BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/SBM/ASR/2020-21/10694]

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

In respect of

Pinky Auto Finance Ltd
(PAN: AABCP1168J)
CIN No: U65923RJ1997PLC013870

In the matter of

Front–Running by Manish Chaturvedi & Others

BACKGROUND OF THE CASE

1 An alert was generated at the National Stock Exchange (**NSE**) that certain entities were suspected to be indulging in front running the trades of 10 companies which belong to the same group (hereinafter referred to as '**the Sterling Group'**). In view of the same, Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') initiated an investigation into the matter for the period March 1, 2009 to March 31, 2011 (hereinafter referred to as the '**Investigation period**'), which focused on the front running of the trades of Sterling Group by several entities. As the same set of entities were also observed to be trading in considerable volumes on the Bombay Stock Exchange (**BSE**), trades of these entities on BSE were also examined by SEBI. The investigation conducted by SEBI revealed that several entities were involved in the front running of trades of Sterling Group. The entities relevant to the case have been broadly segregated into three sub-groups:

a) 9 entities including Pinky Auto Finance Ltd (hereinafter referred to as '**Pinky Auto'** / ' **Noticee'**) which were, prima facie, observed to be front

running the trades of the Sterling Group/ its clients during the period under investigation,

b) 8 entities that aided/ abetted in the front running activities of the Entities mentioned at (a) above

c) 10 companies of the Sterling Group.

2. In view of the findings of the investigation report, SEBI initiated adjudication proceedings against various persons/entities, including the Noticee under the provisions of section 15 HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') for their alleged violation of the provisions of Sections 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a), (b), (c), (d) and 4 (1) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities market) Regulations, 2003 (hereafter referred to as '**PFUTP Regulations'**).

APPOINTMENT OF ADJUDICATING OFFICER

3. The undersigned was initially appointed as the Adjudicating Officer ('**AO'**) in the matter vide communiques dated July 17, 2017 and October 03, 2018 to conduct the adjudication proceedings in the manner specified under Rule 4 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') and impose such penalty, as deemed fit, in terms of Rule 5 of the Adjudication Rules and Section 15HA of the SEBI Act. Pursuant to the transfer of the undersigned to another department of SEBI, Dr. Anitha Anoop was appointed as the Adjudicating Officer in the matter vide order dated March 18, 2019. Subsequently, due to the transfer of Dr. Anitha Anoop, the undersigned was once again appointed as the Adjudicating Officer in the matter vide communique dated November 3, 2020.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice ref. SEBI/EAD-1/AA/ASR/478/2019 dated December 23, 2019 (hereinafter referred to as **'SCN'**) was issued to the Noticee under Rule 4(1) of the Adjudication Rules to show-cause as to why an inquiry should

not be initiated against the Noticee and penalty not be imposed upon it under Section 15HA of the SEBI Act for the alleged violation of the provisions of Sections 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a), (b), (c), (d) and 4 (1) of the PFUTP Regulations by the Noticee.

5. The details in respect of the violation / non-compliance by the Noticee as observed from the SCN are as given below:

a) *Mr. Manish Manoharlal Chaturvedi / Noticee 1: Noticee 1 submitted to SEBI that he was involved in research and suggesting scrips for investment/ trading to Sterling Group's management. Noticee 1 was generally observed to be placing orders with the brokers on behalf of the Sterling Group after seeking approval from his seniors. As per the submissions of the Sterling Group, Noticee 1 was employed with the group from November 03, 2008 to November 08, 2011.*

b) *Mr. Praveen Kumar Jain / Noticee 13: Noticee 13 had financial transactions with all 7 frontrunners (i.e., other than Anandilal Chanda, his HUF and Sharekhan) and has facilitated banking transactions for the frontrunners through several entities which claimed to be involved in the business of diamond trading, investment etc. He stays in the same building as Manish Chaturvedi did during the investigation period.*

c) *Mr. Manoharlal Bhaiyalal Chaturvedi: Manoharlal Bhaiyalal Chaturvedi, father of Manish Chaturvedi was authorized to deal in the trading account of his wife Laxmi Chaturvedi.*

d) *Mrs. Laxmi Manoharlal Chaturvedi*
Laxmi is Manish's mother and front-running was observed in her account apart from receiving money from Praveen.

e) *Mr. Bhavesh Gadhavi: Front-running was observed in his account besides multiple banking transactions with Praveen's companies/ other companies in diamond trade. Bhavesh submitted that his account was misused without his knowledge.*

f) *Mr. Sandeep Maloo: Sandeep is a Chartered Accountant by profession and was authorised to place orders in the accounts of E Ally and PAFL.*

g) *Mrs. Neeta Maloo: Neeta Maloo (Sandeep Maloo's wife), was authorized to trade in Jaisal's account.*

h) *Mr. Abhinandan Ranka: He was a director and authorized to place orders in the account of Josh and Viraj. He is also a cousin of Praveen.*

i) *Pinky Auto, E Ally, Jaisal Electronics, Viraj Mercantile, Josh Trading.*

j) *Front running was observed in these accounts apart from multiple banking transactions with companies related to Praveen.*

k) *Mrs. Madhu Chanda: Mrs. Madhu Chanda was a dealer of Sharekhan Limited (hereinafter referred to as 'Sharekhan') and submitted that she was heading the branch at second floor at the Lower Parel and was also handling all the accounts of 7 of the front-runners (mentioned at Sr. 1 to 7 at Para 3(i) above / Noticees 2, 4, 6, 7, 8, 10 and 12) at Sharekhan.*

l) *Mr. Anandilal Chanda :Mr. Anandilal Chanda (Madhu Chanda's husband) was observed to be front running in his own account, his HUF's account and also in the proprietary account of Sharekhan.*

m) *Vishal Vijay Shah: A proprietary firm (registered member of BSE), provided false ledger statements/ documents/ bills for transactions on BSE in the account of Laxmi and Viraj Mercantile without registering them as clients and without execution of actual trades on BSE*

n) *It is alleged that three of the Noticees indulged in front running consecutively i.e., in Noticee 12 / Bhavesh Gadhavi indulged in front running during the period July 16, 2009 to April 30, 2010, followed by Noticee 7 / Pinky Auto during the period May 07, 2010 to July 30, 2010 (except on one day i.e. May 17, 2010) and then by E Ally from August 03, 2010 to February 17, 2011.*

o) *It is alleged that the Noticees mentioned at Sr. 1 to 7 at Para 3(i) above / Noticees 2, 4, 6, 7, 8, 10 and 12 had, prima facie, front-run Sterling Group and Noticees at Sr. 8 and 9 at Para 3(i) above / Noticees 15 and 16, had front-run clients of Sharekhan during the period March 2009 - March 2011. Further, these entities traded heavily on those scrip days which were common with the Sterling Group vis-à-vis trading in small volumes on other scrip days. Summary of client wise total trading activity of each of the frontrunner during the investigation period is provided at* ***Page 1 of Annexure 7*** *and a consolidated summary of the same is tabulated below:*

S.No	Particulars	Value
1	Total number of scrip days traded by the frontrunners	4,001
2	Number of scrip days of 1 above - common with Sterling group	833
3	Total profit on scrip days common with Sterling group	₹ 8,72,00,568
4	Total profits on other scrip days (i.e., not common with Sterling group)	₹ 38,82,609
5	% of Number of Shares day traded on common scrip days to number of shares day traded during the investigation period	84.68%
6	% of Matching with the Sterling group compared to total number of share day traded by the frontrunners on common scrip days	85.95%
7	% of no. of trades matching with Sterling Group with same order price to total no. of trades matched (including +/- ₹ 0.05 in case of Anandilal Chanda/ his HUF)	85.24%
8	% of average number of shares per trade with Sterling group to average number of shares per trade with others	2,424.14%
9	% of average value per trade with Sterling group to average value trade with others	2,941.26%
10	% of average turnover on scrip days common with Sterling Group to average turnover on other scrip days	3,465.75%
11	% of average Profit on scrip days common with Sterling Group to average profits on other scrip days	8,541.53%

p) Therefore, based on the above observations including the voice recording, pattern observed, phone calls between Manish and Madhu, matching of trades with the Sterling Group and the significant difference between the average value/ quantity of trades of the frontrunners that matched with the Sterling Group vis-à-vis the others and the amount of unfair gains earned by them, it is alleged that the trades of the Sterling Group were front-run in seven different accounts viz. Noticees 2, 4, 6, 7, 8, 10 and 12.

q) It is further alleged that these trades of the front-runners were executed based on the trades of the Sterling Group and only with an intention to square-off by matching with the Sterling Group. Considering the activity of the nine frontrunners (Laxmi Chaturvedi / Noticee 2, Viraj Mercantile Pvt. Ltd. / Noticee 4, Josh Trading Pvt. Ltd. / Noticee 6, Pinky Auto Finance Ltd. / Noticee 7, E Ally Consulting India Pvt. Ltd. / Noticee 8, Shree Jaisal Electronics & Industries Ltd. / Noticee 10, Bhavesh Gadhavi / Noticee 12, Anandilal Chanda / Noticee 15 and Anandilal Chanda HUF/ Noticee 16) on the common scrip days, about 86% of number of shares day traded by the front-runners matched with the Sterling group, which appears to be on the basis of the prior information of trades of the Sterling Group available with Manish. Due to the trading by front runners, based on prior information of trades of Sterling Group, the investing public/investors have, prima facie, either incurred loss or have been deprived of the profits.

r) The aforesaid alleged violations, if established, make the Noticees, liable for monetary penalty under Sections 15 A(a), 15HA and 15HB of the SEBI

Act, wherever applicable

6. I find that the SCN dated December 23, 2019 which was issued to the Noticee had returned undelivered from the address of the Noticee available with SEBI. Thereafter, the scanned copy of the SCN was sent to the email addresses of the Noticee. However, it is seen that despite the delivery of the SCN at the email addresses of the Noticee, no reply to the SCN was received from it. Subsequently, during the course of the proceedings, the status of the Noticee was ascertained from the Ministry of Corporate Affairs (MCA) website. It is observed that the name of the Noticee was changed from Pinky Auto Finance Limited to Golden Future Capital Limited. The name change of the Noticee to Golden Future Capital Limited was also verified from the website of the Income Tax Department, wherein the PAN of the Noticee viz. AABCP1168J is mapped with the new name of the Noticee viz. Golden Future Capital Limited.

7. It is also observed that vide notice no: ROCJP/STK/2256/, the name of the Noticee has been struck off from the list of companies by the Registrar of Companies, Jaipur (RoC) as on March 31, 2017. As per the Notice of Striking Off and Dissolution list (Form No. STK-5), which was downloaded from the MCA website, a list of 6044 companies were attached as per the Notification issued by ROC, Jaipur in terms of sub-sections (1) and (4) of section 248 of the Companies Act, 2013 and rule 7 of the Companies (Removal of Names of Companies from the Register of Companies) Rules, 2016. I find that the name of the Noticee was mentioned in the said list (at sl.no. 3280 under CIN No U65923RJ1997PLC013870). The Notification downloaded from the Ministry of Corporate Affairs (MCA), Government of India, (www.mca.gov.in) website inter alia, mentioned the following:

"Notice is hereby given that the Registrar of Companies has a reasonable cause to believe that –

(i) The following companies in Table "A" have not commenced business within one year of their incorporation.

(ii) The following companies in Table "A" have not been carrying on any business or operation for a period of two immediately preceding financial years and have not

made any application within such period for obtaining the status of dormant company under section 455.

And, therefore, proposes to remove/strike off the names of the above mentioned companies from the register of companies and dissolve them unless a cause is shown to the contrary, within thirty days from the date of this notice."

8. It is an established fact that when a company's name is struck-off from the RoC list and the company is also dissolved, then it is a non-existing company and the adjudication proceedings against the non-existing company is thus nullity. In the instant matter, it is noted that the name of the Noticee was struck off from the records of RoC even before the appointment of Adjudicating Officer and issuance of SCN in the matter. In this context, I would like to draw reference to a judgment of the Hon'ble Delhi High Court in the case of Commissioner of Income Tax (CIT) vs Vived Marketing Services (P) Ltd., ITA NO. 273/2009 dated September 17, 2009 in which it was held that - "*When the Assessing Officer passed the order of assessment against the respondent company, it had already been dissolved and struck off the register of the Registrar of companies under Section 560 of the Companies Act. In these circumstances, the Tribunal rightly held that there could not have been any assessment order passed against the company which was not in existence as on that date in the eyes of law it had already been dissolved. We are of the opinion that the view taken by the Tribunal is perfectly valid and in accordance with law*."

9. Further, Black's Law Dictionary explains 'dissolution' as termination or winding up. It further clarifies that the dissolution of a corporation is the termination of its legal existence. Strike off essentially means removing the name of the company from the Register maintained by the Registrar of Companies. It is like closure of the company and the company will not be in existence after being struck- off and cannot perform any operations.

10. It is pertinent to note that, in the context of the alleged manipulation in the scrip of the company for the above referred investigation period, I note that in exercise of the powers conferred under sections 11(1), 11(4) & 11 B of the SEBI Act, an Order dated December 18, 2020 against various persons/entities, including the Noticee has already been passed by SEBI restraining the Noticee from accessing the securities market. Vide the said

order, the Noticee was prohibited from buying, selling or dealing in securities in any manner whatsoever, for a period of five years.

11. Therefore, in view of the facts and circumstances noted in the preceding paragraphs and also the fact that the Noticee's name has been struck-off from the RoC list and also 'dissolved' as on March 31, 2017 as per the RoC notification i.e. even before the appointment of AO and initiation of Adjudication proceedings, I conclude that the present adjudication proceedings initiated against the Noticee vide SCN dated December 23, 2019 cannot be proceeded with.

ORDER

12. In view of the above observations/findings and in exercise of the powers conferred upon me under section 15I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby dispose of the Adjudication Proceedings against the Noticee viz. Pinky Auto Finance Ltd (now known as Golden Future Capital Limited) initiated vide SCN dated December 23, 2019.

13. In terms of the provisions of Rule 6 of the Adjudication Rules, copies of this order are being sent to the Noticee, viz., Pinky Auto Finance Ltd (now known as Golden Future Capital Limited) and also to the Securities and Exchange Board of India.

Place: Mumbai
Date: February 26, 2021

SURESH B MENON
ADJUDICATING OFFICER