National Stock Exchange of India

Circular

Department: Investigation	
Download Ref No: NSE/INVG/61839	Date: April 30, 2024
Circular Ref. No: 316/2024	

To All NSE Members,

Sub: SEBI Order in the matter of Telegram Channel Safebulls

This is with reference to SEBI Order no. QJA/AA/ISD/ISD-SEC-3/30314/2024-25 dated April 30, 2024, wherein SEBI has debarred following entities from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of one year from the date of this Order.

Sr. No.	Name of the Noticee	PAN
1	Hanif Kasambhai Shekh	CBEPS9710A
2	Robert Resources Ltd.	AAACR2073D

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

For and on behalf of
National Stock Exchange of India Limited

National Stock Exchange of India

Sandesh Sawant
Senior Manager

ANNEXURE: SEBI Order in the matter of Telegram Channel Safebulls

QJA/AA/ISD/ISD-SEC-3/30314/2024-25

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under 11(1), 11(4), 11(4A), 11B(1), 11B(2) read with Sections 15HA of the Securities and Exchange Board of India Act, 1992 read with rule 4 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995

In respect of

Name of Noticee	PAN
Hanif Kasambhai Shekh	CBEPS9710A
Robert Resources Ltd.	AAACR2073D

In the matter of Stock Recommendations Using Social Media (Telegram Channel: Safebulls)

A. BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as SEBI) had conducted an investigation in the matter of suspected pump and dump of stocks using Social Media Telegram Channel named Safebulls based on a complaint dated September 30, 2021. The complaint, inter alia, alleged that the administrators of the said channel were doing a scam by pumping many junk stocks and dumping the same to retail investors.

2. SEBI conducted an investigation for the period January 01, 2021 to March 09, 2022 (hereinafter referred to as the Investigation Period) to ascertain whether Safebulls was engaged in activities in contravention of the provisions of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the SEBI Act) and the SEBI (Prohibition of Fraudulent and Unfair Trade Practices

Relating to Securities Market) Regulations, 2003 (hereinafter, referred to as the PFUTP Regulations).

B. SHOW CAUSE NOTICE

3. Consequent to the completion of investigation, a Show Cause Notice (SCN) dated January 04, 2024 was issued to Hanif Kasambhai Shekh (hereinafter referred to as Noticee 1) and Robert Resources Limited (hereinafter referred to as RRL/Noticee 2). The SCN has brought out, inter alia, the following key facts:

3.1. The Telegram channel Safebulls had a subscriber base of around 60,879 (on February 17, 2022). The said Telegram channel provided recommendations in both cash and the derivative segment to its subscribers. The recommendations were for intra-day as well as for positional trades. It was also observed that the recommendations in the cash segment were primarily focused on small cap scrips, the price and volume of which could be easily impacted.

3.2. RRL was incorporated on November 4, 1982 and listed at Metropolitan Stock Exchange (MSEI). As per the MSEI Website (https://www.msei.in/) and KYC Records , the company is located at 3 Rd Floor, Plot No 1067, Opp. Bindu Nivas, Kaliyabid Road, Bhavnagar, Gujarat 364001. As per company website (https://www.robertresources.com), the company is engaged in business of commodity trading (including commodity derivatives) by way of, trading and hedging, market makers, finance brokers, underwriters, sub-underwriters, providers of service for commodity related activities, buy, sell, deal in, convert, modify, add value, transfer or otherwise dispose of commodities and commodity derivatives.

3.3. As per the MSEI website, directors of the company during the Investigation Period were as follows:

Table 1

S.No.	Name	Category
1	Mr Hanif Kasambhai Shekh	Managing Director
2	Mrs Shekh Hasina Kasambhai	Non-Executive - Non Independent Director
3	Mr Solanki Ashvinbhai Naranbhai	Non-Executive - Independent Director
4	Mrs Jyoti Sureshbhai Kantariya	Non-Executive - Independent Director
5	Mrs Solanki Nitaben Ashwinbhai	Non-Executive - Independent Director

3.4. As per KYC documents and trading accounts of Noticee 2 with various Stock Brokers, it is observed that Noticee 1 (Hanif Kasambhai Shekh) is the authorized signatory for Noticee 2.

3.5. Further, based on information provided by Telegram and KYC documents, it is observed that the administrator of the telegram channel Safe Bulls is Noticee 1 (Mobile number xxxxxx4982). That Noticee 1 was the administrator of Safebulls was also confirmed from an analysis of the mobile devices seized during the Search and Seizure operation conducted by SEBI in Bhavnagar at the addresses of the two Noticees.

3.6. Additionally, as per the Annual Report of RRL submitted by it to MSEI, it was observed that Noticee 1 is the son of late Mr. Kasambhai Umarbhai Shekh (CFO and Director of Noticee 2 up to July 31, 2020) and Mrs. Hasina Kasambhai Shekh (Non-Executive Director of Noticee 2). Also, it was observed that Noticee 1 was the Managing Director and authorised signatory of Noticee 2 during the investigation period.

3.7. Upon analysis of the trading activity of Noticee 2, it was observed that Noticee

2 used to take positions in the scrips which were recommended on the Telegram channel Safebulls prior to the said scrips being recommended on the Telegram channel. Subsequently, the said positions used to be squared off post recommendations were given on the Telegram channel, resulting in profits. Further, the SCN alleged that recommendations in the Telegram channel had influenced the decision of investors dealing in such securities. Such recommendations on the channel had impacted the price and volume of the scrips which interfered with the free and fair operation of the markets.

3.8. Hence, it was alleged that Noticee 1 and 2, made wrongful gains through their acts of taking positions in the scrip before they are recommended on the Telegram channel and subsequently squaring off their positions post recommendations on the Telegram channel. Summary of the wrongful gains made by Noticee 1 using the trading account of Noticee 2 are given in the table below:

Table 2

Sr. No	**Particulars**	**Profit (Rs.)**
1	Intra-day trades around Recommendations	28,15,763
2	BTST trades around Recommendations	65,062
	Total	**28,80,825**

4. Based on the above, the Noticees are alleged to have violated the sections 12A(a), (b) and (c) of the SEBI Act and regulations 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(d) of the PFUTP Regulations.

5. In view of the allegations made, the Noticees were called upon to show cause as to why appropriate directions/penalty under Sections 11(1), 11(4), 11(4A), 11B(1) and 11B(2) read with Section 15HA of the SEBI Act, including directions to prohibit him from buying, selling or otherwise dealing in securities market, either directly or indirectly, in any manner whatsoever, for a particular period and directions not

to be associated with any registered intermediary/listed company and any public company which intends to raise money from public in the securities market, in any manner whatsoever, should not be issued against them and why any direction for disgorgement of wrongful gain of Rs. 28,80,825, jointly and severally, should not be issued against them.

C. SERVICE OF SCN, INSPECTION OF DOCUMENTS AND PERSONAL HEARING

6. The SCN dated January 04, 2024 was sent to the Noticees at the address available on record. Pursuant to the issuance of SCN, replies were received from the Noticees vide emails dated February 06, 2024, February 23, 2024 and March 13, 2024. The Noticees also sought additional documents, which were provided to the Noticees on February 26, 2024.

7. Notice 1 (appearing on behalf of himself and Noticee 2) availed opportunity of hearing provided on April 16, 2024 and made additional submissions on April 24, 2024. The submissions made by the Noticees in their replies and during the personal hearing are detailed in the following paragraphs.

D. CONTENTIONS OF THE NOTICEES

8. In their reply, the Noticees have, *inter alia*, made the following submissions:
   8.1. The Noticees have stated that the trading activities in question were conducted transparently, ethically and with the intention of benefitting investors. There was no violation of any SEBI Regulation.
   8.2. The Noticees have referred to the complaint based on which the investigation against Safebulls was initiated by SEBI and have stated that the complainant lost money in 7NR Retail Ltd. and Maurya Udhyog Ltd. by following a separate Telegram channel, https://t.me/multibagger2020, and not https://t.me/safebulls. The Noticees have stated that these stocks were never recommended on the 'Safebulls' Telegram channel.
   8.3. The Noticees have denied association between https://t.me/safebulls and https://t.me/multibagger2020. Further, the Noticees have stated that the complainant's belief in such an association is based on manipulative

actions by the other Telegram channel https://t.me/smsaforum to mislead investors into filing complaints against Safebulls.

8.4. The Noticees have drawn attention to the creation date of https://t.me/smsaforum on September 22, 2021 and the subsequent complaint by the investor on September 30, 2021, indicating a deliberate attempt to mislead.

8.5. The Noticees have contended that the allegations of fraud are baseless and that the 'Safebulls' Telegram channel provided thoroughly researched, fundamentally and technically sound stock analysis to retail investors. Further, the Noticees have contended that there is no evidence to support the claim of fraudulent activities.

8.6. Further, the Noticees have stated that the stocks mentioned in SEBI's investigation report, such as ASTRA MICRO, TRIVENI, GNFC, have substantial market capitalization and that these stocks were not individually selected by Noticee 1. Further, the Noticees have stated that these stocks have enormous volume and participation from lakhs of traders. Accordingly, the Noticees have contended that manipulating such stocks with relatively small trading quantities is implausible negating the possibility of pump and dump or any fraudulent activity. Also, Noticee 1 has stated that he utilized a technical analysis scanner with multiple indicators and analysis criteria, details of which were shared with SEBI officers on www.chartink.com. The Noticees have contended that this automated approach ensured a systematic and unbiased stock selection process with no human interference.

8.7. The Noticees have stated that the smaller and realistic targets of 2% to 4% on Safebulls, coupled with stop-loss instructions, reflect the intention to assist investors. Further, the Noticees have contended that the absence of pump and dump practices is evident from the consistent achievement of targets and the issuance of timely exit messages for every stock.

8.8. The Noticees have stated that trading activities in stocks recommended on the 'Safebulls' Telegram channel were conducted through Noticee 2 and the simultaneous trading demonstrated confidence in the quality and legitimacy of recommended stocks. Further, the Noticees have contended that the transparency of trading actions, with shared screenshots on the 'Safebulls' Telegram channel, informed investors of parallel positions taken by Noticee 2. Also, the Noticees have contended that they maintain transparency by sharing screenshots of their trades daily, including the positions they take before making recommendations.

8.9. Noticee 1 has stated that before making recommendations, he purchases and sells the stocks at the same rate as he recommends to his followers. In this regard, the Noticees have drawn attention to the scrip of ASTRAMICRO and have stated that the purchase and sale of shares in the ASTRAMICRO scrip matched with the buy and target price recommended on the Safebulls channel. Further, the Noticees have also stated that the target price in his recommendations aligns with their exit price, demonstrating consistency between his recommendations and his own trading activities. The Noticee has stated that if his intention were front running he would have provided buy ranges such as “*Buy ASTRAMICRO at any rate for target 228*” rather than “*Buy ASTRAMICRO at 222-223 for target 228*”.

8.10. The Noticees have contended that they consistently advised subscribers not to enter the recommended scrips around the target price given in the Telegram channel, further aligning with SEBI Regulations.

8.11. Further, the Noticees have contended that if their intention was front running, they would have traded a significantly larger quantity and executed trades immediately before giving buy message on Telegram. The Noticees have also stated that they held positions overnight if the target was not met on the same day indicating that their trading actions were not influenced by front running tactics.

8.12. The Noticees have contended that the allegations of disgorgement of wrongful gain amounting to Rs. 28,80,825 are unfounded as no wrongful gain occurred to the Noticees due to actions taken on the 'Safebulls' Telegram channel.

E. CONSIDERATION OF ISSUES AND FINDINGS

9. Having carefully examined the information available on record, viz., the SCN, written and oral submissions put forth by the Noticee during the course of personal hearing, the issues under consideration before me are as under:

   9.1. **Issue 1**: Whether the Noticees have engaged in a scheme or device or artifice in violation of the provisions of section 12A(a), (b) and (c) of the SEBI Act and regulation 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(d) of the PFUTP Regulations?

      9.1.1. **Issue 1(a)**: Whether the Noticees posted recommendations /messages/tips on the Telegram channel?

      9.1.2. **Issue 1(b):** Whether the recommendations/ messages/ tips posted in the Telegram Channel were manipulative?

      9.1.3. **Issue 1(c):** Whether the activities of the Noticees constitute fraudulent/manipulative scheme in terms of PFUTP Regulations?

   9.2. **Issue 2**: Do the violations, if any, attract action, including disgorgement of alleged unlawful gains, under the Sections 11(4), 11(4A), 11B(1) and 11B(2) read with Section 11(1) of the SEBI Act?

   9.3. **Issue 3**: Do the violations, if any, attract monetary penalty under Section 15HA of the SEBI Act?

   9.4. **Issue 4**: If the answer to the Issues 1 to 3 above is in affirmative, then what should be the punitive action and the quantum of monetary penalty?

10. Before discussing the key issues in this matter, I deem it apposite to refer to the relevant provisions of law which are alleged to have been violated and relevant extract thereof is reproduced hereunder:

    "**SEBI Act, 1992**

    Section 12A: No person shall directly or indirectly

    (a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

    (b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

SEBI (PFUTP) Regulations, 2015

Regulation 3: Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

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

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a manipulative, fraudulent or an unfair trade practice in securities markets.

Explanation.– For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall *be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market.*

(2) Dealing in securities shall be deemed to be a manipulative, fraudulent or an unfair trade practice if it involves any of the following: —

(a) ....

(d) inducing any person for dealing in any securities for artificially inflating, depressing, maintaining or causing fluctuation in the price of securities through any means including by paying, offering or agreeing to pay or offer any money or money's worth, directly or indirectly, to any person;"

Issue 1(a): Whether the Noticees posted recommendations/messages/tips on the Telegram channel?

11. The SCN has alleged that Noticee 1 was the administrator of the telegram channel Safebulls and he was operating the said channel during the investigation. Based on the reply received from the Noticees, I note that the Noticees have not contended this allegation and have, *inter alia*, stated that "*Safebulls telegram channel provided thoroughly researched, fundamentally and technically sound stock analysis to retail investors*". Hence, I conclude that the Safebulls telegram channel was being operated by Noticee 1 and the channel was providing stock recommendations.

Issue 1(b): Whether the recommendations/ messages/ tips posted in the Telegram Channel were manipulative?

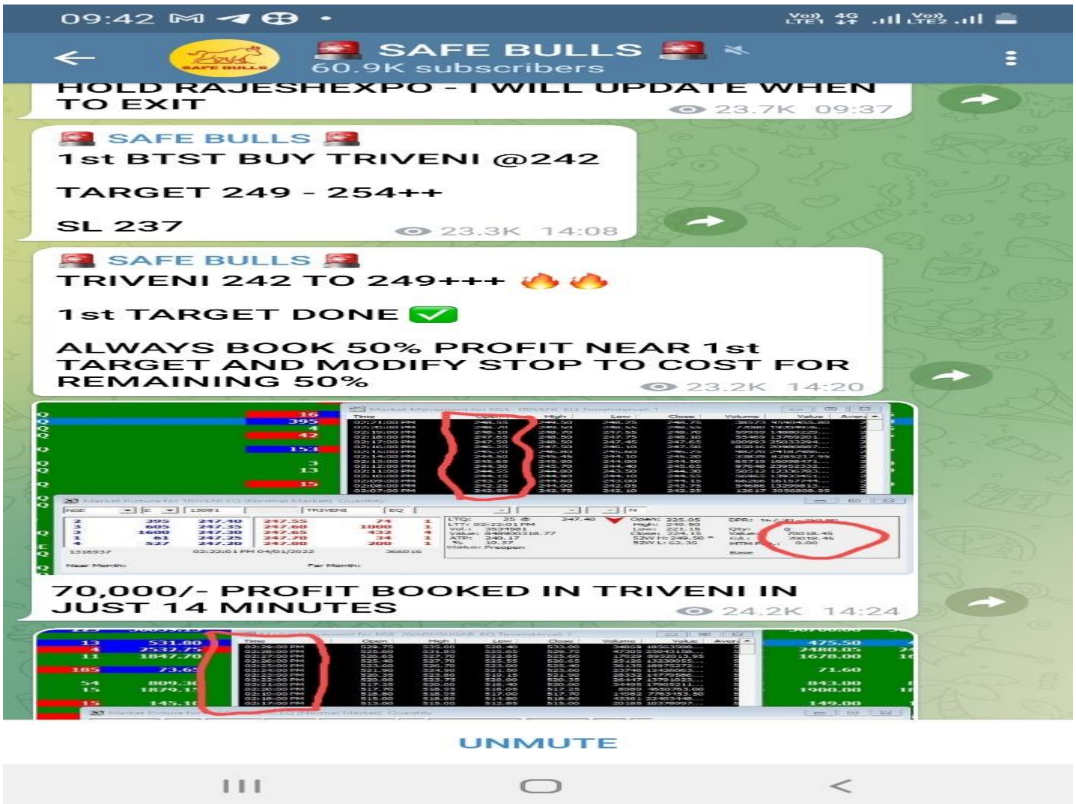
12. The Noticees have contended that stock recommended on the Safebulls channel were not individually selected by Noticee 1 but with the help of a technical analysis scanner that ensured a systematic and unbiased stock selection process with no human interference. Further, the Noticees have stated that the smaller and realistic targets of 2% to 4%, coupled with stop-loss instructions, reflect the intention to assist investors. Also, the Noticees have contended that the absence of pump and dump practices is evident from the consistent achievement of targets and the issuance of timely exit messages for every stock. Additionally, the Noticees have contended that the transparency of trading actions, with shared

screenshots on the 'Safebulls' Telegram channel, informed investors of parallel positions taken by Noticee 2. Further, the Noticees have contended that they maintain transparency by sharing screenshots of their trades daily, including the positions they take before making recommendations.

13. In his submissions, Noticee 1, *inter alia*, stated that "*trading activities in stocks recommended on the 'Safebulls' telegram channel were conducted through my related entity, Robert Resources Ltd.*" Hence, it is established that the trading in the account of Noticee 2 was carried out by Noticee 1. Further, considering that Noticee 2 is a company where Noticee 1 was the Managing Director and authorised signatory of Noticee 2 during the investigation period, it can be concluded that it is one and the same thing whether trading is done in the account of Noticee 1 or 2. Additionally, I note that the SCN has alleged that trades were done by the Noticees prior to and post stock recommendation on the Telegram channel so as to earn profits. There is no allegation with respect to how the recommended stocks were selected, authenticity of recommendations provided or timely entry/exit messages for stocks recommended. Accordingly, the manner of stock selection (by an independent scanner or by Noticees), target recommendations (2-4% or more and whether such targets were achieved or not) and timing of recommendations (timely exit messages) are not the allegations in the SCN issued to the Noticees.

14. With respect to whether the recommendations were manipulative, a snapshot of the recommendations made in the scrip Triveni and disclosure of parallel positions in the said scrip on the Safebulls channel is as below:

Figure 1



15. In the above snapshot, the channel begins with a recommendation to buy Triveni at 02:08 p.m. at a price of Rs. 242 with a target of Rs. 249 to over Rs. 254 by stating as follows:

"1st BTST BUY TRIVENI @242

TARGET 249-254++

SL 237"

It is observed that the Noticees had purchased 15,000 shares in this scrip during 10:56 a.m. to 2:05 p.m. at an average price of Rs. 241.20.

After making the recommendation at 02:08 p.m. on Safebulls channel to purchase this scrip at a price of Rs. 242, the Noticees sold the 15,000 shares purchased during 02:10 p.m. to 02:19 p.m. at an average price of Rs. 245.9, i.e., at a price lower than the target amount disseminated for subscribers.

Thereafter, in the second recommendation at 02:20 p.m., the market price was disseminated to be over Rs. 249 followed by a symbolic image of fire to indicate how the interest in the scrip was heating up the market by stating as follows:

"TRIVENI 242 TO 249+++ 🔥🔥

1ST TARGET DONE ✅

ALWAYS BOOK 50% PROFIT NEAR 1ST TARGET
AND MODIFY STOP TO COST FOR
REMAINING 50%"

Even though the Noticees had sold all the shares they had purchased at an average price below the target price (pocketing a profit of Rs. 70,000), the subscribers were recommended to book only 50% profit near first target. Thereafter, at 02:24 p.m., it was informed to the subscribers that a profit of Rs. 70,000 had been made in the scrip in 14 minutes by stating as follows:

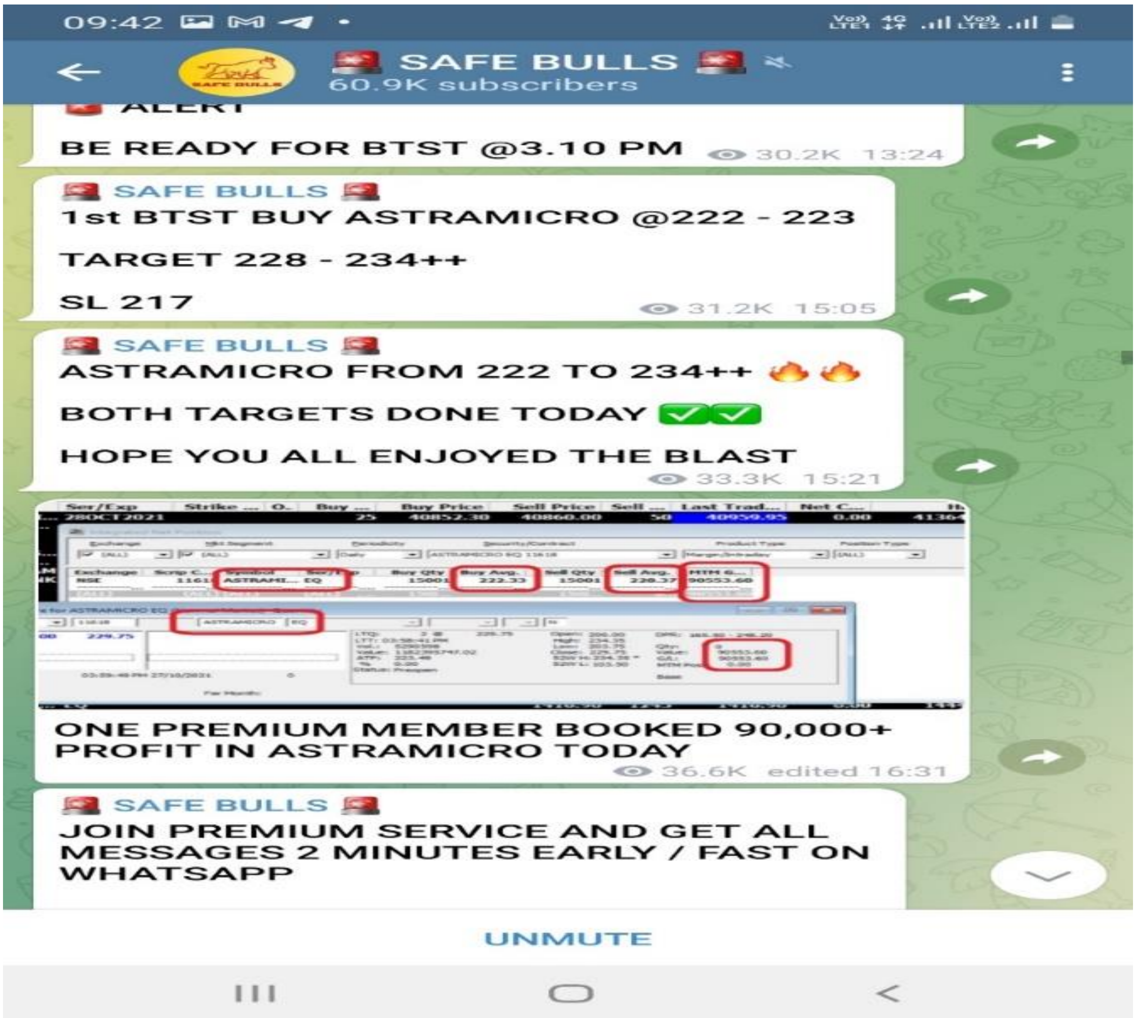
"*70,000/- PROFIT BOOKED IN TRIVENI IN*
JUST 14 MINUTES"

Thus, the Noticees first purchased shares in their own account and then recommended those shares to the subscribers. As the price of the scrip increased, the Noticees sold the shares before recommending the subscribers to sell the shares on the channel. Subsequently, the Noticees marketed the profit made in the scrip Triveni on Safebulls channel. Such sequence of dissemination of recommendations and profits cannot be classified as transparent considering that (a) the purchase and sell price of the scrip by the Noticees was at variance from the buy price and target price recommendations made to the subscribers and (b) the recommendation to sell 50% shares to subscribers was made after the Noticees had sold all of their own shares at profit. Further, the disclosure of profit of Rs. 70,000 within 14 minutes acted as an inducement for other subscribers to blindly follow the recommendations on the channel to earn quick profits unaware of the scheme being used by channel administrator to pocket gains for himself.

16. Further, the Noticees have made specific submissions with respect to recommendations and trading in the ASTRAMICRO scrip. The Noticees have stated that the purchase and sale of shares in the ASTRAMICRO scrip matched with the buy and target price recommended on the Safebulls channel.

17. In this regard, a snapshot of the recommendations made in the scrip ASTRA MICRO and disclosure of parallel positions in the said scrip on the Safebulls channel is as below:

Figure 2



18. In the above snapshot, the channel begins with a recommendation to buy ASTRA MICRO at 03:05 p.m. at a price of Rs. 222-223 with a target of Rs. 228 to over Rs. 234 by stating as follows:

“*1st BTST BUY ASTRAMICRO @222-223*

TARGET 228-234++

SL 217”

It is observed that the Noticees had purchased 15,001 shares in this scrip during 2:56 p.m. to 3:05 p.m. at an average price of Rs. 222.33.

After making the recommendation at 03:05 p.m. on Safebulls channel to purchase this scrip at a price of Rs. 222-223, the Noticees sold the 15,000 shares purchased during 03:06 p.m. to 03:23 p.m. at an average price of Rs. 228.37, i.e., at the lower range of the target price disseminated to the subscribers.

Thereafter, in the second message at 03:21 p.m., the market price was disseminated to be over Rs. 234 followed by a symbolic image of fire to indicate how the interest in the scrip was heating up the market by stating as follows:

"ASTRAMICRO FROM *222 TO 234*+++ 🔥🔥
BOTH TARGETS DONE TODAY ✅✅
HOPE YOU ALL ENJOYED THE BLAST"

The Noticees had sold the shares they had purchased at an average price near the lower range of target price (pocketing a profit of Rs. 90,553). Thereafter, at 04:31 p.m., it was informed to the subscribers that one premium member booked over Rs. 90,000 profit in the scrip that day by stating as follows:

"*ONE PREMIUM MEMBER BOOKED 90,000+*
PROFIT IN ASTRAMICRO TODAY"

19. The Noticees have submitted that they maintain transparency by sharing screenshots of their trades daily, including the positions they take before making recommendations. However, it is observed that the identity of this premium member was not revealed to the subscribers and there was no way for the subscribers to be aware that the trades have been made in the account of the Noticee 2 operated by Noticee 1. Hence, the subscribers to the channel were not aware that Noticees themselves had taken a long position in the recommended scrips before making the recommendation and that the Noticees were about to sell their holdings shortly. Further, the fact that sell trades were executed after the buy recommendation was made on the Telegram channel indicates that there was a manipulative intent in making the said recommendations to take advantage of the price movement in the scrip. Thus, in the instant case, even though the purchase and sale of shares was near the target price given on the Safebulls channel, I note that Noticee 1 did take benefit of the advance knowledge of the recommendations to be made on the Safebulls channel to build positions in the trading account of Noticee 2, where he was the Managing Director. The recommendations on the channel induced large number of investors to deal in

such scrips causing fluctuation in price and volume of the recommended scrips. Also, the Noticees have not submitted any evidence in support of the contention that screenshots of their trades before making recommendations were shared on the Safebulls channel. Accordingly, it is inferred that this claim of the Noticees is a mere bald assertion without any supporting documents only to escape from the consequences of the present proceedings. I note that the premium service was for entities who opened their trading account with Trading member "TradeDeal" to get recommendations to be given in the Telegram channel at least 2-5 minutes in advance using WhatsApp. Further, I note that the said fact was disclosed on the Telegram channel.

20. In view of the above illustrations, it can be inferred that the recommendations on the Telegram channel were aimed at inducing investors to trade in those scrips. The *modus operandi* being followed by the Noticees was that firstly, they would buy shares of selected scrips in the trading account of Noticee 2. Secondly, they would make recommendations on the Safebulls channel to buy those scrips so as to entice and induce them to buy those scrips. Thirdly, they would take on opposite position (i.e., sell the scrip) in those scrips and pocket profits. Thus, the Noticees made recommendations on the Safebulls channel aimed at inducing the subscribers to deal in recommended stocks so that there would be personal gains for the Noticees and therefore, manipulative.

Issue 1(c): Whether the activities of the Noticees constitute fraudulent/manipulative scheme in terms of PFUTP Regulations?

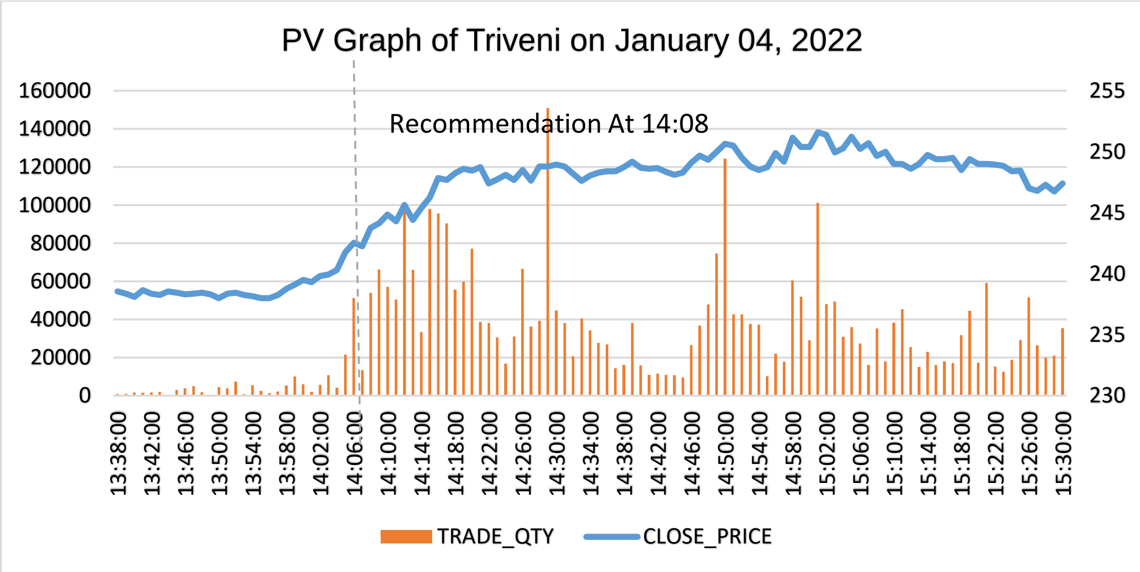
21. I note that Safebulls had a subscriber base of around 60,000 members on which recommendations were given in the cash segment both for intra-day and BTST trades. Thus, the recommendations on the Safebulls channel induced thousands of subscribers to deal in the recommended scrips. The Noticees have contended that the stocks mentioned in SEBI's investigation report, such as ASTRA MICRO, TRIVENI, GNFC, with large volume of trades make it implausible to manipulate such stocks with small trading quantities. In this regard, I note that there has been a significant impact on the price and volume of scrips (even with large market

capitalization) recommended subsequent to recommendations on the telegram channel as brought out in the following illustration:

Illustration

Triveni Engineering and Industries Limited

Figure 3



22. The above figure depicts that there was an increase in the price of the scrip subsequent to the recommendation of the scrip on the Telegram channel. Further, the traded volume in the scrip had also increased significantly subsequent to the recommendation on the Telegram channel. Triveni had a market capitalisation of Rs. 5,352.46 crore as on December 31, 2021 and Rs. 7,522.21 crore as on March 31, 2022. It is further observed that there were no material price sensitive corporate announcements around the recommendation time.

23. From the details mentioned above, it is clear that there was a significant increase in price and volume of the aforesaid scrips around the recommendation, which could only be attributed to the recommendations made on the channel. Hence, the Noticees could manipulate scrip prices and volumes with relatively small trading quantities.

24. Trades were executed during February 2021-February 2022. Based on the trade timings and trading activity of the Noticees, it can be reasonably concluded that

the recommendations were intended to induce the subscribers to deal in stocks such that there would be personal gains for the Noticees. Trades in the account of Noticee 2 were executed to take advantage of the rising market price induced by recommendations on Safebulls and in the process, make unlawful gains.

25. It is observed that there were no material relevant price sensitive corporate announcements around the recommendation time. Thus, it can be safely concluded that the 'buy' recommendation messages issued regarding certain scrips and the trades executed by the Noticees during the investigation period in those specific scrips were the main strategy of the fraudulent scheme deployed through which the Noticees made unlawful gains. Consequently, the price and volume of the recommended scrips on the recommendation days were inflated or artificially created and in the absence of the fraudulent scheme deployed by the Noticees, such higher price and volume could not have been possible.

26. Many investors had relied on the recommendations given on the Telegram Channel, without being aware that such a scheme/device has been employed for the profit of the few entities propagating these recommendations, which is demonstrated in Figure 3 above on a sample basis. Similar graph for another scrip and list of volume impacted scrips were shared with Noticees as part of SCN.

27. The manipulative scheme used by the Noticees in the instant case is a variation of a '*pump and dump*' scheme known as "*scalping*". In an Investor alert issued by United States (US) Securities and Exchange Commission (SEC), scalping has been defined as "*recommending a stock to drive up the share price and then selling shares of the stock at inflated prices to generate profits*". In a scalping scheme, fraudsters buy a stock and then they recommend that stock to induce others to buy the stock, without disclosing their intent to sell the stock. Subsequently, they offload their stock on unsuspecting investors, upon rise in stock price and trading volume following their recommendation, and book profits at inflated prices.
28. The trading account of Noticee 2 was used to first buy the shares of the concerned companies, followed by making buy recommendations on those scrips through the

Telegram Channel without disclosing their own personal exposure and interest in the scrips, so as to induce thousands of subscribers (60,879 as on February 17, 2022) to the channel to buy those shares in order to generate interest and inflate the share price. After making such recommendations to the subscribers, Noticees sold their shares accumulated in the first leg of transaction at inflated prices to unsuspecting investors for a profit. The Noticees have also mostly traded in mid and small-cap stocks. The said trading pattern was observed in intraday and Buy Today Sell Tomorrow (BTST) trades executed by the Noticees.

29. Also, the Noticee has made several submissions to illustrate that his activities were not in the nature of '*front running*'. While at paragraph 27, it has been concluded that the activities of the Noticees were in the nature of scalping, as the two activities are analogous, the said contentions have been deliberated upon in this paragraph. The Noticees have stated that if their intention was '*front running*', they would have provided buy ranges such as "*Buy ASTRAMICRO at any rate for target 228*" rather than "*Buy ASTRAMICRO at 222-223 for target 228*". Further, the Noticees have contended that if their intention was '*front running*', they would have traded a significantly larger quantity and executed trades immediately before giving buy message on Telegram. I find that the alternative recommendation of "*Buy ASTRAMICRO at any rate for target 228*" would only lead to higher unlawful gains for the Noticees through the recommendations on the Safebulls channel. Therefore, the recommendation "*Buy ASTRAMICRO at 222-223 for target 228*" is not illustrative of the Noticee's '*no intention to front run*'. Similarly, higher quantity of trades does not establish intention to '*front run*' more than lower quantity of trades. It may also be added that the allegation in the SCN is not of '*front running*' and the Noticee has termed it as '*front running*'. Further, how the trading activity and trade timing of Noticees vis-à-vis the recommendations on Safebulls channel was fraudulent has been established in the foregoing paragraphs.

30. Further, the Noticees have referred to certain screenshots shared by them with SEBI during the investigation to contend that they consistently advised subscribers not to enter the recommended scrips around the target price given in the Telegram channel. In this regard, considering the *modus operandi* discussed in the foregoing

paragraphs, I do not see gain accruing to the Noticees if investors bought recommended scrips at the target sell price recommended on the channel. This is because positions were squared off and gains pocketed by the Noticees before or around the target price was recommended on the channel and any further purchase by subscribers leading to increased price in the scrip was not likely to enrich them further. Hence, I find the said contention is not relevant.

31. Also, the Noticees have contended that they held positions overnight if the target was not met on the same day indicating that their trading actions were not influenced by '*front running'* tactics. However, I observe that in instances where profits have been made only on BTST trades, the recommendation to buy the scrips was made in the last half an hour of trading, i.e., after 3:00 p.m. and as late as 03:28 p.m. in one instance. Therefore, the impact on the scrip price was likely to be felt on the next day. Further the percentage of unlawful gain in BTST trades is only 2.26% of the total unlawful gain made by the Noticees during the investigation period. Hence, I do not find merit in the Noticees' contention that these instances are illustrative of his not having fraudulent intentions in BTST trades.

32. Additionally, the Noticees have made reference to the complaint on the basis of which the investigation was conducted into the recommendations made through the Telegram channel Safebulls and the activities of the Noticees. The Noticees have stated that the said complainant lost money in 7NR Retail Ltd and Maurya Udhyog Ltd. by following a separate Telegram channel and not Safebulls. Further, the Noticees have denied association between Safebulls and the other Telegram channel. Also, the Noticees have stated that the complainant's belief in association between Safebulls and the other telegram channel is based on manipulative actions by the other Telegram channel to mislead investors into filing complaints against Safebulls. In this regard, it is pertinent to mention here that the said complaint was only the initial trigger point based on which SEBI initiated investigation in the present matter during which further information was gathered and analysed. After examination of all the information that was collected during the investigation from various sources, the SCN alleging, inter alia, the afore noted fraudulent and unfair activities was issued to the Noticees. SEBI's investigation is

an independent fact finding exercise which was concluded after ascertaining and examining various documents including the complaint which served as an initial trigger point. Thus, the contention of the Noticees with respect to the other telegram channel and no association of Safebulls with the other telegram channel, in my view, is immaterial to the current proceedings. The charges with respect to the manipulative trading practices carried out by Noticees by making recommendations on the Safebulls channel have been established in the preceding paragraphs.

33. In view of the aforesaid findings, I observe that the Noticees 1 and 2, by employing a manipulative scheme, have acted fraudulently and have violated Section 12A(a), (b), (c) of the SEBI Act and regulations 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(d) of the PFUTP Regulations that prohibit manipulative, deceptive or fraudulent schemes/practices when dealing in securities.

Issue 2: Do the violations, if any, attract action, including disgorgement of alleged unlawful gains, under the Sections 11(4), 11(4A), 11B(1) and 11B(2) read with Section 11(1) of the SEBI Act?

34. From the above discussion, I note that the Noticee 1 engaged in dissemination of manipulative messages recommending buying specific stocks on the Telegram channel and the trading account of Noticee 2 was used to book profits from the resulting impact on price and volume of the recommended scrip. Further, as stated at paragraph 13, considering that Noticee 2 is a company where Noticee 1 was the Managing Director and authorised signatory of Noticee 2 during the investigation period, it is one and the same thing whether trading is done in the account of Noticee 1 or 2. Thus, both the Noticees are part of this scheme which has been found to be in violation of SEBI Act and PFUTP Regulations. In this regard, during the personal hearing of Noticees, Noticee 1 identified himself as former director of Noticee 2.

35. Here, I would also like to quote the observations of the Hon'ble Supreme Court of India in the matter of *Shri N. Narayanan vs. SEBI [(2013) 12 SCC 152]* decided on April 26, 2013, wherein it was observed that - "*... Company though a legal entity*

cannot act by itself, it can act only through its Directors. They are expected to exercise their power on behalf of the company with utmost care, skill and diligence." Directors, as individuals entrusted with the fiduciary duty to act in the best interests of the company and its stakeholders, are ultimately responsible for the contraventions that have been established against the company. It is the acts of commission or omission by the directors that ultimately guide the company. Hence, both the Noticees are liable to disgorge, jointly and severally, the wrongful gains of Rs. 28,80,825 (Rs. 28,15,763 in intraday and Rs. 65,062 in only BTST trades) made by them.

Issue 3: Do the violations, if any, attract monetary penalty under Section 15HA of the SEBI Act?

36. I further note that the SCN calls upon the Noticees to show cause, *inter alia*, as to why penalty under section 15HA read with Sections 11(4A) and 11B(2) of the SEBI Act should not be imposed upon them for the alleged violations of SEBI Act, 1992 and PFUTP Regulations.

37. As it has been brought out in the present case that Noticees have executed trades which are in violation of the provisions related to fraudulent and unfair trade practices under SEBI Act and PFUTP Regulations, the same also warrants imposition of monetary penalty under Section 15HA of the SEBI Act. For imposition of penalty under the provisions of the SEBI Act and PFUTP Regulations, Section 15J of the SEBI Act provides as follows:

"***Factors to be taken into account while adjudging quantum of penalty**.*

15J. While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely: —

(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.

Explanation. — For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section."

38. I have taken note of the unlawful gains made by the Noticees in the extant matter. Further, I find that the Noticees, have engaged in the fraudulent scheme repeatedly on several days in multiple scrips. I also note that the following adjudication orders and interim orders have been passed against the Noticees by SEBI (including final order dated December 19, 2022 restraining Noticee 1 from dealing in securities market for 5 years).

Table 3

S.No.	Noticee	Case Name	Order	Violation of
1	1	Investigation in the matter of trading activities of certain entities in the scrip of Agro Phos India Limited	Adjudication Order (AO) dated October 03, 2022	Section 11C(3) of the SEBI Act
2	1	Investigation in the trading activities Leading Leasing Finance and Investment Company Limited	AO dated November 25, 2022	Section 11C(3) of the SEBI Act
3		Investigation in the trading activities Pro Fin Capital Services Limited	AO dated November 28, 2022	Section 11C(3) of the SEBI Act
4		Investigation in the trading activities of certain entities in the scrip of Darshan Orna Ltd.	Final order dated December 19, 2022	Sections 12A (a), (b) and (c) of the SEBI Act and regulations 3 and 4(1), 4(2)(k) and (r) of the PFUTP Regulations.
5		Investigation in the matter of the trading activities of certain entities in the scrip of V B Industries Limited	AO dated January 20, 2023	Section 11C(3) of the SEBI Act
6		Investigation in the trading activities of certain entities in	AO dated February 28, 2023	Section 11C(3) and 11C(2) of the SEBI Act

S.No.	Noticee	Case Name	Order	Violation of
		the scrip of Greencrest Financial Services Limited		
7		Investigation in the matter of trading activities of certain entities in the scrip of India Infraspace Limited	AO dated March 31, 2023	Section 11C(3) of the SEBI Act
8		Joint SMS case related to scrips of Maurya Udyog Ltd., Darjeeling Ropeway Company Ltd., GBL Industries Ltd., 7 NR Retail Ltd. and Vishal Fabrics Ltd.	Interim order dated June 19, 2023	Section 12A(a), (b) and (c) of the SEBI Act and regulations 3(a), 3 (b), 3 (c), 3(d), 4(1) and 4(2)(k) and (r) of PFUTP Regulations
9	2	Joint SMS case related to scrips of Maurya Udyog Ltd., Darjeeling Ropeway Company Ltd., GBL Industries Ltd., 7 NR Retail Ltd. and Vishal Fabrics Ltd.	Interim order dated June 19, 2023	Sections 12A (a), (b) and (c) of the SEBI Act and regulations 3 (a), 3 (b), 3 (c), 3(d) and 4(1) of PFUTP Regulations

F. DIRECTIONS AND ORDER

39. In view of the above, I, in exercise of powers under Section 11(1), 11(4), 11(4A), 11B(1) and 11B(2) read with Section 15HA of the SEBI Act read with Section 19 of the SEBI Act and Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, pass the following directions:

    39.1. Noticees 1 and 2 are restrained from accessing the securities market and are further prohibited from buying, selling or otherwise dealing in the securities market, directly or indirectly in any manner whatsoever, for a period of one year from the date of this Order.

    39.2. Both the Noticees shall, jointly and severally, disgorge the total unlawful gains along with simple interest @12% per annum from February 18, 2022 (i.e. the date on which the last fraudulent trade was executed during the Investigation period) till the date of payment.

39.3. The Noticees shall pay the aforesaid amount to the Investor Protection and Education Fund (IPEF) as referred to in Section 11(5) of the SEBI Act within a period of 45 (forty-five) days, from the date of receipt of this order. The particulars of SEBI account for making e-payment are mentioned below.

Table 4

Name of the Bank	**Branch Name**	**RTGS Code**	**Beneficiary Name**	**Beneficiary Account No.**
Bank of India	Bandra Kurla Branch	BKID0000122	Securities and Exchange of India	012210210000008

39.4. It is clarified that during the period of restraint, the existing holding of securities, including units of mutual funds shall remain under freeze in respect of the aforesaid debarred Noticees.

39.5. After taking into consideration the violations by the Noticees and the unlawful gain made by Noticees, a penalty of Rs. 5,00,000 (Rupees Five lakh only), payable jointly and severally, is hereby imposed on Noticees 1 and 2 under Section 15HA of the SEBI Act.

39.6. Noticees are directed to pay their respective penalties within a period of 45 (forty-five) days, from the date of receipt of this order, through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of ED/CGM (Quasi-Judicial Authorities) -> PAY NOW. In case of any difficulty in online payment of penalties, the said Noticees may contact the support at portalhelp@sebi.gov.in.

39.7. The details/ confirmation of e-payment should be sent to "The Division Chief, Integrated Surveillance Department, SEC-3, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C 4A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051” and also to e-mail id: - tad@sebi.gov.in in the format as given in table below:

Table 5

Case Name	
Name of Payee	
Date of Payment	
Amount Paid	
Transaction No.	
Bank details in which payment is made	
Payment is made for; (like penalty/disgorgement along with order details)	

39.8. The Banks where Noticees are holding bank accounts, individually or jointly, are directed that no debit shall be made, except for e-payment in favour of "Securities and Exchange Board of India" as mentioned above, till further instructions from SEBI. However, credits, if any, into the accounts of the Noticees may be allowed.

39.9. The Depositories are directed to ensure that no debits or credits are made in the demat accounts of the Noticees, held individually or jointly, without the permission of SEBI.

39.10. The Noticees are also directed not to dispose of or alienate any of their assets/properties/securities, till such time the direction of this order is complied with.

40. This order shall come into force with immediate effect.

41. A copy of this Order shall be served on the Noticees, all the recognized Stock Exchanges, Depositories, Banks and Registrar and Transfer Agents for necessary action and compliance with the above directions.

-Sd-

Dr. Anitha Anoop

Date: April 30, 2024 **Chief General Manager**

Place: Mumbai **Securities and Exchange Board of India**