National Stock Exchange of India
Circular

Department: Investigation	
Download Ref No: NSE/INVG/57539	**Date: July 12, 2023**
Circular Ref. No: 169/2023	

To All NSE Members,

Sub: SEBI Confirmatory Order in the matter of Stock Recommendations using YouTube in the scrip of Sharpline Broadcast Limited

This has reference to NSE Circular no. NSE/INVG/55833 dated March 2, 2023 in reference to SEBI order no. WTM/AN/ISD/ISD-SEC-1/24334/2022-23 dated March 2, 2023.

SEBI vide its Order No. WTM/AN/ISD/ISD-SEC-1/28040/2023-24 dated July 11, 2023 has directed that following entities are permitted to sell their securities to comply with the direction in the Interim Order to deposit the illegal gains in escrow accounts.

Sr. no.	Name of Entity	PAN
1.	Ashok Kumar Agrawal	AFEPA2109P
2.	Anshu Aggarwal	AMFPA0593B
3.	Anshul Aggarwal	AFUPA3575P
4.	Hemant Dusad	AFYPD4892E
5.	Anshul Aggarwal Co HUF	AAQHA3574F

The order comes into force with immediate effect.

The detailed order is available on SEBI website (http://www.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 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 Confirmatory Order in the matter of Stock Recommendations using YouTube in the scrip of Sharpline Broadcast Limited

WTM/AN/ISD/ISD-SEC-1/28040/2023-24

SECURITIES AND EXCHANGE BOARD OF INDIA

CONFIRMATORY ORDER

Under Sections 11(1), 11(4) and 11B (1) of the Securities and Exchange Board of India Act, 1992

In respect of:

S. no.	Name of the Noticee	PAN
1.	Jatin Manubhai Shah (Noticee no. 3)	AEGPS5807M
2.	Angad M Rathod (Noticee no. 5)	CIUPR1814B
3.	Heli Jatin Shah (Noticee no. 6)	BXYPS2148P
4.	Daivik Jatin Shah (Noticee no. 7)	BXYPS2715J
5.	Ashok Kumar Agrawal (Noticee no. 20)	AFEPA2109P
6.	Anshu Aggarwal (Noticee no. 21)	AMFPA0593B
7.	Anshul Aggarwal (Noticee no. 22)	AFUPA3575P
8.	Hemant Dusad (Noticee no. 23)	AFYPD4892E
9.	Anshul Aggarwal Co HUF (Noticee no. 24)	AAQHA3574F

(Noticee nos. correspond to the nos. mentioned in the Interim Order dated March 02, 2023, collectively referred to as "Noticees")

In the matter of Stock Recommendations using YouTube in the scrip of Sharpline Broadcast Limited

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A. BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted a preliminary examination for the period April 12, 2022 to August 19, 2022 (hereinafter referred to as "**Examination Period**") in the scrip of Sharpline

Broadcast Limited (hereinafter referred to as "**Sharpline**"), based on certain complaints, to look into possible violations of provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") and various regulations framed thereunder including SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**".

B. INTERIM ORDER

2. Pursuant to SEBI's preliminary examination, an Ad-interim Ex-parte order dated March 02, 2023 (hereinafter referred to as "**Interim Order**") was passed by SEBI against 24 *Noticees* wherein *inter alia* the following were noticed:

2.1. The company, Sharpline was incorporated in 1990 and has its registered office at New Delhi. Sharpline is engaged in the business of launching television channels & to carry out the business of T.V. news, films, music, serials etc.

2.2. Sharpline was listed on BSE on September 07, 2021 but the first trade in the scrip took place only on March 15, 2022. Thereafter, there was a spurt in the price and volume of Sharpline between April 2022 and mid-May 2022. A significant portion of the volume during this period was the result of the trades executed by some of the Noticees to the *Interim Order*.

2.3. During second half of May 2022, false and misleading videos ("**YouTube Videos**") about the company were uploaded on two YouTube channels namely, "Midcap calls" and "Profit Yatra" ("**YouTube Channels"/ "Channels**"). These YouTube videos peddled false and misleading news to recommend that investors should buy the Sharpline stock for extraordinary profits. These YouTube Channels had lakhs of subscribers and the misleading videos had crores of viewership aided by promotion through paid advertising campaigns. Subsequently, the misleading YouTube videos ceased to be available for public viewing.

2.4. Subsequent to the release of the misleading YouTube videos, there was an increase in the price and trading volume of the Sharpline scrip. The volumes appear to have been contributed by large number of retail investors likely influenced by the misleading YouTube videos. During this period, certain nonpromoter shareholders who held more than 1% of shareholding in Sharpline offloaded their entire holdings at inflated prices and booked profits.

2.5. The Noticees in this case can be broadly classified as follows - the creators of the YouTube Channels - "Midcap calls" and "Profit Yatra" are classified as a Misleading Message Disseminators ("**MMD**s"). Some of the Noticees are Net Sellers and profit makers ("**NSs**") i.e., persons who held shares of Sharpline at the start of the Examination period, and who traded in and net sold shares during the said period. Other Noticees are Volume Creators ("**VCs**") i.e., persons other than those classified as NSs, who both bought and sold shares of Sharpline during the Examination period, hence contributing to a rise in trading volumes and interest in the scrip. Connection between all the *Noticees* across the MMDs, NSs and VCs has been established based on several facts on record including familial relationships, KYC details, common address & email IDs, call data records and fund transfers.

2.6. *Prima facie,* across the MMDs, NSs and VCs, the Noticees orchestrated an egregious case of 'pump-and-dump' of Sharpline Broadcast Ltd. – i.e., they collectively helped create trading volumes and interest in the scrip, spread patently false and misleading YouTube videos about the scrip, and hence induced unsuspecting small investors to buy the Sharpline scrip at elevated prices, thereby *prima facie* violating the provisions of the SEBI Act and PFUTP Regulations. Collectively, the NSs and some of the VCs have booked extraordinary profits as a result of this scheme.

2.7. It was *prima facie* concluded that the Noticee NSs and certain VCs through the co-ordinated involvement of MMDs and VCs were alleged to have made illegal gains amounting to INR 12,14,24,131 by way of the alleged fraudulent and manipulative scheme and therefore, *prima facie* violated Sections 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(1), (b), (c), (d) and Regulations 4(1) and 4(2)(a), (d), (k) and (r) of the PFUTP Regulations.

2.8. The role of the Noticees in respect of whom the instant Order is being passed is given in the Table below. These are noticees who were the first to complete their written and oral responses to the interim order. With some other noticees just completing their submissions now, and others still some distance away, I find it only fair that post-decisional order/confirmatory order is passed with respect to the below mentioned noticees.

Table no. 1

S. No.	Entity Name	Role
1.	Jatin Manubhai Shah	Volume Creator and Profit maker (VC 1) / Dealer for Noticee nos. 5 and 6
2.	Angad M Rathod	Volume Creator (VC 3)
3.	Heli Jatin Shah	Volume Creator and Profit maker (VC 4)
4.	Daivik Jatin Shah	Volume Creator and Profit maker (VC 5)
5.	Ashok Kumar Agrawal	Net Seller and Volume Creator (NS13)
6.	Anshu Aggarwal	Net Seller and Volume Creator (NS 14)
7.	Anshul Aggarwal	Net Seller and Volume Creator (NS 15) / Dealer for Noticee nos. 12, 13, 15, 17, 18, 19, 20, 22 and 23
8.	Hemant Dusad	Net Seller and Volume Creator (NS 16)
9.	Anshul Aggarwal Co HUF	Net Seller and Volume Creator (NS 17)

2.9. Based on the information collected during the preliminary examination and findings as recorded in the *Interim Order,* pending further investigation in the matter, certain directions were issued against the above *Noticees* vide the aforesaid *Interim Order* which were *inter alia,* as follows:

2.9.1. The *Noticees* were restrained from buying, selling or dealing in securities either directly or indirectly, in any manner whatsoever until further orders.

2.9.2. The bank accounts of the *Noticees* to the extent of the proceeds earned by them from the alleged fraudulent scheme in the scrip of Sharpline was impounded. The *Noticees* were directed to open an escrow account with a Scheduled Commercial Bank and deposit the impounded amount therein within 15 days from the date of service of the Order. The escrow account/s was to be an interest bearing escrow account with a lien in favour of SEBI.

Further, it was directed that the monies kept therein shall not be released without permission from SEBI.

2.9.3. *Noticees* were directed not to dispose of or alienate any asset, whether movable or immovable, or create any interest or charge on any of such assets held in their name, jointly or severally, including money lying in bank accounts except with prior permission of SEBI until the impounded amount is deposited in the escrow account.

2.9.4. *Noticees* were directed to provide a full inventory of all assets held in their name, jointly or severally, whether movable or immovable, including details of all bank accounts, demat accounts and mutual investments, or any interest or charge on any of such assets, immediately but not later than 15 days from the date of receipt of the Order.

2.10. Further, vide the aforesaid *Interim Order,* the *Noticees* were also advised to submit their replies, if any, within 21 days from the date of service of the *Interim Order* and to indicate whether they desire to avail an opportunity of personal hearing in the matter.

C. SERVICE OF INTERIM ORDER, REPLY AND HEARING

3. It is noted that the *Interim Order* was served on the *Noticees* vide emails dated March 02, 2023. All the *Noticees* who are the subject of this Order, have filed their replies and made their submissions. However, I note that *Noticees* have neither complied with the direction to deposit the proceeds nor provided the details of their assets to SEBI.

4. The Noticees vide letters dated March 13, 2023 requested for inspection of documents and the same was granted on March 28, 2023. Thereafter, the *Noticees* have filed their written replies in which they have denied the *prima facie* observations made against them in the *Interim Order.* The contentions raised in their written submissions are summarised below.

Submissions of Jatin Manubhai Shah (Noticee no. 3)

5. Vide his letter dated April 10, 2023, he has denied the allegations made in the *Interim Order* and has *inter alia* submitted the following:

5.1. Most of the requisite information and documents requested by the Advocate of the Noticee vide emails dated March 29, 2023 and March 30, 2023 have been denied to be provided.

5.2. The Noticee has taken a franchise of member stock broker, MNM Stock Broking Pvt. Ltd. since 2017 and had more than 25 active clients.

5.3. Before passing of the *Interim Order,* the Noticee was an authorized person with SEBI registered stock broker, MNM Stock Broking Pvt. Ltd. and after passing of the said order, he is unable to continue his business.

5.4. The Noticee has submitted that Heli Jatin Shah (Noticee no. 6) is the Noticee's daughter and Daivik Jatin Shah (Noticee no. 7) is the Noticee's son. Manish Mishra (Noticee no. 1) and Angad Rathod (Noticee no. 5) are Noticee's clients. The aforesaid two Noticees have communicated with him over phone for placing orders in their respective trading accounts.

5.5. The Noticee as a dealer had placed orders in the trading account of his clients and his family members in various scrips including the scrip of Sharpline during the examination period.

5.6. The Noticee has submitted that he had provided a loan of INR 25,00,000 to Manish Mishra as he had purchased a residential property in Ahmedabad.

5.7. The Noticee had contacted Subhash Agarwal (Noticee no. 18) over phone to inquire about Merchant Banker and RTA related work for a company which was planning to enter the securities market through IPO. The trades executed by the Noticee has nothing to do with Subhash Agarwal.

5.8. The ex-parte order does not bring on record any documentary evidence except CDR and Bank statement to substantiate the allegation of connection between Noticee nos. 1, 5 and 18 and the Noticee. The Noticee has submitted that the phone calls with his clients as a dealer and 2 phone calls with one of the Noticee for business purpose does not establish that he was part of a manipulative scheme.

5.9. The Noticee does not have any connection with the promoter/ director/ key managerial persons of the Company, Sharpline.

5.10. The Noticee had purchased 60,520 shares of Sharpline in patch 1 and further purchased and sold 10,91,137 and 11,51,657 shares of the company in patch 2 of the examination period. The Noticee made a gross profit of INR 18,50,262.31 and paid expenses of INR 1,96,272.88.

5.11. The Noticee had traded only on 13 days out of total 89 trading days during the examination period. The Noticee did not purchase any shares of Sadhna during the examination period through off-market transactions.

5.12. The Noticee has submitted that there was a time difference of 0 second to 6 hours and 29 minutes between placing of buy/sell order by the counterparties and orders placed by the Noticee. Further, there is no allegation against the Noticee that the Noticee had executed any reversal/ synchronized/ circular trades in the scrip of Sadhna.

5.13. The Noticee has submitted that there was no meeting of mind between counterparties' buyers and the Noticee for sell trades. Further, there are no allegations of price manipulation.

5.14. The Noticee has submitted that he has no connection with the counterparties of its trades. The trades of the Noticee matched with 1000's of entities.

5.15. The Noticee has denied that he had created any artificial volume in the scrip. The total market volume during the examination period was 2,36,65,110 shares and the Noticee had bought and sold 11,51,657 shares of the company. The orders were placed at the prevailing market prices on the anonymous platform of the stock exchange.

5.16. The Noticee has submitted that there is no evidence to show that the Noticee was involved in the creation and distribution of the alleged misleading videos.

5.17. The Noticee has not induced any person for dealing in the shares of Sharpline. The Noticee has submitted that he has not made any unlawful gains as alleged in the Interim Order.

5.18. The Noticee has borrowed loan from private parties and family members and should be allowed to use his bank account and liquidate his portfolio to repay the loans.

5.19. The Noticee has submitted that there is no evidence to show that the trades of the Noticee led to an increase in the price of the scrip. Further, he has submitted that there is no evidence to show that the sale of shares by the Noticee was made to gullible unsuspecting investors.

5.20. The Noticee came to know about the YouTube Channels and uploading of misleading videos in the said channels when the Noticee received a copy of the ex-parte order. Further, he has submitted that after passing of the interim order, the Noticee lost his business and cannot access securities market.

5.21. The Noticee further submitted that the basis of urgency as shown in the interim order was purely on account of presumption and was not based on any piece of evidence. The Noticee has also submitted that the ex-parte order is in gross violation of principles of natural justice as embodied in Article 14 of the Constitution of India.

5.22. The Noticee submitted that the ratio laid down by the Hon'ble Tribunal in the matter of Affluence Fincon Services Pvt. Ltd. & Ors. Vs. SEBI appeal no. 269 of 2020 decided on September 07, 2020, Dr. Udayant Malhotra vs. SEBI appeal no. 45 of 2020 decided on June 02, 2020, Cameo Corporate Services Limited vs. SEBI appeal no. 566 of 2019 decided on November 26, 2019, North End Foods Marketing Pvt. Ltd. & Anr. Vs. SEBI appeal no. 80 of 2019 decided on March 12, 2019 and Arshad Hussain Warsi & Ors. Vs. SEBI appeal no. 284 of 2023 decided on March 27, 2023 and a decision of the Hon'ble Supreme Court in Radha Krishnan Industries vs. State of Himachal Pradesh & Ors. [(2021) 6 SCC 771] squarely cover the case of the Noticee.

5.23. The Noticees nos. 1, 3, 5 to 9, 13 and 18 in the instant case have been arbitrarily and unlawfully directed to bear joint and several liabilities for the alleged illegal gains made by each Noticee. The Noticee has submitted that there is no such principle of joint and several liabilities under SEBI Act and that Joint and several liability arises only when the wrongful gains have been distributed and the Noticee has not made any unlawful gain.

5.24. The Noticee has submitted that he had borrowed loan from private parties and should be allowed to use his bank account and liquidate his portfolio to repay the loans and also to pay advance tax.

Submissions of Daivik Jatin Shah (Noticee no. 7)

6. Vide his letter dated April 10, 2023, he has denied the allegations made in the *Interim Order* and has *inter alia* submitted the following:

    6.1. Most of the requisite information and documents requested by the Advocate of the Noticee vide emails dated March 29, 2023 and March 30, 2023 have been denied to be provided.

    6.2. The Noticee was active in the securities market from the last couple of years and holds a post graduate diploma in finance.

    6.3. Heli Jatin Shah is the Noticee's sister and Jatin Manubhai Shah is the Noticee's father.

    6.4. The ex-parte order does not bring on record any documentary evidence except familial relationship to substantiate the allegation of connection among Noticees. The Noticee has submitted that the said connection does not establish that he was part of a manipulative scheme.

    6.5. The Noticee had no on-off market transaction in the scrip of the company with any of the Noticee.

    6.6. The Noticee does not have any connection with the promoter/director/key managerial persons of the Company, Sharpline.

    6.7. The Noticee had purchased and sold 2,60,000 shares of Sharpline in patch 2 of the examination period and made a gross profit of INR 1,32,000 and paid expenses of INR 39,803.62.

    6.8. The Noticee had traded only on 4 days out of total 89 trading days during the examination period. The Noticee did not purchase any shares of Sadhna during the examination period through off-market transactions.

    6.9. The Noticee has submitted that there was a time difference of 3 minutes 34 seconds to 1 hour and 35 minutes between placing of buy/sell order by the counterparties and orders placed by the Noticee. Further, there is no allegation against the Noticee that the Noticee had executed any reversal/ synchronized/ circular trades in the scrip of Sharpline.

    6.10. The Noticee has submitted that there was no meeting of mind between counterparties' buyers and the Noticee for sell trades. Further, there are no allegations of price manipulation.

6.11. The Noticee has submitted that he has no connection with the counterparties of its trades. The Noticee has denied that he had created any artificial volume in the scrip.

6.12. The total market volume during the examination period was 2,36,65,110 and the Noticee had purchased and sold 2,60,000 shares during the examination period. The orders were placed at the prevailing market prices on the anonymous platform of the stock exchange.

6.13. The Noticee has submitted that there is no evidence to show that the Noticee was involved in the creation and distribution of the alleged misleading videos.

6.14. The Noticee has not induced any person for dealing in the shares of Sharpline. The Noticee has submitted that he has not made any unlawful gains as alleged in the Interim Order.

6.15. The Noticee has submitted that there is no evidence to show that the Noticee disseminated false or misleading information.

6.16. The Noticee came to know about the YouTube Channels and uploading of misleading videos in the said channels when the Noticee received a copy of the ex-parte order. The Noticee has submitted that his main source of income was earning from securities market and due to passing of ex-parte Order, he lost his earnings from the securities market.

6.17. The Noticee has invested in a couple of scrips in the market by borrowing loan from private parties and family members.

6.18. The Noticee has submitted that there is no evidence to show that the trades of the Noticee led to an increase in the price of the scrip or that he was engaged in a co-ordinated scheme induce investors. Further, he has submitted that there is no evidence to show that the sale of shares by the Noticee was made to gullible unsuspecting investors.

6.19. The Noticee further submitted that the basis of urgency as shown in the interim order was purely on account of presumption and was not based on any piece of evidence. The Noticee has also submitted that the ex-parte order is in gross violation of principles of natural justice as embodied in Article 14 of the Constitution of India.

6.20. The Noticee submitted that the ratio laid down by the Hon'ble Tribunal in the matter of Affluence Fincon Services Pvt. Ltd. & Ors. Vs. SEBI appeal no. 269 of 2020 decided on September 07, 2020, Dr. Udayant Malhotra vs. SEBI appeal no. 45 of 2020 decided on June 02, 2020, Cameo Corporate Services Limited vs. SEBI appeal no. 566 of 2019 decided on November 26, 2019, North End Foods Marketing Pvt. Ltd. & Anr. Vs. SEBI appeal no. 80 of 2019 decided on March 12, 2019 and Arshad Hussain Warsi & Ors. Vs. SEBI appeal no. 284 of 2023 decided on March 27, 2023 and a decision of the Hon'ble Supreme Court in Radha Krishnan Industries vs. State of Himachal Pradesh & Ors. [(2021) 6 SCC 771] squarely cover the case of the Noticee.

6.21. The Noticees nos. 1, 3, 5 to 9, 13 and 18 in the instant case have been arbitrarily and unlawfully directed to bear joint and several liabilities for the alleged illegal gains made by each Noticee. The Noticee has submitted that there is no such principle of joint and several liabilities under SEBI Act and that Joint and several liability arises only when the wrongful gains have been distributed and the Noticee has not made any unlawful gain.

6.22. The Noticee has submitted that he had borrowed loan from private parties and should be allowed to use his bank account and liquidate his portfolio to repay the loans and also to pay advance tax.

Submissions of Heli Jatin Shah (Noticee no. 6)

7. Vide her letter dated April 10, 2023, she has denied the allegations made in the *Interim Order* and has *inter alia* submitted the following:

7.1. Most of the requisite information and documents requested by the Advocate of the Noticee vide emails dated March 29, 2023 and March 30, 2023 have been denied to be provided.

7.2. The Noticee was active in the securities market from the last couple of years and holds a post graduate diploma in finance.

7.3. Jatin Manubhai Shah is the Noticee's father and the ex-parte order does not bring on record any documentary evidence except familial relationship to substantiate the allegation of connection among Noticees. The Noticee has submitted that the said connection does not establish that she was part of a manipulative scheme.

7.4. The Noticee had no on-off market transaction in the scrip of the company with any of the Noticee.

7.5. The Noticee does not have any connection with the promoter/director/key managerial persons of the Company, Sharpline.

7.6. The Noticee had purchased and sold 4,72,939 shares of Sharpline in patch 2 of the examination period and made a gross profit of INR 1,01,693.9 and paid expenses of INR 64,687.52.

7.7. The Noticee had traded only on 4 days out of total 89 trading days during the examination period. The Noticee did not purchase any shares of Sadhna during the examination period through off-market transactions.

7.8. The Noticee has submitted that there was a time difference of 0 seconds to 5 hours and 13 minutes between placing of buy/sell order by the counterparties and orders placed by the Noticee. Further, there is no allegation against the Noticee that the Noticee had executed any reversal/ synchronized/ circular trades in the scrip of Sharpline.

7.9. The Noticee has submitted that there was no meeting of mind between counterparties' buyers and the Noticee for sell trades. Further, there are no allegations of price manipulation.

7.10. The Noticee has submitted that she has no connection with the counterparties of its trades. The Noticee has denied that she had created any artificial volume in the scrip.

7.11. The total market volume during the examination period was 2,36,65,110 and the Noticee had purchased and sold 4,72,939 shares during the examination period. The orders were placed at the prevailing market prices on the anonymous platform of the stock exchange.

7.12. The Noticee has submitted that there is no evidence to show that the Noticee was involved in the creation and distribution of the alleged misleading videos.

7.13. The Noticee has not induced any person for dealing in the shares of Sharpline. The Noticee has submitted that she has not made any unlawful gains as alleged in the Interim Order.

7.14. The Noticee has submitted that there is no evidence to show that the Noticee disseminated false or misleading information.

7.15. The Noticee came to know about the YouTube Channels and uploading of misleading videos in the said channels when the Noticee received a copy of the ex-parte order. The Noticee has submitted that her main source of income was earning from securities market and due to passing of ex-parte Order, she lost her earnings from the securities market.

7.16. The Noticee has invested in a couple of scrips in the market by borrowing loan from private parties and family members.

7.17. The Noticee has submitted that there is no evidence to show that the trades of the Noticee led to an increase in the price of the scrip or that she was engaged in a co-ordinated scheme induce investors. Further, she has submitted that there is no evidence to show that the sale of shares by the Noticee was made to gullible unsuspecting investors.

7.18. The Noticee further submitted that the basis of urgency as shown in the interim order was purely on account of presumption and was not based on any piece of evidence. The Noticee has also submitted that the ex-parte order is in gross violation of principles of natural justice as embodied in Article 14 of the Constitution of India.

7.19. The Noticee submitted that the ratio laid down by the Hon'ble Tribunal in the matter of Affluence Fincon Services Pvt. Ltd. & Ors. Vs. SEBI appeal no. 269 of 2020 decided on September 07, 2020, Dr. Udayant Malhotra vs. SEBI appeal no. 45 of 2020 decided on June 02, 2020, Cameo Corporate Services Limited vs. SEBI appeal no. 566 of 2019 decided on November 26, 2019, North End Foods Marketing Pvt. Ltd. & Anr. Vs. SEBI appeal no. 80 of 2019 decided on March 12, 2019 and Arshad Hussain Warsi & Ors. Vs. SEBI appeal no. 284 of 2023 decided on March 27, 2023 and a decision of the Hon'ble Supreme Court in Radha Krishnan Industries vs. State of Himachal Pradesh & Ors. [(2021) 6 SCC 771] squarely cover the case of the Noticee.

7.20. The Noticees nos. 1, 3, 5 to 9, 13 and 18 in the instant case have been arbitrarily and unlawfully directed to bear joint and several liabilities for the alleged illegal gains made by each Noticee. The Noticee has submitted that there is no such principle of joint and several liabilities under SEBI Act and that Joint and several liability arises only when the wrongful gains have been distributed and the Noticee has not made any unlawful gain.

7.21. The Noticee has submitted that she had borrowed loan from private parties and should be allowed to use her bank account and liquidate her portfolio to repay the loans and also to pay advance tax.

Submissions of Angad M Rathod (Noticee no. 5)

8. Vide his letter dated April 10, 2023, he has denied the allegations made in the *Interim Order* and has *inter alia* submitted the following:

8.1. Most of the requisite information and documents requested by the Advocate of the Noticee vide emails dated March 29, 2023 and March 30, 2023 have been denied to be provided.

8.2. The Noticee was active in the securities market from the last couple of years.

8.3. Jatin Manubhai Shah is the dealer of the member broker, MNM Stock Broking Pvt. Ltd. where the Noticee has trading and demat accounts. Further, he has submitted that the Noticee has no other relation with Jatin Shah except the relationship of client and dealer.

8.4. Since Ms. Anshu Mishra is not a party to the ex-parte Order, the allegation of connection with her is vague. Further, he has placed reliance on the Orders of the Hon'ble SAT in the matter of Manish Suresh Joshi vs. SEBI (appeal no. 2 of 2020) decided on January 13, 2020 and in the matter of Kaushik Rajnikant Mehta vs. SEBI & other connected appeals (appeal no. 76 of 2021) decided on May 05, 2021.

8.5. The Noticee had provided a loan of INR 72,00,000 to Anshu Mishra and the said loan has nothing to do with the trades executed in the scrip of Sharpline.

8.6. The Noticee's communications with Jatin Shah was because he was the Noticee's dealer and the fund transfer with Anshu Mishra does not establish the fact that the Noticee was a part of any manipulative scheme.

8.7. The ex-parte order does not bring on record any documentary evidence except familial relationship to substantiate the allegation of connection among Noticees. The Noticee has submitted that the said connection does not establish that he was part of a manipulative scheme.

8.8. The Noticee had no on-off market transaction in the scrip of the company with any of the Noticee.

8.9. The Noticee does not have any connection with the promoter/director/key managerial persons of the Company, Sharpline.

8.10. The Noticee had purchased and sold 5,20,623 shares of Sharpline in patch 2 and 3 of the examination period and suffered a loss of INR 2,69,447.65 and paid expenses of INR 90,919.18.

8.11. The Noticee had traded only on 6 days out of total 89 trading days during the examination period. The Noticee did not purchase any shares of Sadhna during the examination period through off-market transactions.

8.12. The Noticee has submitted that there was a time difference of 0 seconds to 6 hours and 29 minutes between placing of buy/sell order by the counterparties and orders placed by the Noticee. Further, there is no allegation against the Noticee that the Noticee had executed any reversal/ synchronized/ circular trades in the scrip of Sharpline.

8.13. The Noticee has submitted that there was no meeting of mind between counterparties' buyers and the Noticee for sell trades. Further, there are no allegations of price manipulation.

8.14. The Noticee has submitted that he has no connection with the counterparties of its trades. The Noticee has denied that he had created any artificial volume in the scrip.

8.15. The total market volume during the examination period was 2,36,65,110 and the Noticee had purchased and sold 5,20,623 shares during the examination period. The orders were placed at the prevailing market prices on the anonymous platform of the stock exchange.

8.16. The Noticee has submitted that there is no evidence to show that the Noticee was involved in the creation and distribution of the alleged misleading videos. The Noticee has not induced any person for dealing in the shares of Sharpline.

8.17. The Noticee has submitted that there is an error in the profit mentioned in the ex-parte Order. As per the Order, the Noticee had made a profit of INR 50,481 whereas on perusal of trade log data, he has suffered a loss of 2,69,447.65 during patch 2 and patch 3 of the investigation.

8.18. The Noticee has submitted that there is no evidence to show that the Noticee disseminated false or misleading information.

8.19. The Noticee came to know about the YouTube Channels and uploading of misleading videos in the said channels when the Noticee received a copy of the ex-parte order. The Noticee has submitted that his main source of income was earning from securities market and due to passing of ex-parte Order, he lost his earnings from the securities market.

8.20. The Noticee has invested in a couple of scrips in the market by borrowing loan from private parties and family members.

8.21. The Noticee has submitted that there is no evidence to show that the trades of the Noticee led to an increase in the price of the scrip or that he was engaged in a co-ordinated scheme induce investors. Further, he has submitted that there is no evidence to show that the sale of shares by the Noticee was made to gullible unsuspecting investors.

8.22. The Noticee further submitted that the basis of urgency as shown in the interim order was purely on account of presumption and was not based on any piece of evidence. The Noticee has also submitted that the ex-parte order is in gross violation of principles of natural justice as embodied in Article 14 of the Constitution of India.

8.23. The Noticee submitted that the ratio laid down by the Hon'ble Tribunal in the matter of Affluence Fincon Services Pvt. Ltd. & Ors. Vs. SEBI appeal no. 269 of 2020 decided on September 07, 2020, Dr. Udayant Malhotra vs. SEBI appeal no. 45 of 2020 decided on June 02, 2020, Cameo Corporate Services Limited vs. SEBI appeal no. 566 of 2019 decided on November 26, 2019, North End Foods Marketing Pvt. Ltd. & Anr. Vs. SEBI appeal no. 80 of 2019 decided on March 12, 2019 and Arshad Hussain Warsi & Ors. Vs. SEBI appeal no. 284

of 2023 decided on March 27, 2023 and a decision of the Hon'ble Supreme Court in Radha Krishnan Industries vs. State of Himachal Pradesh & Ors. [(2021) 6 SCC 771] squarely cover the case of the Noticee.

8.24. The Noticees nos. 1, 3, 5 to 9, 13 and 18 in the instant case have been arbitrarily and unlawfully directed to bear joint and several liabilities for the alleged illegal gains made by each Noticee. The Noticee has submitted that there is no such principle of joint and several liabilities under SEBI Act and that Joint and several liability arises only when the wrongful gains have been distributed. The Noticee has not made any unlawful gain and had suffered a loss and therefore, the question of joint and several liability does not arise.

8.25. The Noticee has submitted that he had borrowed loan from private parties and should be allowed to use his bank account and liquidate his portfolio to repay the loans and also to pay advance tax.

Submissions of Ashok Kumar Agarwal (Noticee no. 20)

9. Vide letter dated April 10, 2023, Mr. Anshul Aggarwal, son of Ashok Kumar Agarwal, has filed reply on behalf of his father as he is unwell. Further, he has denied the allegations made in the *Interim Order* and has *inter alia* submitted the following:

9.1. Most of the requisite information and documents requested by the Advocate of the Noticee vide emails dated March 29, 2023 and March 30, 2023 have been denied to be provided.

9.2. The Noticee is 72 years old and was active in the securities market from the last 25 years. Anshul Aggarwal is the Noticee's son and Anshu Aggarwal is the Noticee's daughter-in-law.

9.3. The ex-parte order does not bring on record any documentary evidence except familial relationship to substantiate the allegation of connection among Noticees. The Noticee has submitted that the said connection does not establish that he was part of a manipulative scheme.

9.4. The Noticee does not have any connection with the promoter/director/key managerial persons of the Company, Sharpline.

9.5. The Noticee had purchased 2,25,635 shares of Sharpline in 2018 through an off-market transaction. Out of the said shares, the Noticee sold 65,000 shares on April 12, 2022 and April 13, 2022 at an average rate of INR 8.64 per shares. Further, the remaining 1,60,635 shares of Sharpline were sold at an average rate of INR 44.52 per share during the period May 31, 2022 to June 13, 2022.

9.6. The Noticee had traded only on 8 days out of total 89 trading days during the examination period.

9.7. The Noticee has submitted that there was a time difference of 1 minute 18 seconds to 4 hours and 28 minutes between placing of buy/sell order by the counterparties and orders placed by the Noticee. Further, there is no allegation against the Noticee that the Noticee had executed any reversal/ synchronized/ circular trades in the scrip of Sharpline.

9.8. The Noticee has submitted that there was no meeting of mind between counterparties' buyers and the Noticee for sell trades. Further, there are no allegations of price manipulation.

9.9. The Noticee has not purchased any shares during the examination period.

9.10. The Noticee has submitted that he has no connection with the counterparties of its trades. The trades of the Noticee matched with more than 500 entities. The Noticee has denied that he had created any artificial volume in the scrip.

9.11. The total market volume during the examination period was 2,36,65,110 and the sell trades of the Noticee had contributed to only 0.95% to the total market volume during the examination period which was too miniscule to influence the market equilibrium. The orders were placed at the prevailing market prices on the anonymous platform of the stock exchange.

9.12. The Noticee has submitted that there is no evidence to show that the Noticee was involved in the creation and distribution of the alleged misleading videos. The Noticee has not induced any person for dealing in the shares of Sharpline.

9.13. The Noticee has submitted that there is no evidence to show that the Noticee disseminated false or misleading information. Further, there is no direct or indirect connection with Noticees who had allegedly created and uploaded the misleading videos.

9.14. The Noticee came to know about the YouTube Channels and uploading of misleading videos in the said channels when the Noticee received a copy of the ex-parte order.

9.15. The Noticee has submitted that he had sold shares of Sharpline which he was holding from the last 4-5 years.

9.16. The Noticee has submitted that his main source of income was earning from securities market and due to passing of ex-parte Order, he lost his earnings from the securities market.

9.17. The Noticee has submitted that there is no evidence to show that the trades of the Noticee led to an increase in the price of the scrip or that he was engaged in a co-ordinated scheme induce investors. Further, he has submitted that there is no evidence to show that the sale of shares by the Noticee was made to gullible unsuspecting investors.

9.18. The Noticee further submitted that the basis of urgency as shown in the interim order was purely on account of presumption and was not based on any piece of evidence. The Noticee has also submitted that the ex-parte order is in gross violation of principles of natural justice as embodied in Article 14 of the Constitution of India.

9.19. The Noticee submitted that the ratio laid down by the Hon'ble Tribunal in the matter of Affluence Fincon Services Pvt. Ltd. & Ors. Vs. SEBI appeal no. 269 of 2020 decided on September 07, 2020, Dr. Udayant Malhotra vs. SEBI appeal no. 45 of 2020 decided on June 02, 2020, Cameo Corporate Services Limited vs. SEBI appeal no. 566 of 2019 decided on November 26, 2019, North End Foods Marketing Pvt. Ltd. & Anr. Vs. SEBI appeal no. 80 of 2019 decided on March 12, 2019 and Arshad Hussain Warsi & Ors. Vs. SEBI appeal no. 284 of 2023 decided on March 27, 2023 and a decision of the Hon'ble Supreme Court in Radha Krishnan Industries vs. State of Himachal Pradesh & Ors. [(2021) 6 SCC 771] squarely cover the case of the Noticee.

9.20. The Noticee has submitted that he needs to pay his advance tax and therefore, he should be allowed to use his bank account pay advance tax.

Submissions of Anshul Aggarwal (Noticee no. 22)

10. Vide his letter dated April 10, 2023, he has denied the allegations made in the *Interim Order* and has *inter alia* submitted the following:

10.1. Most of the requisite information and documents requested by the Advocate of the Noticee vide emails dated March 29, 2023 and March 30, 2023 have been denied to be provided.

10.2. The Noticee was active in the securities market from the last 25 years. Before joining Nikunj Stock Brokers Limited as a dealer in 2017, the Noticee was working with 3 other member brokers. After passing of ex-parte Order, the Noticee was terminated from his employment.

10.3. The job of the Noticee as a dealer was to place order in the trading accounts of the clients of Nikunj and was also handling back office of Nikunj.

10.4. Ashok Kumar Agarwal is the Noticee's father and Anshu Aggarwal is the Noticee's wife. Further, the Noticee is the Karta of Anshul Aggarwal Co HUF.

10.5. Hemant Dusad was also an employee of Nikunj i.e., the same member broker where the Noticee was also an employee. The phone calls between them was as a part of their work related communications.

10.6. Subhash Agarwal (Noticee no. 18), Vivek Rana (Noticee no. 19), Bhim Singh Chaudhary (Noticee no. 13) and Renuka Aggarwal (Noticee no. 11) are the client of Nikunj since 2018 and therefore, it is obvious that the said Noticees communicated with the dealers of Nikunj.

10.7. The Noticee as a dealer placed orders in the trading accounts of 100's of clients of Nikunj and had also placed orders for 21 entities/ Noticees in the scrips of various companies including Sharpline. These 21 entities include family members of the Noticee, Subhash Agarwal (Noticee no. 18), Vivek Rana (Noticee no. 19), Bhim Singh Chaudhary (Noticee no. 13) and Renuka Aggarwal (Noticee no. 11).

10.8. Apart from the Noticee, other dealers of Nikunj namely Anil, Bhavey Khatter, Kapil and Sachin Khandelwal were also placing orders for all these entities/Noticees in the scrip of various companies including Sharpline.

10.9. The ex-parte order does not bring on record any documentary evidence except CDR to substantiate the allegation of connection among Noticee nos.

11, 13, 18, 19 and the Noticee therein. The Noticee has submitted that the said connection does not establish that he was part of a manipulative scheme as those phone calls were in the capacity of a dealer.

10.10. The Noticee does not have any connection with the promoter/director/key managerial persons of the Company, Sharpline.

10.11. The Noticee had purchased 1,30,200 shares of Sharpline in 2018 through an off-market transaction. Out of the said shares, the Noticee sold 65,000 shares on April 12, 2022 and April 13, 2022 at an average rate of INR 8.64 per shares. Further, the remaining 65,200 shares of Sharpline were sold at an average rate of INR 40.50 per share during the period May 30, 2022 to June 08, 2022.

10.12. The Noticee had traded only on 7 days out of total 89 trading days during the examination period.

10.13. The Noticee has submitted that there was a time difference of 11 seconds to 4 hours and 13 minutes between placing of buy/sell order by the counterparties and orders placed by the Noticee. Further, there is no allegation against the Noticee that the Noticee had executed any reversal/ synchronized/ circular trades in the scrip of Sharpline.

10.14. The Noticee has submitted that there was no meeting of mind between counterparties' buyers and the Noticee for sell trades. Further, there are no allegations of price manipulation.

10.15. The Noticee has not purchased any shares during the examination period.

10.16. The Noticee has submitted that he has no connection with the counterparties of its trades. The trades of the Noticee matched with 100's of entities. The Noticee has denied that he had created any artificial volume in the scrip.

10.17. The total market volume during the examination period was 2,36,65,110 and the sell trades of the Noticee had contributed to only 0.549% to the total market volume during the examination period which was too miniscule to influence the market equilibrium. The orders were placed at the prevailing market prices on the anonymous platform of the stock exchange.

10.18. The Noticee has submitted that there is no evidence to show that the Noticee was involved in the creation and distribution of the alleged misleading videos. The Noticee has not induced any person for dealing in the shares of Sharpline.

10.19. The Noticee has submitted that there is no evidence to show that the Noticee disseminated false or misleading information. Further, there is no direct or indirect connection with Noticees who had allegedly created and uploaded the misleading videos.

10.20. The Noticee came to know about the YouTube Channels and uploading of misleading videos in the said channels when the Noticee received a copy of the ex-parte order.

10.21. The Noticee has submitted that he had sold shares of Sharpline which he was holding from the last 4-5 years.

10.22. The Noticee has submitted that his main source of income was salary and earning from securities market and due to passing of ex-parte Order, he lost his earnings from the securities market and also lost his job.

10.23. The Noticee has submitted that there is no evidence to show that the trades of the Noticee led to an increase in the price of the scrip or that he was engaged in a co-ordinated scheme induce investors. Further, he has submitted that there is no evidence to show that the sale of shares by the Noticee was made to gullible unsuspecting investors.

10.24. The Noticee further submitted that the basis of urgency as shown in the interim order was purely on account of presumption and was not based on any piece of evidence. The Noticee has also submitted that the ex-parte order is in gross violation of principles of natural justice as embodied in Article 14 of the Constitution of India.

10.25. The Noticee submitted that the ratio laid down by the Hon’ble Tribunal in the matter of Affluence Fincon Services Pvt. Ltd. & Ors. Vs. SEBI appeal no. 269 of 2020 decided on September 07, 2020, Dr. Udayant Malhotra vs. SEBI appeal no. 45 of 2020 decided on June 02, 2020, Cameo Corporate Services Limited vs. SEBI appeal no. 566 of 2019 decided on November 26, 2019, North End Foods Marketing Pvt. Ltd. & Anr. Vs. SEBI appeal no. 80 of 2019 decided on March 12, 2019 and Arshad Hussain Warsi & Ors. Vs. SEBI appeal no. 284 of 2023 decided on March 27, 2023 and a decision of the Hon'ble Supreme Court in Radha Krishnan Industries vs. State of Himachal Pradesh & Ors. [(2021) 6 SCC 771] squarely cover the case of the Noticee.

10.26. The Noticee has submitted that he needs to pay his advance tax and therefore, he should be allowed to use his bank account pay advance tax.

Submissions of Anshu Aggarwal (Noticee no. 21)

11. Vide her letter dated April 10, 2023, she has denied the allegations made in the *Interim Order* and has *inter alia* submitted the following:

11.1. Most of the requisite information and documents requested by the Advocate of the Noticee vide emails dated March 29, 2023 and March 30, 2023 have been denied to be provided.

11.2. The Noticee was active in the securities market from the last 2 decades. The Noticee joined Nikunj Stock Brokers Limited as a dealer in 2017 and after passing of ex-parte Order, the Noticee was terminated from her employment.

11.3. Ashok Kumar Agarwal is the Noticee's father-in-law and Anshul Aggarwal is the Noticee's husband. Further, the Noticee is a member of Anshul Aggarwal Co HUF.

11.4. The ex-parte order does not bring on record any documentary evidence except familial relationship to substantiate the allegation of connection among Noticees. The Noticee has submitted that the said connection does not establish that she was part of a manipulative scheme.

11.5. The Noticee does not have any connection with the promoter/director/key managerial persons of the Company, Sharpline.

11.6. The Noticee had purchased 1,25,300 shares of Sharpline in 2018 through an off-market transaction and 62,450 share through open market in patch 2 of the examination period at the rate of INR 34.54 per share. Out of the 1,87,750 shares, the Noticee sold 25,050 shares on April 07, 2022 and April 12, 2022 at an average rate of INR 8.89 per shares. Further, the remaining 1,62,700 shares of Sharpline were sold at an average rate of INR 41.74 per share during the period May 27, 2022 to June 09, 2022.

11.7. The Noticee had traded only on 9 days out of total 89 trading days during the examination period.

11.8. The Noticee has submitted that there was a time difference of 1 minute to 5 hours and 38 minutes between placing of buy/sell order by the counterparties and orders placed by the Noticee. Further, there is no allegation against the Noticee that the Noticee had executed any reversal/ synchronized/ circular trades in the scrip of Sharpline.

11.9. The Noticee has submitted that there was no meeting of mind between counterparties' buyers and the Noticee for sell trades. Further, there are no allegations of price manipulation.

11.10. The Noticee has submitted that she has no connection with the counterparties of its trades. The trades of the Noticee matched with 400-500 entities. The Noticee has denied that she had created any artificial volume in the scrip.

11.11. The total market volume during the examination period was 2,36,65,110 and the sell trades of the Noticee had contributed to only 1.05% to the total market volume during the examination period which was too miniscule to influence the market equilibrium. The orders were placed at the prevailing market prices on the anonymous platform of the stock exchange.

11.12. The Noticee has submitted that there is no evidence to show that the Noticee was involved in the creation and distribution of the alleged misleading videos. The Noticee has not induced any person for dealing in the shares of Sharpline.

11.13. The Noticee has submitted that there is no evidence to show that the Noticee disseminated false or misleading information. Further, there is no direct or indirect connection with Noticees who had allegedly created and uploaded the misleading videos.

11.14. The Noticee came to know about the YouTube Channels and uploading of misleading videos in the said channels when the Noticee received a copy of the ex-parte order.

11.15. The Noticee has submitted that she had sold shares of Sharpline which she was either holding from the last 4-5 years or purchased during patch 2 of the examination period.

11.16. The Noticee has submitted that her main source of income was salary and earning from securities market and due to passing of ex-parte Order, she lost her earnings from the securities market and also lost her job.

11.17. The Noticee has submitted that there is no evidence to show that the trades of the Noticee led to an increase in the price of the scrip or that she was engaged in a co-ordinated scheme induce investors. Further, she has submitted that there is no evidence to show that the sale of shares by the Noticee was made to gullible unsuspecting investors.

11.18. The Noticee further submitted that the basis of urgency as shown in the interim order was purely on account of presumption and was not based on any piece of evidence. The Noticee has also submitted that the ex-parte order is in gross violation of principles of natural justice as embodied in Article 14 of the Constitution of India.

11.19. The Noticee submitted that the ratio laid down by the Hon'ble Tribunal in the matter of Affluence Fincon Services Pvt. Ltd. & Ors. Vs. SEBI appeal no. 269 of 2020 decided on September 07, 2020, Dr. Udayant Malhotra vs. SEBI appeal no. 45 of 2020 decided on June 02, 2020, Cameo Corporate Services Limited vs. SEBI appeal no. 566 of 2019 decided on November 26, 2019, North End Foods Marketing Pvt. Ltd. & Anr. Vs. SEBI appeal no. 80 of 2019 decided on March 12, 2019 and Arshad Hussain Warsi & Ors. Vs. SEBI appeal no. 284 of 2023 decided on March 27, 2023 and a decision of the Hon'ble Supreme Court in Radha Krishnan Industries vs. State of Himachal Pradesh & Ors. [(2021) 6 SCC 771] squarely cover the case of the Noticee.

11.20. The Noticee has submitted that she needs to pay her advance tax and therefore, she should be allowed to use her bank account pay advance tax.

Submissions of Hemant Dusad (Noticee no. 23)

12. Vide his letter dated April 10, 2023, he has denied the allegations made in the *Interim Order* and has *inter alia* submitted the following:

12.1. Most of the requisite information and documents requested by the Advocate of the Noticee vide emails dated March 29, 2023 and March 30, 2023 have been denied to be provided.

12.2. The Noticee was active in the securities market from the last 18 years. Before joining Nikunj Stock Brokers Limited in 2017, the Noticee was working with 2 other member brokers. After passing of ex-parte Order, the Noticee was terminated from his employment.

12.3. The Noticee was in the team of account opening, sales and marketing. Apart from the same, he was also handling back office of Nikunj.

12.4. Anshul Aggarwal was also an employee of Nikunj i.e., the same member broker where the Noticee was also an employee. The phone calls between them was as a part of their work related communications.

12.5. Subhash Agarwal (Noticee no. 18), Vivek Rana (Noticee no. 19) and Bhim Singh Chaudhary (Noticee no. 13) are the client of Nikunj since 2018 and therefore, it is obvious that the said Noticees communicated with the dealers of Nikunj.

12.6. As regards the CDR with Suman Lata (Noticee no. 14), the Noticee has submitted that Vivek Rana (Noticee no. 19), who is the client of Nikunj, used the mobile number in the name of his mother (Noticee no. 14) for back-office enquiries.

12.7. The ex-parte order does not bring on record any documentary evidence except CDR to substantiate the allegation of connection among Noticee nos. 13, 14, 18, 19, 22 and the Noticee therein. The Noticee has submitted that the said connection does not establish that he was part of a manipulative scheme as those phone calls were in the capacity of a dealer.

12.8. The Noticee does not have any connection with the promoter/director/key managerial persons of the Company, Sharpline.

12.9. The Noticee had purchased 1,30,000 shares of Sharpline in 2018 through an off-market transaction. Out of the said shares, the Noticee sold 65,000 shares on April 12, 2022 and April 13, 2022 at an average rate of INR 8.64 per shares. Further, the remaining 65,000 shares of Sharpline were sold at an average rate of INR 36.50 per share during the period May 30, 2022 to June 06, 2022.

12.10. The Noticee had traded only on 8 days out of total 89 trading days during the examination period.

12.11. The Noticee has submitted that there was a time difference of 42 seconds to 4 hours and 28 minutes between placing of buy/sell order by the counterparties and orders placed by the Noticee. Further, there is no allegation against the Noticee that the Noticee had executed any reversal/ synchronized/ circular trades in the scrip of Sharpline.

12.12. The Noticee has submitted that there was no meeting of mind between counterparties' buyers and the Noticee for sell trades. Further, there are no allegations of price manipulation.

12.13. The Noticee has not purchased any shares during the examination period.

12.14. The Noticee has submitted that he has no connection with the counterparties of its trades. The trades of the Noticee matched with 100's of entities. The Noticee has denied that he had created any artificial volume in the scrip.

12.15. The total market volume during the examination period was 2,36,65,110 and the sell trades of the Noticee had contributed to only 0.549% to the total market volume during the examination period which was too miniscule to influence the market equilibrium. The orders were placed at the prevailing market prices on the anonymous platform of the stock exchange.

12.16. The Noticee has submitted that there is no evidence to show that the Noticee was involved in the creation and distribution of the alleged misleading videos. The Noticee has not induced any person for dealing in the shares of Sharpline.

12.17. The Noticee has submitted that there is no evidence to show that the Noticee disseminated false or misleading information. Further, there is no direct or indirect connection with Noticees who had allegedly created and uploaded the misleading videos.

12.18. The Noticee came to know about the YouTube Channels and uploading of misleading videos in the said channels when the Noticee received a copy of the ex-parte order.

12.19. The Noticee has submitted that he had sold shares of Sharpline which he was holding from the last 4-5 years.

12.20. The Noticee has submitted that his main source of income was salary and earning from securities market and due to passing of ex-parte Order, he lost his earnings from the securities market and also lost his job.

12.21. The Noticee has submitted that there is no evidence to show that the trades of the Noticee led to an increase in the price of the scrip or that he was engaged in a co-ordinated scheme induce investors. Further, he has submitted that there is no evidence to show that the sale of shares by the Noticee was made to gullible unsuspecting investors.

12.22. The Noticee further submitted that the basis of urgency as shown in the interim order was purely on account of presumption and was not based on any piece of evidence. The Noticee has also submitted that the ex-parte order is in gross violation of principles of natural justice as embodied in Article 14 of the Constitution of India.

12.23. The Noticee submitted that the ratio laid down by the Hon'ble Tribunal in the matter of Affluence Fincon Services Pvt. Ltd. & Ors. Vs. SEBI appeal no. 269 of 2020 decided on September 07, 2020, Dr. Udayant Malhotra vs. SEBI appeal no. 45 of 2020 decided on June 02, 2020, Cameo Corporate Services Limited vs. SEBI appeal no. 566 of 2019 decided on November 26, 2019, North End Foods Marketing Pvt. Ltd. & Anr. Vs. SEBI appeal no. 80 of 2019 decided on March 12, 2019 and Arshad Hussain Warsi & Ors. Vs. SEBI appeal no. 284 of 2023 decided on March 27, 2023 and a decision of the Hon'ble Supreme Court in Radha Krishnan Industries vs. State of Himachal Pradesh & Ors. [(2021) 6 SCC 771] squarely cover the case of the Noticee.

12.24. The Noticee has submitted that he needs to pay his advance tax and therefore, he should be allowed to use his bank account pay advance tax.

Submissions of Anshul Aggarwal Co HUF (Noticee no. 24)

13. Vide his letter dated April 10, 2023, he has denied the allegations made in the *Interim Order* and has *inter alia* submitted the following:

13.1. Most of the requisite information and documents requested by the Advocate of the Noticee vide emails dated March 29, 2023 and March 30, 2023 have been denied to be provided.

13.2. The Karta of the Noticee was active in the securities market from the last 25 years. Before joining Nikunj Stock Brokers Limited as a dealer in 2017, the Karta of the Noticee was working with 3 other member brokers. After passing of ex-parte Order, the Karta of the Noticee was terminated from his employment.

13.3. The job of the Karta of the Noticee as a dealer was to place order in the trading accounts of the clients of Nikunj and was also handling back office of Nikunj.

13.4. Anshul Aggarwal is the Karta of the Noticee HUF. Ashok Kumar Agarwal is the father of the Karta of HUF and Anshu Aggarwal is a member of the HUF.

13.5. The ex-parte order does not bring on record any documentary evidence except that the Noticee is a HUF of one of the Noticee in the matter. The Noticee has submitted that the said connection does not establish that the Noticee was part of a manipulative scheme.

13.6. The Noticee and the Karta of the Noticee does not have any connection with the promoter/director/key managerial persons of the Company, Sharpline.

13.7. The Noticee had purchased 1,25,400 shares of Sharpline in 2018 through an off-market transaction. Out of the said shares, the Noticee sold 75,050 shares on April 06, 2022, April 12, 2022 and April 13, 2022 at an average rate of INR 8.71 per shares. Further, the Noticee sold 50,350 shares of Sharpline at an average rate of INR 39.06 per share during the period May 30, 2022 to June 08, 2022.

13.8. The Noticee had traded only on 8 days out of total 89 trading days during the examination period.

13.9. The Noticee has submitted that there was a time difference of 12 seconds to 5 hours and 58 minutes between placing of buy/sell order by the counterparties and orders placed by the Noticee. Further, there is no allegation against the Noticee that the Noticee had executed any reversal/ synchronized/ circular trades in the scrip of Sharpline.

13.10. The Noticee has submitted that there was no meeting of mind between counterparties' buyers and the Noticee for sell trades. Further, there are no allegations of price manipulation.

13.11. The Noticee has not purchased any shares during the examination period.

13.12. The Noticee has submitted that the Noticee and the Karta of the Noticee have no connection with the counterparties of its trades. The trades of the Noticee matched with 100's of entities. The Noticee has denied that it had created any artificial volume in the scrip.

13.13. The total market volume during the examination period was 2,36,65,110 and the sell trades of the Noticee had contributed to only 0.544% to the total market volume during the examination period which was too miniscule to influence the market equilibrium. The orders were placed at the prevailing market prices on the anonymous platform of the stock exchange.

13.14. The Noticee has submitted that there is no evidence to show that the Noticee was involved in the creation and distribution of the alleged misleading videos. The Noticee has not induced any person for dealing in the shares of Sharpline.

13.15. The Noticee has submitted that there is no evidence to show that the Noticee and the Karta of the Noticee disseminated false or misleading information. Further, there is no direct or indirect connection between the Karta of the Noticee and Noticees who had allegedly created and uploaded the misleading videos.

13.16. The Noticee came to know about the YouTube Channels and uploading of misleading videos in the said channels when the Noticee received a copy of the ex-parte order.

13.17. The Noticee has submitted that it had sold shares of Sharpline which it was holding from the last 4-5 years.

13.18. The Noticee has submitted that its main source of income was earning from securities market and due to passing of ex-parte Order, the Noticee lost its earnings from the securities market.

13.19. The Noticee has submitted that there is no evidence to show that the trades of the Noticee led to an increase in the price of the scrip or that the Noticee was engaged in a co-ordinated scheme induce investors. Further, the Noticee has submitted that there is no evidence to show that the sale of shares by the Noticee was made to gullible unsuspecting investors.

13.20. The Noticee further submitted that the basis of urgency as shown in the interim order was purely on account of presumption and was not based on any piece of evidence. The Noticee has also submitted that the ex-parte order is in gross violation of principles of natural justice as embodied in Article 14 of the Constitution of India.

13.21. The Noticee submitted that the ratio laid down by the Hon'ble Tribunal in the matter of Affluence Fincon Services Pvt. Ltd. & Ors. Vs. SEBI appeal no. 269 of 2020 decided on September 07, 2020, Dr. Udayant Malhotra vs. SEBI appeal no. 45 of 2020 decided on June 02, 2020, Cameo Corporate Services Limited vs. SEBI appeal no. 566 of 2019 decided on November 26, 2019, North End Foods Marketing Pvt. Ltd. & Anr. Vs. SEBI appeal no. 80 of 2019 decided on March 12, 2019 and Arshad Hussain Warsi & Ors. Vs. SEBI appeal no. 284 of 2023 decided on March 27, 2023 and a decision of the Hon'ble Supreme Court in Radha Krishnan Industries vs. State of Himachal Pradesh & Ors. [(2021) 6 SCC 771] squarely cover the case of the Noticee.

13.22. The Noticee has submitted that it needs to pay its advance tax and therefore, it should be allowed to use its bank account pay advance tax.

14. The Noticees were granted an opportunity of personal hearing on June 05, 2023 and on the said date, a common Authorised Representative ("**AR"**) of the Noticees appeared and reiterated the submissions made by the Noticees in their respective written replies. Further, the AR made the following common additional submissions with respect to Noticee nos. 3, 5, 6 and 7.

14.1. The Noticees have not been provided couple of documents/data collected during the course of examination.

14.2. The Examination Report has no findings and no recommendation against Noticee nos. 5 to 7 whereas the ex-parte Order has adverse findings and adverse order has been passed against the said Noticees.

14.3. The Examination Report has no findings that Noticee nos. 3 and 5 to 7 made any gain whereas the ex-parte Order has such findings recorded against the Noticees.

14.4. Noticee no. 5 (Angad Rathod) had suffered a gross loss of INR 2,69,447.65, however, Table 15 of the ex-parte Order shows that a profit of INR 50, 481 was made.

14.5. With respect to the joint and several liabilities imposed on Noticees nos. 3 and 5 to 7, it has been submitted that the alleged unlawful gain made by each Noticee has to be calculated separately which is required to be paid individually by the Noticees. Further, the Noticees have referred to the Order dated February 02, 2023 in the matter of “SRSR Holdings Pvt. Ltd. vs. SEBI Appeal no. 1/2019 and other connect appeals” passed by the Hon’ble Tribunal and have requested to consider individual liability for the Noticee nos. 3, 6 and 7. Since Noticee no. 5 had suffered a gross loss, the question of disgorgement does not arise.

15. The common additional submissions made in respect of Noticee nos. 20 to 24 are summarised below.

15.1. Volume Creators have been defined as those persons who are other than those classified as Net Seller, who both bought and sold shares of Sharpline during the Examination period hence contributing to a rise trading volumes. However, the Noticees except Noticee no. 21 had not executed any buy trade during the examination period.

15.2. The Noticees were holding shares since 2018.

15.3. The Noticees should be allowed to liquidate their portfolio for payment of advance tax, school fees and home loan instalments.

16. Post hearing, vide email dated June 08, 2023, additional documents were provided to the Noticees. Thereafter, the Noticees nos. 20 to 24, vide a common letter dated June 13, 2023, have *inter alia* submitted the following.

16.1. Noticee no. 20 is in dire need of funds to meet his day to day and emergency medical expenses.

16.2. The Noticees are unable to receive corporate benefits in their demat account, after passing of the ex-parte order.

16.3. The Noticees are ready to deposit 50% of the amount of gain allegedly made by them under protest and the Noticees should be allowed to liquidate their portfolios to deposit the amount in an escrow account.

16.4. Further, they have requested that the directions issued vide ex-parte Order qua the Noticees should be withdrawn till the final disposal of the matter except for the directions issued in paras 37.2 to 37.4 of the ex-parte Order.

D. CONSIDERATION

17. I have considered the allegations in the Interim Order, the replies/ written submissions of the Noticees and other materials available on record. I note that the directions issued against the Noticees in the Interim Order were based on *prima facie* findings made on the basis of the material available on record. The present proceedings before me are in the nature of confirmatory or revocation proceedings which allow me the very limited remit of assessing whether the directions issued against the Noticees based on the prima facie conclusions arrived at in the Interim Order need to be confirmed, revoked or modified in any manner in light of the submissions of the Noticees. I understand that a detailed investigation into this matter is being conducted by SEBI, aided further by extensive search-and-seizure operations conducted by SEBI against some noticees, the outcome of which will decide the further course of action and initiation of further proceedings in the matter as per law.

18. Before I proceed further, it may be useful to summarise what a typical and tell-tale case of “pump-and-dump” stock manipulation looks like.

18.1. Initially, there is a period with minimal interest or trading activity in a scrip.

18.2. Thereafter, quite suddenly, there is a spurt in scrip trading volumes and price, without any visible fundamental reason for the same. Much of the activity is accounted for by a few connected individuals ("Volume Creators" and "Net Sellers"). I refer to this period – which creates the appearance of interest and activity - as "patch 1".

18.3. With such an appearance of activity being created in patch 1, one or more Misleading Message Disseminators (MMDs) spread patently false and misleading messages about the scrip via social media or other forum, to entice and induce small investors to invest into the scrip immediately.

18.4. Some hapless retail investors then fall prey to the breathless and false messages being spread, and rush in to buy the scrip. This sets up a period of frenzied activity in the scrip, which I refer to as "patch 2", where persons and entities directly or indirectly connected with the VCs and NSs of patch 1, and with the MMD, sell their holdings at elevated prices to unsuspecting small investors.

18.5. Finally, after much of the selling by the connected conspirators is completed, the frenzy meets its inevitable end, and in the absence of fundamentals, prices drop back sharply. In this "patch 3", retail investors are left holding the scrip often at a fraction of the peak price seen during patch 2.

18.6. When such a tell-tale pattern exists, the totality of evidence would overwhelmingly suggest that the connected persons have put together a nefarious scheme to defraud hapless investors by fraudulently manipulating the stock.

19. This particular case meets the criteria of such a nefarious "pump-and-dump" scheme to the T. The volume and price movement in the scrip during the relevant period in time is produced below:

IMAGE no. 1

20. Based on the price and volume chart given above, it can be seen that the instant case fulfils all the criteria for a 'pump and dump' scheme.

   a. <u>Pre-Examination period</u> – No trading activity was observed in the scrip since the listing of the scrip on September 07, 2021 till March 14, 2022. The average daily traded volume was 115 shares during this period.

   b. <u>Creation of Interest</u>: During patch 1 of the Examination period (April 12, 2022 to May 19, 2022), there was sudden interest in the scrip by way of increase in volume, along with price. The closing price of the scrip increased by 150% (From INR 9 to over INR. 24) and the daily average traded volume of the scrip increased by 46,214% during this period. Certain connected Noticees to the *Interim Order* were observed to have contributed 29.28% of the total traded volume in this patch i.e., 13,531% increase in volume. It can be said that the appearance of market interest and price rise created by the Noticees to the *Interim Order* in patch 1 built the base storyline for the subsequent misleading messages disseminated.

c. Spreading Misinformation: During Patch 2 of the Examination period (May 20, 2022 to June 14, 2022), YouTube videos with false and misleading information were disseminated by persons (MMDs) who were directly or indirectly connected with the Noticee Net Sellers and Volume Creators. The said videos appear to have pumped the price and volume of the scrip and as a result there was an increase in the participation of retail investors. The average daily traded volume of the scrip increased by 1,615.31% shares and the closing price of the scrip increased by 116% during this period, from around INR 25 to INR 55.

d. Dumping of Shares: During the same period when the false and misleading YouTube videos were disseminated, large shareholders who were categorised as 'Net Sellers' – who were also directly or indirectly connected to the earlier NSs/ VCs/ and MMDs - dumped their entire holdings in Sharpline scrip on unsuspecting gullible investors at inflated prices. All the connected Net Sellers together dumped 35,37,585 shares of Sharpline in this period.

e. **Aftermath**: Post dumping of shares by the large shareholders, it is noted that the price and average daily traded volume of the scrip collapsed by 72.75% and 85.99% respectively, during patch 3 of the Examination period (June 15, 2022 to August 19, 2022). The above chart shows that there was a further fall in the price and volume of the scrip. The price inevitably fell back to Rs 13 by end-August. Meanwhile, the number of small shareholders had risen from 571 as of March 31, 2022 to 20,009 by June 30, 2022.

21. During the relevant period, it was *prima facie* noted that Noticee nos. 3, 5, 6 and 7 were Volume Creators and Noticee nos. 20, 21, 22, 23 and 24 were Net Sellers

and Volume Creators in the scrip of Sharpline. The specific contentions raised by the Noticees have been considered and are dealt with as follows: -

21.1. **Documents not provided**

21.1.1. During the course of the hearing held on June 05, 2023 and in the replies of the Noticees, it was contended that though an opportunity of inspection of documents had been granted on March 28, 2023, there were certain documents which had not been provided by SEBI on the said date. These were documents that explained and reconciled the differences in illegal gains made by the Noticees as computed in the Examination Report, vis-à-vis the interim order itself. Pursuant to the hearing, basis my instruction, those documents sought by the Noticees were also provided vide email dated June 08, 2023. After providing the same, no further submissions were made by the noticees in the context of these additional documents. In any case, the contents of these documents were of no material consequence to the Noticees in respect of the interim order itself, and in no way altered the merits of the case. Therefore, I find that the Noticees' grievance regarding access to documents no longer holds true.

21.2. **Ex-parte Order is in violation of principles of natural justice**

21.2.1. The Noticees have contended that the basis of urgency as shown in the interim order was purely on account of presumption and was not based on any piece of evidence and that the ex-parte Order is in violation of principles of natural justice.

21.2.2. It is pertinent to note that Section 11 and 11B of the SEBI Act empowers SEBI to pass ex-parte interim orders in order to safeguard the interest of the investors and to maintain the market integrity in cases where imminent action is necessary.

21.2.3. The patently false and misleading YouTube videos, had led to sharp increase in the number of small shareholders (i.e., from 571 to 20,009 shareholders) who ended up buying shares from the Noticees at inflated prices. It was also observed that as on February 20, 2023, both the YouTube Channels had one video recommending the same stock. Considering the alleged illegal conduct of the Noticees in the extant matter, there was a high probability that they might be executing the same *modus operandi* vis-à-vis other scrips also.

21.2.4. As recorded in the *Interim Order*, certain Noticees to the *Interim Order* (specifically, Noticee Nos. 1,3,5,6,7,8,9,13 and 18) were involved with similar "pump-and-dump" *modus operandi* of interest creation, followed by false and misleading videos being published, and subsequently followed by huge offloading of shares by large shareholders in at least one other scrip i.e., Sadhna Broadcast Limited. Persons associated with brokers (Noticees 3, 22, and 23) who have the capacity to operate and execute such fraudulent schemes at a significant pace by misusing their position as a regulated entity were found to be repeatedly involved. The threat posed by these Noticees would have wreaked havoc on the integrity of the securities market had they not been restrained from the securities market through the *Interim Order.*

21.2.5. Further, considering the probability that the Noticees may divert the unlawful gains before investigation is concluded and directions for disgorgement, if any, are passed, impounding directions were issued vide the *Interim Order.* Therefore, I find that the available evidence supported the prima facie case against the Noticees. As noted above, the balance of convenience was also in favour of passing orders against the Noticees since irreparable damage would have been caused to the integrity of the securities market had such directions not been passed.

21.3. **<u>Difference between the Examination report and the *Interim Order*</u>**

21.3.1. The Noticees have contended that the Examination Report has no findings and no recommendation against Noticee nos. 5 to 7 whereas the ex-parte Order has adverse findings and adverse order has been passed against the said Noticees. Further, they have submitted that the Examination Report has no findings that Noticee nos. 3 and 5 to 7 made any gain whereas the ex-parte Order has such findings recorded against the Noticees.

21.3.2. In this regard, I note that the Examination Report did not look into the profit, if any, made by Noticee nos. 3, 5, 6 and 7 who were categorised as volume creators. This deficiency was sought to be rectified while passing the Interim Order. As pointed out earlier, copies of the relevant documents discussing the rectification were furnished to the noticees to this Order through email dated June 08, 2023. Further in the context of determining whether any of the Noticees to the Interim Order were required to be subjected to joint and several liabilities, the similar modus operandi adopted by some of the Noticees (Nos. 3, 5, 6 and 7) in executing a similar prima facie fraudulent scheme of 'pump and dump' in the scrip of Sadhna Broadcast Limited was also taken into consideration.

21.4. **No artificial volume created:**

21.4.1. The Noticees have denied that they had created any artificial volume in the scrip. They have submitted that their volume contribution to the total market volume during the examination period was miniscule. Further, the orders were placed at the prevailing market prices on the anonymous platform of the stock exchange.

21.4.2. Although the scrip of Sharpline was listed on BSE on September 07, 2021, the first trade in the scrip took place only on March 15, 2022 i.e., 6 months later, which was followed by a spurt in the price and volume between April 2022 and mid-May 2022 (the tell-tale "patch 1" of the pump-and-dump scheme).

21.4.3. In the absence of any corporate announcement or significant financials of the Sharpline, the irrational increase in the volume of the scrip during this period, followed by the tell-tale misleading messages disseminated, patch 2, and patch 3 that followed, leads to the prima facie inference that the sudden activity during patch 1 was artificial and not the consequence of genuine interest in the scrip. The said conclusion is corroborated by the observation that identified connected Noticees contributed to unusually large percentage of the total traded volume during this patch 1.

21.4.4. As brought out in paragraph 15 of the *Interim* Order, certain Noticee Volume Creators in the instant Order along with 2 other Noticees (SL Gupta (Noticee no. 4) and Subhash Agarwal (Noticee no. 18)) contributed 29.28% to the total market volume of the scrip in April 2022 to mid-May 2022, i.e. during patch 1 of the Examination period. Particularly, Noticee nos. 20, 22, 23 and 24 were noted to have sold their shares to Noticee no. 4 during the first two trading days in patch 1 of the examination period.

21.4.5. Noticee no. 3 contributed 6.82% to the total market volume in patch 2. Further, Noticee nos. 5, 6 and 7 along with the connected Noticee, Arpan Gupta (Noticee no. 9) contributed 17.17% of the total market volume in patch 2 despite the number of unique buyers increasing from 361 to 20,542.

21.4.6. After the impugned YouTube videos were uploaded, the price, volume and number of entities who traded in the scrip of Sharpline increased multifold and Noticee nos. 20 to 24 were observed to have completely offloaded their holdings. Therefore, the submission that no artificial volume was created is devoid of any merit. On the contrary, the evidence would overwhelmingly suggest, prima facie, that the connected persons have put together a nefarious scheme to defraud hapless investors

21.4.7. Noticee nos. 20, 22, 23 and 24 have also contended that they would not fall under the definition of volume creator as they had not executed any buy trade during the examination period and the Interim Order defines volume creators as persons who both bought and sold during the examination period. In this regard, I note that Net Sellers were defined as "persons who held shares of Sharpline at the start of the Examination period, and who traded in and net sold shares during the said period" and volume creators were defined as "persons other than those classified as NSs, who both bought and sold shares of Sharpline during Examination period, hence contributing to a rise in trading volumes and interest in the scrip". Noticee nos. 20, 22, 23 and 24 held shares at the start of the Examination period and sold them in patch 1 and patch 2 of the Examination period. Consequently, they fit within the definition of a Net Seller. However, in addition to this, the *Interim Order* has explained how these Noticees were among the first to sell the shares in patch 1 post commencement of trading in Sharpline scrip thereby, paving way for further volume creation in Sharpline. In other words, the sale of Shares by these Noticees can be said to have set off a chain of events leading to the inexplicably high volume of trade in Sharpline during the Examination period. For these reasons, the aforesaid Noticees were categorised not just as Net Sellers but also as Volume Creators.

21.5. **<u>Connection among Noticees</u>**

21.5.1. The Noticees have contended that there is no other documentary evidence except familial relationship, CDR and bank statement to establish connection between the Noticees. Further, the Noticees have submitted that the phone calls were in respect of client-dealer/ broker relationship or in respect of business purposes and the financial transactions were part of loans provided to each other. In this regard, I note that the *inter-se* connections amongst the Noticees as illustrated in the *Interim Order* has not been disputed. Further, it is pertinent to note that reliance upon CDRs and financial transactions have been made to *prima facie* establish that a strong connection exists among the Noticees and that the Noticees are connected with the MMDs either directly or indirectly. The extent of the collusion/ connivance/ participation of the Noticees to the alleged fraudulent scheme is a subject matter of further investigation which is currently ongoing.

21.5.2. Noticee no. 3 has contended that the allegation of connection with Anshu Mishra is vague as she is not a party to the *Interim Order.*

21.5.3. The fraudulent scheme alleged in the *Interim Order* manifested most evidently in the misleading messages that were disseminated by the

MMD Noticees through YouTube which was preceded as well as followed by abnormal spurt in volumes in the Sharpline scrip. The abnormal rise in volumes prior to the videos being published has in effect given credence to the outlandish claims made in the Youtube videos of market interest in the Sharpline scrip. Therefore, it is reasonable to conclude that persons who can be said to be associated directly or indirectly with the said MMDs and had themselves engaged in the unusual pattern of trading during the said period, were prima facie a part of the alleged fraudulent 'pump and dump' scheme.

21.5.4. The connection of the Noticees to the instant Order with the other Noticees in the *Interim Order* has not been disputed. The trades executed by the Noticees to this Order have also not been disputed. Jatin Manubhai Shah (Noticee no. 3), Heli Jatin Shah (Noticee no. 6) and Daivik Jatin Shah (Noticee no. 7) are family members. Jatin Manubhai Shah (Noticee no. 3) and Angad Rathod (Noticee no. 5) had direct financial relationship with Manish Mishra (Noticee no. 1) and Anshu Mishra (wife of Noticee no. 1), respectively. While Jatin Shah has argued that the relationship was purely and dealer-client one, the admitted fact that Jatin Shah had lent significant amount of money (Rs 25 lakh) to Manish Mishra for purchasing a home suggests that the relationship is a much closer one. A similar inference can be drawn from the admitted loan of Rs 72 lakh made by Angad Rathod to Anshu Mishra (Wife of Manish Mishra). The Noticees to this Order have not been able to bring out any fact that would lead to a different inference aside from making unsubstantiated assertions about the content of the conversations between the Noticees or the nature of the financial transactions between them.

21.5.5. As far as Noticee nos. 20, 21, 22 and 23 are concerned, the *Interim Order* had alleged an indirect connection between them and MMDs through Subhash Agarwal (Noticee no. 18) who is the director of RTA of Sharpline. Noticee nos. 20, 21 and 22 are family members and Noticee no. 24 is a HUF belonging to Noticee no. 22. Noticee no. 22's extensive conversations with Subhash Agarwal (Noticee no. 18) during patch 1 and patch 2 coupled with the fact that his family (Noticee Nos. 20, 21 and 24) was the first to sell the Sharpline scrip contributing 7% of the total traded volume in patch 1. The repeated rebuttal by Noticee nos. 21 and 23 is that the connection between them and Subhash Agarwal (Noticee no. 18) is in the professional capacity of broker with Nikunj and that the phone conversations should be seen in this light. I do not see their contention as effective enough to counter the inferences drawn in the *Interim Order, p*articularly as it does not justify the extraordinary interest in selling shares and creating volumes in Sharpline during Patch 1, and selling the balance shares during Patch 2. Once again, the overall evidence from the tell-tale pump and dump scheme would overwhelmingly suggest, prima facie, that connected persons (including Noticees 20 to 23) have put together a nefarious scheme to defraud hapless investors

21.5.6. The Noticees have submitted that they have no connection with the counterparties of their trades and that their trades matched with 1000's of entities. The Noticees have submitted that there was no meeting of minds between counterparties' buyers and the Noticees' trades. The Noticees have also contended that that there was a significant time difference between the orders placed by the Noticees and that of the counterparties. They have also contended that they had no off market transaction in the scrip of the company with any of the Noticee. I note that the above issues do not in any way form the crux of the arguments in the Interim Order. Notwithstanding that, as explained earlier, there were instances where the Noticees' trades matched with other connected Noticees to the *Interim Order*. Therefore, the contentions of the Noticees are factually incorrect. In any case, the crux of the interim order was that the overall evidence pointed to a set of connected persons concocting a nefarious pump and dump scheme to defraud small investors. That is not altered by the arguments provided here by the noticees.

21.6. **<u>Calculation of illegal profits made</u>**

21.6.1. Noticee no. 5 has contended that he had suffered a loss of INR 2,69,447.65 during patch 2 and 3 of the examination period whereas the *Interim Order* mentions that the said Noticee has made a profit of INR 50,481. I note that the *Interim Order* specifically mentions that the alleged illegal gain has been computed based on the trades executed by the said Noticee in only patch 2 of the examination period. The reasons for computing gains based on trades executed in Patch 2 alone are as follows - The misleading videos published in YouTube in patch 2 of the Examination period constituted the penultimate part of the attempt to 'pump' volumes in Sharpline. It became the tipping point for Sharpline as is evident from the graph recorded earlier in this Order, after which shares of Sharpline were dumped by its large shareholders and prices began to collapse thereafter. Therefore, all the sales post the videos were taken into account for computation of illegal gains. Patch-3 of the Examination period must also be regarded as the "Post Examination period". The trading activity in the pre and post- examination periods are useful for comparison with the trading activity during Patches 1 and 2 to ascertain any abnormality in the trading pattern. The primary objective of comparing patch 2 vis-à-vis patch 3 (Post Examination period) is to show the fall in price and volume of Sharpline scrip post offloading of large shareholders. Moreover, it would be inconsistent to consider the sale of shares of Noticee No. 5 in patch 3 when the trades of all the other Volume Creators for computation of illegal gain pertained to patch 2. Also, since the investigation is ongoing, there remains the possibility that the investigation period may be subject to change, depending on the facts that emanate therefrom.

21.6.2. In addition to the above, the contention of Noticee No. 5 of being unfairly cast with the additional liability of INR 50,481 does not aid the Noticee in any case for the reason that he has been held in the *Interim Order* as *prima facie* jointly and severally liable for the total illegal gain (INR 12,14,24,131) as recorded in the *Interim Order*.

21.6.3. All the other Noticees have contended that they have not made unlawful gains as alleged in the Order. Further, they have submitted that they had incurred expenses for trading in the scrip of Sharpline during the examination period. In this regard, I note that the said transactions were *prima facie* part of a manipulative scheme and the profits directed to be impounded were arising out of the said transactions. Therefore, offsetting the tax/ cost paid would amount to giving away a portion of profit made out of the fraudulent scheme.

21.6.4. Further, administrative expenses and brokerage charges cannot be regarded as legitimate expenses for the purpose of claiming deductions in order to arrive at the net profit, as held by the Hon'ble SAT in the matter of Janak Chimanlal Dave vs. SEBI decided on September 20, 2021.

21.6.5. Further, Noticees have also contended that only the individual gains made by them should be considered for impounding/ disgorgement. In this regard, I note that none of the Noticees have even deposited the individual gains made them.

21.7. **<u>Joint and Several Liability</u>**

21.7.1. The Interim Order cast joint and several liabilities for the total illegal gain made in the scrip of Sharpline *inter alia* on Noticee nos. 3, 5, 6 and 7. These 4 noticees have submitted that there is no such principle of joint and several liabilities under SEBI Act and that Joint and several liability arises only when the wrongful gains have been distributed. Further, it has been submitted that the alleged unlawful gain made by each Noticee has to be calculated separately which is required to be paid individually by the Noticees. Further, the Noticees have referred to the Order dated February 02, 2023 in the matter of *"SRSR Holdings Pvt. Ltd. vs. SEBI* Appeal no. 1/2019 and other connect appeals passed by the Hon'ble Securities Appellate Tribunal and have requested to consider individual liability for the Noticee nos. 3, 6 and 7.

21.7.2. I note that as recorded in the *Interim Order,* the *prima facie* fraudulent scheme could not have been generated by the Net Sellers unless the Noticee MMDs and VCs had played their respective roles. Noticee nos. 3, 5, 6 and 7 have *prima facie* played the role of Volume Creators in the alleged fraudulent scheme and are also seen to have been part of fraudulent 'pump and dump' scheme in the other scrip of Sadhna Broadcast Limited executed using a similar *modus operando*. Considering that these Noticees have enabled the perpetration of the fraudulent scheme and the probability that the they may be the ultimate beneficiaries of the scheme, the liability of the said Noticees cannot be limited to the profit, if any, made by them individually. I note that the submissions of Noticee Nos. 3,5,6 and 7 do not bring out any material that adequately contradicts the prima facie conclusion drawn against them in the Interim Order. Therefore, I am of the view that pending further investigation, the said Noticees must bear an overall liability for the cumulative gain made by all the Noticees as already directed in the Interim Order.

21.8. **Other submissions**

21.8.1. All the Noticees have also made the following submissions.

i. There is no evidence to show that the trades of the Noticee led to an increase in the price of the scrip.

ii. There is no evidence to show that the sale of shares by the Noticee was made to gullible unsuspecting investors.

iii. They have not induced any person for dealing in the shares of Sharpline.

iv. There are no allegations of price manipulation.

v. There is no allegation that the Noticees had executed any reversal/ synchronized/ circular trades in the scrip of Sadhna.

vi. The Noticees do not have any connection with the promoter/ director/ key managerial persons of the Company, Sharpline.

vii. There is no evidence to show that the Noticee was involved in the creation and distribution of the alleged misleading videos.

viii. The Noticees did not purchase any shares of Sharpline during the examination period through off-market transactions.

21.8.2. In this regard, I note that except for the contentions at point no. (ii.) and (iii.), the *Interim Order* does not specifically allege any of the other points raised in respect of the Noticees to this Order. Contentions (ii) and (iii) have already been addressed in the previous paragraphs of this Order.

21.9. The increase in retail shareholding in the scrip of Sharpline subsequent to the dissemination of false and misleading YouTube videos was alarmingly high i.e., an increase of around 3,404% (from 571 as of March 31, 2022 to 20,009 to June 30, 2022). Volumes and prices in these scrips had also increased abnormally in and around the period these messages were disseminated and were followed by near complete exit of large shareholders in these scrips. Such schemes cannot be perpetrated by one or two persons alone. There are likely to be several persons who may be involved in various aspects of fraud each of which when individually seen in isolation may appear genuine or mundane. Fraudulent scheme in securities market usually involve co-ordinated activity by several connected persons individually playing separate parts such as volume creation, price escalation, misleading message dissemination etc. all leading up to illegal profit booking. As contended in para 18.6 above, when such a tell-tale pattern (of a “pump-and-dump” scheme) exists, seen in totality, the evidence would overwhelmingly suggest that the connected persons have put together a nefarious scheme to defraud hapless investors.

21.9.1. Noticees to the instant Order were noted to have allegedly played the role of Volume Creators and/ or Net Sellers based on the *inter-se* connections and trading pattern. Further, the ex-parte order is only interim in nature designed to avoid continued perpetration of such suspicious activity and with a view to avoid diversion of illegal gains made.

21.9.2. The *Interim Order* has *prima facie* concluded that the false and misleading YouTube videos and artificial volume created by the Volume

Creators were *prima facie* designed to enable the complete exit of the Net Sellers from the scrip of Sharpline at inflated prices. The Noticees have not substantiated their submissions with any documentary evidence to dispute the direct or indirect connection with the Misleading Message Disseminators.

21.9.3. With respect to the contention that lack of evidence for sale of shares to unsuspecting investors, I note that the Noticees have admitted the fact that the they sold their shares in the scrip of Sharpline to 100's or 1000's of entities in patch 2 based on the trade log provided to them. The profit made by the Noticees were at the expense of unsuspecting investors who appear to have dealt in the scrip of Sharpline induced by the false and misleading videos and artificial volume which created a misleading appearance of trading. Therefore, I do not find any merit in this contention.

21.9.4. I also note that the noticees have not deposited any amount constituting illegal gain in escrow accounts despite specific directions in the Interim Order. None of the other directions passed against them *(excluding restraint from dealing in securities which has been enforced through the depository and stock exchange mechanism)* have also been complied with by the Noticees. The conduct of the noticees clearly demonstrates a blatant and audacious disregard for the law.

21.10. **<u>Relaxation sought by the Noticees</u>**

21.10.1. The Noticees have sought the following relaxations from the *Interim Order.*

21.10.1.1. Noticee no. 20 is unwell and is in dire need of funds to meet day to day expenses and emergency medical expenses.

21.10.1.2. Noticee nos. 3, 5, 6 and 7 have submitted that they have borrowed loan from private parties and that they should be allowed to use their bank accounts and also to liquidate their portfolio to repay the loans. Further, all the Noticees have submitted that they need to pay advance tax.

21.10.1.3. Noticee nos. 20 to 24 have requested that they should be allowed to liquidate their portfolio for payment of school fees and home loan instalments.

21.10.1.4. Noticee nos. 20 to 24 have informed that they are ready to deposit 50% of the impounded amount under protest and that they should be allowed to liquidate their portfolio in order deposit the amount. Further, they have requested that all the other directions issued in *Interim Order* should be withdrawn qua the said Noticees till the final disposal of the matter.

21.10.2. In this regard, I note that all the Noticees have failed to comply with the direction to provide the list of assets and to deposit the impounded amount in escrow accounts. Further, they have failed to substantiate their requests with relevant supporting documents so that the authenticity of their requests can be tested on the strength of the documents. The Noticees have also claimed that they need to repay the loans borrowed from private parties and home loans, however, they have not furnished any documents regarding their loan payment obligations i.e., loan amount, loan agreement(s) executed, lender details etc. The Noticees have also informed that they need to pay advance tax and school fees for their children. They have also informed that they have lost their jobs and/ or their earnings from the securities market. In this regard, I note that advance tax is required to be paid by every person whose estimated tax liability for the financial year is INR 10,000 or more. I also note that the Noticees have been debarred since March 02, 2023 and in the absence of documentary evidence to show the receipt of any income in the first quarter of this year, I do not find any merit in this request. I also note that the relief sought for payment of school fee is also not accompanied by any supporting documents.

21.10.3. Further, Noticee nos. 20 to 24 have requested for partial compliance with the *Interim Order* that too by liquidating their portfolio. The direction to impound the illegal gains was to avoid defalcation of the proceeds and accordingly, the compliance has to be complete. As noted above, the Noticees have not demonstrated any intent to comply with the *Interim Order*. However, I am inclined to permit liquidation of securities provided the funds arising therefrom are directly deposited in the escrow account as directed in the Interim Order.

21.10.4. Noticee no. 20 has submitted medical reports in support of his request for funds for medical expenses and day to day expenses. However, no estimate of actual requirement has been provided. Further, it has been submitted that his earnings from securities market have stopped in terms of the directions in the *Interim Order.* Considering the stated serious nature of Noticee No.20's illness, though no estimate of actual requirement has been provided, I am inclined to permit access to limited quantum of funds to be periodically withdrawn solely for the purpose of meeting his medical expenses.

22. The *Interim Order* was passed in view of the *prima facie* conclusions in order to prevent further continuation of such fraudulent schemes and to prevent defalcation of the illegal gains. In view of the reasons as discussed in preceding paragraphs, I find that the submissions of the Noticees are insufficient to refute the *prima facie* conclusions arrived at in the *Interim Order*. Thus, the *prima facie* findings in the Interim Order dated March 02, 2023 that the Noticees have *prima facie* engaged in a fraudulent and manipulative scheme resulting in *prima facie* contravention of provisions of Sections 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(1), (b), (c), (d) and Regulations 4(1) and 4(2)(a), (d), (k) and (r) of the PFUTP Regulations, stand confirmed. *Prima facie* the persons associated with brokers namely Noticee Nos. 3, 22 and 23 have misused their position to engage in a *prima facie* fraudulent conduct. The possibility that the Noticees would be able to continue facilitating such schemes is also an area of concern. However, considering the requests made by the Noticee nos. 20 to 24 for compliance with the *Interim Order* and the difficulties faced by Noticee no. 20 in meeting medical expenses, I find that certain modifications need to be made while confirming the directions issued in the *Interim Order*.

E. ORDER

23. In view of the above, pending conclusion of investigation, I, in exercise of the powers conferred upon me under Sections 11, 11(4) and 11B (1) read with Section 19 of the SEBI Act and after taking into account the specific facts and circumstances of the present matter, hereby confirm the directions issued *vide the Interim Order* dated March 02, 2023, subject to the following modifications:

    23.1. Noticee nos. 20 to 24 (Ashok Kumar Agrawal, Anshu Aggarwal, Anshul Aggarwal, Hemant Dusad and Anshul Aggarwal Co HUF) are permitted to sell their securities to comply with the direction in the Interim Order to deposit the illegal gains in escrow accounts.

    23.2. Further, Noticee no. 20 (Ashok Kumar Agrawal) is permitted to withdraw funds to the extent of INR 1,00,000 (Rupees One lakh) per month to meet his medical expenses.

    23.3. The direction in para 37.7 of the Interim Order shall not prohibit the credit of shares to be received on account of corporate actions.

24. It is clarified that the funds to be deposited by the *Noticees* in interest bearing escrow accounts as directed in the Interim Order will remain in the said account with lien in favour of SEBI until further orders.

25. It is further clarified that the observations made in the present Order are tentative in nature. The investigation shall be carried out without being influenced by any of the directions passed or any observation made either in the *Interim Order* or in the present Order. Based on the outcome of the investigation, appropriate proceeding will be initiated in accordance with law.

26. This Order is without prejudice to the right of SEBI to take any other action against the Noticees in accordance with law.

27. This Order shall come into force with immediate effect.

28. A copy of this Order shall be served on the *Noticee Nos. 3,5,6,7,20,21,22,23 and 24* as well as on recognised Stock Exchanges, Depositories, Registrar and Share Transfer Agents and Banks for necessary action and compliance with the above directions.

-Sd-

ANANTH NARAYAN G.

DATE: JULY 11, 2023 **WHOLE TIME MEMBER**

PLACE: MUMBAI **SECURITIES AND EXCHANGE BOARD OF INDIA**