WTM/AB/IVD/ID1/8987/2020-21

SECURITIES AND EXCHANGE BOARD OF INDIA
FINAL ORDER

UNDER SECTIONS 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992.

In respect of:

Noticee no.	Noticee Name	PAN
1.	M/s. Global Securities Ltd. CIN: L67120GJ1994PLC021269	AACCG3465C
2.	Mr. Rameshchandra Bhaurao Chavan	ABKPC8958J
3.	Mr. Dinkar Bhanuprasad Shrimali	BJEPS1523E
4.	Mr. Ruchir Jayantilal Pandya	ASYPP9350L
5.	Mr. Amit Pradipkumar Shah	AOCPS1635M
6.	Mr. Umesh Kashinath Gawand	AJSPG3604M
7.	Mr. Arvind Goyal Babulal	ACIPG0193J
8.	Mr. Satish R Mandora	ACWPM3495P
9.	Mr. Kamlesh Kanaiyalal Joshi	ADQPJ4015R
10.	Mr. Shirish Chandrakanth Shah	ACFPS7005L
11.	Mr. Devesh Upadhyay	AAHPU5069Q
12.	Mr. Kumar Raichand Madan	AAHPM0952C
13.	Mr. Pankaj Jayantilal Dave	AEPPD0118P
14.	Mr. Mahadev Zilu Gawade	ALBPG9116H
15.	Mr. Sagar Kadam	CLAPK2809N
16.	Mr. Dharmendra Harilal Bhojak	AFAPB7100D
17.	Mr. Sorab Wadia	ABOPW5107F
18.	Mr. Pendyala Vinay Bhushan	BXMPP1272K
19.	Ms. Falguniben Mahavirbhai Gohil	ABWPG2137P
20.	M/s. Jesse Trading Pvt Ltd	AACCJ3651K
21.	Mr. Abhay Dattatray Javlekar	ACVPJ4679B
22.	Mr. Vinod Brijmohan Biyani	AACPB7721R
23.	Mr. Jay Mahavir Gohil	ASOPG2675D

The aforesaid entities are hereinafter referred to by their respective names / Noticee numbers and collectively as "the Noticees".

In the matter of Global Securities Ltd.

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1. Present proceedings have emanated from a show cause notice dated March 29, 2017 (hereinafter referred to as "**the SCN"**), issued by Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") to the Noticees for their trading activities in the scrip of Global Securities Ltd. (hereinafter referred to as "**GSL**"**/** "**the Company**") alleging therein the violations of 3(a),(b),(c),(d) and Regulation 4(1), 4(2) (a) and (e) of SEBI (Prevention of Fraudulent and unfair trading activities relating to the Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations, 2003**"), by the Noticees.

2. Prior to the issue of the SCN, on the basis of a reference received from the Income Tax Department that certain entities could have manipulated the price in the scrip of GSL, as part of a larger scheme linked to the long term capital gains scam, SEBI had conducted an investigation in the trading activities in the scrip of GSL,.

3. The brief facts and the allegations levelled against the Noticees, as stated in the SCN, are as follows:

   a. The period of investigation in the matter is from March 16, 2012 to April 30, 2014, (hereinafter referred to as "**Investigation Period**"). The Investigation Period is further divided into two patches:

      Patch 1: During the price rise period (March 16, 2012 to March 01, 2013 - Patch 1), price of the scrip of GSL opened at Rs. 11/-(March 16, 2012) and closed at Rs. 151.20 (March 01, 2013) in 221 days in 5,173 trades with a volume of 64,95,522 shares.

      Patch 2: During the price fall period (March 02, 2013 to April 30, 2014 - Patch 2), the price of the scrip of GSL opened at Rs. 148.95 (March 04, 2013) and

closed at Rs. 6.34 (April 30, 2014) in 262 days in 4,205 trades with a volume of 43,13,890 shares.

b. The trading in the scrip of GSL resumed on July 30, 2010 after BSE revoked suspension of trading in the scrip. During the Investigation Period, the shares of GSL were traded for an average volume of 22,379 shares per day and a total volume of 1,08,09,412 shares in 9,378 trades for a total of 483 days. The price of the scrip opened at Rs. 11 on March 16, 2012, reached a high of Rs. 156.5 on March 01, 2013 and a low of Rs. 3.66 on January 03, 2014 and closed at Rs. 6.34 on April 30, 2014. The details of price/ volume were annexed as **Annexure 1** to the SCN**.** During the Investigation Period, no major corporate announcements were made by GSL except declaration of financial results and meeting of the Board of Directors of the Company.

c. From the shareholding pattern available on the BSE website for quarter ending June 2010, the pre-preferential allotment shareholding of the Company was observed to be 30,03,600 shares. As per the notice of the Company dated August 17, 2010 for EOGM available on the BSE website, the Company proposed to issue 55 lakh shares to entities from sr. no. 2 to 5 in Table 1 below of Rs. 10 each against the unsecured loans granted to the Company and 64.50 lac shares of Rs. 10 to entities at sr. no.1 and sr. no. 6, 7, 8 & 9, in the Table 1 given below.

d. On October 23, 2010, GSL made preferential allotment of 1,19,50,000 physical shares at Rs. 10/- to nine entities, out of which 8 were non promoter entities and one promoter entity, thereby increasing the shareholding in the Company to 1,49,53,600 shares. The shares allotted to non-promoter entities were under lock-in upto October 31, 2011 and the shares allotted to promoter entity were under lock-in till, October 31, 2013, respectively. Though in its documents submitted to BSE, the Company has stated that the preferential allotment was made to one promoter entity and 8 non-promoter entities. However, as per MCA website, it was observed that all preferential allottees were connected to the Company by way of common address/ common directors (past directors),

as per the details in **Annexure 2** of the SCN. Details of allotment are as given below:

Table 1

Sr no.	Name	Category	PAN	NO. OF SHARES	LOCK IN UPTO	CERT. NO.	DISTIN. NO
1	Shree Veer Build Care Pvt. Ltd.	Promoter	AAOCS5056R	1000000	31/10/2013	7126	3003601-4003600
2	Nirav Enterprises Pvt. Ltd.	Non-Promoter	AAACN5235F	1000000	31/10/2011	7127	4003601-5003600
3	Laxmi Edifice Pvt. Ltd.	Non-Promoter	AABCL7505K	1500000	31/10/2011	7128	5003601-6503600
4	Lakshya Sec.& Cre. Holding Ltd.	Non-Promoter	AAACL7744D	1500000	31/10/2011	7129	6503601-8003600
5	Tripada Infra Pvt. Ltd.	Non-Promoter	AAACT9922D	1500000	31/10/2011	7130	8003601-9503600
6	Arcadia Mercantile Capital Ltd. (now known as Saumya Capital Ltd.)	Non-Promoter	AAHCA1175A	1500000	31/10/2011	7131	9503601-11003600
7	S J Sec. Ltd.	Non-Promoter	AAICS9627C	1500000	31/10/2011	7132	11003601-12503600
8	Arunima Real Estate Pvt. Ltd.	Non-Promoter	AAECA5836F	1000000	31/10/2011	7133	12503601-13503600
9	Manibhadra Sec. Ser. Pvt. Ltd.	Non-Promoter	AAGCM6009A	1450000	31/10/2011	7134	13503601-14953600

Two allottees viz., Shree Veer Build Care Pvt. Ltd. (10 lakh shares) and Laxmi Edifice Pvt. Ltd. (5 lakh shares), have not traded on market and off market during the Investigation Period.

e. During the Investigation Period, a total volume of 1,08,09,412 shares of GSL were traded by 1,351 entities. Out of 1351 entities who traded in the shares of GSL during the Investigation Period, 353 entities net sold 52,16,094 shares (48.25% of the market volume) on market. Out of these, 201 entities were observed to be entities who dematerialized shares that were originally issued to the allottees in preferential allotment and then sold 38,78,469 shares on market for a total value of Rs. 43,36,81,542.70, as per the details given in the **Annexure 3** to the SCN. Out of the total of 1,351 entities who were observed to have traded in the scrip of GSL, a total of 402 entities were observed to be directly/ indirectly connected to various operators, namely, Mr. Shirish Chandrakant Shah (Noticee no. 10) , Mr Laxmendra Agarwal, Mr. Praveen Agarwal, Mr. Devesh Upadhyay (Noticee no. 11), and to the Company (Noticee no. 1) on the basis of off market transactions, common address, phone number, email id and details available on MCA website such as names of the companies/ directors related to the operators. These entities are hereinafter referred as '**Connected Entities'**, and connection details were

placed at **Annexure 4** to the SCN**.** Statements of operators Mr. Shirish Chandrakanth Shah, Mr. Laxmendra Agarwal, Mr. Praveen Agarwal, Mr. Devesh Upadhyay, as taken by Income Tax Department were placed at **Annexure 5** to the SCN.

f. Investigation observed that Mr. Kumar Raichand Madan (Noticee no. 12) in his statement recorded on April 09, 2013 with the Income Tax Department, admitted that he supplied dummy directors and addresses for the companies of Mr. Shirish Chandrakant Shah (Noticee no. 10) who is in the business of providing accommodation entries and long term capital gains through share trading business **(Annexure 6** to SCN**)**. It was also observed that he was director of many of the companies managed by Mr. Shirish Chandrakant Shah (Noticee no. 10), out of which Mr. Kumar Raichand Madan (Noticee no. 12) is the co-director of a company named "Zen Shaving Ltd." alongwith Mr. Pankaj Jayantilal Dave (Noticee no. 13) & Mr. Arvind Babulal Goyal (Noticee no. 7). Both Mr. Dave and Mr. Goyal were observed to be connected to GSL, as during the Investigation Period, Mr. Arvind Babulal Goyal (Noticee no. 7) was co-director of GSL and as per corporate announcement made by the Company on BSE website, Mr. Pankaj Jayantilal Dave (Noticee no. 13) was the company secretary of the GSL. Both these entities have traded in the scrip of GSL, and Mr. Pankaj Jayantilal Dave (Noticee no. 13) is observed to be major contributor to LTP during Patch 1 of the Investigation Period. Further, Mr. Arvind Babulal Goyal (Noticee no. 7) is currently director of Incap Financial Services Ltd. alongwith Mr. Satish R. Mandowara (Noticee no. 8) - former director of GSL and Mr. Pankaj Jayantilal Dave (Noticee no. 13). Thus, GSL is related to Mr. Shirish Chandrakant Shah (Noticee no. 10), operator.

g. During investigation, it was observed that 48 entities relating to Praveen Agarwal and Laxmendra Agarwal are not connected to the GSL/ its Connected Entities and other operators viz., Mr. Shirish Chandrakanth Shah (Noticee no. 10) and Devesh Upadhyay (Noticee no. 11).

h. LTP Contributors: During the Investigation Period the price of the scrip opened at Rs.11 on March 16, 2012, increased to Rs. 156.5 on March 01, 2013 and

thereafter fell to Rs. 3.66 on January 03, 2014 and closed at Rs. 6.34 on April 30, 2014. Therefore, the period of price rise from March 16, 2012 to March 01, 2013 is considered as Patch-1 and the period of price fall from March 02, 2013 to April 30, 2014 is considered as Patch-2. During the Investigation Period, a total of 402 Connected Entities were observed to have traded for 353 days out of 483 days in the scrip. Their trade details were annexed as **Annexure 7** to the SCN. Summary of the trades carried out by these Connected Entities is as follows:

Table 2

Period	Market volume	Gross Buy by Connected Entities	Gross Sale by Connected Entities	Net Trade by Connected Entities	Gross Buy % to market vol.	Gross Sell % to market vol.
Investigation Period (16/03/2012 – 30/04/2014)	10809412	4783090	7919624	-3136534	44.25	73.26
Patch 1 (16/03/2012-01/03/2013)	6495522	3002280	5304760	-2302480	46.22	81.67
Patch 2 (02/03/2013-30/04/2014)	4313890	1780810	2614864	-834054	41.28	60.61

Source: Exchange – BSE

i. Patch 1-Price Rise Patch - 16/03/2012 to 01/03/2013: During this period, the price of the scrip opened at Rs. 11/-, reached a high of Rs. 156.5 and closed at Rs. 151/- i.e. an increase of 1272.72%, with a net LTP of Rs.140.2 and a market positive LTP of Rs. 1657.23. During this period, concentration of trades and rise in price of the scrip was particularly observed during the period January 01, 2013 – March 01, 2013. In 44 trading days 37,06,299 shares were traded in 2,408 trades and the price of the scrip moved from Rs. 65.9 to Rs. 151.2 i.e., an increase of 129.44%.

j. During the Price Rise Patch, on the buy side, 97 Connected Entities were observed to have contributed Rs. 331.78 to net LTP (237.32% of market net LTP) out of which 38 connected entities contributed Rs. 904.85 to positive LTP (54.60% of market positive LTP) in 683 trades for a total volume of 7,57,507 shares. Details of the LTP contributions on the buy side by the connected entities were annexed at **Annexure 8** of the SCN**.**

k. Top 10 Connected Entities contributed Rs.284.1 to net LTP (202.63% of market net LTP) and Rs. 817.47 to positive LTP (49.33% of the market positive LTP in 585 trades for a volume of 605397 shares). Analysis of the trades carried out by connected top 10 LTP contributors on the buy side and their contribution to Positive and Negative LTP during this period is as follows:

Table 3

Name	PAN	Net LTP			Positive LTP			Negative LTP			Zero LTP		% of +ve LTP to market +ve	No of trading days
		Net LTP	Total Traded Qty	No of trades	Positive LTP	Total Traded Qty	No. of trades	Negative LTP	Total Traded Qty	No. of trades	Total Traded Qty	No. of trades		
PANKAJ JAYANTILAL DAVE	AEPPD0118P	62.8	637586	620	253.07	148894	169	-190.27	121161	132	367531	319	15.27	94
MAHADEV ZILU GAWADE	ALBPG9116H	6.15	247092	451	160.05	74506	126	-153.9	23404	98	149182	227	9.66	60
SAGAR KADAM	CLAPK2809N	50.1	128334	307	133.75	29753	88	-83.65	37300	51	61281	168	8.07	47
DHARMENDRA HARILAL BHOJAK	AFAPB7100D	-4.05	46045	165	73.15	6861	44	-77.2	7560	38	31624	83	4.41	50
SORAB WADIA	ABOPW5107F	60.9	608506	240	68.75	187703	78	-7.85	99355	25	321448	137	4.15	29
PENDYALA VINAY BHUSHAN	BXMPP1272K	40.75	379980	147	45.75	128619	45	-5	41295	19	210066	83	2.76	17
FALGUNIBEN MAHAVIRBHAI GOHIL	ABWPG2137P	28.6	11110	35	29	4230	15	-0.4	250	1	6630	19	1.75	7
JESSE TRADING PVT LTD	AACCJ3651K	11	93065	31	25.65	18228	11	-14.65	6017	3	68820	17	1.55	4
ABHAY DATTATRAY JAVLEKAR	ACVPJ4679B	15.25	2281	11	15.7	228	5	-0.45	10	1	2043	5	0.95	2
VINOD BRIJMOHAN BIYANI	AACPB7721R	12.6	15000	10	12.6	6375	4	0	0	0	8625	6	0.76	1
Top ten total		**284.1**	**2168999**	**2017**	**817.47**	**605397**	**585**	**-533.37**	**336352**	**368**	**1227250**	**1064**	**49.33**	
Connected entities		**331.78**	**3002280**	**2404**	**904.85**	**757507**	**683**	**-573.07**	**419079**	**414**	**1825694**	**1307**	**54.60**	**172**
Market		**140.2**	**6495522**	**5173**	**1657.23**	**1163216**	**1209**	**-1517.43**	**974948**	**1043**	**4357358**	**2921**	**100**	**221**

Source: Exchange – BSE

l. From the above table, it is observed that the top ten entities contributed 49.33% to market positive LTP and 90.34% of the positive LTP contribution by the Connected Entities. Connected Entities by trading among themselves were observed to be connected contributed Rs.247.88 to positive LTP (14.95% of market positive LTP) in 223 trades for a total volume of 6,49,652 shares. It was observed that major contributor viz., Jay Mahavir Gohil (Noticee no. 23) as a seller while trading among Connected Entities contributed Rs.29.45 to market positive LTP (1.78% of market positive LTP). It was further observed that in 630 trades, sell orders were placed first by unconnected entities and Connected Entities bought at the sell order price contributed Rs. 837.97 to positive LTP (50.56% of market positive LTP).

m. Order log analysis was carried out for top 5 sell trades that were placed before the buy orders and contributed to positive LTP. These trades were executed between buyers who were Connected Entities and unconnected counterparty entities. Details of these trades are as follows:

Table 4

Date	Seller Name	Connected entities	BUY ORDER_NO	SELL ORDER_NO	Add / update / delete	BUY ORDER TIME	SELL ORDER TIME	TRADE TIME	BUY ORDER QTY	SELL ORDER QTY	BUY ORDER PRICE	LTP AT ORDER ENTRY	BID PRICE RANGE	ASK PRICE RANGE	TOP ASK VOL	TRADE RATE	LTP CONT	LTP %	Low/ high for the day	TRADE QTY
15/11/2012	NANALAL PARSHOTTAM PARIKH	SAGAR KADAM	15000133016704	20000161000207	Add	09:25:08	09:15:02	09:25:08	200	200	62.8	55.55	57.15-62.8	62.8	200	62.8	7.25	13.05	57-62.85	200
3/12/2012	PRANOTI UDAY SHAH	SAGAR KADAM	16000151055139	14000168000290	Add	11:52:53	09:17:17	11:52:53	2	200	58.6	52.05	53.2-58.6	58-58.6	200	58.6	6.55	12.58	53.25-58.6	2
2/11/2012	ANAR PRADHYOT KUMAR SHAH	PANKAJ JAYANTILAL DAVE	21000139004659	13000133001836	Add	09:16:16	09:02:33	09:16:16	1050	100	60.15	54.45	54.45	54.45-60.15	1112	60.15	5.7	10.47	50.45-60.15	100
					update		09:16:00						54.45-60.15	54.45-60.15	1112					
15/11/2012	NANALAL PARSHOTTAM PARIKH	MAHADEV ZILU GAWADE	15000133211520	20000161173640	Add	15:19:32	15:11:19	15:19:32	200	200	62.8	57	57 - 60.1	62.85	200	62.8	5.8	10.18	57-62.85	200
					update		15:12:42						57.5-62.8	62.8	200					
7/8/2012	M VIJAYA LALITHA	PANKAJ JAYANTILAL DAVE	13000042100746	12000046094399	Add	13:55:48	13:54:27	13:55:48	100	100	43.65	39.65	39.65-43.65	43.65	100	43.65	4	10.09	39.6-43.65	100

n. From the above table, it is observed that the sell orders were coming at prices higher than LTP first, then the connected entities were placing buy orders at such prices thereby absorbing the sell orders. Thus, on the buy side, the Connected Entities were contributing to the price rise with their buy orders even though the fundamentals of the Company were not supporting the price of the scrip and thereby establishing prices higher than the last traded price. The connections, if any, among the sellers could not be established. However, the 38 Connected Entities who had contributed to the price rise with their buy orders are connected to the operator. In view of the repeated nature of such trades by the Connected Entities, their culpability in increasing the price of the scrip is thus established.

o. During the Price Rise Patch, the scrip price moved from Rs.11/- to Rs.156.5, however, no material corporate announcements were observed to be made by the Company which could support the price rise. Further, the Company had very poor financials and weak fundamentals. Thus, the sharp rise in the scrip price of GSL was not supported by its fundamentals or any other corporate development.

p. During the Price Rise Patch, it was observed that out of 221 trading days, the Connected Entities traded for 172 days i.e.,77.82% of the total trading days. During this period, the Connected Entities bought 30.02 lakh shares which is

46.22% of the market volume, contributed 54.60% to market positive LTP in 683 trades, created artificial demand and interest, thereby inducing innocent investors to trade in the scrip.

q. As stated earlier, 402 entities were observed to be connected to the operators whose primary objective was to inflate the price. It cannot be mere coincidence that the majority of the shares sold were bought by the Connected Entities, particularly when the price rise was not supported by the fundamentals and financial track record of the Company.

r. In any market, supply not matched by similar demand leads to price fall. During the Price Rise Patch, the Connected Entities created an artificial price rise by absorbing whatever sell orders that were available in the market which was at a price higher than LTP which is evident from net LTP of Connected Entities that is much higher than net LTP of market. Thus, these entities created misleading appearance of price movement and attracted other investors which resulted in further price rise. The Connected Entities by increasing the scrip price, created artificial demand and interest, thereby inducing other investors to trade in the scrip. Once the price reached the desired level, the Connected Entities started exiting at a higher price and thereby booked profits.

s. Patch 2 - Price Fall Patch – 02/03/2013 to 30/04/2014: During this period, the price of the scrip opened at Rs. 148.95, reached a low of Rs. 3.66 and closed at Rs. 6.34 i.e., a fall of 95.74% with a net LTP of Rs.- 144.86 and market negative LTP of Rs. -513.99. During this period, concentration of trades and fall in price of the scrip was particularly observed during the period March 04, 2013 to March 28, 2013. In 18 trading days 43,13,890 shares were traded in 929 trades and the price of the scrip moved from Rs. 48.95 to Rs. 79.85 i.e. a fall of 46.4%. On the sell side, 163 Connected Entities were observed to have contributed Rs. 24.12 to net LTP and 72 entities contributed Rs.-144.88 to negative LTP (28.19% of market negative LTP). Details of the LTP contributions on the sell side by the Connected Entities were annexed as **Annexure 9** to the SCN**.**

t. Top 10 Connected Entities contributed Rs.-72 to negative LTP (i.e. 14.01% of market negative LTP). Analysis of the trades carried out by the connected top 10 LTP contributors on the sell side and their contribution to Positive and Negative LTP during this period is as follows:

Table 5

Name	PAN	Net LTP			Positive LTP			Negative LTP			Zero LTP		% of -ve LTP to market -ve	No of trading days
		Net LTP	Total Traded Qty	No of trades	Positive LTP	Total Traded Qty	No. of trades	Negative LTP	Total Traded Qty	No. of trades	Total Traded Qty	No. of trades		
APNE INFRASTRUCTURE PVT LTD	AAHCA0151E	-2.05	121471	311	10.9	8559	7	-12.95	30151	4	82761	300	2.52	11
AMIT JITENDRA THAKKAR	AEBPT6520K	-8	11500	19	0.8	1	1	-8.8	2843	5	8656	13	1.71	5
MADHUBHAI GOHIL HEMABEN	ABWPG2138C	-8.1	15000	16	0	0	0	-8.1	550	2	14450	14	1.58	1
VIJAYARANGAM YOGANAND	AASPY3447R	-7.95	5025	2	0	0	0	-7.95	5025	2	0	0	1.55	1
SUN FLOWER CAPITAL SERVICES PV	AAECS6066K	-6.65	3500	13	0.1	3000	1	-6.75	200	6	300	6	1.31	6
PREETI WADHWANI	ALPPG1338K	-6	56	4	0	0	0	-6	5	1	51	3	1.17	1
AMITA DEVI KOOLWAL	ANWPK6207G	-5.8	52	3	0	0	0	-5.8	44	2	8	1	1.13	2
MUKESH AGARWAL (HUF)	AAMHM1987Q	-5.6	10000	5	0	0	0	-5.6	1377	3	8623	2	1.09	1
KETAN MANHARLAL THAKKAR	AAVPT1199G	-5.25	1000	4	0	0	0	-5.25	25	1	975	3	1.02	1
PATEL KINJALBEN NIRAJBHAI	BZDPP4538B	-4.8	5000	7	0	0	0	-4.8	146	2	4854	5	0.93	2
Top ten total		**-60.2**	**172604**	**384**	**11.8**	**11560**	**9**	**-72**	**40366**	**28**	**120678**	**347**	**14.01**	
Connected entities		**24.12**	**2614864**	**1904**	**169**	**490111**	**152**	**-144.88**	**365455**	**166**	**1759298**	**1586**	**28.19**	**123**
Market		**-144.86**	**4313890**	**4205**	**369.13**	**677934**	**390**	**-513.99**	**538696**	**494**	**3097260**	**3321**	**100.00**	**262**

u. Trades carried out by the Connected Entities where the counterparty entities were observed to be connected contributed Rs. -47.6 to negative LTP (9.26% of market negative LTP). Further analysis of these trades revealed that on the buy side, the connected entities were placing buy orders first, and such trades contributed Rs. -39.58 to negative LTP (7.70% of market negative LTP) which is negligible and hence no negative inference is drawn.

v. From the LTP analysis carried out during both Price Rise Patch and Price Fall Patch and the observations made therein, it is observed that the entities relating to the Company/ operators were major contributors to LTP in the Price Rise Patch and contributed substantially to the price rise of the scrip by entering into transactions at prices higher than the last traded price. By carrying out such trades repeatedly, the Connected Entities established prices higher than last traded price to increase the price of the scrip during the Price Rise Patch. Further, it was also observed that fundamentals of the Company were not supporting the price of the scrip during the Price Rise Patch. Such trades were not coincidence and amounted to manipulation of the price of the scrip.

w. Thus, from the above, it is alleged that the primary focus of the Company was not to raise capital for an economic activity but to generate Long Term Capital Gain in connivance with the operators and their Connected Entities who exited on market/ off market after dematerializing the shares. Further, the Company created shortage of shares available for trading by rejecting large number of demat requests of genuine investors so that Connected Entities can inflate the price by absorbing available sell orders.

x. It is further alleged that a scheme was devised by the Company, operator and Connected Entities by allotting preferential shares to Connected Entities, rejecting investors requests for transfer/ dematerialization of shares and thereby reducing supply of shares on market, transferring shares allotted to preferential allottees who were connected to the Company, manipulating the price of the scrip. This scheme was also carried out to book illegitimate profits/losses for generation of bogus LTCG/ STCL which is corroborating the observations made in the references forwarded by Income Tax Department.

y. By indulging in an act or omission amounting to manipulation of the price of the scrip, the Company, its directors, operators and Connected Entities as given below have been alleged to have violated Regulation 3(a),(b),(c),(d) and Regulation 4(1), 4(2) (a),(e) of SEBI (PFUTP) Regulations, 2003:

- Company & its Directors – GSL (Noticee no. 1), Rameshchandra Bhaurao Chavan (Noticee no. 2), Dinkar Bhanuprasad Shrimali (Noticee no. 3), Ruchir Jayantilal Pandya (Noticee no. 4), Amit Pradipkumar Shah (Noticee no. 5), Umesh Kashinath Gawand (Noticee no. 6), Arvind Goyal Babulal (Noticee no. 7), Satish R. Mandowara (Noticee no. 8) and Kamlesh Kanaialal Joshi (Noticee no. 9).
- Operators - Shirish Chandrakant Shah (Noticee no. 10), Devesh Upadhyay (Noticee no. 11) and Kumar Raichand Madan (Noticee no. 12).
- LTP contributors - Pankaj Jayantilal Dave (Noticee no. 13), Mahadev Zilu Gawade (Noticee no. 14), Sagar Kadam (Noticee no. 15), Dharmendra Harilal Bhojak (Noticee no. 16), Sorab Wadia (Noticee no. 17), Pendyala Vinay Bhushan (Noticee no. 20), Falguni M. Gohil (Noticee no. 19), Jesse

Trading Pvt. Ltd. (Noticee no. 20), Abhay D. Javlekar (Noticee no. 21), Vinod B. Biyani (Noticee no. 22) and Jay Mahavir Gohil (Noticee no. 23).

z. Hence, the Noticees were called upon to show cause as to why directions under Sections 11(1), 11(4) and 11B of the SEBI Act, 1992 should not be issued against them for the aforesaid alleged violation of PFUTP Regulations, 2003.

Personal hearing, reply and written submissions:

4. I note that the SCN to Noticee no. 1, 6, 7,11, 12, and 20 could not be delivered through Speed Post/Hand delivery at their last known address available on record. Hence, attempts to service the SCN through Affixture at their last known address available on record was made. However, attempts at Affixture also did not succeed. Hence, service of SCN through paper publication was made for the said Noticees. I note that none of the said Noticees have filed any reply to the SCN. I note that an opportunity of personal hearing was also granted to the said Noticees on July 25, 2019, the hearing notice of which was serviced upon them through paper publication. However, none of the said Noticees appeared on the date of personal hearing. Hence, the present proceedings are ex-parte against them.

5. I note that the SCN to Noticee no. 8, 9, 14, 17 and 18 could not be delivered through Speed Post/Hand delivery at their last known address available on record. Hence, service through Affixture at the last known address available on record was done. I note that none of the said Noticees have filed any reply to the SCN. I note that an opportunity of personal hearing was also granted to the said Noticees on July 25, 2019, the notice of which was also serviced upon them through Affixture. However, none of the said Noticees appeared on the date of personal hearing. Hence, the present proceedings are ex-parte against them.

6. I note that Noticee no. 13, 21 and 22 had sought for the inspection of documents relied upon by the SCN. Accordingly, authorised representative of Noticee no. 22 was granted inspection of documents on December 4, 2017 and December 26, 2018, authorised representative of Noticee no. 21 was granted inspection of

documents on December 4, 2017 and authorised representative of Noticee no. 13 was granted inspection of documents on December 26, 2018.

7. I note that personal hearing for Noticee no. 2, 15, 16, 13 and 10 was held on July 25, 2019, for Noticee no. 5 and 22 was held on August 2, 2019, for Noticee no. 3, 4, 19 and 23 was held on August 3, 2019 and for Noticee no. 21 was held on December 6, 2019. I note that Noticee no. 15 has not filed any reply or written submissions in the present matter, however, he had made his submissions through his Advocate at the time of personal hearing held on July 25, 2019.

8. Noticee no. 2 vide its reply dated April 28, 2017, August 11, 2018, written submissions dated July 26, 2019 and at the time of personal hearing, has raised the following key contentions to the allegations in the SCN:

    a. I was lured into the directorship of GSL by my cousin brother who is a Chartered Accountant. I was merely a paper director and never participated in any administrative working of the Company. I had signed certain blank cheques and given to the peon of GSL.
    b. I have resigned as director of GSL in 2013 by way of a resignation letter, but GSL did not act on my resignation letter and it failed to make the necessary reporting with ROC.
    c. I have never signed any resolution of GSL, any share transfer agreement or any minutes of AGM of GSL.
    d. I have never taken any honorarium or any single penny from GSL.
    e. I was merely an independent director of the Company. I was never involved in any share trading affairs of GSL. I have never purchased or sold any shares of GSL.
    f. I have never benefitted from any share price movement of the Company.
    g. Except Noticee no. 3 and 4, who were directors in GSL when I was also a director in GSL, all other persons are absolutely unrelated to me and I have no relation with any other person named in the SCN.
    h. I state that there was no action of doing any preferential allotment of shares by GSL, after I was appointed as director of GSL.

9. Noticee no. 3 vide his reply dated April 28, 2017 and at the time of personal hearing, has raised the following key contentions:

    a. Except for Noticee no. 2 and 4, who were directors in GSL, when I was also a director, all other entities are totally unrelated to me and I have no relation whatsoever with any of the persons mentioned in the SCN.
    b. I was appointed as an outside non-executive, non-promoter director of GSL from March 21, 2011.
    c. I would like to inform that GSL had not done any preferential allotment after my appointment as director of GSL.
    d. I am not aware of any of the transactions done by the entities, as narrated in your SCN, since they were not known to me at any point in time in connection with my directorship in GSL.

10. Noticee no. 4 vide his reply dated April 28, 2017 and at the time of personal hearing, has raised the following key contentions:

    a. Except for Noticee no. 2 and 3, who were directors in GSL, when I was also a director, all other entities are totally unrelated to me and I have no relation whatsoever with any of the persons mentioned in the SCN.
    b. I was appointed as an outside non-executive, non-promoter director of GSL from September 23, 2014 as an additional director.
    c. I would like to inform that GSL had not done any preferential allotment after my appointment as director of GSL.
    d. I am not aware of any of the transactions done by the entities, as narrated in your SCN, since they were not known to me at any point in time.

11. Noticee no. 5 has filed its interim reply dated April 25, 2017. Further, Noticee no. 5 vide his reply dated May 21, 2019, has indicated that his reply dated October 18, 2017 given in the parallel adjudication proceedings for the same matter, may be taken as the reply for the proceedings to the present SCN. The key contentions raised by Noticee no. 5 are as follows:

a. I was appointed as Additional Director in GSL on August 13, 2013, in the category of 'Independent Director'. As per Companies Act, 1956, an independent director is not considered as an Officer in Default as I was not in charge of or in control of the day to day affairs of the Company.
b. Also as per Clause 49(E)(4) of the Listing Agreement, an independent director shall be held liable only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes and with his consent or connivance or where he had not acted diligently with respect of the provisions contained in the Listing Agreement.
c. Also please note that I had not consented to regularize as per section 152(2) of Companies Act, 2013 in the next AGM after my appointment as Additional director and resigned on September 23, 2014.
d. Also please find attached Form 24AA, stating my relatives as per Companies Act, 1956 and my directorship in other companies, partnerships etc. If you refer to the Form 24AA and the names that are mentioned in the SCN, I am no were connected to anyone.
e. Except for Noticee no. 2 and 3, who were directors in GSL, when I was also a director, all other entities are totally unrelated to me and I have no relation whatsoever with any of the persons mentioned in the SCN.
f. I would like to firmly affirm that GSL had not done any preferential allotment during the period I was the director of GSL.
g. I would also like to affirm that the transactions referred in your SCN had also not happened during the period of my directorship and I am in no way concerned or interested in the said transactions.

12. Noticee no. 10 vide his merit based reply dated June 12, 2017 and September 2, 2017 and at the time of personal hearing, has raised the following key contentions to the allegations in the SCN:

a. It is submitted that merely on the basis of some statement obtained from Noticee no. 12 by the Income Tax Dept., it has been inferred in the SCN that the Company GSL and Zen Shaving Ltd. are related to me. In his statement given to Income Tax Dept., Noticee no. 12 has stated that out of

the 44 companies, 10 companies belong to him and the remaining 34 companies belong to me. This is an unverified and uncorroborated statement even today. Further, this statement has not been attested by any witness and have not been allowed an opportunity to cross examine Noticee no. 12. Therefore, it is submitted that the said statement of Noticee no. 12 cannot be relied upon and treated as evidence against me.

b. According to the statements recorded by Income Tax Dept. in 2013, Noticee no. 12 states that he has provided name lending directors to me in the last four years. However, according to the records available at MCA 21 portal, he is the director in 20 out of the 44 companies even before 2009. Further, as per MCA 21 records, Noticee no. 12 is the director in Zen Shaving Ltd. w.e.f. October 4, 2004. In view of this factual position as brought out above, especially when my association with Noticee no. 12 in regard to his activity of lending names etc. is admittedly only 4 years on the date of recording of his statement in 2013, it is clear that my name cannot be linked to many of the 44 companies in the MCA database, where he is shown as director prior to 2009. It may please be appreciated that Noticee no. 12 was managing director of ZEN Shaving Ltd. since 2004 as per MCA database. Thus, it is incorrect to allege that he lent his name as director and that the said Zen Shaving Ltd. is my company.
c. It is clarified that the Company Secretary of GSL i.e. Noticee no. 13 and the director of GSL i.e. Noticee no. 7, are in no way related to me.
d. In view of the above stated facts, it is most humbly submitted that I was in no way related or connected to GSL or Zen Shaving Ltd., as is being alleged in the SCN.

13. Noticee no. 13 vide its merit based reply dated July 19, 2019, affidavit dated July 22, 2019, additional reply dated January 14, 2020 and written submissions tendered at the time of personal hearing on July 25, 2019, has raised the following key contentions to the allegations in the SCN:

a. I have not been provided with the complete Order log and Trade Log and also with the copy of the Investigation report. Thus, principles of natural justice has not been adhered to.

b. I deny and refute that I was connected with the Company. I further refute and deny that I was the Compliance Officer of the Company, as stated in the SCN. I have studied upto B. Com and did not even attempt for Company Secretary Examination. I have no connection with the preferential allottees.

c. Since, no details of alleged trade in the scrip of the Company (allegedly executed by me) has been provided to me, I am in no position to make my submission in this regard. I still make it clear that I had not placed a single order for purchase/sell in the scrip of the shares of the Company. Since, I had not placed in any order in the shares of the Company, the question of manipulation in the trades executed by me does not arise at all.

d. I had borrowed some money from Noticee no. 7, but due to adverse market conditions I could not repay this back. Therefore, Noticee no. 7 asked me to open demat cum trading account with some brokers and also some savings account with some banks. Noticee no. 7 threatened me that if I did not act on his instructions, then he would file criminal case against me and send me to jail. It is further submitted that by threatening me, he also made me director in Incap Financial Services Ltd., Zen Shaving Ltd. and Arrow Asia Stock broking Ltd. I never received any remuneration as director in the aforesaid companies and neither did I participate in the business affairs of the said companies.

e. On the instructions of Noticee no. 7, I signed all cheque books and demat instruction slips and handed over the same to Noticee no. 7.

f. I admit that Noticee no. 7 was in complete control of the trades executed on or behalf of me and I had no role in any of the trades executed in the scrip of GSL.

g. It is submitted that Noticee no. 7 had created the email id pankajdalvi2012@gmail.com for opening my trading account with Mongrowth Capital Pvt. Ltd. which is evident from the Application Form received by me. It is further admitted that Mobile no. 9322229797 was also of Noticee no. 7 and does not belong to me. It is further submitted that Transaction Statement for the period 14/02/2018 to 14/05/2018 issued by Mongrowth Capital Pvt. Ltd. shows the email as agoyal143@yahoo.com, which belongs to Noticee no. 7 and it is further evident to prove that Noticee no. 7 was using the trading account.

h. It is submitted that Noticee no. 7 used to transfer the entire lot of each scrip traded by him in my trading account to his another Beneficiary Account No. 1202620000131005. It is pertinent to note that Noticee no. 7 has transferred all the balance lot of the scrip in the said Beneficiary Account.

i. It is submitted that Noticee no. 7 used to transfer funds in the bank account held in my name from his owned entities through which he acquired shares in various scrips in the stock market. The credit received in the bank account held in my name were received from entities owned by Noticee no. 7.

j. In para 9(a) of the SCN, it is mentioned that 97 Connected Entities have contributed Rs. 331.78 to net LTP in the scrip of the Company during Patch 1. However, none of them have been made parties to the SCN and it is not mentioned in the SCN that on which ground they were exonerated and why the same treatment has not been given to other entities including me.

k. Majority of the counter parties to the transaction executed in my name were not connected to me. No. such allegation of connection has been alleged in the SCN.

l. On perusal of the Trade Log data, it is revealed that 7,54,799 shares of GSL has been shown as net buy quantity in my name during the period of investigation. Even assuming the trades executed by me, the allegation of +ve LTP does not prove against me. It is obvious that if such a huge net quantity is purchased, the price of the scrip may increase. It cannot be denied that by purchasing the shares from market transactions change of beneficial ownership has taken place. This is not the allegation that circular or reversal trades had been executed in my name.

m. On perusal of Trade Log and Annexure 4 of SCN, it is revealed that out of the said 11 purported Connected Entities, no trade had been matched with 5 of them. The trades matched with the remaining 6 entities contributed to -ve LTP contribution which is admittedly not an allegation in the SCN. I have compiled the data in the Table below from Annexure 4 and Trade Log data for your ready reference:

Table 6

Connection Reference no. as	Name of Entity (as a seller)	Quantity matched	LTP Contribution in Rs.

per Annexure 4 of SCN			
3	Sorab Wadia	0	0.00
4	Pendyala Vinay Bhushan	0	0.00
6	Mahadev Zilu Gawade	176	(-) 7.75
7	Sagar Kadam	167	(-) 3.20
580	Max Growth Capital Pro A/c	0	0.00
1266	Rajul Tushar Khimasia	6000	0.00
1301	Sangeeta Rajendra Jain	9922	0.30
1303	Tushar Premchand Khimasia	0	0.00
1326	Abhay Dattatray Javekar	0	0.00
1349	Jay Mahavir Gohil	2010	1.10
1351	Dharmendra Harilal Bhojak	521	(-) 27.20

On perusal of the above, Table it is revealed that alleged contribution to net LTP was in negative when trades were matched with these six entities against whom allegation of connection has been made. No allegation of connection has been made against other entities in the Annexure 4 to the SCN. Thus, the allegation of +ve LTP due to my trades is baseless and should be dropped.

14. Noticee no. 16 vide his Affidavit dated July 24, 2019, merit based reply dated July 19, 2019, additional reply dated August 27, 2020 and at the time of personal hearing, has raised the following key contentions to the allegations made in the SCN:

    a. I have not placed any order in the scrip of GSL. I have not purchased or sold any shares in GSL. Noticee no. 7 misused my name and documents for trading in the shares of GSL.
    b. I have not received any commission/monthly charges/ remuneration from Noticee no. 7 for signing the account opening form etc.
    c. It is submitted that a number of entities at Annexure 4 with whom I have alleged to have transacted during the Investigation Period are not party to the SCN.

d. Without prejudice to the above, it is submitted that I have never traded in the securities market and/or placed or executed any trade orders in the scrip of GSL.
e. The investigation in the present SCN by SEBI is incomplete as SEBI has failed to take into consideration the facts already in possession of SEBI in another SCN dated 11/09/2017 in the matter EOW investigation in the matter of Mr. Arvind Babulal Goyal.
f. I was an employee of Noticee no. 7 at a salary of Rs.8,000/- per month. After few months of service Noticee no. 7 stopped my salary and forced me open demat account, trading account and bank account and threatened me that if I did not sign on the necessary documents then I will not get my salary.
g. It is submitted that Noticee no. 7 had also promised me of paying me Rs.5,000/- per month, for opening the said demat account, trading account and bank account for allowing him to trade on my behalf. It is submitted that on account opening all trades were executed by Noticee no. 7 and the demat account and bank account were also operated by Noticee no. 7. ‘
h. It is submitted that Noticee no. 7 used my identity to open the trading cum demat account and operate the same for manipulating the price of various scrips.
i. It is submitted that a part of the SCN in the matter of EOW investigation case in Arvind Babulal Goyal and others was received wherein my statement recorded on oath by EOW has been considered by SEBI in the investigation. I pray to this Hon’ble Authority to kindly pursue the SCN and my statement recorded therein. I crave leave to refer to and rely upon my statements and observations of SEBI recorded therein, wherein it is clearly established that the said Mr. Arvind Babulal Goyal had impersonated several individuals.
j. I have been alleged to have been connected with many entities how many of them are not parties to the present SCN. I say that by not making the Connected Entities party to the proceedings, the purported connection as alleged in the SCN cannot be relied upon by SEBI.
k. On perusal of trade log and order log, it is evident that barring Noticee no. 13, 18, 20 and 23, none of the counterparties who had executed trades with me during the Investigation Period are parties to the present proceedings. I

was in no manner connected with all the counterparties with whom trades have been executed during the Investigation Period.

l. It is pertinent to note that the buy trades were executed well in advance at +LTP and mere execution of trades against the pending buy orders does not make the Noticee liable or guilty of manipulation of the scrip.

m. It is pertinent to note that my LTP contribution is negative i.e. my LTP as per SEBI is -4.05/-

n. It is submitted that there are no matching trades between the Noticee and the purported Connected Entities, despite the fact that maximum of the counter parties to the trades of the Noticee are not parties to the present SCN.

15. Noticee no. 19 vide her reply dated April 26, 2017 and at the time of personal hearing, has raised the following key contentions to the allegations in the SCN:

a. Except Noticee no. 23, all other entities are totally unrelated to me and I have no relation whatsoever with any of the persons named in the SCN.

b. I am only a housewife with limited resource at my command and therefore, have no connection with those entities who may have had a larger plan to cause false market in securities.

c. The percentage of my trade in relation to total trade is hardly 0.17%, which constitutes an insignificant number and cannot be stated to have been associated with the persons as alleged in your SCN.

d. I did the trade based on the advise of my investment advisors, not realizing that I am being taken for a ride, which seems to be the case as alleged in your SCN.

16. Noticee no. 21 vide its merit based reply dated February 17, 2020 to the SCN, and at the time of personal hearing, has raised the following key contentions to the allegations in the SCN:

a. As per para 7 of the SCN, it has been alleged that I have contributed to positive LTP by miniscule 0.95%, which itself is not legally tenable. I have total of 22 trades in the full Investigation Period.

b. During the Patch 1 were I have been alleged to be one of the top 10 contributors on the buy side, I have only bought 2281 shares and sold 1,31, 000 shares. During the Patch 2, I have further bought a total of 71, 990 shares.

c. Out of gross quantity of 2,05,271 shares, my only buy quantity of 228 shares has alleged to be contributed towards positive LTP of Rs. 15.7. In this connection, I submit that the SCN has selectively picked up my transaction of 228 shares and alleged the same as manipulative. It is noted that these trades constitute only 0.17% of my total trading in the entire Investigation Period. Thus, 99.83% of my trading in Patch 1 has been considered genuine and it has neither contributed to price manipulation, nor creation of artificial volume.

d. My trading which has been alleged to be manipulative is 0.002% of total volume at BSE during the Investigation Period. I have traded on only 8 days of the total of 487 trading days, wherein the scrip has traded in a period of nearly 25 months.

e. It is further revealed from the trade log and order log analysis that my buy orders have matched with sell orders which were available in the system and I have only matched my order with the said sell orders.

f. Reliance is placed on the following orders of SAT, *inter alia*:

   i. Nishit M. Shah HUF v. SEBI (SAT order dated 16/01/2020, in the Appeal no. 97 of 2019); and

   ii. Manish Suresh Joshi v. SEBI (SAT order dated 13/01/2020, Appeal no. 2 of 2020)

17. Noticee no. 22 vide its reply dated May 5, 2017, merit based reply dated October 10, 2018, written submissions dated August 1, 2019, and at the time of personal hearing, has raised the following key contentions to the allegations in the SCN:

a. The allegation with respect to connection in the SCN is factually wrong. As per Annexure 4 of the SCN which contains details of 402 entities believed to have been connected to various operators and to the Company. The Noticee has brought the shares of GSL on market, the contract note of which have been annexed as Annexure C to the reply. The Noticee has not

received the shares in off-market, as contended in the SCN, from Nandlal M. Bhimani – HUF. The Noticee calls upon SEBI to provide the proof of such off-market transfer.

b. The Noticee is not a preferential allottee. The Noticee does not know any of the 401 entities listed in Annexure 4.
c. The impugned transaction pertains to the period February 2013. Whereas the SCN is issued in the month of March 2017 and hence, there is a delay of 4 years in issuance of the SCN which delay is not explained in the SCN. Reliance is placed on the order dated August 27, 2013 of SAT in the matter of HB Stockholding Ltd. v. SEBI.
d. The Noticee states that the Price Rise period is from March 16, 2012 to March 01, 2013 (12 months) out of which the Noticee has carried out purchase transaction only on one day i.e. February 11, 2013. During the Investigation Period, the Noticee placed two orders for purchase of 15000 shares (1 order for 5000 shares and 1 order for 10000 shares) only on one day i.e. February 11, 2013, which resulted into 10 trades on the market. The Noticee is still holding the shares purchased on February 11, 2013.
e. The Noticee states that out of the alleged top 10 entities contribution of 49.33% to market positive LTP, the Noticee is alleged to have contributed only to 0.76% to the total market positive LTP. Thus, the purported positive LTP contribution attributed to the Noticee's transactions are miniscule and insignificant to the total market positive LTP and no cognizance can be taken thereof.

18. Noticee no. 23 vide his reply dated April 27, 2017, and at the time of personal hearing, has raised the following contentions to the allegations made in the SCN:

a. Except for Noticee no. 19, who is my mother, all the other entities are totally unrelated to me and I have no relation whatsoever with any of the persons named in the SCN.
b. I would like to state being a genuine investor, whatever transactions done by me was for the limited purpose of investments and there was no ulterior motive to such transactions. I have no interest in capital markets, except for the limited purpose of investments.

19. I note that the investigation in the trading activities of GSL was initiated by SEBI after receipt of a reference dated April 27, 2015, from the Principal Director of Income Tax (Inv), Kolkata. The Company was part of a list of 84 companies which were referred by the Income Tax Department, whose shares prices were alleged to have been rigged by the operators or his affiliates, for providing Long Term Capital Gains Tax/ Short Term Capital Loss advantage to certain clients of the Operator, i.e. beneficiaries. I note that SEBI has in the past, conducted investigation and taken enforcement action in many such cases. The *modus operandi* in these cases, is generally that at first certain operators (who are the masterminds of the entire scheme) identify companies listed on the stock exchange whose trading volume on the stock exchange concerned is minimal or nil and company is dormant and has no substantial business activity and thus no significant corporate announcements. Such companies are referred to as 'penny stocks' in market parlance. The operator either buys the controlling stake in the penny stock by himself or through his front entities and appoints his own people as dummy directors in that company or the operator approaches the promoters /directors /controlling shareholders of such penny stocks to partner with them in the scheme. The operator then asks the beneficiary to buy the stock of such company at a lower price on the stock exchange platform, or the operator makes the penny stock company to make a preferential allotment to the beneficiary or to its affiliate entities in the physical mode at a price lower than the prevailing price on the stock exchange. The price of the scrip is then manipulated and jacked up over a period of one year or so to reach a desired level by the front entities who are directly or indirectly connected to the operator or the promoters/directors of the penny stock company. After the share price of the penny stock has increased to a desired level, the operators through the shell companies/LLP's/firms, they own and control, pose as buyers for the shares at a predetermined price and time on the stock exchange. The beneficiaries then sell the shares to the non-genuine buyers at the agreed price. It is observed that the funds to buy the shares after the prices are jacked up by the operator controlled entities i.e. non-genuine buyers, were provided to them by the beneficiaries themselves, in cash. The same *modus operandi* is followed in reverse mode to book short term capital loss for the beneficiaries.

20. I have perused the allegations made by the SCN, the replies of the Noticees herein and the submissions made by the Noticees at the time of personal hearing. I find that none of the Noticees, except Noticee no. 13, 15 and 16, have disputed the respective trades executed by them in the scrip of GSL during the Investigation Period. The dispute raised by Noticee no. 13 and 16 with regard to their trades have been dealt in the relevant paras while dealing with their respective contentions.

21. I also find that none of the Noticees to the present SCN, except Noticee no. 13, 16, 19, 22 and 23, have disputed the connection details as described in Annexure 4 of the SCN. The dispute raised by Noticee no. 13, 16, 19, 22 and 23 have been dealt at the relevant paras in the present order.

22. I also note that except Noticee no. 13, 16, 21 and 22, none of the other Noticees from Noticee no. 13 to 23, have disputed the analysis of the trades, referred in the SCN, alleging that the trades conducted by them were manipulative.

23. In the present matter, the SCN has alleged that Noticee no. 10, 11 and 12 were the Operators who were responsible for organizing the fraud in the scrip of Noticee no. 1 in association with Noticee no. 1 to 9. The SCN also alleges that Noticee no. 13 to 23 were the LTP contributors who being connected directly or indirectly to the Operators/Company, were responsible for manipulating the share price of GSL.

24. I note that trading in the scrip of GSL was suspended by BSE on April 17, 2000 for non-compliance with Clause 16 of the erstwhile Listing Agreement (for providing shorter notice for Book Closure / Record Date) and was subsequently, again suspended on May 02, 2000 for non-payment of Annual listing fees for the period FY 1997-98 to FY 2000-01. However, trading in the scrip of GSL resumed on BSE on July 30, 2010 after BSE revoked suspension of trading in the scrip.

25. I note that on October 23, 2010, GSL made preferential allotment of 1,19,50,000 physical shares at Rs. 10/- to nine entities, out of which 8 were non promoter entities and one was promoter entity, thereby increasing the shareholding in the

Company to 1,49,53,600 shares. The shares allotted to non-promoter entities were under lock-in upto October 31, 2011 and the shares allotted to promoter entitiy were under lock-in till, October 31, 2013, respectively. The SCN has alleged that though in its documents submitted to BSE, the Company has stated that the preferential allotment was made to one promoter entity and 8 non-promoter entities, however, as per MCA website, it was observed that all preferential allottees were connected to the Company by way of common address/ common directors (past directors), as per the details in **Annexure 2** of the SCN. I note that GSL had issued 55 lakh shares to entities from sr. no. 2 to 5 in Table 1 below of Rs. 10 each against the unsecured loans granted by these entities to the Company and 64.50 lac shares of Rs. 10 to entities at sr. no.1 and sr. no. 6, 7, 8 & 9, in the Table 1 given below. Details of allotment as given in the SCN is reproduced below:

Table 3

Sr no.	Name	Category	PAN	NO. OF SHARES	LOCK IN UPTO	CERT. NO.	DISTIN. NO
1	Shree Veer Build Care Pvt. Ltd.	Promoter	AAOCS5056R	1000000	31/10/2013	7126	3003601-4003600
2	Nirav Enterprises Pvt. Ltd.	Non-Promoter	AAACN5235F	1000000	31/10/2011	7127	4003601-5003600
3	Laxmi Edifice Pvt. Ltd.	Non-Promoter	AABCL7505K	1500000	31/10/2011	7128	5003601-6503600
4	Lakshya Sec.& Cre. Holding Ltd.	Non-Promoter	AAACL7744D	1500000	31/10/2011	7129	6503601-8003600
5	Tripada Infra Pvt. Ltd.	Non-Promoter	AAACT9922D	1500000	31/10/2011	7130	8003601-9503600
6	Arcadia Mercantile Capital Ltd. (now known as Saumya Capital Ltd.)	Non-Promoter	AAHCA1175A	1500000	31/10/2011	7131	9503601-11003600
7	S J Sec. Ltd.	Non-Promoter	AAICS9627C	1500000	31/10/2011	7132	11003601-12503600
8	Arunima Real Estate Pvt. Ltd.	Non-Promoter	AAECA5836F	1000000	31/10/2011	7133	12503601-13503600
9	Manibhadra Sec. Ser. Pvt. Ltd.	Non-Promoter	AAGCM6009A	1450000	31/10/2011	7134	13503601-14953600

Two allottees viz., Shree Veer Build Care Pvt. Ltd. (10 lakh shares) and Laxmi Edifice Pvt. Ltd. (5 lakh shares), have not traded on market and off market during the Investigation Period.

26. Subsequent to aforesaid preferential allotment and after the end of mandatory lock-in period on those shares, the allottees made further off-market transfer to the other Connected Entities who then manipulated the price in the scrip of GSL which witnessed as increase from Rs. 11/- per share on March 16, 2012 to Rs. 151.20/- per share on March 01, 2013. In view of the above facts, the SCN has alleged that the preferential allotment made by GSL on October 23, 2010, was

not a genuine capital raising exercise by the Company, rather it was a sham exercise. SCN also alleges that GSL created shortage of shares available for trading by rejecting large number of demat requests of genuine investors so that Connected Entities can inflate the price by absorbing available sell orders. I note that, for these alleged acts of commission and omission by GSL, Noticee no. 2 to 9, being the members of the Board of Directors of GSL, have been alleged in the SCN to have participated in the fraud committed by GSL.

27. I note that GSL made its preferential allotment of equity shares on October 23, 2010. Noticee no. 2, 3, 4 and 5 have raised a common contention that they were not the directors of GSL when the impugned preferential allotment took place and hence, they cannot be held liable for such preferential allotment and related acts of the Company. I find that none of the Noticee no. 2 to 9 were the directors in GSL at that time when GSL made the impugned preferential allotment on October 23, 2010. Noticee no. 2 and 3 were appointed as directors in GSL, in March 2011 and the remaining directors i.e. Noticee no. 4 to 9, were appointed in GSL at much later dates. Thus, I find merit in the contention raised by Noticee no. 2 to 5, and I note that Noticee no. 2 to 9 cannot be held responsible for the alleged preferential allotment made by the Company on October 23, 2010, when they were not even the directors of the Company. Further, I also note that the SCN has alleged that GSL had rejected the demat requests of genuine investors so that the supply of its shares in the market would be reduced to that extent, thus facilitating the Connected Entities in price manipulation. However, no evidence has been adduced in the SCN in support of such allegation in the form of number of complaints/requests received by the Company in this regard, number of demat request rejected, grounds on which such demat requests were rejected, the dates on which such requests were rejected, total no. of shares for which demat request was rejected, etc. Thus, in the absence of any supporting evidence and relevant details, the charge of rejecting the demat request and consequent shortage of shares created, is not sustainable. I also note that except for Noticee no. 7, none of the other Noticees from Noticee no. 2 to 9, is part of the group of Connected Entities as identified in the SCN. In view of the above, I note that, as directors of GSL, Noticee no. 2 to 9, cannot be held responsible as they were not directors of GSL at the time of preferential issue. I note that the

role of Noticee no. 7 as part of the Connected Entities and his role in the entire scheme has been examined further in the later part of this order.

28. The SCN has alleged that Noticee no. 10 was the Operator of GSL on the basis of statements made by Noticee no. 12 (since deceased) before the Income Tax Dept. The SCN observes that Noticee no. 12 was working for Noticee no. 10 and he used to supply dummy directors for the entities owned and controlled by Noticee no. 10. SCN further observes that Noticee no. 12 has admitted that Zen Shaving Ltd. was controlled by Noticee no. 10. The SCN, thus, alleges that since Noticee no. 12 was a director in Zen Shaving Ltd. (which is controlled by Noticee no. 10) alongwith Noticee no. 7 and Noticee no. 13, and Noticee no. 7 was also a director in GSL alongwith Noticee no. 13 who was the Company Secretary of GSL, thus, Noticee no. 10 is also the Operator of GSL. I note that, Noticee no. 10 has refuted all the allegations made against him in the SCN. He has also refuted that he was ever in control of Zen Shaving Ltd, let alone being in control of or the Operator of GSL. He had sought for the cross-examination of Noticee no. 12, if at all any reliance were to be drawn by SEBI on such statements made by Noticee no. 12, before the Income Tax Dept.

29. From the various statements of Noticee no. 10, recorded under oath, before the Income Tax Dept. (namely statement dated April 13, 2013, June 3, 2013, June 5, 2013, June 11, 2013, November 25, 2013 and January 13, 2014), which were also annexed to the SCN as Annexure 5, Noticee no. 10 appears to be one of the kingpin in the LTCG Scam. I also note that Noticee no. 10 has not refuted or disputed any of the admissions made by him before the Income Tax Dept. in these statements. In these statements, Noticee no. 10 has stated to have owned and controlled around 212 companies and used them as front entities to administer the LTCG Scam. However, I find that, there is no mention of GSL in the list of entities admittedly owned and controlled by Noticee no. 10. I also find that Noticee no. 10 is also not part of the group of Connected Entities that are alleged in the SCN, to have traded in the scrip of GSL during the Investigation Period. I also note that SCN arrives at the conclusion that Zen Shaving Ltd. was owned and controlled by Noticee no. 10 on the basis of the statement dated April 9, 2013, given by Noticee no. 12 before Income Tax Dept. which Noticee no. 10

has called for cross-examination. However, I note that, such request of cross-examination by Noticee no. 10 could not be given effect to because Noticee no. 12 has expired on October 8, 2016. I note that apart from this there is no other corroborative evidence to show the involvement of Noticee no. 10 as Operator in the scrip of GSL. Thus, I find that allegations made in the SCN, against Noticee no. 10, cannot be sustained in the facts and circumstances of the case.

30. I note that Noticee no. 11 has been alleged in the SCN, to be an Operator of the scrip of GSL like Noticee no. 10. However, I find that the SCN is silent on the specific role played by Noticee no. 11 as the Operator. I find that out of the 402 Connected Entities that traded in the scrip of GSL during the Investigation Period, four entities (namely Goodness Trading Pvt. Ltd., Vishal Holdings & Capital Pvt. Ltd., Sun Flower Capital Services Pvt. Ltd. and Ujjwal Holding Pvt. Ltd.,) are alleged to be linked to Noticee no. 11. The specific details of the Connected Entities was annexed as Annexure 4 to the SCN. I find that Noticee no. 11 has neither refuted nor denied any of the allegations in the SCN. In fact, these proceedings are ex-parte qua Noticee no. 11. The Operators were involved in controlling the front entities directly or indirectly who indulged in manipulating the price of the scrip. In his statements recorded before the Income Tax Dept. dated January 3, 2014, January 24, 2014, December 30, 2014 and March 2, 2015, Noticee no. 11 has admitted to the fact that he was in the business of providing accommodation entries on commission basis and that he used to own and control around 125 companies / proprietorship firms. He also admitted that he used to supply dummy directors for shell companies. I note that on the basis of the statements referred by the Income Tax Dept. to SEBI, the SCN has inferred that Noticee no. 11 has provided dummy directors for the four Connected Entities (namely Goodness Trading Pvt. Ltd., Vishal Holdings & Capital Pvt. Ltd., Sun Flower Capital Services Pvt. Ltd. and Ujjwal Holding Pvt. Ltd.) that are alleged to have traded in the shares of GSL. I find merit in the allegations raised by the SCN against Noticee no. 11. In view of the above facts and the corroborating evidence, as brought out in the SCN, I find that Noticee no. 11 was an Operator for GSL.

31. I note that Noticee no. 12 is alleged to be one of the Operators of GSL. However, I am presented before me with the copy of the death certificate of Noticee no. 12

who has expired on October 8, 2016. Hence, the proceedings against Noticee no. 12 herewith stands abated.

32. I note that during the Investigation Period the price of the scrip opened at Rs.11 on March 16, 2012, increased to Rs. 156.20 on March 01, 2013 and thereafter fell to Rs. 3.66 on January 03, 2014 and closed at Rs. 6.34 on April 30, 2014. Therefore, the period of price rise from March 16, 2012 to March 01, 2013 is considered as Patch-1 by the SCN and the period of price fall from March 02, 2013 to April 30, 2014 is considered as Patch-2 by the SCN. I note that while investigation in the present matter has analyzed the trades conducted by Connected Entities but no adverse inference against any of the Connected Entities has been drawn by the SCN in Patch-2. However, during Patch-1, the SCN has alleged that the trades conducted by the Connected Entities from Noticee no. 13 to 23, were manipulative and that their trades have significantly contributed to the price rise from to the scrip of GSL during Patch-1.

33. I note that during Patch-1 (from March 16, 2012 to March 01, 2013), the price of the scrip of GSL opened at Rs.11/-, reached a high of Rs.156.5 and closed at Rs. 151.20/- i.e., an increase of 1272.72%, with a net LTP of Rs.140.2 and a market positive LTP of Rs. 1657.23. I note that the SCN has stated that this price rise in GSL was not supported by any fundamental developments in the financials of the Company. The scrip of GSL was a penny stock and there were no significant corporate announcements during this period in the Company. The SCN has identified that, on the buy side, 97 Connected Entities have traded in the scrip of GSL during Patch-1 of the Investigation Period. During th

13 to 22 (which also includes Noticee no. 19 and 21) were the top 10 LTP contributors, who by their trades collectively contributed Rs.284.1 to net LTP (202.63% of market net LTP) and Rs. 817.47 out of Rs.1657.23 to market positive LTP during Patch 1 (49.33% of the market positive LTP in 585 trades for a volume of 605397 shares). I note that this collective contribution to market positive LTP and net LTP, is by no means insignificant especially when Noticee no. 21 and Noticee no. 19 were found to be directly or indirectly connected to the Operators / the Company. I note that the charge brought out by the SCN, is that of collective trading by the Noticee no. 13 to 22 that resulted in the manipulation in the price of the scrip of GSL. I note that it is not mere co-incidence that Noticee no. 21 and 19 have been found to be directly or indirectly connected with the Operators / the Company and at the same time their impugned trades have been found to be among the top ten LTP contributors during Patch-1. I also note that Noticee no. 21 has not refuted or disputed the basis of his connection, as indicated in Annexure 4 of the SCN.

37. The major contention of Noticee no. 13 is that he was indebted to Noticee no. 7 and when he could not repay his debt, Noticee no. 7 threatened to initiate criminal proceedings against him and thus succumbing under such pressure, he agreed to sign the account opening forms for bank accounts, demat accounts and trading accounts that were opened and operated in his name. Similarly, the major contention of Noticee no. 15 and 16 is that they were the employees of Noticee no. 7 and that they were under pressure from Noticee no. 7 to sign the account opening forms for bank accounts, demat accounts and trading accounts, since their salary was withheld by Noticee no. 7. Noticee no. 13, 15 and 16 have denied having executed any of the trades in their accounts and pleaded that though the accounts were held in their names but de facto they were being operated by Noticee no. 7.

38. I note that, in order to prove that the trades were actually executed by Noticee no. 7, Noticee no. 13 has stated that the securities after being credited into his account would entirely move into Noticee no. 7's account. In this regard, from a perusal of the transaction statement of trading account as presented by Noticee no. 13, I find that securities of certain scrips were indeed moving from Noticee

no. 13's account into the Beneficiary Account No. 1202620000131005. Similarly, Noticee no. 13 states that funds for trading were received into his bank accounts from the entities owned and controlled by Noticee no. 7. However, on perusal of the evidence in this regard, I did not find any proof as to whether the entities were actually owned and controlled by Noticee no. 7, hence, the movement of funds as claimed Noticee no. 13 could not be established.

39. I note that Noticee no. 13 has sought to draw my attention to an email id mentioned in the transaction statement, for the period from 14/02/2018 to 14/05/2018, of a trading account running in the name of Noticee no. 13, to substantiate that Noticee no. 7 was operating the said trading account. From a perusal of the email address – 'agoyal143@yahoo.com', it appears to be in the name of Noticee no. 7. Similarly, I find that Annexure 4 to the SCN also mentions the same email id, against the connection details of Noticee no. 13 and 16.

40. In view of the above, I find merit in the contention raised by Noticee no. 13 and 16, that Noticee no. 7 was operating their trading and demat accounts. However, even if the trades were actually executed by Noticee no. 7 using the trading accounts, demat accounts and bank accounts of Noticee no. 13, and 16, that does not entirely absolve Noticee no. 13 and 16 from any liability emanating from such trades, because not only were Noticee no. 13 and 16, fully aware about the operation of the said trading accounts, bank accounts and demat accounts by Noticee no. 7, but Noticee no. 13 and 16, even consented for such operation by handing over signed blank cheques and signed blank depository instruction slip to Noticee no. 7 (according to their own admission in their reply). I also note that Noticee no. 16 has admitted of being promised by Noticee no. 7 to be paid Rs.5,000/- per month as compensation for the opening of trading account, bank account and demat account.

41. I note that though Noticee no. 15 has presented similar contentions alike to the one presented by Noticee no. 13 and 16, at the time of personal hearing, but he has not produced any evidence in support thereof. I also do not find any reply or written submissions being filed by Noticee no. 15 to the present SCN. Hence, I

am not inclined to accept the contention of Noticee no. 15 that he was merely a name lender to Noticee no. 7.

42. I note that Noticee no. 13 and 16 have submitted that they have presented themselves to record statements before economic offences wing, Income Tax Dept and SEBI, and intimated these authorities about the wrong being done to them but no action has been taken till date. I note that by making such submissions, Noticee no. 13 and 16 have implied that they are victims of the fraud and not the perpetrators of the fraud. However, I do not agree with their claims. I note that while Noticee no. 13 and 16 may have made certain submissions to SEBI during investigation but that by itself is no assurance that no action can be initiated by SEBI against them. SEBI is at liberty to action against all those who may have allegedly violated any of the securities laws. I note that, in a connected matter where SEBI has issued show cause notice dated September 11, 2017 in the matter of 'EOW investigation case in Arvind Babulal Goyal', Noticee no. 7 and 16 herein are also arrayed as Noticee in the aforesaid show cause notice. Noticee no. 16 herein has prayed to rely upon his statements which are reproduced in the aforesaid show cause notice. I have perused the said show cause notice and I find that Noticee no. 16 has acted as a name lender for the trading of Noticee no. 7. I also find that Noticee no. 16 had knowingly acted as a name lender and thus I observe that he cannot escape from the consequences of enforcement actions emanating because of such trades.

43. Noticee no. 13 has raised a contention that SEBI has failed to provide specific details about the alleged trades carried out by him. I note that the Authorised Representative of Noticee no. 13 was provided with the Trade Log in the present matter vide email dated December 19, 2019. Subsequently, Noticee no. 13 had filed his additional reply dated January 14, 2020. I also note that the Order Log in the present matter was provided to the Authorised Representative of Noticee no. 13 vide email dated March 2, 2020, but no additional reply or submission has been filed by Noticee no. 13 with his comments on the same.

44. I note that the SCN has alleged that during Patch-1, the Connected Entities by trading among themselves were observed to have contributed Rs.247.88 to

positive LTP (14.95% of market positive LTP) in 223 trades for a total volume of 6,49,652 shares. To this allegation, Noticee no. 13 has contended that the SCN finds him connected to 11 entities, out of which no trades were executed with five entities and the trades executed with the remining six Connected Entities has in fact contributed to negative LTP, hence, according to him the charge of positive LTP contribution by Noticee no. 13, is unsustainable. I do not find merit in the contention raised by Noticee no. 13 for the reason that the charge against Noticee no. 13 is on three fronts i.e. 1) He was part of the group of Connected Entities of top 10 net LTP contributors (Rs.284.1 to net LTP i.e. 202.63% of market net LTP) and top ten positive LTP contributors (Rs. 817.47 out of Rs.1657.23 to market positive LTP) that were on the buy side, during Patch-1, whose collective trades have resulted in contributing to 49.33% to market positive LTP (Rs. 817.47 out of Rs.1657.23 to market positive LTP) during Patch 1 and 90.34% of the positive LTP contribution by the Connected Entities during Patch-1. 2) Connected Entities while trading amongst themselves have contributed to positive LTP during Patch-1. Noticee no. 13 was also involved in these trades. 3) During Patch -1, on majority of the occasions (630 trades to be precise), the sell orders were placed by unconnected entities at prices higher than the LTP, before the buy orders and the Connected Entities (including Noticee no. 13) merely punched in the buy orders and absorbed the price set by the sell orders. Out of the above three charges, the charge at point no. 2 is contended to be factually false by Noticee no. 13. I note that while this may be true, but the charge on the other two fronts i.e. at point 1 and 3, still subsists and the charge of manipulation in the price of the scrip will have to be considered from the homogenous perspective and not on one single front.

45. I note that Noticee no. 13 was the highest contributor to market positive LTP on the buy side in Patch-1 of the Investigation Period. He had contributed 15.27% to the market positive LTP in Patch-1 and Rs.62.8 to the net LTP in Patch-1. I also note that Noticee no. 13 had bought 6,37,586 shares of GSL during Patch-1, which constituted 9.82% of the total shares bought by all the buyers in the market during that period. I note that Noticee no. 13 had himself admitted in his reply that this was a huge trading volume. I also note that, regardless of his individual contribution to net LTP as well as market positive LTP during Patch-1,

the SCN alleges that Noticee no. 13 to 22 were part of the Connected Entities that traded in the scrip of GSL and being part of the Connected Entities, Noticee no. 13 to 22 (which also includes Noticee no. 13) were the top 10 LTP contributors, who by their trades collectively contributed Rs.284.1 to net LTP (202.63% of market net LTP) and Rs. 817.47 out of Rs.1657.23 to market positive LTP during Patch 1 (49.33% of the market positive LTP in 585 trades for a volume of 605397 shares). I note that this collective contribution to market positive LTP and net LTP, is by no means insignificant especially when Noticee no. 13 was found to be directly or indirectly connected to the Operators / the Company. I also note that another related allegation in the SCN relates to the manipulative pattern of trading adopted by the Connected Entities. It is alleged that, 50.56 % of market positive LTP during Patch-1, was contributed by the trades of such Connected Entities buyers who merely absorbed the price quoted by the unconnected sellers i.e. in all these trades the sell orders were already placed first by the seller above LTP and the buyers merely bought the shares at the quoted price, thereby absorbing the sell orders. I note that during Patch-1, from the top five trades where the sell orders were punched earlier than the buy orders and the buyers merely abs orbed the sell order price and resulted into new high price, two of the orders were executed by Noticee no. 13. Thus, I find that the trades executed by Noticee no. 13 during Patch-1 in the scrip of GSL, as part of the top 10 net LTP contributors as well as top 10 market positive LTP contributors, had contributed to significant rise in the price of the scrip of GSL, which was not supported by any fundamental developments in the financials of the Company.

46. I note that Noticee no. 15 was the third highest and Noticee no. 16 was the fourth highest, contributor to market positive LTP, on the buy side, in Patch-1 of the Investigation Period. Noticee no. 15's trades had contributed to 8.07% to the market positive LTP and Noticee no. 16's trades had contributed to 4.41% to the market positive LTP, during Patch-1 of the Investigation Period. I note that Noticee no. 16 has raised the contention that his trades during Patch-1 had indeed contributed to negative net LTP of -Rs. 4.05 and hence according to him, the entire charge in the SCN of positive LTP contribution being made by him, fails. I note that the SCN alleges not just about net LTP contribution but it also

alleges about market positive LTP contribution. Thus, while the net LTP contribution by Noticee no. 16 may be negative, but he still was the fourth highest market positive LTP contributor during Patch-1 at 4.41% to the market positive LTP.

47. I also note that, regardless of the individual contribution by Noticee no. 15 and 16, to net LTP as well as market positive LTP during Patch-1, the SCN alleges that Noticee no. 13 to 22 were part of the Connected Entities that traded in the scrip of GSL and being part of the Connected Entities, Noticee no. 13 to 22 (which also includes Noticee no. 15 and 16) were the top 10 LTP contributors, who by their trades collectively contributed Rs.284.1 to net LTP (202.63% of market net LTP) and Rs. 817.47 out of Rs.1657.23 to market positive LTP during Patch 1 (49.33% of the market positive LTP in 585 trades for a volume of 605397 shares). I note that this collective contribution to market positive LTP and net LTP, is by no means insignificant especially when Noticee no. 15 and 16 were found to be directly or indirectly connected to the Operators / the Company. I note that while acting in concert in a group, trading by some of the members might have negatively impacted the LTP on net basis while trading by other members might have positively impacted the LTP on net basis. But in order to understand the overall impact of the trading by the members of the group, what is to be seen is the aggregate net LTP contribution by the trades of members of the group. Similarly, if it is a price rise path, what needs to be seen is the aggregate positive LTP contribution by the members of the group. In the instant case, the SCN has alleged that, the collective trading by Noticee no. 13 to 22 has resulted in contribution of 49.33% of the market positive LTP (Rs. 817.47 out of Rs.1657.23 to market positive LTP), during Patch-1.

48. I note that Noticee no. 16 has raised the contention that the SCN fails to establish any inter-se connection between the top 10 net LTP contributors during Patch-1, hence, the charge of acting in concert to manipulate the price of the scrip of GSL does not survive. I note that Noticee no. 13 to 22 may not necessarily be directly connected inter-se, but the fact that they are connected to the Company/ Operator, establishes their indirect connection amongst themselves. I note that it is not a mere co-incidence that the said Noticees were directly/ indirectly

connected with the Operators/ the Company and their trades were among the top 10 net LTP contributors and top 10 positive LTP contributors during Patch-1. Thus, I find that Noticee no. 13 to 22 were acting in collusion to increase the price of the scrip of GSL.

49. I note that Noticee no. 7 has not disputed his connection details as shown in Annexure 4 to the SCN. Among other connections, Noticee no. 7 was the director of GSL and is also found to be sharing common address and email id with two entities namely Ms. Mira Atul Shah and Ms. Mira Jalan, who have received shares of GSL in off market from preferential allottees of GSL. I find that Noticee no. 7's email id was reflected in the trading accounts / demat accounts held in the name of Noticee no. 13 and 16 (as discussed in para 39 above). Further, as observed in the para 40 above, Noticee no. 13 and 16 were name lenders to Noticee no. 7, who was de facto conducting the trades through their accounts. Thus, I find that though no evidence could be found of his involvement of Noticee no. 7 as a director of GSL in the preferential allotment made by GSL, but I find that the trades conducted through the trading and demat accounts of Noticee no. 13 and 16, were de facto done by Noticee no. 7 and he is liable for all the resultant liabilities emanating from the manipulative trades done through their accounts. However, this fact alone does not exonerate Noticee no. 13 and 16, since as stated in the pre-paras, Noticee no. 13 and 16 had complete knowledge of such operation and such operation was with their consent. I note that his role in the dealings of securities of GSL (alongwith his dealings in other listed securities) has also been a subject of separate investigation by SEBI and accordingly a separate show case notice in the matter of 'EOW investigation into the alleged fraud by Mr. Arvind Babulal Goyal, involving physical shares and demat account', dated September 11, 2017 has been issued by SEBI.

50. I note that Noticee no. 13 and Noticee no. 21 have raised the common contention that the SCN has failed to establish connection between the buyer and the seller and merely charged the buyer of the impugned trades with the allegation of manipulating the price. It is their case that price manipulation cannot occur without meeting of minds between the buyer and the seller, hence, without establishing the connection between the buyers and the sellers, no case is made

out by the SCN. In this regard, reliance has been placed by Noticee no. 21 on the order of the Hon'ble SAT in the matter of ***Nishit M. Shah HUF v. SEBI*** (SAT order dated 16/01/2020, in the Appeal no. 97 of 2019),

51. I note that Hon'ble SAT in the Nishit M Shah case (supra) has observed that "*Allegation that the appellant has contributed to the LTP cannot be upheld in the absence of any collusion with the buyer or promoter / director of the Company.*" In the present case, I note that while no collusion is alleged by the SCN between the sellers and the buyers (except for certain trades that were carried out amongst the Connected Entities themselves), however, sufficient evidence has been brought on record to establish as to how the buyers were directly or indirectly connected with the Operators / the Company. For instance, Annexure 4 of the SCN has mentioned the connection details of Noticee no. 13 and Noticee no. 21 as follows:

    a. Noticee no, 13:- Among many other connection linkages, Annexure 4 of the SCN notes that Noticee no. 13 was director of one entity M/s. Arrow Asia Stock Broking Ltd. Arrow Asia Stock Broking Ltd. shares common address and email id with Noticee no. 7, who was the director of GSL. Further, among many other connection linkages, Annexure 4 of the SCN also notes that Noticee no. 13 shares common email id with Noticee no. 23. Noticee no. 23 has received physical shares from promoters/ preferential allottees of GSL and Noticee no. 23 also shares common email id with GSL. Noticee no. 23 has also received/transferred funds into/with one of the preferential allottees.

    b. Noticee no. 21: Among many other connection linkages, Annexure 4 of the SCN notes that Noticee no. 21 has transferred shares in off-market to Arrow Asia Stock Broking Ltd. Arrow Asia Stock Broking Ltd. shares common address and email id with Noticee no. 7, who was the director of GSL.

52. I note that SCN has successfully brought out the multifarious connections and linkages of Noticee no. 13 to 22 with the Operators / the Company. I also note that these connections of Noticee no. 13 to 22 with the Operators / the Company,

coupled with the fact that they were the top 10 LTP contributors, who by their trades collectively contributed Rs.284.1 to net LTP (202.63% of market net LTP) and Rs. 817.47 out of Rs.1657.23 to market positive LTP during Patch 1 (49.33% of the market positive LTP in 585 trades for a volume of 605397 shares), is not a mere co-incidence. Thus, I find that contention of the Noticee no. 13 and 21, on the basis of the Nishit M Shah case (supra), is not tenable in the facts and circumstances of the present case.

53. I note that Noticee no. 21 has relied upon the decision of the Hon'ble SAT in the matter of ***Manish Suresh Joshi v. SEBI*** (SAT order dated 13/01/2020, Appeal no. 2 of 2020). I note that in the said case Hon'ble SAT observed that if the connections establishing the linkage between the 'price manipulator' with the Company/ Operator/ directors/ promoters / preferential allottees is weak or broken, then the charge of artificial price increase by manipulation, is not sustainable. I note that in the present case Noticee no. 21 has been found to be directly/indirectly connected with the Operators / the Company, in various different ways, which has already been brought out in the para 51 above and also has been specifically laid out in Annexure 4 of the SCN. I note that all the linkages drawn by Annexure 4 of the SCN with respect to the connection of Noticee no. 21 with the Operators / the Company has not been specially denied or disputed by Noticee no. 21 and hence, the contention of the Noticee no. 21 based on the Manish Suresh Joshi case (*supra*) is not maintainable.

54. I note that the SCN identifies Noticee no. 13 to 22 as entities connected to the Company/Operator, as shown in the Annexure 4 to the SCN. However, Noticee no. 22 has contended that, he has wrongly been classified as a connected entity and thus the allegation of the Connected Entities contribution to price rise in Patch-1, against him cannot be sustained. According to Noticee no. 22, Annexure 4 states that he is connected entity because he has bought shares in off-market from another connected entity namely Nandlal M. Bhimani – HUF. It is the case of Noticee no. 22 that neither is Nandlal M. Bhimani – HUF a connected entity and nor has he purchased shares in off-market from it. I find that, Annexure 4 to the SCN, has identified Noticee no. 22 to have purchased shares in off-market from one entity namely Nandlal M. Bhimani – HUF.

However, I note that the Annexure 4 fails to mention as how Nandlal M. Bhimani – HUF is connected to any of following namely, the Operators / the Company / its directors / its promoters / allottees of preferential allotment. Thus, in the absence proof as to how Nandlal M Bhimani – HUF is a part of the Connected Entities, I find that Noticee no. 22 can not be termed as connected entity, as alleged in the SCN. Similarly, I also find that Noticee no. 22 has not purchased shares in off-market, as alleged in the SCN. Noticee no. 22 has produced a copy of the contract note of his purchase of 15000 shares of GSL on the stock exchange platform on February 11, 2013, for which he had placed 2 orders which resulted into 10 trades. Thus, I note that the details mentioned in Annexure 4 of the SCN with respect to the purchase of shares by Noticee no. 22 in off-market from Nandlal M. Bhimani – HUF, is factually incorrect. Hence, I find that the SCN fails to establish that Noticee no. 22 is part of the group of Connected Entities, on both fronts i.e. he has neither purchased shares in off-market, nor is Nandlal M. Bhimani – HUF a part of the Connected Entities. Thus, charges levelled against Noticee no. 22 on the basis of his being part of the group of Connected Entities are not sustainable.

55. The specific case by the SCN against Noticee no. 23 is that while the Connected Entities by trading among themselves, during Patch-1, were observed to have contributed Rs.247.88 to positive LTP (14.95% of market positive LTP), the trades by Noticee no. 23, as a seller while trading among Connected Entities contributed majorly to the tune of Rs.29.45 to market positive LTP (1.78% of market positive LTP). In his defence Noticee no. 23 has argued that the transactions done by him were genuine and for the limited purpose of investments and that he has no other relation with any other Noticees to the SCN, except Noticee no. 19. I do not find any merit in the arguments raised by Noticee no. 23. As noted in Annexure 4 to the SCN, among other connections, Noticee no. 23 is found to share common email address with Noticee no. 1 and Noticee no. 13. I note that emails are password protected and two persons share same email IDs when there is close connection between them. Further, I note that, share transfers in off-market were observed between promoters of GSL/ preferential allottee. I note that, off market transactions can only happen between the parties which are known to each other. Further, fund transfers were observed

between Noticee no. 23 and one preferential allottee of GSL – Laxmi Edifice Pvt. Ltd. I note that transfer of funds between two persons take place when there is relationship between the parties. Thus, I find that the SCN has successfully established the connection of Noticee no. 23 with the Company / other Connected Entities. Further, I note that while the Connected Entities by trading amongst themselves during Patch-1 have contributed to 14.95% of market positive LTP, the trades conducted by Noticee no. 23, as a seller, had a contribution of 11.91% to this rise in market positive LTP. The trades by Noticee no. 23 as a seller while trading among Connected Entities had contributed majorly to the tune of Rs.29.45 to market positive LTP. In view of the above, I am not inclined to accept the submissions made by Noticee no. 23.

56. From an analysis of Annexure 2 of the SCN, I find that all the preferential allottees were connected with each other or the Company or the Connected Entities by way of common address/common directors. The SCN states that during the Investigation Period, a total volume of 1,08,09,412 shares were traded by 1,351 entities. Out of 1351 entities who traded during the Investigation Period, 353 entities net sold 52,16,094 shares (48.25% of the market volume) on market. Out of these, 201 entities were observed to be entities who dematerialized shares that were originally issued to the preferential allottees and then sold 38,78,469 shares on market for a total value of Rs. 43,36,81,542.70. Thus, I find that around 74.36 % of the shares that were net sold on market during the Investigation Period, actually originated from the shares that were issued to the preferential allottees. All the above facts, clearly indicate that in the preferential allotment made by GSL, primary focus of the Company was not to raise capital for a genuine economic activity but to connive with the Operators and the Connected Entities in operationalising their broad scheme of LTCG Scam through a sham preferential allotment exercise and subsequent price manipulation in the scrip of GSL. I note that GSL has not disputed any of the allegations in the SCN. In fact, the present proceedings are *ex-parte* qua GSL i.e. Noticee no. 1.

57. In view of the aforesaid findings, I find that the typical *modus operandi* that is generally followed in LTCG cases, has come to light in this case as well. The Company – GSL came out with its preferential allotment in October 2010, which

apparently turns out to be a sham and it was found to have been done not for genuine capital raising exercise, but to issue shares to a group of entities that were connected with each other or the Company or another group of Connected Entities by way of common address/common directors. The shares allotted to the preferential allottees are found to be traded in the market by the Connected Entities after dematerialisation. The price of the scrip of GSL is found to have risen from Rs.11 to Rs.151 during the period of Patch-1 and then found to have fallen to a low of Rs. 6.34 by the end of Patch-2. The entire movement in price is not supported by any significant corporate announcement or any tectonic appreciation or depreciation in the financial parameters of the Company. In both the patches of price rise and price fall, Connected Entities who are directly or indirectly connected with the Company/ Operators, are found to have traded and contributed to the positive and negative LTP in the scrip. While Connected Entities have also traded in Patch-2, however, no adverse allegations have been made by the SCN in this regard owing to their insignificant contribution to market negative LTP (9.26% of market negative LTP), during the Price Fall Patch. However, collective trading by top nine Connected Entities (Noticee no. 13 to 21), on the buy side during Patch-1, as observed in the pre-paras, has been found to have contributed to 48.57% of the market positive LTP (Rs. 804.92 out of Rs.1657.23 to market positive LTP) and Rs.271.5 to net LTP (193.65% of market net LTP). During Patch-1, it has also been found that on certain occasions (630 trades to be precise), the sell orders were placed by unconnected entities at prices higher than the LTP, before the buy orders and the Connected Entities (including Noticee no. 13, 14 and 15) merely punched in the buy orders and absorbed the price set by the sell orders. I note that 50.56% of market positive LTP during Patch-1 was a result of such trades. Further, during Patch-1, Connected Entities have also been found to have traded amongst themselves and contributed to 14.95% of the market positive LTP. Among the Connected Entities, Noticee no. 23, as a seller, while trading among Connected Entities has been found to be the highest contributor to market positive LTP, contributing Rs.29.45 to the market positive LTP.

58. In view of the above findings on the facts of this case, I note that, as directors of GSL, Noticee no. 2 to 9, cannot be held responsible as they were not directors

of GSL at the time of preferential issue by GSL. However, the role of Noticee no. 7 as the de-facto operator of the trading and demat accounts of Noticee no. 13 and 16 has been brought to light. I also note the SCN fails to make out a case against Noticee no. 10 as the Operator of GSL, however, the role of Noticee no. 11 as one of the Operator of GSL has been upheld. I also note that role of Noticee no. 12 as one of the Operators of GSL has not been dealt into because proceedings against him are herewith abated by reason of his death. I also note that no case is made out against Noticee no. 22 for the reasons more specifically mentioned in the pre-paras.

59. In view of the above, I find that Noticee no. 1 by employing the preferential allotment as a device to ultimately defraud the investors dealing in securities has violated Regulation 3(c) and Regulation 4(1) of SEBI (PFUTP) Regulations, 2003. I also note that Noticee no. 11, by acting as the Operator has engaged into a practice which would operate as fraud or deceit upon gullible investors in connection with dealing in securities, has violated Regulation 3(d) and Regulation 4(1) of SEBI (PFUTP) Regulations, 2003. I also note that Noticee no. 13 and 16, while acting as name lenders and Noticee no. 7, while operating the accounts of the said name lenders, have indulged in a practice or course of business which has operated as deceit, upon investors, in connection with dealing in the scrip of GSL and have thus violated Regulation 3(d) and Regulation 4(1) of SEBI (PFUTP) Regulations, 2003. I also find that Noticee no. 14, 15, 17, 18, 19, 20, 21 and 23, by indulging into acts of commission and omission, amounting to manipulation of the price of the scrip of GSL have violated Regulations 3(a), 4(1), 4(2)(a) and 4(2)(e) of SEBI (PFUTP) Regulations, 2003. Therefore, I, in exercise of the powers under Sections 11(1), 11(4), 11B read with Section 19 of the Securities and Exchange Board of India Act, 1992, hereby direct, as under:

a. Noticee no. 1 and 11 are hereby restrained from accessing the securities market in any manner whatsoever and are further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of one (1) year from the date of coming into force of this order;

b. Noticee no. 7, 14, 15, 17, 18, 19, 20, 21 and 23 are hereby restrained from accessing the securities market in any manner whatsoever and are further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of six (6) months from the date of coming into force of this order;

c. Noticee no. 13 and 16 are hereby restrained from accessing the securities market in any manner whatsoever and are further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of three (3) months from the date of coming into force of this order;

d. Proceedings against Noticee no. 12 are disposed off, as abated;

e. Proceedings against Noticee no. 2, 3, 4, 5, 6, 8, 9, 10 and 22, stands disposed off.

60. This Order comes into force with immediate effect.

61. A copy of this Order shall be forwarded to the Noticees, all recognized stock exchanges, all depositories and all Registrars and Transfer Agents (RTA) of mutual funds for information and necessary action at their end.

Sd/-

Date: September 08, 2020 **ANANTA BARUA**

Place: Mumbai **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA