

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

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

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

In respect of

Noticee No.	Entities Name	PAN
1	Raj Kumar Sharma	BMIPS9482B
2	Puspal Chandra	ACRPC1647G
3	Rajendra Kumar Kothari	AFUPK9415J
4	Priti Kothari	AQVPK7342Q
5	Saroj Devi Kothari	ARCPK1018M
6	Dilip Kumar Mandal	BQCPM7585H
7	Nishant Kothari	BJTPK3949M
8	Global Infratech & Finance Ltd	AABCA4255H
9	Pravin Sawant (Director)	ANTPS3885K
10	Jagdish Chander Sharma (Director)	ARSPS7837E
11	S Krishna Rao (Director)	AGWPR3410R
12	Ashok Bothra (Director)	AADPB5818Q
13	Surendra B Jiwrajka	AACPJ4316L
14	Ashok B Jiwrajka	AACPJ3610K
15	Dilip B Jiwrajka	AAGPJ8756J
16	Rajan Mittal	AIRPM1329B
17	Kishore Premchand Laharani HUF	AAAHK2645F
18	Kishore Premchand Laharani	AABPL2052J
19	Puneet Kishor Lahrani	ACQPL6691J
20	Reena Kishorre Lahrani	ABIPL5205F
21	Mehr Lokesh Gurnani	ASUPG4897M
22	Suman Anchalia	ABDPA3331Q
23	Sangeeta Nawal Agarwal	AEQPA2693M
24	Nawal Basudeo Agarwal	AABPA1746L
25	Lokesh Shankar Gurnani	AFBPG4873R
26	Karishma Deepak Agrawal	AJPPA3795E
27	Dilipkumar Jain Ranulal	AAPPR0742R
28	Nirmala Bai Kochar	ABDPK2910R

Noticee No.	Entities Name	PAN
29	Debraj Debabrata Shome	AXMPS7375P
30	Sunita Agrawal	ABAPA4737B
31	Rajesh Basudeo Agrawal	AABPA3089N
32	Sanjay Basudeo Agarwal	AABPA1748E
33	Anita Sanjay Agarwal	AADPA5448B
34	Anant Jain	AHHPA9338B
35	Ashish Begwani HUF	AAFHA2776J
36	Deepakkumar Ganeshkumar Agrawal	AGOPA1550H
37	Nitin Babubhai Mehta	AADPM2917M
38	Vivek Kumar Anchalia	AREPA3396C
39	Deepak Ganeshkumar Agarwal HUF	AAFHD8061H
40	Kaushalaya Agarwal	ADDPA1209M
41	Poonam Anchalia	AOXPA8831Q
42	Anoop Jain	AADPJ2136K
43	Anoop Jain (HUF)	AAAHA6321A
44	Ritu Jain	AAMPJ9586C
45	Ammaji Anumolu	ABHPA0658E
46	Anumolu Harshitha	ACAPH3599M

(The aforesaid entities are hereinafter individually referred to by their respective names / Noticee nos. and collectively referred to as “**Noticees**”)

In the matter of M/s Global Infratech and Finance Limited

BACKGROUND

1. Global Infratech and Finance Limited (hereinafter referred to as ‘**GIFL**’/ ‘**Company**’) was incorporated on January 06, 1995. The Company was promoted by Radhe Shyam Poddar & Gopal Poddar to carry out the activities of investment, leasing, bill discounting and operations of Secondary market. GIFL got listed on the Bombay Stock Exchange Limited (hereinafter referred to as ‘**BSE**’) on February 23, 1996. Company has changed its name from Asianlak Capital & Finance Ltd. to Global Infratech & Finance Ltd., in the year 2012.
2. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted investigation during the period from June 25, 2012 to September 04, 2014 into the matter relating to buying, selling or dealing in the scrip of Global Infratech and Finance Ltd

(Formerly known as Asianlak Capital and Finance Ltd.) to ascertain possible violation of the provisions of SEBI Act, 1992 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”).

3. Upon analysis of the trading activity in the scrip GIFL, it was observed that Noticees were part of a manipulative scheme to make preferential allotment (Noticee No. 8 to 12) and manipulate the price (Noticee No. 1 to 7) to benefit the connected preferential allottees, promoters of the company and promoter related entities (Noticee No. 13 to 46).

SHOW CAUSE NOTICE

4. Thereafter, a Common Show Cause Notice (hereinafter referred to as ‘**SCN**’) dated March 01, 2018 was issued to the Noticees (46 persons/entities) in the matter of GIFL to show cause as to why suitable directions under Sections 11(1), 11(4) and 11B of the SEBI Act, 1992 should not be issued against Noticee No. 1 to 7 for the alleged violation of Regulation 3(a),(b),(c) & (d) and Regulation 4(1),4(2)(a) & (e) of PFUTP Regulations and against Noticee No. 8 to 46 for the alleged violation of Regulation 3 (a),(b),(c) and (d) and regulation 4(1) of PFUTP Regulations.
5. The observations and allegations mentioned in the SCN dated March 01, 2008 are as under:

5.1. Facts in Brief:

- 5.1.1. Investigation period was from June 25, 2012 to September 04, 2014 (hereinafter referred to as “investigation period”).
- 5.1.2. GIFL had made two preferential allotments on January 19, 2012 (allotted 1,05,05,000 shares were to 49 entities) and June 12, 2012 (allotted 98,50,000 shares to further 44 entities). The shares allotted in preferential allotment were under lock-in for one year.
- 5.1.3. Trading in the scrip commenced from June 25, 2012. Price of the scrip opened at Rs.7.99 on June 25, 2012 and increased to Rs.57.20 on December 12, 2012. There was stock split in the ratio of 1:10 with effect from December 13, 2012. Price of

the scrip reached its highest level of Rs.93.15 on November 26, 2013. Thereafter price of scrip declined and closed at Rs.10.77 on September 4, 2014.

5.1.4. During the FY 2013-14 and 2014-15, GIFL had earned the revenue of Rs.24.87 crore and Rs.38.36 crore respectively and Net Profits of Rs.1.61 crore and Rs.0.76 crore respectively.

5.1.5. During the investigation period, no major corporate announcements were made by the company other than declaration of financial results, split announcement and meeting of the Board of Directors of the Company. It is observed that there were no major corporate announcements which could support the price rise.

5.1.6. Despite the poor fundamentals, the price of the scrip has increased manifold and to its highest level on November 26, 2013, when the company market capitalization value stood at over Rs.2,223 crore.

5.2. Allegation of Connections of Noticees:

5.2.1. As per the KYC documents, fund transactions and details obtained from MCA database, Noticee No. 1 to 7 (LTP Contributor) are connected to GIFL through JMD Sounds Limited (JMD), Denim Developer Limited (Denim) and Unisys Software Holdings & Industries Limited (Unisys).

5.2.2. Noticee No. 9 to 12 were the directors of Noticee no. 8 (GIFL) at the time of preferential allotment.

5.2.3. As per the shareholding pattern of GIFL for quarter ending December 2011 to September 2012 filed BSE, Noticee No. 13 to 36 were / are classified as promoters of GIFL.

5.2.4. As per the KYC documents and off market share transfer, Noticee No. 37 to 41 are related to promoters and thereby connected to GIFL.

5.2.5. As per the KYC documents and fund transactions, Noticee No. 42 to 46 are preferential allottees which are connected to GIFL.

5.3. Allegation of Price Manipulation by Noticee No. 1 to 7:

5.3.1. Noticees No. 1 to 7, who were connected to GIFL, were major LTP contributors as sellers. From the order log analysis of trades of the Noticee No. 1 to 7, it is observed that they were repeatedly placing sell orders for small quantity of 1 to 4 shares at successively higher price, when large buy order quantity was pending

in the scrip. Thus, it is alleged that the Noticees No. 1 to 7 held sufficient shares in their demat account and were placing sell orders for small quantity at successively higher prices, to increase price of the scrip. This order placement pattern of Noticee No. 1 to 7 establishes a nexus and meeting of minds between the Noticee No. 1 to 7 to inflate the price of the scrip of GIFL. Hence, it is alleged in the SCN that the Noticee No 1 to 7 had manipulated the price of the scrip of GIFL and violated the provisions of Regulation 3(a),(b),(c),(d) and Regulation 4(1),4(2) (a), (e) of PFUTP Regulations.

5.4. Allegation against Noticee No. 13 to 46:

5.4.1. During the investigation, 24 promoters (Noticees No. 13 to 36) and 5 promoter related entities (Noticees No. 37 to 41) sold the shares of GIFL of value of Rs.89.43 crore and Rs.15.54 crore, respectively. Further, the preferential allottees (Noticees No. 42 to 46), who were connected to GIFL, have also sold allotted shares of GIFL of value of Rs.75.83 crore during the investigation period. Thus, the promoters, promoter related entities and connected preferential allottees (Noticees No. 13 to 46) are alleged to have sold the shares at inflated price and booked substantial profit. Therefore, Noticee No. 13 to 46 are alleged to be connected with GIFL and are alleged to be part of the scheme to make preferential allotment, manipulate the price of the scrip and get benefit by selling the shares at artificially inflated price. Hence, it is alleged in the SCN that the Noticees No. 13 to 46, have violated the provisions of Regulation 3(a), (b), (c), (d) and Regulation 4(1) of PFUTP Regulations, 2003.

5.5. Allegation against GIFL and its promoters and directors in manipulative Scheme:

5.5.1. The suspension in the trading of GIFL was revoked with effect from November 18, 2011. Then promoters of GIFL (Noticees No. 13 to 36) acquired shares in physical transfer from old promoters of GIFL. Thereafter, company made two preferential allotments when price of the scrip was Rs.7.61 to several entities. Subsequently, the price of the scrip of GIFL was manipulated to manifold by Noticee No. 1 to 7 (LTP contributor) connected to GIFL through JMD, Denim

and Unysis. Thereafter, preferential allottees, promoters and promoter related entities (Noticees No. 13 to 46) sold their shares at manipulated high price.

5.5.2. Thus, it is alleged that GIFL was part of scheme to manipulate the price of the scrip to benefit promoter, promoter related entities and connected preferential allottees. A company cannot act by itself, but only through its directors who are expected to exercise their powers on behalf of the company with utmost care, skill and diligence. Hence, it is alleged in the SCN that GIFL (Noticee No. 8) and directors of GIFL at time of preferential allotment namely Pravin Sawant, Jagdish Chander Sharma, S Krishna Rao and Ashok Bothra (Noticees No. 9 to 12) have violated the provisions of Regulation 3 (a), (b), (c) and (d) and Regulation 4(1) of PFUTP Regulations.

5.6. Summary of Allegations:

5.6.1. It is alleged in the SCN that Noticee No. 1 to 7 have manipulated the price of the scrip during the the period from June 25, 2012 to December 12, 2012 (Patch 1). Further, Noticee No. 1 to 7 were connected to the company and were part of the manipulative scheme. Thereby, it is alleged that Noticee No. 1 to 7 have violated Regulation 3(a),(b),(c),(d) and Regulation 4(1),4(2) (a),(e) of PFUTP Regulations.

5.6.2. It is alleged in the SCN that Noticee No. 13 to 46 have sold the shares at inflated price and booked substantial profit. Accordingly, Noticee No. 13 to 46 are alleged to be part of scheme to make preferential allotment, manipulate the price of the scrip and get benefit by selling the shares at artificially inflated price. Thereby, it is alleged that Noticee No. 13 to 46, have violated Regulation 3(a), (b), (c), (d) and Regulation 4(1) of PFUTP Regulations.

5.6.3. It is alleged in the SCN that GIFL (Noticee No. 8) and its directors during preferential allotment namely Pravin Sawant, Jagdish Chander Sharma, S Krishna Rao and Ashok Bothra (Noticee No. 9 to 12) were part of the manipulative scheme to make preferential allotment and manipulate the price, through entities connected to company and promoter, to benefit promoter, promoter related entities and connected preferential allottees. Thereby, it is alleged that Noticee No. 8 to 12, have violated Regulation 3 (a),(b),(c) and (d) and regulation 4(1) of PFUTP Regulations.

6. **Delivery of SCN:** The SCN dated March 01, 2018 was sent to the all Noticees at their last known available address with SEBI / through newspaper publication. The said SCN was delivered to all Noticees except Noticee No. 10 through Speed Post AD and proof of delivery is available on record. For Noticee No. 10, the said SCN was delivered through newspaper publication and newspaper notification is available on record.

INSPECTION OF DOCUMENTS:

7. From the replies of the Noticees, it is noted that out of 46 Noticees, 28 Noticees have sought for the inspection of documents. SEBI had provided the opportunity of inspection to the 21 Noticees and the same was availed by them.

7.1. The details of inspection are as under:

Sr. No.	Noticee No.	Entities Name	Inspection sought by the Noticees vide letter dated	Date of Inspection	SEBI Inspection Notice dated	Opportunity of Inspection availed
1	17	Kishore Premchand Laharani HUF	May 09, 2019	May 20, 2019	May 15, 2019	yes
2	18	Kishore Premchand Laharani	May 09, 2019	May 20, 2019	May 15, 2019	yes
3	19	Puneet Kishor Lahrani	May 09, 2019	May 20, 2019	May 15, 2019	yes
4	20	Reena Kishore Lahrani	May 09, 2019	May 20, 2019	May 15, 2019	yes
5	21	Mehr Lokesh Gurnani	May 09, 2019	May 20, 2019	May 15, 2019	yes
6	22	Suman Anchalia	July 05, 2018	July 11, 2018	June 27, 2018	yes
7	25	Lokesh Shankar Gurnani	May 09, 2019	May 20, 2019	May 15, 2019	yes
8	26	Karishma Deepak Agrawal	March 28, 2018	July 11, 2018; September 28, 2018	June 27, 2018; September 10, 2018	yes on September 28, 2018
9	27	Dilipkumar Jain Ranulal	July 05, 2018	July 11, 2018	June 27, 2018	yes
10	28	Nirmala Bai Kochar	July 05, 2018	July 11, 2018	June 27, 2018	yes
11	29	Debraj Debabrata Shome	July 02, 2018	July 13, 2018	June 27, 2018	yes, on July 11, 2018
12	34	Anant Jain	July 05, 2018	July 11, 2018	June 27, 2018	yes
13	35	Ashish Begwani HUF	March 28, 2018 October 09, 2019	July 11, 2018 November 15, 2019	June 27, 2018	yes on November 15, 2019

Sr. No.	Noticee No.	Entities Name	Inspection sought by the Noticees vide letter dated	Date of Inspection	SEBI Inspection Notice dated	Opportunity of Inspection availed
14	36	Deepakkumar Ganeshkumar Agrawal	March 28, 2018,	July 11, 2018; September 28, 2018	June 27, 2018; September 10, 2018	yes on September 28, 2018
15	37	Nitin Babubhai Mehta	March 20, 2018	July 13, 2018	June 27, 2018	yes
16	38	Vivek Kumar Anchalia	July 05, 2018	July 11, 2018	June 27, 2018	yes
17	39	Deepak Ganeshkumar Agarwal HUF	March 28, 2018,	July 11, 2018; September 28, 2018	June 27, 2018; September 10, 2018	yes on September 28, 2018
18	41	Poonam Anchalia	July 05, 2018	July 11, 2018	June 27, 2018	yes
19	42	Anoop Jain	March 10, 2018	July 13, 2018	June 27, 2018	yes
20	43	Anoop Jain (HUF)	March 10, 2018	July 13, 2018	June 27, 2018	yes
21	44	Ritu Jain	March 10, 2018	July 13, 2018	June 27, 2018	yes

7.2. It is noted that Noticee No. 23, 24, 30, 31, 32, 33 & 40 (7 Noticees) vide letter dated June 26, 2018 had requested for the inspection of documents. However, from the documents available on records, I find the Authorized Representatives (ARs) of Noticee No. 23, 24, 30, 31, 32, 33 & 40 and ARs of Noticee No. 26, 36 & 39 are one and same i.e. Mr. Kunal Kanungo. Further, it is noted that inspection of documents to Noticee No. 26, 36 & 39 was provided on September 28, 2018 and ARs of Noticee No. 26, 36 & 39 had availed the same. Further, I also note that allegation against Noticee No. 23, 24, 30, 31, 32, 33 & 40 in the SCN was that they were promoters of GIFL on the basis of shareholding pattern for quarter ending December 2011 and September 2012 filed with BSE. I also note that during the course of cross examination proceedings the documents which SEBI had relied upon for alleging that Noticee No. 23, 24, 30, 31, 32, 33 & 40 were promoters of GIFL were provided to these Noticees. Furthermore, all relied upon documents were also provided to these Noticees as annexures to the SCN. Thus, I am of the view that no prejudice has been caused to Noticee No. 23, 24, 30, 31, 32, 33 & 40 as all relied upon documents have been provided to them and principle of natural justices have been complied with.

REPLY, WRITTEN SUBMISSIONS AND ADDITIONAL SUBMISSIONS:

8. **Noticee No. 1 to 7** vide identical / similar but separate letters dated March 21, 2018 and May 13, 2019 and Noticee No. 1 once again vide letter dated August 26, 2019 had requested to consider their reply dated February 20, 2019 (identical / similar but separate letters) submitted before Adjudicating officer, in the present proceedings before Whole Time Member as their final submissions. Their submission in brief are as under:
- 8.1. They deny that they have violated any of the provisions Regulations 3 (a), (b), (c), (d) and 4(1), (2) (a) and (e) of PFUTP Regulations as alleged in the SCN. They have not indulged in any fraudulent and unfair trade practices relating to the securities so as to warrant any kind of punitive directions.
 - 8.2. They are an individual investor. They have been dealing in the stock market since a considerable period of time and they have never defaulted in meeting their payment or delivery obligations on any occasion.
 - 8.3. All the transactions in GIFL were in the normal course of trading. While trading in the scrip of GIFL, they were trading independently without acting in concert with anybody.
 - 8.4. At no point of time, stock exchanges or SEBI, had ever advised the investing public to be cautious in the scrip and therefore, there was no reason for them to doubt any alleged abnormality in the trading pattern.
 - 8.5. They denied that they had contributed to positive LTP and increased scrip price.
 - 8.6. They had no role to play in the preferential allotment made by GIFL.
 - 8.7. The off-market transactions as alleged in the SCN was in the ordinary course of their business and had nothing to do with their trading in the scrip of GIFL.
 - 8.8. During the relevant time, Noticee No.1 had sold 100 shares, Noticee No.2 had sold 1117 shares, Noticee No.3 had sold 9 shares, Noticee No.4 had sold 11 shares, Noticee No.5 had sold 9 shares and Noticee No.7 had sold 11 shares in the ordinary course of business. All their trades were delivery based wherein they had delivered the shares and received the payouts.
 - 8.9. They were not aware of the entities who are buying the shares in the market.
 - 8.10. That the quantity of their alleged trades vis- a-vis the total volume in the scrip of GIFL during the investigation period was exceedingly insignificant to have any kind of impact on either the price or volume of the scrip. Such miniscule quantum of trades cannot result in price raise.
 - 8.11. With regard to the allegation that despite holding sufficient shares in their demat account, they were placing sell orders for small quantity, it is submitted that no adverse inference can be drawn against them. Nothing prohibits them from selling the shares in limited quantity. A prudent broker / investor would never sell all of his entire holding on one shot, especially if the price of the scrip is on a bullish trend.

- 8.12.They denied that they were repeatedly placing sell orders for small order quantity across different days when buy order at prices higher than last traded price.
- 8.13.They denied that there is a connection between various Noticees to inflate the price of the scrip as alleged.
- 8.14.The allegation of contribution to positive LTP can be alleged only against a buyer who has placed order at a price higher than LTP. No allegation has been made against the buyers / counter parties to their sale in the SCN. No proceeding has been initiated against any of the buyers / counterparties by SEBI.
- 8.15.They denied that they were a part of a manipulative scheme as alleged.
- 8.16.With regard to their connection as alleged in the SCN, they submitted that no adverse inference can be drawn against them.
- 8.17.With regard to the nature of evidence required to sustain the allegation and test of evidence in civil proceedings, they have quoted number of supreme judgments namely, Varanasaya Sanskrit Vishwa Vidyalaya & Anr. Vs. Dr. Rajkishore Tripathi and Anr; Bank of India Vs. Degala Surya Narayana (AIR 1999 SC 2407); Nandakishore Prasad Vs. State of Bihar [(1978) 3 SCC 366]; Union of India Vs. H.C. Geol (AIR 1964 SC 364); L. D.Jaisinghani Vs. Naraindas N Punjabi [(1976) 1 SCC 354]; Razik Ram Vs. J. S. Chauhan (AIR 1975 SC 667); Gulab D Chand Vs. Kudilal (AIR 1966 SC 1734).
9. **Noticee No. 12** vide letter dated April 26, 2019 stated that hearing in the matter is not required and requested to consider his reply dated February 26, 2019 submitted before Adjudicating officer, in the present proceedings before Whole Time Member as his final submissions. His submissions in brief are as under:
- 9.1. He denies all the allegations leveled against him in the SCN. He denies the alleged violation of provisions of Regulation 3 (a), (b), (c), (d) and Regulations 4(1) of PFUTP Regulations.
- 9.2. He joined as Independent Directors on the board of GIFL on 07.02.2011. He do not hold any shares of GIFL nor have purchased or sold any shares of GIFL during the period of his tenure as Independent Director of GIFL and even after his resignation till date. He is not a shareholder in GIFL.
- 9.3. His role as an independent director is very limited and restricted. He was not involved in day to day management and affairs of GIFL. He do not have any kind of material / pecuniary relationship as independent director with GIFL, its promoter, directors, senior management which may affect independence of the director. He was not related to the promoters or partners occupying management position at the Board level or at one level below the Board and he has not been executive of GIFL or any company within the group at any point of time. He was not connected with any entities related to GIFL that have a material relationship with GIFL.

- 9.4. He, in his capacity as director, has always acted honestly, bonafide and in the best interest of the company and its stakeholders.
- 9.5. He denied that he was part of any manipulative scheme as alleged.
- 9.6. Preferential allotment made by GIFL is in consonance with the applicable SEBI Regulations, Listing Agreements provisions and with approval of shareholders and Stock Exchange.
- 9.7. He was not related / connected to various entities / persons who had subscribed to the preferential allotment made by GIFL. He was not related / connected to various entities / persons who had traded in the scrip during investigation period. Hence, it cannot be alleged that he was part of any manipulative scheme.
- 9.8. With regard to role of independent director, he refers to the SEBI order dated August 04, 2017 in the matter of Amazan Capital Limited. Further, with regard to the scope of independent director's responsibility, he also refers to the Regulations 25(5) of SEBI (LODR) Regulations.
10. **Noticee No. 9** vide letter dated March 21, 2018 and **Noticee No. 16** vide letter dated January 21, 2019 had denied the allegation made in the SCN.
11. **Noticee No. 13, 14 and 15** all vide separate but identical letters dated April 02, 2018, May 28, 2019 and June 05, 2019 submitted their reply / written submissions in the matter. **Noticee No. 17, 18, 19, 20, 21 and 25** all vide various separate but identical letters dated November 14, 2018, June 21, 2019, October 01, 2019, October 07, 2019, October 31, 2019, December 3, 2019 and May 16, 2020, February 02, 2020 (sic) received on February 05, 2021, March 12, 2021, email dated March 26, 2021 etc. submitted their reply / written submissions in the matter. **Noticee No. 22, 27, 28, 34, 38 and 41**, all vide various separate but similar letters dated July 05, 2018, September 06, 2018 May 16, 2019, August 09, 2019 and November 09, 2019 and Noticee No. 27, 28 and 34 vide common email / letter June 24, 2021 submitted their reply / written submissions in the matter. **Noticee No. 23, 24, 30, 31, 32, 33 and 40** all vide separate but identical letters dated March 21, 2018 and common letter dated August 28, 2019 and July 08, 2021 submitted their reply / written submissions in the matter. **Noticee No. 26, 36 and 39** vide letter dated July 23, 2018 and common letters dated August 28, 2019 and July 08, 2021 submitted their reply / written submissions in the matter. **Noticee No. 29** vide letters dated May 25, 2018, July 02, 2018, email dated May 19, 2019, letters dated June 03, 2019, August 09, 2019 and June 23, 2021 submitted his reply / written submissions in the matter. **Noticee No. 35** vide letters dated March 28, 2018, May 09, 2019 and January 31, 2020 submitted reply / written submissions in the matter.

Notice No. 37 vide letters dated October 08, 2018 and May 24, 2019 submitted his reply / written submissions in the matter. Their submission in brief are as under:

- 11.1. They were never promoters or part promoter group of GIFL nor were they connected with the Promoters / Promoter group of GIFL, nor with GIFL itself. They are a public shareholder. They have never ever given any concurrence / consent to GIFL or anybody else to act or get classified as promoter of GIFL. The promoter shareholding patterns submitted by GIFL to BSE wrongly disclosed them as promoters and the same was done without their knowledge.
- 11.2. As per the definition of promoter and promoter group under Regulations 2(l)(za) and (zb) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as '**ICDR Regulations**'), they do not fall in the category of promoter or promoter group and a mere classification made by GIFL for the purpose of submitting shareholding details to BSE does not make them a promoter of GIFL.
- 11.3. They have never involved in the management or day-to-day affairs of GIFL. They have never been directors of GIFL. They have never exercised control over GIFL.
- 11.4. Any disclosures that has been made to the BSE shown them as Directors and/or Promoters of GIFL is based on false, untrue and forged information. They have never made any filings with the stock exchange to categorize themselves as the promoter of GIFL. The disclosure available with BSE falsely disclosed them as promoter of GIFL and bears a forged signature.
- 11.5. Prior to the issuance of SCN they had no information of their connection with GIFL. On coming to know about their classification as promoter of GFIL, they have lodged a police complaint / filed FIR.
- 11.6. They demanded GIFL through their various letters to make the necessary clarifications to BSE that they are not promoters of GIFL or in any way concerned with GIFL.
- 11.7. GIFL vide its board meeting held on February 14, 2020, decided to conduct an inquiry into several complaints received from its shareholders on fraudulent inclusion of their names in the "promoter and promoter related" shareholders of GIFL.
- 11.8. SEBI considered them a promoter on the basis of certain disclosures filed by the company, they request to give them an opportunity of cross examination of GIFL. In this regard, they placed reliance on Hon'ble Supreme Court's decision in the case of Union of India v. TR Varma (AIR 1957 SC 882).
- 11.9. They attended the inspection proceedings. They have not been provided with any documents (including the Investigation Report) sought by them. Inspection of document is an inalienable part of Principles of Natural Justice. They have placed reliance upon the Hon'be Delhi High Court order dated July 09, 2018 in the matter of Amit Jain (W.P. (C) 8394/2014) and the order on Hon'ble Apex Court in the matter of SEBI Vs. PWC. Denial and failure to provide inspection of documents / records / investigation report / statements etc. is in violation of Principles of Natural Justice.

- 11.10. Some of the Noticees have stated that SEBI has passed an order on issue of Inspection in the matter of New Delhi Television Ltd and in the matter of brokers of National Spot Exchange Ltd. Therefore, the Noticees requests to pass a reasoned order on the issue of inspection.
- 11.11. The present SCN is issued after a gap of almost 7 years from the date of transactions in shares of GIFL. However, no reasons have been mentioned in the SCN for belatedly initiating present proceedings.
- 11.12. The allegation of 'fraud' cannot be charged on preponderance of probability. In fact, compelling / strict evidence should be brought on record for a person / entity to be held liable for 'fraud'.
- 11.13. SEBI has to provide notice of what specific measure SEBI is contemplating against the Noticees. In this regard they have placed reliance on the order passed by the Hon'ble Supreme Court in the matter of Gorkha Security Services v. Govt. of NCT of Delhi & Ors., (decided on 04.08.2014).
- 11.14. They placed reliance to Information Memorandum on Enforcement Action Policy in respect of Long Term Capital Gain Cases, Memorandum no. 04/2017 ("IM"). They are neither an LTP contributor and are not connected to any LTP contributor, nor they connected to the company or its Whole Time directors. They can only be termed to be an alleged tax beneficiary in this case and hence, SEBI should not take any action against them as per its own Board decision.
- 11.15. That the orders in GIFL scrip were placed in screen based trading system of stock market and thereby the counterparty was unknown.
- 11.16. They have been carrying out investment activities in normal course of business. All their transactions in GIFL were within its financial and risk bearing capacity.
- 11.17. They have not disputed their transaction i.e. acquisition and sale of shares of GIFL. The transactions by them in the shares of GIFL were for their benefit alone. Neither any money / funds were received by them from any other entity including GIFL, its promoter / director for purchase of shares, nor transferred by them to any one after sale of shares.
- 11.18. On the issue of false / erroneous classification their name as promoter of the Company and their police complaints. They placed reliance on the order passed in the matter of Ambitious Diversified Projects Management Limited in respect of Mr. Rakesh Sharma dated October 01, 2019, wherein WTM has exonerated Mr. Rakesh Sharma of all the charges considering his plea that he was unaware of the fact that his personal information was used to deceptively show him as a director of the company and FIR was filed immediately after this misrepresentation came to the knowledge of Mr. Rakesh Sharma.
- 11.19. They have placed reliance on various SEBI order passed in LTCG matter, wherein SEBI has not taken action against preferential allottees (tax beneficiaries) and have exonerated them.

- 11.20. Some of the Noticees submitted that they have not sold their entire shareholding and they still continues to hold some shares of GIFL, which leads to the inference of lack of manipulative intent on their part.
- 11.21. Some of the Noticee submitted that they had purchased shares on the basis of general market information about GIFL from independent third party and not the promoters of GIFL or any of the other Noticees.
- 11.22. They have never been involved with the preferential allotment of shares of GIFL. They have invested their funds strictly as investors in shares of GIFL.
- 11.23. Noticee No. 35 submitted that investment in shares of GIFL was based on advice given by a known person viz. Mr. Nitin Shenoy.
- 11.24. Noticee No. 37 submitted that he had received shares of GIFL from Nitin Didwania and Niti Didwania and paid the consideration for the same out of his own funds. SCN not even allege that Nitin Didwania or Niti Didwania were party to any wrongdoing. He is neither a promoter, nor preferential allottee nor related to GIFL or any entities mentioned in the SCN. There is no action taken against the remaining preferential allottees.
- 11.25. They have not indulged in any kind of manipulative, fraudulent and \ or unfair trade practice in the shares of GIFL. They denied that they had violated Regulations 3(a), (b), (c), (d) and Regulation 4(1) of the PFUTP Regulations as alleged in the SCN.
12. **Noticee No. 42, 43 and 44** vide identical / similar but separate letters dated May 08, 2019, February 11, 2020 and July 10, 2020 submitted reply in the matter. Noticee No. 42, 43 and 44 have appeared for hearing and made their oral submission. Their submissions in brief are as under:
- 12.1. The present SCN is issued after a gap of more than 6 years from the date of transactions in shares of GIFL. However, no reasons have been mentioned in the SCN for belatedly initiating present proceedings.
- 12.2. They were not part of any wrong doing and had no idea of any alleged ‘manipulative modus operandi’ by any entity, as alleged or otherwise. They were not a part of any game plan, ‘fraudulent scheme’, ‘devise’ or ‘artifice’ as alleged or otherwise. They deny the alleged violation of provisions of Regulation 3 (a) (b) (c) (d) and Regulations 4(1) of PFUTP Regulation.
- 12.3. The allegation of ‘fraud’ cannot be charged on preponderance of probability. In fact, compelling evidence should be brought on record for a person/ entity to be held liable for ‘fraud’.
- 12.4. SEBI has to provide notice of what specific measure SEBI is contemplating against Noticees. In this regard they have placed reliance on the order passed by the Hon’ble Supreme Court in the matter of Gorkha Security Services v. Govt. of NCT of Delhi & Ors., (decided on 04.08.2014).

- 12.5. That they are a bonafide investor and have invested the money in normal course of their investment activity and said investment was very much within their financial and risk bearing capacity.
- 12.6. That except 5 preferential allottees, no action has been taken qua all other preferential allottees who sold their shares during investigation period.
- 12.7. They have no connection or relationship with the alleged suspected entities as mentioned in the SCN or otherwise.
- 12.8. Noticee No. 42 was Director / Designated Partner in around 25 entities including Gulshan & Pneumatic. Noticee No. 42 had not been a beneficiary in any manner for the alleged fund transaction made by Gulshan and Pneumatic with GIFL. The connection of Noticee No. 42 on the basis of Directors of these two companies and they had fund transactions with GIFL, as alleged in the SCN is too farfetched.
- 12.9. That impugned fund transaction between GIFL and Pneumatic / Gulshan does not pertain to allotment of shares of GIFL to them. The amount transferred by GIFL to Pneumatic Leasing and Gulshan Investment was purely a business transaction wherein a loan was received and thereafter the loan was repaid along with interest.
- 12.10. The fund transaction between GIFL and Gulshan was part of loan transaction. The source of funds for the said fund by GIFL to Gulshan was from / by way of transfer of funds inter se between GIFL's own Bank accounts. Thus, there was no correlation to payment made by Noticee No. 42, 43 & 44 for subscribing to the preferential shares of GIFL.
- 12.11. With regard to the fund transaction between GIFL and Pneumatic and connection of Noticee No. 42 with 43 and 44, they had placed reliance in the Order dated 05.06.2020 passed by Ld. Whole Time Member, SEBI, in the case of Greencrest Financial Service Ltd. On consideration of similarity of facts, the present SCN issued to Noticee No. 42, 43 & 44 be disposed of.
- 12.12. They had subscribed to the preferential shares issued in January 2012 by GIFL. The fund transaction between GIFL and Gulshan & Pneumatic had taken place in October 2012 and September 2012 respectively. Thus, there is no link between payment made by them for preferential allotment and fund transactions between GIFL and Gulshan & Pneumatic.
- 12.13. Investment in preferential allotment of GIFL was based on advice given by a known person viz. Mr. Sanjib Khetry. Mr. Sanjib Khetry also provided a corporate presentation on GIFL. Retail investor like them has limited skill and experience of fundamental research and technical analysis. Thus, the investment decisions are mostly made on the basis of recommendation.
- 12.14. They were allotted shares of GIFL in preferential allotment dated January 19, 2012. The payment made for the purchase of said shares from their saving bank accounts. That amount of investment made by them in GIFL was not very substantial portion as compared to their net-worth. Noticee No. 42 gross income was Rs. 2.66 crores

- earned during the relevant previous year and his Net worth as on 31.03.2011 was Rs. 11.90 crores.
- 12.15. That they checked price and other details of GIFL from the data available on public domain. They understood that the price of GIFL shares had reached reasonable level, and decided to sell their GIFL shares based on their financial requirements. They acted as any other prudent businessman and sold shares of GIFL on the floor of stock exchange through SEBI registered stock broker.
- 12.16. That when the said scrip was traded on market, no alert was generated by any regulatory authority including SEBI and BSE for public at large.
- 12.17. They have not sold their entire shareholding and they still continues to hold some shares of GIFL, which shows no malafide intentions or knowledge of any alleged manipulation in the shares of GIFL.
- 12.18. The transactions in GIFL were at the then prevailing market price and had no impact on market equilibrium. Their percentage of sale transaction in the scrip of GIFL was negligible so as to have any impact on the market equilibrium or to create artificial price/volume or misleading appearance of trading in said scrip.
- 12.19. They had no idea who purchased their shares of GIFL. That corresponding to their sale of shares, the counter party buyers have not been made Co-Noticees to this SCN dated 01.03.2018.
- 12.20. Many persons including professions like Chartered Accounts, Company secretary etc. are engaged and involved in processing and getting approval for preferential allotment. Those people necessarily become part and parcel of the scheme to make preferential allotment. Strangely, the role involvement and participation of actual persons / authorities, as aforesaid is not described /elaborated in the SCN.
- 12.21. Most of the preferential shareholders had sold the shares during the period when they had sold the shares. Thus, it is not only they who have gained profits by selling the shares but there were large number of other preferential shareholders who had also sold the shares during the relevant period.
- 12.22. With regard to the multiple proceedings initiated (simultaneous adjudication proceeding initiated vide Show Cause Notice dated 08.01.2018) against them, it is submitted that, w.e.f 08.03.2019, sub-section 4(A) is inserted u/s 11 whereby inter alia it is mentioned that “Board may, by an order, for reasons to be recorded in writing, levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner.” In view of this, kindly drop / withdraw separate proceedings initiated vide issuance of the Show Cause Notice dated 08.01.2018 by the Ld. Adjudicating Officer, SEBI against them and same may please be covered under present proceedings.
- 12.23. They placed reliance on the Order dated 02.04.2018 passed by Ld. Whole Time Member, SEBI in the matter of First Financial Services Ltd.

13. **Noticee No. 45 and 46** vide identical / similar but separate letters dated April 24, 2018, May 06, 2021, June 24, 2021 and July 01, 2021 submitted reply in the matter. Their submissions in brief are as under:

- 13.1. They are not promoter of GIFL and had requested for cross examination of GIFL.
- 13.2. In LTCG cases, vide SEBI's Information Memorandum, SEBI had decided that, cases pertaining to tax evasion by preferential allottees / beneficiaries were to be transferred to the Income Tax Department and SEBI is not to take any action against the preferential allottees and tax beneficiaries.
- 13.3. Ammaji Anumolu is director of M/s. ATR Ware Housing private limited. Anumolu Harshitha is daughter-in-law of Ammaji Anumolu and they reside in the same house.
- 13.4. During the time of investment, GIFL came to know that M/s. ATR Ware Housing Pvt. Ltd is having strong asset holding. During the year 2012-13, M/s. ATR Ware Housing Pvt. Ltd is in financial crunch and it approached GIFL for financial assistance. GIFL provide fund during August 2012 and the same was repaid during December 2013. Fund assistance was availed after their investment in GIFL.
- 13.5. The alleged fund transactions with the GIFL during the investigation period was towards payment of interest towards the unsecured loan taken by ATR Warehousing Private Limited and merely such a loan transaction in normal course of business can not a ground for establishing my "connection" with GIFL. The loan transactions was at arms-length. In the FY 2013-14 ATR Warehousing has also paid a part of the principal amount and interest on the loan taken from GIFL. In this regard, reliance is placed to the order of the Hon'ble SAT in Appeal no. 102 of 2020, in which the Appellant, Umang Dhanuka and his family members were said to be connected to Pine Animation Limited, through the company in which they were directors had a loan transaction with Pine Animation Limited. The Hon'ble SAT in this order has held a business connection does not mean that they were part of the scheme of manipulating the price or they were part of some collusion.
- 13.6. They had subscribed the equity shares of GIFL in preferential allotment dated June 12, 2012. GIFL approached them to subscribe to its preferential allotment. After examining in detail the contents of the information provided by GIFL and based on their expectations about the possible gains through the investment, they decided to invest in the shares of GIFL.
- 13.7. At the time when the allotment was made there were no warnings to the public from the regulatory authority.
- 13.8. They were not aware of any such fact that the preferential allotment was controlled by a few persons as informed in the SCN.
- 13.9. The payment for purchase of these shares was made through proper banking channel and was duly disclosed in the regular books of accounts maintained by them and also the books of account maintained by M/s. ATR Ware Housing Pvt. Ltd.

- 13.10. Sale of these shares also took place in a highly transparent manner through exchanges, there is no provision for the transacting party to know the identity or the credentials of the other party.
- 13.11. They have not sold the entire quantity of shares held in GIFL.
- 13.12. That the share price started moving upwards in the month of August 2012 and again in January 2013 but they have chosen to sell the shares from Sept 2013. They have affected sales at Price as high as Rs.92.05 and as low as Rs.40.50. Had it been a prearranged deal to get entry for long term capital gain, they would have sold the entire shareholding at the maximum price to fully capitalize the opportunity.
- 13.13. That they don't have any financial relationship with the management of GIFL and they purchased the shares with good faith.
- 13.14. They have not violated the regulations 3(a), 3(b), 3(c), 3(d) and 4(1) of PFUTP Regulations.
- 13.15. An action initiated by SEBI against the Noticee in the present LTCG matter of GIFL is disproportionately harsh and unsustainable on the ground of *doctrine of proportionality*. On one hand, SEBI has only ordered debarment for one year in a matter which involves manipulation in highly liquid scrip (i.e., SEBI's order in the matter of Reliance Petroleum Limited dated March 24, 2017), involving crores of investors, while on the other hand in the matter of Global, which is an illiquid scrip-with miniscule and negligible investors base and liquidity- SEBI has not only initiated 11/11B proceedings but has also launched criminal prosecution. SEBI has completely failed to follow the doctrine of proportionality in the matter of global and has initiated disproportionately harsh actions.
14. It is noted that Noticees No. 8, 10, 11 & 12 did not submitted their reply before hearing.

HEARING:

15. In the interest of natural justice, vide common notice of hearing dated April 10, 2019 an opportunity of personal hearing was granted to Noticee No. 1 to 25 on May 16, 2019 and Noticee No. 26 to 46 on May 21, 2019 at SEBI, Head Office, Mumbai. The said hearing notice dated April 10, 2019 was sent to the Noticees through speed post / hand delivery / email / news paper publication. The said Hearing Notice dated April 10, 2019 was delivered to all the Noticees except Noticee No. 1, 6, & 9. The proof of delivery is available on record.

16. On May 16, 2019 Mr. Rajesh Khandelwal, Advocate, Juris Link and Mr. Vishal Kumar Garg, Practicing Company Secretary, Authorized Representatives (hereinafter referred to as “ARs”) appeared on behalf of Mr. S Krishna Rao (Noticee No. 11) and made oral submissions. The details are as under:

16.1. *The oral submissions made by ARs on behalf of Noticee No. 11 are as under:*

16.1.1. *That Mr. S Krishna Rao was the independent director during the investigation period. Further, I was not an executive director.*

16.1.2. *That the preferential allotment is not in question i.e. allotment is not alleged to be in violation of SEBI regulations. Noticee No. 11 will be held responsible / liable only if the allotment is questionable. The said allotment is cleared by the stock exchange and due process was followed. Further, also there is no allegation of mis-utilization of funds by the company per se.*

16.1.3. *As an independent director, my concern / responsibility is whether there was any adverse effect on shareholders by virtue of such allotment. As there was no price fall, whereas there was an increase in price of the scrip of GFIL due to which the shareholders are not affected. Hence there was no adverse effect on shareholders.*

16.2. *ARs stated that after receiving hearing notice in respect of Noticee No. 11, they came to know that hearing was also scheduled for Noticee No. 8 (GIFL) and they are also willing to appear on behalf of them. Therefore, ARs requested short adjournment in respect of GIFL. Acceding to the request of ARs, the hearing in respect of GIFL is adjourned to May 21, 2019 at 03:00 P.M. Head Office, Mumbai.*

17. On May 16, 2019, Ms. Petrushka Dasgupta, Advocate, Mr. Rohit Gupta, Advocate, Ms. Niharika Jalan, Advocate, from M/s Haresh Jagtiani & Associates, Authorized Representatives (hereinafter referred to as “ARs”) appeared on behalf of Shri Surendra Jiwrajka (Noticee No. 13), Shri Ashok Jiwrajka (Noticee No.14) and Shri Dilip Jiwrajka (Noticee No. 15) and made oral submissions in line of their replies available on record.

18. On May 21, 2019, Mr. Rajesh Khandelwal, Advocate, Juris Link and Ms. Mugdha Modi, Advocate, Juris Link, Authorized Representatives (hereinafter referred to as “ARs”) appeared on behalf of M/s Global Infratech and Finance Limited (Noticee No. 08). The details are as under:

18.1. *The oral submissions made by ARs on behalf of Noticee No. 8 are as under:*

- 18.1.1. *That earlier officers/directors are not in touch with the Company.*
- 18.1.2. *That the company has classified the promoters on the basis of specific documents consented by the people to be promoter of GFIL. At that time there was no objection by the said promoters on such classification. Further, the said consented document was submitted by the company to the Exchange. The promoters have purchased the shares from the erstwhile promoters.*
- 18.1.3. *That In July 2017, new management has taken over the company. The current director Mr. Pradeep Bissa joined the company as Director and not as promoter and he is not holding any shares of the company. The company is almost functional nil. Currently company does not have enough money to pay to the office bearers.*

18.2. *ARs on behalf of Krishna Rao stated that Mr. Krishna Rao, independent director is totally unaware about the classification of promoters.*

18.3. *ARs are advised to submit the following information:*

- 18.3.1. *The evidence regarding the basis of classifying people as promoter of GFIL and declaring the same to Exchange.*
- 18.3.2. *Company is in loss then who is funding the company.*
- 18.3.3. *Who are the beneficial owner of the company?*
- 18.3.4. *The name, details and records of earlier promoters.*
- 18.3.5. *The last known contact details of Mr. Pravin Sawant (Director), Mr. Jagdish Chander Sharma (Director) and Mr. Ashok Bothra (Independent Director).*

19. On May 21, 2019, Mr. Anant Upadhyay, Advocate and Ms. Payal Upadhyay, Advocate, Authorized Representatives (hereinafter referred to as “ARs”) appeared on behalf of Kishore Premchand Laharani HUF (Noticee No. 17), Shri Kishore Premchand Laharani (Noticee No.18), Shri Puneet Kishor Lahrani (Noticee No. 19), Reena Kishore Lahrani (Noticee No. 20), Mehr Lokesh Gurnani (Noticee No.21) and Shri Lokesh Shankar Gurnani (Noticee No. 25) and made oral submissions in line of their replies available on record.

20. On May 21, 2019, Mr. Farooqui Mohd. Khalid Raza, Advocate, Authorized Representative (hereinafter referred to as “AR”) appeared on behalf of Suman Anchalia (Noticee No. 22), Dilipkumar Jain Ranulal (Noticee No.27), Nirmala Bai Kochar (Noticee No. 28), Debraj Debabrata Shome (Noticee No. 29), Anant Jain (Noticee No.34), Vivek Kumar Anchalia (Noticee No. 38) and Poonam Anchalia (Noticee No. 41) and made oral submissions in line of their replies available on record.

21. On May 21, 2019, Mr. Paras K. Parekh, Advocate and Mr. Robin Shah, Advocate, Parinam Law Associates, Authorized Representatives (hereinafter referred to as “ARs”) appeared on behalf of Nitin B Mehta (Noticee No. 37) and made oral submissions in line of his replies available on record.
22. Noticee No. 1 to 7 vide identical / similar but separate letters dated May 13, 2019 stated that they are not in a position to attend the hearing scheduled on May 16, 2019 and requested to consider their reply dated February 20, 2019 (identical / similar but separate letters) submitted before Adjudicating officer, in the present proceedings before Whole Time Member as their final submissions.
23. Noticee No. 12 vide letter dated April 26, 2019 stated that the hearing scheduled on May 16, 2019 is not required and requested to consider his reply dated February 26, 2019 submitted before Adjudicating officer in the present proceedings before Whole Time Member as his final submissions.
24. Mr. Avnash Anumolu, son of Noticee No. 45 and husband of Noticee no. 46 vide identical / similar but separate letters dated April 30, 2019 stated that Noticee No. 45 and 46 are not in a position to attend the hearing scheduled on May 21, 2019 and requested to consider their reply dated April 24, 2018 and reply dated January 23, 2018 submitted before Adjudicating officer in the present proceedings before Whole Time Member as their final submissions.
25. Advocate Kunal Kanungo, Cogito Legal, vide emails dated May 15, 2019 and May 22, 2019 on behalf of Noticees No. 23, 24, 26, 30, 31, 32, 33, 36, 39 and 40 had requested for adjournment of personal hearing scheduled on May 16, 2019 and May 21, 2019 in respect of said Noticees.
26. Noticee No. 42, 43 and 44 vide identical / similar but separate letters dated May 15, 2019 had requested for adjournment of personal hearing scheduled on May 21, 2019.

27. In the interest of natural justice, vide notice of hearing dated August 13, 2019 another opportunity of personal hearing was granted to Noticee No. 1 on August 29, 2019 at SEBI, Head Office, Mumbai. The said hearing notice dated August 13, 2019 was sent to the Noticee No. 1 through hand delivery via Eastern Regional Office of SEBI (ERO). The said Hearing Notice was delivered to the Noticee No. 1. The proof of delivery is available on record. Noticee No. 1 vide letter dated August 26, 2019 stated that he is not in a position to attend the hearing scheduled on August 29, 2019 and requested to consider his reply dated February 20, 2019 submitted before Adjudicating officer, in the present proceedings before Whole Time Member as his final submissions.
28. In the interest of natural justice, vide notification dated August 17, 2019 published in newspaper Times of India; notification dated August 17, 2019 published in newspaper Sanmarg (Kolkatta edition) and notification dated August 17, 2019 published in newspaper Bartaman (Kolkatta edition), Noticee No. 6 was notified by SEBI that he will be given the final opportunity of being heard on August 29, 2019 at the time and the venue mentioned therein. The Noticee No. 6 was informed that failure to appear for the personal hearing before SEBI on the scheduled date would be construed as waiver of the opportunity of personal hearing and then the matter would be proceeded ex-parte on the basis of material available on record.
29. In the interest of natural justice, vide notification dated August 17, 2019 published in newspaper Hindustan Times; notification dated August 17, 2019 published in newspaper Loksatta (Mumbai edition) and notification dated August 17, 2019 published in newspaper Nav Bharat (Mumbai edition), Noticee No. 9 was notified by SEBI that he will be given the final opportunity of being heard on August 29, 2019 at the time and the venue mentioned therein. The Noticee No. 9 was informed that failure to appear for the personal hearing before SEBI on the scheduled date would be construed as waiver of the opportunity of personal hearing and then the matter would be proceeded ex-parte on the basis of material available on record.
30. In the interest of natural justice, vide email dated August 07, 2019 to Advocate Kunal Kanungo, representative of Noticees No. 23, 24, 26, 30, 31, 32, 33, 36, 39 and 40 an opportunity of personal hearing was granted to them on August 29, 2019 at SEBI, Head

Office, Mumbai. On August 29, 2019, Mr. Kunal Katariya, Advocate and Mr. Kunal Kanungo, Advocate, Authorized Representatives (hereinafter referred to as “ARs”) appeared on behalf of Sangeeta Nawal Agarwal (Noticee No. 23), Nawal Basudeo Agarwal (Noticee No. 24), Karishma Deepak Agrawal (Noticee No. 26), Sunita Agrawal (Noticee No. 30), Rajesh Basudeo Agrawal (Noticee No. 31), Sanjay Basudeo Agarwal (Noticee No. 32), Anita Sanjay Agarwal (Noticee No. 33), Deepakkumar Ganeshkumar Agrawal (Noticee No. 36), Deepak Ganeshkumar Agarwal HUF (Noticee No. 39) and Kaushalaya Agarwal (Noticee No. 40) and made oral submissions in line of their replies available on record and additional written submission dated August 28, 2019 submitted during the course of hearing.

31. It is noted that Noticee No. 35 vide letter dated November 15, 2019 had requested the copy of statement of any person recorded by SEBI during the course of investigation. SEBI vide letter dated December 05, 2019 informed Noticee No. 35 that SEBI had not relied upon the statement of any person while issuing the SCN.
32. In the interest of natural justice, vide notice of hearing dated December 13, 2019, an opportunity of personal hearing was granted to Noticee No. 35 on January 07, 2020 at SEBI, Head Office, Mumbai. Noticee No. 35 vide letter dated January 02, 2020 had requested for adjournment of hearing scheduled on January 07, 2020. Acceding to its request, in the interest of natural justice, vide notice of hearing dated January 07, 2020 an opportunity of personal hearing was granted to Noticee No. 35 on January 20, 2020 at SEBI, Head Office, Mumbai. The said hearing notice was sent to the Noticee No. 35 through speed post, hand delivery and email and the same was delivered. The proof of delivery is available on record
33. On January 20, 2020, Mr. Prakash Shah, Advocate and Mr. Chinmay Paradkar, Advocate, Prakash Shah & Associates Authorized Representatives (hereinafter referred to as “ARs”) appeared on behalf of Ashish Begwani HUF (Noticee No. 35) and made oral submissions in line of its replies available on record.
34. In the interest of natural justice, vide email dated June 12, 2020 to the authorized representative of Noticees No. 42, 43, & 44, an opportunity of personal hearing was

granted to Noticees No. 42, 43, & 44 on June 17, 2020 through video conference via WEBEX link. Vide said email, it was informed to them that WEBEX link for video conference shall be shared on the email id / mobile number provided by them. The said email was delivered. Noticees No. 42 on behalf of himself and on behalf of Noticees no. 43 & 44 had requested for adjournment of hearing scheduled on June 17, 2020. Acceding to their request and in the interest of natural justice, vide email dated June 26, 2020 another opportunity of personal hearing was granted to Noticees No. 42, 43, & 44 on July 07, 2020 through video conference via WEBEX link.

35. On July 07, 2020, Mr. Prakash Shah, Advocate, Prakash Shah & Associates Authorized Representative (hereinafter referred to as “AR”) on behalf of Anoop Jain (Noticee No. 42), Anoop Jain HUF (Noticee No. 43), Ritu Jain (Noticee No. 44) had appeared through video conference via WEBEX link and made oral submissions, which are as under. The details are as under:

35.1. *The oral submissions made by AR on behalf of Noticee No. 42, 43, & 45 are as under:*

35.1.1. *That AR reiterated the earlier replies / submissions made by Anoop Jain (Noticee No. 42), Anoop Jain HUF (Noticee No. 43), Ritu Jain (Noticee No. 44).*

35.1.2. *Noticee No. 42, 43 & 44 are inter-connected to each other and are preferential allottee. They have got shares of GIFL in preferential allotment made by GIFL in January 2012.*

35.1.3. *That GIFL had issue preferential shares in two tranches to 93 entities and most of the preferential shareholders had sold the shares during the period when they had sold the shares i.e. during Patch – 2. Therefore, there is no uniqueness that only Noticee No. 42, 43 & 44 have sold the shares during Patch – 2 and they are not the only beneficiaries.*

35.1.4. *No evidence has been produced before Noticee No. 42, 43 & 44 that they were connected to GIFL during the course of preferential allotment in January 2012. They have been disclosed as public shareholders.*

35.1.5. *Mr. Anoop Jain was one of the Directors of Gulshan and Pnematic and these two companies had fund transactions with GIFL, the said connection cannot be made to be alleged that Noticee No. 42 had connection with GIFL throughout from the beginning and with whatever business GIFL is into. Further, these fund transaction has taken place after 8 to 9 months of preferential allotment. Hence the connection is too farfetched.*

35.1.6. *With regard to the connection of Ritu Jain and Anoop Jain HUF with Anoop Jain, reliance is placed on Ld. WTM order dated 05.06.2020 in the matter of Greencrest Financial Service Ltd wherein, Noticee no. 19 namely Mr. Udayan*

Grover was related to Noticee no. 18 namely Ravindra Grover and he was made co-noticee on the ground that he is related to Mr. Ravindra Grover who had alleged to have funds transaction with GIFL. It was held therein that, it cannot be established that Noticee no.19 has actually received any money either directly or indirectly from GIFL or Noticee no.18, the allegation of refund of share application money attributed to Noticee no.19 becomes infructuous. In the present case there is no findings against Ritu Jain and Anoop Jain HUF that they are connected to GIFL except for the finding that they connected to Anoop Jain. Thus, the allegation against Ritu Jain and Anoop Jain HUF is too farfetched.

35.1.7. Mr. Anoop Jain is director of Pneumatic & Gulshan and pneumatic & Gulshan had fund transaction with GIFL is not in dispute.

35.1.8. That apart from this 11B Proceedings, adjudication proceedings was also initiated vide Show Cause Notice dated 08.01.2018 against Noticee No. 42, 43 & 44. In this regard, it is submitted that, in view of the amendment in SEBI Act, w.e.f 08.03.2019, Board can also levy penalty under sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner. Thus, it is submitted to drop / withdraw separate proceedings initiated vide issuance of the Show Cause Notice dated 08.01.2018 by the Ld. Adjudicating Officer, SEBI against them and same may please be covered under present proceedings.

35.1.9. There is no synchronized, reversal and circular trading, therefore trades are not fraudulent trades and are normal trades.

35.2.AR was advised to submit the evidence / income tax return to demonstrate that whatever transaction taken place in the account of Ritu Jain is from her own independent source of income.

36. With regards to the Noticee No. 23, 24, 30, 31, 32 & 33 letters dated January 05, 2015; Noticee No. 29 letter dated December 19, 2014 and Noticee No. 27, 28 & 34 letters dated January 01, 2015, in the interest of natural justice, vide email June 18, 2021, an opportunity of personal hearing was granted to Noticees No. 23, 24, 27 to 34 on June 24, 2021 through video conference via WEBEX link. Vide said email, it was informed to them that WEBEX link for video conference shall be shared on the email id / mobile number provided by them. The said email was delivered. On June 24, 2021, Mr. Arun Kocchar, Ms. Aayushi Sharma and Ms. Tanvi Gupta, Advocates, Authorized Representatives on behalf of Noticee No. 27, 28, 29 and 34 had appeared for hearing and made oral submissions in line of written submission dated June 23, 2021 made by Noticee No. 29 and written submission dated June 24, 2021 made by Noticee No. 27, 28, and 34. On June

24, 2021, Mr. Kunal Kanungo, Advocate, Authorized Representatives on behalf of Noticee No. 23, 24, 30, 31, 32 and 33 appeared for hearing and requested for short adjournment. In the interest of natural justice, vide email June 24, 2021, an opportunity of personal hearing was granted to Noticee No. 23, 24, 30, 31, 32 and 33 on July 02, 2021 through video conference via WEBEX link. On July 24, 2021, Mr. Kunal Kanungo, Advocate, Authorized Representatives on behalf of Noticee No. 23, 24, 30, 31, 32 and 33 appeared for hearing and made oral submissions.

37. It is noted that Noticees No. 9, 10 and 16 did not appear for hearing.

38. The details of status of hearing of all the Noticees are as under:

Noticee No.	Noticee Name	Hearing dates	Hearing Status
1	Raj Kumar Sharma	16.05.2019 29.08.2019	Waived off vide letters dated 13.05.2019 and 26.08.2019
2	Puspal Chandra	16.05.2019	Waived off vide letter dated 13.05.2019
3	Rajendra Kumar Kothari	16.05.2019	Waived off vide letter dated 13.05.2019
4	Priti Kothari	16.05.2019	Waived off vide letter dated 13.05.2019
5	Saroj Devi Kothari	16.05.2019	Waived off vide letter dated 13.05.2019
6	Dilip Kumar Mandal	16.05.2019 29.08.2019	Waived off vide letter dated 13.05.2019
7	Nishant Kothari	16.05.2019	Waived off vide letter dated 13.05.2019
8	Global Infratech & Finance Ltd	16.05.2019	Appeared on 21.05.2019
9	Pravin Sawant (Director)	16.05.2019 29.08.2019	Not Appeared
10	Jagdish Chander Sharma (Director)	16.05.2019	Not Appeared
11	S Krishna Rao (Director)	16.05.2019	Appeared on 16.05.2019
12	Ashok Bothra (Director)	16.05.2019	Waived off vide letter dated 26.04.2019
13	Surendra B Jiwarajka	16.05.2019	Appeared on 16.05.2019
14	Ashok B Jiwarajka	16.05.2019	Appeared on 16.05.2019
15	Dilip B Jiwarajka	16.05.2019	Appeared on 16.05.2019
16	Rajan Mittal	16.05.2019	Not Appeared

Noticee No.	Noticee Name	Hearing dates	Hearing Status
17	Kishore Premchand Laharani HUF	16.05.2019	Appeared on 21.05.2019
18	Kishore Premchand Laharani	16.05.2019	Appeared on 21.05.2019
19	Puneet Kishor Lahrani	16.05.2019	Appeared on 21.05.2019
20	Reena Kishore Lahrani	16.05.2019	Appeared on 21.05.2019
21	Mehr Lokesh Gurnani	16.05.2019	Appeared on 21.05.2019
22	Suman Anchalia	16.05.2019	Appeared on 21.05.2019
23	Sangeeta Nawal Agarwal	16.05.2019 29.08.2019 24.06.2021 02.07.2021	Appeared on 29.08.2019, 24.06.2021 and 02.07.2021
24	Nawal Basudeo Agarwal	16.05.2019 29.08.2019 24.06.2021 02.07.2021	Appeared on 29.08.2019, 24.06.2021 and 02.07.2021
25	Lokesh Shankar Gurnani	16.05.2019	Appeared on 21.05.2019
26	Karishma Deepak Agrawal	21.05.2019 29.08.2019	Appeared on 29.08.2019
27	Dilipkumar Jain Ranulal	21.05.2019 24.06.2021	Appeared on 21.05.2019 and 24.06.2021
28	Nirmala Bai Kochar	21.05.2019 24.06.2021	Appeared on 21.05.2019 and 24.06.2021
29	Debraj Debabrata Shome	21.05.2019 24.06.2021	Appeared on 21.05.2019 and 24.06.2021
30	Sunita Agrawal	21.05.2019 29.08.2019 24.06.2021 02.07.2021	Appeared on 29.08.2019, 24.06.2021 and 02.07.2021
31	Rajesh Basudeo Agrawal	21.05.2019 29.08.2019 24.06.2021 02.07.2021	Appeared on 29.08.2019, 24.06.2021 and 02.07.2021
32	Sanjay Basudeo Agarwal	21.05.2019 29.08.2019 24.06.2021 02.07.2021	Appeared on 29.08.2019, 24.06.2021 and 02.07.2021
33	Anita Sanjay Agarwal	21.05.2019 29.08.2019 24.06.2021 02.07.2021	Appeared on 29.08.2019, 24.06.2021 and 02.07.2021
34	Anant Jain	21.05.2019 24.06.2021	Appeared on 21.05.2019 and 24.06.2021
35	Ashish Begwani HUF	21.05.2019 07.01.2020 20.01.2020	Appeared on 20.01.2020

Noticee No.	Noticee Name	Hearing dates	Hearing Status
36	Deepakkumar Ganeshkumar Agrawal	21.05.2019 29.08.2019	Appeared on 29.08.2019
37	Nitin Babubhai Mehta	21.05.2019	Appeared on 21.05.2019
38	Vivek Kumar Anchalia	21.05.2019	Appeared on 21.05.2019
39	Deepak Ganeshkumar Agarwal HUF	21.05.2019 29.08.2019	Appeared on 29.08.2019
40	Kaushalaya Agarwal	21.05.2019 29.08.2019	Appeared on 29.08.2019
41	Poonam Anchalia	21.05.2019	Appeared on 21.05.2019
42	Anoop Jain	21.05.2019 17.06.2020 07.07.2020	Appeared on 07.07.2020
43	Anoop Jain (HUF)	21.05.2019 17.06.2020 07.07.2020	Appeared on 07.07.2020
44	Ritu Jain	21.05.2019 17.06.2020 07.07.2020	Appeared on 07.07.2020
45	Ammaji Anumolu	21.05.2019	Waived off vide letter dated 30.04.2019
46	Anumolu Harshitha	21.05.2019	Waived off vide letter dated 30.04.2019

39. It is noted that Noticee No. 8 and 11 pursuant to their attendance of hearing had not submitted their additional written submission in the matter.

FINDINGS & CONSIDERATIONS

40. I have perused the SCN, replies, written submissions and other materials available on record. On perusal of the same, the following issues arise for consideration. Each issue is dealt with separately under different headings.

40.1. **Issue No. 1:** *Whether Noticee No. 13 to 36 were / are promoters of GIFL and Noticee No. 37 to 41 were / are promoter related entities? Whether Noticee No. 13 to 41 are connected to entities allegedly involved in price manipulation i.e. LTP contributors (Noticee No. 1 to 7) through GIFL (Noticee No.8) and thereby involved in a fraudulent scheme, selling the shares of GIFL at artificially inflated prices and have*

thus violated the provisions of Regulation 3(a), (b), (c), (d) and Regulation 4(1) of PFUTP Regulations as alleged in the SCN?

- 40.2. **Issue No. 2:** Whether GIFL (Noticee No. 8) and / or its directors (Noticee No. 9 to 12) were part of a fraudulent scheme to make preferential allotment and to manipulate the price of the scrip to benefit the promoter entities, promoter related entities and connected preferential allottees and thereby violated the provisions of Regulation 3 (a),(b),(c) and (d) and regulation 4(1) of PFUTP Regulations as alleged in the SCN?
- 40.3. **Issue No. 3:** Whether Noticee No. 1 to 7 have traded in the shares of GIFL in the market as part of fraudulent scheme to increase the price of the scrip of GFIL and thereby violated the provision of Regulation 3(a),(b),(c),(d) and Regulation 4(1), 4(2)(a) & 4(2)(e) of PFUTP Regulations as alleged in the SCN?
- 40.4. **Issue No. 4:** Whether Noticee No. 42 to 46 were / are preferential allottees connected to GIFL? Whether Noticee No. 42 to 46 are connected to entities involved in price manipulation i.e. LTP contributors (Noticee No. 1 to 7) through GIFL (Noticee No.8) and thereby involved in a fraudulent scheme, selling the shares of GIFL at artificially inflated prices and have thus violated the provisions of Regulation 3(a), (b), (c), (d) and Regulation 4(1) of PFUTP Regulations as alleged in the SCN?
- 40.5. **Issue No. 5:** For those Noticees for whom issue No. 1, 2, 3 & 4 is determined in the affirmative, what directions should be issued against such Noticees?

Common Preliminary Objection:

41. Before moving forward in the matter, I first discuss preliminary objection raised by the Noticees:

41.1.Complete Inspection of documents was not provided:

- 41.1.1. Some of the Noticees have submitted that SEBI had refused to provide them any documents / material asked under inspection on the ground / basis that SEBI has decided to not give any documents including investigation report to the Noticee apart from the documents annexed in the SCN. They requested the

order of the authority who has decided not to provide with inspection of pending documents. They further submitted that all the documents, details and records which are crucial for the present proceedings were not made available for inspection and even copy of the same is not provided to them. It was contended that the opportunity of inspection of documents provided to them was merely a formality.

41.1.2. With regard to the submission of the Noticees, requesting an order of the authority on inspection of documents, I am of the view that if formal orders are to be passed on every preliminary objection/issue raised by each Noticee in every proceeding, it will ultimately result in a multiplicity of orders in one and the same proceeding and further result in delay of dispensation of justice. This will become a tool in the hands of entities who may not have substantive submissions to make on merit and seek to delay and wriggle out of rigors of the enforcement action by raising such pleas with the intention of delaying final adjudication of the case on merits. There is also authority to state that preliminary issues can be decided at the stage of final adjudication of all issues on merits.

41.1.3. The plea of the said Noticees that complete inspection of documents was not provided to them has been dealt in this order in the following paragraphs.

41.1.4. In this regard, it is noted from the records that all the material / evidences based on which the charges in the SCN have been levelled on the Noticees were enclosed along with the SCN as annexures. It is also noted that SEBI had granted an opportunity of inspection of all relied upon documents to the said Noticees. The copies of relied upon documents were also provided to the said Noticees at the time of inspection. The details of inspection of documents granted to the said Noticees are mentioned at paragraph 7 above. Further, Noticees claim that copy of investigation report was not provided to them. In this regard it is noted that relied upon portion of investigation report is already mentioned in the SCN. Thus, no prejudice has been caused to the Noticees on account of the same.

41.1.5. Further, reliance is also placed on the Hon'ble Supreme Court order dated October 05, 2010 passed in the matter of *Kanwar Natwar Singh vs Directorate of Enforcement & Anr* (MANU/SC/0795/2010), in which it

was held that “...even the principles of natural justice do not require supply of documents upon which no reliance has been placed by the Authority to set the law into motion. Supply of relied on documents based on which the law has been set into motion would meet the requirements of principles of natural justice...”

41.1.6. Some of the Noticee had also place reliance on the decision of the Apex Court in case of *SEBI v. Price Waterhouse* (Civil Appeal No. 6003-6004 of 2012 decided on 10.01.2017). However, as regards the applicability of the said decision of Hon’ble Supreme Court to other cases in general, Hon’ble SAT in the case of *Shri B. Ramalinga Raju v. SEBI* (SAT order dated May 12, 2017) held that:

“... Apex Court in case of Price Waterhouse has specifically recorded that the directions given in that case are general directions given as and by way of clarifications without going into the merits of the case. Therefore, directions given in the facts of Price Waterhouse cannot be said to be the ratio laid down by the Apex Court applicable to all other cases. In these circumstances, appellants are not justified in contending that the directions given by the Apex Court in case of Price Waterhouse must be applied to the case of the appellants.”

41.1.7. Thus, the decision of Hon’ble Supreme Court in the matter of *SEBI v. Price Waterhouse* being case specific in nature, cannot be applied to the facts of the present case. In view of the above facts, circumstances and observations of Hon’ble Supreme Court and Hon’ble SAT, I am not inclined to accept the request of the Noticees for inspection of all the documents collected by the investigating officer during investigation. At this point, I also find it important to reiterate that all the documents, which formed the basis of the allegations levelled in the SCN, were provided to the said Noticees along with the SCN and also at the time of inspection. As the principles of natural justice are satisfied by giving inspection to the relied upon documents, there is no justifiable right to seek all the documents which were not relied upon. Thus, in view of above, I do not find any merit in the said contention of the said Noticees.

41.2. Cross Examination of the Company:

41.2.1. From the submission of Noticees (alleged promoters), it is noted that they have denied that they were the promoters of GIFL and they were unaware of them being classified as promoters of GIFL. Some of the Noticees (alleged promoters) has submitted that SEBI have considered them as a promoter based on the version of the company by disclosing them as promoters to BSE. Hence, they requested SEBI to give them an opportunity of cross examination of the version of Company. Acceding to the request of the Noticees, SEBI had granted an opportunity of cross examination of GIFL to alleged 24 promoters and 2 promoter group entity (26 Noticees). The details in this regard are as under:

Witness name	Date of SEBI Notice / email	Date of Cross Examination	Remarks
GIFL	April 30, 2021	May 10, 2021	• 26 Noticees Appeared. • GIFL did not appear. However, GIFL vide email dated May 10, 2021 informed SEBI that due to COVID-19 pandemic in the Country, the verification process of related documents could not be commenced and is still pending. GIFL requested time till the completion of verification process of related documents and receipt of Report from the Company Secretary Firm. • In view of the above, the proceedings of cross examination adjourned.
	May 25, 2021	June 03, 2021	• Noticees no. 13, 14, & 15 requested for adjournment for 6 weeks, on the ground that their ARs tested Covid-19 positive. • Noticee No. 23, 24, 32 & 33 requested for adjournment for 3 weeks, on the ground that their ARs grand-mother expired on June 02, 2021. • GIFL vide email dated June 02, 2021 requested for adjournment for 3-4 weeks on the ground that its director Mr. Pradeep Bissa tested Covid-19 positive. • In view of the above, the proceedings of cross examination adjourned.
	June 11, 2021	June 24, 2021	• 26 Noticees Appeared. • GIFL did not appear. However, GIFL vide email dated June 24, 2021 informed SEBI that GIFL appointed Shri P.K. Kuriachen and M/s Shantilal Dand & Co. CS & Law firm to investigate the matter. GIFL will receive investigation report from P.K. Kuriachen and M/s Shantilal Dand & Co. CS & Law firm on June 28, 2021. In view of the same GIFL requested for final adjournment till July 07, 2021. • In view of the above, the proceedings of cross examination adjourned.
	June 24, 2021	July 02, 2021	• 26 Noticees Appeared. • GIFL did not appear. However, GIFL vide email dated July 02, 2021 submitted the investigation report received from CS Ketan S Dand, M/s Shantilal Dand & Co. CS & Law firm.

Witness name	Date of SEBI Notice / email	Date of Cross Examination	Remarks
			GIFL upon perusal of said report submitted that the matters needs to be further investigated due to insufficient documents. GIFL also submitted that Report from Shri P.K. Kuriachen is still pending for the reason of insufficient documents. - With regard to the cross examination GIFL vide said email submitted <i>inter alia</i> as under: <i>“.....In regard to the cross examination which is scheduled for today, we hereby say and submit that it will not be a conclusive step at this point of time without knowing the facts; as this is a matter of year 2011-12 wherein there was a different set of Directors. All those Directors have been resigned long back. Now we are unable to ascertain and find out the truth in absence of documentary evidence as well as not able to reach to Mr. Pravin Sawant, who was the head of management at that point of time. Saying or replying “I don’t know; I am not aware of; will try to find out” will not make sense of holding cross examination, according to our opinion.....”</i> - It is noted that 4 opportunities was granted to GIFL to appear as witness for cross examination in the matter. On each 3 occasions, GIFL on last moment i.e. just before the start of cross examination proceedings had requested for adjournments and did not appeared whereas on these 3 occasions all 26 Noticees appeared. - Hence, in view of the above, considering (a) sufficient opportunity to appear for cross examination was granted to GIFL; (b) GIFL did not appear; (c) the investigation report dated July 01, 2021 of CS Ketan S Dand submitted by GIFL; (d) dilatory tactics of GIFL for non-appearance; (e) all 26 Noticees appeared and (f) in the interest of fair proceedings to all the Noticees, the proceedings of cross examination in matter is closed.

41.2.2. I also noted that Noticee No. 45 & 46 vide letter / email dated May 06, 2021 had stated that they are not promoter of GIFL and had requested for cross examination of GIFL. In this regard, I find the following:

41.2.2.1. There is no allegation in the SCN against Noticee No. 45 & 46 that they were / are promoter of GIFL.

41.2.2.2. The allegation in the SCN against Noticee No. 45 & 46 is that they were / are preferential allottees connected to GIFL.

41.2.2.3. The request for cross examination of GFIL by Noticee No. 45 & 46 was received by SEBI only after granting opportunity of cross examination to the alleged promoters.

In view of the above, as Noticee No. 45 & 46 were / are not allegedly the promoter of GIFL, the question of cross examination does not arise and therefore, their request for cross examination of GIFL was not acceded to.

41.3.Delay in Issuance of SCN:

41.3.1. Some of the Noticees have submitted that the present SCN is issued after a gap of more than 6 years or almost 7 years from the date of transactions in shares of GIFL. However, no reasons have been mentioned in the SCN for belatedly initiating present proceedings after an unexplained delay of more than 6 years.

41.3.2. In this regard, I note that as a generally accepted principle regarding enforcement action by any enforcement authority, investigation / inquiry against any subject entity and the consequent action in pursuance of the same should be completed in a reasonable time frame which would serve the objective of balancing the rights of the persons subjected to enforcement action and the investors whose rights are being protected through enforcement proceedings. However, it is equally true that the time consumption in investigation or consequent enforcement actions can be caused due to multiplicity of factors such as the violation coming to the notice of the enforcement authority on a later date, the requisite data / material not being readily available, non-cooperation by the subject entities, pendency of connected matters before other courts / authorities, etc.

41.3.3. In the present case, it is relevant to mention that time lag was caused on account of many reasons including the violation coming to SEBI's notice on a later date, non-cooperation by certain Noticees, etc. At this point, it is important to mention that no case been made out by the said Noticees that any prejudice was caused to them on account of the time consumption in initiation of investigation / enforcement proceedings in the present matter. In this context, I find it relevant to refer to the following order passed by Hon'ble SAT:

41.3.3.1. In the case of *Metex Marketing Pvt. Ltd. vs. SEBI* (order dated June 4, 2019) wherein Hon'ble SAT held that: *"This Tribunal has consistently held that in the absence of any specific provision in the SEBI Act or in the Takeover Regulations, the fact that there was a delay on the part of SEBI in initiating proceedings for violation of any provision of the Act cannot be a ground to quash the penalty imposed for such violation."*

41.3.3.2. In Appeal No. 482 of 2020 in the matter of *Rajendra Hukumchand Gupta. vs. SEBI* (order dated June 8, 2021) wherein Hon'ble SAT held that: *"As regards the issue of delay in issuing the notice we find that the appellant was not at all prejudiced by the issuing of notice on 29th October, 2020, as he could not show any inability to defend the proceeding due to any delay. The respondent SEBI was required to carry investigation and then issue notice in the case and therefore this plea cannot be sustained."*

41.3.4. In view of the above, I find that no prejudice has been caused to the Noticees. Hence, I do not find any merit in the said submission of the Noticees.

41.4. Strict Proof / Compelling Evidence required for a serious charge of fraud:

41.4.1. Some of the Noticees have submitted that it is well-settled law that the taint of 'fraud' cannot be attached or charged on preponderance of probability. In fact, compelling evidence should be brought on record for a person / entity to be held liable for 'fraud'. Noticees had placed reliance on various case laws, with regard to the nature of evidence required to sustain the allegation of fraud and test of evidence in civil proceedings.

41.4.2. In this regard, my reliance is placed on the observations made by the Hon'ble Supreme Court, in the matter of *SEBI v. Kishore R. Ajmera [(2016) 6 SCC 368]*, wherein Hon'ble Supreme Court observed that: *"...According to us, knowledge of who the 2nd party/ client or the broker is, is not relevant at all. While the screen based trading system keeps the identity of the parties anonymous it will be too naive to rest the final conclusions on said basis which overlooks a*

meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed there under is concerned.... The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors....”

41.4.3. I further note that Hon’ble Supreme Court in the matter of *Kanaiyalal Baldev Bhai Patel v. SEBI [(2017) 143 SCL 124 (SC)]* have observed that: “...To attract the rigor of Regulations 3 and 4 of the 2003 Regulations, mens rea is not an indispensable requirement and the correct test is one of preponderance of probabilities...” “...The inferential conclusion from the proved and admitted facts, so long the same are reasonable and can be legitimately arrived at on a consideration of the totality of the materials, would be permissible and legally justified...”

41.4.4. Thus, in view of the aforesaid holding of Hon’ble Supreme Court, I am of the view that to establish ‘fraud’ under PFUTP Regulations, direct proof / evidence would rarely be found. In the absence of such direct evidence, it would be justified to draw conclusion with respect to fraud from various other attending circumstances. Hence, the degree of proof required to determine fraud under PFUTP Regulation is preponderance of probability, which can be gathered from various attending circumstances. Thus, in view of above, I do not find any merit in the said contention of the said Noticees.

41.5. Specific measures proposed to be taken by SEBI:

41.5.1. Some of the Noticees submitted that SEBI has to provide notice of what specific measures SEBI is contemplating, so that the Noticees are able to present their case on the suitability / appropriateness or otherwise of the specific measures proposed. Reliance has been placed by the said Noticees on order of Hon’ble Supreme Court in the matter of *Gorkha Security Services v. Govt. of NCT of*

Delhi & Ors., (decided on 04.08.2014), wherein Hon'ble Supreme Court ruled that it would be incumbent for a show cause notice to contain the exact nature of the measure that it proposes to take, failing which, the order passed would be violative of the principles of natural justice and would be liable to be set aside.

41.5.2. In this regard, I note that vide SCN dated March 01, 2018, Noticees has been called upon to show cause as to why suitable directions under Sections 11(1), 11(4) and 11B of the SEBI Act, 1992 should not be issued against the Noticees for the violations as alleged in the SCN. Furthermore, the SCN issued to the Noticees unequivocally states provisions under which preventive measures, if any, would be issued. One such provision mentioned in the SCN is Section 11(4) (b) of SEBI Act which states that upon completion of an inquiry, a person can be restrained from accessing the securities market and can also be prohibited from being associated with the securities market. Thus, it is incorrect to contend that the Noticee was unaware of the directions that may be issued against it. Thus, the argument of the Noticees is not sustainable, as the specific measures intended to be adopted by SEBI against the Noticees are as envisaged under Section 11(4) of SEBI Act as articulated in the SCN.

41.5.3. Further, I also note that the matter of *Gorkha Security Services* is factually distinguishable from the extant matter. The matter of *Gorkha Security Services* dealt with the liability arising out of the breach of contractual terms which was penal in nature and resulted in the entity being blacklisted from entering into future public contracts floated by the government. In the current matter, the issue at hand is breach, if any, of the mandatory provisions of law and consequently any directions, if issued, will be for the orderly growth of the securities market and protection of the interests of the investors. The very approach and principles based on which the questions raised in the matter of *Gorkha Security Services* were settled was in relation to fundamental right of the entity emanating from Article 14 of the Constitution of India, 1950 which speaks of equality before the law and equal protection of the laws and consequential deprivation of entity's equality of opportunity in the matter of public contract. Whereas, the extant matter deals with the provisions of a comprehensive Regulation framed under SEBI Act with the object of ensuring investors' protection and the orderly and healthy growth of the securities market.

Directions, if any issued, would be for the protection of investors. Therefore, the current matter cannot be compared, with *Gorkha Security Services*.

41.5.4. Thus, in view of above, I do not find any merit in the said contention of the said Noticees.

41.6. Clubbing of multiple proceedings:

41.6.1. With regard to the multiple proceedings (Adjudication Proceedings and proceedings under section 11B of SEBI Act) initiated against Noticee No. 42, 43 & 44, it has been submitted that in view of the amendment dated March 08, 2019 to the SEBI Act, 1992 the adjudication proceedings initiated vide Show Cause Notice dated January 08, 2018 by the Ld. Adjudicating Officer, SEBI against them be dropped / withdrawn and same may please be covered under present proceedings. In this regard, I note the following:

41.6.1.1. Adjudication Proceedings against Noticee No. 42, 43 & 44 was initiated vide SCN dated January 08, 2018;

41.6.1.2. Proceedings under section 11B of SEBI Act was initiated vide SCN dated March 01, 2018;

41.6.1.3. Amendment to the SEBI Act, 1992 wherein Board may, by an order, levy penalty under Sections 15A, 15B, 15C, 15D, 15E, 15EA, 15EB, 15F, 15G, 15H, 15HA and 15HB after holding an inquiry in the prescribed manner had come in to effect on March 08, 2019.

41.6.2. In view of the above, I note that the said multiple proceedings were initiated prior to the amendment dated March 08, 2019 to the SEBI Act, 1992 when the Board was conferred powers under Section 11B(2)/114A of SEBI Act to impose monetary penalty. The quasi-judicial authority in the present proceedings adjudges the allegations made in the present SCN. It is beyond the scope of the present proceedings to adjudge on the the allegations made by a different authority, the Adjudicating Officer vide its SCN dated January 08, 2018. Hence, the argument of the Noticee No. 42, 43 & 44 in this regard cannot be accepted.

42. I now proceed to deal the matter on merits. Before moving forward, it would be appropriate to refer to the relevant provisions of PFUTP Regulations, which read as under:

PFUTP Regulations

Regulation 3. Prohibition of certain dealings in securities

“No person shall directly or indirectly

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

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

- (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*
- (2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—*
 - (a) indulging in an act which creates false or misleading appearance of trading in the securities market;*
 - (b)*
 - (c)*
 - (d)*
 - (e) any act or omission amounting to manipulation of the price of a security;*

ISSUE No. 1: Whether Noticee No. 13 to 36 were / are promoters of GIFL and Noticee No. 37 to 41 were / are promoter related entities? Whether Noticee No. 13 to 41 are connected to entities allegedly involved in price manipulation i.e. LTP

contributors (Noticee No. 1 to 7) through GIFL (Noticee No.8) and thereby involved in a fraudulent scheme, selling the shares of GIFL at artificially inflated prices and have thus violated the provisions of Regulation 3(a), (b), (c), (d) and Regulation 4(1) of PFUTP Regulations as alleged in the SCN?

43. It is alleged in the SCN that as per the shareholding patterns of GIFL for quarter ending December 2011 and September 2012 filed with BSE, Noticee No. 13 to 36 (24 entities) are promoters of GIFL, thereby Noticee No. 13 to 36 were / are connected to GIFL. It is also alleged in the SCN that Noticee No. 37 to 41 are promoter related entities.
44. With regard to the allegation that Noticee No. 13 to 36 are promoter of GIFL, they have made the following submissions:
- 44.1. They were never promoters of GIFL. They were never connected / related with the Directors / Promoters of GIFL or with GIFL. They have never given any concurrence to the Company or anybody else to act or get classified as promoter of the Company. A mere classification made by the company for the purpose of submitting shareholding details to BSE does not make them a promoter of the company. Noticees have requested for cross examination of GIFL.
- 44.2. They do not fall in the category of promoter as per the definition of promoter under Regulations 2(l)(za) of ICDR Regulations.
- 44.3. They have not been on the board of the company. They have never been concerned with the management and/or day-to-day affairs of GIFL. They are just a public shareholder. That they have never held any significant shareholding at any point of time in the Company.
- 44.4. Some of the Noticees submitted that false disclosures were made to BSE, which classify them as promoters by using their forged signatures. With regard to forgery, Noticee No. 17 to 21, 23 to 26, 30 to 33, 35, 36 (15 Noticees) have lodged a police complaint as well as an FIR with Police Station.
45. The Regulation 2(za) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as “**ICDR Regulations**”) defines promoter, which read as under:

“promoter” includes:

- (i) the person or persons who are in control of the issuer;*
- (ii) the person or persons who are instrumental in the formulation of a plan or programme pursuant to which specified securities are offered to public;*
- (iii) the person or persons named in the offer document as promoters:*

Provided that a director or officer of the issuer or a person, if acting as such merely in his professional capacity, shall not be deemed as a promoter:

Provided further that a financial institution, scheduled bank, foreign portfolio investor and mutual fund shall not be deemed to be a promoter merely by virtue of the fact that ten per cent or more of the equity share capital of the issuer is held by such person;

Provided further that such financial institution, scheduled bank and foreign portfolio investor shall be treated as promoter for the subsidiaries or companies promoted by them or for the mutual fund sponsored by them:

46. From the above definition of promoter, I note that promoter includes (i) the person or persons who are in control of the issuer; (ii) the person or persons who are instrumental in the formulation of a plan or programme pursuant to which specified securities are offered to public; and (iii) the person or persons named in the offer document as promoters. In the present case, I find that the allegation against Noticee No. 13 to 36 is on the basis of the Company’s version that they are promoters as mentioned in the shareholding pattern.
47. I find that the documents available on record which suggest that Noticee No. 13 to 36 are promoters of GIFL are (a) disclosures of promoter shareholding patterns of GIFL for quarters ending December 2011 to September 2012 filed by GFIL with BSE (**Documents A**); (b) the disclosures of some Noticees as promoters regarding their acquisition / sale of shares of GIFL in the December 2011 – January 2012 and in the year 2014 under PIT Regulations and SAST Regulations available with BSE (**Documents B**); and (c) Noticees No. 23, 24, 27 to 34 letters submitted to SEBI in December 2014 and January 2015, stating / accepting that they were categorized as promoters of GIFL since December 2011 (**Documents C**). Now, I proceed to determine whether these documents can be relied upon in this proceeding or not.

48. **Documents A:**

48.1. As per the disclosures regarding shareholding pattern of GIFL available on BSE website, the details of shareholding of promoters as on December 31, 2011 are as under:

As on December 2011

Sr. No.	Name of the Promoter	No. of shares held	Percentage of total shareholding
1	Radhe Shyam Poddar & Sons (HUF)	4,90,000	14
2	Moongipa Development & Infrastructure Ltd	1,00,000	2.86
3	Shivshakti Enclaves Pvt Ltd	1,00,000	2.86
4	Mehar Lokesh Gurnani	1,00,000	2.86
5	Kishor Premchand Laharani	1,00,000	2.86
6	Kishor Premchand Laharani (HUF)	1,00,000	2.86
7	Punit Kishor Laharani	1,00,000	2.86
8	Reena Kishor Laharani	1,00,000	2.86
9	Lokesh Shankar Gurnani	1,00,000	2.86
10	K L Venture Capital Pvt Ltd	1,00,000	2.86
11	Dilip B Jivrajka	1,00,000	2.86
12	Ashok B Jivrajka	1,00,000	2.86
13	Surendra B Jivrajka	1,00,000	2.86
14	Nitin Kr. Dindayal Didwania	1,00,000	2.86
15	Niti Nitin Kumar Didwania	1,00,000	2.86
16	Ashish Begwani (HUF)	80,000	2.29
17	Deepak Kumar G Agarwal	50,000	1.43
18	Karishma Deepak Agarwal	50,000	1.43
19	Sangeeta N Agarwal	20,000	0.57
20	Nawal Basudeo Agarwal	20,000	0.57
21	Faiz Mohammad Salim Khan	20,000	0.57
22	Sunita Agarwal	20,000	0.57
23	Rajesh B Agarwal	20,000	0.57
24	Anita S Agarwal	20,000	0.57
25	Rajan Mittal	20,000	0.57
26	Sanjay Basudeo Agarwal	18,000	0.51
27	Debraj Shome	7,500	0.21
28	Suman Anchalia	4,000	0.11
29	Dilip Kr. Jain Ranulal	3,000	0.09
30	Anant Jain	3,000	0.09

Sr. No.	Name of the Promoter	No. of shares held	Percentage of total shareholding
31	Nirmala Bai Kochar	2,500	0.07
32	Jagdish Sharma	2,000	0.06
	Total	22,50,000	64.28

48.2. From the document available on record, it is noted that SEBI has relied upon the Company's version of disclosure in which Noticee No. 13 to 36 were being classified as promoter of GIFL. I note that Noticees (alleged promoters) have denied that they were the promoters of GIFL and were unaware of them being classified as promoters of GIFL. I also note that these alleged promoter / Noticees have requested for cross examination of GIFL. In the interest of principle of natural justice and fair proceedings, Noticees no. 13 to 36 have been given the opportunity of cross-examining the version of GIFL to BSE which categorized the Noticees as promoters of GIFL. However, I note that GIFL did not appear for cross examination, due to which Noticees was not able to cross-examine the version of GIFL disclosing them as promoter. Hence, in fairness of the proceeding and in the view of the disputed version of GIFL and the failure of GIFL to present for cross examination, I am of the view that the version of disclosure of GIFL to BSE for categorization of Noticees No. 13 to 36 as promoters of GIFL cannot be relied upon in the present proceedings.

49. **Documents B:**

49.1. Some of the Noticees submitted that false disclosures were made to BSE, which classify them as promoters by using their forged signatures. With regard to forgery, some Noticees have lodged a police complaint as well as an FIR with Police Station. Upon perusal of the SCN, it is noted that disclosures of these Noticees under SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as "**PIT Regulations**") and SEBI (Substantial Acquisition of Shares and Takeover) Regulations, 2011 (hereinafter referred to as "**SAST Regulations**") available on BSE website does not form the basis of allegation in the SCN.

49.2. Further, upon perusal of GIFL's investigation report dated July 01, 2021 conducted by CS Ketan S Dand on the matter of '*inclusion of the names of some individuals as*

the promoters of the company', it is noted that the said investigation report has given its finding *inter alia* on the basis of disclosures available with BSE under PIT Regulations and SAST Regulations purportedly signed either by the person named therein as Promoter or by a Director of GIFL i.e. Documents B. The finding as mentioned in the said investigation report on these disclosures are *inter alia* as under:

“

- *Further I can see differences in the signatures of the same person in different years in different documents.*
- *I am neither qualified nor professionally required to verify the signatures. It is beyond my scope of profession to comment on veracity of signatures. But as a professional it is apparent to me that there are several inconsistencies in the signatures.*
- *From my perusal of all the aforementioned documents, I can state that no document has come to my notice which conclusively satisfies me that such individuals were promoters of the company. The available documentation is not sufficient to come to the conclusion and the veracity of signatures on some of the documents available is also questionable, even for a casual observer. Also, in view of the lockdown, sufficient documentation is not available to investigate for the same. Therefore, I can state that, basis the documents mentioned in this certificate, it cannot be concluded that the 24 persons so named above in point no. 2 above were promoters of the Company, unless further incontrovertible evidence, on either side, comes to record....”*

49.3. It is also noted that, in the present case, some Noticees have made their submission on these disclosures. Therefore, the disclosures of some Noticees regarding their acquisition of shares of GIFL as available on BSE under PIT Regulations and SAST Regulations were perused. Upon perusal of these disclosures following is noted:

49.3.1. The disclosures filed were purportedly signed by some Noticees as promoter of GIFL.

49.3.2. These disclosures of Noticees have been filed in January 2012 and year 2014.

49.3.3. It appears that some of the disclosures available with BSE under Regulation 13(4A) of PIT Regulations of some Noticees have been filed as an attachment by GIFL as part of its requirement of filing disclosures under Regulation 13(6) of PIT Regulations with BSE.

49.3.4. It also appears that some of the disclosures filed under PIT Regulations and SAST Regulations of some Noticees in January 2012 have been filed by the GIFL with BSE. Because in some disclosures, at the top there appears a name

of director of GIFL i.e. Mr. Ashok Bothra and phone number is also mentioned. This shows that these disclosures were faxed by Mr. Ashok Bothra to BSE.

49.3.5. Some of the Noticees claimed that their signature was forged; I note that the burden of proof is on them to prove that their signature was forged and they were made the Promoters of the company without their knowledge. The said principle has also been recognized by various Courts in a catena of cases. Further, some of the Noticees have submitted that with regard to forgery they have filed police complaints / FIR with police station. However, no order from the Competent Court in their favor determining the issue of forgery was placed before this proceeding. Neither have the Noticees produced any documents / orders from the Competent Authority to the effect that they were fraudulently depicted as promoter of GIFL.

Thus, upon perusal of these disclosures coupled with the findings of GIFL investigation report dated July 01, 2021, I find that reliability of the disclosures filed in the year 2012 and those filed in year 2014 becomes questionable especially in view of the GIFL investigation report dated July 01, 2021.

49.4. Hence, in the present matter, in view of the above and coupled with (a) non-appearance of GIFL or any of its directors for cross examination and (b) findings of GIFL investigation report mentioned above, I am of the view that the documents / disclosures submitted by GIFL to BSE or available with BSE under PIT Regulations and SAST Regulations becomes questionable in terms of its reliability and therefore, much weightage cannot be given to these documents.

50. **Documents C:**

50.1. It is noted that during the course of investigation, SEBI vide letters dated December 05, 2014 to Noticees No. 13 to 36 had informed them that they were holding shares of GIFL under category of promoter for quarter ended December 2011 and had requested them to clarify that since when they were categorized as promoter. In this regard, from the documents available on record, following is noted:

50.1.1. Noticee No. 23, 24, 30, 31, 32 & 33 vide identical but separate letters dated January 05, 2015; Noticee No. 29 vide letter dated December 19, 2014 and Noticee No. 27, 28 & 34 vide identical but separate letters dated January 01, 2015, had stated that they were categorized as promoters of Global Infratech & Finance Limited since December 2011.

50.1.2. Noticee No. 13 vide letter dated December 15, 2014 stated that he was only a shareholder of GIFL and not the promoter of GIFL and he had never signed or given any intimation to GIFL and Stock Exchanges of him being as a promoter of GIFL.

50.1.3. Noticee No. 22 had submitted an invoice towards purchase of GIFL shares, however did not mention anything about the status as promoter of GIFL.

50.1.4. Noticees no. 14 to 21, 25, 26, 35 and 36 did not submit any response.

50.2. With regards to the letters mentioned as paragraph 50.1.1. above, SEBI vide email dated June 18, 2021 had advised Noticee No. 23, 24, 27 to 34, to submit their written submission on said letters on or before June 23, 2021 and make their oral submission on June 24, 2021. In this regard, (i) Noticee No. 29 vide email dated June 23, 2021 and during the course of hearing dated June 24, 2021; (ii) Noticee No. 27, 28 and 34 vide email dated June 24, 2021 and during the course of hearing dated June 24, 2021; and (iii) Noticee No. 23, 24, 30, 31 32 and 33 during the course of hearing dated July 02, 2021 had *inter alia* made following submissions:

50.2.1. GIFL itself has acknowledged that there has been an error in categorization of many shareholders in promoter / promoter group vide their board meeting held on February 14, 2020.

50.2.2. To the best of their knowledge they have not signed any such letter but the signatures in these letters appears to be theirs.

50.2.3. The letter seems to have been prepared hurriedly and informally as there are no details of the signatory.

50.2.4. The language of the letter does not states that they have given any consent to act as promoter, it only states that they were “classified as promoter”.

50.2.5. In the absence of any concurrence from them to be categorised as promoter, they have not acted as promoter as defined in the companies act or other SEBI Regulations.

50.2.6. They have never actively been a part of the affairs of GIFL.

50.2.7. In respect of Noticee 27, 28, 29 & 34; the said letters are on GIFL letter head which is incomplete.

50.2.8. Noticee No. 29 is a plastic surgeon and invests in the capital market to get good returns.

50.2.9. Noticee 27, 28, & 34 run a family business, dealing in textiles. They do not have any connection / communication / interaction with other entities and have been fraudulently classified as promoters by GIFL.

50.3. Thus, considering the replies of these Noticees and upon perusal of these letters, I find that (a) the signature of the Noticees have not been denied by them; b) some letters are on GIFL letter head. It does not stand to reason how the response of the the individual Noticee have come in the GIFL letter head; (c) Apart from name and signature, no other details of Noticees are mentioned in these letters, like address of the Noticees, phone number, email id, profession of Noticees etc. which in my opinion is strange.

50.4. Thus, in view of the above and coupled with (a) the submission of Noticees that they were never involved in the affairs of GIFL in any manner and did not know the directors of GIFL; (b) no documentary evidence is available on record of involvement of these Noticees in managing the affairs of GIFL or their awareness of knowing directors of GIFL; (c) Non-appearance of GIFL for cross examination; and (d) findings of GIFL investigation report mentioned at paragraph 49.2 above that current documents available in the present proceedings does not lead credence to a reasonable conclusion that these Noticees were promoters of the company.

50.5. Further, the said letters did not also constitute as an evidence to suggest that these Noticees falls within the definition promoters under Regulation 2(za) of ICDR Regulations i.e. the said letters did not states that they are (i) in control of the issuer i.e. GIFL; (ii) instrumental in the formulation of a plan or programme pursuant to which specified securities are offered to public; or (iii) are named in the offer document as promoters. Therefore, with the current documents available in the present proceedings it is difficult to reasonably conclude that these Noticees were promoters of GIFL.

51. Thus, in the absence of any documentary evidence coupled with the findings of GFIL investigation report dated July 01, 2021, I am of the view that it is difficult to reasonably conclude that Noticees No. 13 to 36 were promoters of GIFL. Hence, the allegation that Noticees No. 13 to 36 were connected to GIFL by virtue of their being promoters of GIFL does not stand established.

52. With regard to the allegation that Noticee No. 37 to 41 are promoter related entities, following connection with the alleged promoters have been alleged in the SCN:

S.No.	Noticee No.	Noticee Name	Details of Connection
1	37	Nitin Babubhai Mehta	Received shares in physical transfer from Nitin Kumar Dindayal didwania and Niti Nitinkumar Didwania who were promoters of the company
2	38	Vivek Kumar Anchalia	Share common kyc address with promoter Suman Anchalia (Noticee No. 22)
3	39	Deepak Ganeshkumar Agarwal HUF	Share common kyc address with promoter Deepakkumar Ganeshkumar Agrawal (Noticee no. 36)
3	40	Kaushalaya Agarwal	Share common kyc email address with promoter Nawal Basudev Agarwal (Noitcee No. 24) and promoter Sangeeta Nawal Agarwal (Noticee No. 23)
4	41	Poonam Anchalia	Share common kyc address with promoter Suman Anchalia (Noticee No. 22)

53. From the submission of Noticee No. 38, 39, 40 & 41 it is noted that they have not denied their aforesaid connections. It is noted the Noticee No. 36 is the karta of Noticee No. 39 and the same has been accepted by them. Noticee No. 24 and Noticee 23 have accepted that Noticee No. 40 is their family member. Further, it is observed that Noticee No. 38 and 41 are the family member of Noticee No. 22 and the same has also not been denied by Noticee No. 22. However, in the preceeding paragraphs, it has been determined that the allegation that Noticees No. 22, 23, 24 and 36 were promoters of GIFL during investigation period does not stand established. Thus, I am of the view that Noticee No. 38, 39, 40 & 41 were not promoter related entity and thereby the connection of Noticees 38, 39, 40 & 41 that they are connected to GIFL through the said promoter also fails.

54. Upon perusal of the SCN, it is observed that Noticee No. 37 has been alleged as a promoter related entities on the ground that Noticee No. 37 had received or purchased shares of GIFL from erstwhile promoters of GIFL namely Nitin Kumar Dindayal Didwania and Niti Nitinkumar Didwania and hence Noticee No. 37 was a promoter related entity. In this regard, from the submission of the Noticee No. 37, it is noted that he accepted that he had received shares in physical transfer from Nitin Kumar Dindayal Didwania and Niti Nitinkumar Didwania.
55. With regard to the status of Nitin Kumar Dindayal Didwania and Niti Nitinkumar Didwania as erstwhile promoters of GIFL, I note that Nitin Kumar Dindayal Didwania and Niti Nitinkumar Didwania were shown as promoters of GIFL in shareholding pattern of GIFL for quarter ending December 2011 filed with BSE. I also note that apart from shareholding pattern of GIFL for quarter ending December 2011 filed with BSE, no other documents that has been brought on record which indicates that Nitin Kumar Dindayal Didwania and Niti Nitinkumar Didwania were promoters of GIFL. Thus, considering the facts and circumstances of present case and the findings mentioned at paragraph 48 and findings of GIFL investigation report dated July 01, 2021, I am of the view that the documents / disclosures submitted by GIFL to BSE for categorization of Nitin Kumar Dindayal Didwania and Niti Nitinkumar Didwania as promoters of GIFL for quarter ending December 2011 also cannot be relied upon in the present proceedings. Hence, I find that there is no documentary evidence available on record which suggests that Nitin Kumar Dindayal Didwania and Niti Nitinkumar Didwania are erstwhile promoters. Therefore, in the absence of any documentary evidence coupled with the findings of GIFL investigation report dated July 01, 2021, I am of the view, that the current evidence available on record, does not suggest that Nitin Kumar Dindayal Didwania and Niti Nitinkumar Didwania were promoters of GIFL in December 2011. Therefore, the allegation that Noticee No. 37 who bought shares of GIFL from erstwhile promoters, Nitin Kumar Dindayal Didwania and Niti Nitinkumar Didwania cannot be said to be a promoter related entity or connected to GIFL.
56. In the preceedings paragraphs, it has been established that on the basis of current evidence Noticee No. 13 to 36 cannot be said to be promoters of GIFL and thus Noticee No. 37 to 41 cannot be said to be promoter related entities and thus they cannot be said to be

connected to the GIFL. Thus, I am of the view that they also cannot be said to be connected to the entities allegedly involved in price manipulation i.e. LTP contributors – Noticee No.1 to 7, through GIFL, during the investigation period. Hence, the allegation that Noticee No. 13 to 41 are connected to Noticee No. 1 to 7 through GIFL fails.

57. Further upon perusal of the SCN, I find that there is no allegation against Noticee No. 13 to 41 that the trades of Noticee No. 13 to 41 had resulted into LTP contribution, price manipulation, volume manipulation, circular trades, reversal trades, synchronized trades, etc. The only allegation in the SCN against Noticee No. 13 to 41 is that they are connected to GIFL and LTP contributors and sold shares at artificially inflated prices and thereby involved in fraudulent scheme.

58. As determined in preceding paragraphs, that Noticee No. 13 to 36 cannot be said to be promoters of GIFL and Noticee No. 37 to 41 cannot be said to be promoter related entities and thereby cannot be said to be connected to GIFL or connected to entities involved in price manipulation i.e. LTP contributor – Noticee No. 1 to 7, therefore, the question of dealing with other submissions of Noticee No. 13 to 41 does not arise.

59. Hence, in view of the above coupled with (a) the findings that Noticees No. 13 to 41 cannot be said to be connected to GIFL or connected to entities involved in price manipulation i.e. LTP contributor – Noticee No. 1 to 7; and (b) no allegation against Noticee No. 13 to 41 of LTP contribution, price manipulation, volume manipulation, circular trades, reversal trades, synchronized trades, etc in SCN, I am of the view that Noticees No. 13 to 41 cannot be said to be involved in the alleged fraudulent scheme. Hence, the allegation of violation of Regulation 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations against Noticees No. 13 to 41 does not stand established.

ISSUE No. 2: Whether GIFL (Noticee No. 8) and / or its directors (Noticee No. 9 to 12) were part of a fraudulent scheme to make preferential allotment and to manipulate the price of the scrip to benefit the promoter entities, promoter related entities and connected preferential allottees and thereby violated the provisions of Regulation 3 (a), (b), (c) and (d) and regulation 4(1) of PFUTP Regulations as alleged in the SCN?

ISSUE No. 3: *Whether Noticee No. 1 to 7 have traded in the shares of GIFL in the market as part of fraudulent scheme to increase the price of the scrip of GFIL and thereby violated the provision of Regulation 3(a),(b),(c),(d) and Regulation 4(1), 4(2)(a) & 4(2)(e) of PFUTP Regulations as alleged in the SCN?*

ISSUE No. 4: *Whether Noticee No. 42 to 46 were / are preferential allottees connected to GIFL? Whether Noticee No. 42 to 46 are connected to entities allegedly involved in price manipulation i.e. LTP contributors (Noticee No. 1 to 7) through GIFL (Noticee No.8) and thereby involved in a fraudulent scheme, selling the shares of GIFL at artificially inflated prices and have thus violated the provisions of Regulation 3(a), (b), (c), (d) and Regulation 4(1) of PFUTP Regulations as alleged in the SCN?*

60. It is observed that the above 3 issues are inter-connected and are part of a larger scheme and therefore are dealt with together.

Sub-Issue (a): *Whether GIFL (Noticee No. 8) and / or its directors (Noticee No. 9 to 12), have made and are responsible for two preferential allotments and transferred part of the preferential allotment proceeds to JMD Sounds Ltd and Denim Developer Ltd? Whether GIFL is connected with JMD Sounds Ltd, Denim Developer Ltd and Unisys Softwares Holding and Industries Limited?*

61. It is noted that the period of investigation was from June 25, 2012 to September 04, 2014. Prior to the investigation period, GIFL had made two preferential allotments on January 19, 2012 and June 12, 2012. In the first preferential allotment on January 19, 2012, GIFL allotted 1,05,05,000 shares to 49 entities. In the second preferential allotment on June 12, 2012, GIFL allotted 98,50,000 shares to a further 44 entities. The shares allotted in preferential allotments were under lock-in for one year as per ICDR Regulations. Further, it is noted that there was stock split in the ratio of 1:10 with effect from December 13, 2012.

62. During the preferential allotments and at the time of stock split, the details of the Board of Directors of GIFL were as under:

Noticee No.	Name	Director	Appointment Date	Cessation Date
10	Jagdish Chander Sharma	Executive Director	01-May-01	17-Apr-13
11	S Krishna Rao	Independent Director	7-Feb-11	05-Feb-14
12	Ashok Bothra	Independent Director	7-Feb-11	04-Dec-14
9	Pravin Tukaram Sawant	Executive Director	23-Jun-11	12-Feb-15

63. It is also noted that GIFL had received Rs.15.75 crore as allotment proceeds from its first preferential allotment in January 2012. From the bank statement, it is observed that out of the said money, GIFL transferred Rs.3.5 crore to JMD Sounds Ltd (hereinafter referred to as “**JMD**”). Similarly, GIFL had received Rs.14.77 crore as allotment proceeds from its second preferential allotment in June 2012. Out of the said money, GIFL transferred Rs.3 crore to JMD and Rs.2.25 crore to Denim Developer Ltd (hereinafter referred to as “**Denim**”). Thus, I note that GIFL is connected with JMD and Denim.

64. It is also noted that GIFL is connected with Unisys through a common director.

65. I note that GIFL (Noticee No. 8) had not submitted any reply or written submission in the matter, however, has appeared for hearing. It is noted that during the course of hearing, GIFL did not make any submission with regard to the two preferential allotments; stock split; fund transfer to JMD and Denim; and its connection with JMD, Denim and Unisys. GIFL simply stated that earlier officers / directors are not in touch with the Company and new management has taken over the company in July 2017.

66. I also note that Noticee No. 9 and 10 have not submitted any reply in the matter.

67. Noticee No. 12 submitted that preferential allotment made by GIFL was in consonance with the applicable SEBI Regulations, Listing Agreements provisions and with approval of shareholders and Stock Exchange.

68. During the course of hearing, Noticee No. 11 submitted that the preferential allotment is not in question i.e. allotment is not alleged to be in violation of SEBI regulations. He will be held responsible / liable only if the allotment is questionable. The said allotment is cleared by the stock exchange and due process was followed. In this regard, I note that

paragraph 12.3 of the SCN clearly alleged that Noticee 8 to 12 which includes Noticee No. 11 “....were part of the manipulative scheme to make preferential allotment and manipulate the price, through entities connected to company and promoter, to benefit promoter, promoter related entities and connected preferential allottees. Thereby, it is alleged that Noticee No. 8 to 12, have violated Regulation 3 (a),(b),(c) and (d) and regulation 4(1) of PFUTP Regulations.”. Thus, I find that making preferential allotment was alleged to be part of a manipulative scheme and is so alleged in the SCN. Hence, I do not find any merit in the said contention of Noticee No. 11.

69. Noticee No. 12 further submitted that he joined as an Independent Director on the board of GIFL on February 07, 2011. His role as an independent director is very limited and restricted. He was not involved in day to day management and affairs of GIFL. He did not hold any shares of GIFL. He was not a shareholder in GIFL. Further, Noticee No. 11 also submitted that he was an independent director during the investigation period and not an executive director. As an independent director, his concern / responsibility is whether there was any adverse effect on shareholders by virtue of such allotment. As there was no price fall, whereas there was an increase in price of the scrip of GFIL due to which the shareholders are not affected. Hence, there was no adverse effect on shareholders.
70. I am of the view that preferential allotment cannot be passed with the approval, consent and knowledge of the directors of the company at the relevant time. I note that there is a disclosure made by the company on BSE relating to the approval of preferential allotments in its board meetings held on December 01, 2011 and May 03, 2012; approval of allotment of shares on preferential basis in its board meeting held on June 12, 2012 and January 19, 2012; and approval of stock-spilt in its board meeting held on October 29, 2012. The facts and circumstances of this case indicate that the board of directors of GIFL at the relevant time were responsible for approving and implementing the scheme of preferential allotment. The series of events starting from compliance with listing regulations to bring the company alive for trading in the stock exchange platform that was dormant for years and the approval of the preferential allotment, approval of allotment of shares, approval of stock-spilt by the board were pre-arranged/ premediated in order to achieve the end objective of the scheme in question.

71. Further, I note that the position of a ‘director’ in a public/ listed company comes along with responsibilities and compliances under law associated with such position, which have to be fulfilled by such director or face the consequences for any violation or default thereof. A director who is part of a company’s board shall be responsible for all the deeds/ acts of the Company during the period of his directorship.
72. It is noted that in the present matter, Noticee No. 11 and 12 were independent director of GIFL during the investigation period. Upon perusal documents available on record, I find that no role or evidence of them being involved in the Board process for approval of two preferential allotment or in the allotment of preferential shares or in the fraudulent scheme has been mentioned in the SCN. Thus, on the basis of current evidence available on record, it cannot be said that Noticee No. 11 and 12, being an independent director of GIFL were involved in the Board process for approval of two preferential allotment or in the allotment of preferential shares or involved in the fraudulent scheme. Thus, the allegation of violation of provisions of Regulation 3(a), (b), (c) & (d) and Regulation 4(1) of PFUTP Regulations against Noticee No. 11 and 12 does not stand established.
73. I note that Noticee No. 9 & 10 were Executive Directors and by virtue of this Noticee No. 9 & 10 is responsible for the acts and omissions of the Company. A Company though a legal entity cannot act by itself, it can act only through its directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence.
74. Further, reliance is also placed on the order of Hon’ble High Court of Madras in the matter of *Madhavan Nambiar Vs. Registrar of Companies* [2002 108 Comp Cas 1 Mad] wherein it was observed that:

“13. It may be that the petitioner may not be a whole-time director, but that does not mean he is exonerated of the statutory obligations which are imposed under the Act and the rules and he cannot contend that he is an ex officio director and, therefore, he cannot be held responsible. There is substance in the contention advanced by Mr. Sridhar, learned counsel since the petitioner a member of the Indian Administrative Service and in the cadre of Secretary to Government when appointed as a director on the orders of the Government to a Government company or a joint venture company, he is expected not only to discharge his usual functions, but also take such diligent care as a director of the company as it is expected of him not only to take care of the interest of the Government, but also to see that the company complies with the provisions of

the Companies Act and the rules framed thereunder. Therefore, the second contention that the petitioner cannot be proceeded against at all as he is only a nominee or appointed director by the State Government, cannot be sustained in law. A director either full time or part time, either elected or appointed or nominated is bound to discharge the functions of a director and should have taken all the diligent steps and taken care in the affairs of the company.

14. *In the matter of proceedings for negligence, default, breach of duty, misfeasance or breach of trust or violation of the statutory provisions of the Act and the rules, there is no difference or distinction between the whole-time or part time director or nominated or co-opted director and the liability for such acts or commission or omission is equal. So also the treatment for such violations as stipulated in the Companies Act, 1956.*

16. *Section 29 of the Companies Act provides the general power of the board and Therefore it follows there cannot be a blanket direction or a blanket indemnity in favour of the petitioner or other directors who have been nominated by the Government either ex officio or otherwise. Hence the second point deserves to be answered against the petitioner. As regards the first contention, it is contended by Mr. Arvind P. Datar, learned senior counsel appearing for the petitioner that the company or its board had resolved that Thiagaraj S. Chettiar shall be the director in charge of the company of all its day-to-day affairs and, therefore, the petitioner, an ex officio chairman and director, cannot be expected to attend to the affairs on a day-to-day basis. This contention though attractive cannot be sustained as a whole. There may be a delegation, but ultimately it comes before the board and it is the board and the general body of the company which are responsible.”*

75. The Hon'ble Supreme Court, while describing what is the duty of a director of a company, held in *Official Liquidator v. P. A. Tendolkar* (1973) 1 SCC 602 that:

“...a Director may be shown to be placed and to have been so closely and so long associated personally with the management of the company that he will be deemed to be not merely cognizant of but liable for fraud in the conduct of business of the company even though no specific act of dishonesty is provide against him personally. He cannot shut his eyes to what must be obvious to everyone who examines the affairs of the company even superficially...”

76. Further, I find that the directors of GIFL, namely Noticee No. 9 & 10 cannot escape from the obligation of the board of directors with regard to their fiduciary duties towards GIFL and its shareholders. In this regard, the observation of the Hon'ble SAT in the matter of *Mr. N. Narayanan vs SEBI* (order dated October 05, 2012) is worth mentioning:

“With the changing scenario in the corporate world the concept of corporate responsibilities is also rapidly changing day by day. The director of a company cannot confine himself to lending his name to the company but taking light responsibility for its day to day management. While functions may be delegated

to professionals, the duty of care, diligence, verification of critical points by directors cannot be abdicated. The directors are expected to have a hands on approach in the running of the company and take up responsibility not only for the achievements of the company but also the failings thereto.”

77. Hence, from the above paragraphs, I note that neither GIFL (Noticee No. 8) nor its directors (Noticee No. 9 & 10) have denied that GIFL made two preferential allotments on January 19, 2012 and June 12, 2012; stock split in the ratio of 1:10 with effect from December 13, 2012; GIFL transferred part of the preferential allotment proceeds to JMD and Denim; and that there is a connection of GIFL with JMD, Denim and Unisys. Thus, I conclude:

77.1. That GIFL had made two preferential allotments on January 19, 2012 and June 12, 2012; stock split in the ratio of 1:10 with effect from December 13, 2012 and GIFL transferred part of the preferential allotment proceeds to JMD and Denim.

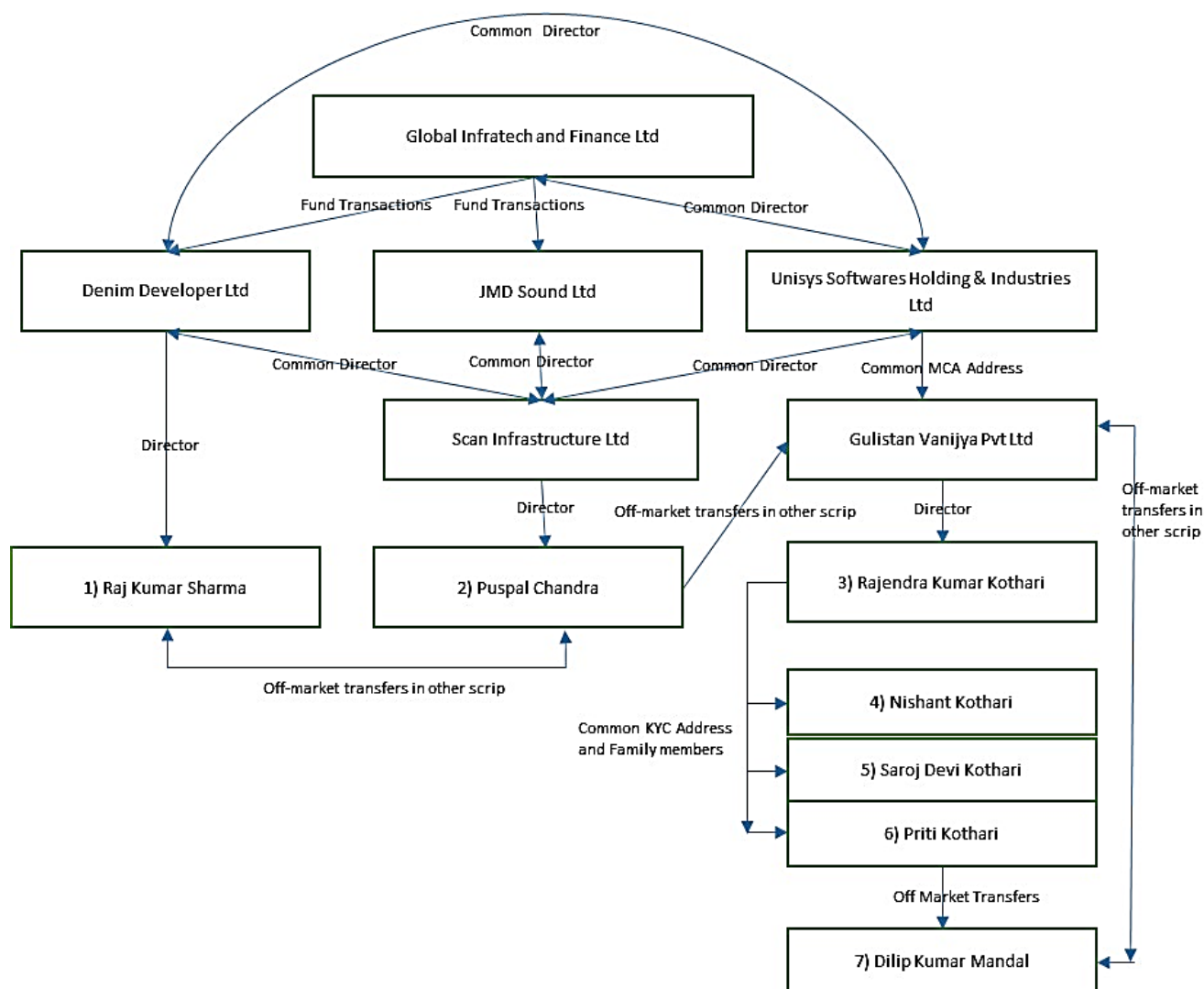
77.2. That Noticee No. 9 & 10 by virtue of being Executive Directors of GIFL during the period, played role in two preferential allotments, stock split and transfer of part of preferential proceeds to JMD and Denim.

77.3. That GIFL alongwith its directors (Noticee No. 9 & 10) were responsible for the said two preferential allotments, stock split and transfer of preferential proceeds to JMD and Denim.

77.4. That GIFL is connected to JMD, Denim and Unisys.

Sub-Issue (b): *Whether Noticees No.1 to 7 were connected to GIFL?*

78. Upon analysis of the KYC documents, fund transactions and details obtained from MCA database, it is noted that **Noticee No. 1 to 7** namely Raj Kumar Sharma, Puspall Chandra, Rajendra Kumar Kothari, Nishant Kothari, Saroj Devi Kothari, Priti Kothari and Dilip Kumar Mandal are connected to GIFL. The details of their connection to GIFL are as under:



78.1. From the above chart, following connection is noted:

- 78.1.1. GIFL is connected with Denim and JMD through fund transfer; GIFL is connected to Unisys through common director (Mr. Ashok Bothra) and same is not disputed by either GIFL or its directors.
- 78.1.2. Raj Kumar Sharma (Noticee No.1) is the director of Denim and had off-market transaction with Pushpal Chandra (Noticee No.2).
- 78.1.3. Pushpal Chandra is the director of Scan Infrastructure Limited (hereinafter referred to as “Scan”). Scan is connected with JMD through common director (Mr. Pawan Kumar Purohit). Further, Pushpal Chandra had off-market transaction with Gulistan Vanijya Pvt. Ltd. (hereinafter referred to as “Gulistan”).

- 78.1.4. Denim, Scan and Unisys are connected through common director (Mr. Jagdish Prasad Purohit).
- 78.1.5. Unisys is connected with Gulistan through common address.
- 78.1.6. Rajendra Kumar Kothari (Noticee No.3) is the director of Gulistan.
- 78.1.7. Rajendra Kumar Kothari (Noticee No. 3), Priti Kothari (Noticee No.4), Saroj Kumar Kothari (Noticee No.5) and Nishant Kothari (Noticee No. 7) are family members and have common address.
- 78.1.8. Dilip Kumar Mondal (Noticee No. 6) had off-market transaction with Priti Kothari and Gulistan.
- 78.2. From the submission of the Noticee No. 1 to 7, it is noted that they have not disputed their aforesaid connections. With regard to off-market transaction, they submitted that the same was in the ordinary course of their business and had nothing to do with their trading in the scrip of GIFL. Thus, it is noted that they had also not denied the off - market transactions.
- 78.3. It is also noted that Hon'ble SAT has, in many cases such as *Classic Credit Ltd. vs. SEBI* (SAT Appeal no. 68/2003, Order dated December 8, 2006), *Classic Credit Ltd. vs. SEBI* (SAT Appeal no. 76/ 2003, Order dated January 9, 2007) and *Veronica Financial Services Ltd. vs. SEBI* (SAT Order dated August 24, 2004), held that connection / relations can be established on the basis of factors including the common addresses, common directors/ shareholders, etc.
- 78.4. Thus, in view of the above, I find that Noticees No. 1 to 7 are connected among themselves and each of Noticee No. 1 to 7 is also connected with GIFL directly or indirectly.

Sub-Issue (c): *Whether Noticee No. 1 to 7 has traded in this shares of GIFL in the market as a part of fraudulent scheme to increase the price of the scrip of GFIL by continuously contributing to the LTP?*

79. It is noted that scrip of GIFL got listed on BSE on February 23, 1996. It is also noted that the scrip was under suspension for 15 years. The suspension was revoked with effect from November 18, 2011 and trading in the scrip was commenced from June 25, 2012 (i.e. subsequent to the preferential allotment). On June 25, 2012, price of the scrip opened at Rs.7.99 and increased to Rs.57.20 on December 12, 2012. There was stock split in the ratio of 1:10 with effect from December 13, 2012. Pursuant to the stock split the price of

the scrip fell to Rs. 5.8 on December 13, 2012 and thereafter reached its highest level of Rs.93.15 on November 26, 2013. Subsequently, price of scrip declined and closed at Rs.10.77 on September 4, 2014. Hence, for analysis of price rise, period from June 25, 2012 to December 12, 2012 (pre-split) and December 13, 2012 to November 26, 2013 (post-split) has been taken as **Patch-1 and Patch 2** respectively. For analysis of price fall, period from November 27, 2013 to September 04, 2014 has been taken as **Patch-3**.

80. In this regard, Noticee No. 1 to 7 made the following submissions:

- 80.1. They are individual investors and trading in the securities market in the ordinary course. During the period from June 25, 2012 to September 4, 2014, they had in the ordinary course of business and based on their commercial wisdom, traded in the scrip of GIFL through broker East India Securities Limited.
- 80.2. They denied that they had contributed to positive LTP and increased scrip price. All their trades in the scrip of GIFL were bonafide and in the ordinary course of business, dehors sinister intent or design.
- 80.3. That the quantity of their alleged trades vis- a-vis the total volume in the scrip of GIFL during the investigation period was exceedingly insignificant to have any kind of impact on either the price or volume of the scrip. Such miniscule quantum of trades cannot result in price raise.
- 80.4. No adverse inference can be drawn on the basis that despite holding sufficient shares in their demat account; they were placing sell orders for small quantity. Nothing prohibits them from selling the shares in limited quantity. A prudent broker / investor would never sell all of his entire holding on one shot, especially if the price of the scrip is on a bullish trend.
- 80.5. They denied that they were repeatedly placing sell orders for small order quantity across different days when buy order were available at prices higher than last traded price. Admittedly, they were a seller and were placing sell order based on the best available price pending in the system.
- 80.6. The allegation of contribution to positive LTP can be alleged only against a buyer who has placed order at a price higher than LTP. That the allegation against sellers for contribution to positive LTP collapses when no connection/relationship is established between the counter parties.
- 80.7. They were not aware of the counter parties to their trades.

80.8. At no point of time, stock exchanges or SEBI, had ever advised the investing public to be cautious in the scrip.

80.9. No proceeding has been initiated against any of the buyers / counterparties by SEBI.

81. In this context, I find that the details of price volume analysis of the scrip during the investigation period and post investigation period are as under:

Period	Dates		Open (Rs)	Close (Rs.)	Low (Date) (Rs.)	High (Date) (Rs.)	Avg. no. of (shares) traded daily
During Investigation period	Patch 1 (25/06/12-12/12/12)	Price	7.99	57.2	7.99 (25 Jun 12)	57.2 (12 Dec 12)	37
		Vol.	200	2	0 (26 Jun 12)	1,000 (12 Nov 12)	
	Patch 2 (13/12/12-26/11/13)	Price	5.80	92.20	5.8 (13 Dec 12)	93.15 (26 Nov 13)	3,84,344
		Vol.	2	723,980	0 (19 Dec 12)	1,171,300 (05 Aug 13)	
	Patch 3 (27/11/13 – 04/09/14)	Price	92.15	10.77	10.35 (04 Sep 14)	93.15 (03 Jan 14)	4,67,159
		Vol.	2,55,752	377,059	1 (18 Jul 14)	3,390,500 (24 Mar 14)	
Post investigation period	(05/09/14-05/12/14)	Price	11.30	23.40	10.75 (08 Sep 14)	27.75 (28 Nov 14)	2,80,776
		Vol.	47,997	10,514	20 (27 Oct 14)	1,104,797 (28 Oct 14)	

It is noted that during the Patch-1 i.e. June 25, 2012 to December 12, 2012, the daily average traded volume was 37 shares and price of the scrip had increased from Rs. 7.99 to Rs. 57.2 with a net LTP variation of Rs.49.21 and a market positive LTP of Rs.49.21. It is found that **Noticees No. 1 to 7**, who were connected to GIFL, were major LTP contributors as sellers.

82. The trading details of Noticee No. 1 to 7 during the investigation period are noted as under:

S.No	Entity Name	Buy TQ	Buy TQ % to Market (%)	Sell TQ	Sell TQ % to Market (%)	Buy TQ	Buy TQ % to Market (%)	Sell TQ	Sell TQ % to Market (%)	Buy TQ	Buy TQ % to Market (%)	Sell TQ	Sell TQ % to Market (%)
		Patch-1				Patch-2				Patch-3			
1.	Dilip Kumar Mandal	0	0.00	4	0.09	0	0.00	45	0.00	0	0.00	0	0.00
2.	Raj Kumar Sharma	0	0.00	31	0.72	0	0.00	52	0.00	0	0.00	0	0.00
3.	Puspal Chandra	0	0.00	27	0.63	0	0.00	548	0.00	0	0.00	500	0.00
4.	Priti Kothari	0	0.00	11	0.26	0	0.00	0	0.00	0	0.00	0	0.00
5.	Rajendra Kumar Kothari	0	0.00	9	0.21	0	0.00	0	0.00	0	0.00	0	0.00
6.	Saroj Devi Kothari	0	0.00	9	0.21	0	0.00	0	0.00	0	0.00	0	0.00
7.	Nishant Kothari	0	0.00	4	0.09	0	0.00	0	0.00	0	0.00	0	0.00

83. From the order log analysis of trades of the Noticee No. 1 to 7 during Patch - 1, it is noted that they were repeatedly placing sell orders for small quantity of 1 to 4 shares at successively higher price, when large buy order quantity was pending in the scrip. The instances of their order log details are as under:

Order Log Analysis

Trade Date	Seller Name	Sell Order Number	Shareholding of seller	Sell Order Time	Sell Order Qty	Sell Order Price	Best Available Buy Order Price	Pending Quantity at best buy order price	Trade Qty	LTP Diff
17/08/2012	Saroj Devi Kothari	23000048252460	2000	15:16:36	3	12.93	12.93	13300	3	0.61
03/09/2012	Saroj Devi Kothari	17000157175026	1997	14:30:02	2	18.3	18.3	27699	2	0.32
06/09/2012	Saroj Devi Kothari	14000174107393	1995	14:52:15	2	19.35	19.35	22444	2	0.35
13/09/2012	Saroj Devi Kothari	12000139227623	1993	14:54:38	2	21.65	21.65	22997	2	0.4
09/08/2012	Rajendra Kumar Kothari	14000167168101	2000	15:24:50	1	10.16	10.16	17100	1	0.48
10/08/2012	Rajendra Kumar Kothari	19000178058025	1999	15:12:21	1	10.66	10.66	13601	1	0.5
22/08/2012	Rajendra Kumar Kothari	16000150023100	1998	13:57:27	2	14.24	14.24	14001	2	0.67
24/08/2012	Rajendra Kumar Kothari	12000144318078	1996	15:20:47	2	15.69	15.69	22042	2	0.74
12/09/2012	Rajendra Kumar Kothari	17000158293019	1994	14:50:49	3	21.25	21.25	25548	3	0.4
03/08/2012	Raj Kumar Sharma	12000169129946	100	12:42:01	1	9.22	9.22	15900	1	0.43
08/08/2012	Raj Kumar Sharma	14000165050351	0*	12:45:20	1	9.68	9.68	14700	1	0.46
13/08/2012	Raj Kumar Sharma	18000178104767	0*	15:11:07	2	11.19	11.19	12850	2	0.53
16/08/2012	Raj Kumar Sharma	23000162197444	0*	15:03:21	1	12.32	12.32	10700	1	0.58
21/08/2012	Raj Kumar Sharma	20000157129604	0*	15:28:27	2	13.57	13.57	15461	2	0.64
30/08/2012	Raj Kumar Sharma	14000061371114	0*	15:15:44	3	17.98	17.98	21849	3	0.35
05/09/2012	Raj Kumar Sharma	12000137217043	0*	14:42:17	3	19	19	26497	3	0.35
10/09/2012	Raj Kumar Sharma	11000121457821	0*	14:59:36	2	20.45	20.45	21598	2	0.4
20/09/2012	Raj Kumar Sharma	16000149108770	0*	15:08:38	1	23.3	23.3	24445	1	0.45
28/09/2012	Raj Kumar Sharma	16000041092370	0*	15:10:35	2	26.1	26.1	26794	2	0.5
04/10/2012	Raj Kumar Sharma	12000142351019	0*	15:25:48	2	27.6	27.6	27950	2	0.5
09/10/2012	Raj Kumar Sharma	12000137319004	290	15:27:21	2	29.25	29.25	21450	2	0.55
15/10/2012	Raj Kumar Sharma	22000141095771	290	15:23:15	3	30.95	30.95	22950	3	0.6
17/10/2012	Raj Kumar Sharma	17000157354235	290	15:24:27	2	32.15	32.15	22750	2	0.6
01/11/2012	Raj Kumar Sharma	17000156194676	290	15:29:03	2	36.75	36.75	19100	2	0.7
06/12/2012	Raj Kumar Sharma	15000123120050	290	15:27:30	2	52.9	52.9	14360	2	1
07/09/2012	Puspall Chandra	16000149152940	196	15:11:41	2	19.7	19.7	27749	2	0.35
17/09/2012	Puspall Chandra	17000163169876	189	14:55:49	2	22.45	22.45	23045	2	0.4
24/09/2012	Puspall Chandra	14000185209794	187	15:07:53	2	24.2	24.2	28045	2	0.45
03/10/2012	Puspall Chandra	17000157230252	185	15:18:55	5	27.1	27.1	23150	5	0.5
08/10/2012	Puspall Chandra	19000043069726	180	15:28:07	3	28.7	28.7	25600	3	0.55
11/10/2012	Puspall Chandra	13000135165720	177	15:28:45	2	30.35	30.35	23352	2	0.55
16/10/2012	Puspall Chandra	13000132422523	170	15:27:36	2	31.55	31.55	22450	2	0.6
19/10/2012	Puspall Chandra	12000140125418	168	15:27:58	3	32.75	32.75	22550	3	0.6
20/11/2012	Puspall Chandra	16000154119600	161	15:24:04	2	44.5	44.5	20051	2	0.85
04/12/2012	Puspall Chandra	14000153126926	155	15:22:18	2	50.9	50.9	14021	2	0.95
12/12/2012	Puspall Chandra	17000147292987	153	15:24:59	2	57.2	57.2	15102	2	1.1
28/08/2012	Priti Kothari	15000049130852	2000	15:14:59	2	17.29	17.29	28250	2	0.82
11/09/2012	Priti Kothari	13000126197161	1998	15:23:05	3	20.85	20.85	23621	3	0.4
14/09/2012	Priti Kothari	14000171139585	1995	14:55:27	2	22.05	22.05	24196	2	0.4
21/09/2012	Priti Kothari	22000141166245	1993	15:07:58	2	23.75	23.75	36595	2	0.45
25/09/2012	Priti Kothari	19000219173442	1991	15:19:53	2	24.65	24.65	27000	2	0.45
14/08/2012	Nishant Kothari	12000137081677	2000	14:42:49	2	11.74	11.74	10050	2	0.55
08/09/2012	Nishant Kothari	20000075008897	1998	11:43:40	2	20.05	20.05	10251	2	0.35
07/12/2012	Dilip Kumar Mandal	18000040273169	100	15:26:43	4	53.95	53.95	13620	4	1.05

*Raj Kumar Sharma transferred 99 shares to broker pool account on August 04, 2012. Delivery of shares for his trades after August 04, 2012, were made from broker pool account.

84. The details of LTP contribution of Noticee No. 1 to 7 during patch -1 are as under:

LTP contribution as a seller

S. No	Entity Name	All trades			LTP Diff. >0			LTP Diff. < 0			LTP Diff. =0		% of + LTP to market + LTP
		Net LTP	Sum of Quantity	No of trades	LTP impact	QTY traded	No of trades	LTP impact	QTY traded	No of trades	QTY traded	No of trades	
1	Raj Kumar Sharma	8.64	31	16	8.64	31	16	0	0	0	0	0	17.56%
2	Puspal Chandra	6.90	27	11	6.90	27	11	0	0	0	0	0	14.02%
3	Rajendra Kumar Kothari	2.79	9	5	2.79	9	5	0	0	0	0	0	5.67%
4	Priti Kothari	2.52	11	5	2.52	11	5	0	0	0	0	0	5.12%
5	Saroj Devi Kothari	1.68	9	4	1.68	9	4	0	0	0	0	0	3.41%
6	Dilip Kumar Mandal	1.05	4	1	1.05	4	1	0	0	0	0	0	2.13%
7	Nishant Kothari	0.90	4	2	0.90	4	2	0	0	0	0	0	1.83%
	Group-1 total	24.48	95	44	24.48	95	44	0	0	0	0	0	49.75%
	Market Total	49.21	4,307	84	49.21	3,207	79	0	0	0	1,100	5	100%

85. It is further noted that at the time when the price of the share of GIFL was going up, there were no corporate announcements or news in relation to the company which would justify such a steep rise in the prices of the shares. As noted earlier, the trade carried out by the 7 seller Noticees (during the patch -1) were in the range of 1 to 4 shares per trade. It is also important to highlight that all the trades of the Noticees No. 1 to 7 contributed to positive LTP on the days when they sold the shares. Further, as can be seen from the table mentioned at paragraph 83 above, all the trades of the Noticee No. 1 to 7 were for smaller quantities (in the range of 1 to 4) and on all the instances noted above, the sum of buy quantity pending at the time of order placement by them, was substantially more than what they sold.

86. It is further noted that the Noticees No. 1 to 7 held sufficient shares in their demat account. However, they were placing sell orders for small quantity at successively higher prices, to achieve increase in traded price of the scrip. For example, from the table mentioned at paragraph 83 above, Puspal Chandra (Noticee No. 2) had shareholding of 196 shares on September 07, 2012. However, the Noticee no. 2 kept repeatedly executing sell trades at higher than last traded price for small quantities when there was substantial buy order demand at her sell order price. Order placement pattern of other six Noticee was found to be similar.

87. In this context, Noticee No. 1 to 7 submitted that sale of shares in small quantities had no impact either on the price or the volume of the scrip and the same was done in the ordinary

course of business. In this regard, it needs to be pointed out that under normal circumstances trading of the nature carried out by the Noticee No. 1 to 7 may not be considered as manipulative. But in the present case, the circumstances were peculiar. To illustrate,

- 87.1. There was no trading in the scrip of GFIL from the year 1997 to November 18, 2011 i.e. for around 15 years and its suspension was revoked only in November 18, 2011. Further, from November 18, 2011 to June 24, 2012, the scrip had traded only on 2 day i.e. on November 18, 2011 & November 29, 2011 for 100 shares each day.
 - 87.2. GIFL had no track record of performance which would justify a steep price rise from Rs. 7.99 to Rs. 931.5 (unadjusted to split and; split adjusted Rs. 93.15).
 - 87.3. The average daily volume in the scrip, during the period (Patch -1) when the Noticee No. 1 to 7 traded was meagre.
 - 87.4. All 7 Noticees have the sold shares in miniscule quantities.
 - 87.5. It was observed that during the patch - 1 (i.e. June 25, 2012 to December 12, 2012), Noticee No. 1 to 7 have traded on 44 trading days resulting in 44 trades for a meagre volume of 95 shares in total. On 44 such trading days, only 1 trade per day was carried out by the Noitcee No 1 to 7 together.
 - 87.6. The Noticee No 1 to 7 sold their shares turn by turn in the market during patch -1 i.e. when these 7 sellers sold their shares, their sell trades never overlapped.
 - 87.7. From 44 trades for a meagre volume of 95 shares, Noticee No. 1 to 7 during patch – 1 has contributed Rs. 24.48 to the positive LTP, which is 49.75% of the total market LTP.
 - 87.8. It is noted from the trade details of the Noticee No. 1 to 7 that all these trades were executed well after the market opening hours. Since the Noticee No. 1 to 7 trades were the only sell trades on majority of the trading days, it becomes clear that they placed the sell orders after carefully noticing the pending buy orders, therefore were able to match the buy order at highest possible price.
88. It is noted from the trade details of the Noticee No. 1 to 7 that every time they had placed sell orders, there were relatively huge number of buy orders seeking huge quantities. A reasonable man, being in the position of the Noticee No. 1 to 7 holding shares of an illiquid scrip like GIFL, would sell his entire or substantial shareholding when he is getting a price

in multiples of his purchase price and there are buyers willing to buy the same. Contrary to that, the Noticee No. 1 to 7 in the present case, as noted in the above tables, had entered into only single trades for miniscule quantities like 1, 2, 3 & 4 shares on several days with each trade establishing a new high price.

89. Further, if the Noticee No.1 to 7 was positive about the bullish trend in the scrip of GIFL, they should have waited for the price of the scrip to attain a level at which selling the shares would fetch them the maximum return. Instead, they chose to sell in miniscule quantities on several dates when the price of the scrip was witnessing an upward trend which was nothing but their own contribution.
90. It is worth mentioning that the bullish movement in the price of the scrip of GIFL so anticipated by the seller Noticee No.1 to 7 could not have been possible without the LTP contribution of the Noticee No.1 to 7 contributed through their sell trades on different dates i.e. during patch – 1, Noticee No. 1 to 7 has contributed Rs. 24.48, which is 49.75% of the total market LTP.
91. Further, looking at the quantity of shareholding of the Noticee No. 1 (390 shares), Noticee No. 2 (196 shares), Noticee No. 3 (2000 shares), Noticee No. 4 (2000 shares), Noticee No. 5 (2000 shares), Noticee No. 6 (100 shares) and Noticee No. 7 (2000 shares) mentioned in the table at paragraph 83 above and average quantity of shares sold by them on one day (conservatively taken as 4 in view of their trade details noted above), it would have taken 100, 50, 500, 500, 500, 25 and 500 trading days respectively for Raj Kumar Sharma, Puspall Chandra, Rajendra Kumar Kothari, Priti Kothari, Saroj Devi Kothari, Dilip Kumar Mandal, Nishant Kothari to maximise their returns as has been sought to be contended by them. Evidently, the Noticee No. 1 to 7 did not sell on these many instances.
92. Further, I find it important to refer to the following orders passed by Hon'ble SAT in relation to cases involving violations by sellers on account of miniscule trading in shares.

92.1. Hon'ble SAT in the matter of **Jayprakash Bohra v. SEBI** (order dated November 05, 2019) held that:

“... The modus operandi, according to the learned counsel, is to revive, on paper, a dormant listed company with very little share capital; go for a

preferential allotment and by trading in very small number of shares at inflated prices or far away prices from LTP between the group entities to show considerable activity of trading in the scrip and thereby induce the retail/other investors and thereby provide an exit route to the group entities, including the preferential allottees. All these symptoms are present in this matter.

...

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

92.2. Hon’ble SAT in the matter of **Giriraj Kumar Gupta HUF v. SEBI** (Order dated February 25, 2020) held that:

“Having heard the learned counsel for the parties, we are of the considered view that the impugned transactions, in the facts and circumstances of the matter, would fall in the realm of violations of PFUTP Regulations. Individual argument that each entity’s trade is miniscule and only on a few days alone etc. is not sufficient to rebut the findings in the impugned order. The appellants have not given the details of their off-market transactions with an entity which is also found to be part of the group which manipulated the scrip of RMCL. The unwillingness of the appellants in giving the details of those off-market transactions and in turn placing buy orders above LTP in the market subsequently cannot be viewed in isolation. The argument submitted by the learned counsel for the appellants that no further connection has been established therefore has no merit in the totality of the facts and circumstances of the case. In such matters, the preponderance of probability based on the totality of circumstances, as held by the Apex Court in the matter of Kishore R. Ajmera (2016) 6 SCC 368 squarely applies. The orders in Jayprakash Bohra (Supra) and Shri Lakhi Prasad Kheradi (Supra) also apply the same ratio.”

92.3. Hon’ble SAT in the matter of **Mrs. Kalpana Dharmesh Chheda v. SEBI** (Order dated February 25, 2020) held that:

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

...

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

92.4. Hon’ble SAT in the matter of **Tanuj Khandelwal v. SEBI** (Order dated January 04, 2021) held that:

“..... We find that except on three occasions the appellant only sold one share at a time on a daily basis. This trading pattern created misleading appearance with intention to manipulate the market if not the price. Thus, even if there is no connection with the buyer the trading pattern shows a concerted effort to manipulate the market and therefore we are of the opinion that the appellant was not acting as a genuine seller. We also find that the appellant had no bonafide intention to sell because inspite of sufficient buy orders being placed with abundant quantity being available in the market the appellant was only placing sell orders of one share at a time. This clearly shows his intention of manipulating the market for vested reasons.”

93. Having perused the above judgments of Hon’ble SAT, I am of the view that all the aforesaid orders passed by Hon’ble SAT in relation to alleged manipulative trading by sellers, have been decided by Hon’ble SAT on the basis of specific facts of each case. A combined reading of the above mentioned orders of Hon’ble SAT indicates that in the opinion of Hon’ble SAT, there is no “single” or “only” test to determine the charge of price manipulation in cases wherein the primary charge is emanating from miniscule trading by the sellers over a period of time at the highest possible price on each day.

94. **Findings on submission of Noticees that Counter parties are not known:**

94.1. Noticees have submitted that the orders in GIFL scrip were placed in screen based trading system of stock market and they were not aware of the counter parties to their trades.

94.2. In this regard, I agree with the submission of the said Noticees that the exchange platform is a Screen Based Trading System where the counter party is not known. The assumption under this argument is that unless counterparties are known to each other, there cannot be a scheme of fraud. In this regard, it is relevant to mention that while in a case of synchronized or circular trading, in order to establish price manipulation, establishing the connection between the buyer and seller may be essential, but there can be instances wherein a buyer or a seller alone can manipulate the price or volume of a scrip. In my view, the overall scheme of PFUTP Regulations envisages unilateral commission of fraud by a person. The definition of fraud under regulation 2(1)(c) lists out various acts / omissions by a person such as known misrepresentation, active concealment, reckless and careless representation, deceptive behavior, false statement, etc. which do not presuppose the connection of the person committing the same with another. Further, regulations 3 and 4 of the PFUTP Regulations also use phrases such as no person shall use or employ, no person shall indulge, etc. and do not, at all places, stipulate the requirement of a connection between two parties to a transaction in order to establish a violation. Further the prohibition of fraudulent dealing in securities includes an act of fraudulent buying or selling. It may be noted that the unilateral act of fraudulent buying or selling is also included in the definition of fraud under FUTP Regulations. There can be instances where artificial demand and price rise can be created choosing to buy unilaterally. Therefore, the Regulations make it clear that unilaterally by virtue of fraudulent selling alone, a person can manipulate the price of a security.

94.3. Further, I also note that in the screen based trading, the manipulative or fraudulent intent can be inferred from various factors such as conduct of the party, pattern of

transactions, etc. In this context, the Hon'ble SAT vide its order dated July 14, 2006, in the matter of *Ketan Parekh vs. SEBI*, has observed that: *"The nature of transactions executed, the frequency with which such transactions are undertaken, the value of the transactions,, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn."*

94.4. Thus, in view of above, I do not find any merit in the contentions of the Noticees.

95. **Findings on submission of Noticees that no alert was generated by any regulatory authority:**

95.1. Noticees have submitted that when the said scrip was traded on market, no alert was generated by any regulatory authority including SEBI and BSE for public at large. Further, at no point of time, stock exchanges or SEBI had ever advised the investing public to be cautious in the scrip and therefore, there was no reason for them to doubt any alleged abnormality in the trading pattern.

95.2. In this regard, I note that it is an admitted position that the movement in the price of a scrip is driven by various factors. Unlike in the instant case, the steep price rise with meagre volume (during patch-1) followed by sudden increase in volume at high price (during patch-2 and patch 3) cannot be assumed as a normal market trend. It is also relevant to mention here that there was a price rise from approx Rs. 8 to Rs. 900 (considering stock split 1:10) in the scrip. Further, investments by the investors in securities are subject to several risks. This is because there is no way to perfectly predict what will happen in the future or whether a given asset will increase or decrease in value with any certainty. Because the market cannot be accurately predicted or completely controlled, therefore, no investment is risk-free. Thus, it is difficult to alert the public at large about any manipulation in the scrip until such manipulation is unearthed by an investigation. Further the argument of alert is valid in case of a genuine investor. Such an argument is not tenable for persons whose

trades are alleged to be fraudulent. Thus, in view of this, I do not find any merit in the said contention of the Noticees.

96. **Findings on submission of Noticees that no action against buyer:**

- 96.1. Noticees have submitted that SEBI has not taken any action against the buyers who placed the buy order above LTP and contributed to positive LTP. Further, SEBI has also not taken action against other preferential allottees.
- 96.2. In this regards, it is noted that in quasi-judicial proceedings, the decision / findings of the quasi-judicial authority are limited to the extent of deciding the allegations charged against the Noticees mentioned in the SCN. Therefore, quasi-judicial authority is confined to the facts / allegation / Noticees mentioned in the SCN. Based on evidences presented in the SCN and the materials submitted by the Noticees, the quasi-judicial authority has to adjudge the allegations levelled against the respective Noticee as sustainable or not.
- 96.3. Thus, Noticees are required to present their case by rebutting the allegations made qua them in the SCN with supporting evidences.
- 96.4. In the the present matter, role of preferential allottees and seller vis-à-vis other preferential allottees and buyer is different i.e. the charge against preferential allottees (Noticee No. 42 to 26) is that they are connected to GIFL through fund transaction. Similarly the charge against sellers is that they unilaterally by virtue of fraudulent selling alone, manipulating the price of a security. Therefore, it is not open to the Noticees to contest their case vis-à-vis the case of buyers, other preferential allottees etc. With regard to the submission that no action as been taken against the buyers and preferential allottees who have not been subjected to the present proceedings, reliance is placed on Hon'ble SAT order in matter of *Systematix Shares & Stocks India Limited v. SEBI* dated April 23, 2012 in which, the Hon'ble SAT, in some what similar context, observed that *"It is true that the Board has taken action selectively against a few entities involved in the alleged wrong doing. According to the appellant the Board should have proceeded against all wrong doers and the action against the appellant and a few entities alone is also discriminatory. We cannot subscribe to this view since the Board has set its own*

benchmark in selecting cases for action and, in any case, the appellant cannot plead himself innocent or his trades as lawful.”

96.5. Even though it is not the case here, if hypothetically, there were a case similarly placed being treated differently, I find it relevant to quote the following observations of the Hon’ble Supreme Court in the context of argument of discrimination to claim negative equality in *Union of India and anr. vs. International Trading Co. and anr.* (AIR 2003 SC 3983) dated May 07, 2003, that would be squarely applicable to the facts of this case. “.....*two wrongs do not make one right. A party cannot claim that since something wrong has been done in another case directions should be given for doing another wrong. It would not be setting a wrong right, but would be perpetuating another wrong. In such matters there is no discrimination involved. The concept of equal treatment on the logic of Article 14 of the Constitution of India, 1950 (in short ‘the Constitution’)* cannot be pressed into service in such cases. *What the concept of equal treatment presupposes is existence of similar legal foothold. It does not countenance, repetition of a wrong action to bring both wrongs on a par. Even if hypothetically it is accepted that a wrong has been committed in some other case by introducing a concept of negative equality the respondents cannot strengthen their case. They have to establish the strength of their case on some other basis and not by claiming negative equality.....”*

96.6. Thus, I am of the view that, the objective of the present proceedings is to examine as to whether in the facts and circumstances as mentioned in the SCN and submissions and evidence available on record, the allegations against the Noticees would sustain or not. Hence, the proceedings would not be vitiated merely by their claim that some of the other people have not been named in the proceedings.

96.7. Therefore, in view of above, I do not find merit in the said contention of the Noticees.

97. Considering the above and connection of Noticee No. 1 to 7 between themselves as well as with GIFL, I find that the trading behaviour of the seller Noticee No. 1 to 7 was not genuine and that they acted under a premeditated scheme whereunder they placed orders in such a manner so as to raise the LTP significantly. In this present case, this trading pattern in light of the circumstances discussed above, exhibits an intent to increase the price of scrip every day with significantly low volumes and also appears to be devoid of any economic rationale. Thus, the preponderance of probability leads us to the conclusion

that the trades were executed by the Noticee No. 1 to 7 in a manipulative manner for increasing the price of the scrip of GIFL. In view of the above, I find that the allegation of violation of provisions of Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) & 4(2)(e) of PFUTP Regulations against Noticee No. 1 to 7 namely, Raj Kumar Sharma, Puspall Chandra, Rajendra Kumar Kothari, Priti Kothari, Saroj Devi Kothari, Dilip Kumar Mandal and Nishant Kothari stand established.

Sub-Issue (d): *Whether Noticee No. 42 to 46 are preferential allottees connected to GIFL?*

98. The connection of Noticee No. 42 to 46 with GIFL are as under:

S.No.	Noticee No.	Noticee Name	Details of Connection
1	42	Anoop Jain	Anoop Jain was director of Gulshan Investment Co. Ltd. and Pneumatic Leasing Services Pvt. Ltd. with which Global Infratech and Finance Ltd had fund transactions. Anoop Jain and Ritu Jain were common director in Aloft Estates LLP and share common kyc address
2	43	Anoop Jain HUF	
3	44	Ritu Jain	
3	45	Ammaji Anumolu	Ammaji was director of ATR Warehousing Pvt. Ltd. with which Global Infratech and Finance Ltd had fund transactions. Ammaji Anumolu and Anumolu Harshitha were common directors in Raychand Automobiles Pvt. Ltd.
4	46	Anumolu Harshitha	

99. From the document available on record, it is observed that Noticee No. 42 to 46 are preferential allottees. However, apart from the connection as preferential allottees with GFIL, they are also connected to GIFL through fund transactions.

100. Before proceeding further in determining the issue that whether Noticee No. 42 to 46 were preferential allottees connected to GIFL through fund transactions, I now deal with submission / contention of the Noticees that at investigation stage itself, SEBI cannot take action against preferential allottees in LTCG cases, as per SEBI's Information Memorandum.

101. In this regard, it is relevant to refer to the Hon'ble SAT order dated December 15, 2017 in Appeal no. 326 of 2016 in the matter *Mayank Dhanuka Vs. SEBI*, wherein it is held that:

“.....Fact that Clause 7.1 of the Information Memorandum dated 29.12.2016 records that SEBI would proceed against the entities involved in price manipulation i.e. LTP contributors and the listed companies and its Whole Time Directors (if connection between them is established) cannot be construed to mean that other entities who are also found to be connected with the entities committing fraud are liable to be exonerated. Clause 7.1 of the Information Memorandum has to be read harmoniously so as to hold that all entities including the beneficiaries who are found to be connected with the entities committing fraud would be proceeded against.....”

102. Hence, in view of the Hon'ble SAT order and upon perusal of said Information Memorandum, I note that if it is observed by SEBI that the scrip of a company is manipulated, then SEBI has the power to take action against the entities who are involved in the price manipulation. Thus, I am of the view that if the entities are connected to the entities who are involved in price manipulation, SEBI has the power to take action against such entities.

103. In the present case, upon perusal of Information memorandum and SCN dated March 01, 2018, it is observed that SEBI had taken action against Noticee No. 42 to 46 because during the investigation SEBI found that Noticee No. 42 to 46 were preferential allottees connected to GIFL through fund transactions and GIFL is connected to the entities who were involved in price manipulation i.e. LTP Contributor (Noticee No. 1 to 7) and Noticee No. 42 to 46 have sold the shares at artificially inflated price. Thus, during the investigation, action was taken against Noticee No. 42 to 46 on the basis of SEBI's observation that Noticee No. 42 to 46 were connected to LTP contributor through GIFL and they have sold the shares at artificially inflated price. Hence, I am of the view that SEBI had rightly initiated enforcement action against Noticee No. 42 to 46 for the alleged violation of PFUTP Regulations on the basis of (a) their connection with GIFL through fund transactions and thereby with entities involved in price manipulation; and (b) their selling shares during price rise period at artificially inflated / manipulated price. Hence, I do not find any merit in the contention of Noticees that as per Information Memorandum, SEBI cannot take action against preferential allottees in LTCG cases.

104. Further, Noticee No. 45 and 46 submitted that an action initiated by SEBI against them in the present LTCG matter of GIFL is disproportionately harsh and unsustainable on the ground of *doctrine of proportionality*. SEBI vide order dated March 24, 2017 in the matter of Reliance Petroleum Limited (manipulation in highly liquid scrip) has only ordered debarment for one year, whereas in the matter of GIFL an illiquid scrip, SEBI has not only initiated 11/11B proceedings but has also launched criminal prosecution. In this regard, from the documents available on record, I note that in the present matter in respect of Noticee No. 45 and 46, SEBI had initiated action under Section 11/11B of SEBI Act and Adjudication proceedings under 15HA of SEBI Act, however it is noted that no criminal prosecution action under Section 24(1) of SEBI Act has been initiated or launched against Noticee No. 45 and 46. Thus, the contention of Noticee No. 45 and 46 that SEBI has launched criminal prosecution against Noticee No. 45 and 46, thereby failed to follow the doctrine of proportionality and has initiated disproportionately harsh actions is baseless and untenable. Further, the doctrine of proportionality is more applicable for the nature of directions envisaged in the present proceedings flowing out of the allegations against these Noticees. Hence, I do not find any merit in the said contention of Noticee No. 45 and 46.

105. Now I proceed to determine the issue of whether or not Noticee No. 42 to 46 are connected to GIFL through fund transactions. With regard to the fund transaction between GIFL and Pneumatic, Noticee No. 42, 43 & 44 had placed reliance in the Order dated June 05, 2020 passed by Ld. Whole Time Member, SEBI, (“WTM”) in the case of Greencrest Financial Service Ltd (“Greencrest”) wherein a fund transaction had been alleged and proceeding against Anoop Jain HUF had been disposed off without any direction. In this regard, upon perusal of order dated June 05, 2020 in the matter of Greencrest it is noted that with respect to the fund transaction between GIFL and Pneumatic, the allegation against Anoop Jain HUF, as mentioned at paragraph 72 of the said order is that Anoop Jain HUF was refunded back its share application money by Greencrest indirectly through other connected entities of Greencrest. Further, at paragraph 88 of said order, it is mentioned that “....*Anoop Jain HUF is also one of the 43 preferential shareholders, however, because of the alleged fund transfers made by Greencrest to Pneumatic through GIFL, Anoop Jain HUF has been alleged to have received back its share application money from Greencrest and therefore has been alleged to have colluded with Greencrest and its connected entities in the scheme*

of market manipulation of the price of the scrip of Greencrest thereby violating provisions of SEBI Act and regulations made thereunder as have been alleged in the SCN... ”.

106. Thus, I find that with respect to the fact that there has been fund transaction between GIFL and Pneumatic (wherein Anoop Jain is the director of Pneumatic), the allegation against Anoop Jain HUF referred in order dated June 05, 2020 in the matter of Greencrest is that Anoop Jain HUF has been alleged to have received back its share application money from Greencrest. Whereas in the present matter with respect to the said fund transaction between GIFL and Pneumatic (wherein Anoop Jain is the director of Pneumatic), the allegation against Anoop Jain is that he has been connected to GIFL other than as preferential allottee through the fund transaction. Thus, I am of the view that the fact (fund transaction between GIFL and Pneumatic) is the same in both cases, however, the allegation against Anoop Jain HUF in Greencrest matter and allegation against Anoop Jain in the present matter is different. Therefore, the decision rendered in the above said SEBI order does not have bearing in the present matter.

107. With regard to the connection of Noticee No. 43 & 44 with Noticee No. 42, they had placed reliance in the Order dated June 05, 2020 passed by Ld. Whole Time Member, SEBI, (“WTM”) in the case of Greencrest wherein Mr. Udayan Grover was related to Mr. Ravindra Grover and he was made co-noticee on the ground that he is related to Mr. Ravindra Grover who had alleged to have funds transaction with GIFL. Pertinently, vide said order proceedings initiated against Mr. Udayan Grover were disposed of without issuing any directions. On consideration of similarity of facts, it was argued that the present SCN issued to Noticee No. 43 & 44 be disposed of and charges levelled against Noticee No. 43 & 44 be dropped.

108. In this regard, upon perusal of order dated June 05, 2020 in the matter of Greencrest it is noted the allegations against Mr. Ravindra Grover (Noticee no. 18 in the Greencrest matter) and Mr. Udayan Grover (Noticee no. 19 in the Greencrest matter) are that they are connected with each other being Directors of Grover Metalloys and there was a fund transfer from Greencrest to GIFL to Mr. Ravindra Grover and they were refunded back their share application money by Greencrest indirectly through other connected entities of Greencrest. In the said order dated June 05, 2020 Ld. WTM at paragraph 87 held that

“.....I find that neither the SCN nor the materials available on record reveal any monetary transactions or fund transfers between Noticee no. 18 and Noticee no. 19, either directly or even through the company in which Noticee no. 19 shared directorship with Noticee no.18. Therefore, it would be factually erroneous to state that the money which Noticee no.18 received from Global was either passed on to Noticee no.19 or was meant to refund the preferential application money paid by Noticee no.19 to Greencrest....Since in the light of the facts of the present case, it cannot be established that Noticee no.19 has actually received any money either directly or indirectly from Global or Noticee no.18, the allegation of refund of share application money attributed to Noticee no.19 becomes infructuous.....”.

109. Thus, I find that the allegation against Mr. Udayan Grover referred in order dated June 05, 2020 in the matter of Greencrest is that Mr. Udayan Grover has been alleged to have received back his share application money from Greencrest and therefore, in this context, the Ld WTM had held that it cannot be established that Mr. Udayan Grover has actually received any money either directly or indirectly from GIFL or Mr. Ravindra Grover, the allegation of refund of share application money attributed to Mr. Udayan Grover becomes infructuous and therefore, proceedings against Mr. Udayan Grover is disposed off without any direction. Whereas, I note that in the present matter there is no allegation against Noticee No. 43 & 44 they have received back their share application money from GIFL. However, the allegation against Noticee No. 43 & 44 in the present matter is that they are alleged to be connected with GIFL and are alleged to be part of the scheme to make preferential allotment, manipulate the price of the scrip and get benefit by selling the shares at artificially inflated price. Therefore, in this context, in the present matter, the connection of Noticee No. 44 with Noticee no. 42 on the ground of common directorship in Aloft Estate LLP & common KYC address and connection of Noticee No. 42 being the karta of Noticee No. 43 is to demonstrate that Noticee No. 42, 43 & 44 are connected to each other which they had not denied. Therefore, the order dated June 5, 2020 passed by SEBI does not have a bearing on the point as contented. Further, I note that during the investigation period Noticee No. 42 was the director of Pneumatic and Gulshan and these two companies had fund transaction with GIFL and the same has not being denied.

110. From the submission of Noticee 42 to 46 it is noted that they have not denied their connection with GIFL through aforesaid fund transaction. However, they have submitted that the funds received from GIFL were not utilized for the allotment of preferential shares of GIFL. In this regard, upon perusal of the SCN, I note that there is no allegation in the SCN that Noticee No. 42 to 46 have utilized the funds received from GIFL for the allotment of preferential shares of GIFL. However, the allegation is that apart from them as preferential allottee, they are also connected to GIFL through the aforesaid fund transaction.

111. Thus, in view of the fact that there is no allegation in the SCN against Noticee No. 42 to 46 that they have utilized the funds received from GIFL for the allotment of preferential shares, there arises no occasion for rendering any finding on whether such funds have been utilized for allotment of preferential shares of GIFL or not. My findings in the present proceedings in the present issue, is limited to the extent that Noticee No. 42 to 46 is preferential allottee and connected to GIFL through fund transactions.

112. It is noted that Noticee No. 42, Anoop Jain is the karta of Anoop Jain HUF (Noticee No. 43) and husband of Noticee No. 44 (Ritu Jain). Hence, Noticee No. 42, 43 & 44 are connected with each other and the same has also not been denied by them. Further, from the submissions of Noticee No. 42, 43, 44, it is noted that they have accepted that Noticee No. 42 and 43 are director / partner in Aloft Estates LLP. They also accepted that Noticee No. 42 is director of Gulshan Investment Co. Ltd. (Gulshan) and Pneumatic Leasing Services Pvt. Ltd. (Pneumatic). They have also accepted that Gulshan and Pneumatic had fund transaction with GIFL. Thus, I note that Noticee No. 42, 43 and 44 have not denied the aforesaid factors of their connection with GIFL. Hence, I am of the view that Noticee No. 42, 43 and 44 are connected to GIFL and thereby connected to the entities involved in price manipulation i.e. LTP Contributors (Noticee No. 1 to 7).

113. Further, Noticee No 42, 43, 44 have submitted that they were approached by a person viz. Mr. Sanjib Khetry with a presentation and were asked to make investment in the preferential allotment. In this regard, I note that, the Noticee No 42, 43 and 44 have failed to provide any details (such as address, contact details, etc.) of the individuals who had approached them for subscribing to the preferential allotment. The Noticee No 42, 43 and

44 have failed to give any plausible explanation as to how GIFL could make allotment to them if they were not known to it or its promoters/directors and if they had no connectivity with them. They have also failed to explain as to how they were selected for making individual presentation. I note that the Noticee No 42, 43 and 44 have not been able to furnish any satisfactory documentary evidence, to explain how they were approached by GIFL for the preferential allotment; and other details of communication between them and GIFL in that regard. Thus, I am unable to accept the explanation of the Noticee No 42, 43 and 44 that they invested in the shares of GIFL on the advice/tips of some random public sources. Hence, I do not find any merit in the said submission of Noticee No. 42, 43 and 44.

114. With regard to the connection through fund transaction, Noticee No. 45 and 46 had placed reliance to the order of the Hon'ble SAT in Appeal no. 102 of 2020, in which the Appellant, Umang Dhanuka and his family members were said to be connected to Pine Animation Limited, through the company [Biharji Constructions (India) Limited] in which they were directors had a loan transaction with Pine Animation Limited. The Hon'ble SAT in this order has held a business connection does not mean that they were part of the scheme of manipulating the price or they were part of some collusion.

115. In this regard, upon perusal of the said Hon'ble SAT order in Appeal no. 102 of 2020, I find that role of the Dhanuka family in the Pine Animation Limited case is not identical to the role of the Noticee No. 45 and 46 in the present case. Firstly, in Pine Animation Limited matter, Dhanuka Family members are off market transferees i.e. they purchase shares in off-market, whereas in the present matter Noticee No. 45 and 46 are preferential allottees and bought shares in preferential allotment dated June 12, 2012. Secondly some members of Dhanuka family are directors of Biharji Construction (India) Limited, a Non-Banking Financial Company who took loans from Pine Animation Limited on a high rate of interest during its usual course of business, whereas in the present case Noticee No. 45 and 46 are directors of ATR Warehousing Private Limited (ATR), who took fund / loan from GIFL. However it is noted that, Noticee No. 45 and 46 have not submitted any evidence that ATR is an NBFC company and Loan has been taken by ATR as usual business transaction. Thus, I am of the view that facts in respect of Dhanuka family in Pine Animation Limited matter and Noticee No. 45 and 46 is different i.e. Noticee No. 45

and 46 is neither an off-market transferees nor their company ATR is an NBFC, hence, the finding of Hon'ble SAT in Appeal no. 102 of 2020 in respect of fund transaction connection cannot be applicable to Noticee No. 45 and 46 in the present case. Therefore, I do not find merit in the said contention of the Noticee No 45 and 46.

116. It is noted that Ammaji Anumolu (Noticee No. 45) is director of M/s. ATR Ware Housing private limited (ATR) and the same has been not denied by Noticee No. 45 and 46. From the submission of Noticee No. 45 and 46, it is noted that Anumolu Harshitha (Noticee No. 46) is daughter-in-law of Ammaji Anumolu (Noticee 45) and they reside in the same house, hence they are connected with each other. Further, in their submission, Noticee No. 45 and 46 have accepted that ATR had fund transaction with GIFL. Thus, I note that Noticee No. 45 and 46 have not denied the aforesaid factors of their connection with GIFL. Further, from their submissions, it is noted that GIFL approached them to subscribe to its preferential allotment and vide letter dated March 02, 2012, GIFL explained the terms of offer and provided a brochure titled as corporate presentation. Hence, I am of the view that Noticee No. 45 and 46 are connected to GIFL and thereby connected to the entities involved in price manipulation i.e. LTP Contributors (Noticee No. 1 to 7).

Sub-Issue (e): *Whether Noticee No. 42 to 46 have sold the shares at artificially inflated prices and got benefit?*

117. It is noted that Noticee No. 42 to 46 are preferential allottees who are connected to GIFL and thereby connected to the entities involved in price manipulation i.e. LTP Contributors (Noticee No. 1 to 7). It is further noted that the said Noticee No. 42 to 46 have sold the shares of GIFL during the investigation period (i.e. during patch - 2 & 3) at an artificially inflated price. The trading details of Noticee No. 42 to 46 during the investigation period are as under:

S.No	Entity Name	Buy TQ	Buy TQ % to Market (%)	Sell TQ	Sell TQ % to Market (%)	Buy TQ	Buy TQ % to Market (%)	Sell TQ	Sell TQ % to Market (%)	Buy TQ	Buy TQ % to Market (%)	Sell TQ	Sell TQ % to Market (%)
Patch-1						Patch-2				Patch-3			
1.	Anoop Jain	0	0.00	0	0.00	0	0.00	3903800	4.27	0	0.00	0	0.00
2.	Anoop Jain (HUF)	0	0.00	0	0.00	0	0.00	4025222	4.40	0	0.00	0	0.00
3.	Ritu Jain	0	0.00	0	0.00	0	0.00	1770345	1.94	0	0.00	0	0.00
4.	Ammaji Anumolu	0	0.00	0	0.00	0	0.00	376500	0.41	0	0.00	623500	0.72
5.	Anumolu Harshita	0	0.00	0	0.00	0	0.00	119500	0.13	0	0.00	588858	0.68

118. From the above table following is noted:

118.1. That Noticee No. 42 to 46 has traded in the scrip of GIFL during patch 2 and 3 i.e. during the price rise and price fall (after reaching at its peak around Rs. 900 considering stock split).

118.2. That during the patch 2 and 3, Noticee No. 42 to 46 has only sold their shares.

118.3. That Noticee No. 42 to 46 has traded in the scrip of GIFL subsequent to the split of shares in 1:10 ratio.

118.4. That the Noticees have sold their shareholding at an inflated price.

118.5. The details of shares sold by Noticees No. 42 to 46 and their sell value are as under:

Noticee No.	Noticee Name	Sell Quantity	Sell Value
42	Anoop Jain	39,03,800	24,60,21,365
43	Anoop Jain HUF	40,25,222	25,73,72,054
44	Ritu Jain	17,70,345	12,80,60,498
45	Ammaji Anumolu	10,00,000	7,80,46,190
46	Anumolu Harshitha	7,08,358	4,87,62,106
	Total	1,14,07,725	75,82,62,213

119. From the submission of the Noticee No. 42 to 46, it is noted that they have not denied their aforesaid trading in the scrip of GIFL. However, the Noticees have stated they are regular investor and have done trading in the ordinary course of business. The Noticees have stated that they have not sold their entire shareholding; they further stated had they been part of the manipulative scheme, they would have sold their entire shareholding.

120. In this regard, I note that their trading in the scrip of GFIL defies any rationale, logic and basic principles of business prudence on the following reason:

120.1. There was no trading in the scrip of GIFL for last 15 years prior to the investigation period.

120.2. There was also no corporate announcement or material development in the affairs of the Company during the investigation period.

120.3. Prior to investigation period, there was hardly any trading history in the scrip of GIFL nor did GIFL have any business or financial standing in the securities market.

- 120.4. The Noticee No. 42 to 44 have bought the shares in preferential allotment dated January 19, 2012 and Noticee No. 45 & 46 has bought the shares in preferential allotment dated June 12, 2012.
- 120.5. Subsequent to the split in December 2012, the shareholding of Noticee No. 42 to 46 increased by 10 fold, this cannot be coincidence.
- 120.6. The Noticee No. 42 to 46 have bought the shares at a very nominal price of Rs. 15 per share.
- 120.7. The Noticee No. 42 to 46 had got the shares during the preferential allotment i.e. none of the Noticee No. 42 to 46 have bought the shares through regular / normal trading through stock exchange.
- 120.8. None of the Noticee No. 42 to 46 have either bought or sold the shares of GIFL during the patch - 1 i.e. when the price of the scrip was low.
- 120.9. In order to verify the claim that their investment in GIFL was in the 'normal course', Noticees who appeared before me, were advised to furnish their trading history to support their claim. None of the Noticee No. 42 to 46 have submitted their trading history to substantiate their claim.
- 120.10. None of the Noticee No. 42 to 46 has submitted any plausible reason or rationale of investing / trading in such illiquid scrip of GIFL.
121. The Noticees have stated that they have not sold their entire shareholding. In this regard, I note that by selling more than 50% (on a conservative side) of their shareholding at an artificially inflated price, that too after their shareholding were increased to 10 fold, the said Noticees had already made the exorbitant profits. Thus, not selling their entire holding will not affect them as they have already obtained substantial benefit. Further this circumstance cannot have a determining effect on their trading behavior in view of various other circumstances which go to incriminate the trading behavior. Thus, their submission that they have not sold the entire shareholding does not hold any merit.
122. Thus, in view of above, I find that the connected preferential allottees (Noticees No. 42 to 46) have sold the shares at inflated price and received substantial benefit. The Noticee No. 42 to 46 are connected with GIFL and thereby connected to the entities involved in price manipulation i.e. LTP Contributors and are part of the scheme to manipulate the price of the scrip and get benefit by selling the shares at artificially inflated price. Thus, the

allegation of violation of provisions of Regulation 3(a), (b), (c), (d) and Regulation 4(1) of PFUTP Regulations against Noticee No. 42 to 46 stands established.

123. Thus, I find that GIFL was part of scheme to manipulate the price of the scrip to benefit connected preferential allottees. A company cannot act by itself, but only through its directors who are expected to exercise their powers on behalf of the company with utmost care, skill and diligence. However, in the present case as stated earlier, the directors have acted in a fraudulent manner in furtherance of a larger scheme and their acts are attributed to the Company. Thus, the allegations of violation of provisions of Regulation 3 (a), (b), (c) and (d) and Regulation 4(1) of PFUTP Regulations against GIFL (Noticee No. 8) and its directors namely Pravin Sawant and Jagdish Chander Sharma, (Noticee No. 9 & 10) stand established.

ISSUE No. 5- *For those Noticees for whom issue No. 1, 2, 3 & 4 is determined in affirmative, what directions should be issued against such Noticees?*

124. Based on the foregoing discussion, the following elements of the fraudulent scheme are noted:

124.1. Suspension in the trading of GIFL shares was revoked with effect from November 18, 2011. Thereafter, GFIL (Noticee No. 8) and its directors (Noticee No. 9 & 10) made two preferential allotments when price of the scrip was Rs.7.61 i.e. in Janaury 19, 2012 and June 12, 2012. GIFL transferred some of its preferential allotment proceeds to JMD and Denim. The scrip started trading from June 25, 2012. Subsequently, during patch-1, the price of the scrip of GIFL was manipulated by Noitcee No. 1 to 7 connected to JMD, Denim and Unisys and thereby to GIFL. Further, on December 13, 2012, there was a stock split in the ratio of 1:10. Thereafter, during patch - 2 and 3, connected preferential allottees (Noticee No. 42 to 46), who were connected to GIFL and thereby connected to the entities involved in price manipulation i.e. LTP Contibutors (Noitcee No. 1 to 7), have sold their shares at the manipulated high price.

124.2. During the patch -1, Noticee No. 1 to 7 who are connected among themselves as well as with GIFL, had placed orders in small quanti y in such a manner as to raise the LTP significantly, thereby manipulating the price of the scrip as part of the

entire scheme. Thus, Noticee No. 1 to 7 have violated the provisions of Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) & 4(2)(e) of PFUTP Regulations.

124.3. The connected preferential allottees (Noticees No. 42 to 46) have sold their shares at the inflated / manipulated price. Therefore, Noticee No. 42 to 46, who are connected with the company and thereby connected to the entities involved in price manipulation i.e. LTP Contributors (Noticee No. 1 to 7), are part of the scheme to manipulate the price of the scrip and get benefit by selling the shares at an artificially inflated price and have violated the provisions of Regulation 3(a), (b), (c), (d) and Regulation 4(1) of PFUTP Regulations.

124.4. GIFL (Noticee No. 8) and its directors (Noticee No. 9 & 10) were part of scheme to manipulate the price of the scrip to benefit connected preferential allottees. Thus, GIFL (Noticee No. 8) and its directors (Noticee No. 9 & 10) have violated the provisions of Regulation 3 (a), (b), (c) and (d) and Regulation 4(1) of PFUTP Regulations.

125. Section 11 of SEBI Act casts a duty on the Board to protect the interests of investors in securities and to promote the development of and to regulate the securities market. For achieving such object, it has been authorised to take such measures as it thinks fit. Thus, power to take all measures necessary to discharge its duty under the statute which is a reflection of the objective disclosed in the preamble has been conferred on SEBI. Pursuant to the said objective, PFUTP Regulations have been framed. The said Regulations, apart from other things, aims to preserve and protect market integrity in order to boost investor confidence in the securities market. By executing a fraudulent scheme, as has been executed by the Noticee No. 1 to 10 and 42 to 46 in the instant matter, the price discovery system itself is affected. It also has an adverse impact on the fairness, integrity and transparency of the stock market. In view of the same and considering the violations committed by the Noticee No. 1 to 10 and 42 to 46, I find that it becomes necessary to issue appropriate directions against them.

126. As noted above:

126.1. The allegation of violation of provisions of Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) & 4(2)(e) of PFUTP Regulations against Noticee No. 1 to 7 stands established.

126.2. The allegation of violation of provisions of Regulation 3 (a), (b), (c) and (d) and Regulation 4(1) of PFUTP Regulations against GIFL (Noticee No. 8) and its directors (Noticee No. 9 & 10) stands established.

126.3. The allegation of violation of provisions of Regulation 3(a), (b), (c), (d) and Regulation 4(1) of PFUTP Regulations against Noticee No. 42 to 46 stands established.

In view of this, appropriate directions debarring Noticee No. 1 to 10 and 42 to 46 from the securities market need to be issued against them.

ORDER:

127. Considering the findings recorded in this order pertaining to the alleged violations committed by the Noticees, I, in exercise of the powers conferred upon me Section 19 read with Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 hereby issue the following directions:

127.1. The following Noticees are restrained from accessing the securities market and buying, selling or dealing in securities, either directly or indirectly, in any manner for the period mentioned below against their name from the date of this order. Further, following Noticees are also restrained from associating themselves with any listed public company and any public company which intends to raise money from the public or any intermediary registered with SEBI for a period of mentioned below against their name from the date of this order.

Sr. No	Noticee No.	Noitcees Name	PAN	Debarment Period
1	8	Global Infratech & Finance Ltd	AABCA4255H	Two (2) years
2	9	Pravin Sawant (Director)	ANTPS3885K	Two (2) years
3	10	Jagdish Chander Sharma (Director)	ARSPS7837E	Two (2) years
4	1	Raj Kumar Sharma	BMIPS9482B	Six (6) Months
5	2	Puspal Chandra	ACRPC1647G	Six (6) Months
6	3	Rajendra Kumar Kothari	AFUPK9415J	Six (6) Months
7	4	Priti Kothari	AQVPK7342Q	Six (6) Months
8	5	Saroj Devi Kothari	ARCPK1018M	Six (6) Months
9	6	Dilip Kumar Mandal	BQCPM7585H	Six (6) Months
10	7	Nishant Kothari	BJTPK3949M	Six (6) Months
11	42	Anoop Jain	AADPJ2136K	Six (6) Months

Sr. No	Noticee No.	Noitcees Name	PAN	Debarment Period
12	43	Anoop Jain (HUF)	AAAHA6321A	Six (6) Months
13	44	Ritu Jain	AAMPJ9586C	Six (6) Months
14	45	Ammaji Anumolu	ABHPA0658E	Six (6) Months
15	46	Anumolu Harshitha	ACAPH3599M	Six (6) Months

127.2. Dispose off the SCN dated March 01, 2018 issued against Noticee No. 11 to 41 without any direction.

128. Needless to say that in view of the prohibition on sale of securities, during the period of restraint, the existing holding, including units of mutual funds, of Noticee No. 1 to 10 and 42 to 46 shall remain frozen.

129. If Noticee No. 1 to 10 and 42 to 46 have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out/ square off such open positions within 3 months from the date of order or at the expiry of such contracts, whichever is earlier. Noticee No. 1 to 10 and 42 to 46 are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order.

130. The order shall come into force with immediate effect.

131. A copy of this order shall be served upon all recognized Stock Exchanges, Depositories and the Registrar and Share Transfer Agents to ensure compliance with the above directions.

-Sd-

DATE: JULY 16, 2021

PLACE: MUMBAI

MADHABI PURI BUCH

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA