WTM/SM/IVD/ID2/14409/2021-22

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under Section 12 (3) of the Securities and Exchange Board of India Act, 1992 read with Regulation 27 of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

In respect of

Sr. No.	Name of the Noticee	SEBI Registration Nos.
1	M/S Parklight Securities Pvt. Ltd.	INB011037836, INB021033259 and INB031033237

In the IPO matter of Tijaria Polypipes Ltd.

BACKGROUND

1. The present proceeding is originating from the Enquiry Report dated February 28, 2019 submitted by the Designated Authority (hereinafter referred to as "**DA**") in terms of regulation 27 of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred as "**the Intermediaries Regulations**") as it stood at the relevant point of time prior to its amendment vide SEBI (Intermediaries) (Amendment) Regulations, 2021, w.e.f. January 21, 2021, wherein the DA, based on various factual findings and observations so recorded in the said Enquiry Report, has noted that after considering the material evidences available on record, they are not found to be sufficient so as to call any action in the matter. Consequently, the DA has not made any recommendation for any action against Parklight Securities Pvt. Ltd. (hereinafter referred to as "***Noticee/PSPL***") and has submitted his

report with a 'NIL" recommendation. The *Noticee* is a stock broker registered with SEBI having registration nos. INB011037836, INB021033259 and INB031033237 and is a member of the BSE Ltd. (hereinafter referred to as "**BSE**"), the Ahmedabad Stock Exchange ("**ASE**") and the Calcutta Stock Exchange ("**CSE**").

2. The aforesaid Enquiry Report was submitted pursuant to a proceeding initiated based on certain facts unearthed in the course of an investigation conducted by the Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") pertaining to a complaint regarding the Initial Public Offering ("**IPO**") of Tijaria Polypipes Ltd (hereinafter referred to as "***Company*/TPL**"), alleging *inter alia* that insider trading or inflated turnover had caused loss to the retail investors. It was *prima facie* observed in the aforesaid investigation that the *Noticee* had played a role in the fraudulent activities pertaining to the IPO of TPL and was allegedly instrumental in siphoning off the IPO proceeds out of the escrow account of TPL. It was further observed that the *Noticee* has allegedly aided and abetted in routing of the funds from TPL through layered transactions and in the process had arranged funds for its clients, which enabled them to trade in the shares of TPL on the first day of listing of the scrip of TPL on the BSE and the National Stock Exchange of India Ltd. (hereinafter referred to as "**NSE**"). The aforesaid arrangement allegedly facilitated through the *Noticee* also ensured that certain retail allottees were able to exit at a premium to the issue price of TPL.

3. In view of the aforesaid finding of facts, a DA was appointed to inquire into and to submit a report pertaining to the alleged acts of the *Noticee* as

highlighted above and consequently into the alleged violations of Section 12A of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**"), regulation 3(a), (b), (c) and (d), 4(1) and 4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**"), regulations 26(xiii), 26(xvi), 27(xii), 27(xiv), 27(xvi) of SEBI (Stock Brokers & Sub-Brokers) Regulations, 1992 (hereinafter referred to as "**Stock Brokers Regulations**").

4. Accordingly, the DA issued a pre-enquiry Show Cause Notice dated July 12, 2016 (hereinafter referred to as "**P-SCN**") to the *Noticee* under regulation 25 of the Intermediaries Regulations (as was applicable at the relevant time) asking the *Noticee* to show cause as to why suitable action as provided under regulation 27 (as was applicable at that time) of the Intermediaries Regulations should not be recommended against it. The following observations/ allegations were made against the *Noticee* in the P-SCN:

   i. It is alleged that there was a steep fall in the scrip price of the *Company* on the first day of its listing on both the BSE and the NSE (hereinafter collectively referred to as "**Stock Exchanges**"). The investigation, conducted to examine the reason behind the steep fall in the scrip price of the *Company* on the first day of its listing on the Stock Exchanges, revealed that a total of 1,455 and 733 retail allottees, who were allotted the maximum 2,757 shares in the retail category, had sold their entire allotment on the NSE and the BSE, respectively on the first day of listing i.e., on October 14, 2011 (these shares were sold during the time period between 9:51 am to 10 AM). It is alleged that the shares sold by the retail

allottees in the BSE and the NSE were bought primarily by Pinac Stock Brokers Pvt Ltd. (hereinafter referred to as "***Pinac***") who bought 2,48,853 and 13,86,637 shares on the BSE and the NSE, respectively from the retail allottees and also by Lopa Saumil Bhavnagari (hereinafter referred to as "***Lopa***") who bought 86,701 shares on the BSE from the retail allottees.

ii. It is alleged that the *Noticee* had received funds from the entities to whom TPL had diverted the IPO proceeds, and immediately upon receipt of the funds from these entities, the *Noticee* had transferred the funds to *Lopa* and *Pinac* which was used for the purpose of their trading in the scrip of TPL.

iii. From the above, it is alleged that *Lopa* and *Pinac* who had incurred a loss of INR 2.53 Crore and INR 6.11 Crore, respectively by trading in the scrip of TPL on the BSE on the first day of its listing, were in turn, indirectly being funded by the *Company*, which was largely facilitated by layering/routing of funds through various entities including the *Noticee*.

iv. Thus, it is alleged that the *Noticee* has aided and abetted the *Company* through its clients viz. *Lopa* and *Pinac* by arranging funds for their trading in the shares of TPL on the first day of listing of the shares of TPL on the Stock Exchanges. This arrangement facilitated through the *Noticee* also ensured that the retail allottees who were allotted shares in the IPO of the *Company* were able to exit at a premium to the issue price of TPL.

v. In view of the above observations, it was alleged that the *Noticee* has violated applicable provisions of the SEBI Act, 1992, the PFUTP

Regulations and the Stock Brokers Regulations as detailed in paragraph 3 above.

5. I note from the records that the *Noticee* did not respond to the aforesaid P-SCN within the stipulated time despite proof of the service of the said notice on it at its postal address is available with SEBI. Therefore, on the basis of details and material available on the records, the DA has made certain factual findings and observations in his report.

6. After considering the Enquiry Report, a Show Cause Notice dated April 19, 2021 (hereinafter referred to as "**SCN**") enclosing therewith the Enquiry Report of the DA, was issued to the *Noticee* under regulation 27(1) of the Intermediaries Regulations, 2008 calling upon to show cause as to why action as recommended by the DA or any other direction/measure as may be deemed fit, should not be issued against /imposed on it. The SCN further advised the *Noticee* to submit its reply, if any within 21 days of receipt of the said SCN.

7. Since no reply was received within the stipulated time from the *Noticee*, SEBI vide its reminder letter dated June 29, 2021 advised the *Noticee* to submit the reply within 10 days of receipt of the letter. Accordingly, the *Noticee* has made submissions vide its letter dated July 07, 2021 which are summarised hereunder:

   i. There was a delay in filing the reply to the SCN on account of demise of main person of interest and the *Noticee* apologizes for the inconvenience caused in this regard.
   ii. The matter pertains to the investigation in the IPO matter of TPL and the main persons of interest were *Lopa* and *Pinac*. The case against

both *Lopa* and *Pinac* has been dismissed in appeal by the Hon'ble SAT and therefore no case survives against the *Noticee,* more particularly in the absence of any additional evidences.

8. Subsequently, in conformity with the principles of natural justice as enshrined in the Intermediaries Regulations, 2008 an opportunity of personal hearing was provided to the *Noticee* on October 20, 2021, communication of which was issued vide hearing notice dated July 23, 2021 and the same was served on the *Noticee* on July 26, 2021. However, I note that no one appeared on behalf of the *Noticee* on the scheduled date of hearing i.e., October 20, 2021.

CONSIDERATION

9. I have carefully perused the SCN including the Enquiry Report issued to the *Noticee,* the reply filed by the *Noticee* and other material and details available on record. From a careful perusal of the SCN dated April 19, 2021, it is noted that the DA has not found any default/violations on the part of the *Noticee* as alleged vide P-SCN dated July 12, 2016 *inter alia* for the following reasons:

"13. As already mentioned in the paras above, among various charges/allegations that have been levelled against TPL and its directors in the matter of irregularities observed in its IPO, one of the very serious allegation made is regarding diversion of its IPO proceeds through repayment of ICDs, which were subsequently utilized to partially fund certain persons/entities, individuals who had traded in the shares of TPL immediately after the listing of the scrip on the stock exchanges. In this regard, in the context of the SCN issued to the Noticee, I note that the only allegation that has been levelled against the Noticee is w.r.t Noticee aiding and abetting its clients' viz. Lopa and Pinac in carrying out the fraudulent activities in relation to the IPO of TPL. I observe that other than the above said allegation against the Noticee, there are no other adverse observation/finding against the Noticee. It is alleged that the funds that were indirectly received by the Noticee from TPL through the layered transactions, details of which have already been discussed above,

the Noticee, in turn, had transferred these funds to its clients viz. Pinac and Lopa, which enabled these clients to tide over their debit balance position and also to some extent make good their losses which they have suffered as a result of their trading in the scrip of TPL in significant quantities on the first day of the listing of the scrip on the stock exchanges."

"14. In this context, it is very pertinent to note the relevant observations of Hon'ble SAT in the matter of the appeals filed by TPL and its directors and also the appeals filed by Lopa and Pinac against the final orders of SEBI, as cited above. More specifically, it is relevant to note the observations of Hon'ble SAT on the subject matter of diversion of IPO proceeds by layering it through various entities, which is also the main allegation levelled against the Noticee in the present proceeding initiated against it. The observations of Hon'ble SAT in this regard are reproduced as under: —

SAT Order dated June 29, 2016 (Appeal No 372 of 2014) in the matter of appeal filed by TPL and its four directors against the Final Order dated June 20, 2014 passed by WTM- SEBI:

"16.... There is no dispute that ICDs were used to borrow funds and the payment was received by the Company and as such, Counsel for the Respondent was asked by the Tribunal whether it is appropriate to call back the money genuinely paid to certain entities? It may be possible to state that the Appellant should make good of the money refunded to certain entities because it was not disclosed and IPO proceeds were used to refund the same but it is sustainable that money genuinely paid to certain entities as refund can be called back from those entities. Findings recorded in para 22.1 of the impugned order that the appellant failed to call back Rs. 20.40 crore from the entities to whom the IPO proceeds were found to have been diverted on the ground that the ICD documents and the purchase orders produced by the appellant were prima facie found to be fabricated cannot be sustained. It is not in dispute that the appellant has actually received Rs. 15.25 crore through ICDs. Once receipt of Rs. 15.25 crore through [CDs is accepted, then repayment of Rs. 1538 crore (inclusive of interest) from the IPO proceeds towards repayment of ICD amount cannot be faulted. In such a case, the WTM of SEBI could not have directed the appellant to call back the amount of Rs. 15.38 crore paid towards repayment of ICD amount...".

"17. Assuming that the amounts received under the ICDs were not utilized by the appellant for the IPO project, then also the WTM of SEB/ could not have asked the appellant to call back the amount paid to the persons towards repayment of ICD amount, especially when receipt of the amounts under the ICDs is not in dispute. Assuming that the amounts received under the ICDs were used for a purpose other than the IPO project, then the appellant could be held guilty of utilizing the IPO proceeds for purposes other than the IPO project, but that could not be a ground to direct the appellant to call back the amounts from the persons to whom payments were made towards repayment of ICD amount"

SAT Order dated September 19, 2016 (Appeals No 155 & 157 of 2013) in the matter of appeals filed by Lopa and Pinac in the matter of Orders dated May 20, 2013 and May 30, 2013

"17. We find merit in the argument made by the learned Senior Counsel for the appellants on the contention that diversion of IPO funds and thereby part funding of the losses made by the appellant cannot be sustained following the order of this Tribunal in case of Tijaria Polypipes Ltd. (Appeal No.372 of 2014 decided on 29/6/2016).

19. However, given the fact that charges of diversion and consequent flow of IPO funds to the appellants is not sustainable as ordered by. this Tribunal in TPL order (Appeal No.372 of 2014 decided on 29/6/2016). the period of restraint imposed on the appellants need to be modified. In the context that diversion of IPO funds is not proved. this Tribunal asked the learned Senior Counsel for SEBI as to what they propose to do with the show-cause notice dated 28 January, 2016 issued to the appellants, after a gap of about 3 years from the impugned Order. The learned Senior Counsel for SEBI on instruction stated that the said show-cause notices issued to the two appellants herein will not be pursued."

10. On the basis of the aforesaid observations made in the SCN including the Enquiry Report, I note that the DA has not made any adverse observation/allegation against the *Noticee* and has submitted his report without recommending any measures/actions as specified in regulation 27 of the Intermediaries Regulations. The DA in his report has observed as under:

"15. Given the fact that Hon'ble SAT has concluded in its aforementioned Orders that the main allegation w.r.t diversion and consequent flow of IPO proceeds from the escrow account of TPL to various entities is not sustainable, the weight of the allegations levelled against the Noticee in the SCN that it has aided and abetted its clients viz. Lopa and Pinac by arranging funds for their trading in the scrip of TPL also loses its significance. The allegation in the SCN that the Noticee has indirectly received the funds from TPL through Nihita, Shrinath and Bellisma, which were later on transferred to the accounts of its clients viz. Lopa and Pinac by the Noticee cannot sustain as these observations/allegations made against the Noticee were part of the main charge of diversion of IPO proceeds by TPL and consequent flow of funds through layered transactions to various entities, which has not been upheld by Hon'ble SAT in its aforementioned Orders. Therefore, in light of the conclusions drawn by Hon'ble SAT, as aforesaid, I am of the view that the allegation levelled in the SCN that the Noticee has indirectly received the funds from TPL through TPL Nihita, Shrinath and Bellisma , which were later on used to fund the position of its clients cannot sustain, in the facts and circumstances of the case. Further, I observe that there is nothing on record, either in the investigation report or in the SCN to show that Noticee has aided and abetted its clients in the manipulative trading activities in the scrip of TPL viz. by indulging in synchronized trades/structured trades, creating artificial volumes etc. In view of the above observations and in terms of the provisions of Regulation 27 of the Intermediaries Regulations, am not inclined to make any recommendations against the Noticee in the present matter. Therefore, the enquiry proceedings initiated against the Noticee vide SCN dated July 12, 2016 is disposed of accordingly.

"RECOMMENDATION

16. Therefore, in light of the above observations, I dispose of the enquiry proceedings initiated against the Noticee viz. M/S Parklight Securities Pvt. Ltd. (SEBI Registration nos. INB011037836 INB021033259 and INB031033237), VIDE scn DATED July 12, 2016"

11. It is noted that the crux of the charge/allegation made out against the *Noticee* as contained in the P-SCN dated July 12, 2016 is that the *Company* had diverted the IPO proceeds to certain entities who in turn transferred these

funds to the *Noticee*. Thereafter, the *Noticee* had aided the *Company* by providing these funds to its two clients namely *Lopa* and *Pinac* who later on, have allegedly provided exit opportunity to retail allottees by buying shares from them on the BSE and the NSE on the first day of listing i.e. on October 14, 2011. Thus, I note that the only allegation against the *Noticee* as alleged in the P-SCN is that it had aided and abetted in arranging funds for the trading of *Lopa* and *Pinac* in the scrip of the *Company* on October 14, 2011 and thus has helped in utilization/diversion of the IPO proceeds through layered transactions to entities as stated above.

12. With respect to diversion of IPO proceeds, I note that the Hon'ble Tribunal vide its order dated September 19, 2016 passed in the appeals filed by *Lopa* and *Pinac* has *inter alia* held that the charges of diversion and consequent flow of IPO funds/proceeds from the escrow account of the *Company* to various entities is not sustainable following the findings recorded by the Hon'ble Tribunal in its order dated June 29, 2016 passed in Appeal No. 372/2014 filed by the *Company*. As the main charge against the *Company* has failed to stand the scrutiny of the appellate tribunal as noted above, the charge against the *Noticee* of aiding and abetting the *Company* in siphoning of funds to entities to be utilised for providing exit to certain allottees, who enjoy connection with it, will also not sustain. The Hon'ble Tribunal in its order dated September 19, 2016 has recorded that *"We find merit in the argument made by the learned Senior Counsel for the appellants on the contention that diversion of IPO funds and thereby part funding of the losses made by the appellant cannot be sustained following the order of this Tribunal in case of Tijaria Polypipes Ltd. (Appeal No.372 of 2014 decided on 29/6/2016)"* and the above fact findings have attained finality as the same has not been challenged. Apart from the above, there is no other

substantial charge made against the *Noticee* in the SCN which require adjudication in the instant proceedings. In view of the facts stated above, I see no reason to interfere with the recommendation made in the Enquiry Report as submitted by the DA pertaining to the allegation in the P-SCN by observing that the charge of aiding and abetting to the *Company* in siphoning indirectly the IPO proceeds to entities to provide exit to certain allottees cannot sustain.

13. Further, the SCN including the Enquiry Report neither refers to any other default/violations committed by the *Noticee* nor there is any adverse observation by the DA which call for any adjudication before me. Considering the aforesaid I note that there is no issue/charge which warrant any further adjudication in the instant proceedings. Thus, in the absence of any dispute or facts being brought contrary to the recommendation of the DA, I am of the considered view that the SCN including the Enquiry Report needs to be disposed of without issuing any direction and the matter be put to rest in this regard.

ORDER

14. In view of the foregoing discussions and deliberations, in exercise of powers conferred upon me under Section 12 (3) and Section 19 of the Securities and Exchange Board of India Act, 1992 read with regulation 27(5) of the SEBI (Intermediaries) Regulations, 2008, I dispose of the enquiry proceedings initiated against the *Noticee* i.e., Parklight Securities Pvt. Ltd. (having registration nos. INB011037836, INB021033259 and INB031033237) vide the SCN dated April 19, 2021 without any direction.

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

16. A copy of this order shall be served upon the Noticee, all recognised Stock Exchanges, Registrar and Transfer Agent and Depositories for ensuring compliance with the above order.

Sd/-

DATE: NOVEMBER 30, 2021 **S. K. MOHANTY**

PLACE: MUMBAI **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA