

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: S K MOHANTY, WHOLE TIME MEMBER

ORDER

**Under Sections 11, 11(4) and 11B (1) of the Securities and Exchange Board of India
Act, 1992**

In respect of:

S. No.	Name of the Noticee	PAN
1.	Keynote Painting Dealers Private Limited	AACCH5764P
2.	Panchshree Logistics Pvt. Ltd	AAGCP7553G
3.	Crown Iron Merchants Private Limited	AAECC2645Q
4.	Glorious Vincom Private Limited	AADCG3846Q
5.	Jatan Mercantiles Pvt Ltd	AAACJ6384M
6.	Anita Jajodia	ACTPJ4303J
7.	Innova Auto Distributors Private Limited	AACCI5172Q
8.	Sabita Jajodia	ACQPA6002J
9.	Ekparnik Vintrade Private Limited	AADCE6828J
10.	Vinahast Dealcom Private Limited	AAECV8139N
11.	Fastner Machinery Dealers Pvt Limited	AABCF6671N

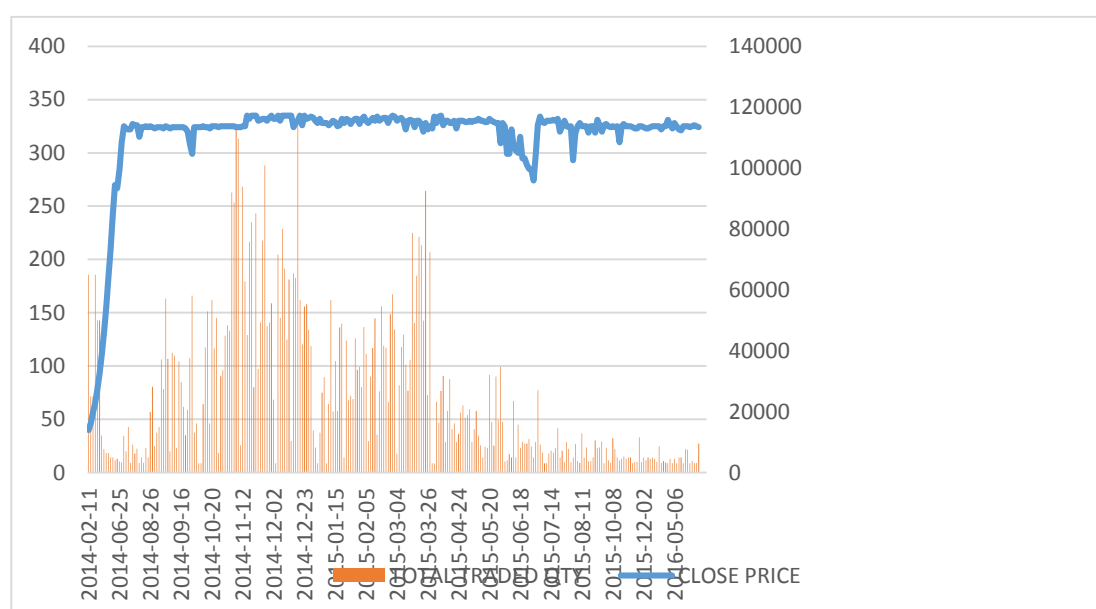
In the matter of Jaisukh Dealers Limited

(The aforesaid entities are hereinafter individually referred to by their respective names/Noticee nos. and collectively as "Noticees", unless the context specifies otherwise)

Background

1. An investigation was conducted by Securities and Exchange Board of India (for convenience "**SEBI**") into the trading activities in the scrip of Jaisukh Dealers Limited (for convenience "**JDL / Company**") for the period of February 11, 2014 to July 05, 2016 (for convenience "**Investigation Period**") for possible violation, if any, of the provisions of Securities and Exchange Board of India Act, 1992 (for convenience "**SEBI Act, 1992**") and rules and regulations made thereunder.
2. During the course of investigation, the price volume data in the scrip of the *Company* was analyzed. The period of investigation was divided into 2 patches, however, for the purpose of the instant proceedings only Patch-1 (February 11, 2014 to August 31, 2014) is relevant, wherein it was, *inter alia*, noticed that the price of the scrip of the *Company* was manipulated. The scrip of the *Company* was listed on BSE SME-Institutional Trading Platform (for convenience "**SME-ITP**") on February 11, 2014. Details of price volume information in the scrip of *JDL* during the Investigation Period are presented in the chart below:

Chart 1: Price-Volume Chart



3. Further, the details of the price volume movement in the scrip of *JDL* during the Investigation Period and after the Investigation Period is tabulated below:

Table no. 1: Price-Volume movement in scrip of JDL

Period	Date	Price/ Volume	Opening Price/ volume on first trade day of the period	Closing price/ volume on last trade day of the period	Low price / volume during the period	High Price / volume during the period	Avg. no. of shares traded daily during the period	Total traded quantity
Pre Investiga tion period	Not listed							
Investiga tion period – Patch 1	(11/02/14- 31/08/14)	Price ₹	25.00	323.00 (28/08/2 014)	25.00 (11/02/201 4)	327.00 (04/08/201 4)	15487	480100
		Volume	65000	8800 (28/08/2 014)	3200 (multiple dates)	65000 (multiple dates)		
Investiga tion period – Patch 2	(01/09/14- 05/07/16)	Price ₹	323.00	324.00	274.00 (30/06/201 5)	337.00 (17/11/201 4)	25975	6416026
		Volume	13100	9460	3000 (01/04/201 5)	116301 (17/12/201 4)		
Post Investiga tion period	(06/07/16- 06/10/16)	Price ₹	324.00 (14/07/2016)	325.00 (23/09/2 016)	324.00 (multiple dates)	325.00 (multiple dates)	4604	18417
		Volume	8300 (14/07/2016)	3117 (23/09/2 016)	3117 (23/09/201 6)	8300 (14/07/201 6)		

Findings of Investigation

4. In the course of investigation conducted by SEBI, while analyzing the price and trade movement in the scrip of JDL, following facts, *inter alia*, came to light:

- a) Based on the Know Your Client (for convenience “KYC”) details, Unique client code (for convenience “UCC”) details, MCA database, Bank statements and off market transfer of equity shares, a group of 53 entities including the *Company*, promoters and directors of the *Company* and the *Noticees* herein were identified as entities bearing connection amongst themselves in one way or the other (hereinafter referred to as “*connected group entities*”).
- b) During the Patch-1 of the Investigation period, the price of the scrip opened at ₹25 on February 11, 2014 and closed at ₹323 on August 31, 2014 with a net

positive Last Traded Price (for convenience “LTP”) contribution of ₹298 and a market positive LTP of ₹322.

- c) It was observed that the *connected group entities* had traded amongst themselves and a total volume of 338500 shares (i.e. 70.50% of the total market volume) in 31 trades across 19 trading days was created. It was further observed that the 10 *connected group entities* (including *Noticees no. 1 to 7*) through their buy trades have together contributed ₹261 to net positive LTP in 19 trades which was 81.06% of the total net LTP contributed to the price of the scrip of the *Company*. It was further unearthed that in 14 trades out of the above 19 trades, the selling counterparties to the above noted buy trades were also from the *connected group entities*. It was thus observed that the 16 *connected group entities* (including *Noticees no. 1 to 7*) traded amongst themselves and acted either as buyer and/or seller to each other’s trades. These 16 *connected group entities* made substantial contribution of ₹216.00 i.e. 67.08% to positive LTP by trading amongst themselves at prices higher than the LTP.
- d) From the investigation, it was revealed that *Noticees no. 1 to 7* through their 16 trades have contributed ₹203 to the total market positive LTP (63.05% of total market positive LTP) in the scrip of *JDL* during Patch-1 of the Investigation Period. Investigation also revealed that out of the aforesaid 16 trades executed by the *Noticees no. 1 to 7* during the Patch-1 of the Investigation Period, in respect of in 6 trades, the selling counterparties were also other *Noticees* (part of *connected group entities*) where, the *Noticees no. 2, 6 and 8* were acting as selling counterparties in afore-stated 6 trades which contributed to positive LTP of ₹113 (35.09% of the total market positive LTP) in the scrip of *JDL* during Patch-1 of the Investigation Period.
- e) An analysis of New High Price (for convenience “NHP”) was conducted during the Investigation and it was revealed that contribution to the NHP by the *Noticees no. 1 to 7* through 11 trades was ₹184 (60.93%) to the total market NHP achieved by the scrip of *JDL* during Patch-1 of the Investigation Period.

Further, it was observed that in 6 of the aforementioned 11 trades contributing to NHP, counterparties were again the *Notices no. 2, 6 and 8* and the contribution of the aforesaid *Notices* among themselves to market NHP was ₹110.00 (36.42%) during Patch-1 of the Investigation Period in the scrip of *JDL*.

- f) The First Trade Analysis (for convenience “FTA”) conducted during the investigation further revealed that the *Notices no. 1 to 5 and 7* entered into first trades in 12 trades that caused the positive LTP of ₹184 which was 57.14% of the total market positive LTP. Further, in 5 trades out of the afore-stated 12 first trades, the counterparties were *Notices no. 6 and 8* and the *intra-group* contribution to the total positive LTP through the above 5 first trades was ₹98.00 (30.44% to the total market positive LTP).
- g) The aforesaid trading pattern of the *Notices no. 1 to 8* (for convenience “8 *Notices*”), indicated that they were acting in concert by placing the orders at a higher price than the LTP, which impacted the price of the scrip causing significant contribution to the price rise in the scrip apart from creating misleading appearance of trading in the scrip of the *Company*, in the minds of the other investors and market participants.
- h) It was also noticed that the *Company* had made two preferential allotments of shares prior to the listing on BSE involving allotment to 15 entities. In this regard, it was noticed that the 3 preferential allottees viz. *Notices no. 2, 6 and 8* who had received shares of the *Company* in the preferential allotment, had sold part of their shares in 11 trades to the other *Notices* (*Notices no. 1 to 7 and 9 to 11*). It was also noticed that the 3 preferential allottees and the other *Notices* who acted as their counterparty buyers, have acted in concert and were part of a pre-planned scheme, device and artifice to manipulate the price and to facilitate the sale of shares of the *Company* at higher prices by the preferential allottees. It was observed that by being part of such a manipulative scheme, device and artifice, the preferential allottees viz.

Noticees no. 2, 6 and 8 also made wrongful gains by selling part of their allotted shares at artificial higher prices, to other *Noticees*.

5. In view of the aforementioned trading pattern noticed, coupled with significant and abnormal contribution to the price rise in the scrip of the *Company* as noticed during the investigation, it has been alleged that the *Noticee nos. 1 to 8* during the *Patch-1* of the Investigation Period, through their First Trades as well as through their NHP and LTP contributing trades were instrumental in contributing to the price rise of the scrip of the *Company*. They have allegedly acted in concert and have manipulated the price of the scrip of *JDL* by their unusual, unfair, manipulative and fraudulent trades. It is thus alleged that these 8 *Noticees* (*Noticee nos. 1 to 8*) have manipulated the price of the scrip of *JDL* upwards and have created a misleading appearance of trading in the scrip by executing such fraudulent trades in small quantities. It has further been alleged that by way of the concerted efforts of 3 preferential allottees (*Noticees no. 2, 6 and 8*) and other *Noticees* who acted as their counterparty buyers (*Noticees no. 1 to 7 and 9 to 11*) the price of the shares of the *Company* were manipulated and the preferential allottees were facilitated to scale their shares at higher prices by taking advantage of such inflated market price of the scrip. Such acts of the *Noticees* have been alleged to be in breach of provisions of Section 12A (a), (b), (c) of the *SEBI Act, 1992* and regulation 3(a), (b), (c), (d) and regulation 4(1), 4(2) (a), (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (for convenience "*PFUTP Regulations, 2003*").

Show Cause Notice, Hearing and Replies

6. The aforesaid findings of the investigation led to the issuance of a common Show Cause Notice dated December 20, 2019 (for convenience "*SCN*") to all the 11 *Noticees*, asking them to show cause as to why suitable direction(s) under Section 11(1), 11(4) & 11 (B) of the *SEBI Act, 1992* should not be issued against them for their alleged violations of provisions of *SEBI PFUTP Regulations, 2003*. Additionally, *Noticees no. 2, 6 and 8* (preferential allottees) were also asked to show cause as to

why directions for disgorgement of the wrongful gains made by them in the scrip of *JDL* should not be issued against them.

7. I note from the available records that the aforesaid SCN was duly served on all the *Noticees no. 4, 5, 6, 8 and 11* through Speed Post. For the remaining *Noticees*, the SCNs were served through Newspaper publication dated May 28, 2020, as the SCNs returned undelivered from the last known address available with SEBI. Details of same are tabulated below:

<i>Noticee No.</i>	Address of the <i>Noticee</i> on which SCN delivery was attempted
1	262, Panchanantala Howrah, West Bengal, 711101
2	Laha O Das, Yugdiya, Magrahat, South 24 Parganas, West Bengal, Pin - 743372
3	319 21 Jessore Road Khudiram Colony Kolkata West Bengal India 700074
7	Borar Uttar Antilaantila Bagnan, Howrah, West Bengal - 711312
9	83, Rupchandory Street 1 st Floor, Kolkata 700007
10	SIR R N M House 3b Lal Bazar street Space No. 17 Kolkata 700001

8. I note from the records available before me that *Noticees no. 6, 8 and 11* vide separate letters dated had sought inspections of various documents. In this regard, opportunity of inspection was provided to the afore-stated *Noticees* on March 24, 2020, however, none appeared on behalf of the *Noticees* for inspection. Accordingly, relevant documents as sought by the *Noticees* and which have been relied upon in the SCN were provided to *Noticees no. 6, 8 and 11* vide email dated August 07, 2020. I further note that *Noticee no. 4* has submitted a written reply to the SCN vide letter dated February 17, 2020. Subsequently, in compliance with the principle of natural justice, an opportunity of personal hearing was accorded to all the *Noticees* intimating them the scheduled date of hearing which was fixed on September 14,

2021. The hearing notices were duly served on the *Notices no. 1, 2, 4, 5, 6, 8 and 11* through Speed Post / Email. With regard to the *Notices no. 3, 7, 9 and 10*, as the hearing notices attempted on the last known addresses of the *Notices* returned undelivered, same was done through Newspaper Publication dated August 25, 2021. On the scheduled date, personal hearing was attended by the Authorized representatives (AR) of the *Notices no. 4, 6, 8 and 11* and arguments were made on the lines of the replies already filed with SEBI. However, I note that no one appeared on behalf of the other *Notices* nor any further request for adjournment has been received on behalf of such *Notices*. I am of the view that although adequate number of opportunities of personal hearing have been provided to other *Notices*, they have chosen not to appear before me for reasons best known to them. Therefore, the matter is now ripe enough to be proceeded with and disposed of based on merit and on the basis of material available on record, including the written replies to SCN already filed by the *Notices* before SEBI on various dates as indicated below: -

Table no. 2: Details of reply filed by the *Notices*

<i>Noticee no.</i>	Date of Reply
<i>Noticee no. 4</i>	Reply dated February 17, 2020
<i>Noticee no. 6</i>	Replies dated January 24, 2020, September 13, 2021, September 28, 2021
<i>Noticee no. 8</i>	Replies dated January 24, 2020, September 13, 2021, September 24, 2021
<i>Noticee no. 11</i>	Replies dated January 28, 2020, September 13, 2021, September 24, 2021

9. After perusing the written replies including the post hearing submissions filed by the *Notices* in response to the allegations made in the SCN, I summarize their main contentions as follows:

Noticee no. 4

- a) The *Noticee* has denied its connection with the *connected group entities*. With regard to fund transfer with some of the *connected group entities*, it has been

submitted that all such fund transactions were on account of sale and purchase of shares of various private limited companies and were genuine in nature. Regarding the allegation of off-market transfer of shares to one of the *connected group entity*, *Noticee no. 4* has submitted that 12100 shares of the *Company* purchased on 12.05.2014 were sold to the aforementioned *connected group entity* on 25.07.2014 through off-market at a profit of ₹1,55,217 and such gains were accounted for the purpose of taxation by it.

- b) Regarding the connection with the *connected group entities* through common Directors and the common phone numbers, it has submitted that the common mobile numbers referred to in the SCN was pertaining to one of the Director who was also a Director in other *connected group entities*. However, without any evidence, no adverse inference can be drawn against the *Noticee no. 4* on the basis of common Directors and common mobile numbers.
- c) The SCN has made allegations of contribution to LTP, NHP and FTA on the basis of only a trade executed by it during the relevant period. As the price of the scrip of *JDL* was rising, the order was placed as a prudent investor in order to acquire shares and make profit. Its sole trade on the blind mechanism of stock exchange could not have potential to create false or misleading appearance of trading in the scrip of *Company*.
- d) Since no adverse inference has been drawn against some of the *connected group entities*, with whom the *Noticee no. 4* has been alleged to be connected in the SCN on the basis of fund transactions and such other entities are not part of the present SCN, no action can be initiated against the *Noticee no. 4* on account of equity.
- e) To further strengthen its arguments, *Noticee no. 4* has relied upon the judgements of the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "SAT") in the following matters:

- In the matter of *Labhu Gohil vs. SEBI* (DoD: 29.01.2020);
- In the matter of *Narendra Ganatra vs. SEBI* (DoD: 29.07.2011)

Common submissions by Noticees no. 6 and 8

- f) The SCN has been issued after a gap of more than 5 years from the date of execution of the alleged transactions. Inordinate delay in issuance of SCN has caused prejudice to the *Noticees* while justifying their case. In this regard, the *Noticees* have referred to the decision held by the Hon'ble SAT in the matter of *Rajeev Bhanot & Anr. vs. SEBI* (DoD: 09.07.2021).
- g) SEBI had also issued another show cause notice against the *Noticees* proposing for imposition of monetary penalty for the same set of facts and allegations. Such initiation of multiple proceedings in the matter has caused great prejudice to the *Noticees*. In this regard, *Noticees* have relied upon judgement of the Hon'ble SAT in the matter of *P G Electroplast Ltd. & Ors. vs. SEBI* (DoD: 02.08.2019).
- h) The power to issue directions under Section 11(4) and Section 11(B) of *SEBI Act, 1992* is a drastic power having serious civil consequences and ramifications on the reputations and livelihoods of those against whom it is directed and the said power is not available for routine and retrospective application and cannot be used for penal action. It is an exceptional, extraordinary and discretionary power and SEBI has to justify the need for invocation of the said power after about 5 years from the alleged cause of action. However, the SCN does not state clearly as to how in the absence of the proposed action the integrity of the securities market would not be maintained. In this regard, *Noticees* have relied upon the orders of the Hon'ble SAT in the matter of *Libord Securities Ltd. vs. SEBI* and the Hon'ble Supreme Court *SEBI vs. Libord Securities Ltd.*
- i) The buy and sell volume of *Noticee no. 6* in the scrip of the *Company* was negligible as compared to the total buy (0.94%) and sell volume (1.33%) in

the scrip during the Investigation Period. Similarly, the sell volume of *Noticee no. 8* in the scrip of the *Company* was negligible as compared to the total sell volume (0.55%) in the scrip during the Investigation Period.

j) *Noticees* have also referred to and relied upon the following judgements of the Hon'ble SAT to further buttress their arguments pertaining to their connection with *connected group entities*:

- In the matter of *Baldevsinh Vijaysinh Zala vs. SEBI (Appeal no. 219 of 2019, DoD: 12.08.2021)*;
- In the matter of *Nishith M. Shah HUF vs. SEBI (Appeal no. 97 of 2019, DoD: 16.01.2020)*.

k) It is pertinent to note that BSE, first level regulator did not consider the alleged transactions as objectionable and did not treat them as invalid and did not annul / cancel their trades. If BSE has treated the alleged transactions as valid, and accepted / acted upon, then such trades ought not be treated as objectionable.

l) *Noticees* have further referred to and relied upon the following judicial decisions while requesting SEBI to consider any adverse action against the *Noticees*:

- The Hon'ble Supreme Court in the matter of *Hindustan Steel Ltd. vs. State of Orissa* reported in 1969 (2) SCC 627
- The Hon'ble SAT in the matter of *P. G. Electroplast Ltd. & Ors. vs. SEBI (Appeal no. 281 of 2017)*

Additional submissions by Noticee no. 6

m) Regarding the connection with other *Noticees* as alleged in the SCN, *Noticee no. 6* has argued the following:

- Connection with *Noticee no. 2* in the SCN has been made out on the basis of common address i.e. "*Laha O Das Para, Yugdiya, Magrahat,*

South 24 Parganas". In this regard, she has contended that her correct address at the time of preferential allotment was "*7, Burnt Salt Gola Lane, Howrah-711101*" and the wrong address mentioned in the preferential allotment letter is some clerical mistake on the part of *JDL* and the *Noticee no. 6* cannot be held accountable to the same. Regarding connection with *Noticee no. 2* on the basis of off-market transfer, *Noticee no. 6* has submitted that she purchased 22000 shares of *JDL* from *Noticee No. 2* in off-market on 07.10.2015 and in consideration, transferred 44000 shares of Quest Financial Services Ltd. to *Noticee No. 2* on 16.10.2015.

- Regarding the connection with *Noticee No. 7* through fund transfer of ₹6.25 lacs, *Noticee no. 6* has contended that the same pertained to payment towards purchase of 10000 shares of M/s. Kwalitiy Credit & Leasing Ltd from *Noticee No. 7* at a price of ₹62.50.
- Though, *Noticee no. 6* and *8* are sisters- in-law and part of same family, but their trades in the scrip of *JDL* were independent to each other and they were not counter party to each other's trades.

n) On the allegation of contribution to the positive LTP, NHP and FTA in the scrip of *JDL*, *Noticee no. 6* has submitted that out of all her trades throughout the Investigation Period in the scrip of *JDL*, only one trade is alleged in the SCN towards creating positive LTP of ₹15, which is very miniscule as compared to net total positive LTP of ₹298 noticed in the scrip of *JDL*. *Noticee no. 6* has further submitted that her buy order for the alleged trade for 25000 shares was placed at 12:13:40 and the trade got executed at 13:35:44. Thus, the very fact that there was a substantial time difference of 01:22:04 between buy order and sell order as reflected in order logs / trade logs, show that there was no prior meeting of minds and the trading was system driven and of no consequence to the *Noticee* or the counter party. She has further submitted that since she was a promoter

of JDL, she wanted to make a market on the first day of trading and attract more traders, therefore, she raised the buy order price from ₹25 to ₹40 as there is no embargo on placing an order at +ve LTP.

- o) The *Noticee no. 6* has stated that she has not taken any benefit of the price rise of the scrip as the net price rise of the scrip of JDL were upto ₹324, however, the *Noticee* sold 91800 shares at a price of ₹95.10. The *Noticee* has further submitted that if her intention was to exit at higher price, she would have done the same after the scrip price was in the range of ₹200 to ₹300. The *Noticee* has further taken a plea that the fact that she did not take the benefit of price rise shows that her trades were genuine and the aforesaid theory of collusion is devoid of merits.

Additional submissions by Noticee no. 8

- p) Regarding the connection with other *Noticees* as alleged in the SCN, *Noticee no. 8* has argued the following:

- Connection with *Noticee no. 3* in the SCN has been made out on the basis of common address i.e. “319/21 Jessor Road, Khudiram Colony”. In this regard, the *Noticee no. 8* has contended that her correct address at the time of preferential allotment was “Ganges garden, Block-9, Flate G+H, 106 Kiran Chandra Singha road, Howrah-711102” and the wrong address mentioned in the preferential allotment letter is some clerical mistake on the part of JDL and the *Noticee no. 8* cannot be held accountable to the same. Regarding connection with *Noticee no. 2* on the basis of off-market transfer, *Noticee no. 8* has submitted that she purchased 12000 shares of JDL from *Noticee No. 2* in off-market on 07.10.2015 and in consideration made a payment of ₹1,20,000/- to *Noticee no. 2* through NEFT on 23.03.2016.

- Though, *Noticee no. 6* and *8* are sisters- in-law and part of same family, but their trades in the scrip of *JDL* were independent from each other and they were not counter party to each other's trades
- q) The *Noticee no. 8* has stated that she has not taken any benefit of the price rise of the scrip as the net price rise of the scrip of *JDL* was ₹324, however, the *Noticee* bought 65000 shares at a price of ₹30.76 and sold 91800 shares at a price of ₹95.10. The *Noticee* has further submitted that if her intention was to exit at higher price, she would have done the same after the scrip price was in the range of ₹200 to ₹300. The *Noticee* has further taken a plea that the fact that she did not take the benefit of price rise shows that her trades were genuine and the aforesaid theory of collusion is devoid of merits.

Noticee no. 11

- r) *Noticee no. 11* has submitted that the charge levelled against the company in the SCN is vague and not clear. It is an established principle that a vague allegation which does not set out the reason for such allegation cannot be sustained as the same does not provide an opportunity to a noticee to counter charge hence, same is also contrary to the principles of natural justice. *Noticee* has relied on decision of Hon'ble SAT in the matters of *Vikas Bengani vs. SEBI* (DoD: 08-03-2010), *Dhanlakshmi Bank Ltd. vs. SEBI* (DoD: 20-04-1999).
- s) *Noticee* has further referred to and relied upon the judgement of the Hon'ble SAT in the matter of *Baldevsinh Vijaysinh Zala vs. SEBI* (*supra*) to counter the basis of its alleged connection made by SEBI with *connected group entities*.

Consideration of Issues and Findings

10. Considering the findings of Investigation, the allegations levelled against the *Noticees* in the SCN based on such findings and the explanations offered by the

Notices through their written replies to the SCN, I find that the following issues require consideration:

Issue 1: Whether the Noticees directly or indirectly enjoy connection?

Issue 2: Whether the evidences are sufficient to hold the acts of trading in the scrip of the Company by the Noticees during the Investigation Period to be in violations of the provisions of Section 12A (a), (b), (c) of the SEBI Act, 1992 and regulation 3 (a), (b), (c), (d) and Regulation 4 (1) and 4 (2) (b) of SEBI PFUTP Regulations, 2003?

11. Before dealing with the aforementioned issues and the replies/arguments of the Noticees on merit, I deem it necessary to deal with the preliminary objections raised by some of the Noticees, which are dealt in the subsequent paragraphs.

Delayed Proceedings prejudicial to the Noticees

12. Certain Noticees have contended that there has been an unreasonable delay of more than 5 years in initiation of the present proceedings which has caused prejudice to the Noticees for the purpose of defending their case. In this regard, the Noticees have referred to the decision held by the Hon'ble SAT in the matter of *Rajeev Bhanot & Anr. vs. SEBI (DoD: 09.07.2021)*. I have perused the contention of the Noticees in this regard and also the observations of the Hon'ble SAT in the case relied upon by them in support of such a contention. It can be safely deduced from the above said citation that the specific facts and the attending circumstances of each case have to be taken into consideration while deciding whether there has been a delay or inordinate delay in a particular case. In the above referred matter i.e., *Rajeev Bhanot (supra)*, the violation was pertaining to financial year 2005-06 and the show cause notice was issued in 2017. However, in the instant matter, the alleged violations pertained to trades executed during years 2014-2016 and the SCN was issued in December 2019. Further, it is an admitted fact that the investigation in the instant matter was initiated in pursuance of receipt of a complaint / reference. In this regard, I would like to rely upon the following observations of Hon'ble SAT in the case of *Ravi Mohan & Ors. vs. SEBI (SAT Appeal No. 97 of 2014, DoD 16/12/2015)*:

“.....Based on decision of this Tribunal in case of HB Stockholdings Ltd. vs. SEBI (Appeal no.114 of 2012 decided on 27.08.2013) it is contended on behalf of the appellants that in view of the delay of more than 8 years in issuing the show cause notice, the impugned order is liable to be quashed and set aside. There is no merit in this contention, because, this Tribunal while setting aside the decision of SEBI on merits has clearly held in para 20 of the order, that delay itself may not be fatal in each and every case. Moreover, the Apex Court in case of Collector of Central Excise, New Delhi vs. Bhagsons Paint Industry (India) reported in 2003 (158) ELT 129 (S.C) has held that if there no statutory bar for adjudicating the matter beyond a particular date, the Tribunal cannot set aside the adjudication order merely on the ground that the adjudication order is passed after a lapse of several years from the date of issuing notice.....”

13. It is common knowledge that investigation in matters pertaining to price manipulation are typically complex & cumbersome and requires collating various types of data including trade data and other financial information. I note that pursuant to the receipt of the aforesaid complaint / reference, SEBI initiated an investigation into the matter for a Investigation Period starting from 11.02.2014 to 05.07.2016 during which, it had to exchange various communications with the Company, BSE, Depositories and Banks. After completion of the investigation, SEBI has initiated proceedings in respect of the *Notices* by issuing the SCN (under consideration of this proceedings), on December 20, 2019. Therefore, the plea of the *Notices* that there is an inordinate delay of 5 years is farfetched, as SEBI has initiated the proceedings by issuing the SCN in almost 3 years after the Investigation Period. Further, none of the *Notices* has demonstrated any prejudice caused to them while replying to the allegations made against them in the SCN. Before parting with the aforesaid contention, I deem it appropriate to the refer to and rely upon the findings of the Hon'ble Tribunal in the matter of Rajendra Aggarwal vs SEBI (DoD 17.09.2021 in Appeal no. 552 of 2019), wherein, while dealing with a similar contention of appellants therein, following has been held by the Hon'ble Tribunal:

“ 13. On issue of delay, we find that the show cause notice was issued in the year 2013 and the trades were executed in 2009. The investigation was against a large number of entities which apparently took time and ultimately notices were issued to 35 entities. Consequently, we do not find any inordinate delay in the issuance of the show cause notice..... In any case, such delay in the delivery of the judgment does not cause any prejudice to the appellants.”

14. Considering the foregoing, I am of the view that no unreasonable delay has been committed by SEBI in initiating action in the present matter as claimed by *Noticees* and therefore, I do not have any hesitation in rejecting the contention of the *Noticees* claiming that present SCN should be disposed of in their favour on the sole ground of delays and laches in initiating proceedings against them.

Initiation of multiple proceedings under the same set of facts and allegations

15. For the same set of facts and allegations, in addition to the present proceedings, SEBI has also issued show cause notices under Rule 4 of SEBI (procedure for holding inquiry and imposing penalties by Adjudicating Officer) Rules 1995 against the *Noticees* asking them as to why monetary penalty be not imposed on them for the alleged violation. In this regard, while relying on the judgement of the Hon'ble SAT in the matter of *P G Electroplast Ltd. & Ors. vs. SEBI* (DoD: 02.08.2019), *Noticees* have contended that initiation of multiple proceedings in the matter has caused great prejudice to the *Noticees*. In this respect, it is noted that admittedly, the two separate proceedings initiated against the *Noticees*, viz: one before the Adjudicating Officer and the other proceedings before the undersigned, are based on the same facts and allegations. However, it is pertinent to appreciate here that the outcome/consequences desired under law from these two parallel proceedings are different. While the Adjudication Proceedings are initiated under relevant provisions of *SEBI Act, 1992* to levy monetary penalty for violation of securities law, the proceedings under section 11 of *SEBI Act, 1992* before me aims at issuing disciplinary directions like debarment, warning, etc. to protect the interest of investors and securities market as a preventive or remedial measure. The scheme

of SEBI Act, 1992 itself is such that it envisages initiation of multiple proceedings and there is no prohibition in initiating an adjudication proceeding as well as proceedings under section 11 of the SEBI Act, 1992 concurrently for the same set of offence/breach of Securities Laws. It is also trite law that each proceeding warrants to be adjudicated on its own merit. Each proceeding is required to be decided and adjudged independently to serve the objective of the legislative provisions under which the proceedings have been initiated. It is further observed that the aforementioned issue was also raised in the matter of *Ms. Sunita Gupta vs SEBI* (DoD: 21.04.2017 in Appeal No. 193 of 2016) before the Hon'ble SAT and the findings of the Hon'ble SAT in this respect are as under:

" 5. We see no merit in the above contentions.

6. Where a person violates the provisions contained in the SEBI Act and the regulations made thereunder, then, SEBI is empowered to initiate penalty proceedings against that person under Chapter VIA of SEBI Act and also issue directions in the interests of investors or securities market as it deems fit under Chapter IV of SEBI Act. Thus, the powers conferred on the Board under Chapter IV are independent from the powers to impose penalty under Chapter VIA of SEBI Act.....

7. Counsel for appellant had placed reliance on decisions of the Apex Court in the case of Kunjan Nair Sivaraman Nair (Supra) & in the case of Dr. Subramanian Swamy (Supra) which have no relevance to the facts of present case, because, SEBI Act itself contemplates that where a person violates SEBI Act and the regulations made thereunder, then apart from imposing penalty under Chapter VIA, it would be open to the Board to issue such directions as it deems fit under Chapter IV of SEBI Act."

16. In view of the above, the contention of the Noticees regarding prejudiced caused to them due to initiation of multiple proceedings is devoid of merit hence, does not require any further consideration.

Powers under section 11B of the SEBI Act, 1992

17. *Noticees* have further contended that the power to issue directions under Section 11(4) and Section 11(B) of *SEBI Act, 1992* is a drastic power having serious civil consequences and ramifications on the reputations and livelihoods of those against whom it is directed and the said power is not available for routine and retrospective application and cannot be used for penal action. It is an exceptional, extraordinary and discretionary power and SEBI has to justify the need for invocation of the said power after about 5 years from the alleged cause of action. In this regard, *Noticees* have relied upon the orders of Hon'ble SAT in the matter of *Libord Securities Ltd. vs. SEBI* and Hon'ble Supreme Court *SEBI vs. Libord Securities Ltd.* I have perused the contentions of the *Noticees* and various judgments/orders relied upon by them. It is important to note that in the case of *Libord Finance Ltd. (supra)*, the Hon'ble Tribunal observed that the preventive and remedial measures under section 11/ 11B of the Act might also have penal consequences, but in substance, it does not take away and alter the remedial nature of such measures enshrined in it. The relevant observations of the Hon'ble Tribunal in the said case are as follows:

"When such directions are issued, the object is not to punish the delinquent but to protect and safeguard the market and the interest of the investors which is the primary duty cast on the Board under the Act. The directions may result in penal consequences to the entity to whom those are issued but that would be only incidental. The purpose or the basis of the order or the directions would nevertheless be to protect the securities market and the interest of the investors." (Emphasis supplied)

18. The essence of the afore cited judicial decision is that any direction under section 11B of Act would satisfy the test of a remedial measure, if it is intended to restore confidence in the integrity of the securities market. I note that the SCN in the instant case is also issued in exercise of SEBI's powers under section 11(4) of the SEBI Act, 1992 and, therefore, it would not be necessary to specify the exact nature of the proposed directions, the only test being the safeguarding the interest of investors in the securities market. The vital importance of curbing manipulative

practices in the securities market has been stressed upon by the Hon'ble Supreme Court while delivering its judgments in various matters. The Hon'ble Supreme Court in the matter of N. Narayanan v. SEBI [(2013) 12 SCC 152] held and observed as under:

"A word of caution:

43. SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading etc. or else they will be failing in their duty to promote orderly and healthy growth of the Securities market. Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country's economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India's securities market. Message should go that our country will not tolerate "market abuse" and that we are governed by the "Rule of Law". Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and 'market security' is our motto. People with power and money and in management of the companies, unfortunately often command more respect in our society than the subscribers and investors in their companies. Companies are thriving with investors' contributions but they are a divided lot. SEBI has, therefore, a duty to protect investors, individual and collective, against opportunistic behavior of Directors and Insiders of the listed companies so as to safeguard market's integrity."

19. Considering the settled position of law as enunciated in the aforementioned judgments pertaining to SEBI's powers to issue directions under section 11/11B of the SEBI Act, 1992, so as to take appropriate preventive/remedial measures to protect the interest of investors as well as the interest of the securities market, irrespective of whether the exercise of such powers may have penal consequences, the contentions of the *Noticees* against the directions proposed in the SCN cannot hold ground. Consequently, the same deserves to be rejected.

20. After dealing with the preliminary arguments, I now proceed to deal with the issues for consideration, in the subsequent paragraphs.

Issue 1: Whether the Noticees directly or indirectly enjoy connection?

21. The SCN has alleged that the *Noticees* were part of a *connected group entities* and were enjoying direct or indirect *inter se* connection *inter alia* based on common addresses, common phone numbers, common email id, off market transfers of shares, bank transfers, etc. Details of such connection enjoyed by the *Noticees* as mentioned at table 5 in SCN are tabulated below:

Table no. 3: Details of connection between Noticees

Noticee No.	Name of Noticee	Basis of Connection
1	Keynote Painting Dealers Private Limited	•Connected to <i>Noticee no. 7</i> via fund transaction (A/c No - 62221078792) •Connected to <i>Noticee no. 7</i> via common mobile number
2	Panchshree Logistics Pvt. Ltd	•Connected to <i>Noticee no. 3 and 11</i> via common directors •Connected to <i>Noticee no. 3 and 11</i> via common email id •Connected to <i>Noticee no. 5</i> via fund transaction (A/c No - 02192320007586) •Connected to <i>Noticee no. 6</i> via common address •Connected to <i>Noticee no. 3, 5, 7, 8 and 11</i> via fund transaction (A/c No - 005201601000488) •Connected to <i>Noticee no. 3, 6 and 8</i> via off-market transfer
3	Crown Iron Merchants Private Limited	•Connected to <i>Noticee no. 5 and 7</i> via fund transaction (A/c No - 62223566335) •Connected to <i>Noticee no. 2</i> via fund transaction (A/c No - 005201601000488) •Connected to <i>Noticee no. 2</i> via off-market transfer •Connected to <i>Noticee no. 2 and 11</i> via common directors •Connected to <i>Noticee no. 8 and 11</i> via common address •Connected to <i>Noticee no. 2 and 11</i> via common email id
4	Glorious Vincom Private Limited	•Connected to other <i>connected group entities</i> through bank account fund transactions,
5	Jatan Mercantiles Pvt Ltd	•Connected to <i>Noticee no. 2</i> via fund transaction (A/c No - 02192320007586) •Connected to <i>Noticee no. 3</i> via fund transaction (A/c No - 62223566335)
6	Anita Jajodia	•Promoter of the <i>Company</i> alongwith <i>Noticee no. 8</i> •<i>Noticee no.6 and 8</i> share common address •<i>Noticee no.6 and 8</i> share common mobile number •<i>Noticee no.6 and 8</i> share common email id •Connected to <i>Noticee no. 7</i> via fund transaction (A/c No - 005200101023955) •Connected to <i>Noticee no. 2</i> via off-market transfer •Connected to <i>Noticee no. 2</i> via common address

Noticee No.	Name of Noticee	Basis of Connection
7	Innova Auto Distributors Private Limited	•Connected to <i>Noticee no. 6</i> via fund transaction (A/c No - 005200101023955) •Connected to <i>Noticee no. 1</i> via fund transaction (A/c No - 62221078792) •Connected to <i>Noticee no. 1</i> via common mobile number •Connected to <i>Noticee no. 3</i> via fund transaction (A/c No - 62223566335) •Connected to <i>Noticee no. 2</i> via fund transaction (A/c No - 005201601000488)
8	Sabita Jajodia	•Promoter of the <i>Company</i> alongwith <i>Noticee no. 6</i> •<i>Noticee nos.6 and 8</i> share common address •<i>Noticee nos.6 and 8</i> share common mobile number •<i>Noticee nos.6 and 8</i> share common email id •Connected to <i>Noticee no. 2</i> via fund transaction (A/c No - 005201601000488) •Connected to <i>Noticee no. 2</i> via off-market transfer •Connected to <i>Noticee no. 3 and 11</i> via common address
9	Ekparnik Vintrade Private Limited	•Connected to <i>Noticee no. 10</i> via common address & common email id
10	Vinahast Dealcom Private Limited	•Connected to <i>Noticee no. 9</i> via common address & common email id
11	Fastner Machinery Dealers Pvt Limited	•Connected to <i>Noticee no. 2</i> via fund transaction (A/c No - 005201601000488) •Connected to <i>Noticee no. 2 and 3</i> via common directors •Connected to <i>Noticee no. 3 and 8</i> via common address •Connected to <i>Noticee no. 2 and 3</i> via common email id

22. From the perusal of the basis of connection as recorded in above table, I am of the view that there are materials which sufficiently suggest that the *Noticees* were *inter se* connected. For instance, as per the KYC / UCC details available on record, I note that *Noticee nos. 2 and 6* share common address. Similarly, *3, 8 and 11* are connected to each other through common address. Further, *Noticees no. 9 and 10* share common address and common email id. I also observe from the KYC / UCC details that the *Noticees no. 1 and 7* share a common mobile number. Similarly, *Noticees no. 6 and 8* are sharing common mobile number on the basis of the records available before me. I further note that the *Noticees* also enjoyed connection with each other on the basis of fund transactions. For instance, *Noticee no. 2* had fund transactions with *Noticees no. 3, 5, 7, 8 and 11*. Also, *Noticee no. 5* is connected to *Noticees no. 2 and 3* via fund transactions. As per the materials available on record, I

note that *Noticee no. 2* had off-market transfer with *Notices no. 3, 6 and 8*, which facts were not disputed by them. The above noted undisputed off market transfers amongst the *Notices* are also self-evident to show that they were known to one another. From the analysis of the evidences available on record, it is found that, except for the *Noticee no. 4*, all other *Notices*, are connected with some other *Notices* through one way or the other.

23. I note that *Noticee no. 4* has denied its connection with the *connected group entities* and has submitted that the fund transactions with some of the *connected group entities* were on account of sale and purchase of shares of various private limited companies and were genuine in nature. In respect to the off-market transfer of shares to one of the *connected group entity*, *Noticee no. 4* has submitted that 12100 shares of the *Company* purchased on 12.05.2014 were sold to the aforementioned *connected group entity* on 25.07.2014 through off-market deal at a profit of ₹1,55,217 and such gains were accounted for taxation purposes by the *Noticee no. 4*. Similarly, on the issue of connection (with the *connected group entities*) through common Directors and the common phone numbers, *Noticee no. 4* has submitted that the common mobile number referred in the SCN was pertaining to one of the Directors who was also a Director in other *connected group entities*.

24. After perusing the aforesaid submissions of *Noticee no. 4* regarding denial of connection with the *connected group entities*, it is important for me to mention here that the SCN has not alleged the authenticity or genuineness of the fund transactions, or the off-market transfers of the *Noticee no. 4* with other *connected group entities*. The SCN has alleged that the *Noticee no. 4* alongwith other *Notices*, was part of the *connected group entities*, who were connected directly or indirectly to each other. For instance, *Noticee no. 4* is connected to one entity namely, Linkup Financial Consultants Private Limited (Linkup) through fund transactions. I note from the records available before me that the aforesaid entity (Linkup) was directly connected with *Notices no. 3, 8 and 11*. Similarly, *Noticee no. 4* is connected to Foremost Textiles Private Limited (Foremost) through off-market transfer of shares.

In this regard, I note from the details available before me that *Notices no. 2, 3, and 7* are directly connected with Foremost. Therefore, it can be easily understood that the *Notice no. 4* was part of the *connected group entities* and enjoyed connection with other *connected group entities*, who in turn had connection with some other connected group *Notices*. Hence, the denial of *Notice no. 4* regarding connection with other *connected group entities* are of no use while deciding the allegations pertaining to *inter se* connections. In fact, the admission of *Notice no. 4* of having commercial relationships with the *connected group entities* with whom *Notice no. 4* had fund transactions and off-market transfers, itself strengthens the connection of *Notice no. 4* with the other *connected group entities* making it to be a part of the entire connected group.

25. I further observe that the *Notices no. 6 and 8* have vehemently argued that the address mentioned on the preferential allotment letters through which SEBI has alleged their connection with other *Notices* (through common address), is due to a clerical mistake on part of the *Company*. In this regard, *Notices no. 6 and 8* have referred to their respective allotment letters of preferential allotment received by them from the *Company* as well as the Board resolution passed by the *Company* available on MCA-21 portal. After perusing the aforesaid documents, I don't see any reason as to why the alleged addresses through which a connection is established in the SCN between them and other *Notices* should not pertain to *Notices no. 6 and 8* respectively. A person may have more than one address of communication at a given point of time. This is evident from the demat account statement submitted by the *Notice no. 6*, wherein her address is mentioned as "*C/O of Jajodia nad Co 190 Jamuna Lal Bajaj ST 3rd Floor Kolkata 700007*", which is different from all the other three addresses of *Notice no. 6* (one being alleged in the SCN, second being claimed by *Notice no. 6* at time of allotment of preferential addresses and third being the present communication address of *Notice no. 6*). Further, none of the two *Notices* (*Notices no. 6 and 8*) has submitted any evidence that they had raised a concern about the aforesaid clerical error in their address as mentioned in

the letter of preferential allotment the *Company* and got it resolved. Considering the fact that both the *Notices* (*Notices no. 6 and 8*) were promoters of the *Company*, it is difficult to buy the argument that there was a clerical error on part of the *Company* while recording their addresses as preferential allottees to which no concern was flagged by them which they are raising before me at such belated stage of the proceedings, I find that the assertion on the part of the *Notices* are mere a statement that is not supported with sufficient evidence so as to persuade me with certainty that these two *Notices* have no connection whatsoever with the above noted addresses mentioned in their respective letters of preferential allotment.

26. Notwithstanding the aforesaid, it is pertinent to note that the SCN has alleged connection of *Notices no. 6 and 8* with other *Notices* as noticed through their off-market transactions and bank transactions, which have not been disputed by the *Notices no. 6 and 8*. For instance, *Notices no. 6 and 8* have admitted that they had off-market transaction of shares with *Noticee no. 2*. Similarly, *Noticee no. 6* has admitted that she had bank transaction with *Noticee no. 7* for payment towards purchase of shares of a company. In this regard, *Notices no. 6 and 8* have argued that transfer of shares in off market cannot be considered as illegal and has nothing to do with their trading in the scrip of *JDL*. As already mentioned above, it is important to note that the SCN has neither challenged the authenticity of the funds transactions nor the off-market transfers with other *connected group entities*. Instead, these transactions have been taken as the points to join the dots and to show connection between the *Notices no. 6 & 8* and the other *connected group entities*. Further, the off-market trades indulged in by the above noted two *Notices* are observed to be form an important medium through which share purchase and sale are carried out based on delivery. It is a common knowledge that off market share transactions between two parties can happen only when both the entities are well known and familiar to each other, hence any off market transfer of shares gives a strong presumption of connection between transferor and transferee entities. In fact, I note that a considerable time difference has taken place between the receipt of

shares through the off-market mechanism and their corresponding payments made (by the *Noticees no. 6 and 8*) to the other *Noticees*. For instance, *Noticees no. 6* has justified the transfer of funds of ₹6.25 lacs to *Noticee no. 7* as payment of 10000 shares of M/s. Kwaliti Credit & Leasing Ltd purchased from *Noticee No. 7* at the price of ₹62.50. In this regard, I note from the demat account statements (as furnished by *Noticee no. 6*) that she had received the aforesaid shares on 02.05.2013, however, as per her own submissions, payments to *Noticee no. 7* were made on 25.03.2014 and 26.03.2014. Similarly, as per submissions of *Noticee no. 8*, she had received 12000 shares of the *Company* from *Noticee no. 2* through off market on 07.10.2015 for which the payment was made on 23.03.2016 i.e. after a period 5 months, which can be possible only when the two persons are known to each other closely and over a certain period of time. The aforesaid delay ranging from 06 months to 10 months for making payments to the seller of shares in off market further indicates the commercial relationship and trust between the *Noticees* and further strengthens the allegations of inter-connectedness amongst *Noticees* as mentioned in the SCN. Therefore, the arguments advanced by the *Noticees* to reject the allegation of connection made in the SCN qua them are misplaced on facts which in fact suggest that they had strong connection with the other counter party *Noticees* with whom they had off-market dealings and because of their close connections payment of consideration could be kept pending for so long.

27. I note that certain *Noticees* have further referred to and relied upon the judgements of the Hon'ble SAT in the matter of *Baldevsinh Vijaysinh Zala vs. SEBI, Nishith M. Shah HUF vs. SEBI* to buttress their arguments pertaining to their connection with *connected group entities* as alleged in the SCN. I have perused the orders of the Hon'ble SAT in the above said matters and observe that, the facts and circumstances of the instant matter are completely different from the above cited case law. In the matter of *Baldevsinh Vijaysinh Zala (supra)*, Hon'ble SAT, *inter alia*, observed that "*something more is required to be shown other than common address, telephone numbers etc. which in the instant case is also lacking inter se between the parties*",

whereas, in the instant matter, I note that the allegations of connections are not solitarily based on common addresses, telephone numbers, etc. but also have been anchored upon various other factors including off market transfers, bank transactions, etc. which suggest the existence of a connection amongst the *Noticees*. Further, in the instant matter I note that other than the direct connection, *Noticees* were also connected to each other indirectly too (by having direct connection with the common entities), which again strongly points out to a strong connection amongst different *Noticees* through their common connections with other *Noticees*. In the matter of *Nishith M. Shah HUF (supra)*, the Hon'ble SAT, *inter alia*, observed that *"in order to apply the aforesaid test, the facts of the present case is, that there is no direct evidence of collusion between the appellant as a seller with that of the buyer. There is no finding that the appellant was known to the directors or promoters of the Company. Since no direct evidence is forthcoming we have to see the indirect connection which is that the appellant was selling small quantities of scrips."* However, in the instant matter as already mentioned and demonstrated above, *Noticees* are connected with each other both directly and indirectly through various grounds. Further, as found out during the investigation, the *Noticees* have also been alleged to have traded in a pre-meditated mindset to cause a steady price rise in the scrip of *JDL* by way of contributing to such price rise through manipulative trades and contribution to the positive LTPs through their successive trades. Therefore, the above orders of Hon'ble SAT cited by the *Noticees* would be of no assistance to them.

28. Some of the *Noticees* have contended that no proceedings have been initiated against some other *connected group entities* and in the absence of having any proceedings against those other *connected group entities*, the instant proceedings against them deserve to be dropped on the principle of equity. It is a trite law to state that in the quasi-judicial proceedings, the adjudicator is bound within the realms of the show cause notice before him. In the instant case, after examining the role of other *connected group entities*, if SEBI has found that it is not necessary to proceed against them, the same logic cannot be *suo moto* as a matter of right,

extended to the *Notices* in this proceedings, more particularly, when these *Notices* have not been successful in submitting any explanation with supporting document to substantiate that they are also identically placed with those other *connected group entities* (against whom no action has been proposed after completion of investigation), including similar contribution to price rise in the scrip of the *Company*. In fact, in the matter of *Systematix Shares & Stocks India Limited v. SEBI* (2012), the Hon'ble SAT also had the occasion to deal with an argument similar to that of the *Notices* contending that the Board should have proceeded against all wrongdoers and the action against few entities alone was discriminatory. In the said case, the Hon'ble SAT had observed that "*We cannot subscribe to this view since the Board has set its own benchmark in selecting cases for action and, in any case, the appellant cannot plead himself innocent or his trades as lawful.*" In the instant case as well, the Board after examining and considering the role of each of the *connected group entities*, including the *Notices* herein, their trades during the relevant period, has consciously decided to initiate proceedings against such entities who were noticed to have a role in the commission of the violations as alleged in the SCN. Thus, depending upon the attendant facts and circumstances, I observe from records that some of the *connected group entities* have been made *Notices* in the instant proceedings while some other entities have been reportedly proceeded against in separate proceedings including adjudication proceedings. Be that as it may, the Board has discretion to set a specific criteria and exercise *intelligible differentia* while selecting cases/entities for proposing action and the *Notices* cannot plead innocence by merely basing their arguments on such fallacious reasons. I also find it appropriate to observe that though the *Notices* have claimed parity with the other entities who have not been proceeded with, however, these *Notices* have not brought any specific instance to my attention which are factually identical or similar to that of the entities so as to stake a claim that they also ought to have been exonerated from the instant proceedings. Considering the foregoing, I reject this contention of the *Notices* in *limine* and do not find it necessary to further deal with this contention.

29. As already noted above, apart from *Notices no. 4, 6, 8 and 11*, none of the *other Notices* has filed any reply to the SCNs. Those *Notices* have even preferred to abstain from attending personal hearing, for the reasons best known to them. At this juncture, I find it apt to refer to and rely on the observation of the Hon'ble Securities Appellate Tribunal (for convenience "SAT") in the case of *Sanjay Kumar Tayal & Others v SEBI (Appeal No. 68 of 2013- DoD- 11.02.2014)*, wherein the Hon'ble SAT has observed that-*".....As rightly contended by Mr. Rustomjee, learned senior counsel for respondents, appellants have neither filed reply to show cause notices issued to them nor have availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices....."*

30. Considering the aforesaid discussions and the fact that there are materials sufficient enough to suggest that strong *inter se* connections existed amongst the *Notices* which, coupled with the undisputed facts of their trades in the scrip of the *Company* during the relevant period, wherein the *Notices* are seen to have traded posing as counterparties and from their unusual trading pattern as noticed in the scrip of the *Company*, it can be stated with confidence that the matching of trades amongst the *Notices* did not happen as mere coincidences but was possible due to the commonality of intent and purpose that existed amongst the *Notices* while dealing in the scrip of *JDL*. In view of the above and in the absence of any material contrary to the allegations, I find that it can be reasonably concluded that the *Notices* were enjoying close connections amongst themselves and belonged to a common group viz. *connected group entities* in the instant case.

Issue 2: Whether the evidences are sufficient to hold the acts of trading in the scrip of the Company by the Notices during the Investigation Period to be in violations of the provisions of Section 12A (a), (b), (c) of the SEBI Act, 1992 and regulation 3 (a), (b), (c), (d) and Regulation 4 (1) and 4 (2) (b) of SEBI PFUTP Regulations, 2003?

31. I note that in the SCN, the acts of the *Notices* of indulging in manipulative and unfair trades by contributing to positive LTP in the scrip of *Company* through

their abnormal trading patterns as displayed repeatedly over the period, have been alleged to be in violations of various provisions of *SEBI Act, 1992* and *PFUTP Regulations, 2003*. Therefore, before moving forward on this issue, it would be proper to visit the afore-stated regulatory provisions alleged as to have been violated in the SCN. The said provisions are produced hereunder for ready reference: -

SEBI Act, 1992

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, 2003

3. Prohibition of certain dealings in securities

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

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

32. Moving on to the allegations made in the SCN on the trade related aspects, from the price-volume chart of trades in the scrip *JDL* and from the trade log, it is noticed that the *JDL* share price shot up from ₹25 to ₹323 during the *Patch-1* of the Investigation Period, thereby registering an increase of ₹298 in the scrip price in which, contribution of a total market positive LTP of ₹322 was witnessed during the said *Patch-1*. I note that the SCN has alleged that 10 *connected group entities* through their buy trades have together contributed ₹261 to net positive LTP in 19 trades which was 81.06% of the total net LTP contribution to the scrip of the *Company*. It was further unearthed that in 14 trades out of the above 19 trades, the selling counterparties were also other *connected group entities*. In this regard, I note from the trade data mentioned in the SCN that out of the afore-stated 10 *connected group*

entities, Seven Noticees i.e. Noticees no. 1 to 7 are part of this proceeding. Therefore, to begin with, the impact of such trades on the LTP of the scrip during Patch-1 of the Investigation Period need to be examined and the same is tabulated below: -

Table no. 4

S · N o ·	Buyer Name	All trades			LTP Diff. > 0			LTP Diff. < 0			LTP Diff. = 0		% of +LTP to Total Market +LTP
		Sum of LTP diff	Sum of QTY	No. of trades	Sum of LTP diff	QTY traded	No. of trades	Sum of LTP diff	QTY traded	No. of trades	QTY traded	No. of trades	
1	Keynote Painting Dealers Private Limited. (Noticee no.1)	62	24000	5	62	11500	2	0	0	0	12500	3	19.26
2	Panchshree Logistics Pvt. Ltd. (Noticee no.2)	40	120500	23	59	65200	8	-19	28000	6	27300	9	18.32
3	Crown Iron Merchants Private Limited. (Noticee no.3)	22	20200	3	23	12700	2	-1	7500	1	0	0	7.14
4	Glorious Vincom Private Limited. (Noticee no.4)	18	12100	1	18	12100	1	0	0	0	0	0	5.59
5	Jatan Mercantiles Pvt Ltd. (Noticee no.5)	17	3700	1	17	3700	1	0	0	0	0	0	5.28
6	Anita Jajodia . (Noticee no.6)	15	65000	2	15	25000	1	0	0	0	40000	1	4.66
7	Innova Auto Distributors Private Limited . (Noticee no.7)	9	100000	3	9	65000	1	0	0	0	35000	2	2.8
	Total	183	345500	38	203	195200	16	-20	35500	7	114800	15	63.05
	Market Total	298	480100	55	322	269000	23	-24	44500	9	166600	23	100

33. From the table no. 4 presented above, it is noted that during the Patch-1 period, the Noticees no. 1 to 7 have together contributed ₹183 to net positive LTP in 38 trades which was 61.40% of the total net LTP contribution (₹298) to the scrip of the Company. Further, Noticees no. 1 to 7 through their 16 trades have contributed ₹203 to positive LTP (63.05% of total net market positive LTP) in the scrip of JDL during Patch-1 of the Investigation Period. The aforesaid trading volumes wherein group Noticees (Noticees no. 1 to 7) are seen to have contributed to more than 61% of

net positive market LTP by executing trades in huge quantities in the scrip of *JDL* during the said period, raises a strong suspicion about the intent behind adopting such a peculiar trading pattern which has significantly contributed to the LTP in the scrip of the *Company*, as adopted by the *Noticees no. 1 to 7*.

34. It has been further alleged that the entities enjoying connections amongst them have traded among themselves and acted either as buyer and/or seller to each other's trades and in the process, 16 *connected group entities* have contributed to the extent of ₹216.00 i.e. 67.08% to the total market positive LTP of the scrip of the *Company* was in 14 trades, by trading among themselves at prices higher than the LTP. Details of the afore-stated 14 trades executed by the *connected group entities* including the *Noticees* (of the present proceedings) during the *Patch-1* of the Investigation Period and the impact of their trades on the LTP in the scrip are tabulated below:

Table no. 5

S. No.	Seller LTP contribution (No. of Trades)	Panchshree Logistics Pvt. Ltd. (Noticee no.2)	Anita Jajodia. (Noticee no.6)	Kanika Jain	Linkup Financial Consultants Pvt. Ltd.	Sabita Jajodia. (Noticee no.8)	Rajendra Hukumchand Gupta	Yogesh Bansal	Mahesh Kumar Rathi	Jasoda Rath	Veena Rajat Agarwal	Total LTP as Buyer (No. of Trades)
	Buyer LTP contribution (No. of trades)			10	11	12	13		14	15	16	
1	Keynote Painting Dealers Private Limited. (Noticee no.1)					33.00 (1)						33.00 (1)
2	Panchshree Logistics Pvt. Ltd. (Noticee no.2)			28.00 (2)				14.00 (1)	09.00 (1)		01.00 (1)	52.00 (5)
3	Yogesh Bansal						26.00 (1)					26.00 (1)
4	Manoj Parasrampur				23.00 (1)							23.00 (1)
5	Crown Iron Merchants Private		21 (1)							02.00 (1)		23.00 (2)

	Limited. . (Noticee no. 3)											
6	Glorious Vincom Private Limited . (Noticee no. 4)		18.00 (1)									18.00 (1)
7	Jatan Mercantiles Pvt Ltd . (Noticee no.5)		17.00 (1)									17.00 (1)
8	Anita Jajodia . (Noticee no.6)	15.00 (1)										15.00 (1)
9	Innova Auto Distributors Private Limited (Noticee no.7)		09.00 (1)									09.00 (1)
	Total LTP as Seller (No. of Trades)	15.00 (1)	65.00 (4)	28.00 (2)	23.00 (1)	33.00 (1)	26.00 (1)	14.00 (1)	09.00 (1)	02.00 (1)	01.00 (1)	216.00 (14)

35. It is pertinent to note from the table no. 5 above that *Noticees no. 1 to 7* formed part of the buyers during the Patch-1 period and in respect of 6 trades their selling counterparties were also some of the other *Noticees*. It was observed that the *Noticees no. 2, 6 and 8* were acting as selling counterparties in afore-stated 6 trades which contributed to positive market LTP of ₹113 (35.09% of the total market positive LTP) in the scrip of *JDL* during Patch-1 of the *Investigation Period*.

36. I further observe from the table no. 5 above that that the three connected entities viz:- *Noticees no. 2, 6 and 8*, have while posing as counter parties to the seven buying *Noticees* sold the shares of *JDL* at prices higher than LTP to those seven connected entities from the same group (viz:- *Noticees no. 1 to 7*). In this whole scheme of executing trades amongst themselves, *Noticees no. 1 to 7*, by buying the shares of *JDL* from the sellers (*Noticee no. 2, 6 and 8*), have aided in the process contributing to the price rise in the scrip. From the analysis of the trades executed for allegedly contributing to the market LTP of the scrip of *JDL*, it is observed that *Noticees* have not only indulged in executing trades contributing substantial amount of LTP in the scrip of *JDL*, but also have traded in this peculiar manner only on a few dates on which the above noted contribution to the LTP was made by the *Noticees*. For instance, it is observed that on February 11, 2014, the 1st trade on the said date was executed between the two *Noticees* (*Noticees no. 2 and 6*) within a time

gap of 02 seconds when the buy order was placed at 09:15:06 and sell order was placed at 09:15:08 @ ₹25 for a quantity of 40,000 shares. On the same day again the two *Noticees* (*Noticees no. 2 and 6*) decided to trade in the scrip of *JDL* and this time, the buy order was placed at 12:13:40 by *Noticee no. 6* @ ₹40 for 25000 shares which remained pending for execution in the system until the *Noticee no. 2* placed a matching sell order @ ₹40 at 13:35:44 against the aforementioned buy order of *Noticee no. 6* thereby resulting into contribution of LTP of ₹15 and trade value of ₹10.00 Lakh. I see no reason other than a *malafide* intent of the two *Noticees* who have been found connected and belonging to same city, having indulged in execution of trade in the scrip contrary to the market mechanism. The *Noticee no. 2* who sold 40,000 shares @ 25 on the same day during the 1st trade of the day, again sold 25000 shares @ 40 in the 2nd trade on the same day in the same scrip and on both occasions, the buyer is nobody else but the *Noticee no. 6*. The above noted facts of the matter in any circumstances cannot be appreciated as a commercial decision taken in due course of trading or a mere co-incidence of trades matching between the parties to the said trades thereby incidentally resulted into positive LTP contribution, when it is known that both the counter parties are connected to each other. Further, on March 27, 2014, a trade was executed between the *Noticees no. 6 and 7*. This time, *Noticee no. 6* was the seller and *Noticee no. 7* was the buyer and the order placed by them contributing LTP in the scrip of *JDL* got executed within a gap of 05 seconds. The aforesaid matching of buy and sell order between *Noticees no. 6 and 7* resulted in 1st trade of the day contributing to a positive LTP of ₹9 in the scrip of *JDL*. Similar, abnormalities and unfairness have also been observed in the other trades as well which are alleged to have contributed significant amount of LTP in the price of the scrip and these unusual trades have been executed either between the *Noticee* entities or between *connected group entities* wherein, one of the counter party is a *Noticee* in the instant proceedings. Therefore, it becomes clear that *Noticees no. 1 to 8* were not really acting as genuine buyers or sellers and glaringly had no *bona fide* intention to buy / sell the scrip. The positive LTP contribution

made in the scrip of *JDL* through their trades clearly suggest that they were happily executing trades at rates/prices higher than the LTP in the scrip as if they were not concerned with the genuine price discovery mechanism of the market and were hell bent on executing trades deliberately to cause price rise in the scrip of *JDL*.

37. I further note that the SCN has alleged that the *Notices no. 1 to 7*, through 11 trades have contributed ₹184 (60.93%) to the total market NHP during Patch-1 of the Investigation Period in the scrip of *JDL*. Details of trades resulting in NHP contribution by *Notices* are tabulated below:

Table no. 6

S.No.	Entity name	Qty	No. of Trades	NHP (₹)	% of total market NHP	NHP where CPs were from the group (₹)	% of NHP contribution to market NHP
1	Keynote Painting Dealers Private Limited. (<i>Noticee no. 1</i>)	11500	2	62.00	20.53	33.00	10.93
2	Panchshree Logistics Pvt. Ltd. (<i>Noticee no. 2</i>)	25200	3	32.00	10.60	15.00	4.97
3	Crown Iron Merchants Private Limited. (<i>Noticee no. 3</i>)	7700	1	21.00	6.95	21.00	6.95
4	Glorious Vincom Private Limited. (<i>Noticee no. 4</i>)	12100	1	18.00	5.96	18.00	5.96
5	Jatan Mercantiles Pvt Ltd. (<i>Noticee no. 5</i>)	3700	1	14.00	4.64	14.00	4.64
6	Anita Jajodia . (<i>Noticee no. 6</i>)	25000	1	15.00	4.97	15.00	4.97
7	Innova Auto Distributors Private Limited . (<i>Noticee no. 7</i>)	85000	2	22.00	7.28	22.00	7.28
	Total	170200	11	184	60.93	138	45.69
	Market Total	239000	17	302.00	100		100

38. I further note from the trade logs annexed to the SCN, that in 6 of the aforementioned 11 trades executed by the *Noticee no. 1 to 7* hereby contributing to NHP, their counterparties to such trades were from the *connected group entities* only and such trades have resulted into contribution of ₹138 (45.69%) to the total market NHP. Further, it was observed that in 6 trades, the counterparties to such trades

were the *Notices no. 2, 6 and 8* and the contribution made by the aforesaid *Notices* by trading amongst themselves, to the market NHP was ₹110.00 (36.42%) during Patch-1 of the Investigation Period in the scrip of *JDL*.

39. In addition to NHP, SCN has also alleged that *Notices no. 1 to 5 and 7* entered into first trades resulting into positive LTP of ₹184 (57.14%) of total market positive LTP in 12 trades during Patch-1 of the Investigation Period. The summary of such first trades executed by these connected entities as buyers during Patch-1 is given as below: -

Table no. 7

S.No	Buyer Name	Sum of LTP > 0 (₹)	% of total +LTP	No. of First Trades with LTP>0	No. of first trades where CPs from the <i>connected group entities</i>	+LTP From first trade where CPs were from the <i>connected group entities</i>	% of +LTP where first trade within group to market positive LTP
1	Keynote Painting Dealers Private Limited. (<i>Notice no. 1</i>)	62.00	19.25	2	1	33.00	10.25
2	Panchshree Logistics Pvt. Ltd. (<i>Notice no. 2</i>)	57.00	17.70	6	4	51.00	15.84
3	Crown Iron Merchants Private Limited. (<i>Notice no. 3</i>)	21.00	6.52	1	1	21.00	6.52
4	Glorious Vincom Private Limited. (<i>Notice no. 4</i>)	18.00	5.59	1	1	18.00	5.59
5	Jatan Mercantiles Pvt Ltd. (<i>Notice no. 5</i>)	17.00	5.28	1	1	17.00	5.28
6	Innova Auto Distributors Private Limited. (<i>Notice no. 7</i>)	09.00	2.80	1	1	09.00	2.80
	Total	184	57.14	12	9	149	46.28

40. I further note from the trade logs annexed to the SCN that in 5 trades out of the afore-stated 12 trades executed by the *Notices no. 1 to 5 and 7*, the counterparties to such trades were *Notices no. 6 and 8* while the intra-group contribution to the total positive LTP through 5 such first trades was ₹98.00 (30.44% to the total market positive LTP). I note that the *Notices* have taken a plea that their buy and sell volume in the scrip of the *Company* was negligible as compared to the total buy and sell volumes. Further, some of the *Notices* have also contended that only one of

their trade has been alleged as manipulative in the scrip of the *Company* and therefore, no action should be initiated against them. In the instant matter, it has already been pointed out that the *Noticees* are connected to each other on the basis of KYC, fund transactions, common directors, common addresses, common email addresses, off market transfers etc. Further, as shown above, *Noticees no. 1 to 7* have together contributed ₹183 to net positive LTP through 38 trades which was 61.40% of the net positive LTP in the scrip of the *Company*. Further *Noticee no. 2, 6 and 8* were found to be the counterparties (sellers) to the afore-stated buy orders. The ground taken by the *Noticees* that the LTP contributed by them is through one trade only and is very miniscule, is devoid of merit in a situation where *Noticees* have been found to be connected to each other and have traded amongst/between each other thereby acting as a connecting group. It is true that in some cases the individual LTP contribution of a particular *Noticee* has been found to be not so substantial or his/its LTP contribution may have been made through single trade. However, the instant case is not such that each of the *Noticees* was acting in isolation. Instead, the *Noticees* have apparently traded as a cohesive group with a pre-determined mindset to manipulate the price of the scrip by cumulatively contributing to the LTP of the scrip, in which case, the quantum of each individual contribution to the LTP of the scrip, be it small or big, holds significance. The records before me clearly bear that these *Noticees* were connected to each other by way of common addresses, common email addresses, some fund transactions, off market transfers, common directors, etc. Where such direct and evidently crucial connections have been found to be existent amongst the *Noticees* who have traded in similar fashion consistently to increase the LTP, the contribution of each participant in such trade, howsoever miniscule quantity it may be, cannot be ignored. It is relevant to recall here the observations of the Hon'ble Tribunal in the matter of *Hemant Sheth & Ors vs SEBI* (Appeal No. 205 of 2019 – Date of Decision March 04, 2020), as reproduced herein below:

“In a scheme of manipulative and unfair trading it is not necessary that every participant should be indulging in every type of trading violation or even in the same / similar magnitude. Once they are found to be part of a group trying to manipulate the volume or price of the scrip they became party to the violation. Hair splitting arguments that some traded more than others or on more days or some indulged in synchronized reversal and self trade while others did only one of those types do not cast away their violations.”

41. In fact, the allegation of substantial LTP contribution by the *Noticees* as a connected group assumes all the more gravity when analyzed in the context of NHP contribution and FTA by these *Noticees*. If the trading volume of a stock is higher, it will enhance the liquidity of the scrip thereby facilitating easy entry and exits by the traders as a consequence of which, it may not be easy for any traders to deliberately match their orders so as to adversely influence or move the price of a scrip to their advantage, but the same is easy to achieve in a relatively illiquid scrip like *JDL*. As can be seen, above there is a constant interplay between the LTP and NHP. If LTP of a scrip is consistently high, it may lead to establishment of NHPs which in turn, is likely to push the closing price of the said scrip northwards thereby inflating the market price of the scrip over a period of time. In the instant case, it is observed that the scrip witnessed sustained increase of market price over a period of time due to consistent contribution to the LTPs and repeated creation of NHPs by the trading acts of the *Noticees*. Further, such a pre-conceived arrangement was exhibited by the *Noticees* by entering into first trades executed amongst themselves and setting a high LTP and NHP. This group of entities by consistently trading amongst themselves, have successfully been pushing the LTP and NHP upwards. While there was a group of buyers or sellers that consistently placed trade orders above LTP, there would always be a group of buyers that may place the orders at LTP or below LTP just to avoid regulatory radar. Similarly, there are seller counterparties who are connected to others in the group and whose trades match with the connected entities who are buyers. Moreover, even on individual basis, the

contributions made by the *Noticees* to the LTP in the scrip of *JDL* were sufficient enough to distort the market mechanism and therefore, from all points of view, the alleged LTP contributing trades were seemingly executed by the *Noticees* with the sole motive of artificially raising the price of the scrip through those manipulative trades, hence such trades glaringly fall within the mischief of fraudulent trades.

42. It is further noted that in the matter of *Shailesh Jain v. SEBI (Appeal No. 15 of 2012, DoD: 01.05.2012)*, Hon'ble SAT has held that "*The appellant's role has been one of conscious indulgence in manipulation of the trade in a crude and preplanned manner. The very fact that the appellant has placed orders above the last traded price when sell orders were available in the market at a lower price shows the intention behind the trade.*"

43. Keeping in view the foregoing discussions, I note that the 8 *Noticees* (*Noticees no. 1 to 8*) have failed to give any plausible reason/explanation to defend themselves against the charges levelled against them in the SCN. Further, the roles played by the 8 *Noticees* to artificially increase the price during the Patch-1 deserve to be perceived as acts of a united group of entities which were aimed at manipulating the price of the scrip of *JDL* over a period of time by cumulatively contributing to the LTP of the scrip during the said Patch-1 of the Investigation Period. Therefore, in the light of the aforesaid observations of the Hon'ble SAT and after considering the peculiar trading pattern, and the manner with which such trades were executed by the 8 *Noticees* only to contribute positively to the LTP of the scrip, I am constrained to hold that the *Noticee nos.1 to 8* were not acting as genuine market participants and had no *bona fide* intention to trade in the shares of *JDL* as normal investors, but have traded any with an ulterior motive to artificially inflate the market price of the said scrip.

44. Regarding the allegation of making unlawful gains by the preferential allottees, I note that SCN has alleged that 3 preferential allottees, including 2 promoter entities viz., Sabita Jajodia (*Noticee no. 8*) and Anita Jajodia (*Noticee No. 6*), had sold shares in 11 trades at a higher price during the Investigation Period where the connected entities were observed to have acted as the counterparties buyers to

their sale trades. Before, I proceed with this issue, it is important to refer to the preferential allotment made by the *Company* prior to listing on BSE, details of which are tabulated below:

Table no. 8

S. No.	Date of Allotment	Promoter/Non-promoter	No. of allottees	No. of shares allotted	Issue Price (₹)
1	15/05/2013	Non-promoter	8	980000	10.00
2	25/09/2013	Promoter	7	1875000	15.00

45. The sell trades of the afore noted 3 preferential allottees (*Notices no. 2, 6 and 8*) in which the counterparty buyers were other connected *Notices*, are tabulated below:

Table no. 9

S.N o.	Name of the Preferential Allottee	No. of shares allotted	Issue Price (in ₹)	No. of shares sold	No. of shares sold to connect ed entities	Sale Value as per trade log (in Rs)	Weighted average sell price (Approx.) (in ₹)	Buy Value of the sold shares (received via pref allotment) (in ₹)	Profit made (in ₹)
		A	B	C	D	E	F=E/D	G=D*B	H=E-G
1.	Panchshree Logistic Pvt. Ltd. (<i>Noticee no. 2</i>)	1250000	10.00	90000	65000	20,00,000.00	30.77	6,50,000.00	13,50,000.00
2.	Sabita Jajodia (<i>Noticee no. 8</i>)	400000	15.00	37700	23700	70,38,500.00	296.99	3,55,500.00	66,83,000.00
3.	Anita Jajodia (<i>Noticee no. 6</i>)	400000	15.00	91800	91800	87,30,900.00	95.10	13,77,000.00	73,53,900.00

46. I note from the above table that the 3 preferential allottees viz. *Notices no. 2, 6 and 8*, by selling shares of *JDL* made gains to the tune of ₹13.5 lacs, ₹75.53 lacs and ₹66.83 lacs respectively. I further note that the aforesaid gains were made through 11 trades, wherein there were 10 counterparty buyers from amongst the *Notices* who acted as counterparties to these 11 trades and these counterparty *Notices*

(*Notices no. 1 to 7 and 9 to 11*) assisted and facilitated the sale of shares at a higher price by the 3 preferential allottees, thereby enabling these allottees to make those gains.

47. I note that *Noticee no. 6* has submitted that she has not taken any benefit of the price rise of the scrip as the net price rise of the scrip of *JDL* was ₹324, however, the *Noticee* sold 91800 shares at a price of ₹95.10. The *Noticee* has further submitted that if her intention was to exit at a higher price, she would have done the same after the scrip price was in the range of ₹200 to ₹300. The *Noticee* has further taken a plea that the fact that she did not take the benefit of price rise shows that her trades were genuine and the aforesaid theory of collusion is devoid of merits. I note from the table no. 8 above, that the *Noticee no. 6* by selling her 91800 shares to other *Notices* has garnered a profit of ₹75.53 lacs. It is also important to note that the said 91800 shares were allotted to the *Noticee no. 6* at a price of ₹15 through preferential allotment on 25.09.2013. As the afore-said shares were sold during the Patch-1 of the Investigation Period, the return on the investment made by *Noticee no. 6* during the preferential allotment is in any case more than 500% in less than a year. Therefore, the plea taken by *Noticee no. 6* that if her intention was to exit at a higher price she should have waited till the price of the scrip touched the level of ₹200-300, is nothing but an afterthought exercise to evade the consequences of this proceedings. It is rather intriguing to notice that the *Noticee no. 6* was allocated 4,00,000 shares and further purchased additional shares from the market as well, however, she did not find it proper to sell any shares when the price of the scrip was hovering in the range of ₹300-330. Such a trading behavior displayed by *Noticee no. 6* shows that the trades were executed under a scheme and the *Notices* (including *Noticee no. 6*) were not those types of regular investors who were trading genuinely in the scrip of *JDL* during the relevant period. Rather, it further strengthens the allegation that those trades in the scrip of the *Company* was executed by the *Notices* under a scheme where by the entities have pre-decided intentionally to drive the market price of the scrip artificially to a certain desired level. I cannot ignore the fact that none of the

Notices has come out with any justification providing any credential whatsoever to their decision of trading in such huge volumes in such an illiquid scrip. Considering the observation in the preceding paragraphs of this Order, I have no hesitation to hold that the role played by the *Notices* including *Notices* no. 2, 6 and 8 in the execution of such manipulative and fraudulent trades, was responsible not only for inflating the share price of *JDL* but also facilitated sale of shares of *JDL* by the preferential allottees at higher price.

48. I note that *Noticee* no. 11 has submitted that the charge levelled against it in the SCN is vague and not clear. It has further submitted that is an established principle that a vague allegation which does not set out the reason for such allegation, cannot be sustained as the same does not provide an opportunity to a noticee to counter the said charges and the same is contrary to principles of natural justice. *Noticee* has relied on decision of Hon'ble SAT in the matters of *Vikas Bengani vs. SEBI* (DoD: 08-03-2010), *Dhanlakshmi Bank Ltd. vs. SEBI* (DoD: 20-04-1999). In this regard, I have perused the argument of *Noticee* no. 11 and the judgments on which the reliance is placed by it and in my opinion, the attempt of *Noticee* no. 11 to take shelter under such an argument is not going to help the *Noticee* in any way. In this regard, I note that the paragraph no. 3.3 of SCN clearly demonstrates the role played by the *Noticee* no. 11. Further, paragraph 4 of SCN has alleged the violation of the relevant Sections of *SEBI Act, 1992* and regulations of *PFUTP regulations, 2003*. Similar argument was taken by the AR of the *Noticee* no. 11 before me during the personal hearing as well and the relevant paragraphs of the SCN was accordingly shown to the AR of the *Noticee* during the hearing. For ready reference, paragraph 3.3 of SCN is reproduced below:

3.3. "Further, it was also observed that there were 10 buyers belonging to the connected group as elaborated in Table 5 who acted as counterparties to these 11 trades and these entities **assisted and facilitated the sale of shares at a higher price by the preferential allottees**, thereby enabling these allottees to make wrongful gains. Further, it was observed that among the 10 buyers, 2 were the

preferential allottees viz. Panchshree Logistics Pvt. Ltd. (Noticee No.2) and Anita Jajodia(Noticee No.6). **The other 8 buyers** are Innova Auto Distributors Private Limited (Noticee No.7), Glorious Vincom Private Limited (Noticee No.4), Crown Iron Merchants Private Limited(Noticee No.3), Jatan Mercantiles Pvt Ltd(Noticee No.5), Ekparnik Vintrade Private Limited(Noticee No.9), Keynote Painting Dealers Private Limited(Noticee No.1), Vinahast Dealcom Private Limited (Noticee No.10) and **Fastner Machinery Dealers Pvt Limited (Noticee No.11).**

4. In view of the above finding of investigation including those at paras 2 and 3 above, the 3 preferential allottees and their 10 counterparties (buyers) (counterparties include 2 preferential allottees also) belonging to the group of connected entities, acted in concert and were part of the scheme, device and artifice to manipulate the price and facilitate the sale of shares at higher prices by preferential allottees. Further, it is alleged that by being part of the manipulative scheme, device and artifice, the preferential allottees viz Panchshree Logistics Pvt. Ltd(Noticee No.2), Sabita Jajodia (Noticee No.8) and Anita Jajodia (Noticee No.6) made wrongful gains by selling part of their allotted shares at higher prices to suspected entities. Hence it is alleged that they have violated Section 12A (a), (b), (c) of SEBI Act, 1992 and Regulation 3(a),(b),(c),(d) and Regulation 4(1), 4(2)(b) of SEBI (PFUTP) Regulations, 2003. "

Emphasis supplied

49. In view of the above, in my considered opinion, there is no ambiguity in the SCN with regard to levelling of allegations of violations of relevant regulations of securities market by the Noticee no. 11 while dealing in shares of JDL during the Investigation period, as the said Noticee is seen to have assisted and facilitated the sale of shares of JDL at a higher price by the preferential allottees. Therefore, the contention of the Noticee no. 11 is rejected in limine.

50. As stated earlier, seven of eleven Noticees (except for Noticees no. 4, 6, 8 and 11) have preferred not to file any reply to put forth their rebuttal to the allegations made against them in the SCN and have also chosen not to appear before me to advance any justification whatsoever behind their indulgence in the alleged

manipulative trades. In this respect, I find it apt to refer and rely on the observation of the Hon'ble SAT in the case of *Classic Credit Ltd. vs. SEBI (Appeal No. 68 of 2003, DoD-08/12/2006)* has *inter alia*, observed that ".....the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show-cause notice were admitted by them."

51. Some of the *Noticees* have contended that they have not earned any profit from the trades and are still owning a good part of their shareholding in *JDL*. I note that allegation of profit earning has not been attributed in the SCN. Though profit earning is an important motive for undertaking the alleged manipulative trades, however, it is not the sole criterion to determine as to whether the trades executed in the scrip of the *Company* are manipulative or not, which has to be determined by taking into account the attending facts and circumstances of the case. The above submission though appears to be fascinating at the first place, however, after examining the entire facts and allegations involved in the matter holistically, the aforesaid submission appears to be meaningless and hollow. It may be true that some of them have not made any profit on the exchange platform, however, any exchange of pecuniary consideration outside the exchange platform cannot be ruled out. In any case, it becomes all the more incumbent and onerous on such *Noticees* to justify the logic and behind rational executing such trades if earning any profit was not the true intent, else, merely on the ground that such trades have not brought any profit or an entity has ended up suffering loss while trading in a scrip on the exchange platform, such glaringly manipulative trades as executed by the *Noticees* mostly amongst themselves being part of the same connected group, cannot be considered as genuine and *bonafide* trades even though the facts and evidences sufficiently suggest that these were apparently manipulative, unfair and fraudulent trades. I can understand that trading at LTP variation and trading amongst themselves is not *per se* illegal, but considering the relationships that exist amongst these *Noticees*, their trading activities need to be viewed in totality. The discussion in the foregoing paragraphs clearly indicate that there are sufficient facts and

circumstances to establish that the trades executed by the *Noticees* were not fair and transparent. The upward movement of price of the scrip and contribution to LTP through the alleged trades executed amongst connected entities, clearly exhibit that the alleged trades have been *ab initio* manipulative in nature. Further, the act of providing exit to preferential allottees at higher prices through such manipulative trades by the connected *Noticees* has strengthened their ill intent of trading in the scrip of JDL. In view of the discussion above, I conclude that the *Noticees no. 1 to 11* were not acting as genuine traders and that the intent of these *Noticees* was to mark up the price higher & higher through their repeated trades amongst each other and not merely to execute the said transactions as genuine investors in due course of their investment activities.

52. In their submissions, some of the *Noticees* have relied in their defense upon certain judgments of the Hon'ble Supreme Court and also of the Hon'ble SAT in various matters on manipulative and fraudulent trades. I have perused those orders/judgments cited by the *Noticees* in their defense and observed that all those matters relied upon by them are factually different from the facts of the instant matter and therefore the judicial findings in the said matters referred to by the *Noticees* are not squarely applicable on the instant matter. I would like to refer to the judgement of Hon'ble Supreme Court of India in the matter of N. Narayanan v. SEBI [(2013) 12 SCC 152], wherein it was held that *"if market abuse is not properly curbed, then it would result in defeating the very object and purpose of SEBI Act. Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law."* The Hon'ble Supreme Court of India have also relied upon and quoted from Palmer's Company Law stating that *"Market manipulation is normally regarded as the "unwarranted" interference in the operation of ordinary market forces of supply and demand and thus undermines the "integrity" and efficiency of the market."* The Hon'ble Supreme Court of India have also observed that *"Section 12A read with Regulations 3 and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'."*

53. Similarly, in another judgment in the matter of *Kishore Ajmera v. SEBI* [AIR2016SC1079], the Hon'ble Supreme Court of India held that *Investors' confidence in the Capital/Securities Market is a reflection of the effectiveness of the regulatory mechanism in force. All such measures are intended to pre-empt manipulative trading and check all kinds of impermissible conduct in order to boost the investors' confidence in the Capital market. 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.*" Further, in the matter of *Rakhi Trading v. SEBI* [(2018)13SCC753], the Apex Court held that *"The smooth operation of the securities market and its healthy growth and development depends upon large extent on the quality and integrity of the market. Unfair trade practices affect the integrity and efficiency of the securities market and the confidence of the investors."* It is relevant to note that in this case, the Hon'ble Supreme Court of India have specifically held that it is not necessary that there could be a violation of the *PFUTP Regulations, 2003* only if there is a direct market impact on account of sham transactions. On the other hand, the apex court recognised that there may be indirect factors that may also affect the market integrity. The Hon'ble Supreme Court of India interpreted regulation 4(2) of the *PFUTP Regulations, 2003* and stated that *".. dealing in securities shall be deemed to be fraudulent if the trader indulges in an act which creates a false or misleading appearance of trading in the securities market. It is a deeming provision. Such trading also involves an act amounting to manipulation of the price of the security in the sense that the price has been artificially and apparently prefixed. The price does not at all reflect the value of the underlying asset. It is also a transaction in securities entered into without any intention of performing it and without any intention of effecting a change of ownership of such securities, ownership being understood in the limited sense of the rights in the contract. The stock market is not a platform for any fraudulent or unfair trade practice. The field is open to all the investors. By synchronization and rapid reverse trade, as has been carried out by the traders in the instant case, the price discovery system itself is affected. Except the parties who have pre-fixed the price nobody is in the position to participate in the trade. It also has an adverse impact on the fairness, integrity*

and transparency of the stock market.” With the aforesaid observations, the Supreme Court of India have overturned the Tribunal’s view in the following words: “According to SAT, only if there is market impact on account of sham transactions, could there be violation of the PFUTP Regulations. We find it extremely difficult to agree with the proposition. As already noted above, SAT has missed the crucial factors affecting the market integrity, which may be direct or indirect.”

54. To summarise, the Hon’ble Supreme Court of India held that both direct and indirect impact of transactions on the market have to be considered. These judgments of the Hon’ble Supreme Court of India have lent credence to the principles that transactions on the exchange platform that may otherwise appear to be legitimate need not necessarily be legal if there is an intention to manipulate the market and such an intention can be gathered from the specific facts and circumstances in the instant case

55. In the light of the aforesaid observations of Hon’ble Supreme Court of India, and after considering the trading pattern exhibited by the *Noticees* in the scrip of *JDL*, I do not have any hesitation in holding that *Noticees 1 to 11* have indulged in trades that have manipulated the price of the scrip of *JDL* by contributing to the price rise and have, therefore, violated Section 12A (a), (b), (c) of *SEBI Act, 1992* and regulations 3(a), (b), (c), (d) and regulations 4(1), 4(2) (b) of the *PFUTP Regulations, 2003*.

56. The trading pattern exhibited by the *Noticees* in the scrip of *JDL* amounts to gross market-abuse and the same was clearly aimed at misleading the investors of Securities Market about the trading in the said scrip. Such trades tantamount to misuse of the Securities Market platform in breach of enshrined principles of transparency and integrity of Securities Market. Therefore, such deliberate violations require to be dealt with firmly for preserving and protecting the integrity of the Securities Market. Further, as already pointed out earlier in this Order (table no. 9) that the preferential allottees (*Noticees no. 2, 6 and 8*) have made wrongful gains while trading in the shares of the *Company*, which have been calculated on the

basis of the difference between actual selling price and purchase price paid by them during the preferential allotment and the amounts of such illicit gains made by these three *Notices* by encashing on the inflated market price of the scrip of *JDL* are mentioned in the respective column in the table below which are liable for disgorgement:

Table no. 10

Name of the <i>Notices</i>	Disgorgement Amount (in ₹)
Panchshree Logistic Pvt. Ltd. (<i>Notice no. 2</i>)	13,50,000.00
Anita Jajodia (<i>Notice no. 6</i>)	73,53,900.00
Sabita Jajodia (<i>Notice no. 8</i>)	66,83,000.00

Directions

57. In view of the foregoing discussions and considering the gravity of the findings with respect to the violations of provisions of *SEBI Act, 1992* and *SEBI PFUTP Regulations, 2003* committed by the *Notices* as found established, I in exercise of powers conferred upon me under Sections 11(1),11(4),11B(1) read with Section 19 of the *SEBI Act, 1992*, in order to protect the interest of investors and the integrity of the Securities Market and to meet the ends of justice, hereby restrain the *Notices* from accessing the Securities Market and further prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly in any manner, for the period as directed below:

Name of the <i>Noticee</i>	(Period in years / months)
Keynote Painting Dealers Private Limited	06 months
Panchshree Logistics Pvt. Ltd	01 year
Crown Iron Merchants Private Limited	06 months
Glorious Vincom Private Limited	06 months

Jatan Mercantiles Pvt Ltd	06 months
Anita Jajodia	01 year
Innova Auto Distributors Private Limited	06 months
Sabita Jajodia	01 year
Ekparnik Vintrade Private Limited	06 months
Vinahast Dealcom Private Limited	06 months
Fastner Machinery Dealers Pvt Limited	06 months

58. It is clarified that during the period of restraint, the existing holding of securities of the aforesaid *Notices* including units of mutual funds, shall remain frozen.

59. It is clarified that obligation of the aforementioned *Notices*, in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of this Order, can take place irrespective of the restraint/prohibition imposed by this Order, in respect of pending transactions, if any. Further, all open positions, if any, of the aforesaid *Notices* in the F&O segment of the stock exchange, are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

60. Further, *Notices no. 2, 6 and 8* are hereby directed to disgorge the amount of wrongful gains made by them as mentioned in the respective column in table no. 10 of this Order, alongwith interest at the rate of 12% per annum from July, 2016 till the date of actual payment, within 45 days from the date of this Order. The disgorgement amount alongwith interest shall be paid through by way of Demand Draft in favour of "SEBI -Investor Protection and Education Fund", payable at Mumbai. The demand draft should be sent to "The Division Chief, IVD, Securities and Exchange Board of India, SEBI Bhavan II, Plot no. C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai -400 051.

61. The Order shall come into force with the immediate effect.

62. A copy of this Order shall be forwarded to all the *Notices*, all the recognized Stock Exchange, depositories and registrar and transfer agents for ensuring compliance with the above directions.

-Sd-

DATE: MARCH 28, 2022

S. K. MOHANTY

PLACE: MUMBAI

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA