WTM/RKA/IVD/24 - 38/2014

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under sections 11 and 11B of Securities and Exchange Board of India Act, 1992 and 12A of Securities Contracts (Regulation) Act, 1956 -In the matter of Sumeet Industries Limited.

In respect of :

Sl. No.	Name	PAN	Order No.
(1)	M/s Sumeet Industries Limited,	AAECS2583B	24/2014
(2)	Mr. Shankar Somani, (Chairman)	ABNPS7087D	25/2014
(3)	Mr. Rajkumar Somani, (Managing Director)	ACIPS4806L	26/2014
(4)	Mr. Bajranglal Somani, (Director)	ABNPS7085B	27/2014
(5)	Mr. Sumeet Kumar Somani, (Director)	ANPPS3016A	28/2014
(6)	Mr. Mahesh Kumar Somani, (Director)	ABNPS7084A	29/2014
(7)	M/s Somani Overseas Private Ltd., (Promoter)	AAECS2257A	30/2014
(8)	M/s Sumeet Methanol Private Ltd. (formerly Mahesh Texturisers Pvt. Ltd.), (Promoter)	AABCM9702F	31/2014
(9)	M/s Sumeet Silk Processors Private Ltd. (Promoter)	AADCS3516M	32/2014
(10)	M/s Sitaram Prints Private Ltd., (Promoter)	AAECS2255C	33/2014
(11)	M/s Ambaji Syntex Private Ltd., (Promoter)	AABCA9728K	34/2014
(12)	Ms. Urmila Sunder,	ABIPS4331F	35/2014
(13)	Ms. Ganga Somani	ABNPS7081F	36/2014
(14)	Ms. Sumandevi Somani	ACIPS4869H	37/2014
(15)	Mr. Purshottam Madanlal Khandelwal	ADZPK9831B	38/2014

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1. The Securities and Exchange Board of India ("SEBI") carried out an investigation into the suspected price and volume manipulation in the scrip of M/s Sumeet Industries Ltd. (hereinafter referred to as "the company" or "SIL") for the period October 1, 2006 to March 12, 2007 ("investigation period"). During the investigation period, the scrip of the company was traded on 109 days on BSE.

2. Upon investigation in the matter, it was observed that:

a) The total shareholding of the company for the quarter ended March 2007 was 1,73,99,300 shares of face value ₹ 10/- each. The total promoters' holding in the company came down from 79,78,832 shares (45.84%) as on September 30, 2006 to 67,57,677 shares (38.83%) as on December 31, 2006, and further reduced to 49,38,010 shares (28.38%) as on March 31, 2007.

b) The company's profit increased from ₹ 6.02 million on an income of ₹ 275.63 million in the quarter ended September 30, 3006 to ₹ 18.91 million on an income of ₹ 300.37 million in the quarter ended December 31, 2006 (a rise of 214%). It subsequently decreased to ₹ 9.32 million on an income of ₹ 285.3 million in the quarter ended March 31, 2007 (a fall of 50.68%). As on March 31, 2010, the company's profit was ₹ 108.49 million on an income of ₹ 3767.82 million.

c) During the investigation period the scrip of the company was traded only at BSE. Price of the scrip went up by 507.4% while the Sensex recorded an increase of 3.4% during the same period (from 12,473.79 on 03/10/2006 to 12,902.63 on 12/03/2007). The price of the scrip mainly increased during the period from December 05, 2006 to February 21, 2007 where, in 52 trading sessions, the price of the scrip increased from ₹ 4.81 on December 05, 2006 to ₹ 34.25 on February 21, 2007 (a rise of 612%) along with volume spurt when the scrip was traded with an average volume of 9,78,304 shares.

d) On October 03, 2006 i.e. the first trading day of investigation period the scrip opened at ₹ 4.33. During the investigation period the scrip reached a high of ₹ 34.25 on February 20, 2007 and low of ₹ 4.25 on February 21, 2007. On March 12, 2007 i.e. last day of investigation period, the scrip closed at ₹ 26.30. Further, total trading volume in the scrip during the investigation period was 6,02,86,910 shares.

e) One month before the investigation period, i.e. during the period from September 01, 2006 to September 30, 2006, the price of the shares of the company was in the range of ₹ 4.30 to ₹ 5.90 and the shares of the company were traded with an average daily volume of 17,775 shares.

f) One month after the investigation period, the price of the scrip decreased from ₹ 27.60 on March 13, 2007 to ₹ 15.10 on April 30, 2007 and the scrip was traded with an average daily volume of 5,26,582 shares.

g) During the investigation period, the company had come out with a number of favorable corporate announcements and there was a gradual price rise on the back of these announcements as mentioned in the following table:-

Date of Dissemination of the information on BSE and NSE	***Subject matter***	***Impact on price/volume***
11.12.06 *2:32:00 PM*	*Company to switch over from Coal Based Power Plant to Gas based Power Plant. Equipment already finalized and new power plant to be operational in 1st quarter of next financial year.*	*On 11.12.10, the price at 2:31 p.m. was ₹ 10. On 12.12.2006, the scrip opened at ₹ 10.50 (2.14% higher than previous closing price- ₹ 10.28) and fell to an intra -day low of ₹ 10, before closing at ₹ 12.33. Total traded volume- 969715 shares (previous day's volume- 966283 shares).*
13.12.06 *10:35:39 AM*	*Board Meeting on 19.12.06 to consider Interim Dividend and Record Date for Interim Dividend*	*On 13.12.2006, the scrip opened at ₹ 13.00 (5.4% higher than previous closing price- ₹ 12.33) and touched an intra- day high of ₹ 13.25, before closing at ₹ 11.13. The price at 10:35 a.m. was ₹ 12.66. Total traded volume- 2460040 shares (previous day's volume- 969715 shares).*
19.12.06 *10:42:58 AM*	*Interim dividend approved @10%*	*On 19.12.2006, the scrip opened at ₹ 11.89 (7.1% higher than previous closing price- ₹ 11.10) and fell to an intra- day low of ₹ 11.00, before closing at ₹ 12.21. The price at 10:42 a.m. was ₹ 11.88. Total traded volume- 2056776 shares (previous day's volume- 1261731 shares).*
20.12.06 *10:44:48 AM*	*Record date for payment of interim dividend fixed as January 4, 4007.*	*On 20.12.2006, the scrip opened at ₹ 12.76 (4.5% higher than previous closing price- ₹ 12.21) and fell to an intraday low of ₹ 12.25, before closing at ₹ 13.43. The price at 10:44 a.m. was ₹ 13.28. Total traded volume- 2664798 shares (previous day's volume- 2056776 shares).*
28.12.06 *9:51:22 AM*	*Board Meeting on 05.01.07 to discuss and approve a change in Object Clause to include Infrastructure and Real Estate business; Sale, Purchase, Manufacture of allied activities related to menthol products and to take note of the Land bank measuring about 1 lakh Sq. Meters of the Company and to consider the resources for its commercial development*	*On 28.12.2006, the scrip opened at ₹ 16.09 (2.2% higher than previous closing price- ₹ 15.75) and touched an intraday high of ₹ 16.19, before closing at ₹ 14.97. Total traded volume- 3091276 shares (previous day's volume- 1835347 shares).*
08.01.07 *9:53:03 AM*	*Board Meeting on 16.01.07 to consider the preferential allotment of shares to Promoters and their associates at a rate of ₹ 25 to ₹ 30 per share.*	*On 8.1.2007, the scrip opened at ₹ 18.90 (3.9% higher than previous closing price- ₹ 18.20) and fell to an intraday low of ₹ 18.20, before closing at ₹ 19.10. Total traded volume- 1177191 shares (previous*

Date of Dissemination of the information on BSE and NSE	***Subject matter***	***Impact on price/volume***
		day's volume- 974240 shares).
08.01.07 *10:05:12 AM*	*The BOD in the meeting held on 05.01.07 had decided to change the main object clause of the MOA of the company as above, subject to approval of shareholders in the EGM through Postal Ballot.*	*On 8.1.2007, the scrip opened at ₹ 18.90 (3.9% higher than previous closing price- ₹ 18.20) and fell to an intraday low of ₹ 18.20, before closing at ₹ 19.10. The price at 10:05 a.m. was ₹ 18.65. Total traded volume- 1177191 shares (previous day's volume- 974240 shares).*
16.01.07 *11:55:59 AM*	*The BOD in the meeting held on 16.01.07 had approved the allotment of maximum shares 25 lacs on preferential basis to Promoter and their Associates at a rate of ₹ 30 per share or as per the price as may be decided as per guidelines for preferential issue of shares.*	*On 16.1.2007, the scrip opened at ₹ 18.95 (5% higher than previous closing price- ₹ 18.05) and touched an intraday low of ₹ 18.25, before closing at ₹ 18.95. The price at 11:53 a.m. was ₹ 18.95. Total traded volume- 325390 shares (previous day's volume- 275067 shares).*
22.01.07 *10:33:26 AM*	*The BOD in the meeting held on 22.01.07 had declared 10% dividend for the FY 2006-07.*	*On 22.1.2007, the scrip opened at ₹ 22.85 (4.81% higher than previous closing price- ₹ 21.80) and fell to an intra -day low of ₹ 21.90, before closing at ₹ 22.85. The price at 10:32 a.m. was ₹ 22.85. Total traded volume- 715981 shares (previous day's volume- 509532 shares).*
24.01.07 *9:49:47 AM*	*Board Meeting on 03.02.07 to consider the acquisition of a further 200 acres of land near its 55 acres land bank in Kandla Port, District Bhuj, Gujarat; a joint venture with a renowned infrastructure Company for development of Industrial Park & Power Generation Plant for captive generation with infrastructure facilities like Power, Water, Road etc and amalgamation of other group companies with the company.*	*On 24.1.2007, the scrip opened at ₹ 25.10 (4.8% higher than previous closing price- ₹ 23.95) and fell to an intra -day low of ₹ 22.80, which was also the closing price. Total traded volume- 689853 shares (previous day's volume- 643408 shares).*
05.02.07 *11:26:23 AM*	*Sumeet Industries Ltd had informed BSE that the Board of Directors of the Company at its meeting held on February 03, 2007, had considered the following business:* *1. The Board acknowledged the importance of its land bank of 55 acres near Kandla Sea Port, District Bhuj, Gujarat.* *2. The Board had approved further acquisition of land of 200 acres in adjoining area.* *3. The Board had further approved the Joint Venture with leading development and infrastructure Company M/s. Vishvas Infrastructure Ltd (Formerly known as Mefcom*	*On 5.2.2007, the scrip opened at ₹ 22.65 (4.8% lower than previous closing price- ₹ 23.80) and touched an intra- day high of ₹ 24.95, which was also the closing price. The price at 11:25 a.m. was ₹ 24.95. Total traded volume- 648861 shares (previous day's volume- 1255800 shares).*

Date of Dissemination of the information on BSE and NSE	***Subject matter***	***Impact on price/volume***
	Agro Industries Ltd) for acquisition and development of above mention land. Development of land would include industrial park, power generation plant for captive consumption, road and telecom infrastructure, building interiors etc. 4. The Company had approved amalgamation of its group Company M/s. Somani Overseas Ltd, Sitaram Prints Pvt Ltd & Mahesh Texturisers Pvt Ltd.	
12.02.07 *12:23:03 PM*	*Board Meeting on 19.02.07 to consider the expansion of its Polyester POY spinning capacity from existing 12000 Tons per annum to 56000 Tons per Annum by setting up 10 more lines of Polyester POY spinning plant with annual installed capacity of 44000 Tons and to install a Continuous Poly condensation Plant (C P Plant) with a capacity of 56000 Tons per Annum to enable the company to produce Polyester POY from PTA, MEG*	*On 12.2.2007, the scrip opened at ₹ 23.55 (4.65% lower than previous closing price- ₹ 24.70) and fell to an intra- day low of ₹ 23.50, before closing at ₹ 25.90. The price at 12:20 p.m. was ₹ 25.9. Total traded volume- 546496 shares (previous day's volume- 571581 shares).*
19.02.07 *11:21:58 AM*	*Sumeet Industries Ltd had informed BSE that the Board of Directors of the Company at its meeting held on February 19, 2007 had discussed and approved the following Expansion Plan.* *1. Expansion: Expansion of its Polyester POY spinning capacity from existing 12000 Tons per annum to 56000 Tons per Annum by setting up 10 More lines of Polyester POY spinning plant with annual installed capacity of 44000 Tons.* *2. Backward Integration: To Install Continuous Poly condensation Plant (C P Plant) with a capacity of 56000 Tons per Annum. That will enable the Company to produce Polyester POY from PTA,MEG.* *3. To Raise fund through IPO/Pref. Allotment to Strategic Investor, FII, HNI etc. Subject to approval of Shareholder.*	*On 19.2.2007, the scrip opened at ₹ 30.75 (2.84% higher than previous closing price- ₹ 29.90) and fell to an intra- day low of ₹ 29.90, before closing at ₹ 31.35. The price at 11:20 a.m. was ₹ 31.35. Total traded volume- 719294 shares (previous day's volume- 562645 shares).*
20.02.07 *10:14:57 AM*	*Board Meeting on 27.02.07 to consider Issue of Equity Shares to M/s. Bennett Coleman & Co. Ltd (Times of India Group) and M/s. Vishvas Infrastructure Ltd on preferential basis at a price ₹ 30.00 per share or that may be decided as per SEBI (DIP) guidelines whichever is higher.*	*On 20.2.2007, the scrip opened at ₹ 32.90 (4.94% higher than previous closing price- ₹ 31.35) and fell to an intra -day low of ₹ 31, before closing at ₹ 32.90. The price at 10:14 a.m. was ₹ 32.35. Total traded volume- 779288 shares (previous day's volume- 719294 shares).*
27.02.07 *10:01:13 AM*	*The Board of Directors had approved Issue of Shares worth ₹ 20 Million on preferential basis to M/s. Bennett Coleman & Co. Ltd (Times of India Group) and 2,50,000 Shares to M/s. Vishvas Infrastructure Ltd at price of ₹ 30/- per*	*On 27.2.2007, the scrip opened at ₹ 28.00 (4.08% higher than previous closing price- ₹ 26.90) and fell to an intra -day low of ₹ 26, before closing at ₹ 28.20. The price at 9:59*

Date of Dissemination of the information on BSE and NSE	***Subject matter***	***Impact on price/volume***
	shares or as per guidelines for preferential issued by SEBI. The Board of Directors had approved to increase in Authorised Share Capital from 250 Million to 290 Million. The Board of Directors had also decided to convene an Extra Ordinary General Meeting on March 31, 2007 to obtain consent for the above mentioned matter.	*a.m. was ₹ 28.2. Total traded volume- 331489 shares (previous day's volume- 457960 shares).*
27.02.07 *10:44:55 AM*	*Board Meeting on 05.03.07 to consider the issue of bonus shares and to finalise the venue and time of the EGM scheduled to be held on 31.03.07.*	*On 27.2.2007, the scrip opened at ₹ 28.00 (4.08% higher than previous closing price- ₹ 26.90) and fell to an intra- day low of ₹ 26, before closing at ₹ 28.20. The price at 10:43 a.m. was ₹ 28.2. Total traded volume- 331489 shares (previous day's volume- 457960 shares).*
5.03.07 *4:40:48 PM*	*The Board of Directors of the Company at its meeting held on March 05, 2007, had decided to issue "Bonus Share" at the ratio 1:10 (One equity share for every Ten equity share held by the shareholder).*	*On 6.03.2007, the scrip opened at ₹ 27.55 (4.51% lower than previous closing price- ₹ 28.85) and touched an intraday high of ₹ 29.85, before closing at ₹ 27.45. Total traded volume- 647089 shares (previous day's volume- 569894 shares).*
09.03.07 *6:56:15 PM*	*EGM to be held on 31.03.07*	*On 12.03.2007, the scrip opened at ₹ 28.00 (1.63% higher than previous closing price- ₹ 27.55) and fell to an intraday low of ₹ 26.20, before closing at ₹ 26.30. Total traded volume- 397368 shares (previous day's volume- 545258 shares).*

h) Out of these corporate announcements, following corporate announcements were not implemented by the company and its non implementation was not intimated to BSE:

Sr. No.	***Subject matter***	***Date of Corporate announcement***	***Announcement***
1.	*Allotment of shares on preferential basis to promoter and their associates*	*January 08, 2007 at 09:53:03 AM*	*It was disclosed that Board Meeting will be on January 16, 2007 to consider Preferential allotment of shares to promoters and their associates at a rate of ₹25 to ₹ 30 per share.*
		January 16, 2007	*The board of directors (BOD) of the company, in the meeting held on January 16, 2007, had approved the allotment of maximum 25 lacs shares on preferential basis to promoter and their associates at a rate of*

Sr. No.	*Subject matter*	*Date of Corporate announcement*	*Announcement*
			₹ 30 per share or as per the price as may be decided as per guidelines for referential issue of shares.
2.	*Joint Venture with leading development and infrastructure company M/s. Vishwas Infrastructure Ltd.*	*January 24, 2007*	*It was disclosed that Board Meeting will be on February 13, 2007 inter alia to consider* *the acquisition of a further 200 acres of land near its 55 acres land bank near Kandla Port, Dist. - Bhuj, Gujarat;* *joint venture with a renowned infrastructure Company for development of Industrial Park & Power Generation Plant.*
		February 05, 2007	*It was disclosed that -* *The BOD had acknowledged the importance of its land bank of 55 acres near Kandla Sea Port, Dist – Bhuj, Gujarat.* *The Board had approved further acquisition of land of 200 acres in the adjoining area.* *The BOD had further approved the Joint Venture with leading development and infrastructure company M/s. Vishwas Infrastructure Ltd. (formally known as Mefcom Agro Industries Ltd.) for acquisition and development of above mentioned land. Development of land would include industrial park, power generation plant for captive consumption, road and telecom, infrastructure, building interiors etc.*
3.	*Amalgamation of its group companies*	*January 24, 2007*	*It was disclosed that Board Meeting will be on February 13, 2007 to consider inter alia amalgamation of other group companies with the company.*
		February 05, 2007	*The company had approved amalgamation of its group companies M/s Somani Overseas Ltd., Sitaram Prints Pvt. Ltd. and Mahesh Texturisers Pvt. Ltd.*

i) During the period when the SIL was making abovementioned corporate announcements, its promoters/ directors, promoter group companies /related entities traded in its shares as described in the following table:-

Sr. No.	*Entity*	*Broker*	*Relationship*	*Buy Qty*	*Period of Buy*	*Sell Qty*	*Period of sell*
1	*Betex India Ltd.*	*Arihant*	*Promoter Group company*	*100000*	*10.1.07*	*100000*	*9.1.07*
2	*Somani Overseas P. Ltd*	*Arihant*	*Promoter Group company*	*67950*	*3.10.06 to 13.10.06*	*0*	*14.12.06 to 21.12.06*
		CIL		*0*		*195000*	
3	*Shanker Somani*	*CIL*	*Promoter / Chairman*	*50000*	*17.11.06*	*329250*	*6.10.06 to 2.2.07*
		Arihant		*0*		*5000*	
4	*Rajkumar*	*Arihant*	*Promoter / Managing*	*50000*	*2.11.06*	*150000*	*17.11.06 to*

Sr. No.	*Entity*	*Broker*	*Relationship*	*Buy Qty*	*Period of Buy*	*Sell Qty*	*Period of sell*
	Somani	*CIL*	*Director*	*0*		*395000*	*18.1.07*
5	*Sumeet Menthol Pvt. Ltd.*	*CIL*	*Promoter Group company*	*0*	*-*	*600000*	*15.12.06 to 20.12.06*
6	*Sumeet Silk Processors Pvt. Ltd*	*CIL*	*Promoter Group company*	*0*	*-*	*300000*	*13.12.06 to 20.12.06*
7	*Sitaram Prints Pvt ltd*	*CIL*	*Promoter Group company*	*0*	*-*	*300000*	*13.12.06 to 9.1.07*
8	*Ambaji Syntex Pvt ltd*	*CIL*	*Promoter Group company*	*0*	*-*	*150000*	*15.12.06 to 21.12.06*
9	*Urmila Sunder*	*CIL*	*Wife of Bajranglal Somani*	*0*	*-*	*250000*	*2.2.07*
10	*Bajranglal Somani*	*CIL*	*Promoter Group/ Director*	*0*	*-*	*250000*	*2.2.07*
11	*Ganga Somani*	*CIL*	*Wife of Shankarlal Somani*	*0*	*-*	*250000*	*6.2.07*
12	*Sumandevi Somani*	*CIL*	*Wife of Rajkumar Somani*	*0*	*-*	*200000*	*6.2.07*
13	*Krishnadevi Lahoti*	*CIL*	*Wife of a director, Shri Mangilal Lahoti*	*70000*	*8.12.06 to 8.3.07*	*20000*	*26.12.06 to 7.3.07*
		Arihant		*336535*		*131535*	
Total				*674485*		*3625785*	

j) The SIL's directors *viz.* Mr. Shankar Somani (Promoter and Chairman), Mr. Rajkumar Somani (Promoter and Managing Director), Mr. Bajranglal Somani (Promoter and Director), and prompter group related entities *viz.* M/s Somani Overseas Private Limited (Promoter), M/s Sumeet Methanol Private Limited (Promoter), M/s Sumeet Silk Processors Private Limited (Promoter), M/s Sitaram Prints Private Limited (Promoter), M/s Ambaji Syntex Private Limited (Promoter), Ms. Urmila Sunder (Wife of Bajranglal Somani), Ms. Ganga Somani (Wife of Shankarlal Somani), Ms. Sumandevi Somani (Wife of Rajkumar Somani) reduced their combined holding in the company from 79,78,832 shares (45.84%) in the quarter ended September 2006 to 67,57,677 shares (38.83%) in the quarter ended December 2006 and to 49,38,010 shares (28.38%) in the quarter ended March 2007. All these promoters/ promoter related entities are hereinafter collectively referred as the "*promoter group entities*"). The *promoter group entities* had sold their shares through the stock brokers, namely; CIL Securities Ltd. and Arihant Capital Markets Ltd.

k) From the above, it was alleged that SIL made misleading announcements pertaining to preferential issue, joint venture with Vishvas Infrastructure Ltd., and scheme of amalgamation, during the investigation period to influence the price of the scrip so that the promoters/company related entities could reduce their holdings in SIL at a profitable price.

l) The major counter party to the sales of *promoter group entities* (i.e. for 11,53,032 shares accounting for 31.80% of total quantity sold by the group) was Mr. Purshottam Madanlal

Khandelwal (hereinafter referred to as Mr. Purshottam Khandelwal). Mr. Purshottam Khandelwal was trading through a stock broker M/s. SIC Stocks and Services Pvt. Ltd. ("SIC") and during investigation period he had placed buy orders for 18,39,36,413 shares of the company. Total orders placed and trades carried out by Mr. Purshottam Khandelwal are as following:

No. Buy Orders	***Buy order quantity***	***No. of Trades***	***Purchase Qty***	***% of Mkt Volume***	***No. of Sell Orders***	***Sell Order Quantity***	***No. of Trades***	***Sale Qty.***	***% of Mkt Volume***
7,540	*18,39,36,413*	*15,754*	*1,46,29,418*	*24.27 %*	*8,086*	*3,03,97,898*	*14,257*	*1,42,62,631*	*23.66 %*

m) The valid buy orders placed by Mr. Purshottam Khandelwal far exceeded his valid sell orders thus indicating buying pressure in the scrip. The total number of valid buy orders placed by Mr. Purshottam Khandelwal (7540 buy orders) constituted 71.83 % of the total valid buy orders placed in the system. Out of total buy orders placed by Mr. Purshottam Khandelwal 1611 buy orders i.e. 21.37% orders (constituting 74% of his order quantity) were deleted and only 7.95 % of the buy orders got executed.

n) Further, about 80 % of his buy orders (for 14,90,80,942 shares) were in the nature of large buy orders (quantity>=1,00,000 shares). Out of these large buy orders, only buy orders for 73,19,561 shares (4.85 % of 14,90,80,942 shares) got executed. Bulk of such large buy orders for 10,98,39,068 shares (73.68% of 14,90,80,942 shares) were deleted by Mr. Purshottam Khandelwal.

o) Out of large buy orders placed by Mr. Purshottam Khandelwal, buy orders for 7,16,45,712 shares (i.e. 48% of 14,90,80,942 shares) were placed at prices marginally lower than the prevailing market price. Mr. Purshottam Khandelwal had created artificial buying pressure in the scrip by manipulating the order book. Out of the large buy orders placed by Mr. Purshottam Khandelwal at prices slightly lower than the prevailing market price, only a fraction of the orders were executed and bulk of those orders were deleted. Thus, his intention was only to create a false appearance of volume in the scrip and he was not a genuine buyer.

p) Mr. Purshottam Khandelwal was counterparty to the sales of *promoter group entities* for 1153032 shares (31.80% of total sales of *promoter group entities* in the scrip). Out of the above quantity, trades for 5,38,427 shares (14.85% of sales of *promoter group entities* and 47% of the sales of *promoter group entities* to Mr. Purshottam Khandelwal) were synchronized i.e. buy and sell orders were placed within one minute of each other. Further, 1370 trades (for 2,37,035 shares) of Mr. Purshottam Khandelwal were '*self trades*' (where he was on the buy and sell sides both). The buy orders placed by Mr. Purshottam Khandelwal accounted for around

77% of the total valid buy orders placed during this period which was mainly around the sales of the *promoter group entities*.

q) It was observed that the company and Mr. Purshottam Khandelwal are connected with each other. Mr. Purshottam Khandelwal had transferred shares of Mefcom Agro Industries Ltd. (hereinafter referred to as "Mefcom") to the company through off market transaction. The company had transferred a total amount of ₹18,87,073 to SIC, by way of following three cheques, out of which an amount of ₹ 6,91,225 was credited for the purchase of shares of the company by Mr. Purshottam Khandelwal.

S. no.	***Cheque no.***	***Cheque Date***	***Amount (₹)***	***Allegation***
1.	*547013*	*15/01/07*	*6,91,225.00*	*Credited into Mr. Purshottam Khandelwal's ledger account in the book of SIC for purchases of shares of the company.*
2.	*547014*	*5/12/06*	*11,57,310.00*	**----------**
3.	*547015*	*06/12/06*	*38,538.38*	
	Total (₹)		***18,87,073.38***	**----------**

r) It was observed that no trades were executed by SIC for the company between the period January 1, 2006 to March 23, 2011. The company was registered with SIC as its client on March 1, 2007 i.e. after the above three cheques were drawn.

s) Further, the company had made wrong disclosures to BSE with regard to its group company Betex India Ltd as it showed Betex India Ltd. under the public category during the quarter ended June 2007 rather than showing under promoter group.

3. In view of the above, SEBI issued common show cause notices (SCNs) dated March 19, 2012 to SIL, Mr. Shankar Somani (its Promoter and Chairman), Mr. Rajkumar Somani (its Promoter and Managing Director), Mr. Bajranglal Somani(its Promoter and Director), Mr. Sumeet Kumar Somani (Director), Mr. Mahesh Kumar Somani(Director), M/s Somani Overseas Private Limited (Promoter), M/s Sumeet Methanol Private Limited (Promoter), M/s Sumeet Silk Processors Private Limited (Promoter), M/s Sitaram Prints Private Limited (Promoter), M/s Ambaji Syntex Private Limited (Promoter) and promoter related entities Ms. Urmila Sunder, Ms. Ganga Somani and Ms. Sumandevi Somani. SEBI also issued a SCN dated April 18, 2012 to Mr. Purshottam Khandelwal who was alleged to be connected with SIL. The allegation against the noticees as per the respective SCN are as following:

Name of the noticee	**Allegations**	**Violations of Act/ regulations**
M/s Sumeet Industries	Made a number of false corporate	Section 12A (a),(b) and (c) of

Limited.	announcements during the investigation period to influence the price and volumes of its shares. Partly funded the purchases of its own shares through Mr. Purshottam Khandelwal and in collusion with SIC and Mr. Purshottam Khandelwal, manipulated the order book of the shares of the company and created a buying pressure. By manipulating price and volume of its own shares, it enabled the *promoter group entities* to reduce their stake in the company at higher prices. Made a wrong disclosure to the stock exchanges in respect of its group company Betex India Ltd.	the SEBI Act read with regulations 3(b), (c), (d) and 4(1), 4(2) (a), (d), (e), (f) and (r) of SEBI (Prohibition of fraudulent and unfair Trade Practices relating to Securities Market) Regulations, 2003 ("PFUTP Regulations") and section 21 of Securities Contracts (Regulation) Act, 1956 ("SCRA") read with clause 35 of the Equity Listing Agreement.
Mr. Shankar Somani, Mr. Rajkumar Somani Mr. Bajranglal Somani, Mr. Sumeet Kumar Somani and Mr. Mahesh Kumar Somani	They being the directors of the company were responsible for the day-to-day management of its affairs and were therefore, liable for the violations committed by the company.	Section 12A (a),(b) & (c) of the SEBI Act read with regulations 3 (a), (b), (c), (d) and 4(1), 4(2) (a), (d), (e), (f) and (r) of PFUTP Regulations
M/s Somani Overseas Private Limited, M/s Sumeet Methanol Private Limited, M/s Sumeet Silk Processors Private Limited, M/s Sitaram Prints Private Limited,	They are connected to either the company or its directors or are the relatives of directors of the company and they benefited from such manipulation by selling shares in the market during the investigation period.	Thereby they have violated section 12A(a), (b) & (c) of the SEBI Act, 1992 read with regulations 3(a), (b), (c), (d) and 4(1) of PFUTP Regulations.

M/s Ambaji Syntex Private Limited, Ms. Urmila Sunder, Ms. Ganga Somani and Ms. Sumandevi Somani		
Mr. Purshottam Khandelwal	In collusion with M/s SIC Stocks and Services Pvt. Ltd. and the company, manipulated the order book of the shares of the company and created buying pressure.	Regulation 3(a),(b),(c),(d), 4(1), (4)(2)(a) and (e) of PFUTP Regulations.

4. Vide SCNs dated March 19, 2012 *SIL,* its two directors viz; Mr. Sumeet Kumar Somani and Mr. Mahesh Kumar Somani and *promoter group entities* were called upon to show cause as to why appropriate directions in terms of sections 11 and 11B of the SEBI Act read with regulation 11 of the PFUTP Regulations and section 12A of SCRA, including the direction to disgorge the alleged ill gotten profit of ₹4.69 crore should not be issued against them for the alleged violations. Vide SCN dated April 18, 2012 Mr. Purshottam Khandelwal was called upon to show cause as to why appropriate direction including the direction to disgorge the ill- gotten profit of ₹ 26.03 lac in terms of section 11 and 11B of SEBI Act read with regulation 11 of the PFUTP Regulations should not be issued against him for the violations alleged to have been committed by him.

5. SEBI had furnished certain documents to SIL, its two directors viz; Mr. Sumeet Kumar Somani and Mr. Mahesh Kumar Somani and *promoter group entities* on their request. They had also sought opportunity to cross -examine Mr. Purshottam Khandelwal, Mr. Brij Pal Maurya and Mr. Nirmal Jain. On November 06, 2014, Mr. Purshottam Khandelwal and Mr. Brij Pal Maurya were cross-examined by them. However, they had waived the cross examination of Mr. Nirmal Jain. Thereafter, they submitted their replies to the SCNs. Personal hearing was also granted to them in the matter on July 30, 2013 and August 02, 2013. Subsequently, they filed their written submissions in the matter. The replies and written submissions of these noticees are summarised as follows:
   a) They have denied to have violated any of the alleged provisions.
   b) They have submitted that all the announcements made by the company were in the ordinary course of business, were either routine disclosure to BSE in compliance with Equity Listing Agreement or about the future plans of the company and were backed by adequate basis. The announcements made by the company were not confined only to the period between

December 11, 2006 and March 09, 2007. No fault has been found by SEBI with announcements made by the company prior to January 08, 2007. The company could not undertake the transactions disclosed in the impugned announcements for genuine reasons and they were not false as alleged. None of the announcements were used as a device or plan to influence the price of the shares of the company. It is for SEBI to prove that the announcements were false and misleading. However, the SCN lacks in that regard and SEBI has not established so on the basis of any evidence.

c) Prior to the first corporate announcement dated December 11, 2006 as listed in the SCN but not in question, the price of the scrip had already increased from ₹ 4.30 (closing price) as on October 03, 2006 to ₹ 8.60 (closing price) as on December 8, 2006 i.e. increase of more than 100% and volume had increased from 6852 shares to 2,44,840 shares. Further, prior to the first allegedly tainted corporate announcement on January 08, 2007, the price of the scrip had already increased from ₹ 4.30 as on October 3, 2006 to ₹ 17.35 as on January 05, 2007 i.e. increase by more than 400 % and the volume had increased from 6852 shares to 9,74,240 shares. Thus, the price was already in upward mode *de hors* allegedly tainted corporate announcements.

d) The trades of the *promoter group entities* during the investigation period were not guided by the announcements made by the company. The *promoter group entities* were trading in the scrip of the company even before January 08, 2007 and after February 05, 2007. From the data in the SCN, it is clear that the purchases and sales were made irrespective of the corporate announcements. Further, as evidently, most of the transactions were executed on days when there were no corporate announcements. The *promoter group entities* had no nexus with the corporate announcements made by the company and they did not have any *mala fide* intent or design.

6. **Submissions with the regard to the announcements of preferential allotment of shares to the promoters of the company and their associates and alleged price movement pursuant thereto-**

a) The company was in need of urgent funds to meet the expenses related to its expansion, power plant, etc. The promoters of the company decided to subscribe to its shares by way of preferential allotment. The board of directors in its meeting held on January 16, 2007 approved the preferential allotment of shares to promoters and their associates. As required under SEBI Guidelines, the company had sought in-principle approval of listing of shared to be issued in preferential allotment, from BSE, which was denied by BSE vide its letter dated April 11, 2007 pointing out discrepancies in the disclosure in the notice of annual general meeting of the company with regard to resolution of shareholders. The BSE had also directed the company to approach afresh. After issuing notice of Extra Ordinary General

Meeting (EGM), the company vide letter dated May 17, 2007 again approached BSE for in-principle approval for the same. BSE vide its letter dated May 29, 2007 advised the company to submit *inter alia* certified copy of the resolution passed under section 81(1A) of the Companies Act, 1956. EGM of its shareholders was convened on June 04, 2007 and a resolution was approved for preferential allotment of 30 Lac equity shares to the promoters of the company and their associates. SIL vide its letter dated June 05, 2007 provided the documents / details / clarifications addressing the queries raised by the BSE in its letters.

b) BSE in its letter dated May 29, 2007 had also pointed out that it will consider the grant of approval in terms of clause 24(a) of the Equity Listing Agreement only on company complying *inter alia* with regulation 10 of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 (Takeovers Regulations). In view of the same, the company filed application before SEBI under regulation 4 of Takeovers Regulations seeking exemption from obligation to make open offer consequent to increase in shareholding of the promoters as a result of the proposed preferential allotment.

c) Meanwhile, BSE vide letter dated July 05, 2007 stated that the company had not submitted the necessary documents / information and directed the company to submit the same. The company vide letter dated July 06, 2007 submitted the documents / information sought to BSE.

d) Since, the takeover panel of SEBI recommended rejection of the exemption request of the company; it withdrew the exemption application before SEBI decided on the same. The company wrote to BSE vide letter dated February 28, 2008 withdrawing its application filed with BSE seeking in-principle approval for issue of shares to promoters on preferential basis. Thus, the BSE was kept in loop at all stage of preference allotment and was informed about the non-implementation of this announcement.

e) As the company kept hitting road blocks, it ultimately decided to raise funds to the tune of around ₹30 crores by bringing rights issue during March 2008. The promoters of the company subscribed majority to 1,87,54,611 shares (around 95%) of the rights issue and thereby infused around ₹ 28,13,19,165 into the company. The promoters had subscribed to the rights issue at the price of ₹ 15 per share when the market price was around ₹ 6 per share.

f) As per the SCN itself, on January 8, 2007, the opening price of the scrip was ₹ 18.90 and closing price was ₹ 19.10 and intra-day low was ₹ 18.20. The scrip effectively moved up just by 20 paise. Further the price had fallen to ₹ 18.20 i.e. fall of 70 paise. In so far as the scrip opening at a price 3.9% higher than the previous day closing price is concerned, the same is normal as on most of the days such as January 2, 3, 4 and 5, 2007 the scrip had opened at higher prices than the previous day closing price.

g) Further, on January 16, 2007 the scrip had opened at ₹ 18.95 and the price of the scrip was ₹ 18.95 at 11:53 a.m. i.e. just prior to this corporate announcement was made at 11:55:59 a.m. Further, the price of the scrip had fallen to ₹ 18.25 i.e. fall of 70 paisa before recovering and closing at ₹ 19.95. Such price increase was normal and genuine. It is incorrect to say that such negligible price increase was on account of this announcement.

h) The promoters and promoter group had bought and sold shares of the company as described in annexure 6 of the SCN, even prior to January 8, 2006. Admittedly, they had already sold 15,26,650 shares of the company prior to this announcement. Further, on January 08 and 16, 2007 none of the *promoter group entities* had sold shares of the company. Therefore, the charge with respect to this announcement stands disproved on account of this fact alone.

7. **Submissions with regard to the announcements dated January 24, 2007 and February 05, 2007 about joint venture with Vishwas Infrastructure Ltd. and amalgamation of group companies and alleged price movement thereto-**

a) The joint venture with Vishwas Infrastructure Ltd. as disclosed in the announcement dated January 24, 2007 and February 05, 2007 was entered for development of land which would include industrial park, power generation plant for captive consumption, road and telecom infrastructure, building interiors etc. Due to unavailability of appropriate tract of land and steep soar in land prices, the objective of joint venture was not feasible. Therefore, management of the company had withdrawn the joint venture proposal in its board meeting dated April 30, 2013 in the light of long delay and steep hike in real estate prices. Same was announced to the BSE.

b) The company had kept on hold the scheme of amalgamation of group companies as disclosed in the announcement dated February 05, 2007 waiting for the right time to act upon it. Later, the management of the company had withdrawn the proposal of amalgamation in its board meeting on April 30, 2013. Same was announced to the BSE.

c) On January 24, 2007 the scrip had opened at ₹ 25.10, reached to intra-day low to ₹ 22.80 and closed at ₹ 22.80. Therefore, it can be observed that the corporate announcement on January 24, 2007 did not have any positive effect on the price of the scrip. In so far as the allegation that scrip opened at a price 4.8% higher than the previous day closing price is concerned, prior to January 24, 2007 i.e. when the allegedly tainted announcement made by the company, the scrip had opened at higher prices than the previous day's closing price for example on January 17th, 18th, 19th, 22nd and 23rd.

d) On February 5, 2007 at 11:25 a.m. i.e. just prior to this announcement at 11:26:23 a.m. the price of the scrip was ₹ 24.95. The price of the scrip had already increased from ₹ 22.65

(opening price) to ₹ 24.95 before this announcement was made. The scrip closed at ₹ 24.95, therefore, there was no effect of these announcements on the price of the scrip.

8. **Submissions with respect to funding of purchases of its scrip by Mr. Purshottam Khandelwal -**

a) In the last week of May 2006, SIC had approached the company requesting it to register it as its client and accordingly the company filed the KYC form provided by SIC and forwarded the same to it. The company was a client of SIC at the time (i.e. June 06, December 05 and 06, 2006) when it traded in scrip of Mefcom is borne out by (a) three contract notes issued by SIC itself, (b) Ledger statement issued by SIC itself, (c) SIC bank statement showing the receipt of ₹18,87,073.38 from the company and iv) the company's demat statement evidencing the receipt of shares of Mefcom from demat account of the company.

b) The company had not funded Mr. Purshottam Khandelwal. The company, its directors and *promoter group entities* are neither connected with Mr. Purshottam Khandelwal nor aware of his trading in the scrip of the company. Mr. Purshottam Khandelwal himself confirmed during the cross-examination that he is not connected with the company. Mr. Purshottam Khandelwal was buying and selling in good volumes therefore, probability of *promoter group entities'* trades matching with Mr. Purshottam Khandelwal increases considerably.

c) The company had purchased in total 67,559 shares of Mefcom through SIC. SIC had also issued contract notes for these purchases. The said shares were also credited in demat account of the company. For the said purchase, the company had made payments to SIC for a total amount of ₹ 18,87,073 by account payee cheques. The same can also be borne out from the Annual Report 2006-07 at page 34 wherein the company categorically stated that it has purchased 67,559 Mefcom's shares. The company is neither aware nor concerned with Mr. Purshottam Khandelwal or his trading in the scrip of the company. He is not related to the company. The company was at no point aware of the fact that part of the shares of Mefcom purchased by SIC on behalf of company were being credited from the account of Mr. Purshottam Khandelwal. The company was under belief that the same had come from the account of SIC. The cheques through which payment was made were reflected in the bank statement of SIC and expressly admitted by Mr. Brij Pal Maurya (the authorized representative of SIC) in cross-examination.

9. **Submissions with regard to trading of the *promoter group entities*.**

a) The *promoter group entities* are part of promoter group but were not involved in the management or affairs of the company, directly or indirectly. There is no embargo on a promoter / director not to buy or sell shares. Their transactions as alleged in the SCN were genuine, *bona fide*, done in the ordinary course. They had complied with all requisite

requirements including disclosures as applicable to their transactions. All the requisite disclosures under regulation 13(4) of SEBI (Prohibition of Insider Trading) Regulations, 1992 were made to the company and BSE. The sale transactions were delivery based and were executed on screen based mechanism of stock exchange.

b) The *promoter group* entities were buying as well as selling even prior to the alleged tainted corporate announcements and their trades had no nexus with the impugned corporate announcements. Save and except Mr. Krishna Lahoti to whom SEBI has not issued any SCN, none of the promoters /directors or their related entities had sold shares of the company on the date of impugned corporate announcements.

c) Somani Overseas Pvt. Ltd. had done only two sale transactions in the scrip i.e. on December 14 and 21 of 2006. No fault has been found by SEBI with the announcement made by the company before January 08, 2007. Therefore, no adverse conclusion should be drawn from the said transactions.

d) Ambaji Syntex Pvt. Ltd. had made only two sale transactions i.e. on December 13, 2006 and December 21, 2006. Further, Mahesh Texturies Pvt. Ltd. (now known as Sumeet Methanol Pvt. Ltd.) had made three sale transactions on December 15, 2006, December 18, 2006 and December 20, 2006. Since all these transactions were made much prior to the first allegedly tainted corporate announcement dated January 08, 2007, no adverse conclusion should be derived from their sales.

e) Mr. Rajkumar Somani and Mr. Shankarlal Somani were buying and selling shares of the company even prior to the period of announcements alleged in the SCN. Mr. Rajkumar Somani had made only five sale transactions on November 17, 2006, December 29, 2006, January 09, 17 and 18 of 2007 and one buy transaction on November 02, 2006. Mr. Shankarlal Somani had also made only five sale transactions on October 06, 2006, November 21, 2006, December 20, 2006, January 18, 2007 and February 02, 2007, and one buy transaction on November 02, 2006. There is no nexus between these corporate announcements and the trades done by Mr. Rajkumar Somani and Mr. Shankarlal Somani.

f) Betex India Ltd. had made only one sale transaction i.e. on January 9, 2007, followed by one buy transaction on January 10, 2007. The quantities of shares in these sell and buy transactions were same. The fact of selling and then buying the same quantity of shares destroys the whole case wherein the allegation is to enable offloading by the promoters.

g) Mr. Bajranglal Somani had made only one sale transaction on February 2, 2007. There is no nexus between this corporate announcement and sale of shares of the company by Bajranglal Somani.

h) Mr. Gangadevi Somani had made only sale transactions on February 6, 2007. Therefore, no adverse inference should be drawn from her sale.

10. **Submission with respect to the alleged profit made by *promoter group* entities-** Annexure 17 to the SCN pertaining to profit is vague. SEBI had conveniently cherry picked the promoters who had sold the shares and excluded the promoters who had purchased the shares or were net purchasers. If all the promoter / company related entities are one unit as alleged, then for the purpose of calculation of profit the alleged unit cannot be disbanded merely because that reduces the alleged profits.

11. **Submissions with respect to the disclosure of company's group company M/s Betex India Ltd. under Public category.-** It is denied that the company had made wrong disclosure to the stock exchanges in respect of its group company M/s Betex India Ltd. as alleged. The disclosure of the shareholding pattern held for the quarter ending June 2007 erroneously entered the name of Betex India Ltd. under the classification "Public". The *bona fide* clerical error was corrected as soon as it came to the notice of the company. The error was unintentional and thus be dealt sympathetically.

12. Apart from adopting the above replies and submissions, Mr. Maheshkumar Somani and Mr. Rajkumar Somani have submitted that they were directors of the company but have resigned from its board with effect from February 05, 2007 and August 21, 2012, respectively. Hence, they cannot be charged in this case and no action as contemplated in the respective SCNs should be taken against them.

13. Mr. Purshottam Khandelwal vide his letter dated May 11, 2012 filed his reply to the SCN issued to him. An opportunity of personal hearing was granted to him on July 30, 2013 when he appeared and made oral submissions. He has claimed that he opened a trading account with SIC through one Mr. Nirmal Jain and traded for not more than 100 to 200 shares. Further, he had never traded in the scrip of the company through any stock broker including SIC and had no relation /connection with the company. He had also denied of having a demat account or executing off market transactions in the scrip. He has submitted that he had not signed the Delivery Instruction Slips (DISs) being relied upon by SEBI and has claimed that these DISs were forged and signed by Mr. Nirmal Jain.

14. I have examined the SCNs issued to the respective noticees, their replies and submissions and the relevant material available on record. I note that the individual SCNs have been issued to all the noticees on the basis of same set of facts and circumstances, same set of transactions in the same scrip, etc. Further, all the noticees are alleged to be connected/related to each other. In view of the nature of alleged transactions, connections/relations and other attendant facts and circumstances of this case, I deem it appropriate to deal with the respective SCNs issued to all the fifteen noticees herein by way of this common order. From the respective SCNs, the basis

of alleged contravention of provisions of SEBI Act and PFUTP Regulations against the noticees can be summarised as following:-

a) The company made certain false corporate announcements and thereby influenced the price of the scrip so that the *promoter group entities* could reduce their holdings in SIL at a profitable price;
b) Mr. Purshottam Khandelwal had created artificial buying pressure in the scrip by manipulating the order book. He indulged in self trades and also in synchronised trading with *promoter group entities* and manipulated the price and traded volume of the scrip;
c) The company partly funded the transactions in its own shares by Mr. Purshottam Khandelwal and in collusion with him manipulated the price and volume of the scrip;
d) Taking benefit of gradual price increase in the scrip due to positive corporate announcements made by SIL and their manipulative trading, the *promoter group entities* off-loaded substantial portion of their stake in the company and made ill-gotten profit.

15. An additional charge against SIL is that it disclosed its promoter group company, M/s. Betex India Ltd., under Public category and contravened provisions of section 21 of the SCRA read with clause 35 of the Equity Listing Agreement.

16. Before dealing with the charges and allegations against the noticees herein, I deem it necessary to refer to relevant provisions of the SEBI Act, PFUTP Regulations and SCRA charged in the SCNs. These provisions are reproduced hereunder:-

SEBI Act

"Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

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 there under;*"

PFUTP Regulations

"Prohibition of certain dealings in securities.

3. *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 securities 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."

"4. Prohibition of manipulative, fraudulent and unfair trade practices

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

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice it involves fraud and may include all or any of the following, namely:-

(a) indulging in an act which creates false or misleading appearance of trading in the securities market;

(b) dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss;

(c)……..

(d) paying, offering or agreeing to pay or offer, directly or indirectly, to any person any money or money's worth for inducing such person for dealing in any security with the object of inflating, depressing, maintaining or causing fluctuation in the price of such security;

(e) any act or omission amounting to manipulation of the price of a security;

(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

.....

(r) planting false or misleading news which may induce sale or purchase of securities."

Securities Contracts (Regulation) Act, 1956

Conditions for listing.

21. Where securities are listed on the application of any person in any recognised stock exchange, such person shall comply with the conditions of the listing agreement with that stock exchange.

17. In this case, it is admitted position that during the investigation period, SIL made several corporate announcements as described in the SCN. It is also undisputed fact that the price of the scrip had increased from ₹ 4.33 on October 03, 2006 to ₹ 34.25 on February 20, 2007 and during this period the *promoter group entities* had substantially sold their shareholding in SIL. According to them, their transactions were not pursuant to any fraudulent device and were genuine.

18. I note that the charge with regard to false corporate announcements has been levied against SIL and its directors with respect to the company's (a) announcements regarding preferential allotment of shares to its promoters and their associates, (b) announcements about its joint venture with Vishwas Infrastructure Ltd. and (c) announcements about amalgamation of its group companies.

19. With regard to the corporate announcements relating to preferential allotment of shares to promoters, I note that on January 08, 2007 at 10:05:12 a.m. SIL made a corporate announcement saying that meeting of its board of directors was scheduled on January 16, 2007 to consider the allotment on the preferential basis. Further, on January 16, 2007 at 11:55:59 a.m. a corporate announcement was made by the company saying that its board of directors, in the meeting held on January 16, 2007, had approved the allotment of maximum 25 lacs shares on preferential basis to its promoter and their associates. SIL has contended that it had no intention to not implement these announcements. It has contended that it was not able to implement them on account of non receipt of in-principle approval from BSE for listing of shares to be issued in the preferential issue and possible rejection of exemption application filed with SEBI under Takeover Regulations. I have perused the documents relied upon by the company in support of its submissions and note that vide its letter dated April 11, 2007, BSE had refused in-principle approval since the company had failed to make disclosures in the explanatory statement to the notice for the general meeting of the shareholders, as required in clause 13.1A of the SEBI (DIP) Guidelines. BSE has also found that the auditor's certificate submitted by SIL in terms of clause 13.5.1 of SEBI (DIP) Guidelines was also not correct. Further, the preferential allotment of shares had not been completed within 15 days in terms of clause 13.4.3 of SEBI (DIP) Guidelines. I note that it is in view of such deficiencies that the BSE had advised the company that it may approach BSE after obtaining fresh resolution of its shareholders. From the BSE's letter dated May 29, 2007 whereby it had again refused the in-principle approval to the company, I note that when the company again approached BSE for in-principle approval pursuant to fresh

resolution of shareholders, it again failed to submit following relevant documents / information to BSE -

i. *A certified true copy of the Resolution passed under section 81(1A) of the Companies Act, 1956, by the shareholders of the company.*
ii. *The pricing certificate issued by Pradeep Singhi & Associates dated May 04, 2007 is not acceptable, as the working has not been provided and the relevant date mentioned is not correct. The relevant date should be May 05, 2007 (i.e., 30 days prior to the relevant date). Hence, the company should submit a revised certificate from the statutory auditor along with the pricing calculation giving the working for the entire period of 26 weeks.*
iii. *A certificate from the Managing Director/ Company Secretary as well as the Statutory Auditors of the company should be submitted specifically certifying that the proposed allottees of the aforesaid securities have not sold / transferred any equity share from the Relevant date to the date of execution of lock-in by the National Securities Depository Ltd. / Central Depository Services (India) Ltd.*
iv. *It has been observed from the notice to shareholders dated May 04, 2007 that the Promoters are acquiring more than 5% of Post issue capital of the company (i.e. after the issue of 30,00,000 equity share to Promoters). Hence, the company is requested to clarity as to how the company has complied with Regulation 10 of SEBI (SAST) Regulations, 1997.*

20. Thereafter, the company again passed a resolution of its shareholders on June 04, 2007 for the preferential allotment of shares to promoters and made request to BSE for in-principle approval. The company vide its letter dated June 23, 2007 also applied to SEBI seeking exemption from the open offer obligations of the proposed allottees under the Takeover Regulations. It is noted that the shareholders' resolution under section 81(1A) was passed on June 04, 2007 but the application for exemption was filed on June 23, 2007 i.e. after the validity of the shareholders' resolution had already expired on June 19, 2007. It is pertinent to mention that, the company had sufficient time to comply with the requisite requirements so that it could complete the allotment in terms of clause 13.4.1 of the SEBI(DIP) Guidelines, within 15 days from the date of the fresh resolution. However, being fully aware about these requirements, the company chose to make exemption application on June 23, 2007 i.e. after expiry of the stipulated period of 15 days. It is for this reason that the Takeover Panel had recommended refusal of exemption. When SEBI issued notice of personal hearing dated February 25, 2008 in light of such recommendation of the Takeover Panel, the exemption application in this case was withdrawn by the company. Later, on February 28, 2008 the company withdrew its application for in-principle approval from BSE.

21. I am the view that the above legal requirements with regard to essential disclosures, in-principle approval, time period for completion of allotment, etc. in case of a preferential allotment of shares are of very basic in nature and every listed company and its management are supposed to strictly comply with them. In this case, it is noted that again and again the application of the company was rejected for the glaring fault with regard to essential disclosures and/or non-allotment within stipulated time in terms of provisions of clause 13.1A and 13.4.1 of SEBI (DIP) Guidelines and non-fulfillment of other requirements of BSE such as the company giving wrong / incomplete information, etc. In my view, compliance of statutory requirements cannot be considered as compulsions for non-implementation of the corporate announcements and thus the company cannot claim benefit of its own faults. In the disclosure based regime, the true, fair and adequate disclosures of material information not only enable the investors to take informed decisions in the securities of the company but also provide the necessary tool for the regulators to ensure effective regulation, supervision and enforcement. The facts and circumstances of this case suggest strong probability that these announcements were made without intention to implement them. Subsequent rights issue by SIL during March 2008 as claimed cannot be of any help as the same was made much after the shareholders' resolution for preferential allotment had expired. Further, the purported preferential allotment was to be made at the price of ₹ 30 per share whereas the promoters subscribed to the shares of the company in its right issue at a price of ₹15 per share after they had already sold their holdings at weighted average price of ₹ 18.98 per share during the investigation period.

22. With regard to other allegedly tainted corporate announcements, I note that on January 24, 2007at 09:49:47 a.m. the company disclosed to BSE that its board of directors will be meeting on February 03, 2007 to consider acquisition of further land in Bhuj, joint venture for development of land into *inter alia* Industrial Park and amalgamation of other group companies with the company. On February 05, 2007 at 11:26:23 a.m. the company had *inter alia* announced that its board of directors in its meeting held on February 03, 2007 had approved:
    i. acquisition of further 200 acres land in Bhuj and approved the joint venture with Vishvas Infrastructure Ltd. for acquisition and development of land acquired / proposed to be acquired by the company; and
    ii. amalgamation of its group company M/s Somani Overseas Ltd., Sitaram Prints Pvt. Ltd and Mahesh Texturisers Pvt. Ltd.

23. With respect to corporate announcement about the joint venture with Vishvas Infrastructure Ltd. the company has claimed that it had entered into a joint venture with Vishwas Infrastructure Ltd. for the development of land. However, due to unavailability of appropriate tract of land and in light of steep soar in the price of the land, the joint venture became

unfeasible. The company has submitted a few documents claiming it to be details of discussions with few sellers of land from Bhuj. On perusal of those documents it is noted that they pertain to the year 2009 (i.e. 2 years after the announcements in question were made). It is further noted that those documents are the notices of stamp duty and corresponding sale deeds with regard to some agricultural land. Further, neither the company nor Vishwas Infrastructure Ltd. is a party in any of the transactions for which those sale deeds were executed and notices for stamp duty were issued. I, therefore, find the company's claim as unfounded. It is curious to note that the company on one hand claimed to have entered into the joint venture on the other hand it has claimed that it disclosed to BSE about withdrawal of the proposal of the joint venture. Such contradictory stand itself suggest that subsequent withdrawal was just an afterthought and that the company never intended to implement the proposal announced to public by way of this announcement. Further, such withdrawal was made only on April 30, 2013 i.e. much after the SCN was issued *inter alia* to the company. If at all the company was not able to implement the proposal as announced by it, the disclosures about the same should have been made promptly and not after issuance of the SCN. Thus, I am of the view that such withdrawal was just an afterthought. In these facts and circumstances, I find that these announcements were false and were made without intention to implement the same.

24. Admittedly, the corporate announcement about approval of board of directors for amalgamation of its group companies was never implemented and on April 30, 2013 i.e. much after the SCN in the matter was issued, the company announced withdrawal of this corporate announcement. The company has claimed that the implementation was put on hold waiting for the right time to act upon it. In my view, the decision for such important corporate announcement should be taken in prudent and careful manner and cannot be taken in casual manner to leave the implementation in suspended animation as was done in this case. The callous approach with regard to this announcement is clearly established in view of the fact that this price sensitive announcement about an important corporate decision of amalgamation of group companies was made without having such amalgamation even in contemplation. The subsequent withdrawal of this announcement after the SCN issued in this case was just an afterthought and this fact further establishes the above findings. In these facts and circumstance, I find that this corporate announcement was false and was made in careless and reckless manner without intention to implement it.

25. It is admitted position that on January 08, 2007, the opening price of the scrip was ₹18.90 (i.e. 3.9% higher than previous closing price of ₹18.20). At 10:05 a.m. (i.e. just before the above corporate announcement was made) the price of the scrip was ₹18.65. and had closed at ₹19.10. Total traded volume on that day was 11,77,91 shares as compared to the previous day's trading

volume of 9,74,240. On January 16, 2007 the scrip had opened at ₹18.95 and had touched an intra -day low of ₹18.25. The scrip closed at ₹ 18.95 (i.e. 5% higher than previous closing price- ₹ 18.05). Total traded volume on this day was 325390 shares (previous day's volume- 275067 shares).

26. It is also undisputed fact that on January 24, 2007 the scrip has opened at ₹25.10 (i.e. 4.8% higher than the previous day closing price of ₹ 23.95) and fell to an intra-day low of ₹22.80, which was also the closing price for the day. Total traded volume on that day was 6,89,853 as compared to the trading volume of 6,43,408 on the previous day's trading volume. Further, on February 05, 2007 the scrip opened at ₹ 22.65 (4.8% lower than previous closing price- ₹ 23.80) and touched an intra- day high of ₹ 24.95, which was also the closing price of the scrip on that day. Total traded volume on that day was 6,48,861 as compared to the trading volume of 12,55,800 on the previous day's trading volume. On February 05,2007 corporate announcement about the joint venture with M/s Vishvas Infrastructure Ltd. and amalgamation of its group companies were made at 11:26:23. At 11:25 am on February 05, 2007, the price of the scrip was ₹ 24.95. Thus, it is clear that there was gradual and substantial increase in the price and traded volume of the scrip when these tainted announcements were made by SIL.

27. The SIL and the *promoter group entities* have contended that the above pattern of price increase was not unusual as prior to the announcement on January 08, 2007, the scrip had opened at higher prices than the previous days' closing price on January 2, 3, 4 and 5, 2007. Further, just before the announcement was made on January 16, 2007, the price of the scrip was at its intra-day high of ₹18.95 and had touched intra-day low of ₹18.25 i.e. fall of 70 paisa after the announcement, before closing at ₹18.95 and thus, the announcement made on January 16, 2007 did not have any positive effect on the price of the scrip. Similarly, prior to January 24, 2007, the scrip had opened at higher prices than the previous day's closing price for example on January 17th, 18th, 19th, 22nd and 23rd. On February 05, 2007, at 11:25 am, the price of the scrip was ₹ 24.95 and the same was the highest intra-day price, which was also the closing price. The *promoter group entities* have contended that they had sold shares of the company even before January 08, 2007 and on January 08 and 16, 2007 none of the *promoter group entities* had sold shares of the company. They have further contended that none of them had traded on February 05, 2007 and, therefore, it cannot be concluded that the said corporate announcements and their non-implementation had impacted the price and volume of the scrip to the benefit of the promoters in order to offload their shares at a higher price.

28. It is noted that during the period from September 01, 2006 to September 30, 2006, the scrip price was in the range of ₹4.30 to ₹5.90 and the shares of SIL were traded with an average daily

volume of 17,775 shares. The price of the scrip increased during the period from December 05, 2006 (₹4.81) to February 21, 2007 (₹34.25) along with volume spurt when the scrip was traded with an average volume of 9,78,304 shares. It was during this period that the company was making favourable corporate announcements. Further, one month after the investigation period, the price of the scrip decreased from ₹27.60 on March 13, 2007 to ₹15.10 on April 30, 2007 and the scrip was traded with an average daily volume of 5,26,582 shares. In this case, it is seen that there was gradual and continuous upward movement in the price and traded volume of the scrip with support of one or the other corporate announcement made by the company and when there was no such corporate announcement the price and traded volume started decreasing. Thus, it can reasonably be inferred that all the corporate announcements described in the SCNs contained price sensitive information and had potential to influence the price of the scrip and generate trading interest therein. The pattern of price increase, in the facts and circumstances of this case, suggests that impugned fraudulent corporate announcements were made in order to sustain and maintain the gradual and substantial price rise and volume in the scrip of the company.

29. It is noted that all the corporate announcements as described in the SCNs had been back to back not leaving much duration between the successive corporate announcements. They all contained price sensitive information and influenced the price of the scrip. I note that the first set of fraudulent corporate announcements were made on January 08, 2007 and January 16, 2007. Prior to the first fraudulent and tainted corporate announcement dated January 08, 2007, a corporate announcement was made by SIL on December 28, 2006 and after January 16, 2007 the next corporate announcement was made on January 22, 2007. Thus, there was more than three weeks gap between two genuine corporate announcements. The next set of fraudulent announcements were made on January 24, 2007 and February 05, 2007 and thereafter a genuine corporate announcement was made on February 12, 2007. Had these fraudulent corporate announcements not been made, there would have been three weeks gap between two genuine corporate announcements. The pattern of price increase backed by one or the other corporate announcement, clearly suggests that such price increase could not be sustained or maintained in normal course and that the strategy had been to sustain and maintain the price increase in the scrip by support of the fraudulent corporate announcements.

30. Thus, it can safely be inferred that had these tainted corporate announcements as described in the SCN not been made, the price of the scrip would not have risen to the desired level and would have rather fallen and the *promoter group entities* would not have got the opportunity to off-load their stake in the company at favorable prices. It is immaterial whether the *promoter group entities* sold their shares on the actual date of fraudulent corporate announcements. What is

material is that they sold shares at a price influenced by the fraudulent corporate announcements. The material available on record do not suggest any remoteness between the date of fraudulent corporate announcements and date of sale by the *promoter group entities* . The fact remains that the *promoter group entities* had also sold their shares at the price that had increased and sustained with support of the fraudulent corporate announcements and as such there was nexus between their trades and those fraudulent corporate announcements. I, therefore, do not find any merit in the submissions of the SIL and the *promoter group entities* in this regard.

31. In view of the above, the impugned tainted corporate announcements were made as ploy to influence the price of the scrip of the company and induce trading therein. The acts, omissions and conduct of SIL and its directors in issuing repeated false, misleading and distorted corporate announcements as impugned in the SCNs, are clearly covered within the scope of the expressions *"device"* or *"artifice"* or *"scheme" 'to defraud in connection with dealing in securities'* and squarely fall under the definition of expressions *'fraud'* and *'fraudulent'* activities under regulation 2(1)(c) of the PFUTP Regulations which reads as under:-

> ***Definition of 'fraud" – Regulation 2(1)(c).***
>
> *(c)"fraud" includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—*
>
> *(1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;*
>
> *(2) a suggestion as to a fact which is not true by one who does not believe it to be true;*
>
> *(3) an active concealment of a fact by a person having knowledge or belief of the fact;*
>
> *(4) a promise made without any intention of performing it;*
>
> *(5) a representation made in a reckless and careless manner whether it be true or false;*
>
> *(6) any such act or omission as any other law specifically declares to be fraudulent;*
>
> *(7) deceptive behaviour by a person depriving another of informed consent or full participation;*
>
> *(8) a false statement made without reasonable ground for believing it to be true;*
>
> *(9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price.*
>
> *And "fraudulent" shall be construed accordingly;*
>
> ……."

32. In my view, the fraudulent corporate announcements impugned in the SCNs had the potential to induce sale or purchase of or dealing in securities and to influence the investment decisions of the investors. As such, they attract the prohibitions of section 12A (b) and (c) of the SEBI Act and regulation 3(b), (c) and (d) of the PFUTP Regulations. It is noted that regulation 4 (1) of the PFUTP Regulations, prohibits indulgence in fraudulent and unfair trade practices in securities. Further, publishing or causing to publish untrue information, issuing advertisements containing

information in a distorted manner and planting of false and misleading news are specifically declared fraudulent and unfair trade practices under regulation 4(2) (f), (k) and (r), respectively. I, therefore, find that by making false, misleading and distorted announcements, SIL and its directors indulged in fraudulent, manipulative and unfair activities relating to the securities market that are prohibited under sections 11(2)(e) and 12A (b) and (c) of the SEBI Act and regulations 3(b)(c) and (d), regulation 4(1) and 4(2) as alleged in the SCNs read with regulation 2(1) (c) of the PFUTP Regulations. In this regard, it would be worthwhile to refer to the following observations made by the Hon'ble SAT in matter of V. *Natarajan vs. SEBI (Order dated June 29, 2011 in Appeal no. 104 of 2011)*:

> *"… we are satisfied that the provisions of Regulations 3 and 4 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market), Regulations, 2003 were violated. These regulations, among others, prohibit any person from employing 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 an exchange. They also prohibit persons from engaging in any act, practice, and 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 that are listed on stock exchanges.*
>
> *These regulations also prohibit persons from indulging in a fraudulent or unfair trade practice in securities which includes publishing any information which is not true or which he does not believe to be true. Any advertisement that is misleading or contains information in a distorted manner which may influence the decision of the investors is also an unfair trade practice in securities which is prohibited. The regulations also make it clear that planting false or misleading news which may induce the public for selling or purchasing securities would also come within the ambit of unfair trade practice in securities...."*

33. A company being a legal person having separate and independent existence than its shareholders acts through its board of directors who individually and collectively hold the position of trust and have fiduciary duties towards the company, the shareholders and other stakeholders. It is settled position that while alleging such vicarious liabilities on the directors, the company should also be proceeded with for its defaults *(U.P. Pollution Control Board vs. Modi Distillary AIR 1998 SC 1128)*. In this case, the impugned fraudulent corporate announcements contained purported decisions of the board of directors that were price sensitive. Further, they were made with approval of the board of directors. I note that Mr. Rajkumar Somani was the managing director of SIL during the relevant period. I note that, in case of Managing Director, courts have usually held that he is, *prima facie*, deemed to be in charge and responsible for the conduct of business and management of the company and therefore liable for defaults.{*Garda Chemical Pvt LTD V. R Parthasarthy, Asst. Collector Central Excise [1984] 2 ECC 384 [Bom]*}. In this case, as alleged in the SCN issued to him and dealt with in later part of this order Mr. Rajkumar Somani had also traded in the shares of SIL during the investigation period and the impugned announcements

were made with his active involvement. He was in charge or control of the day to day affairs of the SIL hence, he is responsible for its all acts and omissions. Since, the above contraventions in this case occurred with his knowledge, complicity and active involvement, Mr. Rajkumar Somani cannot escape liability for the acts and omissions as found in this case. The impugned corporate announcements were made with the active involvement or at least with their connivance and complicity of board of directors of SIL. Thus, the promoter/directors who are noticees in this case are not only responsible on account of their fiduciary obligations and on account of being officers in default, but they are also directly responsible for their active role and involvement in issuance of impugned fraudulent corporate announcements. Subsequent resignations of Mr. Rajkumar Somani and Mr. Mahesh Kumar Somani as contended by them can not absolve them for their liability for the acts and omissions of the company.

34. While the company has admitted that it transferred total ₹ 18,87,073 to SIC through three cheques as described hereinabove, it has denied the payment of ₹ 6,91,225 of the said monies for the purpose of trades of Mr. Purshottam Khandelwal in its share as alleged in the SCN. According to the company the entire amount of ₹ 18,87,073 was paid as a consideration for purchase of 67,559 shares of Mefcom by it from SIC on June 05, 2006, December 05 and 06, 2006. To support its contentions, the company has submitted and relied upon the following documents :-
    a) a copy contract notes dated June 05, 2006, December 05 and 06, 2006 claiming to have been issued by SIC;
    b) a copy of the Annual Report 2006-07 wherein at page 34 it has been disclosed that the company has invested 18,86,952 in 67,559 Mefcom's shares;
    c) a copy of its demat statement from January 01, 2006 to June 06, 2007 wherein it is reflected that the company had received 50,000 and 17,559 Mefcom shares (total 67,559 shares).

35. During the cross-examination Mr. Brijpal Maurya, an employee of SIC, when shown the copies of above contract notes dated December 05, 2006, December 06, 2006 and June 05, 2006 by the counsel of the noticees, responded that they were issued to the client code S 400 for the transactions described in those contract notes. I note that Mr. Brijpal Maurya had joined the SIC in January 2008 as its compliance officer and had given his statement with defence that the matter pertains much prior to his appointment in SIC. He had not specifically confirmed that those contract notes were issued by SIC for the transaction of the company in the Mefcom shares. SIC has also disowned those contract notes for the trades of the company as described therein. According to SIC, the transactions mentioned in those contract notes were for another client Mr. Deepak Shantilal Rana (D004) and not for the company. When the copy of purported

ledger statement maintained by SIC for the company for the period April 01, 2006 to March 31, 2007 and copy of purported holding statement maintained by SIC in broker pool account dated February 2007, was shown to Mr. Brijpal Maurya, he denied them as they did not bear any signature and were on plain paper. He has also stated that SIC had received payments from the company though Mr. Purshottam Khandelwal.

36. I note that BSE vide an email dated March 04, 2011 had informed SEBI that SIC had uploaded the details of the company in the UCC database on March 01, 2007 and thus, the company was registered as its client only on March 01, 2007 and not before, therefore, it is not possible that the company would have traded through SIC on June 05, 2006, December 05 and 06, 2006 as has been contended by SIL, its promoters/directors and promoter related entities. Vide an email dated January 31, 2014, BSE again confirmed that the company was registered with SIC only on March 01, 2007 and that the trades mentioned in the impugned contract notes were executed on behalf of Mr. Deepak Shantilal Rana and not on behalf of the company. I note that after inquiring into the same facts and circumstances and charges as in this case the adjudicating officer has vide his order dated February 20, 2014 has concluded that those contract notes produced by the company were fake/ forged/ fabricated. In view of these facts and circumstances, I find that the contract notes as claimed by the company were not issued to the company for purchase of total 67,559 shares of Mefcom and reject the claim that the payment of total ₹18,87,073 was paid by SIL to SIC through three cheques as consideration purchase of 67,559 shares of Mefcom.

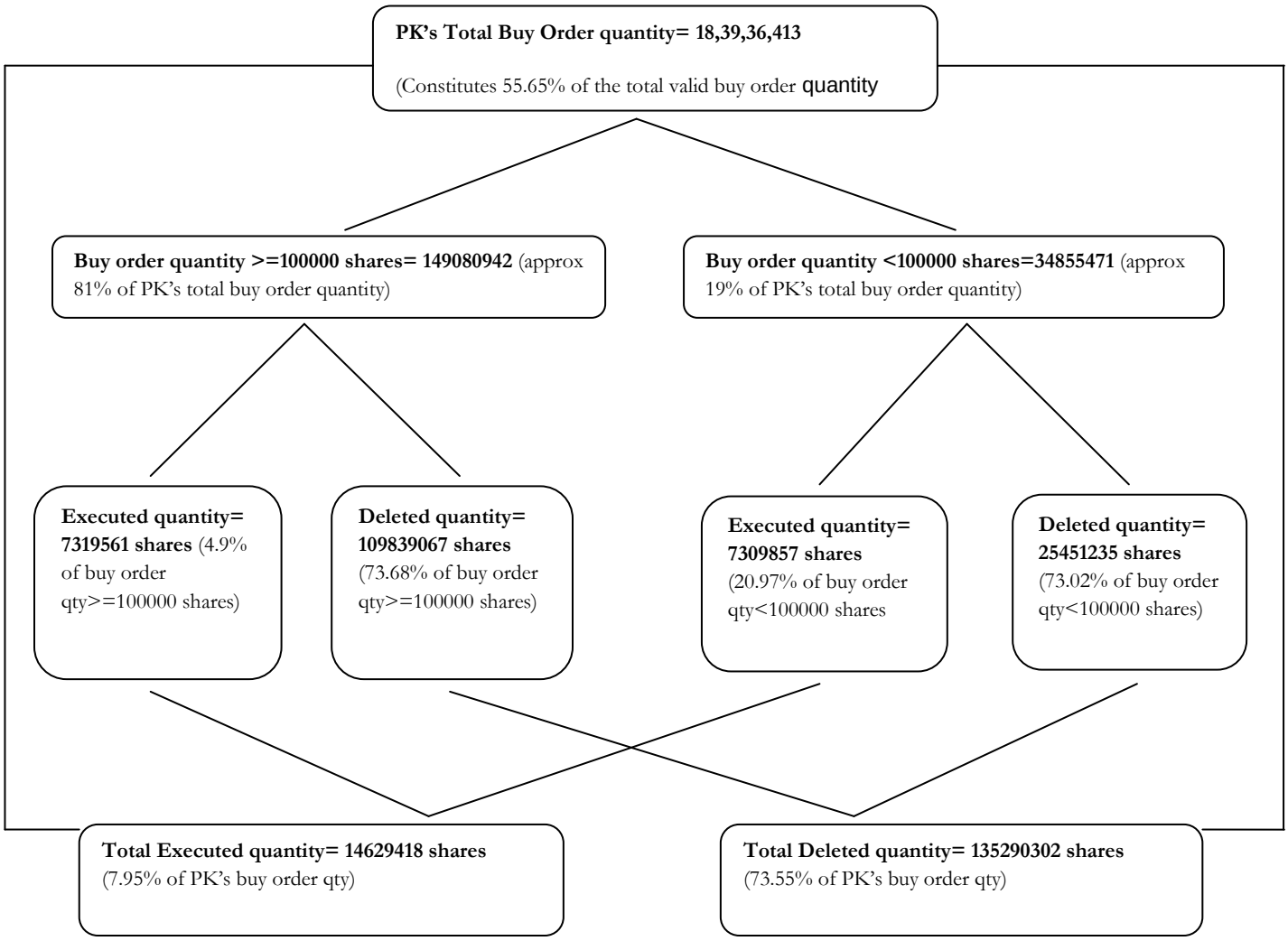
37. I have perused the Annual Report of the company for year 2006-07, I note that the company has disclosed therein that the purchase of 67,559 shares of Mefcom at the total cost of ₹18,86,952 during the year 2006-07. From the copy of demat statement of the company for the period January 01, 2006 to June 30, 2007 submitted by the company, I note that 50,000 Mefcom shares were credited in its demat account on February 06, 2007 and on the same day 50,000 Mefcom shares (by two debit entries of 17,000 and 33,000 shares in the demat account of the noticee) were sold/transferred by the company. On February 07, 2007, 17,559 Mefcom shares were credited in the demat account of the company. However, on the next date i.e. February 08, 2007, 17,559 Mefcom shares (two debit entries of 10,500 and 7,059 shares) were sold /transferred by the company. Thus, at the end of February 08, 2007 the company had no Mefcom shares in its demat account. However, the disclosure made in the Annual Report suggest the fact that SIL had not sold any shares of Mefcom during that year. The fact of such misleading disclosure indicates that the disclosure made in the Annual Report about purchase of Mefcom shares was a deliberate act to camouflage the transfer of monies to SIC for the trades of Mr. Purshottam Khandelwal in the scrip of the company as alleged in the SCNs.

38. In view of the above facts and circumstances, I find that the charge against SIL that it had funded ₹6,91,225 for purchase of its shares by Mr. Purshottam Khandelwal stand established. Apart from this fund transfer, it is undisputed fact that Mr. Purshottam Khandelwal had entered in to off market transactions with the company in the scrip of Mefcom. These facts clearly indicate the connection/nexus and collusion of SIL and in turn of its promoters/directors with Mr. Purshottam Khandelwal with respect to his transactions in the shares of SIL as described in the SCN.

39. From the documents and material available on record, I note that Mr. Purshottam Khandelwal and Mr. K. K. Modi were known to each other even prior to the impugned transactions and they had prior understanding for undertaking transactions in securities. Mr. Purshottam Khandelwal was introduced by Mr. K. K. Modi to SIC and he had signed on his KYC forms on March 31, 2006. Mr. Purshottam Khandelwal had, vide his letter dated April 12, 2006, authorised Mr. K. K. Modi to place order on his behalf and to debit or credit his account with the stock broker SIC much before Mr. K. K. Modi became remisier of the SIC on December 15, 2006. The materials available on record suggest that Mr. Purshottam Khandelwal used to place orders himself and at times through his authorised person, Mr. K. K. Modi who was handling Mr. Purshottam Khandelwal's account for the purpose of trading in the scrip. It is noted that all the communications including the transaction and holding statements were sent by BOI Shareholding Limited (the Depository Participant of Mr. Purshottam Khandelwal) to Mr. Purshottam Khandelwal's Jaipur address, every month as per the bye-laws of the depository. The DISs issued by the Depository Participant with regard to the transactions of Mr. Purshottam Khandelwal carry his signatures. Mr. Purshottam Khandelwal has claimed that his signatures on DISs have been forged. It is noted that Mr. Purshottam Khandelwal has not initiated any legal action by filing FIR or criminal complaint with regard to forgery of his signatures as claimed by him, though he had been provided with copies of those DISs way back during the investigations and also alongwith the SCN. I find that Mr. Purshottam Khandelwal has failed to establish any of his claims on the basis of any evidence and the documents shared with Mr. Purshottam Khandelwal deny his claim and clearly establish that Mr. Purshottam Khandelwal himself was trading/placing order for himself or the transactions in his account was undertaken by his authorised agent under a concerted and premeditated plan.

40. From the SCNs, it is noted that Mr. Purshottam Khandelwal had placed 7540 buy orders (71.83% of the total valid buy orders placed in the system) in the scrip during the relevant period, out of which 1611 i.e. 21.37% orders (constituting 74% of his order quantity) were deleted and only 7.95% orders got executed. Further, about 80% of his buy orders (146180942

shares) were large buy orders (quantity >=100000 shares), out of which only 4.85% orders (for 7319561 shares) got executed. These transactions are represented by way of the following diagram:



41. With reference to the buy orders placed by Mr. Purshottam Khandelwal for quantities of 100000 shares or more (149080942 shares), it is further observed that buy orders for 71645712 shares (i.e. 48% of 149080942 shares) were placed at a rate slightly lower than the prevailing market price (i.e. LTP). As discussed above, only 4.85% of such orders (>=100000 shares) were executed and 73.68% were deleted. Following examples show the pattern of such placing and deletion of large buy orders within a few minutes by Mr. Purshottam Khandelwal on certain dates:

Date	Order No.	ADDED		DELETED	
		Order Time	Quantity	Order Time	Quantity
13.12.06	92200500020190138	11:28:37	125000	11:37:07	123600

Date	Order No.	ADDED		DELETED	
		Order Time	Quantity	Order Time	Quantity
	92200500020190183	11:37:05	125000	11:42:21	121270
	92200500020190210	11:42:19	125000	12:15:56	121901
	92200500020190221	11:46:05	225000	12:13:24	223301
	92200500020190332	12:13:20	225000	12:17:45	225000
	92200500020190353	12:15:54	125000	12:17:45	124740
	92200500020190401	12:26:44	125000	12:36:39	124500
	92200500020190462	12:40:52	125000	12:46:11	109916
	92200500020190466	12:41:28	125000	12:46:34	125000
	92200500020209462	9:55:54	201020	12:06:26	500000
24.1.07	92200500020209489	10:00:38	125000	10:06:34	125000
	92200500020209528	10:06:31	125000	10:22:55	123250
	92200500020209681	10:47:07	200000	12:06:26	200000
	92200500020209683	10:47:25	125000	10:53:43	274281
	92200500020209684	10:47:37	175000	10:53:43	263850
	92200500020209685	10:47:49	200000	10:53:44	270250
	92200500020209686	10:48:06	225000	10:53:44	208300
	92200500020209693	10:50:10	275000	10:53:44	266235
	92200500020209720	10:54:00	225000	11:33:23	212950
	92200500020212757	9:55:30	225000	10:10:18	217000
5.2.07	92200500020212785	10:00:54	125000	10:33:02	120150
	92200500020212830	10:10:16	225000	10:25:50	206077
	92200500020212882	10:25:48	225000	10:35:22	222850
	92200500020212918	10:35:16	500000	10:55:38	300000
	92200500020212963	10:43:27	125000	10:52:29	125000
	92200500020212964	10:43:35	225000	10:51:32	225000
	92200500020212965	10:43:41	325000	10:48:22	325000

42. It is noted that Mr. Purshottam Khandelwal was placing large buy orders at prices slightly lower than the prevailing market price, and only a fraction (4.85%) of these were actually executed and bulk of these orders were later deleted by him within few minutes of placing of those buy orders. Such pattern of trading surely had given a misleading impression of market depth and had potential to induce buyers' interest in the scrip of the company. Thus, the impugned transactions created buying pressure in the scrip that resulted in an increase in its price as alleged in the SCNs so that the *promoter group entities* could offload their stakes at a favorable price. This fact further shows that Mr. Purshottam Khandelwal was not a genuine buyer and his intention was only to create a false appearance of volume in the scrip.

43. Further, 1370 trades of Mr. Purshottam Khandelwal for 2,37,035 shares were self-trades where he was on both the buy side and the sell side. I find that these transactions were fictitious and illegal as held by Hon'ble SAT in its order dated July 26, 2012 in Appeal no. 85/2011- *M/s Marwadi Shares and Finance Limited Vs. SEBI* as follows:

".....Self trades, by their very nature, are fictitious. .....Such transactions executed for and on behalf of the clients will fall within the definition of suspicious transactions having no economic rationale or bona fide purpose…"

44. I note that Mr. Purshottam Khandelwal was counterparty to 11,53,032 shares (31.80% of the total quantity sold by the *promoter group entities).* Out of the above quantity, trades for 5,38,427 shares (14.85% of promoter group sales and 47% of the promoter group sales to Mr. Purshottam Khandelwal) were synchronized i.e. buy and sell orders were placed within one minute of each other. Placing of the sell orders by the *promoter group entities* with same connected counter party for same quantity at the same price within too negligible time difference repeatedly over a period of time are clear indication that those synchronised trades were not a coincidence. In this regard, the following observations of the Hon'ble SAT in its order dated July 14, 2006 in the matter of *Ketan Parekh vs. Securities and Exchange Board of India*, is worth mentioning:

".... A synchronised transaction will, however, be illegal or violative of the Regulations if it is executed with a view to manipulate the market or if it results in circular trading or is dubious in nature and is executed with a view to avoid regulatory detection or does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting the market equilibrium. Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal. Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn."

45. The facts and circumstances of this case, particularity the following :-
    (a) SIL funding the purchases of its own shares by the connected person Mr. Purshottam Khandelwal;
    (b) Mr. Purshottam Khandelwal indulging in manipulative trading in the scrip in collusion with SIL to manipulate the price and volume of the scrip;
    (c) the *promoter group entities* selling their substantial holding in SIL and indulging in synchronised transaction in the scrip of SIL with connected person Mr. Purshottam Khandelwal ;

(d) Mr. Purshottam Khandelwal being counter party to sale transactions of the *promoter group entities* for substantial shares of SIL;

strongly suggest that the impugned synchronised transactions were part of premeditated fraudulent and manipulative understanding, plan, device or artifice to enable offloading of shares by the *promoter group* at profitable price.

46. I, therefore, am of the opinion that the impugned trades of the *promoter group entities* and Mr. Purshottam Khandelwal are of too much of a coincidence in anonymous screen based trading system. Such transactions were possible only through coordinated and deliberate synchronization of orders by the connected parties. The facts and circumstances of this case, clearly show that the impugned transactions were placed in collusion with SIL, the *promoter group entities* and Mr. Purshottam Khandelwal with prior understanding between the trading parties known to each other. Such practices, in my view, have potential to distort the price discovery process at the stock exchange and disturbs the market equilibrium. I, therefore, do not agree with the contention that the impugned trades, being delivery based trades executed on the screen based system of the stock exchange, were genuine.

47. It is noted that the *promoter group entities* had substantially and predominantly sold their shares during the investigation period when the company had been making corporate announcements which had impacted the price increase in the scrip as described in the SCNs. They had also sold their shares during the period when the impugned fraudulent corporate announcements were made. The *promoter group entities* have contended that they were buying as well as selling shares even prior to the alleged tainted corporate announcements and their total trades during investigation period cannot be accounted for alleged ill- gotten profit. In order to deal with this contention it is important to look into the matter holistically. For this purpose, it is pertinent to keep in mind the following facts and circumstances of this case:-

a) It is noted from the SCN that during the investigation period there was a sudden and perceptible spurt in the price and volume of the scrip from December 06, 2006 (₹ 5.40 was opening price on this date). Mr. Purshottam Khandelwal, a person connected with SIL, started trading in the scrip on the same day i.e. December 06, 2006 and he continued to trade in the scrip till March 01, 2007 (₹ 28.95 -closing price on that day). On March 02, 2007, the price of the scrip touched a high of ₹ 30.35 and thereafter the downward trend in the price started and the scrip closed at the price of ₹26.30 on March 12, 2007.

b) The trading pattern of the *promoter group entities* as given in Annexure 6 to the SCN indicates that they were primarily buying shares of SIL till December 11, 2006 when the price of the scrip was between ₹4.30 on October 03, 2006 and ₹10.28 on December 11, 2006. Thereafter, from December 13, 2006 till January 09, 2007 all these entities were net sellers only, when the price of the scrip was in the range of ₹ 13 on December 13, 2006 and ₹20.05 on January 09, 2007. Mr. Purshottam Khandelwal was counter party to 11,53, 032 shares i.e. 31.80% of the promoter group sales. Out of this quantity, trades for 5,38,427 shares were synchronized with trades of Mr. Purshottam Khandelwal and such trades were not genuine trades.

c) While Mr. Purshottam Khandelwal was trading in the scrip in such manner, SIL paid ₹ 6,91,225 on January 15, 2007 to Mr. Purshottam Khandelwal.

d) While such transactions were undertaken by *promoter group entities* in concert with Mr. Purshottam Khandelwal under a premeditated plan as discussed hereinabove, there was relatively consistent and gradual upward movement in the price of the scrip.

e) The price increase was further supported and maintained by series of favorable corporate announcements made by SIL from December 11, 2006 onwards. The *promoter group entities* also took advantage of these corporate announcements in furtherance of their strategy and started off-loading their holding in the company from December 13, 2006 onwards.

f) When the price of the scrip as increased on account of manipulative trading amongst Mr. Purshottam Khandelwal and *promoter group entities* and supported by several positive corporate announcement was not possible to sustain, the SIL made three fraudulent corporate announcements as a ploy to manipulate the price of its scrip so as to sustain and maintain the gradual and substantial price rise and volume in the scrip.

g) The *promoter group entities* sold their substantial holding in SIL within close proximity of time of the corporate announcements at prices inflated on account of fraudulent and manipulative trading and increased on support of those corporate announcements.

48. Considering the above facts and circumstances of the case, I am of the view that the SIL, its directors, *promoter group entities* and Mr. Purshottam Khandelwal, acting under a premeditated fraudulent, unfair and manipulative plan, device and artifice, manipulated the price and volume in the scrip to enable the *promoter group entities* to off-load their shareholding in SIL at profitable prices. I, therefore, find that the SIL its directors and the *promoter group entities* have violated the

provisions of section 12A(a), (b) and (c) of the SEBI Act and regulations 3 (a), (b), (c), (d) and 4(1) of PFUTP Regulations as alleged in the respective SCNs. I, further, find that Mr. Purshottam Khandelwal has violated the provisions of regulations 3 (a), (b), (c), (d) and 4(1), 4(2)(a) and (e) of PFUTP Regulations as alleged in the SCN issued to him.

49. I note that for the acts and omissions of SIL, the individuals who were its directors during relevant time have been charged in the respective SCN. Further, only those promoters/directors, who, as a part of fraudulent plan, device and artifice employed in this case, off- loaded their shareholding in SIL at favorable/profitable prices, have been charged in the SCNs issued to them. In my view, therefore, the profits earned by these promoters / directors on account of their fraudulent and manipulative dealings only can be termed as their ill-gotten gains in this case. It is found that by his illegal trading Mr. Purshottam Khandelwal had made wrongful gain of ₹ 26.03 lac and the *promoter group entities* had made total wrongful gain of ₹4,69,40,232/- on account of their fraudulent, manipulative and unfair trading in the scrip of SIL as found hereinabove. The entity -wise unlawful gain made by the *promoter group entities* is given in the following table:

Wrongful gain made by the promoters group entities							
Entity	Sale Qnt (A)	Sale Amt (B)	Purchase Qty (C)	Purchase Amt (D)	Net Sale Quantity (E=A-C)	Net Sale Amount (F=B-D)	Profit (E*Z)
Somani Overseas	195000	3701100	67,950	294903	1,27,050	3406197	18,60,012
Sumeet Manthol	600000	11388000	0	0	6,00,000	11388000	87,84,000
Sumeet Silk	300000	5694000	0	0	3,00,000	5694000	43,92,000
Sitaram Prints	300000	5694000	0	0	3,00,000	5694000	43,92,000
Ambaji Syntex	150000	2847000	0	0	1,50,000	2847000	21,96,000
Urmila Sunder	250000	4745000	0	0	2,50,000	4745000	36,60,000
Ganga Somani	250000	4745000	0	0	2,50,000	4745000	36,60,000
Sumandevi Somani	200000	3796000	0	0	2,00,000	3796000	29,28,000
Bajranglal Somani	250000	4745000	0	0	2,50,000	4745000	36,60,000
Rajkumar Somani	545000	10344100	50,000	217000	4,95,000	10127100	72,46,800
Shankar Somani	334250	6344065	50,000	217000	2,84,250	6127065	41, 61,420
TOTAL	**33,74,250**	**6,40,43,265**	**1,67,950**	**7,28,903**	**32,06,300**	**6,33,14,362**	**4,69,40,232**

The above calculation of profit has been carried out based on the following:

Weighted Average Sale Price during Investigation period (X=F/E)	18.98

Acquisition Price (as on 30/09/2006) (Y)	4.34
Difference in Price (Z=X-Y)	**14.64**

50. With regard to allegation of wrong disclosure in the June 2007 quarter, to the stock exchange by the company in respect of its promoter group company, Betex India Ltd. in public category , it is admitted fact that the promoters of the company along with their immediate relatives were holding more than 10% of the share capital of Betex India Ltd. in the March 2007 quarter as well as the June 2007 quarter and that Betex India Ltd. falls in promoter category. According to the company such misleading disclosures was on account of *bona fide* clerical mistake. I note that clause 35 of the Equity Listing Agreement requires a listed company to disclose its shareholding pattern with a clear distinction in promoters shareholding and public shareholding. The purpose of such disclosure is manifold and includes that the promoters and promoter group is clearly identified along with its shareholding. Such disclosures, amongst other things, serve as a tool for monitoring the thresholds of promoters' shareholding as well as enabling investors to take informed investment decisions. I am of the view that the misleading and distorted disclosures about promoter shareholders in public shareholder category, in this case, would surely lead to information asymmetry and defeat the purpose of disclosures stipulated under clause 35 of the Equity Listing Agreement. I, therefore, find that SIL contravened the provisions of clause 35 of the Equity Listing Agreement read with section 21 of the SCRA.

51. In light of the aforesaid findings, I am of the view that the acts, omissions and conduct of SIL and the *promoter group entities*, apart from being fraudulent and deceptive as found hereinabove, have a bearing on the fiduciary duties of its management vis-à-vis other shareholders of SIL. Further, the *mala fide* conduct and fraudulent, manipulative and unfair acts and omissions of SIL, its directors, *promoter group entities* and Mr. Purshottam Khandelwal , as found in this case, endanger the integrity and orderly development of the securities market. In this regard, the observation of the Hon'ble Supreme Court, as a word of caution, in the matter of *N. Narayanan vs. Adjudicating Officer*, *SEBI,* in Civil Appeal Nos. 4112-4113 of 2013, (order dated April 26, 2013) is worth mentioning:

> *"A word of caution:*
>
> *43. SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading etc. or else they will be failing in their duty to promote orderly and healthy growth of the Securities market. Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country's economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India's securities market. Message should go that our country will not tolerate "market abuse" and*

that we are governed by the "Rule of Law". Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and 'market security' is our motto. People with power and money and in management of the companies, unfortunately often command more respect in our society than the subscribers and investors in their companies. Companies are thriving with investors' contributions but they are a divided lot. SEBI has, therefore, a duty to protect investors individual and collective, against opportunistic behavior of Directors and Insiders of the listed companies so as to safeguard market's integrity."

52. In this case, I note that Mr. Sumeet Kumar Somani and Mr. Mahesh Kumar Somani who were the directors of SIL at the time when it made the fraudulent corporate announcements have not traded in the scrip during the relevant time and there is no charge against them in that regard. Being directors of SIL, they have also been charged with regard to the acts and omissions of SIL. I further note that more than seven years have passed since the impugned transactions had taken place and the *promoter group entities* and Mr. Purshottam Khandelwal have been enjoying the benefit of their fraudulent transactions. So far only monetary penalty has been imposed on SIL, its directors and the *promoter group entities* by the adjudicating officer, vide his order dated February 20, 2014. In my view, for the serious contraventions as found in the instant case, monetary penalty alone would not be sufficient to safeguard the market integrity. In this regard, the following observations of Hon'ble SAT in the order dated December 02, 2010, in the matter of Appeal no. 70 of 2010 – *Yashraj Containeurs Ltd. vs SEBI* are worth mentioning:

"…. we cannot resist observing that in view of the serious allegations made against the appellants which stand established during the course of the adjudication proceedings, the Securities and Exchange Board of India (for short the Board) should not have been content with initiating only adjudication proceedings against the appellants in which only a monetary penalty could be levied. This is a fit case where the Board should have considered initiating proceedings under Sections 11 and 11B of the Securities and Exchange Board of India Act, 1992 for issuing appropriate directions against the appellants to protect the integrity of the market and the interests of the investors.....

This is, indeed a very serious market illegality/irregularity and, in our view , imposing a monetary penalty alone on the company and its promoters will not meet the ends of justice. We are constrained to make these observations because the lenient view taken by the Board does not, in our opinion, protect the integrity of the market and not even the interest of the investors which is its primary duty. This kind of a lenient view will not be a deterrent for others and would send a wrong signal that the delinquent could continue with their nefarious activities by paying a monetary penalty."

53. Considering the above, I, in order to protect the interest of investors and the integrity of the securities market, in exercise of the powers conferred upon me under section 19 of the Securities and Exchange Board of India Act, 1992 read with sections 11 and 11B thereof and section 12A

of the Securities Contracts (Regulation) Act, 1956, and regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 hereby restrain the following entities from accessing the securities market and further prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for the period as mentioned in the following table :-

Sl. No.	Name	PAN	PERIOD
(1)	M/s Sumeet Industries Limited	AAECS2583B	2 years
(2)	Mr. Shankar Somani, (Chairman)	ABNPS7087D	3 years
(3)	Mr. Rajkumar Somani, (Managing Director)	ACIPS4806L	3 years
(4)	Mr. Bajranglal Somani, (Director)	ABNPS7085B	3 years
(5)	Mr. Sumeet Kumar Somani, (Director)	ANPPS3016A	2 years
(6)	Mr. Mahesh Kumar Somani, (Director)	ABNPS7084A	2 years
(7)	M/s Somani Overseas Private Ltd., (Promoter)	AAECS2257A	3 years
(8)	M/s Sumeet Methanol Private Ltd. (formerly Mahesh Texturisers Pvt. Ltd.), (Promoter)	AABCM9702F	3 years
(9)	M/s Sumeet Silk Processors Private Ltd. (Promoter)	AADCS3516M	3 years
(10)	M/s Sitaram Prints Private Ltd., (Promoter)	AAECS2255C	3 years
(11)	M/s Ambaji Syntex Private Ltd., (Promoter)	AABCA9728K	3 years
(12)	Ms. Urmila Sunder	ABIPS4331F	3 years
(13)	Ms. Ganga Somani	ABNPS7081F	3 years
(14)	Ms. Sumandevi Somani	ACIPS4869H	3 years
(15)	Mr. Purshottam Madanlal Khandelwal	ADZPK9831B	3 years

54. I am also of the view that the no person can be allowed unjust enrichment by way of wrongful gain made on account of fraudulent, manipulative and unfair activities as found hereinabove. I, therefore, in exercise of the powers conferred under section 11 and 11B of the SEBI Act read with Securities Laws (Amendment) Ordinance, 2014 direct the Mr. Purshottam Khandelwal and *promoter group entities* to disgorge the wrongful gain made by them from their contraventions, as described in para 49 of this order, with simple interest @ 12% per annum from March 12, 2007 till the date of payment. They shall pay the said amounts within 45 (forty five) days from the date of this order by way of demand draft drawn in favour of "Securities and Exchange Board of India", payable at Mumbai.

55. In case the wrongful gains alongwith interest as directed herein is not paid within the above specified time, then, without prejudice to SEBI's right to initiate recovery process under section 28A of the SEBI Act, the respective entities shall be restrained for a further period of five years from (i) buying, selling or dealing in securities market in any manner whatsoever, (ii) accessing the securities market, directly or indirectly, or (iii) associating with any securities market intermediary or listed company in any manner or capacity.

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

57. A copy of this order shall also be served upon the depositories and stock exchanges for necessary action on their part.

DATE: 21st May, 2014 **RAJEEV KUMAR AGARWAL**
PLACE: MUMBAI **WHOLE TIME MEMBER**
SECURITIES AND EXCHANGE BOARD OF INDIA