

National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/56911	Date: May 31, 2023
Circular Ref. No: 144/2023	

To All NSE Members

Sub: SEBI Order in respect of Mr. P. V. Nageshwar Rao and others in the matter of Sai Television Ltd.

SEBI vide its Order no. QJA/VS/IVD/ID4/26886/2023-24 dated May 30, 2023, has hereby restrained following entities from accessing the securities market and further be prohibited from buying, selling or otherwise dealing in securities, either directly or indirectly, or being associated with the securities market in any manner whatsoever for a period of 3 (three) years from the date of this order.

Sr. No.	Name of the Entity	PAN
1	Mr P V Nageshwar Rao	Not available
2	Mr. Sajjan Kumar Nanwal	ABJPN3315R
3	Mr R V Gurupadam	AAKPG1889R
4	M/s Siddhi Investments	ABXPV5220D
5	M/s Kanji Shares Consultancy Services	Not available
6	Mr Rameshbhai Patel	Not available
7	Mr. Sudhirbhai Shah	Not available
8	Kuber Finstock Ltd.	AACCK2685A
9	Airtel Maintenance and Marketing Consultant Private Limited (now known as Transmedia Productions Private Limited)	AAECA0935F

Further, SEBI vide above order has directed that obligation of above entities, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized Stock Exchange (s), as existing on the date of this Order, can take place irrespective of the restraint/prohibition imposed by this Order, only in respect of pending unsettled transactions, if any. Further, all open positions, if any, of the Noticees

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in the F&O segment of the stock exchange, are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

This Order shall come into force with immediate effect.

The detailed order is available on SEBI website ([Securities and Exchange Board of India \(sebi.gov.in\)](http://sebi.gov.in))

Further, the consolidated list of such entities is available on the Exchange website <http://www.nseindia.com> home page at the below mentioned link:

<https://www.nseindia.com/regulations/member-sebi-debarred-entities>

Members are advised to take note of the above and ensure compliance.

In case of any further queries, members are requested to email us at dl-invsg-all@nse.co.in

**For and on behalf of
National Stock Exchange of India Limited**

**Sandesh Sawant
Senior Manager**

ANNEXURE: - SEBI Order in respect of Mr. P. V. Nageshwar Rao and others in the matter of Sai Television Ltd.

BEFORE SECURITIES AND EXCHANGE BOARD OF INDIA
EXECUTIVE DIRECTOR, SHRI V. S. SUNDARESAN

FINAL ORDER UNDER SECTIONS 11 AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH REGULATIONS 11 AND 13 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROHIBITION OF FRAUDULENT AND UNFAIR TRADE PRACTICES RELATING TO SECURITIES MARKET) REGULATIONS, 2003 IN THE MATTER OF SAI TELEVISION LTD., IN RESPECT OF

Table 1

Noticee No.	Name of the Noticees	PAN Number	Details
1.	Ms. Ritu Devi Khemka	AAFPD9973Q	Separate order of even date has been passed against Noticees 1 to 7
2.	M/s CRS Stocks and Securities, (Proprietor – Ms. Ritu Devi)	AAFPD9973Q	
3	Mr. Raj Kumar Khemka	Not available	
4	Mr. Tirupathi Kumar Khemka	AAKPK1249F	
5	Mr. Ravi Prakash Khemka	AAFPR1962H	
6	Ms. Champa Devi Khemka	AAEPC2664G	
7	Ms. Shivani Devi Khemka	AAGPD0293E	
8	Mr P V Nageshwar Rao	Not available	This order deals with Noticees 8 to 16
9	Mr. Sajjan Kumar Nanwal	ABJPN3315R	
10	Mr R V Gurupadam	AAKPG1889R	
11	M/s Siddhi Investments	ABXPV5220D	
12	M/s Kanji Shares Consultancy Services	Not available	
13	Mr Rameshbhai Patel	Not available	
14	Mr. Sudhirbhai Shah	Not available	
15	Kuber Finstock Ltd.	AACCK2685A	
16	Airtel Maintenance and Marketing Consultant Private Limited now known as Transmedia Productions Private Limited)	AAECA0935F	

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1. Background of the Case:

1.1. The price of the scrip of Sai Television Ltd. (hereinafter referred to as “**STL**” or “**Company**”) declined from ₹175.40 to ₹ 26.40 with a low of ₹10.50 during the period from May 29, 2001 to September 07, 2001. Subsequently, the price of STL declined from ₹31 to ₹ 7.55 during the period from February 25, 2002 to May 09, 2002.

1.2. In view of the above, Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) had conducted an investigation in the scrip of STL during the period from May 29, 2001 to September 07, 2001 (hereinafter referred to as “Period I”) and February 25, 2002 to May 09, 2002 (hereinafter referred to as “Period II”) (Collectively referred to as “investigation period”).

1.3. Pursuant to the investigation, a common show cause notice dated October 30, 2015 (“SCN”) was issued to Ms. Ritu Devi (Noticee 1), M/s CRS Stocks and Securities, (Proprietor Ms. Ritu Devi) (“Noticee 2”), Mr. Raj Kumar (“Noticee 3”), Mr. Tirupathi Kumar (“Noticee 4”), Mr. Ravi Prakash (“Noticee 5”), Ms. Champa Devi (“Noticee 6”), Ms. Shivani Devi (“Noticee 7”), Mr. P. V. Nageshwar Rao (“Noticee 8”), Mr. Sajjan Kumar Nanwal (“Noticee 9”), Mr. R. V. Gurupadam (“Noticee 10”), M/s Siddhi Investments (“Noticee 11”), M/s Kanji Shares Consultancy Services (“Noticee 12”), Mr. Rameshbhai Patel (“Noticee 13”), Mr. Sudhirbhai Shah (“Noticee 14”), Kuber Finstock Ltd. (“Noticee 15”) and Airtel Maintenance and Marketing Consultant Private Limited. (“Noticee 16”) alleging violation of provisions of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 1995 (hereinafter referred to as “**PFUTP Regulations, 1995**”) read with Regulation 13 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market), Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations, 2003**”).

1.4. Noticees 1 to 7 are close relatives as demonstrated in the forthcoming paragraphs and filed Writ Petitions/Appeals before the Hon’ble Madras High Court which were subsequently dismissed by its Judgment dated June 28, 2022. Further, the submissions made by the Noticees 1 to 7 are different from the submissions made by the remaining Noticees. Hence, for the sake of convenience, the order of even date has been passed against Noticees 1 to 7 and the present order is being passed against remaining Noticees 8 to 16. However, for ease of reference and wherever necessary, the Noticees 1 to 7 are referred by their respective nos. mentioned in the Common SCN dated October 30, 2015 as well as in the aforesaid paragraph no. 1.3.

1.5. STL was in the business of Media and Entertainment. STL was listed on National Stock Exchange of India Limited (hereinafter referred to as ‘**NSE**’), Calcutta Stock Exchange Limited (hereinafter referred to as “**CSE**”) and

Madras Stock Exchange Limited (“hereinafter referred to as “**MSE**”). There was no trading in the scrip of STL on CSE and MSE during the investigation period. The trading took place only on NSE during the investigation period.

2. Details of relationship amongst the Noticees during the investigation period:

Table 3

Noticee No.	Name of the Noticees	Position held by the Noticee in STL	Relationship amongst Noticees/Basis of relationship
1	Ms. Ritu Devi		• Wife of Noticee at sl. no. 3 • Proprietor of Noticee at sl. no. 2 • Off-market transactions with Noticees at sl. no. 8 and 9
2	M/s CRS Stocks and Securities, (Proprietor - Ms Ritu Devi)		• Proprietary firm of Noticee at sl. no. 1
3	Mr Raj Kumar	Director of STL	• Husband of Noticee at sl. no. 1 • Brother of Noticee at sl. no. 4 • Son of Noticees at sl. no. 5 and 6
4	Mr Tirupathi Kumar	Director of STL	• Husband of Noticee at sl. no. 7 • Brother of Noticee at sl. no. 3 • Son of Noticees at sl. no. 5 and 6 • Off-market transaction with Noticee at sl. no. 9
5	Mr Ravi Prakash	Director of STL	• Husband of Noticee at sl. no. 6 • Father of Noticees at sl. no. 3 and 4 • Off-market transaction with Noticee at sl. no. 9

6	Ms Champa Devi		• Wife of Noticee at sl. no. 5 • Mother of Noticees at sl. no. 3 and 4 • Off-market transaction with Noticee at sl. no. 9
7	Ms Shivani Devi		• Wife of Noticee at sl. no. 4 • Off-market transaction with Noticee at sl. no. 9
8	Mr P V Nageshwar Rao		• Off-market transactions with Noticees at sl. no. 1 and 9
9	Mr. Sajjan Kumar Nanwal		• Off-market transactions with Noticees at sl. no. 1, 4, 5, 6, 7, 8, 10, 15 and 16 • Sub-client of Noticee at sl. no. 12
10	Mr R V Gurupadam		• Off-market transaction with Noticee at sl. no. 9 • Fund transaction with Noticee at sl. no. 9
11	M/s Siddhi Investments		• Noticee at sl. no. 13 is sub-client
12	M/s Kanji Shares Consultancy Services		• Noticee at sl. no. 9 is sub-client
13	Mr Rameshbhai Patel		• Sub-client of Noticee at sl. no. 11
14	Mr. Sudhirbhai Shah		-
15	Kuber Finstock Ltd		• Off-market transaction with Noticee at sl. no. 9 • Two common directors with Noticee at sl. no. 16
16	Airtel Maintenance and Marketing Consultant Private Limited		• Off-market transaction with Noticee at sl. no. 9 • Two common directors with Noticee at sl. no. 15

3. Details of Common Show Cause Notice and summary of allegations made therein:

3.1 The SCN dated October 30, 2015 has, inter alia, alleged the following:

Period- I

3.2 Ms. Ritu Devi (Noticee 1), wife of Mr. Raj Kumar (Noticee 3) - director of the Company, traded in the shares of the Company through the stock broker viz; Orbis Securities Private Limited and also placed orders in the name of her proprietary firm, i.e., M/s CRS Stocks and Securities (Noticee 2) through the stock broker viz; Aryan Shares and Stock Brokers Limited. Both the entities (i.e. Ms. Ritu Devi and M/s CRS Stocks and Securities) placed orders with the aforesaid two stock brokers appearing as counter parties to each other and executed 51 structured deals involving 25,700 shares of the Company during 14 days, wherein the time difference between the buy and sell orders was less than 30 seconds. Also the said trades were reversed continuously on respective days.

Period- II

3.3 Ms. Ritu Devi transferred 12,50,000 shares of the Company to Mr. Sajjan Kumar Nanwal (Noticee 9) in off market deals. During the said period, she also transferred 4,25,000 shares of the Company to the account of Mr. P V Nageshwar Rao (Noticee 8) who in turn transferred the said shares to Mr. Sajjan Kumar Nanwal which were sold in the market in collusion with Kuber Finstock Limited (Noticee 15) and Airtel Maintenance and Marketing Consultant Private Limited (Noticee 16). The directors of the Company transferred 11,00,000 shares of the Company to Mr. RV Gurupadam (Noticee 10) and he, in turn, transferred 8,00,000 shares to the account of Mr. Sajjan Kumar Nanwal and delivered 30,000 shares on behalf of him.

- 3.4 Mr. Sajjan Kumar Nanwal was prima facie instrumental in creating artificial volume and executed structured deals in the shares of the Company. He received shares of the Company from the directors of the Company, viz, Mr. Raj Kumar (Noticee 3), Mr. Tirupathi Kumar (Noticee 4) and Mr. Ravi Prakash (Noticee 5). Mr. Sajjan Kumar Nanwal also received shares from the associates of the directors of the Company, i.e., Ms. Shivani Devi (Noticee 6) and Ms. Champa Devi (Noticee 7). Mr. Sajjan Kumar Nanwal also received 8,00,000 shares of the Company from Mr. R. V. Gurupadam (Noticee 10) and also from the accounts of Mr. P.V. Nageshwar Rao. Mr. Sajjan Kumar Nanwal traded 10.21% of the total gross traded quantity to the total volume traded during the IInd period through three stock brokers viz; M/s Ajmera & Shah Associates, H. Nyalchand Financial Services Limited and Kinglet Finlease & Securities Limited in the shares of the Company. Mr. Sajjan Kumar Nanwal also delivered 3,54,803 shares of the Company for the sale transactions executed by Kuber Finstock Limited through Sanchay Finvest Limited. All of the above entities acted in concert with each other.
- 3.5 Mr. Sajjan Kumar Nanwal traded in the shares of the Company through the Computer To Computer Link (CCTL) facility, which the stock broker M/s Ajmera & Shah Associates had provided to its client Kanji Share Consultancy Services Limited (Noticee 12). The said stock broker also provided the CCTL facility to another client M/s Siddhi Investments (Noticee 11) through which Mr. Rameshbhai Patel (Noticee 13) was trading in the shares of the Company. The aforesaid two clients executed 313 structured deals which happened to be cross deals executed by the stock broker and the said trades have contributed 3.12% (12,63,512 shares of the Company) of the gross quantity traded in the market. The time difference between all the counter party orders for the aforesaid trades ranged between 0 seconds and 1-minute indicating that these trades were synchronized in nature. In the

settlements (Rolling), most of these trades were reversed between the two clients. These trades were executed during 10 days, from April 11, 2002 to May 07, 2002.

- 3.6 M/s Siddhi investments (Noticee 11) and Kanji Share Consultancy Services Limited traded 19,93,778 shares of the Company for their respective sub-clients viz, Mr. Sajjan Kumar Nanwal and Mr. Rameshbhai Patel respectively. The said clients executed 313 structured deals for 12,63,512 shares of the Company constituting 3.12% to the market gross quantity during Period-II. The time difference between all the counter party orders for the above trades ranged between 0 seconds to 1 minute indicating that the said trades were synchronized in nature. In the settlements, most of the said trades were reversed between the two clients. These deals were executed on 10 days during April 11, 2002 to May 7, 2002. The said stock broker had provided its clients, M/s Siddhi Investments and Kanji Share Consultancy Services Limited with CCTL facility and the said clients have executed structured deals in the market using the said facility which were cross deals executed by the M/s Ajmera & Shah Associates.
- 3.7 M/s Siddhi Investments, while trading on behalf of Mr. Rameshbhai Patel, executed 296 structured deals in the market in 10 days while trading through the stock broker M/s Ajmera & Shah Associates. The counter party stock broker to the said trades was Bonanza Portfolio Limited trading on behalf of Lagan Fincap Lease Ltd., which was the sub-broker for the ultimate client viz; Mr. Sudhirbhai Shah (noticee 14). Both the clients have executed 296 structured deals for 2,98,426 shares of the Company which was 0.74% of the gross market quantity. The trades were reversed on the same day or on the next day. These deals were executed during 10 days from March 18, 2002 to May 7, 2002.

3.8 Kuber Finstock Limited and Airtel Maintenance and Marketing Consultant Private Limited had two common directors viz; Mr. Chandresh Lotia and Mr. Jignesh R Seth. Kuber Finstock Limited traded in the shares of Company through two stock brokers viz; Sanchay Finvest Limited and Sunidhi Consultancy Services Limited during Period-II trading 63,88,316 shares and 1,71,141 shares of the Company, respectively. Airtel Maintenance and Marketing Consultant Private Limited traded 52,39,939 shares of the Company through its stock broker viz; M/s Ashvin M Shah constituting 12.94% of the overall market gross quantity for the Period-II. Both clients were trading through the stock broker viz; M/s Ashvin M.Shah simultaneously and prima facie created artificial volume while trading in such a manner which effected no change in the beneficial ownership of shares in the Company. Total of 11,59,060 shares of the Company were traded in the structured deals during Period- II. The said clients have executed structured deals from February 28 to April 30, 2002. During March 14, 2002 to April 30, 2002, the aforesaid two clients executed structured deals while trading through the stock brokers, i.e., Sunidhi consultancy Services Limited and M/s Ashvin M.Shah respectively along with reversal of trades on 9 consecutive days. The following table shows the structured deals executed by Kuber Finstock Limited and Airtel Maintenance and Marketing Consultant Private Limited through different brokers:

Table 4

Client	Brokers	No. of struct ured deals	No. of shares traded	%age of shares traded to Mkt Gross quantit y	No.of days for corres pondi ng tradin g	Brokers	Client
M/s Kuber Finstock Pvt Ltd	M/s Sanchay Fivest Ltd	20	1,71,141	0.42	8	M/s Sunidhi Consulta ncy Services Ltd	M/s Kuber Finstock Pvt Ltd
		172	11,59,060	2.86	37	M/s Ashwin M.Shah	M/s Airtel Maint. & Com Pvt. Ltd.
	M/s Sunidhi Consultanc y Services Ltd.	28	88,153	0.22	9		

3.9 Thus, Mr. Sajjan Kumar Narwal has been instrumental, prima facie, in creating artificial volume in the shares of the Company. The shares were transferred to his account from the accounts of Mr. Raj Kumar, Mr. Ravi Prakash and Mr. Tirupati Kumar, directors of the Company and their relatives. Further, Mr. P.V. Nageshwar Rao also transferred shares from his account to the account of Mr. Sajjan Kumar Nanwal who in turn traded with the said shares through three stock brokers and prima facie created artificial volume in the scrip. Prima facie, there was

creation of artificial volume through reversals of trade between the clients Ms. Ritu Devi and M/s CRS Stocks and Securities (proprietary firm of Ms. Ritu Devi). Kuber Finstock Limited and Airtel Maintenance and Marketing Consultant Private Limited, Mr. Sajjan Kumar Nanwal and Mr. Rameshbhai Patel and Kanji Share Consultancy Services Limited and M/s Siddhi Investments. The aforesaid persons, prima facie, have acted in concert with each other and have created artificial volume in the scrip. Further, Mr. R.V. Gurupadam has transferred Rs 4.5 lakh to the account of Mr. Sajjan Kumar Nanwal.

3.10 In light of the above, details of the allegations against the Noticees are tabulated below:

Table 5

Sr No.	Noticee no.	Alleged Violations
1	Noticee 1	Regulations 4(b), (c), (d) and (e) of PFUTP Regulations, 1995 r/w Regulation 13 of PFUTP Regulations, 2003
2	Noticees 2 & 9	Regulations 4(b), (c) and (d) of PFUTP Regulations, 1995 r/w Regulation 13 of PFUTP Regulations, 2003
3	Noticees 3,4,5,6,7,8 & 10	Regulation 4(e) of PFUTP Regulations, 1995 r/w Regulation 13 of PFUTP Regulations, 2003
4	Noticees 11,12, 15 & 16	Regulations 4(b), (c) and (d) of PFUTP Regulations, 1995 r/w Regulation 13 of PFUTP Regulations, 2003
5	Noticees 13 & 14	Regulations 4(b) and (d) of PFUTP Regulations, 1995 r/w Regulation 13 of PFUTP Regulations, 2003

3.11 Accordingly, the SCN has called upon the Noticees to show cause as to why suitable directions under Section 11 and 11B of the Securities

and Exchange Board of India Act, 1992 read with regulations 11 and 13 of PFUTP Regulations, 2003 including a direction to restrain them from accessing the securities market and prohibit from buying, selling or dealing in securities for a particular duration should not be issued against them.

4. Status of delivery of SCN, replies and hearing:

4.1. For ease of reference and to avoid repetition, the details in respect of delivery of SCN, dates of the replies and hearings are given below and I will deal separately with the submissions made by the Noticees in the forthcoming paragraphs.

Table 6

Notice No.	Noticee Name	Mode of delivery of SCN	Status of Delivery	Inspection Conducted	Reply/Written Submission & Additional Submission (Letter/Email Dated)	Mode of delivery of Hearing Notice	Status of Delivery	Hearing conducted
8	Mr P V Nageshwar Rao	RPAD Affixture News Paper Publication	Undelivered	NA	NA	SPAD Affixture News Paper Publication	Undelivered	NA
9	Mr. Sajjan Kumar Nanwal	Registered post	Delivered	NA	November 22, 2015 & December 15, 2015	Speed post	Delivered	NA
10	Mr R V Gurupadam	Registered post	Delivered	NA	Received in SEBI on December 16, 2015; &	Hand delivery	Delivered	December 15, 2022

					December 15, 2022			
11	M/s Siddhi Investments	RPAD Affixture News Paper Publication	Undelivered	NA	NA	RPAD Affixture News Paper Publication	Undelivered	NA
12	M/s Kanji Shares Consultancy Services	RPAD Affixture News Paper Publication	Undelivered	NA	NA	RPAD Affixture News Paper Publication	Undelivered	NA
13	Mr Rameshbhai Patel	RPAD Affixture News Paper Publication	Undelivered	NA	NA	RPAD Affixture News Paper Publication	Undelivered	NA
14	Mr. Sudhirbhai Shah	RPAD Affixture News Paper Publication	Undelivered	NA	NA	RPAD Affixture News Paper Publication	Undelivered	NA
15	Kuber Finstock Ltd.	Registered post	Delivered	March 14, 2018	November 28, 2015; November 14, 2022; December 08, 2022 & January 25, 2023	E-mail	Delivered	January 18, 2023
16	Airtel Maintenance and Marketing Consultant Private Limited now known as Transmedia Productions Private Limited)	Registered post	Delivered	March 14, 2018	November 28, 2015; November 14, 2022; December 08, 2022 & January 25, 2023	E-mail	Delivered	January 18, 2023

4.2. In view of the details mentioned in Table 7, I find that in respect of Noticees 8, 11, 12, 13 and 14, SCNs as well as hearing Notices sent

through RPAD/SPAD were returned undelivered at the last known address of the said Noticees. Further, SCNs as well as hearing notices were affixed on the last known address of the said Noticees. Even though SCNs as well as hearing Notices affixed at the last known address of the Noticees, Noticees chose not to file any reply or come for hearing. In the interest of natural justice and in order to meet the ends of justice, as a last resort, a public notice in the newspapers (Times of India – Chennai Edition, Dakshin Prakash – Chennai) was made intimating the Noticees about the SCN and they were advised to submit their reply and appear for personal hearing. However, Noticees chose not to file any reply or appear before the undersigned for personal hearing.

4.3. I am of the view that the SCN has been duly served upon the Noticees and the principle of natural justice has been followed in the matter. However, the Noticees 8, 11, 12, 13 and 14 chose not to file any reply or appear for personal hearing. I am of the view that they have nothing to submit and the matter can be proceeded ex-parte against them on the basis of material available on record. In the absence of any reply from the said Noticees to the SCN, I presume that they have admitted the charges levelled against them. In this regard, it is pertinent to note that the Hon'ble Securities Appellate Tribunal (SAT) in the matter of Classic Credit Ltd. vs. SEBI (Appeal No. 68 of 2003 decided on December 08, 2006) has, inter alia, held that:

“.....the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them”.

4.4. Further, the Hon'ble SAT in the matter of Sanjay Kumar Tayal & Others vs SEBI (Appeal No. 68 of 2013 decided on February 11, 2014), has also, inter-alia, held that:

“...appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices...”

4.5. Further, the same position was reiterated in the matter of Dave Harihar Kirtibhai Vs SEBI (Appeal No. 181 of 214 dated December 19, 2014), wherein the Hon'ble SAT held as under:

“...further, it is being increasingly observed by the Tribunal that many persons/entities do not appear before SEBI (Respondent) to submit reply to SCN or, even worse, do not accept notices/letters of Respondent and when orders are passed ex-parte by Respondent, appear before Tribunal in appeal and claim non-receipt of notice and do not appear and/or submit reply to SCN but claim violation of principles of natural justice due to not being provided opportunity to reply to SCN or not provided personal hearing. This leads to unnecessary and avoidable loss of time and resources on part of all concerned and should be eschewed, to say the least. Hence, this case is being decided on basis of material before this Tribunal...”

4.6. In view of the above, I find no reason to take a different view and accordingly, I deem it appropriate to proceed against Noticees 8, 11, 12, 13 and 14 ex-parte, based on the material available on record and proceed against Noticee 9 on the basis of replies filed by him before the Judgement dated June 28, 2022 of the Hon'ble Madras High Court and replies filed by Noticees 10, 15 and 16 before and after the aforesaid Judgement dated June 28, 2022.

5. Summary of submissions made by Noticees 9, 10, 15 and 16:

The Noticee 9 submitted his reply vide letters dated November 22, 2015 and December 15, 2015 whereas Noticee 10 submitted his reply on December 16,

2015 and December 15, 2022. The Noticees 15 and 16 submitted its replies vide lettres dated November 18, 2015, November 14, 2022, December 08, 2022 and January 25, 2023 respectively. The gist of submissions made by Noticees 9, 10, 15 and 16 is as under:

Noticee 9

5.1 The transactions took place more than 13 years back. He does not have any record for the transaction referred to in the notice. He had attended personally in the past and explained the nature of transactions and no action was initiated. Under the Income Tax Act, as also under the Securities Contract Regulation Act a person is required to maintain his accounts etc. for a period of six years only.

5.2 He had never filed any writ before a High Court and therefore there was no stay on the investigation as well as action against him by any Court. The matter is now res judicata.

5.3 The transactions were done at then prevailing market price. Off market transactions were not reflected in the Stock Exchange platform and therefore any other person is not guided or influenced by them. Therefore, his transaction in the scrip of STL has not created any artificial markets.

Noticee 10

5.4 The notice issued to him and investigation conducted is without jurisdiction.

5.5 He has not committed any fraud or adopted any unfair trade practice relating to the scrip of STL

5.6 He has no connection, whatsoever, with Sajjan Kumar Nanwal or with Stock Brokers M/s Ajmera & Shah Associates, H Nyalhmad Financial Services Ltd. and Kinglet Finance & Securities Ltd.

5.7 He is neither aware of the transaction between Siddhi Investments and Kanji Share Consultancy Services Limited supposed to have had with the company nor with Rameshbhai Patel or with Kuber Finstock Limited or any of its Directors.

5.8 He is a film producer and does not know anything about stock market.

5.9 As regards allegation of receipt of 11 lakh shares from Directors of Sai Television, and transfer of 8.3 lakh shares to Mr Sajjan Kumar Nanwal and transfer of Rs 4.5 lakh to Mr Sajjan Kumar Nanwal, his production manager Late Mr Bhanoji Rao dealt with this matter and he does not know anything about this.

Noticee 15 and 16

5.10 They have carried out the transactions in the scrip of STL bonafidely “on market” through SEBI registered Broker with whom they were maintaining share trading account for carrying out investment activity in capital market and had no knowledge, information or awareness of any wrongdoing happening in the shares of STL at the relevant time.

5.11 Their transactions in the scrip of STL dates back to the year 2002 and proceedings were initiated in the year 2015 i.e. date of the SCN. Hence, there is a gap of more than 13 years from the date of transaction in STL and proceedings initiated against them. As on 2023, the matter is almost 21 years old. Hence, the requisite documents /data/ information on the allegations levelled against them in the SCN is not available and it is next to impossible to collate the requisite documents/data/information which presently is more than 21 years old.

5.12 The trade details in excel format was provided only recently. However, the Order log file has not been provided till date.

5.13 The trade log file as provided by SEBI is incomplete i.e. in certain trades, counter party PAN details is not mentioned and in some trades, counter party names are missing. Hence, grave difficulty is caused to them to completely analyze the data and give justification for the same.

5.14 There is no allegation of any price manipulation alleged against them which means their trades were executed at the price which was traded in the market and their trades have not had any negative or positive impact on the price of STL.

5.15 SCN is issued after a gap of more than 13 years from the date of transactions in STL and presently it has been more than 20 years. They came to know only after receipt of SCN that the proceedings have been initiated against them. There is an inordinate delay in initiation of present proceedings and conclusion of proceedings by SEBI and the SCN should be disposed of at the threshold itself. It is pertinent to mention that the alleged trades were executed by them in 2002 and presently it is not possible for them to know the strategy that they were trying to adopt while initiating trades in STL. Reliance is placed on the relevant paragraphs of the following orders of the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "Hon'ble SAT"):

- a) Shriram Insight Share Brokers Ltd. Vs SEBI (Appeal No. 559 of 2020 dated January 04, 2022
- b) Yatin Pandya HUF Vs SEBI (Appeal No. 719 of 2021) dated March 24, 2022
- c) SIC Stock & Services Pvt. Ltd. Vs SEBI (Appeal No. 639 of 2021) dated September 02, 2022
- d) Man Industries Limited & Ors. Vs SEBI (Appeal No. 64 of 2023) dated January 19, 2023

5.16 The trade log file which was provided along with the SCN and also during inspection of documents and also along with the investigation

report is a print out of PDF file and the same is not legible or clear. Further, the trade log file provided by SEBI in excel format is incomplete as certain data w.r.t. counter parties such as name and PAN are missing. Further, no order log file is provided to them which is of vital importance on the allegations alleged against them in the SCN. Reliance is placed on the relevant paragraphs of the following orders of Hon'ble SAT and Adjudicating officer of SEBI:

- a) Dhanlaxmi Cotex Ltd. Vs. SEBI (Appeal No. 7 of 2009) dated July 08, 2009
- b) Smitaben N. Shah Vs. SEBI (Appeal No. 37 of 2010) dated July 30, 2010
- c) Accord Capital Markets Ltd. Vs. SEBI (Appeal No. 119 of 2007) dated September 13, 2010
- d) Jitesh Pranolal Sheth Vs. SEBI (Appeal No. 137 of 2010) dated December 01, 2010
- e) Networth Stock Broking Ltd. Vs. SEBI (Appeal No. 5 of 2012) dated June 19, 2012
- f) ISF Securities Ltd. Vs. SEBI (Appeal No. 97 of 2013) dated October 28, 2013
- g) Order dated November 26, 2021 passed by Adjudicating Officer, SEBI in respect of Sunil Purohit in the matter of Era Constructions (India) Ltd.

5.17 Since the violation took place in 2002, the allegations made in the SCN do not satisfy the ingredient of the definition of 'fraud' under the PFUTP Regulations, 1995 which had a narrow definition of fraud and relied upon para 27 of Judgment of Hon'ble SC in the matter of Kanaiyalal Baldevbhai Patel, (2017) 15 SCC 1.

5.18 There is no such allegation in the SCN either 'manipulation of price, misleading appearance of trading, non-genuine trade transaction, non-intention of transfer of beneficial ownership as contemplated under regulation

4(b), (c) and (d) of PFUTP Regulations, 1995 read with regulation 13 of PFUTP Regulations, 2003.

5.19 There is no allegation in the SCN that their trades in the scrip of STL induced others to trade in the said scrip or for that matter any investor who had suffered loss because of their trading in the scrip of STL.

5.20 Regulation 13 of PFUTP Regulations, 2003 which deals with repeal and saving has also been invoked along with provisions of PFUTP Regulations, 1995 pertaining to fraud. In such a case, if the corresponding definition of 'fraud' under PFUTP Regulations, 2003 is adopted, it would amount to giving retrospective effect to the definition for those acts which were not earlier covered by the definition of 'fraud' under PFUTP Regulations, 1995. It is a trite law that any legal provisions creating any obligations or liability have to be understood to have prospective effect only and relied upon the Judgment in the matter of SEBI vs. Alliance Finstock Ltd. & Ors. (2015) 16 SCC 731.

5.21 The corresponding provision of fraud under PFUTP Regulations, 2003 cannot be invoked against them by resorting to Regulation 13 of PFUTP Regulations, 2003 and the matter has to be adjudged in light of the definition of 'fraud' as given under PFUTP Regulations, 1995.

5.22 The off market transactions are not illegal per se and relied upon the Judgment of Hon' ble SAT in the case of Rajendra G Parikh vs. SEBI (Appeal No 44 of 2009). In view of the same, no adverse inferences be drawn with regard to off market transfer of shares with Saijan K Nanwal.

5.23 There is allegation in the SCN that Saijan K Nanwal had delivered . 3,54,803 shares of Sai Television for sale transaction executed through Sanchay Finvest Ltd. However, no evidence or supporting documents with

regard to aforesaid allegation has been provided along with SCN by SEBI. Hence, no adverse inferences can be drawn in this regard.

5.24 They have traded in the scrip of STL in normal course of business activity and nothing adverse in this regard can be alleged against them.

5.25 Their transactions in STL were independent and totally in isolation to the transactions as carried out by other entities/ person in scrip of STL. Pertinently, their buying and selling of shares of STL was not concentrated but was spread across numerous days. Hence, in view of the aforesaid, no abnormality can be observed with regard to their trading in the scrip of STL. Out of total volume of 2,02,53,190 shares traded on NSE in the scrip of STL during Period- II, Noticee 15 has bought 31,35,556 shares and sold 38,94,646 and Noticee 16 bought 21,99,342 shares and sold 23,68,564 shares respectively of STL which was so insignificant that it can hardly be capable of disturbing the market so as to create artificial price/volume or misleading appearance of trading in said scrip.

5.26 In case of screen based trading, the automated system itself matches orders on a price-time priority basis and hence it is not possible for anybody to have access over the identity of counter party dealing in any transaction. Since the counter party identity is not displayed; one can never have any choice with whom it wants to deal or not to deal. Hence, no allegation of trading with only specific set of entities can be alleged against them.

5.27 With regard to Noticee 15, it was submitted that out of its total purchase of 31,35,556 shares of STL, only 12,29,055 shares are matched with counter parties who are part of the present SCN and 19,06,501 shares are matched with counter parties who are not part of present SCN. Similarly, out of its total sale of 38,94,646 shares of STL, only 13,67,162 shares are matched with counter parties who are part of the present SCN and 25,27,484 shares are matched with counter parties who are not part of present SCN. Further, with regard to the counter parties who are co-noticees to the SCN, there is

no allegation of connection with them except with Sajjan K Nanwal as mentioned in the SCN. Hence, no allegation of trading only with specific set of entities can be alleged against it as the counter parties to majority of their trades i.e. buy and sell are not part of the present SCN issued against it.

5.28 With regard to Noticee 16, it was submitted that out of its total purchase of shares of STL, only 12,41,482 shares are matched with counter parties who are part of the present SCN and 9,57,860 shares are matched with counter parties who are not part of present SCN. Similarly, out of its total sale of 23,68,564 shares of STL, only 7,55,667 shares are matched with counter parties who are part of the present SCN and 16,12,897 shares are matched with counter parties who are not part of present SCN. Further, with regard to the counter parties who are co-noticees to the SCN, there is no allegation of connection with them except with Sajjan K Nanwal as mentioned in the SCN. Hence, no allegation of trading only with specific set of entities can be alleged against it as the counter parties to majority of its trades i.e. buy and sell are not part of the present SCN issued against it.

5.29 They have no nexus, connivance or collusion with STL or its Promoters, Directors, employees and any of its connected entities.

5.30 STL scrip had been liquid throughout and highly traded. The price and volume of Sai Television shares during investigation period is not in much variance.

5.31 With regard to Noticee 15, it was submitted that trades fall in the category of self-trades. The said impugned self-trades were unintentional, non manipulative and was as a result of bona-fide intra- day/jobbing activity carried out by it at relevant point of time and it had no malafide intent to execute impugned 'self-trades' or create artificial volume or 'induce' anyone while dealing in the scrip of STL.

5.32 It was further submitted by Noticee 15 that mere coincidence of unintentional “self-trade” cannot be considered “fraudulent” and relied upon following orders of the Hon’ble SAT and Adjudicating officer of SEBI:

- a) S.P.J Stock Brokers Pvt. Ltd V/s SEBI (Appeal no 52 of 2013) dated September 04, 2013
- b) Kapil Chaturabhuj Bhuptni (Appeal no 95 of 2013) dated October 10, 2013
- c) Crosseas Capital Services Pvt. Ltd Vs SEBI (Appeal No. 330 of 2017) dated February 26, 2019
- d) SEBI's Adjudication Order dated February 27, 2017 in the matter of BP Fintrade Private Limited, Gahanna Enterprises & BP Equities Private Limited
- e) SEBI's Adjudication Order dated June 21, 2018 in respect of Mansukh Securities and Finance Ltd in the matter of Twilight Litaka Pharma Ltd.

5.33 In addition to above, Noticee 15 provided a gist of 39 orders passed by SEBI pertaining to allegation of self-trades wherein respective SCNs were disposed-off without imposing any penalty.

5.34 With regard to Noticee 16, it was submitted that the alleged reversal trades are necessarily by co-incidence and on perusal of stray transactions and volume of trades, the same are exceptional instances and apparently unintentional.

5.35 Apart from off market transfer of shares with Sajjan K Nanwal, which was strictly of commercial in nature, they do not have any relation with him. Further, no evidence or documents with regard to allegation that Noticee 9 delivered 3,54,803 shares of STL for the sale transaction executed by Noticee 15 through Sanchay Finvest Ltd. Further, no allegation of any reversal trades or structured trades with Noticee 9 has been made.

5.36 They have no connection or relation with any of the co-noticees of the SCN and the same is also not alleged in the SCN or otherwise. The only connection as mentioned in the SCN is of connection between Noticees 15 and 16 due to common directorship. The working of both the companies is completely different with both of them having individual business strategies and separate decision making powers. Further, both the entities have different brokers through whom the trades are executed. Hence, no adverse inferences to be drawn against them in this regard.

5.37 Strict proof required for a serious charge of “fraud” and relied on the following orders of the Hon’ble SAT:

- a) R. K. Global V/s SEBI (Appeal no.158/2008) dated September 16, 2010
- b) Narendra Ganatra Vs SEBI (Appeal No 47 of 2011 dated July 29, 2011
- c) Sterffte Industries (India) Ltd. Vs. SEBI (2001) 34 SCL 485 (SAT)
- d) Parsoli Corporation Vs SEBI (Appeal No 146/2011) dated August 12, 2011

5.38 Compelling evidence required to charge someone of fraud and relied on the Judgment of Hon’ble SC in the matter of Ram Sharan Yadav Vs Thakur Muneshwar Nath Singh [(1984) 4 SCC 649 (AIR 1985 SC 24)]

6. Issues for consideration:

6.1. On a perusal of the allegations brought out in the SCN, oral / written submissions filed by the Noticees and other material available on record, the following issues arise for consideration in the present proceedings:

6.1.1. Was there any delay on the part of SEBI in the initiation of the present proceedings against the Noticees and if the answer is in affirmative, are the present proceedings barred by limitation period?

6.1.2. Whether the Noticees have violated the provisions of Regulations 4(b), (c), (d) and (e) of PFUTP Regulations, 1995 as alleged in the SCN?

6.1.3. If the answer to issue at 6.1.2 is in the affirmative, what directions are required to be issued to the Noticees?

7. Preliminary Issues

Before proceeding further on merits, I would like to deal with the following preliminary issues raised by Noticees 10, 15 and 16 respectively.

Issue raised by Noticee 10: The Notice issued to him and investigation conducted by SEBI is without jurisdiction.

7.1. With regard to the said contention raised by Noticee 10, it is pertinent to refer to the following observations of the Division Bench of the Hon'ble Madras High Court vide judgment dated June 28, 2022 {W.A. Nos. 2303, 2304, 2305, 2307 & 2308 of 2012} filed by the Noticees. 1 to 7:

“18. A perusal of Section 11-C (1) (a) shows that where the Board has reasonable ground to believe that the transactions in securities are being dealt with a manner detrimental to the investors of the securities market, the Board can order for investigation. Similarly, Section 11-C (1) (b) needs to be looked into carefully as the language used in Section 11-C(1)(b) is not similar to the language used in Section 11-C(1)(a), since it deals with the past transactions. The learned single Judge, after appreciating the language used in both the provisions, has rightly held that the Board has got power to order for investigation with regard to the past transactions as well by the investigating authority as it is relatable to the investigation against any intermediary or any person and both the provisions are to be read disjunctively and conjunctively, more particularly, that was the reason for the Parliament to use the word ‘or’ in between these two provisions.

19. The Gujarat High Court in Karnavati Fincorp v SEBI, 1996 SCC Online Guj 199, while considering the meaning of the expression “persons associated with the securities market” under Section 11, held the expression to mean and include all persons who have something to do with securities market. Even before amendment, Section 11 of the Act has empowered the Board to take all measures as it deems fit for the protection of the interests of all investors to regulate and promote and regulate the securities market, hence, when Section 11-C is only supplemental to Section 11, more particularly, Section 11-C(6) imposes punishment only for non-compliance of notice under Section 11-C(1) which is issued only after the date of amendment, question of retrospective application of Section 11-C (6) or Article 20 (1) does not arise.”

7.2. The aforesaid observations of the Hon'ble High Court of Madras are binding on me. Therefore, I do not find any merit in the contentions of the Noticee 10.

7.3. It would be appropriate to decide the question whether Noticee 10 is person associated with the securities market as per material available on record. In this regard, attention is drawn to following provisions of PFUTP Regulations, 1995:

“ 2 (1) (c) "fraud" includes any of the following acts committed by a party to a contract, or with his connivance, or by his agent, with intent to deceive another party thereto or his agent, or to induce him to enter into the contract:-

(1) the suggestion, as to a fact, of that which is not true, by one who does not believe it to be true;

(2) the active concealment of a fact by one having knowledge or belief of the fact;

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

(4) any other act fitted to deceive;

(5) any such act or omission as the law specially declares to be fraudulent;

and "fraudulent" shall be construed accordingly.

Explanation: Mere silence as to facts likely to affect the willingness of a person to enter into a contract is not fraud, unless the circumstances of the case are such that, regard being had to them, it is the duty of the person keeping silence to speak, or unless his silence is, in itself, equivalent to speech.

4. No person shall –

.....

(e) pay, offer or agree to pay or offer, directly or indirectly, to any person any money or money's worth for inducing another person to purchase or sell any security with the sole object of inflating, depressing, or causing fluctuations in the market price of securities."

- 7.4. Before proceeding further, it may be appropriate to refer to the following observations of the Hon'ble Gujarat High Court in the matter of Karnavati Fincap Ltd. and Alka vs SEBI (1996 87 CompCas 186 Guj):

"The question then arises whether "persons associated with the securities market" takes its colour from persons enumerated in clause (ba)? If one has to go by the literal meaning, the interpretation which restricts the meaning of "persons associated with the securities market" to the persons enumerated in clause (ba) is not acceptable. In ordinary meaning, the persons associated with the securities market would include all and sundry who have something to do with the securities market. It is to be noted that the securities market in the sense is not confined to stock exchanges only. The words "persons associated with the securities market" are of much wider import than intermediaries."

- 7.5. If we apply the facts of the present case to the touchstone of the aforesaid observations made by the Hon'ble High Court of Gujarat, the following position emerges:

7.5.1. STL was a company listed on NSE and listed company comes

under the jurisdiction of SEBI.

7.5.2. Noticee 10 opened demat account number 22219776 and transferred the shares from said demat account to the demat account of Noticee 9 on various dates. The said demat account opened by the Noticee 10 from the registered intermediary which is regulated by SEBI.

7.6. Further, I note that the definition of “fraud” in regulation 2(1)(c) of PFUTP Regulations, 1995 is an inclusive one. It is inclusive with respect to act, omission or concealment committed by any person while dealing in securities in order to induce another person. The definition is also inclusive with respect to active concealment of a fact, suggestion to an untrue fact, promise made without intention to perform, etc. as listed in points (1) to (5) of regulation 2(1)(c) of PFUTP Regulations, 1995. In my view, the acts or omissions to transfer the shares of STL without consideration by the Noticee 10 to Noticee 9 has led into misleading appearance and non-genuine transactions without intention of change of beneficial ownership in the scrip of STL. In view of the above, the Noticee 10 is indeed “persons associated with the securities market”. Thus, I do not find merit in the submissions of Noticee 10.

Issue raised by Noticees 15 and 16: Annexures to the SCN provided by SEBI are not legible, trade log provided by SEBI in excel format is incomplete and order log in excel format is not provided. Requisite documents/data/information on the allegations levelled against them in the SCN is not available to them and it is next to impossible to collate the requisite documents/data/information which is presently more than 21 years old. In the absence of the same, grave difficulty has been caused to them to completely analyze the data and give justification for the same.

7.7. Before proceeding further to deal with the present issue raised by the

Notices 15 and 16, it may be appropriate to refer to the history of technological development in SEBI. Effective surveillance is the sine qua non for a well-functioning of securities market. As an integral part in the regulatory process, effective surveillance can achieve investor protection, market integrity and securities market development. According to the International Organization of Securities Commissions (IOSCO), “the goal of surveillance is to spot adverse situations in the markets and to pursue appropriate preventive actions to avoid disruption to the markets.” IOSCO is the international body that brings together the world's securities regulators and is recognized as the global standard setter for the securities market all over the world. SEBI is a member of IOSCO along with other global regulators.

- 7.8. In line with aforesaid IOSDCO’s Principle, in order to investigate the matters of securities market, SEBI uses both technological tools and human resources. SEBI’s market surveillance systems are consistently been updated. An Integrated Market Surveillance System (IMSS) was made operational in 2006. IMSS assists in detecting abnormalities, if any in trading patterns and market behaviour in a timely manner, and facilitates in taking corrective actions. This also enables SEBI to oversee the performance of stock exchanges and other intermediaries as regards their surveillance activities. IMSS was launched by SEBI to implement the Data Warehousing and Business Intelligence System (DWBIS) so that there will be proper investigation and the surveillance functions will provide speed for data analysis. SEBI launched DWBIS in 2011. The system carries out data acquisition on a daily basis from multiple data sources for surveillance related activities. IMSS and DWBIS systems acquire data from different sources and provide for generation of various alerts and reports. IMSS system feeds data into DWBIS system where the data is processed and relevant reports are generated. Therefore, SEBI has a spanned network connectivity from SEBI office to all its data sources including exchanges and other intermediaries. Before the launch of IMSS and DWBIS in 2006 and

2011, SEBI had to rely upon the data provided by the exchanges and other intermediaries for its investigation/examination, etc.

7.9. If we apply the aforesaid facts to the present case, it emerges that SEBI conducted investigation in the scrip of STL for the period before 2006 on the basis of data provided by NSE and the data was not stored in the technological system of SEBI and the same was apparently stored in Floppy/CD as per then prevalent practice which subsequently appears to be corrupted. In the present case, in the interest of natural justice and acceding to the request of the said Noticees, inspection of documents was granted to the Noticees on March 14, 2018. Upon perusal of the record sheet of inspection conducted by the Authorized Representative ("AR") of the said Noticees on March 14, 2018, it is noted that AR inspected the file having all the documents relied upon by SEBI in the matter and requested for soft copies of trade long and order log of investigation period and soft copies of annexures enclosed with the SCN in Excel format. However, it is notable that AR did not raise any objection with regard to legibility of the documents enclosed with the SCN on the date of inspection. SEBI vide letter dated December 02, 2022 informed the said Noticees that soft copy of trade log and order log as well as annexures to the SCN were not available with SEBI. Acceding to the request of the Noticees, investigation report along with annexures were provided to the Noticees. Upon perusal of the records, I find that acceding to the request of the Noticees and since the said data was not available with SEBI, SEBI sought the trade log and order log from NSE. Though from time to time follow up was done with NSE, only trade log was provided by NSE which was in turn provided to the Noticees by SEBI. The Noticees claimed that the said data is incomplete. I have perused the said trade log and I agree with the Noticees that the said trade log provided by NSE is incomplete wherein some counter party names, etc. are missing.

7.10. In view of the above, I am of the view that it may not be appropriate for the

quasi-judicial authority to remain as a mute spectator. I, therefore, decided to act as an active referee to ensure that the proceedings are conducted in a fair and transparent manner. I have perused the material available on record and find the following:

- 7.11. On March 14, 2018, AR inspected the file on behalf of Noticees 15 and 16 having all the documents relied upon by SEBI in the matter. However, AR did not raise any objection with regard to legibility of the documents enclosed with the SCN on the date of inspection.
- 7.12. With regard to Noticee 15, neither the SCN nor investigation report segregated the total number of shares purchased and sold by the Noticees during Period-II. However, the Noticee vide its reply dated January 25, 2023 has given its detailed analysis of buy and sell transactions i.e. 31,35,556 and 38,94,646 bought and sold respectively by Noticee 15 during Period-II.
- 7.13. Noticee 15 claimed to have traded aforesaid shares in the scrip of STL over a period of 47 days whereas allegations are for 41 days.
- 7.14. Annexure 5 to the reply dated January 25, 2023 provides detailed comparison of Noticee 15's date wise volume vis-à-vis total market volume of the relevant days along with the price range of Open, High, Low and Close price of the scrip of STL.
- 7.15. Noticee 15 submitted that out of its total purchase of 31,35,556 shares of STL, only 12,29,055 shares are matched with counter parties who are part of the present SCN and 19,06,501 shares are matched with counter parties who are not part of present SCN. In support of the same, Noticee has submitted Annexure 6 to the reply dated January 25, 2023 which provides detailed analysis of counter parties to buy transactions executed by Noticee 15.

7.16. Noticee 15 further submitted that out of its total sale of 38,94,646 shares of STL, only 13,67,162 shares are matched with counter parties who are part of the present SCN and 25,27,484 shares are matched with counter parties who are not part of present SCN. In support of the same, the Noticee has submitted Annexure 7 to the reply dated January 25, 2023 which provides detailed analysis of counter parties to sell transactions executed by Noticee 15.

7.17. Noticee 15 submitted that the alleged trades of 1,71,141 fall under the category of self trades whereas 11,59,060 shares were traded through Sanchay Finvest Ltd. However, neither SCN nor investigation report segregated the said trades.

7.18. With regard to Noticee 16, neither the SCN nor investigation report segregated the total number of shares purchased and sold by the Noticee during Period-II. However, the Noticee vide its reply dated January 25, 2023 has given its detailed analysis of buy and sell transactions i.e. 21,99,342 and 23,68,564 bought and sold respectively by Noticee 16 during Period-II.

7.19. Annexure 5 to the reply dated January 25, 2023 provides detailed comparison of Noticee 16's date wise volume vis-a-vis total market volume of the relevant days along with the price range of Open, High, Low and Close price of the scrip of STL.

7.20. Noticee 16 submitted that out of its total purchase of shares of STL, only 12,41,482 shares are matched with counter parties who are part of the present SCN and 9,57,860 shares are matched with counter parties who are not part of present SCN. In support of the same, Noticee submitted Annexure 6 to the reply dated January 25, 2023 which provides detailed analysis of counter parties to buy transactions executed by Noticee 16.

7.21. Noticee 16 further submitted that out of its total sale of 23,68,564 shares

of STL, only 7,55,667 shares are matched with counter parties who are part of the present SCN and 16,12,897 shares are matched with counter parties who are not part of present SCN. In support of the same, the Noticee has submitted Annexure 7 to the reply dated January 25, 2023 which provides detailed analysis of counter parties to sell transactions executed by Noticee 16.

7.22. Upon perusal of the aforesaid details, I find that Noticees 15 and 16 have submitted the details such as comparison of their day-wise trading volume vis-a-vis total market volume of the relevant days along with the price range of Open, High, Low and Close price in the scrip of STL during period-II, detailed analysis of counter parties to their buy as well as sell transactions, details of not only their purchase and sell transactions which are part of the SCN but also transactions which are not part of SCN. This leads me to a plausible conclusion that the contentions of the Noticee 15 and 16 about non-submission of legible copies, non-availability of soft copy of order log, incomplete trade log, non-submission of soft copies of annexures to the SCN by SEBI are only to get the benefit out of the plea of principles of natural justice. However, as per the details mentioned at sub-paragraphs 9.4.1 to 9.4.12, it is crystal clear that annexures to the SCN were legible and all the documents relating to the investigation conducted by SEBI including the order log and trade log are available with the Noticees 15 and 16.

7.23. I am of the view that the principles of natural justice are considered to be the backbone of the quasi-judicial proceedings. The principles of natural justice are the basic tenets of jurisprudence. These principles ensure that the justice is served with fairness and impartiality. However, the Noticees in quasi-judicial proceedings often abuse these principles and obstruct the outcome of the proceedings. The Noticees play a critical role in the quasi-judicial proceedings. The Noticees have the right to defend himself/herself against the allegations. The Noticees have the right to put forward his/her case and present evidence in support of his/her case. The Noticees often

abuse the principles of natural justice to ensure that they are not held accountable for their actions. The present case is the best example wherein the Noticees 15 and 16 used the tactics to delay the proceedings and prevent the quasi-judicial authority from making a decision on the ground of principles of natural justice. However, their intentions are unmasked in the aforesaid paragraph/s. The abuse of principles of natural justice undermines the very purpose of the quasi-judicial proceedings and must be prevented at all costs.

7.24. In view of the above, I do not find merit in the submissions of the Noticees 15 and 16 and I, therefore, proceed to decide the matter on merit.

8. Findings on issues

Issue No. 1 - Whether there was any delay on the part of SEBI for initiation of the present proceedings against the Noticees?

8.1 For the adjudication of the present issue, it may be appropriate to refer to the background of the matter. SEBI had issued summons to the Noticees 1, 3, 4, 6 and 7 (hereinafter referred to as “Khemka Group Noticees”) during investigation initiated in the matter of STL as per details below:

Table 8

Name of person/noticee	Summons
Tirupathi Kumar	Ref.No.IVD/ID4/KVRR/PS/2004 dated 15.09.2004 and accompanying summons — in the matter of Sal Television Limited
Champa Devi	Ref.No.IVD/ID4/KVRR/PS/2004 dated 15.09.2004 and the accompanying summons — in the matter of Sal Television Limited
Shivani Devi	Ref.No.IVD/ID4/KVRR/PS/2004 dated 15.09.2004 and the accompanying summons. — in the matter of Sal Television Limited

Ritu Devi	Ref.No.IVD/ID4/KVRR/PS/15778/2004 dated 20.07.2004 and the accompanying summons — in the matter of Sal Television Limited
Raj Kumar	Ref.No.IVD/ID4/KVR1t/PS/2004 dated 15.09.2004 and the accompanying summons — in the matter of Sal Television Limited

8.2 The aforesaid Khemka Group Noticees challenged the summons issued to them by filing writ petitions before the Hon'ble High Court of Judicature at Madras as under:

Table 9

Name of person/noticee	Writ Petition No.
Tirupathi Kumar	29375/2004
Champa Devi	29376/2004
Shivani Devi	29377/2004
Ritu Devi	29379/2004
Raj Kumar	29380/2004

8.3 The aforesaid writ petitions were dismissed by the Hon'ble Single Judge vide Order dated March 22, 2012 as having no merit. The petitioners were given liberty to comply with the impugned notices (summons) within a period of 6 weeks from the date of receipt of order copy. The Hon'ble Court also observed that thereafter, the Investigating Authority will be at liberty to proceed with the investigation and based on the same, SEBI will be at liberty to pass further orders strictly in accordance with law.

8.4 Subsequently, Khemka Group Noticees challenged the common order dated March 22, 2012 of the Hon'ble Single Judge in separate writ appeals. Vide Order dated January 17, 2013 passed in the miscellaneous petitions seeking stay of further proceedings pursuant to the summons issued by SEBI to the appellants, the Hon'ble Court directed SEBI not to pass any final orders without the direction of the Court.

8.5 Thereafter, the stay applications filed by the appellants and vacate stay

applications filed by SEBI were heard and the Hon'ble Court clarified that the Court had on January 17, 2013 only directed SEBI not to pass any final orders without the directions of the Court and that SEBI can go ahead with the investigation. The Court also clarified that investigation can go on with the documents furnished by the appellants and no final order shall be passed pending orders from the Court.

- 8.6 Consequently, SEBI conducted the investigation, in terms of the Order dated January 17, 2013 read with Order dated August 11, 2014 of the Hon'ble High Court.
- 8.7 Pursuant to the completion of investigation in the matter, proceedings under Section 11B of the SEBI Act were initiated against 16 entities including Ritu Devi, Raj Kumar, Tirupathi Kumar, Ravi Prakash, Champa Devi and Shivani Devi alleging that they have contravened the provisions of regulation 4 of the PFUTP Regulations, 1995 read with regulation 13 of the PFUTP Regulations, 2003.
- 8.8 Accordingly, a show cause notice dated October 30, 2015 bearing ref. no. EFD/DRA-1/VK/SS/30446/2015 was issued to the 16 entities/persons including the Noticees calling upon them to show cause as to why suitable directions under section 11/11B of the SEBI Act read with regulations 11 and 13 PFUTP Regulations, 2003 including a direction to restrain them from accessing the securities market and prohibiting from buying, selling or dealing in securities for a particular duration should not be issued against them.
- 8.9 Pursuant to the final hearing, the matter was reserved for judgment on October 08, 2021. The matters were called for pronouncement on June 28, 2022, when the Hon'ble Court dismissed the appeals filed by the Noticees while observing that under Section 11C, the SEBI has got power to order for investigation with regard to the past transactions as well by

the investigating authority as it is relatable to the investigation against any intermediary or any person and both the provisions are to be read disjunctively and not conjunctively, more particularly, that was the reason for the Parliament to use the word 'or' in between these two provisions. A clear reading of Section 11C(1) shows that there are two sub-clauses, namely, Section 11C(1)(a) and Section 11C(1)(b), while the former uses the expression " are being" meaning its application to the present transactions, the latter uses the expression "has violated", which clearly means the past transactions as well. Therefore, these two clauses are to be read disjunctively and not conjunctively, because even for past transactions the Section 11-C(1)(b) applies. It may be appropriate to refer to the following observations of the Hon'ble Madras High Court:

“Moreover, the writ petitions are not even maintainable, for the simple reason that when the appellants/writ petitioners are individual investors or not, it is for them to prove that they are individual investors and that they have not violated any provisions before the Board.”

8.10 I note that the investigation relating to the PFUTP Regulations, 1995 read with PFUTP Regulations, 2003 are complex (considering the volume of transactions, connections and examination of trading of shares, etc.) and time consuming. In this regard, it is pertinent to note that, in the matter of SEBI Vs Bhavesh Pabari (2019) SCC Online SC 294, the Hon'ble Supreme Court has, inter alia, held as follows:

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

been created etc.”

8.11 Further, I note that the Hon'ble Securities Appellate Tribunal (hereinafter referred to as “**SAT**”) in the matter of **Pooja Vinay Jain vs. SEBI** (Appeal No. 152 of 2019, Date of Decision – March 17, 2020) held that, ***“The record would show that all the documents concerning the defense of the appellant were filed by her before the AO. Therefore, for want of any prejudice the proceedings cannot be quashed simply on the ground of delay in launching the same”***

8.12 Further, I am inclined to rely upon the decision of Hon'ble SAT in the matter of **Bipin R Vora vs SEBI** held that, ***“As regards the plea of delay and laches and submission that the show cause notice is barred by limitation, I do not find any merit in these contentions as the time and efforts involved in an investigation though may vary from case to case, generally investigations per-se is a time consuming process which invariably involve collection, scrutiny and careful examination of voluminous records/ order-trade details of all the concerned including the exchanges/recording of statements etc. and therefore no time limit can be fixed in this regard to enable a regulator to take appropriate disciplinary action for the safeguard and improvement of the system/market”***

8.13 If we follow the touchtone of the observations made in the aforesaid orders passed by the Hon'ble Supreme Court and Hon'ble SAT, it would follow that Noticees were provided with all relevant and relied upon documents along with SCN and further, were provided sufficient time to file their detailed reply, opportunity of personal hearing/s and time to file written submissions subsequent to the final hearing and therefore, no prejudice was caused to the Noticee due to delay. It is further relevant to mention here that as explained above, Hon'ble Madras High Court vide

order dated January 17, 2013 directed SEBI not to pass any final orders without the directions of the Court and that SEBI can go ahead with the investigation. The Court also clarified that investigation can go on with the documents furnished by the appellants and no final order shall be passed pending orders from the Court. The Hon'ble Madras High Court vide its final Judgment dated June 28, 2022 dismissed the appeals filed by Khemka Group Noticees. In view of the dismissal of the said appeals, this final order is being passed against the Noticees.

8.14 As explained in the separate order of even date passed against the Khemka Group Noticees, summons issued by SEBI was challenged before the Hon'ble Court to create hurdles in investigation conducted by SEBI. It compromised on the integrity of the investigation process and undermined the rule of law. Had the intention of the Khemka Group Noticees have been honest, they would have submitted the reply as directed by the Hon'ble Madras High Court. However, they chose not to submit their written submissions consequent to the Hon'ble Madras High Court order dated June 28, 2022 which demonstrates that their intention was only to delay the proceedings initiated by SEBI and abuse the process of law.

8.15 Therefore, I conclude that the delay in proceedings were caused by the acts of Khemka Group Noticees. In view of the same, SEBI cannot be faulted for the delay.

Issue No. 2 – Whether the Noticees have violated the provisions of regulations 4(b), (c), (d) and (e) of PFUTP Regulations, 1995 as alleged in the SCN?

8.16 On the basis of analysis of trading pattern/behaviour, the entire investigation period was divided into two sub-periods. The observations

regarding the traded volume and price movements in the scrip of STL are as under:

Period I : May 29, 2001 to September 07, 2001

During this period, shares were traded for 54 days. The price of STL fell from Rs. 175. 40 to Rs. 26.40 with a low of Rs. 10.50.

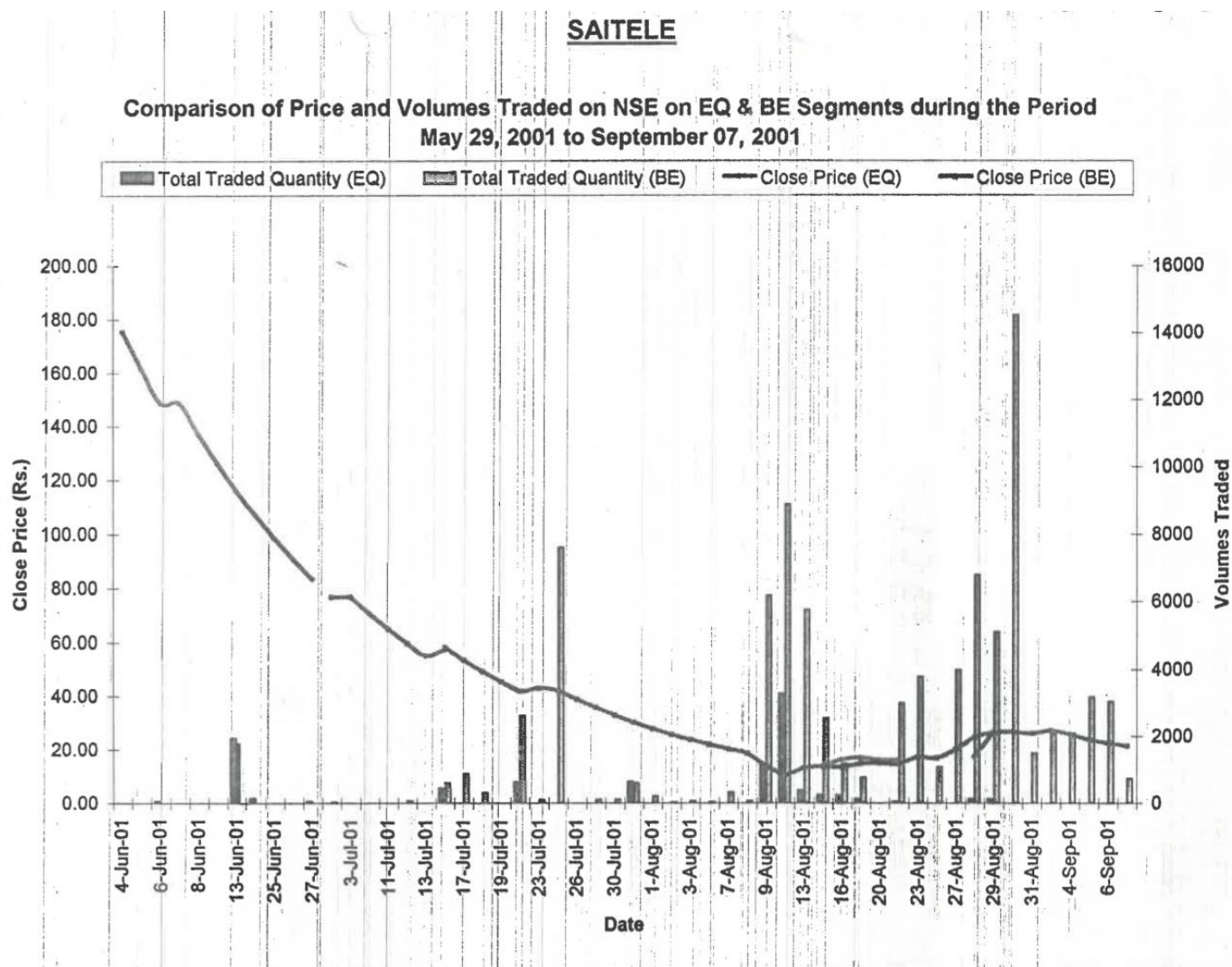
Period II : February 25, 2002 to May 09, 2002

During this period, shares were traded for 41 days. The price of STL fell from Rs.31.00 to Rs.7.55

During the aforesaid two periods, total volume of 2,02,53,190 shares were traded.

Price movement in the scrip of STL during Period I is depicted below in a chart as under:

Figure 1



Price and Volumes traded in STL during Period I are given in a tabular format as under:

Table 10

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Details of Price and Volumes Traded in the scrip on the EQ and BE Segments during the period May 29, 2001 to September 07, 2001

Date	Total Traded Quantity (EQ)	Total Traded Quantity (BE)	Close Price (EQ)	Close Price (BE)
4-Jun-01	1	1	175.40	175.40
5-Jun-01	5		161.40	
6-Jun-01	25		148.50	
7-Jun-01	5		148.50	
8-Jun-01	1		137.00	
11-Jun-01	1		126.10	
13-Jun-01	1905		116.05	
14-Jun-01	105		106.80	
25-Jun-01	1		98.30	
26-Jun-01	1		90.45	
27-Jun-01	10		83.25	
28-Jun-01		10		76.60
3-Jul-01	1	1	76.60	76.60
10-Jul-01	1		70.50	
11-Jul-01	1	1	64.90	64.90
12-Jul-01	1	51	59.75	59.75
13-Jul-01	1		55.00	
16-Jul-01	400	600	57.10	58.10
17-Jul-01		881		53.45
18-Jul-01		300		49.20
19-Jul-01	1	1	45.30	45.30
20-Jul-01	600	2617	41.70	41.70
23-Jul-01		100		43.00
24-Jul-01		7601		42.00
26-Jul-01		1		38.65
27-Jul-01		100		35.60
30-Jul-01		111		32.75
31-Jul-01	605	600	30.15	30.15
1-Aug-01		200		27.75
2-Aug-01		11		25.55
3-Aug-01		51		23.60
6-Aug-01		26		21.80
7-Aug-01		315		20.10
8-Aug-01		56		18.50
9-Aug-01	1121	6176	13.90	13.90
10-Aug-01	3266	8888	10.50	10.45
13-Aug-01	350	5762	13.10	13.10
14-Aug-01	214	2547	13.80	13.45
16-Aug-01	200	1175	16.00	13.40
17-Aug-01	100	751	16.75	14.75
20-Aug-01	4	1	15.95	14.80
21-Aug-01	20	3001	15.95	14.55
23-Aug-01		3792		17.05
24-Aug-01		1083		16.75
27-Aug-01		3992		19.95
28-Aug-01	100	6792	17.00	24.45
29-Aug-01	100	5115	26.45	26.45
30-Aug-01		14523		26.60

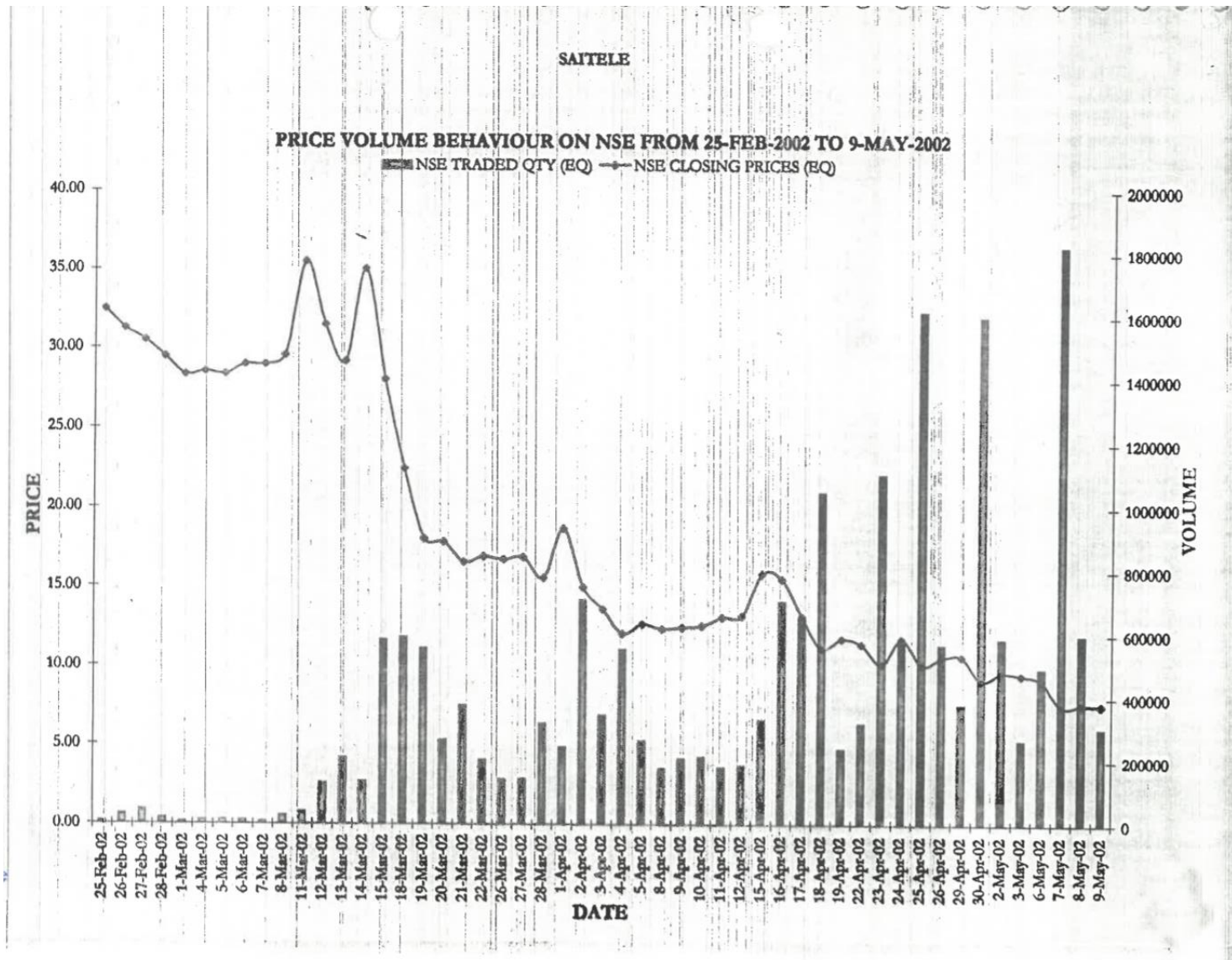
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Details of Price and Volumes Traded in the scrip on the EQ and BE Segments during the period May 29, 2001 to September 07, 2001

Date	Total Traded Quantity (EQ)	Total Traded Quantity (BE)	Close Price (EQ)	Close Price (BE)
31-Aug-01		1484		26.00
3-Sep-01		2053		27.05
4-Sep-01		2099		25.75
5-Sep-01		3181		23.70
6-Sep-01		3048		22.25
7-Sep-01		724		21.25

Price movement in the scrip of STL during Period II is depicted below in a chart:

Figure 2



Price and Volumes traded in STL during Period II is given in a Tabular format as under:

Table 11

SAITELE
DATA FOR PRICE VOLUME BEHAVIOUR ON NSE FOR THE PERIOD FROM 25-FEB-2002 TO 9-MAY-

DATE	NSE TRADED QTY (EQ)	NSE CLOSING PRICES (EQ)
25-Feb-02	9936	32.45
26-Feb-02	32619	31.25
27-Feb-02	47619	30.50
28-Feb-02	19496	29.45
1-Mar-02	9220	28.35
4-Mar-02	13791	28.55
5-Mar-02	14374	28.40
6-Mar-02	14110	29.00
7-Mar-02	9646	29.00
8-Mar-02	29292	29.55
11-Mar-02	40734	35.50
12-Mar-02	130382	31.50
13-Mar-02	209579	29.20
14-Mar-02	135189	35.05
15-Mar-02	584920	28.05
18-Mar-02	592344	22.45
19-Mar-02	558375	18.00
20-Mar-02	268346	17.80
21-Mar-02	375741	16.55
22-Mar-02	204610	16.90
26-Mar-02	142845	16.70
27-Mar-02	143356	16.85
28-Mar-02	320095	15.55
1-Apr-02	244943	18.65
2-Apr-02	710585	14.95
3-Apr-02	346140	13.60
4-Apr-02	555560	12.05
5-Apr-02	265396	12.65
8-Apr-02	177898	12.35
9-Apr-02	208461	12.45
10-Apr-02	214002	12.55
11-Apr-02	180177	13.10
12-Apr-02	187224	13.20
15-Apr-02	332563	15.85
16-Apr-02	706799	15.50
17-Apr-02	660232	13.15
18-Apr-02	1052062	11.15
19-Apr-02	240069	11.75
22-Apr-02	321704	11.40
23-Apr-02	1108409	10.15
24-Apr-02	578793	11.75
25-Apr-02	1619683	10.10
26-Apr-02	570041	10.55
29-Apr-02	380136	10.65
30-Apr-02	1602283	9.10
2-May-02	585587	9.60
3-May-02	267690	9.45
6-May-02	495783	9.10
7-May-02	1825592	7.50
8-May-02	600291	7.60
9-May-02	305468	7.55

Findings in respect of Period I: May 29, 2001 to September 07, 2001:

8.17 I find that Ms. Ritu Devi ("Noticee 1") who is the wife of director of STL traded in the shares of STL through stock broker viz; Orbis Securities Private Limited in her individual capacity as well as traded through her proprietary firm viz; M/s CRS Stocks and Securities (Noticee no. 2) through the stock broker viz; Aryan Shares and Stock Brokers Limited. On perusal of the trade and order log, I find that both the Noticees placed orders with the aforesaid two stock brokers appearing as counter parties to each other and executed 51 structured deals involving 25,700 shares of the Company on 14 days during Period-I, wherein the time difference between the buy and sell orders was less than 30 seconds and the said trades were reversed continuously on respective days, the details of the same are as under.

SAITELE Details of Structured Deals executed amongst the TMs Orbis Securities Pvt. Ltd. and Aryan Share and Stock Brokers Ltd. in the Account Period Segment for the period under scrutiny.

Trade Dt	Sl#	Trd Time	Trade No	Trd Pr	% to LTP	Trd Qty	Buy Order Entry Time	Buy Order No	Buy TM Name	Buy User ID	Buy Client	Buy Disc	Buy Org Vol	Buy Price	Sell Order Entry time	Sell Order No	Sell Member Name	Sell User Id	Sell Client	Sell Disc	Sell Org Vol	Sell Price
16-Jul-01	2001129	12:04:30	200107150175043	59.00	7.27	100	12:04:30	200107160329005	ORBIS SECURITIES	8405 Ritu Devi		0	100	59.00	12:04:12	200107160327559	ARYAN SHARE	8612 CRS Stocks	0	100	59.00	
16-Jul-01	2001129	12:04:47	200107150175243	59.40	0.98	100	12:04:47	200107160329349	ARYAN SHARE & S	8612 CRS Stock (R		0	100	59.40	12:04:41	200107160328216	ORBIS SECURI	8405 Ritu devi	0	100	59.40	
16-Jul-01	2001129	12:07:58	200107160178955	58.00	(2.96)	200	12:07:58	200107160332535	ARYAN SHARE & S	8612 CRS Stock (R		0	200	58.00	12:07:45	200107160332208	ORBIS SECURI	8405 Ritu devi	0	200	58.00	
16-Jul-01	2001129	12:08:13	200107160178957	58.10	0.17	200	12:08:13	200107160333067	ORBIS SECURITIES	8405 Ritu Devi		0	200	58.10	12:08:12	200107160333054	ARYAN SHARE	8612 CRS Stocks	0	200	58.10	
17-Jul-01	2001128	11:12:02	20010717009532	62.25	0.40	200	11:12:02	200107170199729	ARYAN SHARE & S	8612 CRS Stock (R		0	200	62.25	11:11:58	200107170199599	ORBIS SECURI	8405 Ritu devi	0	200	62.25	
17-Jul-01	2001128	11:42:03	200107170120591	56.00	4.77	200	11:42:03	200107170242065	ARYAN SHARE & S	8612 CRS Stock (R		0	200	56.00	11:41:55	200107170241891	ORBIS SECURI	8405 Ritu devi	0	200	56.00	
17-Jul-01	2001128	11:42:23	200107170120592	56.25	0.45	200	11:42:23	200107170242547	ORBIS SECURITIES	8405 Ritu Devi		0	200	56.25	11:42:10	200107170242235	ARYAN SHARE	8612 CRS Stocks	0	200	56.25	
18-Jul-01	2001128	10:16:08	200107180037520	54.10	0.19	100	10:16:08	200107180039448	ARYAN SHARE & S	8612 CRS Stock (R		0	100	54.10	10:15:38	200107180039129	ORBIS SECURI	8405 Ritu devi	0	100	54.10	
18-Jul-01	2001128	10:16:20	200107180037520	54.10	0.19	100	10:16:20	200107180039448	ARYAN SHARE & S	8405 Ritu Devi		0	100	54.10	10:15	200107180039129	ARYAN SHARE	8612 CRS Stocks	0	100	54.10	
20-Jul-01	2001128	10:21:41	200107200092904	44.50	(2.87)	200	10:21:41	200107200126092	ORBIS SECURITIES	8612 CRS Stock (R		0	200	44.50	10:21:15	200107200125944	ORBIS SECURI	8405 Ritu devi	0	200	44.50	
20-Jul-01	2001128	10:21:58	200107200093471	44.10	0.23	200	10:21:58	200107200126092	ORBIS SECURITIES	8405 Ritu Devi		0	200	44.10	10:21:58	200107200125944	ORBIS SECURI	8405 Ritu devi	0	200	44.10	
20-Jul-01	2001128	10:53:12	200107200118352	44.50	6.71	300	10:53:12	200107200126092	ORBIS SECURITIES	8405 Ritu Devi		0	300	44.50	10:52:48	200107200126092	ORBIS SECURI	8612 CRS Stocks	0	300	44.50	
20-Jul-01	2001128	11:21:18	200107200116101	45.00	0.56	200	11:21:18	200107200126092	ORBIS SECURITIES	8612 CRS Stock (R		0	200	45.00	11:21:14	200107200126092	ORBIS SECURI	8405 Ritu devi	0	200	44.95	
20-Jul-01	2001128	11:21:28	200107200116117	45.25	0.56	200	11:21:28	200107200126092	ORBIS SECURITIES	8440 Ritu Devi		0	200	45.25	11:21:28	200107200126092	ORBIS SECURI	8612 CRS Stocks	0	200	44.95	
20-Jul-01	2001128	12:15:02	200107200218573	41.80	(0.48)	300	12:15:02	200107200218573	ORBIS SECURITIES	8612 CRS Stock (R		0	300	41.80	12:14:56	200107200218573	ORBIS SECURI	8440 Ritu devi	0	300	41.80	
20-Jul-01	2001128	12:15:13	200107200218703	41.85	0.12	300	12:15:13	200107200218573	ORBIS SECURITIES	8405 Ritu Devi		0	300	41.85	12:14:56	200107200218573	ORBIS SECURI	8405 Ritu devi	0	300	41.80	
20-Jul-01	2001128	13:24:26	200107200301506	42.25	0.38	200	13:24:26	200107200301506	ORBIS SECURITIES	8612 CRS Stock (R		0	200	42.25	13:24:20	200107200301506	ORBIS SECURI	8405 Ritu devi	0	200	41.85	
20-Jul-01	2001128	13:24:40	200107200301507	42.25	0.38	200	13:24:40	200107200301506	ORBIS SECURITIES	8440 Ritu Devi		0	200	42.25	13:24:20	200107200301506	ORBIS SECURI	8612 CRS Stocks	0	200	42.25	
24-Jul-01	2001129	10:22:39	200107240058011	40.25	(8.40)	2000	10:22:39	200107240112778	ARYAN SHARE & S	8612 CRS Stock (R		0	2000	40.25	10:22:31	200107240112347	ORBIS SECURI	8405 Ritu devi	0	2000	40.25	
24-Jul-01	2001129	10:22:57	200107240058004	40.50	0.62	3000	10:22:57	200107240113856	ARYAN SHARE & S	8612 CRS Stock (R		0	3000	40.50	10:22:51	200107240113480	ORBIS SECURI	8405 Ritu devi	0	3000	40.50	
24-Jul-01	2001129	10:28:42	200107240067016	44.00	8.84	200	10:28:42	200107240129727	ARYAN SHARE & S	8612 CRS Stock (R		0	200	44.00	10:28:08	200107240128282	ORBIS SECURI	8405 Ritu devi	0	200	44.00	
24-Jul-01	2001129	10:29:03	200107240067484	44.25	0.57	200	10:29:03	200107240130671	ORBIS SECURITIES	8405 Ritu Devi		0	200	44.25	10:29:00	200107240130553	ARYAN SHARE	8612 CRS Stocks	0	200	44.25	
24-Jul-01	2001129	13:08:57	200107240244978	42.00	(5.08)	500	13:08:57	200107240414978	ARYAN SHARE & S	8612 CRS Stock (R		0	500	42.00	13:08:57	200107240414978	ORBIS SECURI	8405 Ritu devi	0	500	42.00	
24-Jul-01	2001129	13:09:12	200107240245195	42.25	0.60	500	13:09:12	200107240415328	ORBIS SECURITIES	8405 Ritu Devi		0	500	42.25	13:09:07	200107240415214	ARYAN SHARE	8612 CRS Stocks	0	500	42.25	
24-Jul-01	2001129	14:32:26	200107240337868	42.50	0.59	600	14:32:26	200107240547790	ARYAN SHARE & S	8612 CRS Stock (R		0	600	42.50	14:32:14	200107240547435	ORBIS SECURI	8405 Ritu devi	0	600	42.50	
24-Jul-01	2001129	14:32:47	200107240338243	42.65	0.35	600	14:32:47	200107240548555	ORBIS SECURITIES	8405 Ritu Devi		0	600	42.65	14:32:36	200107240548182	ARYAN SHARE	8612 CRS Stocks	0	600	42.65	
5-Aug-01	2001131	12:07:27	200108090215101	14.25	2.52	500	12:07:27	200108090383222	ORBIS SECURITIES	8440 Ritu Devi		0	500	14.25	12:07:25	200108090383143	ARYAN SHARE	8612 CRS Stocks	0	500	14.25	
5-Aug-01	2001131	12:07:38	200108090215334	14.40	1.05	500	12:07:38	200108090383221	ARYAN SHARE & S	8612 CRS Stock (R		0	500	14.40	12:07:38	200108090383060	ORBIS SECURI	8440 Ritu devi	0	500	14.40	
10-Aug-01	2001131	10:12:34	200108100042175	14.00	0.00	495	10:12:34	200108100044411	ORBIS SECURITIES	13226 Ritu Devi		0	500	14.00	10:11:48	200108100090847	ARYAN SHARE	8612 CRS Stocks	0	500	14.00	
13-Aug-01	2001132	10:37:36	200108100043665	13.90	(1.43)	490	10:37:36	200108100043665	ORBIS SECURITIES	8612 CRS Stock (R		0	495	13.80	10:12:59	200108100090847	ORBIS SECURI	13226 Ritu devi	0	495	13.80	
13-Aug-01	2001132	10:37:36	200108100075805	12.85	(11.45)	100	10:37:36	200108100131584	ARYAN SHARE & S	8612 CRS Stock (R		0	100	12.85	10:37:29	200108100156672	ORBIS SECURI	13226 Ritu devi	0	100	12.85	
13-Aug-01	2001132	10:37:42	200108100076058	12.85	0.00	200	10:37:42	200108100130151	ORBIS SECURITIES	8612 CRS Stock (R		0	300	12.85	10:37:29	200108100156672	ORBIS SECURI	13226 Ritu devi	0	300	12.85	
16-Aug-01	2001132	14:48:48	200108100480258	13.25	(3.84)	500	14:48:48	200108100739657	ORBIS SECURITIES	8405 Ritu Devi		0	500	13.25	14:46:42	200108100739749	ARYAN SHARE	8612 CRS Stocks	0	500	13.25	
16-Aug-01	2001132	14:47:05	200108100480258	13.40	1.13	500	14:47:05	200108100739657	ARYAN SHARE & S	8612 CRS Stock (R		0	500	13.40	14:47:01	200108100739751	ORBIS SECURI	8405 Ritu devi	0	500	13.40	
21-Aug-01	2001133	11:22:22	200108210140074	14.00	(5.41)	1000	11:22:22	200108210288202	ORBIS SECURITIES	8612 CRS Stock (R		0	1000	14.00	11:22:22	200108210288202	ORBIS SECURI	8405 Ritu devi	0	1000	14.00	
21-Aug-01	2001133	11:22:43	200108210140911	13.85	(1.07)	1000	11:22:43	200108210288202	ORBIS SECURITIES	8612 CRS Stock (R		0	1000	13.85	11:22:43	200108210288202	ORBIS SECURI	8405 Ritu devi	0	1000	13.85	
21-Aug-01	2001133	11:22:56	200108210141143	13.90	(0.36)	1000	11:22:56	200108210288202	ORBIS SECURITIES	8612 CRS Stock (R		0	1000	13.90	11:22:54	200108210288202	ORBIS SECURI	8405 Ritu devi	0	1000	13.85	
24-Aug-01	2001133	15:13:22	200108240506768	16.75	(4.29)	500	15:13:22	200108240768880	ORBIS SECURITIES	8612 CRS Stock (R		0	500	16.75	15:13:18	200108240768880	ORBIS SECURI	8440 Ritu devi	0	500	16.75	
24-Aug-01	2001133	15:13:38	200108240507734	16.80	0.00	500	15:13:38	200108240768880	ORBIS SECURITIES	8410 Ritu Devi		0	500	16.80	15:13:38	200108240768880	ORBIS SECURI	8612 CRS Stocks	0	500	16.80	
27-Aug-01	2001134	14:14:59	200108270417805	18.85	(11.48)	500	14:14:59	200108270661345	ARYAN SHARE & S	8612 CRS Stock (R		0	500	18.85	14:14:57	200108270661301	ORBIS SECURI	8405 Ritu devi	0	500	18.50	
27-Aug-01	2001134	14:15:10	200108270417805	18.45	(2.27)	500	14:15:10	200108270661696	ORBIS SECURITIES	8405 Ritu Devi		0	500	18.45	14:15:09	200108270661647	ARYAN SHARE	8612 CRS Stocks	0	500	18.45	
27-Aug-01	2001134	14:15:33	200108270418383	18.25	(1.08)	500	14:15:33	200108270662380	ORBIS SECURITIES	8405 Ritu Devi		0	500	18.25	14:15:31	200108270662317	ARYAN SHARE	8612 CRS Stocks	0	500	18.25	
27-Aug-01	2001134	14:15:44	200108270418591	18.30	0.27	500	14:15:44	200108270662380	ORBIS SECURITIES	8612 CRS Stock (R		0	500	18.30	14:15:44	200108270662671	ORBIS SECURI	8405 Ritu devi	0	500	18.25	
28-Aug-01	2001134	10:46:30	200108280108318	18.75	(19.87)	1000	10:46:30	200108280221591	ORBIS SECURITIES	8405 Ritu Devi		0	1000	18.75	10:46:01	200108280216544	ARYAN SHARE	8612 CRS Stocks	0	1000	18.75	
28-Aug-01	2001134	10:47:57	200108280110925	18.95	1.07	500	10:47:57	200108280221591	ORBIS SECURITIES	8405 Ritu Devi		0	500	18.95								

Findings in respect of Period II: February 25, 2002 to May 09, 2002

8.18 Ms. Ritu Devi transferred 12,50,000 shares of the Company to Mr. Sajjan Kumar Nanwal (Noticee 9) in off market deals. During the said period, she also transferred 4,25,000 shares of the Company to the account of Mr. P V Nageshwar Rao (Noticee 8) who in turn transferred the said shares to Mr. Sajjan Kumar Nanwal which were sold in the market in collusion with Kuber Finstock Limited (Noticee 15) and Airtel Maintenance and Marketing Consultant Private Limited (Noticee 16). The directors of the Company transferred 11,00,000 shares of the Company to Mr. RV Gurupadam (Noticee 10) and he, in turn, transferred 8,00,000 shares to the account of Mr. Sajjan Kumar Nanwal and delivered 30,000 shares on behalf of him.

8.19 Mr. Sajjan Kumar Nanwal was instrumental in creating artificial volume and executed structured deals in the shares of the Company. He received shares of the Company from the directors of the Company, viz, Mr. Raj Kumar (Noticee 3), Mr. Tirupathi Kumar (Noticee 4) and Mr. Ravi Prakash (Noticee 5). Mr. Sajjan Kumar Nanwal also received shares from the associates of the directors of the Company, i.e., Ms. Shivani Devi (Noticee 6) and Ms. Champa Devi (Noticee 7). Mr. Sajjan Kumar Nanwal also received 8,00,000 shares of the Company from Mr. R. V. Gurupadam (Noticee 10) and also from the accounts of Mr. P.V. Nageshwar Rao. Mr. Sajjan Kumar Nanwal traded 10.21% of the total gross traded quantity to the total volume traded during the IInd period through three stock brokers viz; M/s Ajmera & Shah Associates, H. Nyalchand Financial Services Limited and Kinglet Finlease & Securities Limited in the shares of the Company. Mr. Sajjan Kumar Nanwal also delivered 3,54,803 shares of the Company for the sale transactions executed by Kuber Finstock Limited through Sanchay Finvest Limited. All

of the above entities acted in concert with each other.

8.20 Mr. Sajjan Kumar Nanwal traded in the shares of the Company through the Computer To Computer Link (CCTL) facility, which the stock broker M/s Ajmera & Shah Associates had provided to its client Kanji Share Consultancy Services Limited (Noticee 12). The said stock broker also provided the CCTL facility to another client M/s Siddhi Investments (Noticee 11) through which Mr. Rameshbhai Patel (Noticee 13) was trading in the shares of the Company. The aforesaid two clients executed 313 structured deals which happened to be cross deals executed by the stock broker and the said trades have contributed 3.12% (12,63,512 shares of the Company) of the gross quantity traded in the market. The time difference between all the counter party orders for the aforesaid trades ranged between 0 seconds and 1-minute indicating that these trades were synchronized in nature. In the settlements (Rolling), most of these trades were reversed between the two clients. These trades were executed during 10 days, from April 11, 2002 to May 07, 2002.

8.21 M/s Siddhi investments (Noticee 11) and Kanji Share Consultancy Services Limited traded 19,93,778 shares of the Company for their respective sub-clients viz, Mr. Sajjan Kumar Nanwal and Mr. Rameshbhai Patel respectively. The said clients executed 313 structured deals for 12,63,512 shares of the Company constituting 3.12% to the market gross quantity during Period-II. The time difference between all the counter party orders for the above trades ranged between 0 seconds to 1 minute indicating that the said trades were synchronized in nature. In the settlements, most of the said trades were reversed between the two clients. These deals were executed on 10 days during April 11, 2002 to May 7, 2002. The said stock broker had provided its clients, M/s Siddhi Investments and Kanji Share Consultancy Services Limited with CCTL facility and the said clients have executed structured deals in the market

using the said facility which were cross deals executed by M/s Ajmera & Shah Associates.

8.22 M/s Siddhi Investments, while trading on behalf of Mr. Rameshbhai Patel, executed 296 structured deals in 10 days while trading through the stock broker M/s Ajmera & Shah Associates. The counter party stock broker to the said trades was Bonanza Portfolio Limited trading on behalf of Lagan Fincap Lease Ltd., which was the sub-broker for the ultimate client viz; Mr. Sudhirbhai Shah (Noticee 14). Both the clients have executed 296 structured deals for 2,98,426 shares of the Sai Television Limited., which was 0.74% of the gross market quantity. The trades were reversed on the same day or on the next day. These deals were executed during 10 days from March 18, 2002 to May 7, 2002.

8.23 Kuber Finstock Limited and Airtel Maintenance and Marketing Consultant Private Limited had two common directors viz; Mr. Chandresh Lotia and Mr. Jignesh R Seth. Kuber Finstock Limited traded in the shares of Sai Television Ltd., through two stock brokers viz; Sanchay Finvest Limited and Sunidhi Consultancy Services Limited during Period-II trading 63,88,316 shares and 1,71,141 shares of the Company, respectively. Airtel Maintenance and Marketing Consultant Private Limited traded 52,39,939 shares of the Company through its stock broker viz; M/s Ashvin M Shah constituting 12.94% of the overall market gross quantity for the Period-II. Both clients were trading through the stock broker viz; M/s Ashvin M. Shah simultaneously and prima facie created artificial volume while trading in such a manner which effected no change in the beneficial ownership of shares in the Company. Total of 11,59,060 shares of the Company were traded in the structured deals during Period-II. The said clients have executed structured deals from February 28 to April 30, 2002. During March 14, 2002 to April 30, 2002, the aforesaid two clients executed structured deals while trading through the stock brokers, i.e., Sunidhi consultancy Services Limited and M/s Ashvin

M.Shah respectively along with reversal of trades on 9 consecutive days. The following table shows the structured deals executed by Kuber Finstock Limited and Airtel Maintenance and Marketing Consultant Private Limited through different brokers:

Table 13

Client	Brokers	No. of structured deals	No. of shares traded	%age of shares traded to Mkt Gross quantity	No.of days for corresponding trading	Brokers	Client
M/s Kuber Finstock Pvt Ltd	M/s Sanchay Fivest Ltd	20	1,71,141	0.42	8	M/s Sunidhi Consultancy Services Ltd	M/s Kuber Finstock Pvt Ltd
		172	11,59,060	2.86	37	M/s Ashwin M.Shah	M/s Airtel Maint. & Com Pvt. Ltd.
	M/s Sunidhi Consultancy Services Ltd.	28	88,153	0.22	9		

8.24 Thus, Mr. Sajjan Kumar Narwal was instrumental in creating artificial volume in the shares of the Company. The shares were transferred to his account from the accounts of Mr. Raj Kumar, Mr. Ravi Prakash and Mr.

Tirupati Kumar, directors of the Company and their relatives. Further, Mr. P.V. Nageshwar Rao also transferred shares from his account to the account of Mr. Sajjan Kumar Nanwal who in turn traded with the said shares through three stock brokers and prima facie created artificial volume in the scrip. I find that there was creation of artificial volume through reversal of trade between the clients, Ms. Ritu Devi and M/s CRS Stocks and Securities (proprietary firm of Ms. Ritu Devi). Kuber Finstock Limited and Airtel Maintenance and Marketing Consultant Private Limited, Mr. Sajjan Kumar Nanwal and Mr. Rameshbhai Patel and Kanji Share Consultancy Services Limited and M/s Siddhi Investments. Thus, aforesaid persons have acted in concert with one other and have created artificial volume in the scrip. Further, Mr. R.V. Gurupadam has transferred Rs 4.5 lakh to the account of Mr. Sajjan Kumar Nanwal.

8.25 I find that the directors of the STL, viz, Mr. Tirupathi Kumar (Noticee 4) and Mr. Ravi Prakash (Noticee 5) and their wives namely, Ritu Devi (Noticee 1), Ms. Shivani Devi (Noticee 7) and Ms. Champa Devi (Noticee 7) respectively transferred the shares through off market to Mr. Sajjan Kumar Nanwal (Noticee 9) who in turn traded the said shares through Stock brokers in the scrip of STL and was instrumental in creating artificial volume and executed structured deals in the shares of STL. The details of flow of transfer of aforesaid shares are as under:

Table 14

Name of the transferor	Date of transfer	Demat account no. of transferor	Name of the transferee	Demat account no. of transferee	Quantity of shares transferred
Ms. Shivani Devi	March 12, 2002	2229502	Mr. Sajjan Kumar Nanwal	10036667	5,00,000

(Noticee 7)			(Noticee no. 9)		
Mr. Tirupathi Kumar (Noticee 4)	March 16, 2022	22207893	Mr. Sajjan Kumar Nanwal (Noticee no. 9)	10036667	5,00,000
Ms. Ritu Devi (Noticee 1)	March 26, 2002	10206051	Mr. Sajjan Kumar Nanwal (Noticee no. 9)	10037723	2,50,000
Mr. Ravi Prakash (Noticee 5)	March 26, 2002	22202422	Mr. Sajjan Kumar Nanwal (Noticee no. 9)	10037730	20,000
Ms. Champa Devi (Noticee 6)	March 26, 2002	2295117	Mr. Sajjan Kumar Nanwal (Noticee no. 9)	10037730	2,30,000
Ms. Ritu Devi (Noticee 1)	April 04, 2002	10555825	Mr. Sajjan Kumar Nanwal (Noticee no. 9)	10037723	5,00,000
Ms. Ritu Devi (Noticee 1)	April 04, 2002	10555825	Mr. Sajjan Kumar Nanwal	10037730	5,00,000

			(Noticee no. 9)		
Total					25,00,000

8.26 Upon perusal of the aforesaid details and material available on record, I find that out of 25,00,000 shares, Noticee 9 transferred back a total of 5,07,000 shares to Noticee 1 on April 25, 2002, April 30, 2002, May 07, 2002 and May 08, 2002. The remaining 19,93,000 shares were not returned to the aforesaid Noticees. In the absence of any response from the Noticee 9 and non-availability of any material suggesting contrary, the aforesaid transfer of shares by the Khemka Group Noticees to Noticee 9 in off-market, i.e., outside the stock exchange mechanism leads me to a plausible conclusion that these transfers were not genuine but sham and intended to create artificial volumes and false liquidity in the scrip of STL.

8.27 Noticee 9 traded in the shares of the STL through three stock brokers viz M/s Ajmera & Shah Associates, H. Nyalchand Financial Services Limited and Kinglet Finlease & Securities Limited. The trade details of Noticee 9 through the aforesaid stock brokers are given below:

Table 15

Sr. No.	Stock broker	Bought	Sold	Percentage of gross traded quantity to the total volume traded during the period II
1	M/s Ajmera & Shah Associates	657176	717442	6.78
2	H Nyalchand Financial Services Ltd.	0	190000	0.93
3	Kinglet Finlease & Securities Ltd.	542	505000	2.50
	Total			10.21

8.28 Further, Noticee 9 delivered 3,54,803 shares of STL for the sale

transactions executed by Noticee 15 through Sanchay Finvest Limited.

8.29 I find that Noticee 9 traded in the shares of STL through the Computer to Computer Link (CCTL) facility, which the stock broker viz; M/s Ajmera & Shah Associates had provided to its client viz: Noticee 12. The said stock broker also provided the CCTL facility to another client viz; Noticee 11 through which Noticee 13 was trading in the shares of STL. The aforesaid two clients have executed 313 structured deals in the market which were cross deals and the said trades have contributed 3.12% (12,63,512 shares of the STL) of the gross quantity traded in the market during Period II. The time difference between all the counter party orders for the aforesaid trades ranged between 0 seconds to 1-minute indicating that these trades were synchronized in nature. In the settlements (Rolling), most of these trades were reversed between the two clients. These trades were executed on 10 days, from April 11, 2002 to May 07, 2002 during Period-II.

8.30 I find that Noticee 1 who is the wife of director of STL traded in the shares of STL through stock broker viz; Orbis Securities Private Limited in her individual capacity as well as traded through her proprietary firm Le. M/s CRS Stocks and Securities (Noticee 2) through the stock broker viz; Aryan Shares and Stock Brokers Limited. On perusal of the trade and order log, I find that both the Noticees placed orders with the aforesaid two stock brokers appearing as counter parties to each other and executed 51 structured deals involving 25,700 shares of STL on 14 days during Period-I, wherein the time difference between the buy and sell orders was less than 30 seconds and the said trades were reversed continuously on respective days. During the Period-II, none of the Noticees traded in the scrip of STL. However, they transferred the shares to Noticee 9 who created artificial volume and false liquidity in the scrip of STL.

8.31 The transactions of Noticees were in the nature of synchronized and reversal trading which ensured matching of orders of one client with the other. These orders were put simultaneously or within close proximity of each other for same price and quantity.

8.32 The Hon'ble SAT, in **Ketan Parekh Vs. Securities & Exchange Board of India (Appeal No. 2 of 2004)**, observed that, *"A synchronized transaction even on the trading screen between genuine parties who intend to transfer beneficial interest in the trading stock and who undertake the transaction only for that purpose and not for rigging the market is not illegal and cannot violate the regulations. As already observed 'synchronisation' or a negotiated deal ipso facto is not illegal. A synchronised transaction will, however, be illegal or violative of the Regulations if it is executed with a view to manipulate the market or if it results in circular trading or is dubious in nature and is executed with a view to avoid regulatory detection or does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting the market equilibrium. Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal. Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, 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."*

8.33 The Hon'ble SAT, in **Nirmal Bang Securities Pvt. Ltd Vs SEBI (Appeal no. 54-57/2001)**, observed as follows: - *"BEB has been charged for*

synchronized deals with First Global. I have examined the data provided by the parties on this issue. I find many transactions between BEB and FGSB. There are many instances of such transactions. I find the scrip; quantity and price for these orders had been synchronized by the counter party brokers. Such transactions undoubtedly create an artificial market to mislead the genuine investors. Synchronized trading is violative of all prudential and transparent norms of trading in securities. Synchronized trading on a large scale can create false volumes. The argument that the parties had no means of knowing whether any entity controlled by the client is simultaneously entering any contra order elsewhere for the reason that in the online trading system, confidentiality of counter parties is ensured, is untenable. It was submitted by the Appellants that it was not possible for the broker to know who the counter party broker is and that trades were not synchronized but it was only a coincidence in some cases. Theoretically this is OK. But when parties decide to synchronize the transaction the story is different. There are many transactions giving an impression that these were all synchronized, otherwise there was no possibility of such perfect matching of quantity price etc. As the Respondent rightly stated it is too much of a coincidence over too long a period in too many transactions when both parties to the transaction had entered buy and sell orders for the same quantity of shares almost simultaneously. The data furnished in the show cause notice certainly goes to prove the synchronized nature of the transaction which is in violation of regulation 4 of the FUTP Regulations. The facts on record categorically establish that BEB had indulged in synchronized trading in violation of regulation 47 of the FUTP Regulations. In a synchronized trading intention is implicit.”

8.34 Keeping in mind the dicta of the Hon'ble SAT as reproduced above, I see no reason to take a different view in the present case.

8.35 The method and the manner in which the trades were executed are the most important factors to be considered in these circumstances. The motive, thereafter, automatically falls in line. Trades like reversal

transactions and synchronized trades are all executed on the trading screen of a stock exchange. Clearly in almost all the deals, the orders are placed so as to ensure a matching of the buy and the sell quantity and the buy and the sell price with the counter party, with whom a prior tacit understanding exists. The buy and the sell orders are placed at almost the same time between the Noticees, with just a difference of a few seconds. This proximity in the inputting of orders at the same price and for the same quantity, results in getting them matched, such that there is almost perfect matching in all the trades, with all the three parameters, viz., quantity, price and most importantly, the time required to conclude the trades, which to a large extent indicates synchronization in the logging in of the orders, albeit executed on the screen of the stock exchange.

8.36 This is what has transpired in the present case. This trend was not noted in a solitary incident or two. Instead, a large number of synchronized trades got matched regularly, that too only between the same set of Noticees in the same scrip, during the same period. The phenomenal regularity with which these Noticees traded, leads one to conclude, that these transactions were effectively meant to be synchronized. It is my considered belief that frequency of such trades ensured consistent matching of the orders purely for the purpose of projection of the volumes of the shares of STL in a way that was not the market determined volumes, possibly to induce other persons to trade in the said scrip.

8.37 The fact is that had the aforesaid discussed trades been executed in the normal course of business, the possibility of such perfect matching would not have been possible. The buy and sell prices of one entity were close to the buy/sell rates of the other entity in all the settlements, such that the trades of these entities were always matched. Greater the number of synchronized trades, the larger is the chances of trades not being genuine in nature, which is bound to affect the market equilibrium. A trade

can be executed on the screen and still be manipulative in nature. Considering the number of such trades, it is clear that there has been a gross mis-use of the screen based trading system. It is also to be stated that “intention” is inherent in all cases of synchronized trading involving large scale price manipulation and the same was also brought out in the case of Nirmal Bang Securities (P) Ltd. vs SEBI by the Hon’ble SAT whereby it was held that “Intention is reflected from the action of the Appellant. Choosing selective time slots does not appear to be an involuntary action.” Thus, the very act of manipulation of the scrip of STL on the part of the Noticees is noticed in their acting in tandem with other entities noticed the inherent intention of manipulating the said scrip.

8.38 Furthermore, during Part II of investigation period, Noticees 1 to 7 except Noticees 3 and 5 transferred the shares to Noticee 9 without any consideration. This is indicative of a concerted level of activity leading to a definite finding that there was an element of intent while executing the said deals, precipitated due to a mutual understanding, which aspect can be pointed out by any layman / an ordinary investor, leave apart the regulatory authorities. The acts of the entities speak of their intentions. In case an entity is alleged to have manipulated the market or distorted the market equilibrium in terms of the PFUTP Regulations, 1995 and their acts are corroborated up to a certain extent by the investigation findings, then the underlying intention of the said entity is brought out. Furthermore, price manipulation does not only involve only manipulation in the prices of the scrip but also includes building up of volumes.

8.39 On a cumulative analysis of the facts mentioned above, it is clear that the modus operandi of the Noticees was to manipulate the trading in the scrip of STL in a concerted manner.

8.40 In view of the above, I find that Noticees as per the fraudulent scheme/arrangement in connivance with one another, distorted market

equilibrium and engaged in price and volume manipulation of the scrip of STL as detailed above which operated as fraud and deceit upon the innocent investors in securities market. Consequently, the violation of the following provisions stands established against the Noticees.

Table 16

Sr No.	Noticee no.	Alleged Violations
1	Noticee 9	Regulations 4(b), (c) and (d) of PFUTP Regulations, 1995 r/w Regulation 13 of PFUTP Regulations, 2003
2	Noticees 8 & 10	Regulation 4(e) of PFUTP Regulations, 1995 r/w Regulation 13 of PFUTP Regulations, 2003
3	Noticees 11,12, 15 & 16	Regulations 4(b), (c) and (d) of PFUTP Regulations, 1995 r/w Regulation 13 of PFUTP Regulations, 2003
4	Noticees 13 & 14	Regulations 4(b) and (d) of PFUTP Regulations, 1995 r/w Regulation 13 of PFUTP Regulations, 2003

Issue No. 4 - If the violations alleged against the Noticees have been established, what directions are required to be issued to the Noticees?

8.41 I have noted that the investigation report does not dwell on the extent of specific gains made by the Noticees. Keeping in mind the practices indulged in by the Noticees as elaborated above in the scrip of STL in a manner meant to create artificial volumes and false liquidity in a particular illiquid scrip which is an important criterion, apart from price, capable of misleading the investors while making an investment decision. In fact, liquidity/volumes in a particular scrip raise the issue of 'demand' in the securities market. The greater the liquidity, the higher is the investors' attraction towards investing in that scrip. Hence, anyone could have been

carried away by the unusual fluctuations in the volumes and been induced into investing in the said scrip. Besides, this kind of activity seriously affects the normal price discovery mechanism of the securities market. Thus, the means adopted by the Noticees to achieve the end was dubious, manipulative, unfair and fraudulent which deserve suitable direction.

8.42 I note that it is the duty of SEBI to ensure that the securities market functions in a fair and free manner. In this regard, reference is made to the following observations of the Hon'ble Supreme Court in its judgment dated April 26, 2013, in N. Narayanan v. Adjudicating Officer SEBI (Civil Appeal Nos.4112-4113 of 2013) wherein it held that:

“1. India’s capital market in the recent times has witnessed tremendous growth, characterized particularly by increasing participation of public. Investors’ confidence in the capital market can be sustained largely by ensuring investors’ protection. Disclosure and transparency are the two pillars on which market integrity rests.

.....

33. Company though a legal entity cannot act by itself, it can act only through its Directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence.

.....

A word of caution:

43. SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading etc. or else they will be failing in their duty to promote orderly and healthy growth of the Securities market. Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country’s economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India’s securities market. Message should go that our country will not tolerate “market abuse” and that we are governed by the “Rule of Law”. Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and ‘market security’ is our motto.”

9. Directions:

- 9.1 In view of the foregoing, I, in exercise of powers conferred upon me under sections 11 and 11B read with Section 19 of SEBI Act read with regulations 11 and 13 of PFUTP Regulations, 2003 hereby issue the following directions:
- 9.2 The Noticees shall be restrained from accessing the securities market and further be prohibited from buying, selling or otherwise dealing in securities, either directly or indirectly, or being associated with the securities market in any manner whatsoever for a period of three years from the date of this order.
- 9.3 Obligation of the Noticees, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized Stock Exchange (s), as existing on the date of this Order, can take place irrespective of the restraint/prohibition imposed by this Order, only in respect of pending unsettled transactions, if any. Further, all open positions, if any, of the Noticees in the F & O segment of the stock exchange, are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.
- 9.4 This Order shall come into force with immediate effect. The order shall be served upon the Noticees for ensuring compliance with the above directions.
- 9.5 A copy of this Order shall be forwarded to all recognized Stock Exchanges, Depositories and Registrar and Transfer Agents to ensure necessary compliance.

Sd/-
V. S. SUNDARESAN

Date: May 30, 2023

EXECUTIVE DIRECTOR

Place: Mumbai

SECURITIES AND EXCHANGE BOARD OF INDIA