

National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/56912	Date: May 31, 2023
Circular Ref. No: 145/2023	

To All NSE Members

Sub: SEBI Order in respect of Ms. Ritu Devi Khemka and 6 others in the matter of Sai Television Ltd.

SEBI vide its Order no. QJA/VS/IVD/ID4/26885/2023-24 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	Ms. Ritu Devi Khemka	AAFPD9973Q
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

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

National Stock Exchange of India

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 Ms. Ritu Devi Khemka and 6 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	This order deals with 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	Separate order of even date has been passed against 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	

(@@) – Details of obtaining full name/PAN of Noticees, given in Para 3 of this Order.

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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 July 27, 2021. 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, this Order is passed against Noticee 1 to 7 and a separate order is being passed against the Noticee 8 to 16. However, for ease of reference and wherever necessary, the Noticee 8 to 16 are referred by their 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 7 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	-	i. Wife of Noticee 3 ii. Proprietress of Noticee 2
2	M/s CRS Stocks and Securities, (Proprietor - Ms Ritu Devi)	-	iii. Proprietary firm of Noticee at sl. no. 1
3	Mr Raj Kumar	Director of STL	iv. Husband of Noticee 1 v. Brother of Noticee 4 vi. Son of Noticees at sl. no. 5 and 6
4	Mr Tirupathi Kumar	Director of STL	vii. Husband of Noticee 7 viii. Brother of Noticee 3 ix. Son of Noticees 5 and 6
5	Mr Ravi Prakash	Director of STL	x. Husband of Noticee 6 xi. Father of Noticees 3 and 4
6	Ms Champa Devi	-	xii. Wife of Noticee 5 xiii. Mother of Noticees 3 and 4
7	Ms Shivani Devi	-	xiv. Wife of Noticee 4

3. Non-submission of PAN details by the Noticees and efforts taken to obtain the same

3.1. From time to time, the Noticees were advised to submit the PANs. However, the Noticees did not submit the same. The Noticees were aware that SEBI has initiated action under sections 11 and 11B of the SEBI Act read with regulations 11 and 13 of PFUTP Regulations, 2003 and the probable outcome of the proceedings if the alleged violations are

established. The Noticees were also aware that if the PAN details are submitted their “surname” would also be discovered.

3.2. It is observed from the Investigation Report that during the investigation period some of the Noticees were directors of STL which is one of the NEPC group of companies. Based on the details available in the Investigation Report, the relationship amongst the Noticees has been demonstrated in Para 2 of this order. If the order is passed without the “surname” and / or the PAN details, the order would remain merely on paper and may not serve the desired purpose. Thus, the Noticees have chosen the path of non-submission of PAN details as a strategy to hide their real identities so that the relationship amongst themselves, STL and NEPC group of companies would remain secret and also to frustrate the outcome of the present proceedings.

3.3. Therefore, the details regarding the “surname” and PAN details of the Noticees are necessary to establish the relationship amongst themselves, STL and the NEPC group of Companies.

3.4. In this regard, it will be appropriate to refer to the Latin Phrase “Lex Facit Regem” which means “the law makes the king”. The principle of Lex Facit Regem is fundamental and cornerstone for the protection of rule of law. The said phrase signifies that the law is greater than any individual. In the light of this, I would like to draw reference 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:

.....

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."

3.5. 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 and ensure that this order serves its purpose. In order to unmask the identities of the Noticees and expose their sinister motive and to get into the bottom of the matter, the details of the Noticees were searched from the publically available sources using various forensic tools. This led me to some of the orders passed by the Hon'ble Income Tax Appellate Tribunal (hereinafter referred to as "ITAT") with regard to the Noticees 1 to 7 except Noticee 3 appearing on its website i.e. <https://itat.gov.in>.

3.6. The details of the Noticees as per the records available with SEBI vis-à-vis details obtained from the orders available on the aforesaid website of Hon'ble ITAT are as under:

Table 4

Noticee No.	Name of the Noticee	Whether PAN copy submitted to SEBI or not	Source of PAN	PAN Number	Name as per PAN Number	Address as per Hon'ble ITAT order
1.	Ms. Ritu Devi	Available with SEBI	Hon'ble ITAT order dated December 22, 2020	AAFPD9973Q	Ms. Ritu Devi	36, Wallaja Road, Chennai – 600 002
2.	M/s CRS Stocks and Securities, (Proprietor – Ms. Ritu Devi)	Available with SEBI	SEBI	AAFPD9973Q	-	-

3	Mr. Raj Kumar	No	Not available	Not available	Not available	Not available
4	Mr. Tirupathi Kumar	No	Hon'ble ITAT order dated May 06, 2011	AAKPK1249F	Mr. Tirupathi Kumar Khemka	36, Wallaja Road, Chennai – 600 002
5	Mr. Ravi Prakash	No	Hon'ble ITAT order dated July 31, 2015	AAFPR1962H	Mr. Ravi Prakash Khemka	36, Wallaja Road, Chennai – 600 002
6	Ms. Champa Devi	No	Hon'ble ITAT order dated December 22, 2020	AAEPC2664G	Ms. Champa Devi	36, Wallaja Road, Chennai – 600 002
7	Ms. Shivani Devi	No	Hon'ble ITAT order dated December 22, 2020	AAGPD0293E	Ms. Shivani Devi	35, Wallaja Road, Chennai – 600 002

3.7. Thus, from the above details including the residential address of the Noticees, the relationship amongst the Noticees and the fact that they belong to Khemka group, which belongs to the NEPC group of companies of which STL was one of them, have been established. Accordingly, the full details of the Noticees including their surname and PAN have been included in Table 1 of this order.

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

4.1. The SCN dated October 30, 2015 has, inter alia, alleged the following –

Period- I

4.2. 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

- 4.3. 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.
- 4.4. 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 with the said shares through three stock brokers. Kuber Finstock Limited (Notice 15) and Airtel Maintenance and Marketing Consultant Private Limited (Noticee 16), with the same directors, traded in the shares of the Company as counter parties creating artificial volumes. 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.

4.5. 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.

4.6. 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.

4.7. 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 5

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		20	1,71,141	0.42	8	M/s Sunidhi	M/s Kuber

Finstock Pvt Ltd	M/s Sanchay Fivest Ltd					Consultancy Services Ltd	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		

4.8. Further, Mr. R.V. Gurupadam has transferred Rs 4.5 lakh to the account of Mr. Sajjan Kumar Nanwal.

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

Table 6

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
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4.10. 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.

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

5.1. 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 7

Noticee No.	Noticee Name	Mode of delivery of SCN	Inspection Conducted	Reply/Written Submission & Additional Submission (Letter/Email Dated)	Mode of delivery of Hearing Notice	Hearing conducted
1	Ms. Ritu Devi Khemka	Registered post	NA	November 10, 2015 & December 26, 2015	Email	December 15, 2022 & December 22, 2022
2	M/s CRS Stocks and Securities, (Proprietor - Ms Ritu Devi Khemka)	Registered post	NA	November 10, 2015 & December 26, 2015	Email	December 15, 2022 & December 22, 2022

3	Mr Raj Kumar Khemka	Registered post	NA	November 10, 2015	Email	December 15, 2022 & December 22, 2022
4	Mr Tirupathi Kumar Khemka	Registered post	NA	NA	Email	December 15, 2022 & December 22, 2022
5	Mr Ravi Prakash Khemka	Registered post	NA	NA	NA	NA
6	Ms Champa Devi Khemka	Affixture; Speed post	NA	NA	Email	December 15, 2022 & December 22, 2022
7	Ms Shivani Devi Khemka	Registered post	NA	NA	Email	December 15, 2022 & December 22, 2022

5.2. The Division Bench of the Hon'ble Madras High Court vide order dated July 27, 2021 in (W.A. No. 2306/2012 and M.P. No. 1/2012) while dismissing the appeal filed by Mr. Ravi Prakash (Noticee 5) as abated, has made the following observations:

“2. When the matter was called, Mr. S.R. Rajagopal, learned Counsel for the appellant and Mr. Sivakumar, learned Counsel for the sole respondent, jointly made a statement that the sole appellant died during the pendency of this Writ Appeal and therefore, nothing survives for further adjudication in this Writ Appeal.

3. Recording the statement made by both sides, this Writ Appeal is dismissed as abated. No costs. Consequently, connected Miscellaneous Petition is also closed. “

5.3. Upon perusal of the aforesaid observations of the Hon'ble High Court, during the pendency of the appeal as well as Miscellaneous petition, on the basis of joint statements made by the Counsel for Noticee 5 and Counsel for SEBI that Mr. Ravi Prakash (Noticee 5) died during the

pendency of appeal, the Hon'ble HC dismissed the writ appeal as abated. Taking into consideration the aforesaid fact of the death of Noticee 5, it would be in the fitness of things to first decide as to whether on the death of the Noticee 5, the present proceedings against him would continue or abate.

- 5.4. In this respect, I note that in *Girijandini vs. Bijendra Narain* (AIR 1967 SC 2110), the Hon'ble Supreme Court, inter-alia, observed that in case of personal action, i.e., the actions where the relief sought is personal to the deceased, the right to sue will not survive to or against the representatives, and in such cases, the maxim *actio personalis moritur cum persona* (personal action dies with the death of the person) would apply.
- 5.5. The Hon'ble Securities Appellate Tribunal has also held in *Chandravadan J Dalal Vs. SEBI* that ***"The appeal abates since the appellant during the pendency of the appeal died on 29th November, 2004. The appeal accordingly abates"***.
- 5.6. In view of the aforesaid Judgments, I am of the view that the proceedings initiated against Noticee 5 shall abate. Therefore, the SCN dated October 30, 2015 qua Noticee 5 is disposed of without going into the merits of the case.
- 5.7. In view of the details mentioned in Table 7, I am of the view that the SCN has been duly served upon the Noticees but the Noticees 4, 6 and 7 failed to file any reply. I am of the view that the principle of natural justice has been followed in the matter, as enough opportunities were provided to Noticees 4, 6 and 7 to file their replies. It is pertinent to note here that even though the Hon'ble High Court of Madras vide Judgment dated June 28, 2022 directed the Noticees that whether they 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, the Noticees

chose not to file any reply.

- 5.8. Considering the fact that the Noticees Nos. 4, 6 and 7 have not filed any reply to the SCN despite being granted several opportunities for the same, 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 Noticees Nos. 4, 6 and 7 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”.

- 5.9. 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...”

- 5.10. 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...”

5.11. In view of the above, I find no reason to take a different view and accordingly, I deem it appropriate to proceed against the Noticees 4, 6 and 7 ex-parte, based on the material available on record and proceed against Noticees 1 to 3 on the basis of replies filed by them, before the Judgement dated June 28, 2022 of the Hon’ble Madras High Court.

6. Summary of submissions made by Noticees 1, 2 and 3:

The Noticees 1 and 2 submitted their replies vide letters dated November 10, 2015 and December 26, 2015 respectively. Noticee 3 submitted his reply vide letter dated November 10, 2015. The gist of submissions made by Noticee 1, 2 and 3 is as under:

Noticees 1 and 2

6.1. The notice issued and investigation conducted by SEBI is without jurisdiction. The period for which investigation is being carried out is prior to insertion of Section 11C, in the SEBI Act. Further, they do not fall under any of the categories nor could be construed as a person associated with the securities market. Provision 11C contemplates subjective satisfaction and reasons to believe.

6.2. They have not committed any fraudulent or adopted any unfair trade practice relating to the scrip of Sai Television Limited, nor made any monetary gain.

- 6.3. Noticee 2 was a sub-broker under the name CRS. Though it was operated under Noticee 1's name, she being a housewife, had no knowledge as to what transaction took place because it was operated by the employees of the firm. Any transaction in the above matter was carried out under the instruction of her father-in-law (Noticee 5) who is no more.
- 6.4. Mr. R.V. Gurupadam was known to her father-in-law, and her father-in-law had sold 11 lakh shares and no consideration was paid to Noticee 1.
- 6.5. Mr. P.V. Nageswara Rao is son of R.V. Gurupadam, and Noticees 1 and 2 have never interacted nor seen him.
- 6.6. There was decline in the share price during the investigation period and there could not have been any monetary gain for them. There is no logic in them trying to sell the stocks when the stock price was declining.
- 6.7. Transfer of shares by Noticee 1 to Mr.P.V.Nageshwar Rao amounting to 3,00,000 shares and Mr.Sajjan Kumar Nanwal amounting to 12,50,000 shares was done at the request of her father-in-law, who had been promised that they would buy the shares and pay the amount. The transfer of the shares had the effect of beneficiary of ownership.
- 6.8. Noticees 1 and 2 have no connection, whatsoever, with Noticees 9, 11-16.

Noticee 3

- 6.9. The notice issued and investigation conducted is without jurisdiction.
- 6.10. He has not committed any fraudulent or adopted any unfair trade practice relating to the scrip of STL.

6.11. He has no connection, whatsoever, with Sajjan Kumar Nanwal.

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

6.13. His father, Noticee 5, died on October 09, 2013.

7. Issues for consideration:

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

7.1.1. Was there any delay on the part of SEBI for the initiation of the present proceedings against the Noticees?

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

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

7.2. Before proceeding further on merits, I first deal with the contentions raised by the Noticees 1 and 2 vide their replies dated November 10, 2015 and December 26, 2015 respectively and reply dated November 10, 2015 filed by Noticee 3 before the order dated June 28, 2022 passed by Hon'ble Madras High Court.

7.3. I have noted the submission of Noticee 1 that she being a house wife, had no knowledge as to what transaction took place because it was operated by employees of Noticee 2. It is further submitted by her that

any transaction in the matter was carried out under the instructions of her father in law (Noticee 5) who is no more. I find from the records that Noticee 1 is a proprietress of Noticee 2 and she exercised control and influence over the activities of Noticee 2. It is also not out of place to mention that not only she indulged in synchronized and reversal transactions but also transferred shares to Noticee 9 for creation of artificial volume in the scrip of STL. In view of this, Noticee 1 cannot plead ignorance of the fraudulent and manipulative practices carried out by her during the investigation period.

7.4. I have noted the contention of Noticees that the notice issued to them and investigation conducted by SEBI is without jurisdiction. It was further submitted by the Noticees that Section 11 C of the SEBI Act, 1992 was inserted in October 2002 whereas the Noticees carried out the transactions before October 2002 and hence, SEBI did not have power to investigate the transactions executed by the Noticees retrospectively. Further, they do not fall under any of the categories nor could be construed as a person associated with the security market.

7.5. As regards the contentions of the Noticees referred to at para 6.4 above, 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:

“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."

7.6. 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 Noticees.

7.7. With regard to the issue that they do not fall under any of the categories nor could be construed as a person associated with the securities market, reliance is placed on the order dated 28.06.2022 of the Division Bench of Hon'ble Madras High Court dismissed the appeals filed by the Noticees directing the Noticees to make the submissions before SEBI whether they are individual investors or not and that they have not violated any provisions. Consequent to the order, despite giving sufficient opportunities to the Noticees to file their written submissions, the Noticees chose not to file any written submissions. Thus, the said conduct of the Noticees indicate a lack of respect for the judicial process and they have misused it for their ulterior motives.

7.8. As demonstrated above, even though the Noticees misused the process

of law, as per the fundamental principle of judicial propriety, it would be appropriate to decide the question whether the Noticees are persons 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 –

(a) effect, take part in, or enter into, either directly or indirectly, transactions in securities, with the intention of artificially raising or depressing the prices of securities and thereby inducing the sale or purchase of securities by any person;

(b) indulge in any act, which is calculated to create a false or misleading appearance of trading on the securities market;

(c) indulge in any act which results in reflection of prices of securities based on transactions that are not genuine trade transactions;

(d) enter into a purchase or sale of any securities, not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress, or cause fluctuations in the market price of securities;

(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."

7.9. Before proceeding further, it may be appropriate to refer to the following observations of the Hon'ble Gujarat High Court order 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."

7.10. 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:

7.10.1 STL was a listed company on NSE and the listed company comes under the jurisdiction of SEBI.

7.10.2 Noticee 1 and 2 opened demat account and trading account from the registered intermediaries which are regulated by SEBI.

7.10.3 Noticee 1 and 2 traded in the shares of STL.

7.10.4 Noticee 3 to 5 were the directors of STL listed on NSE. The promoters and directors of the listed company come under the jurisdiction of SEBI.

7.10.5 Noticee 6 to 7 opened demat account from the registered intermediaries which are regulated by SEBI.

7.10.6 Noticee 1 to 7 opened demat accounts with SEBI registered intermediaries and as demonstrated above, transferred shares from the demat accounts of the Noticees to the demat account of Mr. Sajjan Kumar Nanwal (Noticee 9).

7.11. 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 nos. 1 to 7 to Noticee 9 have 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 Noticees are indeed “persons associated with the securities market”.

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 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 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, the aforesaid 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 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. In view of the aforesaid Judgment of the Hon'ble High Court, an opportunity of hearing was granted to the Noticees on November 16, 2022. Acceding to the request of the Noticees, another opportunity of hearing was granted to the Noticees on December 15, 2022. On December 15, 2022, Mr Raj Kumar (Noticee 3) and Mr Sudheer Ram (Advocate) appeared in person on behalf of the Noticees and requested for adjournment of hearing to make submissions on merits. Acceding to the request of the Noticees and in the interest of natural justice, hearing

was rescheduled to December 22, 2022. The authorised representative of the Noticees i.e. Mr. Raj Kumar (“ Noticee 3”) appeared for hearing on December 22, 2022 and submitted that their Advocate is held up in another matter in Hon’ble Madras High Court and thus, not able to appear for hearing and make submissions on merit on behalf of them. In view of the same, he requested to grant additional time to file their detailed written submissions on merit. Acceding to the request of the Noticees and interest of natural justice, time was granted to the Noticees to file their written submissions till December 30, 2022.

8.11. Subsequently, Noticees, vide email dated December 28, 2022, submitted that Annexures I to VI to SCN were not available with them and requested to furnish copy of the same. Vide another email dated December 30, 2022, Noticees requested 2 weeks’ time to file their written submissions, citing unavailability of papers and death of Mr. Ravi Prakash during the year 2013, who handled the issues. Acceding to the request of the Noticees, copies of the SCN along with annexures were provided (as a link in SEBI website) and they were given time till January 18, 2023 to file submissions, if any. Even though the Hon’ble Madras High Court vide order dated June 28, 2022 directed the Noticees to make submissions before SEBI, Noticees chose not to file any written submissions till date.

8.12. The efficient and speedy disposal of cases is one of the main objectives of SEBI quasi-Judicial proceedings. However, there are instances where the progress of the proceedings is delayed by various tactics. The Latin proverb, "Acta exteriora indicant interiora secreta," which means "outward deeds indicate inner secrets," is highly relevant in the context of delay tactics in quasi-judicial proceedings. The proverb suggests that a person's behaviour can indicate their true intentions, motivations, and values. If we apply the present Latin proverb "Acta exteriora indicant interiora secreta," to the facts of the present case chronologically, it demonstrates that the Noticees’ intention was only to delay the proceedings initiated by SEBI. For example, SEBI issued summons

dated July 20, 2004 and September 15, 2004 respectively to the Noticees. Upon receipt of the same, the Noticees immediately filed Writ Petitions before the Hon'ble High Court of Madras which were dismissed by the Hon'ble Single Judge vide Order dated March 22, 2012. Subsequently, the aforesaid 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. Vide order dated June 28, 2022, Division Bench of Hon'ble Madras High Court dismissed the appeals filed by the Noticees directing the Noticees to make the submissions before SEBI whether there are individual investors or not and that they have not violated any provisions. Consequent to the Hon'ble Madras High Court order dated June 28, 2022, despite giving sufficient opportunities to the Noticees to file their written submissions by the undersigned, the Noticees chose not to file any written submissions. Thus, the said conduct of the Noticees indicate a lack of respect for the judicial process and have misused it for their ulterior motives.

8.13. I am of the view that summons issued by SEBI challenged by the Noticees before the Hon'ble Court was 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 Noticees would have been honest, they would have submitted the reply as directed by the Hon'ble Madras High Court. However, the Noticees 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.

8.14. Therefore, I conclude that the delay in proceedings were caused by the acts of Noticees and 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?

8.15. 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

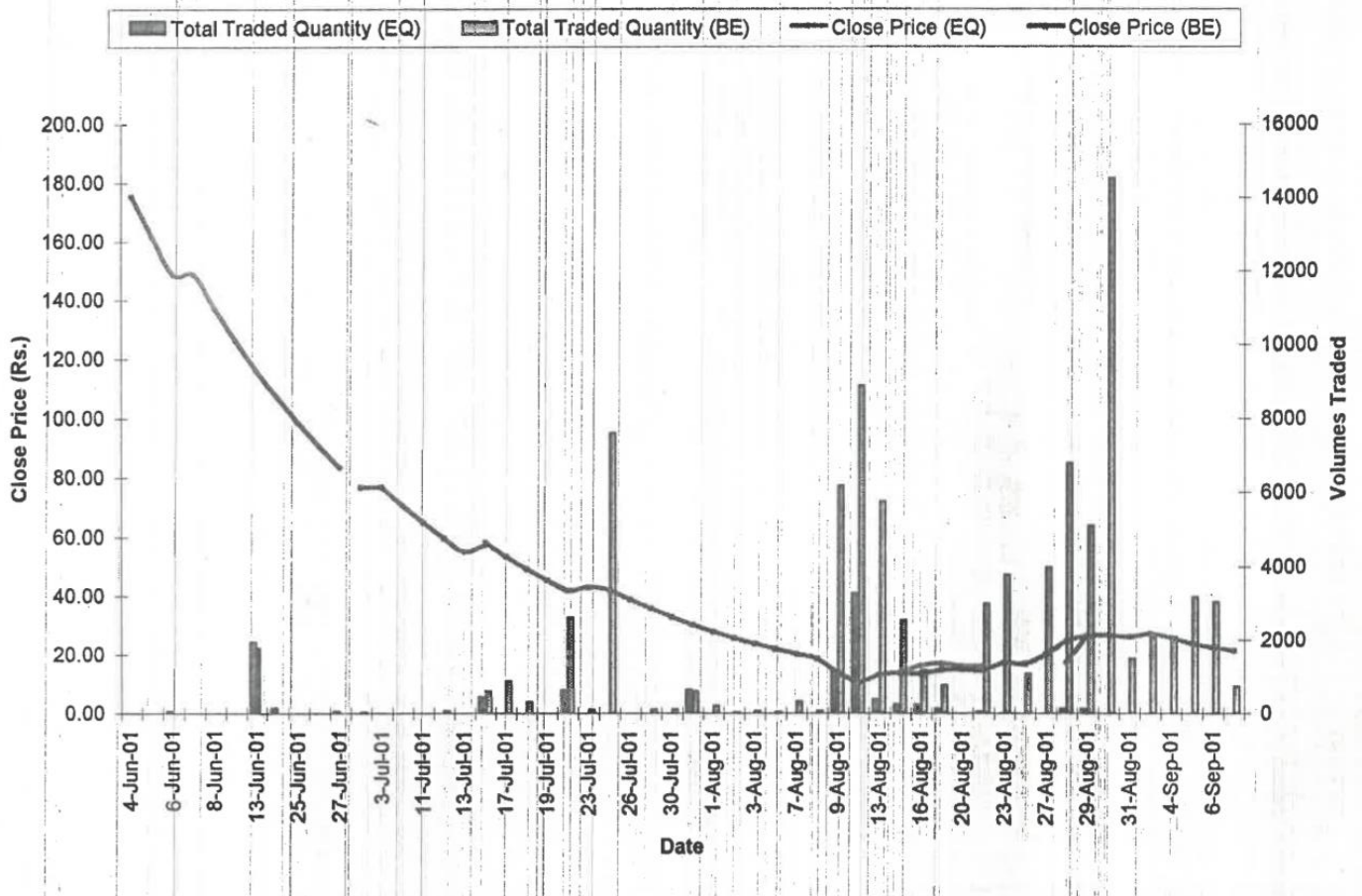
During the aforesaid two periods, total volume of 2,02,53,190 shares were traded.

Price movement in the scrip of STL during 1st period is depicted below in a chart as under:

Figure 1

SAITELE

Comparison of Price and Volumes Traded on NSE on EQ & BE Segments during the Period May 29, 2001 to September 07, 2001



Price and Volumes traded in STL during 1st period is given in a tabular format as under:

Table 10

SAITELE
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

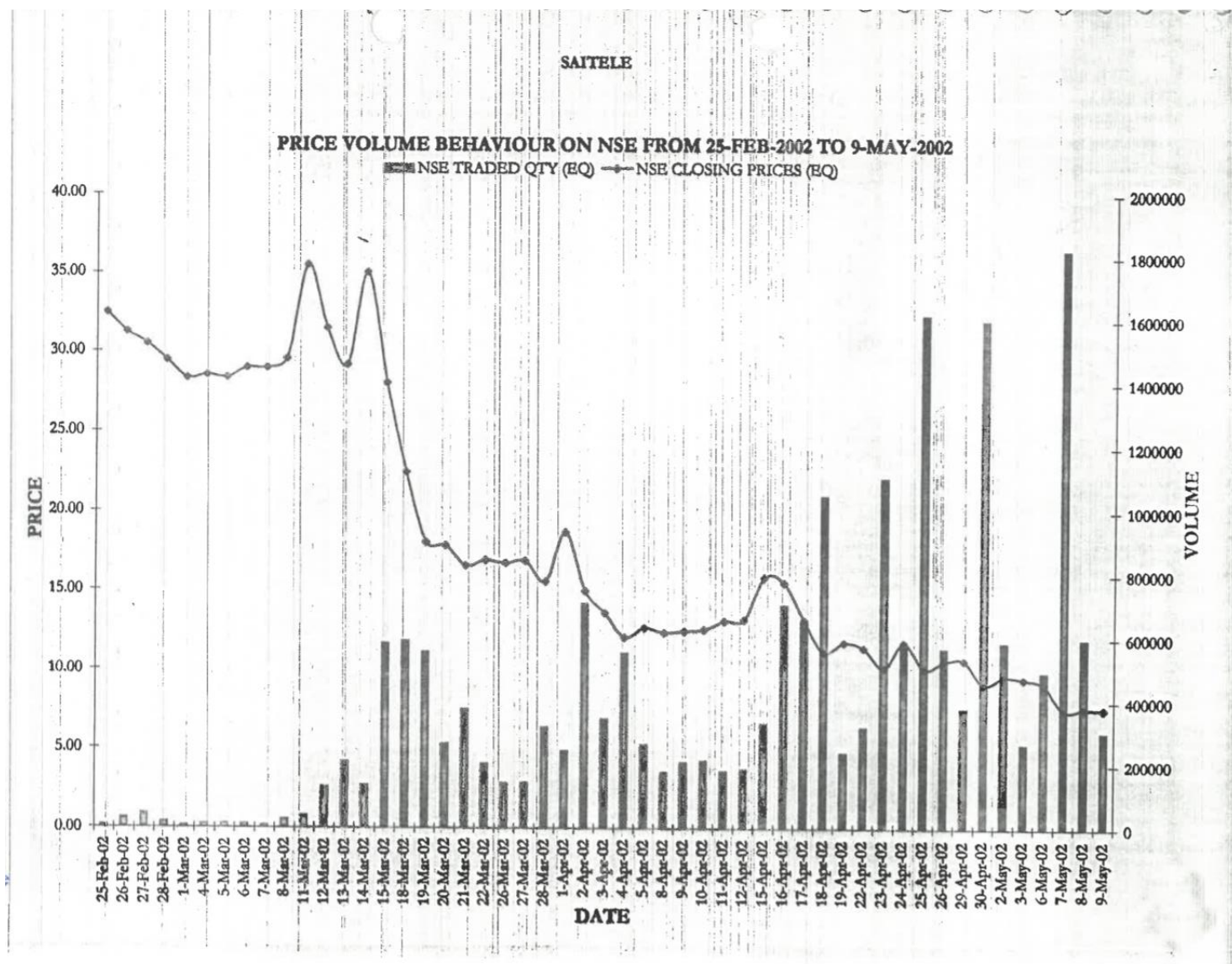
Date	Total Traded Quantity (EQ)	Total Traded Quantity (BE)	Close Price (EQ)	Close Price (BE)
4-Jun-01	1	1	175.40	175.40
5-Jun-01	5		161.40	
6-Jun-01	25		148.50	
7-Jun-01	5		148.50	
8-Jun-01	1		137.00	
11-Jun-01	1		126.10	
13-Jun-01	1905		116.05	
14-Jun-01	105		106.80	
25-Jun-01	1		98.30	
26-Jun-01	1		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		861		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

SAITELE
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 IInd period is depicted below in a chart as under:

Figure 2



Price and Volumes traded in STL during IInd period 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	588587	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:

8.16. 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.

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

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	SN	Trd Time	Trade No	Trd Prio	% to LTP	Trd Qty	Buy Order: Entry Time	Buy Order No	Buy TM Name	Buy User ID	Buy Client	Buy Disc Vol	Buy Limit Price	Sell Order: Entry time	Sell Order No	Sell Member Name	Sell User ID	Sell Client	Sell Disc Vol	Sell Limit Price
16-Jul-01	2001128	12:04:30	200107160175043	59.00	7.27	100	12:04:30	200107160328005	ORBIS SECURITIES	8405 Ritu Devi	0	100	59.00	12:04:12	200107100327558	ARYAN SHARE	6612 CRS Stocks	0	100	59.00
16-Jul-01	2001128	12:04:47	200107150175243	59.40	0.68	100	12:04:47	200107160328349	ARYAN SHARE & S	6612 CRS Stock (R	0	100	59.40	12:04:41	200107160328216	ORBIS SECURI	8405 Ritu devi	0	100	59.40
16-Jul-01	2001128	12:07:58	200107160178955	58.00	0.26	200	12:07:58	200107160332535	ARYAN SHARE & S	6612 CRS Stock (R	0	200	58.00	12:07:49	200107150332208	ORBIS SECURI	8405 Ritu devi	0	200	58.00
16-Jul-01	2001128	12:08:13	200107160178937	58.10	0.17	200	12:08:13	200107160333067	ORBIS SECURITIES	8405 Ritu Devi	0	200	58.10	12:08:12	200107160333054	ARYAN SHARE	6612 CRS Stocks	0	200	58.10
17-Jul-01	2001128	11:12:02	200107170096532	62.25	0.40	200	11:12:02	200107170199729	ARYAN SHARE & S	6612 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	59.00	0.47	200	11:42:03	200107170242065	ARYAN SHARE & S	6612 CRS Stock (R	0	200	59.00	11:41:55	200107170241891	ORBIS SECURI	8405 Ritu devi	0	200	59.00
17-Jul-01	2001128	11:42:23	200107170120592	58.25	0.45	200	11:42:23	200107170242547	ORBIS SECURITIES	8405 Ritu Devi	0	200	58.25	11:42:10	200107170242235	ARYAN SHARE	6612 CRS Stocks	0	200	58.25
18-Jul-01	2001128	10:18:06	200107160037100	54.00	1.03	100	10:18:06	200107180053948	ARYAN SHARE & S	6612 CRS Stock (R	0	100	54.00	10:15:38	200107180001212	ORBIS SECURI	8405 Ritu devi	0	100	54.00
18-Jul-01	2001128	10:16:20	200107180037520	54.10	0.19	100	10:16:20	200107180053948	ARYAN SECURITIES	8405 Ritu Devi	0	100	54.10	10:15:19	200107180001463	ARYAN SHARE	6612 CRS Stocks	0	100	54.10
20-Jul-01	2001128	10:21:41	200107200092904	44.00	0.27	200	10:21:41	200107200135482	ARYAN SHARE & S	6612 CRS Stock (R	0	200	44.00	10:21:15	200107200135944	ORBIS SECURI	8405 Ritu devi	0	200	44.00
20-Jul-01	2001128	10:21:58	200107200093471	44.10	0.23	200	10:21:58	200107200219654	ORBIS SECURITIES	8405 Ritu Devi	0	200	44.10	10:21:58	200107200135944	ORBIS SECURI	8405 Ritu devi	0	200	44.10
20-Jul-01	2001128	10:52:54	200107200118352	44.50	8.71	300	10:52:54	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	300	44.50	10:52:48	200107200218363	ARYAN SHARE	6612 CRS Stocks	0	300	44.50
20-Jul-01	2001128	10:53:12	200107200118790	44.75	0.56	300	10:53:12	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	300	44.75	10:53:03	200107200218363	ARYAN SHARE	6612 CRS Stocks	0	300	44.75
20-Jul-01	2001128	11:21:18	200107200116101	45.00	0.56	200	11:21:18	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.00	11:21:14	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.00
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200	45.25	11:21:26	200107200258596	ORBIS SECURI	8405 Ritu devi	0	200	45.25
20-Jul-01	2001128	11:21:26	200107200116177	45.25	0.56	200	11:21:26	200107200258596	ORBIS SECURITIES	8405 Ritu Devi	0	200								

Table 12

8.17. 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 13

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 (Noticee 7)	March 12, 2002	2229502	Mr. Sajjan Kumar Nanwal (Noticee no. 9)	10036667	5,00,000
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 (Noticee no. 9)	10037730	5,00,000
Total					25,00,000

8.18. 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 Noticees and non-availability of any material suggesting contrary, the aforesaid transfer of shares by the 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.

8.19. Noticee no. 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 no. 9 through the aforesaid stock brokers are given below:

Table 14

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

8.20. Further, Noticee 9 delivered 3,54,803 shares of STL for the sale transactions executed by Noticee 15 through Sanchay Finvest Limited.

8.21. 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.

8.22. 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.

8.23. The transactions of Noticee 1 and 2 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.

8.24. 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.”

- 8.25. 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.”

8.26. 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.

8.27. 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 1 and 2, 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.

8.28. 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.

8.29. 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.

8.30. Furthermore, during the 1st investigation period, Noticees 1 and 2 indulged into synchronized and reversal trading whereas during Part II of investigation period, Noticees 1 to 7 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.

8.31. Upon perusal of the material available on record and details mentioned at paragraph no. 8.17, I find that role of Noticee 3 is neither mentioned in the investigation report nor in the SCN issued by SEBI in the manipulative trading. Further, no shares were transferred or received from/to his demat account. In view of the same, I do not find any role played by Noticee 3 in the alleged manipulation. On a cumulative analysis of the facts mentioned above, it is clear that the modus operandi of the Noticees 1 to 7 except Noticees 3 and 5 was to manipulate the trading in the scrip of STL in a concerted manner.

8.32. In view of the above, I find that Noticees 1 to 7 except Noticees 3 and 5 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 Noticees 1 to 7 except Noticees 3 and 5.

Table 15

Sr No.	Noticee no.	Violations
1	Noticee 1	Regulations 4(b), (c), (d) and (e) of PFUTP Regulations, 1995 read with regulation 13 of PFUTP Regulations, 2003

2	Noticee 2	Regulations 4(b), (c) and (d) of PFUTP Regulations, 1995 read with regulation 13 of PFUTP Regulations, 2003
3	Noticees 4, 6 and 7	Regulation 4(e) of PFUTP Regulations, 1995 read with 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?

8.33. I have noted that the investigation report does not dwell on the extent of specific gains made by the Noticees 1 to 7 except Noticees 3 and 5. Keeping in mind the practices indulged in by the Noticees 1 to 7 except Noticees 3 and 5 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. Further, as demonstrated in the aforesaid paragraphs, Noticees 1 to 7 except Noticees 3 and 5 not only indulged in the manipulation of the scrip of STL but also abused the judicial process. Thus, the means adopted by the Noticees 1 to 7 except Noticees 3 and 5 to achieve the end was dubious, manipulative, unfair and fraudulent which deserve suitable direction.

8.34. 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 1 to 7 except Noticees 3 and 5 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 said 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 said 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 said 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

EXECUTIVE DIRECTOR

Date: May 30, 2023

Place: Mumbai

SECURITIES AND EXCHANGE BOARD OF INDIA