National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/58096	Date: August 24, 2023
Circular Ref. No: 189/2023	

To All NSE Members,

Sub: **SEBI Order in the matter of Superior Finlease Limited**

This is with reference to NSE Circular No. NSE/INVG/55378 dated January 25, 2023 in reference to SEBI Order No. WTM/SM/ISD/ISD-SEC-4/23158/2022-23 dated January 25, 2023.

SEBI now, vide its Order No. WTM/AB/ISD/ISD-SEC-4/28901/2023-24 dated August 24, 2023, has hereby modify the directions issued vide the Interim Order dated January 25, 2023 and directed that to defreeze the bank accounts of Santosh Singh Karki (applicant no. 2 of SEBI Order dated August 24, 2023 and Noticee no. 14 of the SEBI interim Order dated January 25, 2023). Further, SEBI vide above order also informed that all other directions of the aforesaid SEBI Order dated January 25, 2023 shall continue to apply as directed therein.

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 mentioned link:

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

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

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

National Stock Exchange of India

For and on behalf of
National Stock Exchange of India Limited

Sandesh Sawant
Senior Manager

ANNEXURE: SEBI Order in the matter of Superior Finlease Limited

WTM/AB/ISD/ISD-SEC-4/28901/2023-24

SECURITIES AND EXCHANGE BOARD OF INDIA, MUMBAI

ORDER

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

IN COMPLIANCE WITH THE ORDER DATED MAY 4, 2023, OF THE HON'BLE SECURITIES APPELLATE TRIBUNAL IN THE MATTER OF SUPERIOR FINLEASE LTD.

IN RESPECT OF

	APPLICANT	**PAN**
1	RAJNEESH KUMAR	ANDPK4877B
2	SANTOSH SINGH KARKI	AHMPK4222D
3	ANITA KARKI	BMSPK6708E

Background

1. SEBI passed an Interim Order cum Show Cause Notice dated January 25, 2023 ("**Interim Order**"), against nineteen Noticees for their alleged role in the manipulation of the price of the scrip of Superior Finlease Ltd. ("**SFL**"). Vide the Interim Order, SEBI *inter alia* directed that:

"a) All the Noticees, viz.: Noticee nos. 1 to 19 are restrained from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever until further orders.

b) If the Noticees have any open position in any exchange traded derivative contracts, as on the date of the order, they can close out/ square off such open positions within 3 months from the date of this order or at the expiry of such contracts, whichever is earlier. The Noticees are however permitted to settle the pay - in and pay - out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order;

c) The amount of unlawful gains of Rs. 2,13,60,626.40 earned during the period of February 01, 2021 to September 13, 2021 by manipulating the *share price of SFL (through LTP contributions) (as depicted under Column B of the Table no. 26) and an amount of unlawful gains of Rs. 1,75,49,588.55 (as depicted under Column B of the Table no. 27) generated by way of dumping the shares of SFL on the recommendation day, i.e., September 14, 2021, are hereby being impounded , jointly and severally, from the respective Noticees as mentioned in the column C of Table no. 26 and 27;*

d) Further, the Noticees as named in the column C of the Table nos. 26 and 27 are directed to open an escrow account (s) with a Nationalize d/Scheduled Commercial bank jointly and severally, and deposit within 15 days from the date of service of this order, the impounded amount as directed in para (c) above which has been prima facie determined to be the proceeds of wrongful profits/gains gene rated from the unfair trade practices activities as noted above in this order. The said Escrow account/s shall be interest - bearing escrow account and shall create a lien in favour of SEBI. Further, the monies kept therein shall not be released without permission from SEBI.

e) The banks where the Noticees are holding bank accounts, jointly or severally, are directed to ensure that till further directions, except for compliance of directions as stated above, no debits shall be made in the bank accounts of the Noticees without the permission of SEBI. Further, the depositories are also directed that no debit shall be made, without the permission of SEBI, in respect of the demat accounts held by the said Noticees. However, credits, if any, into the said bank and demat accounts may be allowed. However, debits may also be allowed for amounts available in the said account in excess of the amount impounded. Banks are allowed to debit the accounts only for the purpose of complying with this order. The banks are directed to ensure that all the above directions are strictly enforced. Only on production of proof of deposit of entire amount of Rs. 3,89,10,214.95 [Rs. Three Crore Eighty Nine Lakh Ten Thousand Two Hundred Fourteen and Ninety Five Paisa] (In terms of Table no. 26 and 27) in the escrow account/s as directed above, SEBI shall communicate to the banks to defreeze the bank accounts of respective Noticees."

2. Three out of the aforesaid nineteen Noticees, viz. Rajneesh Kumar ("**Noticee 1 of the Interim Order/ Applicant 1**"), Santosh Singh Karki ("**Noticee 14 of the Interim Order/ Applicant 2**") and Anita Karki ("**Noticee 18 of the Interim Order/ Applicant 3**"), approached the Hon'ble Securities Appellate Tribunal ("**SAT**") challenging the Interim Order. The Hon'ble SAT vide an Order dated May 4, 2023 ("**SAT Order**"), directed as under:

"Having heard the learned counsel for the parties, we find that a reply has already been filed before the authorities. We are of the opinion that the appellants should apply for vacation of the Ex Parte Ad Interim Order. If such an application is filed, the authority will consider and pass appropriate orders after giving an opportunity of hearing within three weeks thereafter. The appeals are disposed of with the aforesaid observation."

3. In compliance with the directions of the Hon'ble SAT, Applicant 1, 2 and 3 were initially provided an opportunity of personal hearing on July 24, 2023. However, the said Applicants vide emails dated July 14, 2023, had sought an adjournment of the hearing. The adjournment request was granted and the Applicants were provided another opportunity of hearing on August 8, 2023. On the said date, Sanjeev Kumar Choudhary, Advocate, appeared on behalf of the Applicants. The Applicants had also filed written submissions.

4. Given the above, I shall proceed to consider the replies of the Applicants seeking relaxations from the directions contained in the Interim Order, the summary of which is given below:

Noticee 1 of the Interim Order/ Applicant 1

a) *Noticee is a Director of SFL, a Non-Banking Financial Company listed on BSE Ltd. ("**BSE**"). He was also a Director of India Finance Guaranty Ltd. ("**IFGL**"), a SEBI registered stockbroker.*
b) *He had not sold a single share of SFL during the investigation period.*
c) *The Interim Order only considered the Noticees' contribution to positive LTP and did not consider the contribution to negative LTP.*

d) *The allegation that there was a concerted effort on the part of the Noticees to inflate the price of the scrip during Patch 1 and thereafter, had dumped the shares on unsuspecting investors during Patch II, is not borne out by the facts on record as it can be noted that Noticees 18 and 19 had in fact bought shares during Patch II.*
e) *He was not aware of the recommendations given through Telegram Channels.*
f) *If the intention of the Noticees were to dump the shares at a high price then they would have sold the shares on June 28, 2021 when the price was higher.*
g) *When he became aware about the recommendation being made on the Telegram channel on September 14, 2021, he had immediately lodged a police compliant regarding the same.*
h) *The Noticee also refuted the allegation in the preliminary findings in the Interim Order that SFL and IFGL had financed trades of some of the Noticees covered under the SEBI Order. It was submitted that IFGL had availed certain short term loans and these were repaid in due course. These transactions were considered in the SEBI Order as funds provided by IFGL for undertaking trades in the scrip of SFL.*
i) *As regards the allegation of the funds provided by SFL, it was submitted that SFL was an NBFC and providing loans was its core business. It was also submitted that statement of funds of the trading accounts of Noticees 6, 10, 13, 16 and 19 of the Interim Order were produced before SEBI to show that the funds availed by the said Noticees from SFL were not deployed for trading in the scrip.*
j) *It was submitted that reliance placed on the statement of Ashish P. Shah was misplaced and the same has no value in law.*

Noticees 14 and 18 of the Interim Order/ Applicants 2 and 3

a) *It Noticees were earlier staying at a rented accommodation in Sector 5, Dwarka, New Delhi. During this period, they become acquainted with Noticee 1, who also lived in the same residential complex.*
b) *The Noticees have been investing in the stock market for more than 15 years.*

c) *In 2017, the Noticees had opened a trading account with IFGL. This was done primarily to take advantage of Noticee 1's knowledge and experience as a long standing participant in the stock markets. The Noticees had cumulatively transferred Rs. 25 Lakh to this account for investing in the stock market.*

d) *The Interim Order only considers the Noticees' contribution to positive LTP and does not consider the contribution to negative LTP.*

e) *The Noticees holding in the scrip of SFL had reduced during Patch I contrary to the allegation in the SCN that the Noticees had accumulated shares during Patch I and dumped shares during Patch II.*

f) *The Noticees had also raised certain objections to the manner in which unlawful profits were calculated for the purpose arriving at the disgorgement amount in the Interim Order.*

g) *The charge of dumping the shares made against Noticee 3 cannot be sustained as she had purchased 1126 shares on the said date and sold only 149 shares. Therefore, her net position had increased by 977 on the said date.*

h) *The Noticees had also disputed the connections alleged in the SCN between them and certain other Noticees based on common address. Similarly, the connection sought to be drawn between the Noticees and Noticee 1 based on a single instance of transfer of funds and because the number of Noticee 1 was saved on their phones, it was submitted, was farfetched.*

i) *Noticees reiterated that the trades execute in the scrip of SFL were as per their own choice and Noticee 1 had no role to play in it.*

j) *Noticees also requested that as sufficient funds to cover the disgorgement amount was lying in their demat accounts, SEBI may consider unblocking their bank accounts.*

Consideration

5. I note from the material available on record that a recommendation to buy the shares on SFL was made on two Telegram Channels (***Intraday Share Trading Equity Stock and Intraday Trading Equity Stock***) on September 14, 2021.

Pursuant to the said messages, a significant spike in the volume and price was witnessed in the scrip of SFL. Based on the information obtained from Telegram and mobile phone service providers, it was noted that Arvind Shukla (**Noticee 5 of the Interim Order**) was the operator of both the Telegram Channels.

6. It is also noted that the top eleven sellers in the scrip, who had cumulatively contributed 92% of the Total Market Volume on September 14, 2021, were *prima facie* found to be connected to Noticee 1, as per the Interim Order. These connections were observed on the basis of KYC documents, fund transfers, call records etc. It was also noted that eight out of the top eleven sellers were trading through IFGL, where, as it has already been noted, Noticee 1/ Applicant 1 was a Director.

7. I note from Noticee 1/ Applicant 1's reply that he has primarily contended that the allegations in the Interim Order do not stand scrutiny and are liable to be set aside. Further, he has also made elaborate submissions on the manner in which the disgorgement amount has been calculated. Applicants 2 and 3, I note, apart from making submissions on merit, have also sought certain relaxations in the directions contained in the Interim Order.

8. I note that Applicants 2 and 3, during the course of the hearing, have sought defreezing of their respective bank accounts. It was submitted by them that the securities available in their Depository Participant accounts and Mutual Fund Folios would be sufficient to cover their respective share of the disgorgement amount arrived at in the Interim Order. It was submitted that since the said accounts and Mutual Fund folios are also frozen in terms of the Interim Order, SEBI may consider lifting the freeze imposed on the bank accounts vide the Interim Order.

9. In this regard, I note that in terms of the information submitted by Applicants 2 and 3, the rupee value of holdings in their Demat Accounts is as given in the Table below:

As per details submitted by Noticees	Santosh Karki	Anita Karki	Total
Total assets held in DP accounts and MF folios	6218205	2967234.06	9185439.01
Value of the investments in Superior Finlease	0	1506588.6	1506588.6
Total Value of the securities held in DP accounts and MF folio excluding Superior Finlease	6218205	1460645.46	7678850.41

(Figures in INR) *(Value computed as per CMP on August 21, 2023)*

10. The information submitted by the Noticees, I note, corroborates with the information obtained by SEBI from the Depositories and Mutual Fund Transfer Agents. Further, it is noted from Table 26 and 27 of the Interim Order that the amount directed to be disgorged by Applicants 2 and 3 amounts to INR 23.16 Lakh and INR 26.78 Lakh, respectively. It is also noted that in terms of the directions contained in paragraph 61 of the Interim Order, the direction to impound was made applicable to the 19 Noticees, jointly and severally.

11. However, considering the prayer made by the Applicant 2 and 3, who are husband and wife, citing personal difficulties being faced by them on account of the freezing of their bank accounts, and considering that the value of the securities lying in the demat accounts of the said Applicants is adequate to cover the amount that may be disgorged, I am inclined to grant some relaxation to at least one of the Applicants, from directions in the Interim Order. It is noted that even if a margin of 50% is imposed on the total value of securities, as provided in the Table above, it would be sufficient to cover the individual disgorgement liability of the Applicant 2. Given the same, I am inclined to consider defreezing his bank accounts.

12. However, as far as the prayer for revocation of directions made by Noticee 1 are concerned, it is noted that the same pertains to the merits of preliminary findings in the Interim Order. In this regard, it is noted that the hearings in

respect of the other sixteen Noticees, who have not moved the Hon'ble Tribunal against the Interim Order, are scheduled between September 6, 2023, and September 8, 2023. Considering the same and given the deadline imposed by the Hon'ble Tribunal for passing orders in respect of these three Noticees, at this stage it would be appropriate to consider only the arguments seeking relaxations from the directions contained in the Interim Order. The arguments on merits will be considered subsequent to hearing all the Noticees subject to the Interim Order and a separate order in this regard will be passed.

Directions.

13. In view of the above, I, in exercise of the powers conferred upon me under Sections 11, 11(4) and 11B read with Section 19 of the SEBI Act, hereby modify the directions issued vide the Interim Order dated January 25, 2023, to the following extent:

    a. The bank accounts of SANTOSH SINGH KARKI (Applicant 2 of this Order and Noticee 14 of the Interim Order) shall stand defreezed.
    b. All other directions of the Interim Order shall continue to apply as directed therein.

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

Place: Mumbai
Date: August 24, 2023

ASHWANI BHATIA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA