BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA
(ADJUDICATION ORDER NO: Order/SM/PP/2018-19/2458-2490)

UNDER SECTION 15- I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995.

In respect of:

Sr. No.	Name of the Noticee	PAN no.	Noticee no.
1.	SMS Techsoft (India) Ltd.	AAECA1954G	Noticee no. 1
2.	Dashrathkumar Keshaji Khatri	ACFPK3128C	Noticee no. 2
3.	Deveraj Siddiah Pera Naidu	ACGPD9190G	Noticee no. 3
4.	Dilipbhai Jaswantlal Gajjar	ADVPG4094Q	Noticee no. 4
5.	Jagadish Vital	ACJPJ5747L	Noticee no. 5
6.	Akash Jagadish Vital	ATYPA8648K	Noticee no. 6
7.	Anita S. Kadanthalai.	ABUPA2184Q	Noticee no. 7
8.	Alakaben Kirtibhai Shah	CPAPS2335R	Noticee no. 8
9.	Bafna S R	AFXPB6525P	Noticee no. 9
10.	Chhaya Umeshchandra Trivedi	AHDPT3058P	Noticee no. 10
11.	Dharmendra Rikhavchand Shah HUF	AAEHD6246F	Noticee no. 11
12.	Himadri Kamleshbhai Shah	AZYPS5654H	Noticee no. 12
13.	Himanshu Prafulchandra Shah	ANEPS9445A	Noticee no. 13
14.	Kaliyaben Himansu Shah	BFQPS1462A	Noticee no. 14
15.	Kanubhai Narandas Thakkar	ADZPT3418R	Noticee no. 15
16.	Karan Kirtibhai Shah	BQYPS0082D	Noticee no. 16
17.	Keval Kirtikumar Shah	DFNPS6796L	Noticee no. 17
18.	Kirtikumar Rasiklal Shah	AKQPS8463F	Noticee no. 18
19.	K Rajagopal	AGCPR8130L	Noticee no. 19
20.	Mahavirsingh N Chauhan	AQOPC6330R	Noticee no. 20
21.	Meenaben Natubhai Thakkar	AHWPT5940M	Noticee no. 21
22.	Minaben Prafulbhai Shah	COYPS9153J	Noticee no. 22
23.	Mitesh Kanaiyalal Thakkar	AHQPT0178H	Noticee no. 23
24	Mukeshbhai Shantilal Thakkar	AJBPT8789M	Noticee no. 24
25.	Mulchand Ganeshmal Jain	ABBPJ6373M	Noticee no. 25
26.	Natubhai Shantilal Thakkar	AHWPT5944R	Noticee no. 26

27.	Navinchandra Kanubhai Thakkar	ADUPT1264A	Noticee no. 27
28	Pruthvi Himanshu Shah	DCAPS6011N	Noticee no. 28
29	S Rajaganesh	ALBPR2586E	Noticee no. 29
30.	Suresh Nenmalji Malvi	AKMPM4951C	Noticee no. 30
31	Vaishali Natvarlal Thakkar	AMJPT1242N	Noticee no. 31
32.	Vinit Kamleshkumar Shah	BOIPS2506E	Noticee no. 32
33.	Vinod Jain	AEDPJ4235P	Noticee no. 33

in the matter of

SMS Techsoft (India) Ltd.

FACTS OF THE CASE

1. Securities and Exchange Board of India ('**SEBI**') observed that during the period February – March 2013, several Short Text Messages (SMSs) were sent to the investors with predominantly buy recommendations that were made in the scrip of SMS Techsoft (India) Ltd. (hereinafter referred to as '**STL'/ 'the Company'**). In view of the SMSs mentioning predominantly buy recommendations in the scrip of STL, SEBI conducted an inquiry into the trading/dealings in the scrip of the company. On the basis of the prima facie observations in the matter, an interim order dated November 05, 2013 (followed by a corrigendum dated November 18, 2013) was passed by SEBI under the provisions of sections 11,11(4) & 11B of the Securities and Exchange Board of India Act, 1992 (hereafter referred to as '**SEBI Act'**) , *inter alia,* restraining STL and 37 other persons/ entities, from accessing the securities market and were further prohibited from buying, selling or dealing in the securities market, either directly or indirectly, in any manner whatsoever, till further directions. In this regard, a confirmatory order dated May 07, 2015 (followed by a corrigendum order dated May 14, 2015) was also passed by SEBI, *inter alia,* confirming the directions issued vide the aforesaid interim order.

2. Vide the interim order, the aforementioned 38 persons/entities i.e STL and 37 persons/entities were also directed by SEBI to keep in an escrow account, jointly and severally, within 30 days of the date of the interim order, an amount of Rs 6,00,11,512/- that they have earned as ill-gotten profit during the period March 13, 2013 to October 18, 2013 and were also directed to keep any other amount that they have realized as sale proceeds of the shares allotted to them in the Preferential Allotment made by the Company on March 15, 2012.

3. Pursuant to the interim order, SEBI conducted an investigation into the trading/dealings in the scrip of STL, which is listed on Bombay Stock Exchange (**BSE**), during the period March 13, 2013 to November 05, 2013 (hereinafter referred to as 'I**nvestigation Period**'/ '**IP**'), to ascertain the possible violation of the provisions of the SEBI Act and various Rules and Regulations made thereunder. Further, SEBI also conducted an investigation into the irregularities observed in the preferential allotment of shares made by the company during March 2012 in order to ascertain whether the company/entities involved in the said preferential allotment had violated the provisions of the SEBI Act, SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ('**PFUTP Regulations'**) and SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 ('**ICDR Regulations'**).

4. Based on the findings of the investigation, it was prima facie observed by SEBI that the Company, its promoters/directors along with other persons/entities, had falsely portrayed the preferential allotment of shares made by the Company, as a genuine preferential allotment and also created artificial volume in the scrip of the Company by adopting fraudulent device and artifice to defraud the shareholders of the Company. It was observed that the allottees in the preferential allotment after falsely portraying the fraudulent transactions as genuine preferential allotment of shares later on, after the expiry of the lock-in period of the shares allotted to them in the said preferential allotment, offloaded a large portion of these shares and made illegal gains. In this regard, it was

observed by SEBI that Noticee nos. 1 to 33 named above (hereinafter collectively referred to as '**the Noticees'**), prima facie, committed serious irregularities in the said preferential allotment of STL and also in respect of their subsequent trading/dealings in the shares of STL and therefore, have allegedly violated the provisions of Section 12A (a), (b) and (c) of the SEBI Act read with Regulations 3(a), (b), (c), (d), 4(1), 4(2) (a), (e), (f) and (r) of the PFUTP Regulations and Regulation 77(1) of the ICDR Regulations, as applicable. SEBI has, therefore, initiated adjudication proceedings against the Noticees under the provisions of Sections 15 HA and 15HB of the SEBI Act.

5. In the said matter, a Final Order dated July 27, 2018 was also passed by SEBI, details of which are brought out in the following paragraphs of this order.

APPOINTMENT OF ADJUDICATING OFFICER

6. The undersigned was appointed as the Adjudicating Officer ('**AO'**) vide an order dated September 08, 2016 under Section 15-I of the SEBI Act read with Rule 3 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as **'Adjudication Rules'**) to inquire into and adjudge under the provisions of sections 15HA and 15HB of the SEBI Act, the aforementioned alleged violation of the provisions of law by the Noticees.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

7. Show Cause Notice ref. A&E/EAD-3/SBM/32493/2017 dated December 21, 2017 (hereinafter referred to as '**SCN'**) was issued to the Noticees in terms of Rule 4 of the Adjudication Rules to show cause as to why an inquiry should not be initiated against the Noticees and penalty, if any, be not imposed on them for their alleged violation of the provisions of SEBI Act, PFUTP Regulations and ICDR Regulations. The SCN was served on the Noticees. The allegations levelled against the Noticees in the SCN are mentioned below:-

a. *From the examination of the bank statements of the company and preferential allottees it is observed that –*

i. *Mr. Rajesh Ranka (an employee of the company) transferred Rs. 1,00,00,000 and Rs. 99,50,000 to Maheshchandra Chunilal Shah and Nila Rajeshkumar Shah respectively on March 03, 2012 and on the same day, these 2 persons/entities have transferred the said funds to the company on account of preferential allotment.*

ii. *Further, on March 05, 2012, the company transferred Rs. 1 crore to one Manjulaben Shah who had in turn transferred these Rs. 1 crore to one of the preferential allottee and that preferential allottee has transferred Rs. 1 crore to the company on same date on account of the preferential allotment. The said Rs. 1 crore which was circulated among the company, Manjulaben Shah and the preferential allottees and was later returned to Rajesh Ranka as explained in sub point (v) below.*

iii. *The flow of funds among the company, Manjulaben Shah and preferential allottees as explained in sub-point (ii) above were repeated again and again which gave a false impression that the preferential allottees have paid the consideration amount to the company towards the preferential allotment money.*

iv. *The above said transfer of Rs. 1 crore among the company, Manjulaben Shah and the company, shows that, in total, Rs. 28.03 crore were transferred from the company's bank account no. 673011005933 maintained with ING Vysya Bank to Manjulaben Shah's bank account no. 673010029662 with ING Vysya Bank during the period March 05, 2012 to March 12, 2012 in 29 different transactions. During the same period, Manjulaben C Shah directly transferred Rs. 18.69 crore to 20 preferential allottees (mentioned at S. Nos. 1, 2, 3, 8 to 15, 18, 19, 21 to 25, 27, 28) and the 20 preferential allottees have later on transferred Rs. 18.68 crore to the company. Further, Manjulaben Shah also transferred Rs. 9.27 crore directly*

to the company (supposedly towards the payment of consideration amount by 9 preferential allottees).

v. *Subsequently, the company transferred back Rs. 1,00,00,000 to person/entity at S. no. 31 on March 17, 2012 and Rs. 99,50,000 to person/entity at S. No. 29 on March 20, 2012 as shown in chart below. Thereafter, amount of Rs. 1,00,00,000 was returned to Mr. Rajesh Ranka on March 19, 2012 and entity at S. No. 29 returned back Rs. 99,50,000 to Mr. Rajesh Ranka on March 21, 2012.*

vi. *From the above, it is observed that for the payment towards the shares allotted in preferential allotment, the fund movement originated from the account of Rajesh Ranka and thereafter, Ms. Manjulaben C Shah was used as an intermediary to transfer the funds among the company and preferential allottees. Further, the outflow of funds initiated from Rajesh Ranka on March 03, 2012 which was later on returned back to him on March 19, 2012 and March 21, 2012.*

vii. *Thus, it is observed that the company had allotted 3,00,00,000 shares to 31 preferential allottees without the receipt of any actual consideration amount towards the securities issued by it. Therefore, the said preferential allotment was fraudulent as the shares were allotted in the preferential allotment without any infusion of funds.*

viii. *Thus, Noticee no. 5 to Noticee no. 34 are alleged to have violated the provisions of Regulation 77(1) of the SEBI (ICDR) Regulations, 2009 for not making the payment of the consideration amount of securities allotted in the preferential allotment.*

ix. *It is observed that Noticee nos. 13 and 20 were allegedly involved in increasing the price of the scrip by establishing the base price for further trades in the scrip at a higher price through repeated trades. It is also observed that the net sell of group entities were 6,43,72,438 shares in the market. Thus, it appears that the above mentioned 2 noticees were providing exit to other entities of the group by sustaining the price of the scrip. Hence, it is alleged that Noticee nos. 13 and 21 have manipulated the*

price of the scrip which is in violation of Regulations 3(a)(b)(c)(d), 4(1), 4(2)(a) and (e) of SEBI(PFUTP) Regulations, 2003.

b. *It is alleged that the Noticee nos.1 to 6 are responsible for the misrepresentations made in the financial statements of the company for FYs 2011-12 and 2012-13. Therefore, it is alleged that Noticee nos. 1,2,3,4,5 and 6 have violated Section 12A (a), (b), (c) of SEBI Act read with Regulations 3 (b), (c), (d), 4(2) (f), (r) of SEBI (PFUTP) Regulations, 2003.*

8. In their respective submissions made w.r.t the SCN, the Noticees, inter alia, stated the following:

a. The company has already accepted the liability under the purporting affidavit of Managing Director Mr. V Jagadish undertaking the liabilities for all the 37 entities. Noticees requested to exonerate the remaining 37 entities except company from the matter in the interest of law and justice.

b. Some of these entities are students and some of the entities are students and some of the entities housewife, who have been wrongly involved in the matter by Late Mahesh Chandra Chunilal Shah and never involved in any sort of the shares in the market and having no other source of income.

c. The Company has already accepted the Liability under the purporting Affidavit of managing Director Mr. V Jagdish undertaking the liabilities for all the 37 entities which also please note.

d. Noticees further submitted that the statements made by them vide their Affidavit submitted to SEBI that Late Maheshchandra Shah had misused Identity proof and Promissory notes for the above transactions as provided by the Noticees for the small personal Loan Transaction as availed by the Noticees.

9. Thereafter, in the interest of natural justice and in order to conduct an inquiry in terms of Rule 4(3) of the Adjudication Rules, the Noticees were provided with an opportunity of personal hearing on August 24, 2018. Mr. Bhrugesh Brahambhatt (Authorised Representative and Advocate) appeared on behalf of Noticee nos. 1 to 7, 9, 10, 11, 15, 19, 21, 23 to 27, 29 to 31, 33 and Mr Vishal V Acharya (Advocate & Authorised Representative) appeared on behalf of Noticee nos. 8, 12, 13, 14, 16 to 18, 22, 28 & 32. During the course of the personal hearing held on August 24, 2018, the Authorised Representatives reiterated the submissions made by the Noticees in their response to the SCN. I also find from the material/records that the Noticees have not made any additional submissions in the matter despite being provided with sufficient opportunity in this regard.

CONSIDERATION OF ISSUES AND FINDINGS:

10. I have carefully perused the documents/material available on record and the written submissions made by the Noticees in response to the SCN. The allegations against the Noticees are summarized in a tabular format as under:-

Sr. No	Nature of Violation	Regulations Violated	Actions Recommended
1	**Noticee No. 1 (company)** Submitted false corporate updates to the stock exchange relating to the cancellation of land deal and acquisition of database for the development of IT services and also made misrepresenting statements in the annual report of the company which was submitted to BSE for FYs 2011-12 and 2012-13.	Regulations 3(b), (c), (d), 4(2) (f) & 4 (2) (r) of PFUTP Regulations.	Adjudication proceedings u/s 15HA of SEBI Act, 1992
2	**Noticee Nos. 1 to 6** Company and its directors were responsible for the misrepresentations made in the financial statements of the company for FY 2011-12 and 2012- 13.	Section 12A (a), (b), (c) of SEBI Act and Regulations 3 (b), (c), (d), 4(2) (f), 4(2) (r) of PFUTP Regulations.	Adjudication Proceedings u/s 15HA of SEBI Act, 1992
3	**Noticee Nos. 5 to 33** Not paid the consideration amount towards the shares allotted to them in the preferential allotment of STL .	Regulation 77(1) of the ICDR Regulations.	Adjudication Proceedings u/s 15HB of SEBI Act, 1992.

Sr. No	Nature of Violation	Regulations Violated	Actions Recommended
4	**Noticee No. 13** Contributed to the price rise in the scrip of STL by fraudulently and repeatedly placing buy orders with group entities at a price higher than the LTP.	Reg. 3(a), (b), (c), (d), 4(1), 4(2) (a) and 4 (2)(e) of PFUTP Regulations.	Adjudication proceedings u/s 15HA of SEBI Act, 1992.
5	**Noticee No. 20** Contributed to the price rise in the scrip of STL by fraudulently & repeatedly placing buy orders with group entities at a price higher than LTP and also by manipulating the first trades of the day in the scrip of STL by placing buy orders at a price higher than the LTP.	Reg. 3(a), (b), (c), (d), 4(1), 4(2)(a) and 4 (2)(e) of PFUTP Regulations.	Adjudication proceedings u/s 15HA of SEBI Act, 1992.

11. Before dealing with the aforesaid charges in seriatim, the relevant legal provisions of law, the contraventions of which have been alleged against the Noticees are mentioned as under:-

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 thereunder;

(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 thereunder.

4. Prohibition of manipulative, fraudulent and unfair trade practice

(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 fraud and may include all or any of the following, namely:-

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

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

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

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

ICDR Regulations

Payment of consideration.

77. (1) Full consideration of specified securities other than warrants issued under this Chapter shall be *paid by the allottees at the time of allotment of such specified securities.*

12. I will now proceed to deal with the aforementioned violations and observations and record my findings as under:

FINDINGS

(A) Whether Noticee 1/ STL submitted false corporate updates to the stock exchange (i.e BSE) relating to cancellation of land deal and acquisition of database for the development of the company's IT services & whether Noticee no. 1/STL made false/ misrepresenting statements in the annual report of the company submitted to BSE for FYs 2011-12 and 2012-13

i) The SCN has alleged that Noticee no. 1 / STL has made certain false corporate updates pertaining to its business dealings on the BSE website in the month of September 2013. The SCN has also alleged that Noticee no. 1 made misrepresenting disclosures in its annual reports for the FYs 2011-12 and 2012-13 which was submitted to the stock exchange i.e BSE. I note that STL in its annual report for the FYs 2011-12 and 2012-13, under the head Fixed Assets, had mentioned land worth Rs 30 crore (which was also the exact amount towards the money raised by STL through the above mentioned preferential allotment) to give the impression that the company had utilized the proceeds of the preferential allotment towards the purchase of land. Therefore, the annual reports for the aforementioned two FYs showed that the company had fixed assets in the form of Land worth Rs 30 crore and the same was shown in the balance sheet of the company for the two FYs mentioned above. In this regard, during the course of investigation, SEBI had vide letter dated September 06, 2013 sought details from the company regarding the utilization of the preferential issue proceeds. In response, the company vide its letter dated September 25, 2013, mentioned that it had only executed a tripartite agreement with Mr. Prakash Thakkar (the seller of the land) and Ms. Manjulaben Maheshchandra Shah (the arbitrator and intermediary for the said land deal) according to which the deal amount would be kept in the account of Ms. Manjulaben Maheshchandra Shah and the same would be transferred to the seller of

the land upon receipt of all the clearances. Thus, I observe that the company had not executed the sale deed w.r.t the purchase of the land worth Rs 30 crore but on the basis of an agreement for sale document, the company went ahead and fraudulently showed Land worth Rs 30 crore under the head Fixed Assets in its Balance Sheet for the above mentioned two FYs.

ii) I observe that the company in its reply had stated that during the month of September 2013, the land deal was terminated due to title deficiencies and the funds were utilized towards the purpose of purchase and procurement of an all India database and marketing software for the company. I observe that although the company tried to explain that the land deal was terminated, the fact that it has already made a false representation in its annual report about the procurement of land (under the head fixed assets) is not mitigated even if it is assumed that the land deal got terminated. Therefore, I am of the view that Noticee no. 1 was clearly guilty of making false / misleading statements in its Annual Reports for the above mentioned two FYs.

iii) I note that a false corporate announcement was made by the company on the BSE website mentioning that the land deal was terminated in September 2013 due to title deficiencies. As already mentioned above, there was not in existence a registered sale deed document and/or other documents executed by STL in support of the statement that STL had acquired the land. In these circumstances, the corporate announcement made by the company to BSE, as aforesaid, is totally unjustified and misleading. Further, from the manner in which Noticee no.1 had fraudulently shown the Land to the tune of Rs 30 crore in its Balance Sheet for the two FYs viz. FYs 2011-12 & 2012-13, it is clear that Noticee no 1 was intentionally making the misleading / false announcements to BSE about its land dealings, as aforesaid.

iv) I further observe that on September 17, 2013, STL made an announcement to BSE regarding the acquisition of a large database for its development in the areas of IT enabled services. However, I observe that in response to the queries sought by SEBI in the matter, STL failed to furnish any records/documentary evidence to support its claim relating to its acquisition of database for the development of IT enabled services. I further note that even during the course of the present proceedings, STL has failed to submit any documentary evidence to substantiate its claim and consequent announcements made to BSE regarding the acquisition of IT database. Therefore, in the absence of any contrary evidence, I hold that Noticee no. 1 / STL has made false and misleading corporate disclosure on September 17, 2013 to BSE regarding its acquisition of large database for its development in the areas of IT enabled services.

v) In view of the above observations / conclusions, it is established that Noticee no. 1 / STL has violated the provisions of Regulations 3(b), (c), (d), 4(2) (f) and 4(2)(r) of the PFUTP Regulations and is, therefore, liable for monetary penalty under section 15 HA of the SEBI Act.

(B) Whether STL and its directors (Noticee Nos. 1 to 6) were responsible for making false statement/ misrepresentations in the financial statements of the Company for the FYs 2011-12 and 2012-13 ?

vi) In the SCN, it is alleged that there were certain false statements/ misrepresentations that were made by Noticee no. 1 / STL and its directors viz. Noticee no. 2 / Mr. Dashrathkumar Keshaji Khatri, Noticee no. 3 / Mr. Devaraj Siddiah Pera Naidu, Noticee no. 4 / Dilipbhai Jaswantlal Gajjar, Noticee no. 5 / Mr. Jagadish Vital and Noticee no. 6 / Mr. Akash Jagadish Vital in the financial statements of the company for the financial years 2011-12 and 2012-13. Specifically, such misrepresentations / false statements were made in the Annual Report of the company for the FYs

2011-12 and 2012-13, details of which are discussed in the following paragraphs.

vii) I observe that for the FYs 2011-12 and 2012-13, STL/Noticee no 1 had falsely disclosed in the Balance Sheet of the Company that land worth Rs 30 crore was included in the Fixed Assets of the company even though the Company had not acquired the land and registered the same in its name. In fact, as already pointed out in the preceding paragraphs, on the basis of a simple document i.e 'agreement for sale' that was executed between the company and the sellers of the land, Noticee no. 1 went ahead with disclosing that the company had acquired the Land for Rs 30 crore and also falsely disclosed the same in its Annual Reports for the FYs 2011-12 & 2012-13. In this regard, I have perused the Annual Reports of the company for the above mentioned FYs and note that under Schedule 4 (Fixed Assets), an addition to the tune of Rs 30 crore was shown towards the land acquired by the company and the same was also reflected under the head 'fixed assets' in the Balance Sheet of the company for the FY 2012-13 as Land acquired/purchased by the company. Clearly, from the above observations, I am convinced that Noticee nos. 1 to 6 were guilty of making false/misleading statements / misrepresentations in the Annual Report of the company for the FYs 2011-12 & 2012-13.

viii) In this regard, it is pertinent to mention the relevant observations of WTM-SEBI in the interim order dated November 05, 2013 w.r.t the irregularities observed in the financial statement of the company, details of which are mentioned as under :--

"I, therefore, find that any land deal much less a non-existent land deal as claimed by the company in this case, cannot be the purpose for which the proceeds of the preferential allotment as disclosed to the shareholders could be utilized. From the facts found during inquiry, I note that

Company had never utilized any such money for the purchase of any land as claimed by it and had made false disclosures in its balance sheets for the financial years 2011-12 and 2012-13 suggesting utilization of proceeds of preferential allotment for purchase of land and had deliberately suppressed the material fact in its annual report for the financial year 2012-13 with regard to the financial transactions wherein the money had been circulated by it through Manjulaben"

ix) Similarly, in the Final Order dated July 27, 2018, which was passed in the said matter, WTM-SEBI made the following observations regarding the land deal of the company:

"I further note that company had never utilised any such money purportedly collected for the purchase of any land as claimed by it and had made false disclosures in its balance sheets for the financial years 2011-12 and 2012-13 suggesting utilization of the proceeds of preferential allotment for purchase of land and had deliberately misrepresented facts in its annual report for the financial year 2011-12 with regard to the financial transactions wherein the money had been circulated by it."

x) In view of the above observations, it is clear that Noticee no. 1 along with its directors i.e Noticee nos. 2 to 6 were at fault by considering a mere 'agreement for sale' document as an actual contract to acquire land and with a fraudulent intent also mentioned the same in its Annual Reports for the said two FYs as land acquired by the company for Rs 30 crore. Therefore, in light of the above observations, I conclude that the aforesaid act of misrepresentation / making false statements by Noticee nos. 1 to 6 in the financial statements/ Annual Reports of the company was a deliberate act on the part of Noticees nos. 1 to 6 and with a view to defraud the investors by portraying a misleading picture of utilization of the proceeds of the preferential allotment towards procurement of these assets.

xi) In the SCN, it is further alleged that the Annual Report of the company for the FY 2012-13 had disclosed the name of Standard Chartered Grindlays Bank as the Banker to the company during the relevant period. However, during the course of investigations, it emerged that the company had closed the aforementioned account with Standard Chartered Grindlays Bank way back in 2010. I have perused the Annual Report of the company for the FY 2012-13 and find that the name of Standard Chartered Grindlays Bank has been incorrectly shown as the Company's banker in the Annual Report during the above stated period. In this regard, the company has vide its letter dated November 20, 2013, which was addressed to the concerned Department of SEBI i.e IVD had mentioned that the company had closed the above-mentioned bank account with Standard Chartered Grindlays Bank and regretted that the name of the said bank was still appearing in the Annual Report of the company and was shown as the Company's banker. Clearly, from the above observations, the company has admitted to the lapse on its part.

xii) It is the duty and responsibility of the listed company and its directors to ensure that true and factual details are captured in the Annual Report of the company. In this regard, I note that it was the responsibility of Noticee no. 1/ STL and its directors viz. Noticee nos. 2 to 6, to ensure that true and correct details are mentioned in the Annual Report of the company as these disclosures made in the financial statements carry a definite influence on the mindset of the investors and also other stakeholders of the company, which includes banks, financial institutions, Government Departments like Income Tax department, other Regulators etc. In my assessment, the lapse on the part of Noticee nos. 1 to 6 not only points towards their gross negligence but also indicate that the act of omission on the part of Noticee nos. 1 to 6 was deliberate in order to defraud the unsuspecting investors.

xiii) I observe that the above directors' of STL viz. Noticee nos 2, 3 and 4 were part of the Audit Committee of the company at various points of the relevant period, the role of Audit Committee as mentioned in the Listing Agreement merits mention here. Further, Noticee nos. 5 & 6 were the promoter directors of STL during the relevant period. As per the Listing Agreement, the role of the Audit Committee, *inter alia* includes " *oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible"* In view of these facts, I find that the directors of the company i.e Noticee nos. 2 to 6 mentioned above, including the independent directors, have failed in their duties to perform their above mentioned functions and have allowed the company i.e Noticee no. 1 to fabricate the figures in its Annual Reports for the above stated two FYs. It is also on record that Noticee nos. 2 to 6 had also made wrong/false disclosures in the financial statements/annual reports of the company. I am of the view that Noticee nos. 2 to 6 who were the directors of the company during the relevant period failed in their fiduciary duties and obligations to the stakeholders of the company, including the investors of the company. In this context, I would like to place reliance on the observations made by Hon'ble SAT in the matter of Mr N Narayanan vs SEBI (Order dated October 05, 2012) wherein Hon'ble SAT observed that :-

"*With the changing scenario in the corporate world the concept of corporate responsibilities is also rapidly changing day by day. The director of a company cannot confine himself to lending his name to the company but taking light responsibility for its day to day management. While functions may be delegated to professionals, the duty of care, diligence, verification of critical points by directors cannot be abdicated. The directors are expected to have a hands on approach in the running of the company and take up responsibility not only for the achievements of the company but also the failings thereto"*

xiv) Therefore, in view of the above observations, I am convinced that Noticee no. 1 and its directors viz. Noticee nos. 2 to 6 have violated the provisions of section 12A (a), (b), (c) of the SEBI Act read with Regulations 3 (b), (c), (d), 4(2) (f), (r) of PFUTP Regulations. In view of the same, I hold that Noticee nos. 1 to 6 are liable for penalty under the provisions of section 15HA of the SEBI Act.

(C) Whether Noticee Nos. 5 to 33 failed to pay the consideration amount towards the shares allotted to them in the preferential allotment of shares made by the company?.

xv) It is noted that, on March 15, 2012, the company allotted 3,00,00,000 shares on preferential allotment basis to 31 persons/entities (including its 3 promoters) at a price of Rs 10 per share. The details of the preferential allotment made by the company are mentioned in the Table below (Table 1):

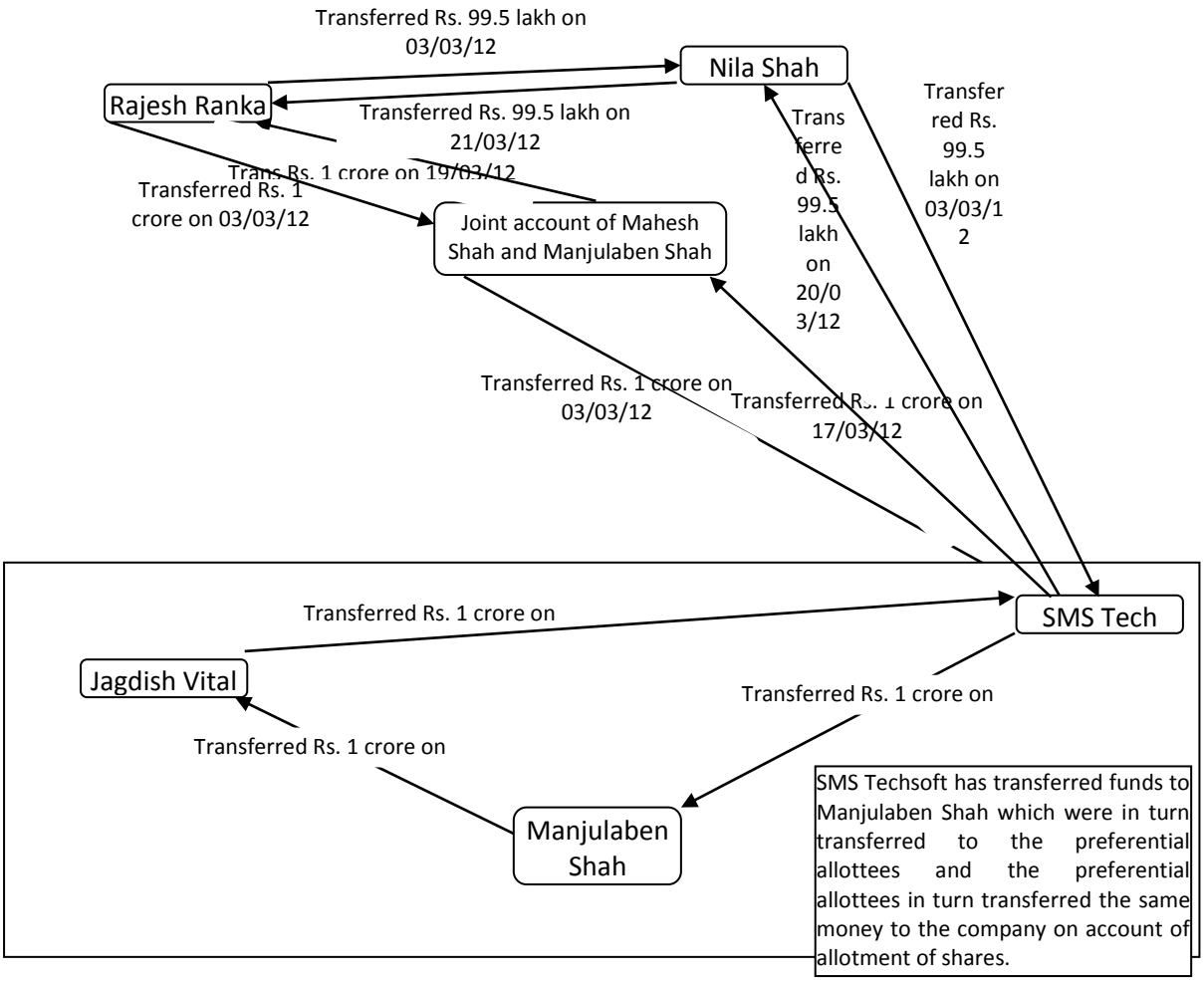
Sl. No.	Name of the allottee	No. of shares allotted	% to total share capital - post allotment
1	Jagadish Vital- promoter	9,98,590	2.85%
2	Akash Jagadish Vital- promoter	4,51,000	1.29%
3	Anita Srinivasabhatt Kadanthalai- promoter	2,97,000	0.85%
4	K Rajagopal	9,98,000	2.85%
5	S Rajaganesh	9,97,000	2.84%
6	Bafna S R	9,96,000	2.84%
7	Chhaya Umeshchandra Trivedi	9,97,500	2.85%
8	Meenaben Natubhai Thakkar	9,95,000	2.84%
9	Mitesh Kanaiyalal Thakkar	9,97,000	2.84%
10	Mukeshbhai Shantilal Thakkar	9,96,000	2.84%
11	Mulchand Ganeshmal Jain	9,98,000	2.85%
12	Natubhai Shantilal Thakkar	9,97,000	2.84%
13	Navinchandra Kanubhai Thakkar	9,95,000	2.84%
14	Suresh Nenmalji Malvi	9,97,000	2.84%
15	Vaishali Natvarlal Thakkar	9,98,500	2.85%

Sl. No.	Name of the allottee	No. of shares allotted	% to total share capital - post allotment
16	Vinod Jain	9,97,000	2.84%
17	Dharmendra Rikhavchand Shah HUF	10,45,000	2.98%
18	Kanubhai Narandas Thakkar	9,97,000	2.84%
19	Himanshu Prafulchandra Shah	9,95,000	2.84%
20	Kaliyaben Himansu Shah	9,95,000	2.84%
21	Alakaben Kirtibhai Shah	9,96,000	2.84%
22	Karan Kirtibhai Shah	9,95,000	2.84%
23	Keval Kirtikumar Shah	9,97,500	2.85%
24	Kirtikumar Rasiklal Shah	9,95,000	2.84%
25	Vinit Kamleshkumar Shah	9,94,500	2.84%
26	Minaben Prafulbhai Shah	9,94,000	2.84%
27	Himadri Kamleshbhai Shah	9,96,000	2.84%
28	Pruthvi Himanshu Shah	9,96,000	2.84%
29	**Nila Rajeshkumar Shah**	**9,95,000**	**2.84%**
30	Mahavirsingh N Chauhan	12,53,410	3.58%
31	**Maheshchandra Chunilal Shah**	**10,50,000**	**3.00%**
Total of preferential allotment		**3,00,00,000**	**85.57%**
Total shareholding of company after preferential allotment		**3,50,57,200**	**100%**

xvi) I observe that the 31 preferential allottees also includes the 29 Noticees i.e Noticee nos. 5 to 33 in the context of the present proceedings. Out of the 31 preferential allottees mentioned in the above Table, two allottees viz. Mr. Maheshchandra Chunilal Shah and Ms. Nila Rajesh Kumar Shah have expired and therefore, the adjudication proceedings against them were abated. Therefore, in the context of the present proceedings and in the SCN issued in this regard, it is alleged that Noticee nos. 5 to 33, as the preferential allottees of STL have failed to pay the consideration towards the shares allotted to them in the preferential allotment made by the company and therefore, they have allegedly violated the provisions of Regulation 77(1) of the ICDR Regulations. In this regard, I have perused the bank statements of STL and also the statements of the allottees and I note the following:-

a) Mr. Rajesh Ranka (an employee of the Company) transferred Rs. 1,00,00,000 and Rs. 99,50,000 to Mr. Maheshchandra Chunilal Shah and Ms. Nila Rajeshkumar Shah respectively on March 03, 2012 and on the same day, the two persons transferred the said funds to the company on account of the preferential allotment.

b) Subsequently, on March 05, 2012, the company transferred an amount of Rs. 1 crore to one Ms. Manjulaben Shah who had in turn transferred the above said amount to Noticee no. 5 / Mr. Jagdish Vital (promoter of the company) which were subsequently transferred back to the company on same day i.e. on March 05, 2012, in the guise of making the payment towards the preferential allotment of shares. These transactions are explained pictorially in the form of a chart shown below:-


Transferred Rs. 99.5 lakh on 03/03/12
Nila Shah
Rajesh Ranka
Transferred Rs. 99.5 lakh on 21/03/12
Trans Rs. 1 crore on 19/03/12
Transferred Rs. 1 crore on 03/03/12
Joint account of Mahesh Shah and Manjulaben Shah
Transferred Rs. 99.5 lakh on 20/03/12
Transferred Rs. 99.5 lakh on 03/03/12
Transferred Rs. 1 crore on 03/03/12
Transferred Rs. 1 crore on 17/03/12
SMS Tech
Transferred Rs. 1 crore on
Jagdish Vital
Transferred Rs. 1 crore on
Transferred Rs. 1 crore on
Manjulaben Shah
SMS Techsoft has transferred funds to Manjulaben Shah which were in turn transferred to the preferential allottees and the preferential allottees in turn transferred the same money to the company on account of allotment of shares.

c) Thus, I observe from the above that Noticee no. 5 / Jagadish Vital was allotted shares in the preferential allotment against the funds which originated from the company and the same were layered through the bank account of Ms. Manjulaben Shah. Therefore, I conclude that Noticee no. 5 / Jagadish Vital was allotted shares in the preferential issue without paying any consideration for the same.

d) I observe that the said amount of Rs. 1 crore which was rotated among the Company, Manjulaben Shah and Jagdish Vital were repeatedly circulated back and forth among the company, Manjulaben Shah and the other preferential allottees and was finally returned back to the account of Mr Rajesh Ranka. I further note that the abovementioned flow of funds, was repeated again and again, thereby, portraying a false impression that the preferential allottees have paid the consideration amount towards the allotment of shares from their own sources, whereas, in reality, the funds were provided by the company in a circuitous manner, as explained above. The table mentioned below further provides an insight into the observations made regarding the circuitous manner of fund movement which resulted in the fraudulent subscription of preferential allotment of shares by Noticee nos. 5 to 33.

Date	**Fund movement- from/to**	**Amount in Rs.**
March 03, 2012	Rajesh Ranka Transferred to Nila R Shah	99,50,000
March 03, 2012	Nila Shah Transferred to SMS Tech	99,50,000
March 03, 2012	Rajesh Ranka Transferred to joint account of Mahesh C Shah & Manjulaben	1,00,00,000
March 03, 2012	Mahesh C Shah transferred to SMS Tech	1,00,00,000
March 05, 2012	SMS Tech transferred to Manjulaben	45,10,000
March 05, 2012	Manjulaben transferred to Akash Jagdish	45,10,000
March 05, 2012	Akash Jagdish transferred to SMS tech	45,10,000
March 05, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 05, 2012	Manjulaben transferred to Vital Jagdish	1,00,00,000
March 05, 2012	Vital Jagdish transferred to SMS Tech	1,00,00,000
March 09, 2012	SMS Tech transferred to Manjulaben	99,60,000
March 09, 2012	Manjulaben transferred to Pruthvi Shah	99,60,000

March 09, 2012	Pruthvi Shah transferred to SMS tech	99,60,000
March 09, 2012	SMS Tech transferred to Manjulaben	99,70,000
March 09, 2012	Manjulaben transferred to Mitesh K Thakkar	99,70,000
March 09, 2012	Mitesh K Thakkar transferred to SMS tech	99,70,000
March 09, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 09, 2012	Manjulaben transferred to N K Thakkar	1,00,00,000
March 09, 2012	N K Thakkar transferred to SMS Tech	99,45,000
March 09, 2012	SMS Tech transferred to Manjulaben	99,45,000
March 09, 2012	Manjulaben transferred to Vinit K Shah	99,45,000
March 09, 2012	Vinit K Shah transferred to SMS tech	99,45,000
March 09, 2012	SMS Tech transferred to Manjulaben	99,85,000
March 09, 2012	Manjulaben transferred to Keval Kirtikumar Shah	99,75,000
March 09, 2012	Keval Kirtikumar Shah transferred to SMS Tech	99,75,000
March 09, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 09, 2012	Manjulaben transferred to Vaishali N Thakkar	99,85,000
March 09, 2012	Vaishali Thakkar transferred to SMS Tech	99,85,000
March 09, 2012	SMS Tech transferred to Manjulaben	99,60,000
March 09, 2012	Manjulaben transferred to Alkaben Shah	99,60,000
March 09, 2012	Alkaben Shah transferred to SMS Tech	99,60,000
March 10, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 10, 2012	Manjulaben transferred to Himadri K Shah	99,60,000
March 10, 2012	Himadri K Shah transferred to SMS Tech	99,60,000
March 10, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 10, 2012	Manjulaben transferred to Himanshu P Shah	99,50,000
March 10, 2012	Himanshu P Shah transferred to SMS Tech	99,50,000
March 10, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 10, 2012	Manjulaben transferred to Mulchand G Jain	99,80,000
March 10, 2012	Mulchand G Jain transferred to SMS Tech	99,80,000
March 10, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 10, 2012	Manjulaben transferred to Thakkar Kaneeyalal Narandas	99,70,000
March 10, 2012	Thakkar Kaneeyalal Narandas transferred to SMS Tech	99,70,000
March 10, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 10, 2012	Manjulaben transferred to Thakkar N S	99,70,000
March 10, 2012	Thakkar N S transferred to SMS Tech	99,70,000
March 10, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 10, 2012	Manjulaben transferred to Kirtikumar R Shah	99,50,000
March 10, 2012	Kirtikumar R Shah transferred to SMS Tech	99,50,000

March 10, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 10, 2012	Manjulaben Transferred to Mukesh S Thakkar	99,60,000
March 10, 2012	Mukesh S Thakkar transferred to SMS tech	99,60,000
March 10, 2012	SMS Tech transferred to Manjulaben	99,50,000
March 10, 2012	Manjulaben transferred to Karan Shah	99,50,000
March 10, 2012	Karan Shah transferred to SMS Tech	99,50,000
March 10, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 10, 2012	Manjulaben transferred to Suresh N Malvi	99,70,000
March 10, 2012	Suresh Malvi transferred to SMS Tech	99,70,000
March 10, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 10, 2012	Manjulaben transferred to Meenaben N Thakkar	99,40,000
March 10, 2012	Meenaben N Thakkar transferred to SMS Tech	99,40,000
March 12, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 12, 2012	Manjulaben transferred to SMS Tech	99,80,000
March 12, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 12, 2012	Manjulaben transferred to SMS Tech	99,70,000
March 12, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 12, 2012	Manjulaben transferred to SMS Tech	99,70,000
March 12, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 12, 2012	Manjulaben transferred to SMS Tech	99,50,000
March 12, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 12, 2012	Manjulaben transferred to SMS Tech	99,75,000
March 12, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 12, 2012	Manjulaben transferred to SMS Tech	1,04,50,000
March 12, 2012	SMS Tech transferred to Manjulaben	1,30,00,000
March 12, 2012	Manjulaben transferred to SMS Tech	1,25,34,100
March 12, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 12, 2012	Manjulaben transferred to SMS Tech	99,60,000
March 12, 2012	SMS Tech transferred to Manjulaben	1,00,00,000
March 12, 2012	Manjulaben transferred to SMS Tech	99,50,000
March 12, 2012	SMS Tech transferred to Manjulaben	30,00,000
March 12, 2012	Manjulaben transferred to Anitha K Jagdish	30,00,000
March 12, 2012	Anitha K Jagdish transferred to SMS Tech	29,70,000
March 17, 2012	SMS Tech transferred to Mahesh C Shah	1,00,00,000
March 19, 2012	Mahesh C. Shah transferred to Rajesh Ranka	1,00,00,000
March 20, 2012	SMS Techsoft (India) Ltd Transferred to Nila R Shah	99,50,000
March 21, 2012	Nila R Shah transferred to Rajesh Ranka	99,50,000

e) From the above observations, it is amply clear that there was no genuine infusion of funds towards the allotment of shares and the

subscription towards the preferential allotment of the Company was shown as received only by way of 'fictitious book entry' and the same can easily be deciphered from the pattern of the funds flow which has been lucidly explained in the Table and chart above. Therefore, it is amply clear from the above observations/findings that the preferential allottees i.e Noticee nos. 5 to 33, in collusion with the Company, fraudulently generated the subscription amount towards the preferential allotment by way of the repeated circuitous transfer of funds to the tune of Rs. 1 crore and Rs 99.50 lacs, which was rotated among the company, Manjulaben Shah and the preferential allottees (which included Noticee nos. 5 to 33). In the above manner, the Noticees, in collusion with the company, fraudulently managed to generate artificial subscription in the preferential allotment to the tune of Rs. 28.03 crores.

f) Thus, I observe that the funds to the tune of Rs 1 crore and Rs 99.50 lacs which was originally provided by Mr Rajesh Ranka were returned back to Rajesh Ranka by the Company after the circuitous transactions among the Company and the other preferential allottees, which resulted in the fraudulent creation of shares in the preferential allotment of STL without any genuine infusion of funds from the allottees.

xvii) I observe that Noticee nos. 5 to 33 have not made any comprehensive submission w.r.t the above allegation regarding non-receipt of money towards the allotment of shares in the preferential allotment. Upon perusal of the replies submitted by Noticee nos. 5 to 33, I find that the submissions made by them were general & evasive in nature and they were silent on the main issue regarding the non-receipt of the consideration amount towards the allotment of shares in the preferential issue. I have also observed that the Noticees have not submitted any documentary evidence to substantiate that they have paid the consideration amount towards the allotment of shares made to them in the preferential allotment. I find that all the Noticees were unanimous in making a general statement that their bank

accounts were misused by Mr Maheshchandra Chunilal Shah, who, as already stated, in the earlier paragraphs of this order, had expired on October 02, 2013. I am of the view that Noticee nos. 5 to 33 cannot distance themselves from the act of defrauding the investors by simply making a bald statement that their bank accounts were misused by Mr. Maheshchandra Chunilal Shah. I find from the records/material made available that there was enough evidence to show that Noticee nos. 5 to 33 were actively involved in the fraudulent act wherein Rs. 1 crore & Rs 99.50 lacs were circuitously transferred among few persons/entities, including the company i.e Noticee no 1 in order to portray a picture of successful preferential allotment of shares whereas, in reality, the Company did not receive a single penny towards the subscription amount from the Noticees. The subscription amount towards the preferential allotment was shown as received from the Noticees by way of 'fictitious book entry'.

xviii) In this regard, it is pertinent to mention the following observation made by WTM- SEBI in the Final Order dated July 27, 2018 wherein it was mentioned that:-

"132. I note that Shri Rajesh Ranka with active participation of Mr. Jagadish Vital, Mr. Mahesh Shah, circulated funds back and forth between the company and 31 preferential allotees and thereafter, the amounts funded by Shri Rajesh Ranka for the purpose of the purported preferential allotment were ultimately returned to him by the company on March 19/21, 2012 i.e. shortly after preferential allotment. Thus, I find that on account of the repeated circulation of same money between different allottees, the receipt of allotment money for 3,00,00,000 equity shares had been shown merely as book entry. Thus, I am of the view that the SMS Tech issued 3,00,00,000 new equity shares for value of Rs. 30,00,00,000/- in the names of the above mentioned 31 allottees without receipt of any consideration for the shares allotted in the said purported preferential allotment. Thus, the noticees , acting in concert, illegally devised a scheme of preferential allotment without consideration, which resulted in acquisition of 80.59% shares in the company by the

preferential allottees and sale of those allotted shares after lock in to reap illegal gains. "

xix) Thus, from the observations/findings made in foregoing paragraphs, I conclude that Noticee nos. 5 to 33 were fraudulently allotted shares in the preferential allotment of STL without any actual infusion of funds from them. In view of the same, I conclude that Noticee nos. 5 to 33 have violated the provisions of Regulation 77(1) of ICDR Regulations. Therefore, I hold that Noticee nos. 5 to 33 are liable for penalty under the provisions of section 15HB of the SEBI Act.

(D) Whether Noticee Nos. 13 and 20 contributed to the price rise in the scrip of STL by fraudulently and repeatedly placing buy orders with group entities at a price higher than the last traded price (LTP) and whether Noticee no. 20 also manipulated the scrip price of STL by placing the first orders of the day at a price higher than the LTP?.

xx) I note from the SCN that allegations have been levelled against Noticee no. 13 / Himanshu Prafulchandra Shah and Noticee no. 20 / Mr. Mahavir N Chauhan for allegedly manipulating the scrip price of STL by placing the orders at higher levels compared to the previous trades in the scrip and thereby, contributing to the artificial price rise in the scrip of STL during the period March 13, 2013 to May 20, 2013, when the scrip price of STL moved from Rs. 0.60 on March 13, 2013 to Rs. 0.71 on May 20, 2013.

xxi) I note that during the period March 13, 2013 to May 20, 2013, the market wide positive LTP of STL was Rs. 10.41 out of which two connected entities viz. Mr. Maheshchandra C Shah and Noticee no. 20 have together contributed to the positive LTP in the scrip of STL to the tune of Rs. 4.44 by buying the shares at higher than the LTP. The details of buy trades of the

aforesaid two persons during the period March 13, 2013 to May 20, 2013 are mentioned as under:

Details of buy trades of 2 connected entities that contributed to positive LTP during the period March 13, 2013 to May 20, 2013

		All Trades			LTP diff more than 0			
S. No.	Buyer Entity Name	Net LTP (in Rs.)	Total Qty	No. of Trades	LTP Impact (in Rs.)	Total Qty	No. of Trades	% of entity +ve market LTP to total market +ve LTP
1	Maheshchandra C Shah	0.52	68163173	5444	3.15	272892	229	30.26%
2	Mahavir N Chauhan	0.71	84905	869	1.29	5195	105	12.39%
	Total during the Period	**1.23**	**68248078**	**6313**	**4.44**	**278087**	**334**	**42.65%**
	Market Total during the Period	**0.09**	**160586184**	**23408**	**10.41**	**3205924**	**876**	**100.00%**

xxii) From the above table, I find that during the period March 13, 2013 to May 20, 2013, Mr. Maheshchandra C Shah and Noticee no. 20 were trying to sustain the scrip price of STL by constantly placing the buy orders in the scrip higher than the LTP thereby resulting in the net LTP contribution of Rs. 1.23. Further, the aforesaid entities contributed to positive LTP in the scrip to the tune of Rs. 4.44 (42.75% of market positive LTP) through 334 trades.

xxiii) I note that out of above mentioned 334 trades of Noticee no. 20 and Mr. Maheshchandra C Shah, the counterparty to 155 trades were the persons/ entities connected to the Noticees, which contributed to positive LTP of Rs. 2.07 (19.88% of total market positive LTP). A summary of such trades is given in the table below:

Details of buy trades of 2 entities that contributed to positive LTP contribution during the period March 13, 2013 to May 20, 2013 and the counterparty entities were also connected to them.

Buy Entity Name	Sell Entity Name	Sum of +ve LTP Cont. (in Rs.)	% to market +ve LTP cont.	Qty	No. of trades
Maheshchandra C Shah	**Maheshchandra C Shah**	**1.15**	**11.05%**	**18728**	**79**
	Himanshu P Shah	**0.08**	**0.77%**	**42206**	**6**
	Mahavirsingh N Chauhan	0.04	0.38%	10	1
	Himadri K Shah	0.01	0.10%	98217	1

Buy Entity Name	Sell Entity Name	Sum of +ve LTP Cont. (in Rs.)	% to market +ve LTP cont.	Qty	No. of trades
	Nila R Shah	0.01	0.10%	10	1
	Minaben P Shah	0.01	0.10%	1126	1
Mahavirsingh N Chauhan	**Maheshchandra C Shah**	**0.74**	**7.11%**	**3344**	**63**
	Kaliyaben H Shah	0.01	0.10%	10	1
	Nila R Shah	0.01	0.10%	10	1
	Minaben P shah	0.01	0.10%	10	1
TOTAL		**2.07**	**19.88%**	**163671**	**155**

xxiv) From the above table, it can be observed that Mr. Maheshchandra C Shah, Mr. Himanshu P Shah / Noticee no. 13 and Noticee no. 20/ Mahavir N Chauhan have together contributed to 18.93% of the total market positive LTP during the period March 13, 2013 to May 20, 2013 by repeatedly entering into trades and contributing to positive LTP. However, as already mentioned above, Mr. Maheshchandra C Shah had expired on October 02, 2013 and an Order in this regard abating the adjudicating proceedings initiated against him was already passed on September 14, 2018. Therefore, I conclude that Noticee no. 13 / Mr. Himanshu P Shah and Noticee no. 20 / Mahavirsingh N Chauhan were involved in artificially increasing the scrip price of STL by establishing the base price for further trades in the scrip at a higher price through repeated trades.

xxv) It is further observed from the investigation report that an analysis of the first trades in the scrip of STL during the investigation period was carried out to identify if any of the Noticees had influenced the first trade in the scrip so as to artificially inflate the price of the scrip. The details of the first trades in the scrip of STL during the investigation period are mentioned in the following paragraph.

xxvi) The details of the buy trades that were also the first trades carried out by the Noticees and entities connected to them who had contributed to the positive LTP variation are as follows:-

Table - First trades by Noticee 20 and Mr. Maheshchandra C Shah that have contributed to positive LTP

Name of entity	No. of First trades	First trade volume	First trade positive LTP Sum (in Rs.)	% of entity +ve LTP cont to market +ve LTP cont
Maheshchandra C Shah	12	1020	0.2	64.52%
Mahavirsingh N Chauhan	1	100	0.01	3.23%
Connected group buyer total	**13**	**1120**	**0.21**	**67.74%**
Total market first trades contributing to positive LTP during Period 1	**19**	**12431**	**0.31**	**100.00%**

xxvii) From the above table, I observe that Maheshchandra C Shah has contributed significantly to the positive LTP contribution in the scrip of STL through first trades in the scrip (i.e 64.52% of market positive LTP through first trades). Out of the above mentioned 12 first trades of Maheshchandra C Shah, one of the trade was a self-trade and the counterparty to another trade was a connected entity (viz, Noticee no. 20 / Mahavirsingh N Chauhan). These 2 trades contributed to Rs. 0.07 to positive LTP (22.58% of total market positive LTP through first trades). I also note that, as mentioned above, the counterparty to only single first trade of Noticee no. 20 / Mr. Mahavirsingh C Chauhan i.e buy trade was Mr. Maheshchandra C Shah.

xxviii) In view of the above observations, I conclude that Noticee no. 20 / Mr. Mahavirsingh C Chauhan had indulged in increasing the price of the scrip of STL by establishing the base price for further trades of the day in the scrip at a higher price through first trades.

xxix) In view of the abovementioned fraudulent activities on the part of Noticee nos. 13 and 20 in artificially increasing/supporting the scrip price of STL, I conclude that Noticee nos. 13 and 20 have violated provisions of Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) and (e) of the PFUTP Regulations.

13. The aforesaid acts, omissions, misrepresentations, active concealments, false statements, deceptive behavior, reckless representations etc made by the Noticees in respect of the preferential allotment of STL and also in respect of

the corporate announcements and false declarations/statements made by STL in its financial statements/Annual Reports etc were with deliberate design on the part of the Noticees as part of their manipulative and deceptive device or artifice. It is evident from the above observations that the preferential allotment of the company was not a genuine preferential allotment rather it was irregular, illegal and fraudulent. There was clear evidence to show that shares were allotted in the preferential allotment to the Noticees without any genuine infusion of funds from them. The funds towards the said preferential allotment was fraudulently shown as received by the company by means of "fictitious book entry" and the shares in the preferential allotment were fraudulently allotted to the Noticees. The allottees of the preferential allotment of the company viz, Noticee nos. 5 to 33 have also acted in a concerted manner in inflicting a fraud on the unsuspecting investors of the company by not paying any consideration for subscribing to the shares of the company which has resulted in the gullible investors mistakenly believing that the company has received Rs. 30 crore as subscription proceeds towards the preferential allotment. Further, the directors of STL viz. Noticee nos. 2 to 6 were equally responsible for the deliberate acts of fraud on the part of the company of making misrepresentation/false information in the Financial Statements and Annual Reports of the company for the Financial years 2011-12 and 2012-13. Further, Noticee Nos. 13 & 20 who were also the allottees in the preferential allotment subsequently traded in the shares of STL with a view to artificially increase the scrip price of STL and in the process, enticed the gullible investors to trade/deal in the shares of the company during the investigation period.

14. In this context, it is relevant to mention the observations made by Hon'ble Securities Appellate Tribunal ('**SAT**') in the matter of **V. Natarajan vs. SEBI, Appeal No.104 of 2011 (order dated June 29, 2011),** wherein it was observed by Hon'ble SAT that-

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

15. It is also relevant to mention the following observations made by the Hon'ble Supreme Court of India in its judgment dated April 26, 2013, in the case of **N. Narayanan v. Adjudicating Officer SEBI (Civil Appeal Nos. 4112-4113 of 2013),** wherein Hon'ble SC held that **:-.**

"SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading etc. or else they will be failing in their duty to promote orderly and healthy growth of the Securities market. Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country's economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India's securities market. Message should go that our country will not tolerate "market abuse" and that we are governed by the "Rule of Law ". Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and 'market security' is our motto."

16. In view of the aforesaid observations/conclusions, it is established that the Noticees have violated the following provisions of law:-

Sl. No	Nature of Violation	Violations of the provisions of law
1	Noticee no. 1 (SMS Techsoft (India) Ltd - company)	Regulations 3(b), (c), (d), 4(2) (f) (r) of PFUTP Regulations.
2	Noticee No. 1 i.e the Company and its directors i.e Noticee nos. 2 to 6 (Directors of the company)	Section 12A (a), (b), (c) of SEBI Act and Regulations 3 (b), (c), (d), 4(2) (f), (r) of PFUTP Regulations.
3	Noticee Nos. 5 to 33 (Preferential allottees)	Regulation 77(1) of the ICDR Regulations.
4	Noticee Nos. 13 & 20	Regulations 3(a), (b), (c), (d), 4(1), 4(2) (a) and (e) of PFUTP Regulations.

In view of the aforementioned violations, Noticee nos. 1 to 6, 13 and 20 are liable for monetary penalty under the provisions of section 15 HA of the SEBI Act and Noticee nos. 5 to 33 are liable for penalty under the provisions of section 15 HB of the SEBI Act

17. The relevant provisions of sections 15 HA and 15 HB of the SEBI Act are mentioned as under:-

Penalty for fraudulent and unfair trade practices.

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

Penalty for contravention where no separate penalty has been provided.

15HB.Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees

.

18. While determining the quantum of penalty under sections 15 HA and 15 HB of the SEBI Act, it is important to consider the following factors stipulated in section 15J of the SEBI Act, which reads as follows:-

> *15J - Factors to be taken into account by the adjudicating officer*
>
> *While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-*
>
> *(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
>
> *(b) the amount of loss caused to an investor or group of investors as a result of the default;*
>
> *(c) the repetitive nature of the default.*

19. Clearly, from the above observations, the Noticees have committed serious fraud on the investors in the matter of the preferential allotment of the company. I am of the view that such act of fraud played on the unsuspecting investors is very grave in nature and adversely affects the confidence of the investors in the securities market. Hence, commensurate penalty for the violations committed by the Noticees needs to be imposed, taking into consideration the seriousness and the gravity of the violations committed by the Noticees. In this regard, I note that the company vide its letter dated December 24, 2016 has mentioned that it was Late Mr. Maheshchandra Chunilal Shah who had committed the fraud and the Noticees were not aware of the fraudulent transactions that took place in their accounts. The company vide its letter dated December 24, 2016 also stated that it would undertake the responsibility of the wrongdoings of late Mr. Maheshchandra Chunilal Shah

ORDER:

20. After taking into consideration all the facts and circumstances of the case, the gravity of the charges established, the material made available on record, the oral and written submissions made by the Noticees, I, in exercise of the powers

conferred upon me under the provisions of section 15 I of the SEBI Act read with Rule 5 of the Adjudication Rules, hereby impose penalty on the Noticees in terms of the provisions of sections 15HA and 15HB of the SEBI Act, 1992, as mentioned below:-

Sr. No	Noticee	PAN	Violations	Penalty under section	Amount of Penalty(Rs)
1.	SMS Techsoft (India) Ltd.	AAECA1954G	Section 12A (a), (b), (c) of SEBI Act Regulation 3(b), (c), (d), 4(2) (f) (r) of PFUTP Regulations.	Section 15HA of the SEBI Act	20,00,000/-
2.	Dashrathkumar Keshaji Khatri	ACFPK3128C	Section 12A (a), (b), (c) of SEBI Act Regulations 3 (b), (c), (d), 4(2) (f), (r) of PFUTP Regulations	Section 15HA of the SEBI Act	2,00,000/-
3.	Deveraj Siddiah Pera Naidu	ACGPD9190G	Section 12A (a), (b), (c) of SEBI Act Regulations 3 (b), (c), (d), 4(2) (f), (r) of PFUTP Regulations	Section 15HA of the SEBI Act	2,00,000/-
4.	Dilipbhai Jaswantlal Gajjar	ADVPG4094Q	Section 12A (a), (b), (c) of SEBI Act Regulations 3 (b), (c), (d), 4(2) (f), (r) of PFUTP Regulations	Section 15HA of the SEBI Act	2,00,000/-
5.	Jagadish Vital (promoter of STL)	ACJPJ5747L	Section 12A (a), (b), (c) of SEBI Act Regulations 3 (b), (c), (d), 4(2) (f), (r) of PFUTP Regulations, Regulation 77(1) of the ICDR Regulations.	Section 15HA of the SEBI Act	7,00,000/-
				Section 15HB of the SEBI Act	2,00,000/-
6.	Akash Jagadish Vital (promoter of STL)	ATYPA8648K	Section 12A (a), (b), (c) of SEBI Act Regulations 3 (b), (c), (d), 4(2) (f), (r) of PFUTP Regulations, Regulation 77(1) of the ICDR Regulations.	Section 15HA of the SEBI Act	4,00,000/-
				Section 15HB of the SEBI Act	2,00,000/-
7.	Anita S. Kadanthalai.(promoter of STL)	ABUPA2184Q	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	5,00,000/-
8.	Alakaben Kirtibhai Shah	CPAPS2335R	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
9.	Bafna S R	AFXPB6525P	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
10.	Chhaya Umeshchandra Trivedi	AHDPT3058P	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
11.	Dharmendra Rikhavchand Shah HUF	AAEHD6246F	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
12.	Himadri Kamleshbhai Shah	AZYPS5654H	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-

13.	Himanshu Prafulchandra Shah	ANEPS9445A	Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) and (e) of PFUTP Regulations. Regulation 77(1) of the ICDR Regulations	Section 15HA of the SEBI Act	1,00,000/-
				Section 15HB of the SEBI Act	2,00,000/-
14.	Kaliyaben Himansu Shah	BFQPS1462A	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
15.	Kanubhai Narandas Thakkar	ADZPT3418R	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
16.	Karan Kirtibhai Shah	BQYPS0082D	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
17.	Keval Kirtikumar Shah	DFNPS6796L	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
18.	Kirtikumar Rasiklal Shah	AKQPS8463F	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
19.	K Rajagopal	AGCPR8130L	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
20.	Mahavirsingh N Chauhan	AQOPC6330R	Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) and (e) of PFUTP Regulations. Regulation 77(1) of the ICDR Regulations	Section 15HA of the SEBI Act	1,00,000/-
				Section 15HB of the SEBI Act	2,00,000/-
21.	Meenaben Natubhai Thakkar	AHWPT5940M	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
22	Minaben Prafulbhai Shah	COYPS9153J	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
23	Mitesh Kanaiyalal Thakkar	AHQPT0178H	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
24	Mukeshbhai Shantilal Thakkar	AJBPT8789M	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
25	Mulchand Ganeshmal Jain	ABBPJ6373M	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
26	Natubhai Shantilal Thakkar	AHWPT5944R	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
27	Navinchandra Kanubhai Thakkar	ADUPT1264A	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
28	Pruthvi Himanshu Shah	DCAPS6011N	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
29	S Rajaganesh	ALBPR2586E	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
30	Suresh Nenmalji Malvi	AKMPM4951C	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
31	Vaishali Natvarlal Thakkar	AMJPT1242N	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-

32	Vinit Kamleshkumar Shah	BOIPS2506E	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
33	Vinod Jain	AEDPJ4235P	Regulation 77(1) of the ICDR Regulations.	Section 15HB of the SEBI Act	2,00,000/-
TOTAL					Rs 1,00,00,000/- (Rupees One Crore only)

21. The Noticees shall remit / pay the said amount of penalty within 45 days of the 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 e-payment facility into Bank Account the details of which are given below;

Account No. for remittance of penalties levied by Adjudication Officer Bank	
Name	State Bank of India
Branch	Bandra-Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI - Penalties Remittable To Government of India
Beneficiary A/c No.	31465271959

22. The Noticees shall forward the said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Chief General Manager of EFD – DRA II. The Format for forwarding details / confirmations of e-payments made to SEBI shall be in the form as provided at Annexure A of Press Release No. 131/2016 dated August 09, 2016 shown at the SEBI Website which is produced as under;

1. Case Name :	
2. Name of Payee:	
3. Date of payment:	

4. Amount Paid:	
5.Transaction No:	
6. Bank Details in which payment is made:	
7.Payment is made for: (like penalties/disgorgement/recovery/Settlement amount and legal charges along with order details)	

23. In terms of the provisions of Rule 6 of the Adjudication Rules, copies of this order are sent to the Noticees and also to the Securities and Exchange Board of India.

Place: Mumbai **SURESH B. MENON**
Date: March 29, 2019 **ADJUDICATING OFFICER**