Ltd. have a common address and email ID, while Hanshika Dealers Pvt. Ltd. also has a common address with these two Noticees.

28.8.5. Reachsmart Dealtrade Pvt. Ltd. and Overarching Dealers Pvt. Ltd. also have a common address.

28.8.6. Archana Tiwari, Mukesh Kumar Purohiy, Awadhraj Badrinath Chaubey and Reeta Sanjay Sharma are connected to each other by virtue of having received shares in off-market transfers from one of the off-market transferors, Richi Consultants Pvt. Ltd.

28.8.7. Goodness Trading Pvt. Ltd. has a common email ID with one of the off-market transferors, Richi Consultants Pvt. Ltd.

29. Any rational investor, being in the position of these seller Noticees and holding the shares of a scrip like VLFL, would sell his/ her entire or substantial shareholding when there are buyers readily available in the market. Contrary to that it is observed that these seller Noticees in the present case, entered into only single sell trades for miniscule quantities like 5, 10, 15, 20 shares on several days with each trade establishing a new high price.

30. Hence, I find that the trading behaviour of the seller Noticees was not genuine even as individuals. It will be too much of a coincidence when 16 entities behave in the same manner and exhibit similar trading pattern. Considering the above,



the preponderance of probability leads us to the conclusion that all these 16 sellers were connected to each other and took part in a premeditated scheme wherein they placed orders in such a manner so as to raise the LTP of the scrip of VLFL to the maximum limit possible.

31. While these seller Noticees have not replied to the SCN, at this juncture I take note of the order of the Hon'ble SAT referred in the following paragraphs and in the matter of *Nishith M. Shah HUF v. SEBI*, wherein it has been held that establishing a connection between the buyer and seller is a *sine qua non* for establishing price manipulation. In this regard, it is relevant to mention that while in a conventional case of synchronized or circular trading, in order to establish price manipulation, establishing the connection between the buyer and seller may be essential, but there can be instances wherein a buyer or a seller alone can manipulate the price or volume of a scrip. In my view, the overall scheme of PFUTP Regulations also envisages unilateral commission of fraud by a person. The definition of fraud under Regulation 2(1)(c) lists out various acts / omissions by a person such as known misrepresentation, active concealment, reckless and careless representation, deceptive behavior, false statement, etc., which do not presuppose the connection of the person committing the same with another.
32. Further, Regulations 3 and 4 of the PFUTP Regulations also use phrases such as no person shall use or employ, no person shall indulge, etc. and do not at all places stipulate the requirement of a connection between two parties to a transaction in order to establish a violation. Further the prohibition of fraudulent dealing in securities includes an act of fraudulent buying or selling. It may be noted that the unilateral act of fraudulent buying or selling is also included in the definition of fraud under FUTP Regulations. There can be instances where artificial demand and price rise can be created choosing to buy unilaterally without any collusion with the counterparties. Therefore, the Regulations make it clear that unilaterally by virtue of fraudulent selling a person can manipulate the price of a security. In this context, I find it important to mention that the order passed by Hon'ble SAT in the matter of *Nishith Shah* has to be viewed in light of other orders passed by Hon'ble SAT in relation to cases involving violations by sellers on account of miniscule trading in shares. The relevant portions of these orders are quoted below:

32.1. **Jayprakash Bohra v. SEBI** (order dated November 05, 2019):

*“... The modus operandi, according to the learned counsel, is to revive, on paper, a dormant listed company with very little share capital; go for a preferential allotment and by trading in very small number of shares at inflated prices or far away prices from LTP between the group entities to show considerable activity of trading in the scrip and thereby induce the retail/other investors and thereby provide an exit route to the group entities, including the preferential allottees. All these symptoms are present in this matter.*

*...*

*The submission that all the holdings of the appellant are in normal course of business has no merit as the entire issue in the matter is not normal course of business....Moreover, out of 1,050 shares of Gromo obtained off-market in an inexplicable way by the appellant more than half of it was sold in small tranches; most of the time placing sell order at far away prices than LTP. The said trading pattern and the other connections as explained above is sufficient enough to prove that the appellant was part of the group that created the artifice/scheme and therefore finding in the impugned order that the appellant has violated the stated provisions of the PFUTP Regulations cannot be faulted.”*

32.2. **Giriraj Kumar Gupta HUF v. SEBI** (Order dated February 25, 2020):

*“Having heard the learned counsel for the parties, we are of the considered view that the impugned transactions, in the facts and circumstances of the matter, would fall in the realm of violations of PFUTP Regulations. Individual argument that each entity’s trade is miniscule and only on a few days alone etc. is not sufficient to rebut the findings in the impugned order. The appellants have not given the details of their off-market transactions with an entity which is also found to be part of the group which manipulated the scrip of RMCL. The unwillingness of the appellants in giving the details of those off-market transactions and in turn placing buy orders above LTP in the market subsequently cannot be viewed in isolation. The argument submitted by the learned counsel for the appellants that no further connection has been established therefore has no merit in the totality of the facts and circumstances of the case. In such matters, the preponderance of probability based on the totality of circumstances, as held by the Apex Court*

*in the matter of Kishore R. Ajmera (2016) 6 SCC 368 squarely applies. The orders in Jayprakash Bohra (Supra) and Shri Lakhi Prasad Kheradi (Supra) also apply the same ratio.”*

**32.3. Mrs. Kalpana Dharmesh Chheda v. SEBI** (Order dated February 25, 2020):

*“5. The crux of the charge against the appellants is, that the appellants have placed sell orders in single shares or in very small quantities at higher and higher price on 55 days during the relevant period thereby contributed to a total of Rs. 320.45 to market positive LTP through 52 trades. Therefore, it has been held that appellants’ trade had been of a market manipulative nature and therefore appellants have violated the stated provisions of the PFUTP Regulations, 2003.*

*...*

*9. We do not find much merit in the submissions made by the learned counsel for the appellants though generally it can be stated that selling at a price higher than the LTP particularly when buy orders are available in the system cannot be considered as manipulative in itself. However, looking at the pattern of trading done by the appellants and the fact that the appellants have derived considerable financial benefit through that particular scheme or nature of trading we are of the view that the trading pattern adopted by the appellants is of a manipulative and unfair nature and would squarely fall within the ambit of the PFUTP Regulations. The pattern of trade clearly establishes this as it is on 49 occasions that the appellants sold 1 to 5 shares, mostly one share, when in fact the buy orders available in the system was much higher. This behaviour cannot be justified in terms of normal rational expectations of a seller. It is on record that the appellants were among the top two net sellers during the relevant period. Therefore, when the appellants were holding a large number of shares (Appellant No. 1 – 15045 shares and Appellant No. 2 – 1009 shares), their selling miniscule quantity of one share each on more than four dozen occasions is nothing but a strategy of manipulation and unfairly benefiting by off-loading the entire shareholding after raising the price to considerable levels. The Appellant No. 1 was able to sell off 7000 shares on 17th, 18th, and 19th February, 2014 at prices ranging from 182.45 to 189.75. Similarly, on 21st, 24th and 25th March, 2014 the appellants together sold 10174 shares at prices in the range of 226.05 to 249.20.”*

33. Having perused the above judgments of Hon'ble SAT, I am of the view that all the orders passed by Hon'ble SAT quoted in this order in relation to alleged manipulative trading by sellers, have been decided by Hon'ble SAT on the basis of specific facts of each case. A combined reading of the above mentioned orders of the Hon'ble SAT indicates that in the opinion of Hon'ble SAT, there is no "single" or "only" test to determine the charge of price manipulation in cases wherein the primary charge is emanating from miniscule trading by the sellers over a period of time at the highest possible price on each day. Thus, while establishing the connection between the buyer and the seller may be one approach for determining price manipulation as has been held in Nishith Shah case, there can also be other approaches as adopted by Hon'ble SAT in the cases of Mrs. Kalpana Dharmesh Chheda, Giriraj Kumar Gupta HUF and Jayprakash Bohra through which price manipulation can be established. It is relevant to mention here that in the present case, reliance is being placed on the behaviour of the sellers, which when viewed comprehensively, as discussed in paragraph 28 above, establishes the price manipulation.

### **Group 3:**

34. I note here that apart from Noticee No. 1 i.e., the Company, none of the other Noticees have provided any reply to the SCN. I note that the SCN has been delivered to all the Noticees and hearing opportunities have also been provided to them. Only Noticee No. 1 has availed of the hearing opportunity.

35. The allegation against Noticee No. 1 i.e., VLFL, is that it, along with its Directors, the 16 connected sellers group and the off-market transferors, has been part of the scheme to manipulate the price of the scrip. As mentioned in the SCN, VLFL is connected to one of the off-market transferors, namely, Looklike Trade Pvt. Ltd., by virtue of a fund transfer that took place between them in January 2015. Looklike Trade Pvt. Ltd. was also allotted shares of VLFL through preferential allotment and these shares, after completion of lock-in period, were transferred through off-market transfers to the other transferors. I shall now proceed to examine the submissions of VLFL in this regard.

36. VLFL has submitted that the reference received from the IT Department may be forwarded to it so that it can reply more comprehensively. I note from the records available that the relevant extract of this reference has been provided to the Noticee. Further, this reference has only acted as a trigger for SEBI's own investigation and the documents/ information relied upon by SEBI have also been provided to the Noticee. Hence, I am not inclined to accept the submission of the Noticee that it has been prejudiced as SEBI has not provided it the reference received from the IT Department.

37. VLFL has submitted that profitability alone cannot be the criteria for deciding the market price of the shares of any company and has provided figures of its Book Value to justify its market price. I note here a comparison of the Book Value figures submitted by the Noticee vis-à-vis the corresponding average share price:

| <b>F.Y.</b> | <b>Book Value</b> | <b>Average Share Price</b> |
|-------------|-------------------|----------------------------|
| 2013-14     | 47.06             | 2.13                       |
| 2014-15     | 47.55             | 9.66                       |
| 2015-16     | 47.68             | 33.92                      |
| 2016-17     | 46.51             | 35.80                      |

As can be seen from the above, the Book Value of the Company has remained almost stagnant from 2013-14 to 2016-17, while during the same period, the average share price of the Company has increased from Rs. 2.13 to Rs. 35.80/-. This rise in the share price cannot be justified entirely on account of the Book Value of the Company, which has remained the same.

38. The rise in the share price also has to be considered in the backdrop of the falling profits after tax of the Company, as mentioned below:

| <b>FY</b> | <b>Profit after Tax (Rs.)</b> |
|-----------|-------------------------------|
| 2013-14   | 24.5 lacs                     |

| <b>FY</b> | <b>Profit after Tax (Rs.)</b> |
|-----------|-------------------------------|
| 2014-15   | 20.1 lacs                     |
| 2015-16   | 4.2 lacs                      |

39. Further, the market also looks at another important parameter, namely, the Price to Earnings ratio for a company, which provides a fair valuation of the share price. During the investigation period, the highest share price achieved by the scrip was Rs. 32.1/- on June 26, 2015. For the year ended March 31, 2015, the Company had a Profit after Tax of Rs. 20.1 lacs. As the total shareholding of the Company during the period as 41,18,000 shares, the trailing P/E ratio works out to be approximately 65. For the year ended March 31, 2016, assuming that the projected earnings of the Company were to be Rs. 4.2 lacs i.e., the actual Profit after Tax, then for this period, the forward P/E ratio works out to be approximately 314. There is no justification for such high P/E ratios, especially in view of the falling profits of the Company.

40. I note that the Company has attributed the following reasons for the increase in its share price:

40.1. Event of open offer that occurred during the investigation period and

40.2. New promoter took over the management of the Company during the investigation period.

41. I note that the announcement of the open offer was made on January 29, 2014, when the scrip price was only Rs. 2.42/-. The open offer was made at Rs. 50/- per share i.e., at a substantial premium over the prevailing market price. As per submissions of the Noticee, the open offer was opened on March 12, 2015, when the scrip price was Rs. 21.9/- and was closed on March 25, 2015, when the scrip price was Rs. 22.93/- I note here that between the announcement of the open offer i.e., January 29, 2014, till the start of the investigation period i.e., August 12, 2014, there has been no trading in the scrip of the Company. From August 12, 2014, till the end of open offer i.e., March 25, 2015, the price of the scrip rose from Rs. 2.42/- to Rs. 22.93/-. Even if it is accepted that the price of the scrip rose due

to the open offer, it still does not explain why the scrip price continued to increase even after the open offer was concluded (the share price continued to increase from Rs. 22.93/- to Rs. 32.10, till the end of the investigation period). Further, any rational shareholder would have held on to the shares of the Company and tendered them in the open offer rather than behaving like the group of sellers who have traded in the manner mentioned above. Even after the open offer concluded, the group of sellers continued the same trading pattern as mentioned above and this indicates that the manipulation of the scrip price has continued after the open offer as well.

42. Hence, taking into account all factors, such as, the off-market transfer of shares to the sellers, the trading pattern of the sellers, increase in scrip price even after the open offer concluded, there is a preponderance of probability that the scheme to manipulate the scrip price was in place from the very beginning of the investigation period i.e., even before the open offer opened.
43. As regards the change in management, I note from the Company's Annual Report for FY 2014-15, that the acquirer, Mr. Dilip Patodia, took over the management of the Company after the open offer in March 2015. I note here that as per the Company's Annual Report for FY 2014-15 and MCA records, Mr. Dilip Patodia was already acting as the Joint Managing Director of the Company from October 01, 2014. Prior to this, as per the Company's Annual Report, he was also an Independent Director on the Board of the Company from October 29, 2013. Hence, I note that Mr. Dilip Patodia was already involved in the management of the affairs of the Company and therefore, the increase in the scrip price of 1226% (during the investigation period) cannot be solely attributed either to the open offer or to the "change" in management.
44. As regards, the financial transaction with Looklike Trading Pvt. Ltd. (hereinafter referred to as "**Looklike**"), during the personal hearing the Company submitted that Looklike was allotted 80,000 shares in preferential allotment and VLFL had received advance against these shares. However, as it could not deliver the shares to Looklike, VLFL paid Rs. 27.25 lacs to Looklike. I note from the documents uploaded by the Company on the MCA website that Looklike was

allotted 80000 shares for a total consideration of Rs. 40,00,000/- on August 03, 2013. The fund transfer of Rs. 27 lacs was made to Looklike in January 2015 i.e., much after the shares were already allotted to Looklike. Hence, the above explanation of the Company regarding the fund transaction with Looklike cannot be accepted. Moreover, it is to be noted that VLFL has submitted an entirely different explanation for the fund transfer in its written submissions after the personal hearing.

45. Pursuant to the personal hearing, as part of its written submissions, VLFL has submitted the following:

45.1. During FY 2013-14, VLFL received Rs. 37.5 lacs from Looklike towards sale of shares held by VLFL as investments. Thereafter VLFL sold shares worth Rs. 2.25 lacs to Looklike in 2013-14.

45.2. The balance amount of Rs. 35.25 lacs was returned to Looklike in two transactions, Rs. 27.25 lacs in January 2015 and Rs. 8 lacs in January 2016. This was done as the deal between VLFL and Looklike could not be fully materialized.

46. VLFL has submitted ledgers and bills to substantiate the above claims as well as a clarification on current liabilities and trade payables from a Chartered Accountant. I note here that as per the ledger submitted by VLFL, the funds were received from Looklike on September 09, 2013, and the same were returned in two parts after more than 18 months. Further, these ledgers do not bear the seal of VLFL and signature of the authorized signatory of VLFL. The Noticee has also not submitted any details or documentary evidence of the deal/ transaction that was to take place between it and Looklike and has not provided any reason as to why this deal could not fructify. In my view, a sum of Rs. 37.5 lacs cannot be transferred from one entity to another without any underlying documentation/ agreement, unless both the entities are connected with each other. VLFL has not submitted any agreement copy for the purported sale of investments to Looklike. VLFL has also not submitted the bank statement showing that Rs. 35.25 lacs were indeed received from Looklike in September 2013, despite being specifically given



an opportunity to do so. Further, I note that the clarification from the CA firm is on the basis of the Audited financial statements, groupings and books of accounts of VLFL and not on the basis of any independent, third party verifiable documents, such as, actual bank statements, demat account statements, copy of agreement entered into between VLFL and Looklike, etc.

47. In view of the above, I note that the Company has not been able to provide a satisfactory explanation for the fund transfer made to Looklike during the investigation period. Further, as per the own submissions of the Noticee, it has made another fund transfer to Looklike in January 2016 i.e., after the investigation period. While Looklike has not replied to the SCN or availed the opportunity of personal hearing, I note here that the Company has not been able to provide a satisfactory explanation for its connection with Looklike through the fund transfer made in January 2015. It is also pertinent to note here that when this fund transfer was made to Looklike, the scrip price of VLFL had already been increased from Rs. 2.42/- to Rs. 17.24/-. I also note that apart from the aspect of connection through fund transfer, Looklike is connected to the Company as preferential allottee.

48. While there is no direct material on record to show that VLFL was acting in concert with the 16 seller Noticees, I note that there need not be any direct connection between VLFL and the sellers. The connection between VLFL and the sellers is through Looklike, which has transferred shares of VLFL through off-market to these sellers. I note that VLFL has relied on certain SAT orders to justify its submissions. In this regard, I note that a clear connection has been established between VLFL and Looklike in view of the fund transfer made during the investigation period along with the preferential allotment of shares made to Looklike. Seeing all these factors comprehensively, I conclude that this fund transfer is unambiguous and clear evidence of the connection between the Company and Looklike. Therefore, in my view, the SAT orders quoted by VLFL are not relevant in the present case.

49. I note here that VLFL, 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 179 of the Companies Act, 2013, 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 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. Hon'ble Supreme 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 so 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 the business of a Company even though no specific act of dishonesty is proved against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the Company even superficially"*. Further, in cases of fraud, it is a settled position of law that the corporate veil can be lifted and the directors can be held liable for the fraud of the Company.

50. In this regard, I place reliance on the decision of Hon'ble Supreme Court (Larger Bench) in the matter of LIC vs. Escorts Limited (1986 AIR 1370), wherein while discussing the doctrine of corporate veil, the Court had observed:

*"90. ... the corporate veil may be lifted where a statute itself contemplates lifting the veil, or fraud or improper conduct is intended to be prevented, or a taxing statute or a beneficent statute is sought to be evaded or where associated companies are inextricably connected as to be, in reality, part of one concern. It is neither necessary nor desirable to enumerate the classes of cases where lifting the veil is permissible, since that must necessarily depend on the relevant statutory or other provisions, the object sought to be achieved, the impugned conduct, the involvement of the element of the public interest, the effect on parties who may be affected, etc."*

51. Hence, in view of the above, the Directors of the Company i.e., Noticee Nos. 2, 3 and 4 are party to this scheme of price manipulation.

52. During the investigation period, I note the following details regarding the Directors of VLFL (from MCA records/ Annual reports of Company):

| DIN/PAN                 | Name                  | Designation                     | Appointm<br>ent Date | Cessation<br>Date |
|-------------------------|-----------------------|---------------------------------|----------------------|-------------------|
| 00235198/<br>BEZPS8956R | Amlesh<br>Sadhu       | Chairman & Managing<br>Director | 03-Sept-<br>2012     | 13-Apr-<br>2015   |
| 01357786/<br>AAAPP9584A | Dilip Patodia         | Joint Managing<br>Director      | 01-Oct-<br>2014      | 12-Apr-<br>2015   |
|                         |                       | Chairman & Managing<br>Director | 13-Apr-<br>2015      | 03-Jun-<br>2016   |
| 00434785/<br>AAAPM8378D | Harivallabh<br>Mundra | Executive Director              | 21-Jun-<br>1990      | 26-Sept-<br>2014  |

53. The violations committed by VLFL, which have been discussed above, pertain to the time periods when these persons were acting as Executive Directors of VLFL and were in charge of the affairs of the Company. The connection of the Company to the remaining Noticees is by way of the dealings of VLFL with Looklike. I note that Looklike was allotted shares of VLFL in a preferential allotment in August 2013 and there is a fund transfer between VLFL and Looklike in January 2015.

54. I note that Noticee Nos. 2 and 3, i.e., Mr. Dilip Patodia and Mr. Amlesh Sadhu were in charge of the affairs of the Company for a substantial part of the investigation period. Mr. Amlesh Sadhu was the Managing Director when the preferential allotment of shares was done to Looklike. Further, Mr. Dilip Patodia and Mr. Amlesh Sadhu were also in charge of the affairs when the fund transfer has been made to Looklike. Hence, they are responsible for the acts of the Company and for having facilitated the premeditated scheme, through Looklike, to increase the LTP to the maximum possible.

55. Keeping in mind the case law mentioned in paragraph 49 above, as regards Mr. Harivallabh Mundra, I note the following:

- 55.1. As per the Annual Reports of the Company, Mr. Mundra has been a Director in the Company since June 21, 1990.
- 55.2. As per the Annual Report of the Company for FY 2012-13, Mr. Mundra has been designated as 'Executive Director' and has also been referred to as the Whole-Time Director and a Key Management Personnel as part of Related Party Disclosures.
- 55.3. The Board of Directors of the Company in its meeting dated July 02, 2013, approved the allotment of shares through preferential allotment and the resolution to allot the shares to Looklike Trade Pvt. Ltd. was approved by the Board in its meeting held on August 03, 2013.
- 55.4. As per the Annual Report of the Company for FY 2013-14, i.e., for the period when the preferential allotment was made to Looklike Trade Pvt. Ltd., Mr. Harivallabh Mundra is designated as 'Executive Director' as on March 31, 2014.
- 55.5. He has ceased to be on the Board of Directors of the Company w.e.f. September 26, 2014.
56. As per Item I, Para A, Sub-clause (iii) of Clause 49 of the Listing Agreement specified by SEBI vide its circular dated SEBI/CFD/DIL/CG/1/2004/12/10 dated October 29, 2004, as amended from time to time, I note the following conditions are to be satisfied for an Independent Director:

#### ***"I. Board of Directors***

##### ***(A) Composition of Board***

- (i) The Board of directors of the company shall have an optimum combination of executive and non-executive directors with not less than fifty percent of the board of directors comprising of non-executive directors.*
- (ii) Where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise of independent directors and in case he*

*is an executive director, atleast half of the Board should comprise of independent directors.*

*Provided that where the non-executive Chairman is a promoter of the company or is related to any promoter or person occupying management positions at the Board level or at one level below the Board, at least one-half of the Board of the company shall consist of independent directors.*

*Explanation-For the purpose of the expression “related to any promoter” referred to in sub-clause (ii):*

- a. If the promoter is a listed entity, its directors other than the independent directors, its employees or its nominees shall be deemed to be related to it;*
  - b. If the promoter is an unlisted entity, its directors, its employees or its nominees shall be deemed to be related to it.”*
- (iii) For the purpose of the sub-clause (ii), the expression ‘independent director’ shall mean a non-executive director of the company who:*
- a. apart from receiving director’s remuneration, does not have any material pecuniary relationships or transactions with the company, its promoters, its directors, its senior management or its holding company, its subsidiaries and associates which may affect independence of the director;*
  - b. is not related to promoters or persons occupying management positions at the board level or at one level below the board;*
  - c. has not been an executive of the company in the immediately preceding three financial years;*
  - d. is not a partner or an executive or was not partner or an executive during the preceding three years, of any of the following:*
    - i) the statutory audit firm or the internal audit firm that is associated with the company, and*
    - ii) the legal firm(s) and consulting firm(s) that have a material association with the company.*

- e. is not a material supplier, service provider or customer or a lessor or lessee of the company, which may affect independence of the director;*
- f. is not a substantial shareholder of the company i.e. owning two percent or more of the block of voting shares;*
- g. is not less than 21 years of age.”*

57. I note that all the above-mentioned conditions are required to be satisfied and non-satisfaction of even one condition would render a director ineligible to be an Independent Director. With respect to Mr. Harivallabh Mundra, I note that there is no material to show that he either does not meet or meets any of the conditions mentioned at points (a), (b), (d), (e) and (f), while he does meet the condition mentioned at point (g). However, as noted earlier, the Annual Report of the Company for the year 2012-13, designates him as an Executive Director and also refers to him as the Whole-Time Director and a Key Management Personnel as part of Related Party Disclosures. Therefore, it is clear that Mr. Mundra held an 'executive' role in the Company in the year 2012-13 and if he did so, then, by virtue of the condition at point (c) above, he was not eligible to be an Independent Director in the Company in FY 2013-14 i.e., the immediately succeeding year.

58. Hence, I hold that Mr. Mundra was not an 'Independent Director' in the Company in FY 2013-14. If he was a 'Non-Executive Director' in 2013-14, then the same would mean that he was either reappointed as a 'Non-Executive Director' or his designation was changed to 'Non-Executive Director' in the Annual General Meeting (AGM) held in September 2013. I note from the Annual Report of 2012-13 and 2013-14 that no such resolution has been approved in the AGM of 2013-14. In fact, the Annual Report of 2013-14 mentions that in the AGM held in September 2014, Mr. Mundra will retire by rotation as he does not offer himself for re-appointment. Therefore, in the absence of any such records, there is a preponderance of probability that Mr. Mundra has continued to act as an 'Executive Director' in 2013-14 and till he chose to retire by rotation. The designations of 'Non-Executive' and 'Independent' Director mentioned against his name in the Annual Reports appear to be erroneous.

59. In view of the above, I am constrained to conclude that Mr. Harivallabh Mundra was an Executive Director in the Company for the year 2013-14 as well. While Mr. Mundra ceased to be on the Board of VLFL from September 26, 2014, onwards, I note that the preferential allotment of shares to Looklike was approved in the meeting of the Board of Directors held on August 03, 2013, i.e., when he was an Executive Director in VLFL. I also note that Mr. Mundra was given two opportunities to appear before me and make his submissions but the same were not availed. He was also advised to provide his written submissions but has not submitted the same. I note that the preferential allotment to Looklike was made in August 2013 and 1000 shares of VLFL were transferred through off-market from Looklike to Badriprasad Chiripal on August 14, 2014; hence, the premeditated scheme was already in place when Mr. Harivallabh Mundra was an Executive Director in VLFL and therefore, he is also responsible for the acts of the Company.
60. In view of the reasoning given above, I find that the Noticee Nos. Nos. 21, 22 and 23 i.e., Looklike Trade Pvt. Ltd., Badriprasad Chiripal and Richi Consultants Private Limited, by making off-market transfers of the shares of VLFL to the sellers, have facilitated the premeditated scheme to raise the LTP of the scrip to the maximum limit possible.
61. The above discussed trading behaviour of the 16 seller Noticees does not in any manner answer to be genuine. In this present case, this trading pattern in light of the circumstances discussed above, exhibits an act of marking a new high price every day with significantly low volumes. Considering the above, the preponderance of probability leads us to the conclusion that all these 16 sellers were connected to each other and acted under a premeditated scheme wherein they placed orders in such a manner so as to raise the LTP of the scrip of VLFL to the maximum limit possible.
62. In view of the above, I hold that all the Noticees i.e., the group of off-market transferors, the group of sellers and the Company and its Directors in charge of its affairs at the time of the violations, have manipulated the price of the scrip of VLFL during the period August 12, 2014, to July 31, 2015.

**Issue No. 2: If answer to Issue No. 1 is in affirmative, whether the Noticees have violated the provisions of PFUTP Regulations?**

63. As already held above, the Noticees, by being party to a scheme to manipulate the share price of VLFL, have indulged in a fraudulent activity, which is covered under the definition of fraud as per Regulation 2(1)(c) of the PFUTP Regulations, which is as under:

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

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

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

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

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

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

*(6) any such act or omission as any other law specifically declares to be fraudulent, (7) deceptive behaviour by a person depriving another of informed consent or full participation,*

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

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

*And "fraudulent" shall be construed accordingly;*



64. Further, I note that this activity of all the Noticees is covered under the following provisions of the 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 manipulative, fraudulent or an unfair trade practice in securities markets.*
- (2) Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves any of the following:—*
  - (a) knowingly indulging in an act which creates false or misleading appearance of trading in the securities market;*
  - ....*
  - (e) any act or omission amounting to manipulation of the price of a security including, influencing or manipulating the reference price or bench mark price of any securities;*

65. As already held above, the Noticees have, together, through a premeditated scheme, manipulated the price of the scrip of VLFL and that this act on their part falls within the definition of fraud as per the PFUTP Regulations. This act of the Noticees is also prohibited under the above provisions of the PFUTP Regulations.

66. In view of the above, I hold that the Noticees are in violation of the following provisions of the PFUTP Regulations:

| Sr. No. | Group of Noticees                   | Nature of the Noticees    | Provisions of PFUTP violated                                      |
|---------|-------------------------------------|---------------------------|-------------------------------------------------------------------|
| 1       | Group 1: Noticee Nos. 21, 22 and 23 | Off-market transferors    | Regulations 3(a), 3 (b), 3(c), 3(d) and 4(1), 4(2)(a) and 4(2)(e) |
| 2       | Group 2: Noticee Nos. 5-20          | Connected sellers         |                                                                   |
| 3       | Group 3: Noticee Nos. 1, 2, 3 and 4 | Company and its Directors | Regulations 3 (b), 3(c), 3(d) and 4(1), 4(2)(a) and 4(2)(e)       |

**Issue No. 3:** *If answer to Issue No. 2 is in affirmative, what directions, if any, should be issued against the Noticees?*

67. As already established above, the Noticees have been held to be in violation of the provisions of the Regulations 3(a), (b), (c), (d), 4(1), 4(2) (a) and (e) of the PFUTP Regulations. In view of this, appropriate directions debarring these entities from the securities market need to be issued against them.

68. With regard to the off-market transferors, I note that the main off-market transferor is Looklike, which has transferred shares in off-market to Badriprasad Chiripal and Richi Consultants Pvt. Ltd. Hence, I find that Looklike Trade Pvt. Ltd., Badriprasad Chiripal and Richi Consultants Pvt. Ltd. are liable for debarment for appropriate period. Further, the Company, VLFL, and its Directors who were in charge of the affairs of the Company at the time of these violations i.e., Mr. Dilip Kumar Patodia, Mr. Amlesh Sadhu and Mr. Harivallabh Mundra are also liable for debarment for appropriate period.

69. As regards the group of sellers, I note that they have contributed to the increase in net and positive LTP in the scrip price through their trading pattern. By executing manipulative trades, as has been executed by these Noticees in the instant

matter, the price discovery system itself is affected. It also has an adverse impact on the fairness, integrity and transparency of the stock market. Hence, these Noticees are liable for debarment for appropriate period. I further note that scheme in the instant matter has been fructified by various participants, such as the Company its directors, off-market transferors and sellers. One of the Noticees, namely, Goldensight Traders Pvt. Ltd., received shares through off-market transfers from two of the off-market transferors. Thereafter, it further made off-market transfers of these shares to other seller Noticees and also acted as one of the sellers i.e., it has played the role of a seller as well as an off-market transferor. Accordingly, appropriate period of debarment for Noticees depending on the nature of their acts and contribution to the scheme has been incorporated in operative portion of the order.

### **ORDER**

70. In view of the aforesaid observations and findings, I, in exercise of the powers conferred under Section 19 of the Securities and Exchange Board of India Act, 1992, read with Sections 11, 11(4) and 11B of the SEBI Act, hereby issue the following directions:

70.1. The following Noticees are restrained from accessing the securities market and buying, selling or dealing in securities, either directly or indirectly, in any manner for the period, as mentioned against their name, from the date of this order:

| <b>Noticee No.</b> | <b>Name of the Entity</b>         | <b>PAN</b> | <b>Period of Debarment</b> |
|--------------------|-----------------------------------|------------|----------------------------|
| 1                  | Voltaire Leasing and Finance Ltd. | AAACV1794R | 2 years                    |
| 2                  | Dilip Rajkumar Patodia            | AAAPP9584A | 2 years                    |
| 3                  | Amlesh Sadhu                      | BEZPS8956R | 2 years                    |
| 4                  | Harivallabh Mundra                | AAAPM8378D | 2 years                    |
| 5                  | Chandrakant Babu Mohite           | ANKPM2741H | 6 months                   |
| 6                  | Rajesh Tukaram Dambre             | AHAPD8240L | 6 months                   |

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*Order in the matter of Voltaire Leasing & Finance Limited*

| <b>Noticee No.</b> | <b>Name of the Entity</b>           | <b>PAN</b> | <b>Period of Debarment</b> |
|--------------------|-------------------------------------|------------|----------------------------|
| 7                  | Archana Tiwari                      | AHPPT8658M | 6 months                   |
| 8                  | Awadhraj Badrinath Chaubey          | AJQPC9829G | 6 months                   |
| 9                  | Reshma Rajesh Dambre                | ARNPD4171D | 6 months                   |
| 10                 | Goldensight Traders Private Limited | AAFCG4773J | 1 year                     |
| 11                 | Reachsmart Dealtrade Private Ltd.   | AAFCR9881C | 6 months                   |
| 12                 | Mukesh Kumar Purohit                | ATSP7576M  | 6 months                   |
| 13                 | Reeta Sanjay Sharma                 | BMWPS6864D | 6 months                   |
| 14                 | Jaya Ramchand Kotwani               | AQUPK1024G | 6 months                   |
| 15                 | Ajay Niranjana Thaker               | AEVPT3698G | 6 months                   |
| 16                 | Mangesh Madhukar Dhotre             | AJPPD8297E | 6 months                   |
| 17                 | Goodness Trading Private Limited    | AACCG8008R | 6 months                   |
| 18                 | Sebika Commodities Private Limited  | AARCS9144H | 6 months                   |
| 19                 | Hanshika Dealers Private Limited    | AADCH3599R | 6 months                   |
| 20                 | Overarching Dealers Private Limited | AABCO6949E | 6 months                   |
| 21                 | Looklike Trade Pvt. Ltd.            | AACCL2013K | 1 year                     |
| 22                 | Badriprasad Chiripal                | ADUPC9547M | 1 year                     |
| 23                 | Richi Consultants Pvt. Ltd.         | AADCR9667C | 1 year                     |

70.2. Needless to say that in view of the prohibition on sale of securities, during the period of restraint, the existing holding, including units of mutual funds, of the above mentioned Noticees shall remain frozen.

70.3. It is made clear that if the Noticees mentioned above have any open positions in any exchange traded derivative contracts, they can close out/ square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. It is also clarified that these Noticees can settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of April 13, 2020.

71. The above directions shall come into force with immediate effect.

72. Copy of this Order shall be sent to all the Noticees.

73. Copy of this Order shall be forwarded to the recognised Stock Exchanges, Depositories and Registrar and Share Transfer Agents for information and necessary action.

74. A copy of this Order shall also be forwarded to the Income Tax Department, Chandigarh, for their information and necessary action.

**DATE: April 13, 2020**  
**PLACE: MUMBAI**

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