

BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER: Order/MC/VS/2021-22/14819-14852]

UNDER SECTION 15-I OF SEBI ACT, 1992 READ WITH RULE 5 OF THE SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of –

1. **Agrata Shares Securities Pvt. Ltd.** (PAN AAICA8464B) having address at Office No 6 / 98 Khajuri Khas Delhi 110094.
2. **Antique Texfab Pvt. Ltd.** (PAN AAGCA7223G) having address at No 4 Kiran Enclave G T Road Ghaziabad Uttar Pradesh- 201001.
3. **Purple Shares Securities Pvt. Ltd.** (PAN AAFCP4303F) having address at H 249 Tukalkabad Delhi - 110044.
4. **Pratibha Mukharjee** (PAN BKZPM3595A) having address at House No E 6 Patel Marg, Ghaziabad 201001.
5. **Renu Mukharjee** (PAN BIRPM4805K) having address at House No E 6 Patel Marg, Ghaziabad 201001.
6. **Alok Electricals Pvt. Ltd.** (PAN AADCA2701J) having address at 4 Kiran Enclave G T Road Ghaziabad-201001.
7. **Blitz Buildwell Pvt. Ltd.** (PAN AADCB6603N) having address at House No 4 Shanti Kunj Mall Road Behind D 3 Flat Vasant Kunj New Delhi 110070.
8. **Balaji Texfab Pvt. Ltd.** (PAN AACCB8369A) having address at No 4 Kiran Enclave G T Road Ghaziabad Uttar Pradesh- 201001.
9. **Compact Texfab Pvt. Ltd.** (PAN AADCC3621P) having address at No 4 Kiran Enclave G T Road Ghaziabad, Uttar Pradesh- 201001.
10. **Coronation Builders and Engineers Pvt. Ltd.** (PAN AABCC8667R) having address at No 4 Kiran Enclave G T Road Ghaziabad, Uttar Pradesh- 201001.
11. **Pensive Agencies Pvt. Ltd.** (PAN AAEC6720H) having address at Ch No 301 3rd Floor Wadhwa Complex Gali No 10 D-288/289 Laxmi Nagar Delhi 110092.

12. **Salasar Texfab Pvt. Ltd.** (PAN AAJCS8123L) having address at No 4 Kiran Enclave G T Road Ghaziabad, Uttar Pradesh- 201001.
13. **Arankari Risk Management Services Pvt. Ltd.** (PAN AACCA7537R) having address at No 4 Kiran Enclave G T Road Ghaziabad, Uttar Pradesh- 201001.
14. **Vibhut Builders and Engineering Pvt. Ltd.** (PAN AACCV7326D) having address at Chamber No.-301 3rd Floor Wadhwa Complex Gali No-10 D-288/289 Near Metro Station Laxmi Nagar Delhi 110092.
15. **Shoppers Buildmart Pvt. Ltd.** (PAN AALCS4690N) having address at No 4 Kiran Enclave G T Road Ghaziabad, Uttar Pradesh- 201001.
16. **Durga Fabricaters and Engineers Pvt. Ltd.** (PAN AACCD5661P) having address at No 4 Kiran Enclave G T Road Ghaziabad, Uttar Pradesh- 201001.
17. **Amadeus Shares & Securities Pvt. Ltd.** (PAN AAICA3740N) having address at H 249 Tukalkabad, Delhi 110044.
18. **Angelic Construction Pvt. Ltd.** (PAN AAACC1080F) having address at 7 Sarai Kale Khan, New Delhi 110013.
19. **Abhasa Infrastructure Pvt. Ltd.** (PAN AAJCA0790P) having address at 1012 GH-5-7 Meera Bagh Paschim Vihar New Delhi 110063.
20. **Abadhta Infrastructure Pvt. Ltd.** (PAN AAJCA0087F) having address H-NO-272, Raj Nagar Extension-2, Palam Colony, New Delhi 110045.
21. **Sunstar Share Brokers Pvt. Ltd.** (PAN AAJCS6988B) having address at House No 4 Shanti Kunj Mall Road Behind D 3 Flat Vasant Kunj New Delhi 110070.
22. **Vayu Agencies Pvt. Ltd.** (PAN AAECV0245K) having address at Shop No 129 1 Floor Amar Market, Gali Kunjas Dariba Kalan, Chandni Chowk, Delhi - 110006.
23. **Landmark Realcon Pvt. Ltd.** (PAN AABCL5535H) having address at D 56 Khanpur M B Road, New Delhi - 110062
24. **Aachman Infrastructure Pvt. Ltd.** (PAN AAJCA0231F) having address at P 172 Sarojni Nagar Village Pillanji Block, Delhi - 110023 26.
25. **Katya Buildwell Pvt. Ltd.** (PAN AADCK9919L) having address at 229 Village Aliganj Koltla Mubarakpur New Delhi- 11003.
26. **Yodel Instruments Pvt. Ltd.** (PAN AAACY4336Q) having address at U 74/111 1st Floor Tirupati Complex Shakarpur, Delhi- 110092.
27. **Hi-Point Investment & Finance Pvt. Ltd.** (PAN AAACH0253K) having address at MB-100, 1st Floor Shakarpur Dec HI370-71/2 Sahi Hospital Road, New Delhi- 110014.

28. **Adel Landmarks Ltd.** (PAN AABCE4642C) having address at B-39, Ground Floor, Friends Colony (West), New Delhi-110065.
29. **Kyrie Construction Pvt. Ltd.** (PAN AADCK8428N) having address at Shop No. A-166 Gali No.-4, Nehru Vihar Near Sherpur Shahdara New Delhi East Delhi DL 110094
30. **Adro Engineers Pvt. Ltd.** (PAN AACCC1771B) having address at H. No. 5, G/F KH No. 554, Aasar Mohalla Vill Sabha Pur, Nr. Govn. Animal Hospital, New Delhi-110094.
31. **Vital Probuild Pvt. Ltd.** (PAN AADCV1292M) having address at Subhey Pur PO, Karawal Nagar, New Delhi-110094.
32. **Afina Realtech Pvt. Ltd.** (PAN AAJCA7596H) having address at Subhey Pur PO, Karawal Nagar, New Delhi-110094.
33. **Jasraj Constructions Pvt. Ltd.** (PAN AACCCJ5875H) having address at KH-147/148/126 Vill Khajoori Khas, Shahdara New delhi East Delhi DL 110094.
34. **Vernon Infrastructure Pvt. Ltd.** (PAN AADCV1290K) having address at 22, Vill Sherpur, Shahdara, New Delhi East Delhi - 110094.

In the matter of Era Infra Engineering Limited

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) initiated adjudication proceedings against Agrata Shares Securities Pvt. Ltd. (“Noticee 1”), Antique Texfab Pvt. Ltd. (“Noticee 2”), Purple Shares Securities Pvt. Ltd. (“Noticee 3”), Pratibha Mukharjee (“Noticee 4”), Renu Mukharjee (“Noticee 5”), Alok Electricals Pvt. Ltd. (“Noticee 6”), Blitz Buildwell Pvt. Ltd. (“Noticee 7”), Balaji Texfab Pvt. Ltd. (“Noticee 8”), Compact Texfab Pvt. Ltd. (“Noticee 9”), Coronation Builders and Engineers Pvt. Ltd. (“Noticee 10”), Pensive Agencies Pvt. Ltd. (“Noticee 11”), Salasar Texfab Pvt. Ltd. (“Noticee 12”), Arankari Risk Management Services Pvt. Ltd. (“Noticee 13”), Vibhut Builders and Engineering Pvt. Ltd. (“Noticee 14”), Shoppers Buildmart Pvt. Ltd. (“Noticee 15”), Durga Fabricators and Engineers Pvt. Ltd. (“Noticee 16”), Amadeus Shares & Securities Pvt. Ltd. (“Noticee 17”), Angelic Construction Pvt. Ltd. (“Noticee 18”), Abhasa Infrastructure Pvt. Ltd. (“Noticee 19”), Abadhta

Infrastructure Pvt. Ltd. (“Noticee 20”), Sunstar Share Brokers Pvt. Ltd. (“Noticee 21”), Vayu Agencies Pvt. Ltd. (“Noticee 22”), Landmark Realcon Pvt. Ltd. (“Noticee 23”), Aachman Infrastructure Pvt. Ltd. (“Noticee 24”), Katya Buildwell Pvt. Ltd. (“Noticee 25”), Yodel Instruments Pvt. Ltd. (“Noticee 26”), Hi-Point Investment & Finance Pvt. Ltd. (“Noticee 27”), Adel Landmarks Ltd. (“Noticee 28”), Kyrie Construction Pvt. Ltd. (“Noticee 29”), Adro Engineers Pvt. Ltd. (“Noticee 30”), Vital Probuild Pvt. Ltd. (“Noticee 31”), Afina Realtech Pvt. Ltd. (“Noticee 32”), Jasraj Constructions Pvt. Ltd. (“Noticee 33”) and Vernon Infrastructure Pvt. Ltd. (“Noticee 34”) under Section 15HA of the Securities and Exchange Board of India Act, 1992 (**“the SEBI Act”**) for alleged violations of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to the Securities Market) Regulations 2003 (**“PFUTP Regulations”**) pursuant to investigation in the scrip of Era Infra Engineering Limited (**“Era”/ “the Company”/ “EIEL”**) for the period June 01, 2012 to December 31, 2013 (hereinafter referred to as **“investigation period/ IP”**).

APPOINTMENT OF ADJUDICATING OFFICER

2. Shri Amit Pradhan was appointed as Adjudicating Officer (AO) vide order dated December 28, 2020 to inquire into, and adjudge under Section 15HA of the SEBI Act the aforesaid alleged violations of the Noticees. Subsequently, vide order dated June 18, 2021 the undersigned was appointed as Adjudicating Officer to inquire into and adjudge the alleged violations of the Noticees, under Section 15-I of the SEBI Act read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter be referred to as the **“Adjudication Rules”**). The appointment of the undersigned as AO was communicated vide order dated June 21, 2021.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice dated 04.03.2021 was issued to the Noticees for alleged violation of the PFUTP Regulations. The allegations levelled against the Noticees in the SCN are summarized as follows:-

4. Securities and Exchange Board of India ("SEBI") conducted investigation in the matter of EIEL during the period from June 01, 2012 to December 31, 2013.

Synchronised trades

5. SEBI identified the Noticees 1 to 26 as "suspected entities". Details of the connections among suspected entities were derived by SEBI based on the UCC details obtained from BSE and NSE (Annexure-1 to SCN), details of directorships available on MCA website (Annexure-2 to SCN), KYCs obtained from stock brokers/DPs (Annexure-3 to SCN) and their bank transactions (Annexure-4 to SCN).
6. During the period June 01, 2012 to September 16, 2013, suspected entities indulged in repetitive synchronized trades among themselves with significant volume in BSE and NSE. It was observed that suspected entities entered into 1922 synchronized trades among themselves for 69,51,566 shares (18.88% of total market volume) on BSE and also entered into 3617 synchronized trades among themselves for 94,74,244 shares (10.96% of total market volume) on NSE. Entity-wise contribution to synchronized trades among suspected entities on both buy and sell side at BSE & NSE during the period June 01, 2012 to September 16, 2013, is tabulated below:

SR NO	ENTITY NAME	BSE				NSE			
		No. of Sync Trades on Buy Side	Sync Trades Qty On Buy Side	No. of Sync Trades on Sell Side	Sync Trades Qty On Sell Side	No. of Sync Trades on Buy Side	Sync Trades Qty On Buy Side	No. of Sync Trades on Sell Side	Sync Trades Qty On Sell Side
1	Agrata Shares and Securities Pvt. Ltd.	214	487956	208	630595	73	728614	147	703215
2	Antique Texfab Pvt. Ltd.	54	28674	192	81696	249	166906	299	174656
3	Purple Shares and Securities Pvt. Ltd.	41	935418	114	2610585	177	2790174	64	905899
4	Pratibha Mukharjee	13	1792	40	12801	29	5304	60	10701
5	Renu Mukharjee	10	1043	12	3638	40	3522	56	9505
6	Alok Electricals Pvt. Ltd.	-	-	-	-	81	30439	63	40186
7	Blitz Buildwell Pvt. Ltd.	131	2901532	82	1099894	103	1027027	577	3089316

SR NO	ENTITY NAME	BSE				NSE			
		No. of Sync Trades on Buy Side	Sync Trades Qty On Buy Side	No. of Sync Trades on Sell Side	Sync Trades Qty On Sell Side	No. of Sync Trades on Buy Side	Sync Trades Qty On Buy Side	No. of Sync Trades on Sell Side	Sync Trades Qty On Sell Side
8	Balaji Texfab Pvt. Ltd.	71	77262	54	133856	147	173504	146	220030
9	Compact Texfab Pvt. Ltd.	71	187246	47	147153	164	276365	83	129367
10	Coronation Builders And Engineers Pvt. Ltd.	11	38303	9	41079	118	205902	105	102624
11	Pensive Agencies Pvt. Ltd.	310	282759	225	271042	228	339684	330	448086
12	Salasar Texfab Pvt. Ltd.	99	138702	293	197796	254	313006	276	323418
13	Arankari Risk Management Services Pvt. Ltd.	58	69869	36	23204	31	45457	122	138175
14	Vibhut Builders & Engg Pvt. Ltd.	182	207121	164	131938	747	524801	257	309128
15	Shoppers Buildmart Pvt. Ltd.	130	74073	19	55376	376	235382	153	190748
16	Durga Fabricators And Engg Pvt. Ltd.	16	36662	47	41948	50	98302	108	107354
17	Amadeus Shares and Securities Pvt. Ltd.	118	106845	22	185939	87	521055	125	552789
18	Angelic Construction Pvt. Ltd.	7	94980	11	28590	6	57550	12	158264
19	Abhasa Infrastructure Pvt. Ltd.	22	188159	-	-	13	118134	29	121333
20	Abadhta Infrastructure Pvt. Ltd.	25	62255	36	164319	259	279683	296	289477
21	Sunstar Share Brokers Pvt. Ltd.	25	137298	20	100456	36	214033	48	110791
22	Vayu Agencies Pvt. Ltd.	25	35191	25	73274	86	105775	117	173425
23	Landmark Realcon Pvt. Ltd.	268	509854	218	443925	206	647747	90	415551
24	Aachman Infrastructure Pvt. Ltd.	14	347353	15	284474	22	369323	51	739422
25	Katya Buildwell Pvt. Ltd.	-	-	7	174988	19	175151	-	-
26	Yodel Instruments Pvt. Ltd.	7	1219	26	13000	16	21404	3	10784
TOTAL		1922	69,51,566	1922	69,51,566	3617	94,74,244	3617	94,74,244

7. From the above table, it was observed that the aforementioned entities repetitively entered into significant quantity of synchronized trades with each

other and thereby created artificial volume in the scrip of EIEL leading to false and misleading appearance of trading of the scrip.

8. In view of the above, it was alleged that the Noticees 1 to 26 had created a misleading appearance of trading in the scrip of EIEL without any intention to change the ownership and contributed to price rise in violation of the provisions of Section 12A (a),(b),(c) of the SEBI Act read with Regulation 3(a), (b), (c), (d) and Regulation 4(1), 4(2)(a) and 4(2)(g) of the PFUTP Regulations.

Self-trades

9. Repetitive nature of self trades were observed for one entity viz. Agrata Shares and Securities Pvt. Ltd. (Noticee No. 1) at NSE as tabulated below:

ENTITY NAME	BROKER ON BUY SIDE	BROKER ON SELL SIDE	TOTAL SELF TRADE VOLUME	TOTAL SELF TRADE COUNT	NO OF DAYS ON WHICH SELF-TRADES DONE
Agrata Shares and Securities Pvt. Ltd.	Share India Securities Ltd.	Sunstar Securities	19,306	23	1
	Intime Equities Ltd.	NDA Securities Ltd.	18,379	10	1
Total			37,685	33	2

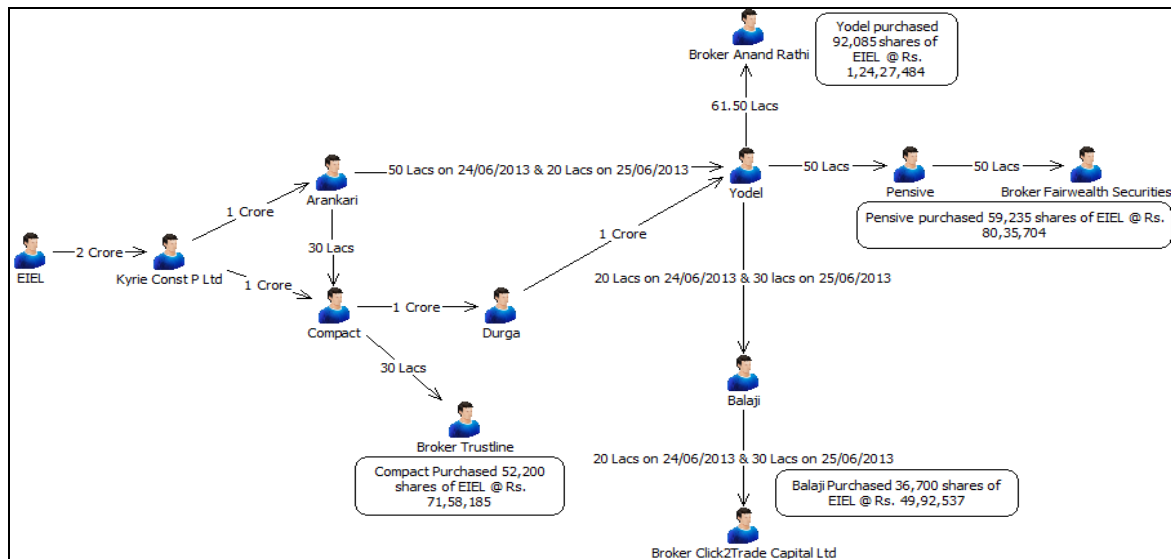
10. SEBI observed that Noticee 1 was involved in 33 self trades on 2 different days for total of 37,685 shares (0.043% of total market volume) on NSE. Extract of NSE trade log for self trades executed by Noticee No. 1 was enclosed as Annexure-6 to the SCN.
11. In view of the above, it was alleged that Noticee 1 had created a misleading appearance of trading in the scrip of EIEL by engaging in self trades without any intention to change the ownership leading to violation of the provisions of Section 12A (a),(b),(c) of the SEBI Act read with Regulation 3(a), (b), (c), (d) and Regulation 4(1), 4(2)(a) and 4(2)(g) of the PFUTP Regulations.

Fund movements between Suspected Entities and Company / its Promoter / Group Company:

12. On analysis of the bank statements of suspected entities, it was observed that during the period June 01, 2012 to September 16, 2013, it was observed that funds were received by them in two or more layers from EIEL (the Company), Hi-Point Investment & Finance Pvt. Ltd. ("Noticee No. 27"), one of EIEL's promoter, and Adel Landmarks Ltd. ("Noticee No. 28"), one of EIEL's group Company earlier known as Era Landmarks Ltd. It was observed that the receipt of funds by such suspected entities was on or around the dates when they traded in the scrip of EIEL. It was further observed that the bank account details of these entities showed nominal balances before the receipt of funds from the Company/ promoters/ group Company. The details of the fund movements from Company/ promoter/ group Company to the suspected entities through several layers and subsequent trading by suspected entities were enclosed as Annexure-7 to the SCN.
13. A sample of funds movement from Company to the suspected entities through layers and the subsequent trading in the scrip of Company is given below:
- On June 24, 2013, EIEL transferred Rs. 2 Crore to Kyrie Construction Pvt. Ltd. ('Kyrie' or 'Noticee No. 29') who in turn transferred Rs. 1 Crore to Arankari ('Noticee No. 13') and Rs. 1 Crore to Compact ('Noticee No. 9'), respectively.
 - On June 24, 2013, Arankari ('Noticee No. 13') transferred Rs. 50 lakhs to Yodel ('Noticee No. 26') and Rs. 30 lakhs to Compact ('Noticee No. 9'), respectively and the balance amount of Rs. 20 lakhs were transferred to Yodel ('Noticee No. 26') on June 25, 2013.
 - Compact ('Noticee No. 9'), on receipt of Rs. 1 Crore from Kyrie ('Noticee No. 29') on June 24, 2013 transferred Rs. 1 Crore to Durga ('Noticee No. 16') on the same day.

- Compact ('Noticee No. 9'), on receipt of Rs. 30 Lakhs from Arankari ('Noticee No. 13') on June 24, 2013 transferred Rs. 30 Lakhs to its broker Trustline Securities Ltd. and purchased 52,200 shares of the Company on June 25, 2013 for Rs. 71,58,185 via. Trustline Securities Ltd.
- Durga ('Noticee No. 16'), on receipt of Rs. 1 Crore from Compact ('Noticee No. 10') on June 24, 2013 transferred Rs. 1 Crore to Yodel ('Noticee No. 26'). (Mr. Santosh Gupta is a common director of Balaji ('Noticee No. 8'), Compact ('Noticee No. 9'), Salasar ('Noticee No. 12') & Yodel ('Noticee No. 26') and Mr. Pankaj Kumar is common director of Antique ('Noticee No. 2'), Compact ('Noticee No. 9') & Yodel ('Noticee No. 26').
- Yodel ('Noticee No. 26') on receipt of Rs. 1 Crore from Durga ('Noticee No. 16'), Rs. 50 Lakhs from Arankari ('Noticee No. 14') and Rs.20 lakhs from Arankari ('Noticee No. 13') transferred Rs.50 Lakhs to Pensive ('Noticee No. 11') on June 24, 2013 and Rs.20 lakhs & Rs.30 lakhs to Balaji ('Noticee No. 8') on June 24, 2013 and June 25, 2013, respectively.
- Yodel ('Noticee No. 26') transferred Rs. 61.50 lakhs to its broker Anand Rathi Share & Stock Brokers Ltd. on 24/06/2013 and purchased 92,085 shares of the Company worth Rs. 1,24,27,484 from Anand Rathi Share & Stock Brokers Ltd.
- On receipt of Rs. 50 Lakhs from Yodel ('Noticee No. 26') on June 24, 2013, Pensive ('Noticee No. 11') transferred Rs.50 Lakhs to its broker Fairwealth Securities Ltd. on the same day.
- Pensive ('Noticee No. 11') purchased 59,235 shares of EIEL for Rs. 80,35,704 on June 24, 2013 via broker Fairwealth Securities Ltd.
- Balaji ('Noticee No. 8') on receipt of Rs. 20 Lakhs on June 24, 2013 & Rs.30 lakhs on June 25, 2013 transferred Rs. 20 Lakhs on June 24, 2013 and Rs. 30 lakhs on June 25, 2013 to its broker Click2trade Capital Ltd.
- Balaji ('Noticee No. 8') purchased 36,700 shares of Company for Rs. 49,92,537 on June 24, 2013 via broker Click2trade Capital Ltd.

14. A Pictorial representation of aforementioned transactions is given below for ready reference:



15. The following table summarizes the fund movement from Company/promoter/group Company to certain suspected entities through several layers and its use for subsequent trading:

Sr No	Name of Suspected Entity	Date Of Fund Receipt By Suspected Entity From Company/ Its Promoter/ Group Company Or Date Of Fund Transferred Back	Amount Received(R)/ Transferred back (T) (Funds Flow Provided in Annexure 7)	Date of Transactions of Company's shares by Suspected Entity	Buy (B) / Sell (S) Qty by Suspected Entity	Trade Value	Volume of shares for which counterparties to the trades were also suspected entities	Trade Value of shares for which counterparties to the trades were also suspected entities
1	Antique	27/07/2012	1.80 Crore (R)	27/07/2012	120625 (B)	14340276	20052	2767176
2	Sunstar		1.80 Crore (R)	27/07/2012	225000 (B)	25263525	0	0
3	Agrata		50 Lakhs (R)	27/07/2012	100000 (B)	9198750	30000	2760000
4	Katya		50 Lakhs (R)	27/07/2012	200000 (B)	18527661	64600	5943200
5	Pensive	24/06/2013	50 Lakhs (R)	24/06/2013	59235 (B)	8035704	10	1350
6	Balaji	24/06/2013	20 Lakhs (R)	24/06/2013	36700 (B)	4992537	15938	2168287
7		25/06/2013	30 Lakhs (R)	25/06/2013	45200 (B)	6182646	10100	1381460
8	Yodel	24/06/2013	70 Lakhs (R)	24/06/2013	92085 (B)	12427484	27676	3748898
9	Compact	25/06/2013	30 Lakhs (R)	25/06/2013	52200 (B)	7158185	37460	5136749
10	Salasar	07/01/2013	27 Lakhs (R)	07/01/2013	1 (B)	136	0	0

Sr No	Name of Suspected Entity	Date Of Fund Receipt By Suspected	Amount Received(R)/ Transferred	Date of Transaction s of 10/01/2013	Buy (B) / Sell (S) Qty by 37733 (B)	Trade Value 5134535	Volume of shares for which 34307	Trade Value of shares for which 4667266
11	Abhasa	07/01/2013	1.73 Crore (R)	07/01/2013	125700(B)	17066666	120552	16365778
12	Balaji	27/02/2013	50 Lakhs (R)	27/02/2013	96902 (B)	12999373	47737	6402509
13	Balaji	08/04/2013	50 Lakhs (R)	08/04/2013	68432 (B)	9099799	19694	2616068
14	Coronation	31/10/2012	2.75 Crore (T)	26/10/2013	325946 (S)	45113517	285797	39560296
				30/10/2013	225469 (S)	30854160	20054 (8478 purchased by suspected entities & 11576 purchased by Promoter-Director of Company Mr. Hem Singh Bharana)	2751580
15	Abhasa	22/04/2013	30 Lakhs (R)	22/04/2013	80762 (B)	9657572	55069	7248858
16	Agrata	30/07/2012	81 Lakhs (R)	01/08/2012	53000 (B)	7312717	52265	7211406
17	Katya		75 Lakhs (R)	31/07/2012	53245 (B)	7377610	31411	4363049
18	Durga	06/08/2012	1 Crore (R)	06/08/2012	76639 (B)	10376188	43640	5896824
19	Balaji	06/08/2012	1.50 Crore (R)	13/08/2012	24096(B)	3262067	999	135214
		07/08/2012	50 Lakhs (R)					
20	Pensive	06/08/2012	50 Lakhs (R)	07/08/2012	24300(B)	3311990	7100	960150
21	Katya	02/08/2013	51 Lakhs (R)	02/08/2013	75000 (B)	10782289	39259	5643522
22	Agrata	26/04/2013	50 Lakhs (R)	26/04/2013	77500 (B)	10241625	77495	10240964
TOTAL			18.72 Crore [15.97 Crore(R) & 2.75 Crore (T)]		1724355(B), 551415(S)	28,87,17,012 (Buy:212749335, Sell: 75967677)	1041215	137970604

16. From the movement of funds, it was observed that around Rs. 15.97 Crore of funds were received by suspected entities indirectly from Company/its promoters/group Company for trading in the shares of Company. It was observed that suspected entities purchased 17,24,355 shares for Rs. 21,27,49,335 using these funds and for 10,41,215 shares (worth Rs. 13,79,70,604), counterparties to these trades were also suspected entities. As such, funds from Company/its promoters/group Company were circulated

among the suspected entities during the course of their trading in the shares of Company during the investigation period.

17. On analysis of several instances of funds transfers from the Company/promoter/ group Company to the suspected entities through several layers and its use in the trading in the shares of the Company, it was observed that a fraudulent scheme was deployed by Company, its promoter and group Company in connivance with suspected entities which traded in the scrip of Company. This scheme resulted in creation of artificial volume in the scrip of the Company during the investigation period. The suspected entities which traded in the scrip of Company for fraudulent purposes in connivance with the Company EIEL, Hi-Point Investment & Finance Pvt. Ltd. ("Noticee No. 27"), one of EIEL's promoter, and Adel Landmarks Ltd. ("Noticee No. 28"), one of EIEL's group Company earlier known as Era Landmarks Ltd., are Agrata Shares Securities Pvt. Ltd. ("Noticee No. 1"), Antique Texfab Pvt. Ltd. ("Noticee No. 2"), Balaji Texfab Pvt. Ltd. ("Noticee No. 8"), Compact Texfab Pvt. Ltd. ("Noticee No. 9"), Pensive Agencies Pvt. Ltd. ("Noticee No. 11"), Salasar Texfab Pvt. Ltd. ("Noticee No. 12"), Durga Fabricaters and Engineers Pvt. Ltd. ("Noticee No. 16"), Abhasa Infrastructure Pvt. Ltd. ("Noticee No. 19"), Sunstar Share Brokers Pvt. Ltd. ("Noticee No. 21"), Katya Buildwell Pvt. Ltd. ("Noticee No. 25") and Yodel Instruments Pvt. Ltd. ("Noticee No. 26").
18. In view of the above, it was alleged that Noticees 27 and 28 funded entities, as mentioned in the preceding paragraph, through several layers which was used for trading in the shares of the Company for fraudulent purposes. The said act on the part of Noticees 27 and 28 was allegedly in violation of the provisions of Section 12A (a),(b),(c) of the SEBI Act read with Regulation 3(a), (b), (c), (d) and Regulation 4(1), 4(2)(d) of the PFUTP Regulations.

Aiding and Abetting in a fraudulent scheme:

19. During investigation, it was observed that the Noticees 27 and 28 routed the funds through the entities viz. Kyrie Construction Pvt. Ltd. ('Kyrie' or 'Noticee

No. 29'), Adro Engineers Pvt. Ltd. ('Adro' or 'Noticee No. 30'), Vital Probuild Pvt. Ltd. ('Vital' or 'Noticee No. 31'), Afina Realtech Pvt. Ltd. ('Afina' or 'Noticee No. 32'), Jasraj Constructions Pvt. Ltd. ('Jasraj' or 'Noticee No. 33') and Vernon Infrastructure Pvt. Ltd. ('Vernon' or 'Noticee No. 34') to the suspected entities as mentioned in the preceding paragraphs for their trading in the scrip of the Company. Bank statements of the said entities were enclosed as Annexure-8 to the SCN.

20. From the table above, it was observed that on 12 days, funds amounting to Rs. 15.97 Crore were routed from Company EIEL and Noticees 27 and 28 to the *suspected entities* through the entities viz; Adro, Vital, Kyrie, Afina, Jasraj & Vernon (Noticee No. 29 to 34) and were then used by *suspected entities* for manipulation of price and volume in the scrip of the Company. In view of the same, it was alleged that Noticee Nos. 29 to 34 aided and abetted in a fraudulent scheme deployed by EIEL and Noticees 27 and 28 in connivance with suspected entities for manipulation of price and volume in the scrip of the Company. The said actions on the part of Noticee No. 29 to 34 were allegedly in violation of the provisions of Section 12A (a),(b),(c) of the SEBI Act read with Regulation 3(a), (b), (c), (d) and Regulation 4(1), 4(2)(d) of the PFUTP Regulations.

Last Traded Price (LTP) Analysis

21. There was sharp price and volume movement on July 26, 2012 and July 27, 2012. On July 26, 2012, price opened at Rs. 144 and closed at Rs. 114.90 registering decrease of Rs. 29.10 (20.21%). On July 27, 2012, price opened at Rs. 92.55 and closed at Rs. 137.85 registering an increase of Rs. 45.30 (32.86%). Trade volume on July 26, 2012 and July 27, 2012 was also significant amounting to 328931 & 876814 on BSE & NSE respectively.
22. One of the suspected entity, Antique Texfab Pvt. Ltd. ("Noticee No. 2") had indirectly received Rs. 1.80 Crore on July 27, 2012 from Noticee No. 27 and 28.

Out of the total receipt of Rs. 1.80 Crore, Noticee No. 2 transferred Rs.1.51 Crore to broker M/s Wegmans Financial Services Ltd. and purchased 78,409 shares of EIEL for Rs. 90,43,154. Further, Noticee No. 2 transferred Rs. 29 lakhs to PLG Securities and purchased 20,006 shares of EIEL for Rs. 22,78,959.

23. On July 27, 2012, positive LTP contribution on buy side by Noticee No. 2 was significant amounting to Rs. 79.25 in BSE and Rs. 88.05 in NSE respectively. Its net LTP contribution was Rs. 77.80 and Rs. 82.40 in BSE & NSE respectively. The details are mentioned in the table below:

BSE												
NAME OF ENTITY	All trades			LTP Diff. >0			LTP Diff. < 0			LTP Diff. =0		% of positive LTP to Total Market positive LTP
	Sum of LTP diff	Sum of Quantity	No of trades	LTP impact	QTY traded	No of trades	LTP impact	QTY traded	No of trades	QTY traded	No of trades	
Antique Texfab Pvt. Ltd.	77.80	20006	620	79.25	7950	329	-1.45	310	11	11746	280	16.04
Total Market	45.30	876814	9421	494.20	108755	2593	-448.90	74800	1988	693259	4841	100%
NSE												
NAME OF ENTITY	All trades			LTP Diff. >0			LTP Diff. < 0			LTP Diff. =0		% of positive LTP to Total Market positive LTP
	Sum of LTP diff	Sum of Quantity	No of trades	LTP impact	QTY traded	No of trades	LTP impact	QTY traded	No of trades	QTY traded	No of trades	
Antique Texfab Pvt. Ltd.	82.40	100619	838	88.05	30471	275	-5.65	3891	27	66257	536	14.19%
Total Market	42.90	1666438	10897	620.30	262383	1836	-577.40	148134	1461	1255921	7601	100%

24. Noticee No. 2 had placed most of its orders at prices higher than the LTP. Noticee No. 2 had purchased 1,20,635 shares (20,006 shares at BSE and 1,00,619 shares at NSE) and sold 2,00,000 shares (0 shares at BSE and 2,00,000 shares at NSE) on July 27, 2012. On analyzing the bid orders and ask

orders, it was seen that Noticee No. 2 had been putting its buy orders at prices higher than the pending ask rates for the order quantity required by Noticee No. 2. Further, on sample basis, a few buy orders of Noticee No. 2 on BSE were considered for order log analysis. The order book positions of Noticee No. 2 were enclosed as Annexure-10 to the SCN. The details were as follows:

Buy Order No	Trade ID	Buy Order Time	Sell Order Time	LTP at Buy Order Entry in Rs.	Buy Order Rate	Buy Order Qty	Best 5 pending ASK Order rates	Sum of Qty of best 5 ASK orders	Best 5 pending BID order rates	Sum of Qty of best 5 BID orders	Trade Price	Trade Qty	Diff in LTP in Rs.
13000012034010	4642	09:37:03	09:37:02	123.05	137	100	96 - 128	5445	123.60 - 125	573	125.55	96	2.50
13000012034257	4728	09:37:16	09:37:05	126.50	137	100	96 - 128	345	126.30	442	128.00	1	1.50
15000013011102	3617	09:35:49	09:35:49	123.05	137	100	96 - 123.95	405	123.30 - 123.70	5	123.90	80	0.85
13000012034205	4700	09:37:13	09:37:13	126.00	137	100	96 - 126.90	386	125.15 - 126.30	514	126.80	50	0.80
13000012036352	5547	09:38:53	09:38:53	125.80	137	100	96 - 126	1099	125.50 - 125.80	62	126.00	100	0.75
13000012038779	7191	09:40:51	09:40:51	132.80	137	100	96 - 132.80	636	132 - 132.55	435	132.70	100	0.65
13000012034839	4906	09:37:41	09:37:40	130.50	137	100	96 - 129.60	854	128.05 - 128.20	408	129.60	45	0.60
13000012032033	3463	09:35:41	09:35:41	122.55	137	100	96 - 123	1568	122.2	169	122.75	1	0.55
13000012033878	4468	09:36:58	09:36:28	124.70	137	100	96 - 125	293	124.50 - 125	506	125.55	49	0.50
13000012032637	3811	09:36:08	09:36:00	121.00	137	100	96 - 121.65	279	120.90 - 121.05	383	121.50	25	0.45

25. A few illustrations of the trades executed by Noticee 2 are as under:

- It had placed its buy order '13000012034010' at 09:37:03 for 100 shares at Rs. 137. The buy order by it was placed at much higher price than the LTP of Rs.123.05. It is further noted that the best 5 sell orders, which appeared in the screen during that instance, were in the range of Rs.96-128. Thus, Noticee No. 2 had placed its buy order at a price much higher than the LTP and the available sell orders for the order quantity required by it.
- There were several buy orders (397 in BSE from 09:35:41 to 09:41:18) placed by it at Rs. 137. It is noted that its orders were executed at prices in the range of Rs. 96 -128 (for order no.13000012034257), Rs.96 -123.95 (for order no.15000013011102), Rs. 96 - 126.90 (order no. 13000012034205) etc. However, it kept on placing its buy orders at Rs. 137 all with order quantity of

100 which contributed Rs. 36.35 to positive LTP on July 27, 2012 on BSE (262 out of 397 buy orders at Rs. 137 placed by it created positive LTP in BSE.

26. In view of the above, it was alleged that by using the funds received through several layers from EIEL and Noticee 28, Noticee No. 2 manipulated the price of the scrip by placing the buy orders at much higher prices than the available sell order prices in the system on continuous basis for the order quantity required by it and created a false impression of demand at a higher rate than the actual. The said act on the part of Noticee 2 allegedly violated the provisions of Section 12A (a),(b),(c) of the SEBI Act read with Regulation 3(a), (b), (c), (d) and Regulation 4(1), 4(2)(e) of the PFUTP Regulations.

27. The aforesaid alleged violations, if established, make the Noticees liable for monetary penalty under Section 15 HA of the SEBI Act, which read as follows:-

“15HA. Penalty for fraudulent and unfair trade practices.

If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty [which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.]”*

** Substituted for the words “twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher” by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.*

28. The SCN was served upon the Noticees 2-9, 11-16, 18, 20-22, 26, 27, 28 and 31 vide e-mails dated 20.08.2021, upon Noticee 10 vide SPAD on 27.08.2021, and upon Noticees 1, 17, 19, 23, 24, 25, 29, 30, 32, 33 and 34 by affixture at the premises where the Noticees were last known to reside or carry on business, in terms of Rule 7 (c) of the Adjudication Rules.

29. Vide letter dated 27.08.2021, Shri M.S. Bhardwaj, Advocate, submitted vakalatnamas on behalf of Noticees 2, 6, 8, 9, 10, 11, 12, 13, 14, 15, 16, 22 and

26, stating that the said Noticees had appointed him as their Authorised Representative. Further, vide reply to the SCN dated 20.09.2021, Mr. Bhardwaj made submissions on behalf of Noticees 2, 6, 8-16, 22 and 26, stating the following:-

- (a) SCN is suffering from Mis-Joinder / Non Joinder of parties. The SCN alleges that the Noticees received money from different persons and purchased the Shares of the Company through brokers (Names given in the chart as Annexure 7). However no inquiries / investigations appear to have been conducted with these brokers and the Funds providers. Hence the SCN is liable to be set aside and charges are liable to be dropped.
- (b) No statement of any Broker and/or funds providers have been relied upon to show as to on whose instructions / behalf the funds were transferred and the shares were purchased. The name and address of the person (s) who effected the funds transfer and placed orders for purchase / sale of shares are required in order to bring home the charges. The noticees prays that the material to show that the noticees conducted business of sale and purchase of shares / placed orders and effected money transfer for conducting the alleged transactions, may kindly be provided to them for submitting an effective and purposeful reply.
- (c) SCN is based only on statement of Bank Accounts and trades conducted for and on behalf of / in the names of notices, however it has no material to substantiate the allegation that the answering noticees themselves have indulged in the activities leading to issuance of SCN. It is well known fact that all the trades are done through authorised person or Portfolio Managers. In the instant case also the noticees as a trade practice have authorised / appointed their Portfolio Managers, who as per the agreement dealt with the Shares in De-mat Accounts and operated the bank Accounts of their Clients. They also buy and sell different scrip as per their commercial wisdom, in the interest of and for the benefit of their Clients. The Noticees have also

authorised M/S RK. Stockholding Pvt. Ltd. as its agent / broker for noticees no. 2, 6, 8, 10, 11, 12, 13 and 16 and other agent / brokers for rest of the notices, who carried out the transactions. Copies of some Broker-Client Agreements / Sample Agreements in respect of noticee no. 13 and noticee no. 14 are Annexed as Annexure- A. and Annexure- B respectively. The Department has not taken the above circumstances into consideration as a result of which it has misled itself.

- (d) The main thrust in the notice is that the aforesaid noticees have purchased / sold the scrip of Era Infra Engineering Ltd. (hereinafter referred to as 'EIEL') in an illegitimate manner. For the alleged reasons mentioned in the show cause notice, there are allegation of synchronised trades, self-trades, fund movement and aiding and abetting in a fraudulent scheme. Allegations made under the notice to the noticees are denied. It is humbly submitted that the aforesaid noticees have conducted the online sale / purchase of the scrip of EIEL through their appointed brokers. The complete details of the brokers are enclosed as Annexure - C to this reply. The noticees have given all the powers of purchase / sale of scrip to the brokers. This fact is clear from the agreement entered into the brokers and the noticees. The said brokers therefore acted as the agents of the noticees and carried the share business as per their activities and skills. It was not the prerogative of the noticees to decide as to which scrip is required to be purchased or not. The said decision of transacting in particular scrip, for whatever reasons lies with the respective broker and the noticees is not concerned with the respect.
- (e) Brokers may be summoned and their attendance be enforced and after doing so the noticees be given opportunity for cross examination of these persons and be also confronted with all the replies / other documents / materials given by them in connection to the subject under.
- (f) Brokers are not Noticees in the SCN. Only the entities / persons who have dealt with the shares of EIEL has been made the respective

noticees and the entities / person who has actually executed the transactions has not been made a party.

- (g) Noticees have directly made the transactions in the scrip of "EIEL". It is further stated that in the entire show cause notice it is has not been stated that 'EIEL' is a "penny stock" the SCN is absolutely silent as to what was the business / activities entered into by "EIEL" for the investigation period that is from 01.06.2012 to 31.12.2013.
- (h) No audited financial statements of the accounts of the said investigation period has been referred much less enclosed in the reply to say that the said company i.e. "EIEL" did not have any financial worth or was not worthy of being traded in the stock exchanges. Only after considering the credentials and compliance criteria made by "EIEL", SEBI was pleased to grant the license of its scrip being traded.
- (i) From the perusal of the show cause notice it is clear that the same, merely refers to a tabulation which contains the details of scrip purchased and scrip sold of "EIEL" from the BSE and NSE, and not that it was indeed the said noticees which had actually entered into the transaction, therefore to say that the noticees under reply has entered into some illegitimate transaction in the scrip of " EIEL" is not a legally correct proposition.
- (j) Noticees submitted the company details of the EIEL as available and downloaded from the website of the Ministry of Corporate Affairs. Copy of the annual financial report of the EIEL as for the F.Y. 2012-13 to 2013-14 was also annexed herewith as Annexure - D. From the perusal of the same, it was clear that the said company is being actively engaged in the commercial operation and by no stretch of imagination, the shares of EIEL can be considered to be 'penny stock'.
- (k) On each sale and purchase of the transaction, Security Transaction Tax (STT) is paid by the persons / entities, who had made the sale / purchase of the scrip. Therefore there is no loss to the revenue as on each transaction the respective tax on sale / purchase has duly been paid. It is also pertinent to mention here that the respective companies have duly declared the income arising from such sale / purchase of

transaction in their respective income tax return. Therefore the contention is that there was no loss to the revenue from whichever angle.

- (l) From the perusal of the notice it shall be clear that the same refers to some depiction of fund moment in-particular to Para No 12 Page No 2 and a pictorial representation of the same is given at Para No 13 Page' No 7 of the show cause notice. In this regard without admitting as to whether the funds has been actually received / paid by the notices it is stated that there can be number of reasons / grounds due to which the said fund is received by the noticees. It is not disputed at all that there was no "cash" transaction between the noticees and the promoters / group companies of "EIEL". In other words, the entire transaction is been recorded through banking channels and hence a fund trail has been established. However the show cause notice is absolutely silent as to what was the nature of transaction between the noticees and promoters / group companies of "EIEL". There can be several transaction like of (a) sale/ purchase of goods, (b)giving and receiving of services, (c) buying and selling of any asset, (d) making an investment, (e) subscribing of any share, (f) making any loans and advances, (g) taking and re-paying of loans etc. between these entities. The show cause notice does not in any manner throws any light on this aspect of the transaction. The contention is therefore that dehors the fact that any fund has been received by the noticees from the promoters / group companies of "EIEL" to say that the transaction is contaminated it should firstly brought on record that the primary on account of which the fund was transferred from one entity to another was illegitimate transaction. This is not the case in the notice under reply. It is stated that merely because some funds have been received by the noticees from the promoters / group of companies of "EIEL" on account of the legitimate transaction entered between them shall not per-se make the transaction itself illegal, whether or not at later stage the said fund might have been utilized in the sale of purchase of the scrip of "EIEL".

- (m) The contention of the SEBI is that the noticees has entered into an accommodation entry to raise the price of the Scrip of "EEL". The SCN is absolutely silent that if any accommodation entries are entered by the noticees whether any action under the provision of Income Tax Act, 1961 has been raised in their case. The books of account of these entries have been duly maintained and are duly audited. No adverse remarks have been pointed out / highlighted by the auditors in this regard much less referred in the show cause notice. Therefore to take home the contention that the merely because the notices has received some funds will not contaminate the entire transaction unless evidences are not on record to say the contrary.
- (n) In some of the cases, for example the brokers of which are 'India Bulls Securities Limited' and 'Allied Finserv Pvt. Ltd.' had the access to the bank accounts of the noticees. In other words, these brokers besides having full rights of transaction on behalf of the noticees also had the access to their bank accounts. These brokers were therefore fully aware of the receipt of the amount from the promoters of EIEL and its group companies.
- (o) It is therefore wrong to state that the funds were diverted by EIEL to the noticees for the purchase of the scrip. Further there is a possibility that the same brokers may be acting as brokers of EIEL or its Management and carried out the transactions without the notice / information of the Noticees. This fact could have been brought only by summoning and recording of statements of such Brokers/ Agents. The details of the agents / brokers involved in these transactions are already furnished as stated in the preceding paras so that the department could investigate the matter from all angles. The said agents were also paid commissions in respect of these transactions.
- (p) There is no evidence attributed for the impugned violations of the Act or any regulations, to attribute any criminal intent, motive or *mens rea* on the part of the Noticees in a trite law, like SEBI Act. It is foremost and important to prove such guilty mind to commit any offence whereas the entire transactions have been conducted by the Agents / brokers.

(q) Proceedings under SEBI Act are penal in nature, to which Hon'ble Supreme Court of India in "Hindustan Steel Ltd. Vs. State of Orissa 1972 (83) ITR 27, has held that penalties are leviable only for contumacious conduct or person does not act bonafide.

(r) The Hon'ble Apex court hold that:

"But the liability to pay penalty does not arise merely upon proof of default in registering as a dealer. An order imposing penalty for failure to carry out a statutory obligation is the result of a quasi-criminal proceeding, and penalty will not ordinarily be imposed unless the party obliged either acted deliberately in defiance of law or was guilty of conduct contumacious or dishonest, or acted in conscious disregard of its obligation. Penalty will not also be imposed merely because it is lawful to do so. Whether penalty should be imposed for failure to perform a statutory obligation is a matter of discretion of the authority to be exercised judicially and on a consideration of all the relevant circumstances, Even if a minimum penalty is prescribed, the authority competent to impose the penalty will be justified in refusing to impose penalty, when there is a technical or venial breach of the provisions of the Act or where the breach flows from a bona fide belief that the offender is not liable to act in the manner prescribed by the statute. Those in charge of the affairs of the Company in failing to register the Company as a dealer acted in the honest and genuine belief that the Company was not a dealer. Granting that they erred, no case for imposing penalty was made out."

(s) In the instant case there are no willful contraventions of SEBI Act or that there was no reckless disregard for law or that the transaction were conducted outside normal procedure / channel. On the contrary all the transactions were through Qualified / expert Agents / portfolio managers with bonafide belief that they will act in the best interest of the notices.

(t) It was the duty of SEBI to show that contraventions have taken place with the consent or connivance of or is attributable to any neglect on the part of the notices. Not admitting and while denying that even if

there are contravention, the Noticees alone cannot be punished unless there is evidence / proof that contraventions have taken place with the consent or connivance of or is attributable to any neglect on the part of noticees. No such evidence has been brought on record. Since all the transactions are within the ambit of law there is no contravention and as such SCN issued against / proceedings initiated against the answering Noticees are not maintainable and is liable to be set-aside.

30. During the hearing conducted through videoconferencing by WebEx on 23.09.2021, the Authorised Representative (AR) of the Noticees sought a copy of the investigation report, and requested fifteen days for filing consolidated submissions on behalf of the abovementioned Noticees in the matter. The request of the Noticees was acceded to in the interest of natural justice. Accordingly, a copy of relevant portions of the Investigation Report, where they did not form part of the SCN, was agreed to be provided to the AR. The matter was agreed to be taken up for hearing again on 07.10.2021.
31. Subsequently, a DVD containing a copy of relevant portions of the Investigation Report, alongwith Annexures to the Investigation Report, was collected by a representative of the Noticees on 29.09.2021.
32. During the hearing conducted in respect of the said abovesaid Noticees on 07.10.2021, the AR made oral submissions regarding alleged synchronized trades indulged in by the Noticees and regarding alleged positive LTP contribution by Noticee 2. The AR undertook to file a detailed reply in the matter, including a response on the alleged connections between the Noticees as alleged in SCN, within 15 days.
33. Vide written submissions dated 21.10.2021, the abovesaid Noticees stated the following:-
 - (a) Noticees 2-27 of the SCN (which included the answering Noticees 2, 6, 8, 9, 10, 11, 12, 13, 14, 15, 16, 22, 26) were charged for allegedly creating a misleading appearance of trading in the scrip of EEIL without

any intention to change the ownership and contributed to price rise in violation of the provisions of Section 12A (a),(b),(c) of the SEBI Act read with Regulation 3(a),(b), (c), (d) and Regulation 4(1), 4(2)(a) and 4(2)(g) of the PFUTP Regulations in respect of alleged synchronized trades.

- (b) Noticee 2 i.e. Antique Texfab Pvt. Ltd. was also charged for the alleged violations of the provisions of Section 12A (a),(b),(c) of the SEBI Act read with Regulation 3 (a), (b), (c) and (d) and Regulation 4(1), of the PFUTP Regulations for allegation that by using the funds received through several layers from noticees no. 1 and 29 in the SCN, the Noticee 2 manipulated the Price of the Scrip by placing the buy orders at much higher price than the available sell order prices in the system on continuous basis for the order quantity required by it and had created a false impression of demand at a high rate than the actual.
- (c) Submissions related to non-joinder of parties such as the brokers who carried out the impugned trades, were reiterated.
- (d) It was submitted that the SCN suffers from serious laches. There has been a long and unexplained delay in the initiation of proceedings against the noticees. The period of alleged violations apparently pertains to period from 01st June 2012 to 16th September, 2013. Thus, admittedly, it is a fact on record that the adjudicating officer was appointed only on 13th January, 2021 and the SCN was issued after a lapse of more than 8 years from the date of commissioning of alleged trades. Moreover, the notice is not forthcoming with any reason or explanation for the inordinate and unwarranted delay in the issue of the SCN.
- (e) The Noticee referred to the order dated 27.08.2013 of the Hon'ble Securities Appellate Tribunal in Appeal No. 114 of 2012 between HB Stockholdings Limited Versus Securities and Exchange Board of India wherein it was observed as under:-
"Allowing matters to go on and on for years together by the Respondent serves no purpose, rather it risks loss of evidence such as important documents which may get destroyed while the issue gathers

dust Such systemic failures occur to the disadvantage of all parties concerned and lead to consequences such as genuine violators being allowed to function normally in the capital market for years together, whereas In some situations the reputation of innocent entities gets tarnished as they wait for the wheels of justice to turn a bit faster than the pace at which they seem to be going”

- (f) The Noticee further relied on the order dated 07.09.2012 in Appeal no. 19 of 2012 passed by the Hon'ble Securities Appellate Tribunal in the case of Khandwala Securities Vs. SEBI where the Ld. Bench observed as under:-

“This Tribunal has held in several cases including Subhkam Securities Private Limited, vs. Securities and Exchange Board of India decided on July 25, 2012 Appeal no. 73 of 2012, Aditi Dalai us. Securities and Exchange Board of India decided on November 28, 2011 Appeal no. 143 of 2011 that proceedings under the Securities and Exchange Board of India Act require finalization within a reasonable period of time. Delay defeats justice and the very purpose for which proceedings are initiated.”

- (g) Reliance in this connection was also placed on the order dated 25.07.2012 in Appeal no. 73 of 2012 passed by the Hon'ble Securities Appellate Tribunal in the case of Subhkam Securities Private Limited. Vs. Securities and Exchange Board of India where the Ld. Bench observed as under:-

“Inordinate delay in conducting inquiries and in punishing the delinquent not only permits market manipulator to operate in the market, it also has demoralizing effect on the market players who are ultimately 'not found guilty' but Damocles' sword of inquiry keeps hanging on them for years together from the date of starting investigation by the Board to the date of completion of inquiry proceedings. Precisely for this reason, regulation 28(2) of the intermediary regulations also provides that the designated member should pass appropriate order after considering reply as expeditiously as possible and endeavor shall be made to pass order within one

hundred and twenty days from the date of receipt of reply of the notice or hearing. A market player has a right that if proceedings are initiated against him by the Board for violation of any rules and regulations, the proceedings against him, are also concluded expeditiously and he is not made to undergo mental agony when these are unnecessarily prolonged without any fault on his part in delaying the proceedings.”

- (h) All the trades were done through authorised persons or Portfolio Managers. In the instant case also the noticees, as a trade practice, authorised / appointed their Portfolio Managers, who as per the agreement dealt with the Shares in De-mat Accounts and operated the bank Accounts of their Clients. They also buy and sell different scrip as per their commercial wisdom, in the interest of and for the benefit of their Clients. The Noticees also authorised M/S RK. Stockholding Pvt. Ltd. as its agent / broker for noticees no. 2, 6, 8, 10, 11, 12, 13 and 16 and other agent / brokers for rest of the noticees, who carried out the transactions. Attention was drawn to Broker-Client Agreements / Sample Agreements in respect of noticee no. 13 (Pages 31 & 32) and noticee no. 14 (Pages 43 & 44) of Annexure- A and Annexure- B respectively to the reply. It was submitted that SEBI had not taken the above circumstances into consideration.
- (i) Statements of persons and cross-examination was not provided to the Noticee.
- (j) During the period under investigation, the Noticees no. 2,6,8 to 16,22 & 26 have been alleged to have purchased/sold number of shares on BSE and NSE. As per the chart all the noticees including the answering Noticees alleged to indulge in repetitive nature of synchronized trades among themselves with significant volume in BSE and NSE. It was observed that suspected entities total 26 (Noticee nos 2 to 27) as per SCN entered into 1922 synchronized trades among themselves for 69,51,566 shares (18.88% of the total market volume) on BSE and also entered into 3617 synchronized trades among themselves for 94,74,244 shares (10.96 of total market volume) on NSE. Entity wise

contribution to synchronized trades among suspected entities on both buy and sell side at BSE & NSE during the period June 01,2012 to September 16,2013 are tabulated in the SCN in Para 4, on Page 3 of SCN under Adjudication.

- (k) It was seen from the above that the percentage of synchronized trades was less than 0.8% in all the cases. The Percentage of noticees was under less than 0.768%.
- (l) Such meager percentages of total trades and quantities did not warrant a basis for an allegation of market manipulation. Only 3.28 % of the total shares of 'EEIL' were traded on the BSE by all the 13 answering noticees together and only 2.93% of the total shares of 'EEL' traded on the NSE, by all the 13 answering notices together during the Investigation Period, resulting in synchronized/ self- trades, and, such a small proportion cannot in any way be construed as evidence of manipulative intent or fraudulent practice or act of creating artificial volume or anything to infer the same. Moreover, the aforementioned quantities are not capable of (and did not) affect either price or volume in the scrip of 'EEIL' as alleged in the SCN.
- (m) Noticee no.3, Antique Texfab Pvt. Ltd. was also charged for the violation of provisions of Section 12A (a),(b), (c) of the SEBI Act read with Regulation 3(a), (b), (c) (d) and Regulation 4(1), 4(2)(e) of the PFUTP Regulations, by allegedly using the funds received through several layers from Noticee No. 1 and 29 of the SCN, and manipulating the price of the scrip by placing the buy orders at much higher prices than the available sell order prices in the system on continuous basis for the order quantify required by it and had created a false impression of demand at a higher rate than the actual.
- (n) Perusal of chart on pages 11-12 of the SCN shows that the number of shares purchased and sold were 1000 only which were very insignificant and by any stretch of imagination could not be stated to have been capable of having an effect on general public and the buyers, even these 1000 shares were traded in 10 orders of 100 each. The said Chart also shows that the difference in LTP in 8 Trades

comes to 0.45 paise to 0.85 paise and in other two trades difference comes to Rs. 1.50 and Rs.2.50 when the actual trade price was between Rs. 121 to 132 per share. Considering the value of the shares and difference in LTP, the percentage varies from 0.36% to 2% which being insignificant could not be capable of influencing the mind of the investors and would not fall in the category of manipulation of prices and creating false impression of demand at a higher rate amounting to fraud and would not attract the provisions of PFUTP Regulations.

- (o) Trades carried out by the noticees were in the normal course of business and without any manipulative intention. Moreover, the occurrence of synchronized trades was purely unintentional and accidental lacking any motive to deceive.
- (p) Analysis of the trades conducted by the noticees between the period of 8 ¹/₂ months from 1/6/2012 to 16/9/2013 clearly revealed that the prices at which the trades were conducted were not directional, i.e., it was random without any specific direction, unlike a situation where trades were made to artificially increase/decrease the price. Thus, in respect of the trades in question, allegation cannot be sustained with regards to artificial price manipulation.
- (q) In the entire show cause notice it was not stated that 'EIEL' was a "penny stock". The SCN was absolutely silent as to what were the business / activities entered into by "EIEL" during the investigation period that is from 01.06.2012 to 31.12.2013. No audited financial statements of the accounts of the said investigation period were referred much less enclosed to say that the said company i.e. "EIEL" did not have any financial worth or was not worthy of being traded in the stock exchanges. From the perusal of the same, it shall be clear that the said company is being actively engaged in the commercial operation and had Profit of Rs. 98384623 as on 31/03/2013 and by no stretch of imagination, the shares of EIEL could be considered to be 'penny stock'.
- (r) Certain factors distinguish a intentional and unintentional trades which cause market harm. They are – whether the trades were in a aliquid

contract, whether the trades were at fair market price, what the percentage of trades to total trades of entity and whether the entity stood to make any unfair gains out of such trades.

- (s) The Hon'ble Supreme Court in the case of SEBI vs. Kishore R Ajmera in Civil Appeal No. 2818 of 2008 vide its order dated 2302.2016 has laid down parameters, though non-exhaustive, that can be used to arrive at a conclusion with respect to liability in such cases for violation of the provisions of the SEBI Act, 1992 and regulations framed there under. The parameters are: Volume of trade, period of persistence in trading in scrip, particulars of buy and sell orders, volumes, proximity of time between the two and such other relevant factors. The court also held that *"the primary purpose of the statutory enactments is to provide an environment conducive to increased participation and investment in the securities market which is vital to the growth and development of the economy. The provisions of the SEBI Act and regulations will, therefore, have to be understood and interpreted in the above manner"*.
- (t) When the trades in the instant case, conducted by the noticees in the scrip of 'EEL' during the period under investigation, are put through these tests, any reasonable person would appreciate that the trades pass all of the above filters and, as such, the allegation of violations and contraventions in the SCN are totally unfounded. The volume and timing of the transactions were proved to be negligent and insignificant.
- (u) It is important to analyze whether intention to manipulate or commit fraud was present and if intention was established the penalty must match with the 'materiality of market harm'.
- (v) Hon'ble Supreme Court's decision in the case of Hindustan Steel vs. State of Orissa (AIR 1970 SC 253) where it was held as follows:
"An order imposing penalty for failure to carry out a statutory obligation is the result of a quasi-criminal proceeding and penalty will not be ordinarily imposed unless the party obliged either acted deliberately in defiance of law or was guilty of conduct contumacious or dishonest, or acted in conscious disregard of its obligation. Penalty will not also be imposed merely because it is lawful to do so. Whether penalty should

be imposed for failure to perform a statutory obligation is a matter of discretion of the authority to be exercised judicially and on a consideration of all the relevant circumstances. Even if a minimum penalty is prescribed, the authority competent to impose the penalty will be justified in refusing to impose penalty, when there is a technical or venial breach of the provisions of the Act or 'where the breach flows from a bonafide belief that the offender is not liable to act in the manner prescribed by the statute. "

(w) On 16 May, 2017 SEBI came out with its new policy (Approved Policy Number EFD/DRA-3/ON332/2017) (hereinafter referred to as "Policy") which was approved by WTM (GM) by which it was observed that intention is a sine quo non for establishing manipulation in case of self-trades and accidental/unintentional self-trades are not covered under the said regulations. Further it was observed that in all matters of self-trade an assessment was to be made regarding whether the said trade was intentional or unintentional on the basis of supporting evidence and the manipulation caused by indulging in self- trades should be clearly brought out. Hence it was decided in the policy that the quasi-judicial body may assess the ongoing cases involving allegations of self- trade by analyzing whether any manipulation is arising out of self-trade or any intention to enter into is evident from the material on record. If the manipulation or intent can be established the same may be proceeded with as approved, however, if no intention or manipulation is evident from the case and the only charge is mere occurrence of self-trades then the entity may be exonerated by the quasi-judicial authority. Further, while assessing the manipulative intents, the volume transacted may also be considered in addition to the other factors. The relevant part of the policy is reproduced hereinunder:-

"The quasi-judicial authority may assess on the basis of SCN/Investigation report whether any manipulation is arising out of self-trade or any intention to enter into self-trade is evident from the material on record. If the manipulation or intent can be established the same may be proceeded. However, if no intention or manipulation is evident

from the case and the only charge is mere occurrence of self-trades, then the entity may be exonerated by the quasi-judicial authority. Further, while assessing the manipulative intent, the volume transacted may also be considered in addition to the other factors".

- (x) Applying the same analogy to the synchronized/self trades alleged in SCN under adjudication as is applied in the matter of self trades amounting to fraud, it can be seen that SEBI itself made its stand that intention is a prerequisite for violation of Regulation 3 and 4 of PFUTP Regulations and unintentional self-trades synchronized/self are not violative of Regulations 3 and 4 of PFUTP Regulations. Therefore, only an allegation of the execution of synchronized self-trade will not suffice and the same has to be corroborated with other factors such as impact of trades on market volume nature of the transactions, in-depth analysis of synchronized self-trades and other such factors.
- (y) Supreme Court in Union of India v. Chaturbhai M. Patel (AIR 1976 SC 712) which holds that fraud, even in civil proceedings, must be established beyond reasonable doubt. Thus, the Show Notice against us does not meet the well settled standards of law and evidence in such a case and needs to be withdrawn. According to the decision of the Securities Appellate Tribunal in Parsoli Corporation vs. SEBI (Appeal No 146/2011 order dated 12th August 2011) where the Hon'ble SAT observed: - .a serious charge like fraud has to be established on preponderance of probabilities and since this charge is serious, higher has to be the degree of probability to establish the same." The SAT also held in Sterlite Industries vs. SEBI (Appeal No. 20/2001 dated 22nd October, 2001) that "...in the absence of reasonably strong evidence, even in a civil proceeding, a person cannot be held guilty and awarded punishment. Mere surmise, conjuncture or suspicion cannot sustain the finding of fault". It is seen that in the present case, the SCN is admittedly based on low preponderance of probabilities.
- (z) In the case of Seth Gulabchand vs. Seth Kudilal (AIR 1966 SC 1734), the Hon'ble Court inter alia held that: "*The Indian Evidence Act applies the same standard of proof in civil cases. It makes no difference*

between cases in which charges of a fraudulent or criminal character are made and cases in which such charges are not made. But this is not to say that the court will not, while striking the balance of probability keep in mind the presumption of honesty or innocence or the nature of the crime or fraud charged. "

34. Noticees 4 and 5 i.e. Pratibha Mukharjee and Renu Mukherjee made the following submissions vide letter dated 06.04.2021-
- (a) They bought and sold 2 kinds of shares, not just Era Infra Engineering Ltd.
 - (b) The trades were carried out through their trading accounts, using which they sold and purchased shares with their savings
35. Subsequently, vide letter dated 08.04.2021, a letter was received from Advocate Shri Ashok Sharma on behalf of Noticees 4 and 5 seeking 10 weeks' time for filing reply to the SCN as they were facing difficulty accessing old records during the corona pandemic.
36. Vide Hearing Notices dated 17.08.2021, Noticees 4 and 5 were granted opportunities of hearing through videoconferencing by WebEx on 23.09.2021. Vide e-mail dated 17.09.2021, Noticees 4 and 5 submitted that they were innocent people and had not done anything, however they just gave their documents to a Chartered Accountant and he does everything, and he just gave them each Rs. 500 a month.
37. During the hearing conducted through WebEx on 23.09.2021, Renu Mukharjee appeared on behalf of herself and Noticee 4, and submitted that Noticee 4 is the mother-in-law of Noticee 5. Noticee 5 submitted in respect of the impugned trades that a broker whose name she does not recall had traded for Noticees 4 and 5 and paid them a fixed sum of Rs. 1000 every month for the same. Noticee 5 submitted that she does not understand anything about the securities markets and that Noticee 4 is a heart patient. Noticees claimed to not recall the

name of the person who gave them monthly payment for using their trading accounts. Noticee 5 undertook to submit a detailed reply to the SCN within two weeks from the date of hearing.

38. Vide e-mail dated 24.09.2021, Noticee 5 submitted that Noticee 4 was her mother-in-law, that Noticee 5 had two daughters and her husband was not working at that time between 2009-2012. It was stated that due to financial problems Noticees gave their documents to get a monthly income of Rs. 1000, and that they admitted their mistake.
39. I note that, through the SCN and the hearing notices, the Noticees were advised to furnish their reply, if any, within stipulated time, failing which, it shall be presumed that the Noticees have no reply to submit and the matter will be proceeded on the basis of the material available on record. Since the remaining Noticees No. 1, 2, 7, 17-21, 23-25 and 27 to 34 have not responded to the SCN despite sufficient opportunity granted to them to submit a reply and attend hearings, I hereby proceed to adjudicate *ex parte* against said Noticees on the basis of material on record in respect of the allegations levelled against them, and on the basis of Noticees' submissions and relevant material available on record in respect of the other Noticees.

CONSIDERATION OF ISSUES AND FINDINGS

40. The issues arising for consideration in the instant proceedings are:-
- I. Whether there has been a violation of the provisions of Section 12A (a), (b), (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) and 4(1) and 4(2)(a) of the PFUTP Regulations by Noticees 1 to 34, Regulation 4(2)(g) by Noticees 1-26, Regulation 4(2)(e) by Noticee 2 and Regulation 4(2) (d) of the PFUTP Regulations by Noticees 27 and 28
 - II. If yes, whether the Noticees are liable for imposition of monetary penalty under Section 15 HA of the SEBI act

III. If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5 (2) of the Adjudication Rules?

I. Whether there has been a violation of the provisions of Section 12A (a), (b), (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) and 4(1) and 4(2)(a) of the PFUTP Regulations by Noticees 1 to 34, Regulation 4(2)(g) by Noticees 1-26, Regulation 4(2)(e) by Noticee 2 and Regulation 4(2) (d) of the PFUTP Regulations by Noticees 27 and 28

41. Preliminary submissions have been made by the answering Noticees that there has been inordinate delay of more than 9 years in initiation of proceedings since the impugned transactions. In this regard, I note that the investigation in the said matter was completed in October 2016. However, adjudicating officer was appointed in December 2020, on account of procedural delay. SCNs were issued on 04.03.2021. I take note of the fact that issuance of SCNs took place after considerable delay on account of procedural issues. At the same time, I also note that there is no limitation prescribed in SEBI Act or Regulations for issuance of SCN or for completion of the Adjudication proceedings.
42. With respect to another preliminary objection raised by the Noticees that they were not provided with documents relied on for the purpose of the allegations levelled in the SCN I note that all parts of the investigation report relied on for the purpose of the allegations in respect of the Noticees were e-mailed to the Noticee, and all Annexures to the investigation report (including trade and order logs, as well as replies of various entities in respect of fund movement) were provided to the Noticees on a CD collected by the Authorised Representative of the Noticees on 29.09.2021. It is also noted that no statements of any entity were relied on for crystallising the allegations in respect of the Noticees. Consequently, the necessity of cross-examination of entities did not arise. Therefore, I find that the Noticees' contention that they were not provided with relevant material or an opportunity of cross-examination is without merit.

43. Noticees 1 to 26 are alleged to be connected entities. The first part of allegations in the SCN deals with creation of artificial volumes by indulging in repetitive synchronised trades by Noticees 1 to 26 with connected counterparty clients with significant volumes in the scrip of Era on BSE and NSE between 01.06.2012 and 16.09.2013.
44. Noticee 1 is also alleged to have created a misleading appearance of trading in the scrip of EIEL by engaging in 33 self trades on 2 different days for total of 37,685 shares (0.043% of total market volume) on NSE.
45. Noticees 27 and 28 are alleged to have funded the trading activity of the Noticees 1 to 26 through several layers of conduits, providing the said Noticees with the funds to carry out false and misleading appearance of trading. Noticees 29 to 34 are the alleged conduits for the funds and thus are alleged to have aided in manipulative and fraudulent trading in the scrip of Era.
46. Further, Noticee 2, by using the funds received through several layers from EIEL and Noticee 28, is alleged to have manipulated the price of the scrip by placing the buy orders at much higher prices than the available sell order prices on July 26 and 27, 2012.
47. The legal provisions allegedly violated by the Noticees are reproduced below for reference: -

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 thereunder;”

PFUTP Regulations

“3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

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

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

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

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 if it involves –

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

(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

(g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security;"

48. I note that as a preliminary submission, the Noticees 3,6, 8-16, 22 and 26 have contended that the entities which allegedly provided funds to the Noticees for synchronised trades, as well as the brokers who placed orders and purchased the shares on behalf of the Noticees, have not been made party to the SCN, and their statements have not been relied on or provided to the Noticees. I find that the entities who allegedly funded the Noticees i.e. the Company Era, Noticee 27 and Noticee 28 are included in the SCN. Adjudication proceedings in respect of Era have been concluded through order dated 21.05.2021. Further, the argument that when a trade is executed in a person's trading account, the broker should be liable and not the client, is not acceptable because while executing trades, brokers are agents who execute trades on behalf of clients upon the clients' instructions in the ordinary course of their business, and client cannot escape liability for trades done in its name by casting responsibility of the trades upon the broker. Accordingly, the Noticees remain answerable for the trades conducted in their trading accounts and on their behalf.

49. The Noticees in their submissions have tried to distance themselves from the impugned trades conducted through trading accounts by stating that portfolio managers, brokers or authorised persons entered into the impugned trades. However, the copies of broker-client agreements furnished by them in support of this contention do not indicate that the Noticees had permitted the said brokers to trade without their permission or knowledge, or that they were not getting copies of contract notes in respect of the impugned trades, or that they

had waived their rights as clients, including the rights to get the proceeds of the impugned trades credited into their accounts. The “broker-client agreements” copies furnished by the answering Noticees are actually standard client registration forms. Clause 2 c. of one of the forms submitted by the Noticees actually states that the “client agrees that – he shall be wholly responsible for all his investment decisions and trades”. Therefore, the Noticees’ contention that they were not responsible for the trades carried out in their trading accounts is not tenable in fact or law.

50. The answering Noticees’ have contended regarding fund flows that statements of brokers or fund providers was not taken or provided during proceedings. I note that the fund providers are part of the present adjudication proceedings, and as seen earlier in this order, have been granted adequate opportunity to represent themselves. All material forming the basis of the allegations in respect of the Noticees was duly served on them. The Noticees have made no other submission regarding fund flows. Therefore, I am unable to accept the contention of the answering Noticees that material relevant to crystallisation of charges regarding fund flows was incomplete or was not made available to them.
51. I note that Noticees 1-26 are connected to each other and ultimately to Era through common contact numbers, common directors and fund movements as detailed at Annexures 1 and 2 to the SCN. From the manner of fund flow to the trading accounts, I note that fairly large value transactions have taken place in the accounts of the Noticees who earlier had miniscule balances in their accounts. Of the abovementioned 26 Noticees, 12 Noticees (Noticees 1, 2, 8, 9, 11, 12, 16, 19, 21, 25 and 26) traded in the shares of Era upon receiving a total Rs. 15.97 crores of funds indirectly from Era, Noticee 27 and Noticee 28 routed through Noticees 29 - 34, on or around the dates when they traded in the scrip of Era. Further, the bank account details of Noticees 1-26 showed nominal balances before receipt of funds from Era/Noticees 27 and 28.

52. Para. 12 of the SCN illustrates how Noticee 9 received funds of Rs. 30 lakhs indirectly from Era through Noticee 29 and Noticee 13 on 24.06.2013 and transferred the amount to its broker Trustline Securities Ltd. for purchase of 52,200 shares of Era on 25.06.2013 for Rs. 71,58,185 through the said broker. Similarly, on receipt of Rs. 1 crore on 24.06.2013 from Noticee 16 (who in turn received the said amount from Noticee 9 and Noticee 29 received Rs. 2 crores from Era on 24.06.2013), Noticee 26 transferred Rs. 61.50 lakhs to its broker Anand Rathi Share and Stock Brokers Ltd. on the same day, and purchased 92,085 shares of Era worth Rs. 1,24,27,484 through the said broker. Noticee 26 also transferred Rs. 50 lakhs on 24.06.2013 to Noticee 11, which transferred the said sum of Rs. 50 lakhs to its broker Fairwealth Securities Ltd. the same day, and bought 59,235 shares of Era through the said broker on the same day. Noticee 8 is also seen to have received Rs. 20 lakhs and 30 lakhs on 24.06.2013 and 25.06.2013 from Noticee 26, and then transferred Rs. 20 lakhs on 24.06.2013 and 30 lakhs on 25.06.2013 to its broker Click2trade Capital Ltd., which purchased 36,700 shares of Era for Rs. 49,92,537 on 24.06.2013 for Noticee 8.
53. A perusal of Annexure 7 which is based on bank account statements of the concerned Noticees shows that on 27.07.2012, 24.06.2013, 07.01.2013, 27.02.2013, 08.04.2013, 31.10.2012, 22.04.2013, 30.07.2012, 06.08.2012, 02.08.2013 and 26.04.2013 – i.e. on 11 days, funds amounting to a total of Rs. 15.97 crores were transferred from Era, Noticee 27 and Noticee 28 to 12 Noticees (Noticees 1, 2, 8, 9, 11, 12, 16, 19, 21, 25 and 26) through Noticees 29-34. Noticee 10 sold shares of Era on 26.10.2012 for Rs. 3.62 crores, and on 30.10.2012 for Rs. 3.08 crores, and then upon receipt of the proceeds from its broker India Infoline Ltd., was seen to have transferred Rs. 2.75 crores out of the payout of Rs. 4.6 crores to Noticee 29 which then transferred the same amount to Era.
54. The table at para. 14 of the SCN details how entities which carried out synchronised trades and self-trades in the scrip of Era and contributed to trading volume and positive LTP in the scrip of Era during the investigation

period, were funded by Era, Noticee 27 and Noticee 28 through Noticees 29-34. It is seen from the Table that a sum of Rs. 15.97 crores was pumped into the market by Era, Noticee 27 and 28 for trading by connected Noticees 1, 2, 8, 9, 11, 12, 16, 19, 21, 25 and 26 in 10,41,215 shares of the scrip of Era on 27.07.2012, 24.06.2013, 25.06.2013, 07.01.2013, 27.02.2013, 08.04.2013, 31.10.2012, 22.04.2013, 30.07.2012, 06.08.2012, 07.08.2012, 02.08.2013 and 26.04.2013. The abovementioned trades funded by Era, Noticees 27 and 28 included the impugned synchronised trades, self-trades and trades which contributed to price-rise in the scrip of Era.

55. Therefore, it is seen that Noticees 27 and 28 through conduit entities, namely, Noticees 29-34, funded the trades of 12 other Noticees which were synchronised trades, self-trades by Noticee 1, as well as the positive LTP contributing trades on two days by Noticee 2. In view of the aforesaid, Noticees 27 and 28, by funding the trading activity of Noticees 1, 2, 8, 9, 11, 12, 16, 19, 21, 25 and 26 and Noticees 29-34, by aiding Noticees 27 and 28 in carrying out such funding, violated Section 12A (a), (b), (c) of the SEBI Act and regulations 3 (a), (b), (c), (d) and 4(1) and 4(2) (d) of the PFUTP Regulations.
56. In respect of the allegation pertaining to synchronised trades entered into by Noticees 1-26, the Noticees have contended that the quantity of synchronised trades by each client was miniscule, and have provided Noticee-wise break-up of synchronised trades which added up to 1922 synchronised trades amongst themselves for 6951566 shares (18.88% of market volume on BSE and 3617 synchronised trades amongst themselves for 9474244 shares (10.96% of total market volume) on NSE.
57. I have taken note of the Noticees' contention that the individual entity-wise contribution to volumes generated by their synchronised trades on the buy and sell sides was small – ranging from 0.0118% of total market sell volumes on NSE by Noticee 10, to 0.76% of total market buy volumes by Noticee 11 on BSE. I further take note of the answering Noticees' submission that none of the said Noticees' synchronised trades contributed to more than 0.80% of the total market volume on the buy or sell side as applicable. However, this does not

dilute the fact that the synchronised trades of the connected Noticees 1-26 contributed to artificial volumes of 69,51,566 shares each on the buy and sell side on BSE, and of 94,74,244 shares each on the buy and sell side on the NSE as well amounting to 18.88% of the total trading volumes during the IP on BSE and 10.96% on NSE. In case of connected entities whose trades are funded by the company, the trading cannot be seen in isolation but should be seen collectively. The nature of synchronised trades amongst connected entities is such as to ensure that the shares traded remain in the hands of the connected entities while at the same time giving an appearance of genuine trading volumes.

58. I take note of the submission of Noticees 4 and 5 who stated during the hearing and in their replies that they had agreed to let their trading accounts be used by another person who traded on their behalf and paid them some monthly consideration between Rs. 500 each. Noticees 4 and 5 are also stated in Annexure 1 to the SCN to have had common address with a director (Mr. Pradeep Mukherjee) of Noticees 6 and 13, which in turn were disclosed to the exchanges as persons acting in concert with Noticees 2, 8, 9, 10, 11, 12, 13, 14, 15 and 16. It emerges from these submissions and the fact that the bank accounts of the Noticees were funded immediately prior to the transactions by the Company and Noticees 27 and 28, that the Noticees may have been name-lenders collaborating with other connected entities to allow their trading accounts to be used for carrying out manipulative trades in return for some benefits.
59. In view of the above, having noted the fact that the trades were funded in the accounts of 12 of the Noticees 1 to 26 by the company, and taking note of submissions by Noticees 4 and 5 that they allowed their accounts to be used for a fixed monthly fee, along with submissions of other Noticees, I find that the Noticees 1 to 26 have allowed their trading accounts to be used to carry out manipulative trades leading to creation of artificial volumes.

60. The trade and order log details in respect of Noticees 1-26 show synchronisation of prices, order quantities and time of entering the orders where the counterparty client was a connected entity, and where unconnected counterparties clients existed on the said date, the trades were not synchronised.
61. In view of the above, I find that the by allowing their accounts to be used for creation of artificial volumes in the scrip of Era, leading to false and misleading appearance of trading Noticees 1 to 26 have violated Section 12A (a), (b), (c) of the SEBI Act, read with Regulation 4 (1), (2) (a) and (g) of the PFUTP Regulations.
62. Noticee 2 received funds indirectly from Noticee 28, via Noticee 27, Noticee 30 and 31. Noticee 2 transferred all of the Rs. 1.80 crores thus received to brokers Wegmans Financial Services and PLG Securities, who were the brokers for the buy orders placed by Noticee 2 on 27.07.2012 which contributed to positive LTP in the scrip of Era. Thus, after receipt of funds of Rs. 1.80 crore from Noticee 28 on 27.07.2012, Noticee 2 used the said funds to purchase 78409 and 20006 shares.
63. This is in the context of price rise from opening price of Rs. 92.55 on 27.07.2012 to closing price of Rs. 137.55, an increase of 32.86%, on 27.07.2012. As per the SCN, and as also borne out by the trade and order log details in this regard, Noticee 2 was placing buy orders on the said date at prices higher than the pending ask rates for the order quantities required by it. From the details of order book positions in the SCN as well as the trade log at Annexure 9 to the SCN, it is evident that Noticee 2 put in buy orders at prices which were much higher than the price at which sell orders were available. The buy orders were placed at a rate which was much higher than the last traded price. On BSE, Noticee 2 entered into 620 trades, of which 328 trades had positive LTP contribution of Rs. 79.25, only 11 trades with negative LTP contribution of Rs. 1.45. The remaining trades of Noticee 2 had no LTP contribution. Thus, the trades by Noticee 2 which were funded by an amount of Rs. 1.80 crores received indirectly from Noticees 28 were executed in a manner

to cause a high spike in price on 27.07.2012, leading to false impression of demand for the scrip at a higher rate than the actual market for the scrip. The Noticee's contention that there was no particular direction in which the scrip price was attempted to be manipulated by the Noticee is not correct, as the price was being pulled upward by 397 orders placed at Rs. 137 between 9:35 am and 9:41 a.m. despite the fact the trades were getting executed at prices between Rs. 120.80 and were ultimately pulled up to Rs. 133 by 9:41 am. Therefore, the allegation of violation of Section 12A (a), (b) and (c) of the SEBI Act read with Regulations 3 (a), (b), (c) and (d) and 4 (1) and (2) (e) of the PFUTP Regulations stands established in respect of Noticee 2.

64. Noticee 1 i.e. Agrata Shares and Securities Pvt. Ltd. has also been alleged to have carried out 33 self-trades on 2 days for 37, 685 shares (0.043% of the total market volume), where it was the buyer as well as seller. Noticee 1 belonged to a group of entities indirectly connected to the company Era, through funding indirectly by Noticee 27 on 27.07.2012, and 30.07.2012 and by Noticee 27 on 26.04.2013, and carried out synchronised trades in the scrip with connected counterparties. However, the volume contributed through the self-trades of Noticee 1 which ranged from 1.276% of clients' buy volume to 0.841% of clients' sell volume, is too insignificant to have had any meaningful impact on the volume of artificial trading generated by Noticee 1. Hence I find that the charge of violation of Regulations 4 (2) (g) of the PFUTP Regulations does not stand established in respect of Noticee 1.

II. If yes, whether the Noticees are liable for imposition of monetary penalty under Sections 15HA of the SEBI Act?

III. If yes, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15 J of the SEBI Act read with Rule 5 (2) of the Adjudication Rules?

65. As it has been established that the Noticees 1 to 34 have violated the provisions of Section 12A (a), (b), (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) and 4(1) and 4(2)(a) of the PFUTP Regulations, Noticees 1-26 have violated Regulation 4(2)(g) of PFUTP Regulations, and Noticees 27 and 28 have violated Regulation 4(2) (d) of the PFUTP Regulations, they are liable for imposition of monetary penalty under Section 15HA of SEBI Act.

66. Section 15 HA of the SEBI Act read as follows at the relevant time:-

“Penalty for fraudulent and unfair trade practices.

15HA.

If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher”

67. While determining the quantum of penalty under Section 15HA of the SEBI Act, the following factors stipulated in Section 15J of the SEBI Act, have to be given due regard:

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

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

(c) the repetitive nature of the default.

68. I find that material on record does not bring out the unfair gains made by the Noticees or losses caused to investors as a result of the default. I note that the transactions took place in 2012-13 and more than 9 years have lapsed since the violations took place. I also take note of the different roles played by the Noticees in carrying out the manipulative trades, from funding of trades by Noticees 27 and 28, acting as conduit of funds by Noticee 29 to 34, and allowing trading accounts to be misused for misleading trades by Noticees 1 to 26.

69. Taking into account the facts and circumstances of this matter and mitigating factors, I am of the view that the following penalty levied on the Noticees is commensurate with the violations committed by them –

- (a) Rs. 1 lakh each payable by Noticee 27 (Hi-Point Investment and Finance Pvt. Ltd.) and Noticee 28 (Adel landmarks Ltd.) for violating Section 12A (a), (b), (c) of the SEBI Act and regulations 3 (a), (b), (c), (d) and 4(1) and 4(2) (d) of the PFUTP Regulations by funding twelve connected Noticees' manipulative trades in the scrip of Era,
- (b) Rs. 30,000 each payable by Noticees 29-34 for violating Section 12A (a), (b), (c) of the SEBI Act and regulations 3 (a), (b), (c), (d) and 4(1) and 4(2) (d) of the PFUTP Regulations by aiding and abetting other connected entities to manipulate price and volume of the scrip of Era and by allowing Noticees 27 and 28 to route funds through their bank accounts to other connected entities who carried out manipulative trades in the scrip of Era
- (c) Rs. 10,000 each payable by Noticees 1-26 for violating Section 12A (a), (b), (c) of the SEBI Act and regulations 3 (a), (b), (c), (d) and 4(1) and 4(2)(a) and (g) of the PFUTP Regulations by creating artificial volumes and misleading appearance of trading in the scrip of Era and 4(2)(e) of the PFUTP Regulations by Noticee 2.

ORDER

70. After taking into consideration all the facts and circumstances of the case, in exercise of powers conferred upon me under Section 15 I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose the following penalty of Rs. 1,00,000 (Rupees One Lakh only) each on Noticees 27 and 28, Rs. 30,000 (Rupees thirty thousand only) each on Noticees 29-34, and Rs. 10,000 (Rupees ten thousand only) each on Noticees 1 to 26, for violation of the respective applicable provisions of the SEBI Act and the PFUTP Regulations.
71. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through

online payment facility available on the SEBI website www.sebi.gov.in on the following path, by clicking on the payment link –

ENFORCEMENT → Orders → Orders of AO → PAY NOW

72. The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid to the Enforcement Department – Division of Regulatory Action – 2 of SEBI.
73. The Noticees shall provide the following details while forwarding DD/ payment information:
- a) Name and PAN of the entity (Noticee)
 - b) Name of the case / matter
 - c) Purpose of Payment – Payment of penalty under AO proceedings
 - d) Bank Name and Account Number
 - e) Transaction Number
74. Copies of this Adjudication Order are being sent to the Noticees and also to SEBI in terms of Rule 6 of the Adjudication Rules.

MANINDER CHEEMA Digitally signed by
MANINDER CHEEMA
Date: 2022.01.28
16:43:00 +05'30'

DATE: JANUARY 28, 2022

PLACE: MUMBAI

MANINDER CHEEMA

ADJUDICATING OFFICER