WTM/SKM/EFD-DRA-2/ 12 /2018-19

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

UNDER SECTIONS 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF ECO FRIENDLY FOOD PROCESSING PARK LIMITED

In respect of:

Sl. No.	Noticees /Name of the entities	PAN
1	Accurate Buildwell Pvt. Ltd.	AAGCA4053L
2	Shri Vishal Yadav	AJKPY8234D
3	Century Buildmart Pvt. Ltd.	AADCC2898Q
4	Shri Amit Kumar Saxena	DWOPS8186Q
5	Shri Pawan Kumar Kaul	APJPK8855K
6	Shri Santosh Kumar	AEKPK6751Q
7	Smt. Sunila Rai Verma	ASPPV7875F
8	Shri Ashwin Verma	AKFPV6256L
9	M/s. Stallion Trading Co. (Proprietor: Ms. Sapna)	DRUPS8079D

Background in brief

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") passed an ex-parte ad-interim order on June 29, 2015 in the matter of Initial Public Offers (IPOs) of ECO Friendly Food Processing Pvt. Ltd. (hereinafter referred to as 'ECO'), Esteem Bio Organic Food Processing Ltd., Channel Nine Entertainment Ltd. and HPC Biosciences Ltd., as it was prima facie found that several entities have indulged in manipulative transactions in securities and misuse of the securities market. The interim order, pending investigation, restrained these persons, including the Noticees in the present case, from accessing the securities market and from buying, selling or dealing in securities, either directly or indirectly, in any

manner, till further directions.

2. It has been observed in the interim order that these companies had very small capital base prior to the year 2011. During the year 2011 and 2012, these companies increased their capital base by issuing shares to several entities. Once the equity share capital base of these companies increased substantially, they came out with IPO in the year 2013. After listing, the share price of all these companies increased astronomically till December 31, 2014. More particularly, the price of the scrip of ECO witnessed substantial increase during the period January 14, 2013 to December 31, 2014, i.e. within a span of 234 trading days.

3. It has also been observed that these scrips were not in demand by the general investors. However, a set of connected entities were pushing up the price by putting unusual trades, i.e. 1 or 2 trades per day in such a manner so as to make positive contribution to the Last Traded Price (LTP) and establishing New High Prices (NHP). These connected entities whose trades contributed majorly to the buying volume and to the price rise of the scrip were referred to as the "Trading Group" entities. Direct/ indirect connections were observed amongst the trading group entities and also with other entities related/connected to companies on the basis of Know Your Client ("KYC") details, bank statements, off-market transactions amongst themselves and information available on the MCA website, etc. Trading by the trading group entities contributed majorly to the manifold price rise of all the scrips on a low trading volume.

4. Subsequent to passing of the interim order, investigations was carried out by SEBI to find out fraudulent and unfair practice, if any, in the trading of the above mentioned scrips and to look into the trading activity of the entities so as to ascertain any price manipulation in breach of provisions of the securities law. The investigation has revealed that certain entities were involved in a fraudulent scheme to ensure that the shares of ECO offered in the IPO are fully subscribed in order to get them listed on BSE-SME segment. On this issue a separate action has been initiated against the company, its promoters/directors and certain group entities who have allegedly funded subscription to the IPO. As regards, the investigation into the trading activity of certain other trading entities in the scrip of ECO, it was found that nine connected entities of the trading group have contributed to the price rise of the scrip of ECO by repeatedly establishing NHP in the scrip by trading amongst

themselves in a concerted manner. It was observed during the investigation that these trading entities contributed at least Rs.79.45 to the total NHP (i.e. 12.90% of total NHP) during the period of investigation. Accordingly, based on the above findings from the investigation, where trades of nine entities were found to be unusual, those entities have been further proceeded against and the entities against whom nothing adverse could be found in the investigation were granted relief vide revocation order dated September 6, 2017 passed in the matter.

5. As discussed above, pursuant to the investigation carried out in the case of trading in the scrip of ECO a Show Cause Notice (SCN) dated November 30, 2017 was issued to the nine entities, i.e., the Noticees. The SCN alleges that they were not genuine traders and the trades executed by them were instrumental in artificially increasing the price of the scrip by establishing New Higher Prices. They have been alleged to have violated the provisions of Regulation 3 (a), 3(b), 3(c), 3(d), 4 (1), 4(2)(a) & 4(2)(e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (PFUTP Regulations). The Noticees have therefore been called upon to show cause as to why directions under sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 (SEBI Act) be not issued against them for the aforesaid alleged violations.

6. I find that in response to the SCN issued to the Noticees, Shri Santosh Kumar (Noticee No. 6) has replied vide letter dated December 20, 2017. Smt. Sunila Rai Verma (Noticee No. 7) and Shri Ashwin Verma (Noticee No. 8) have also responded to the notice vide their letters dated June 11, 2018. Apart from these three Noticees, none of the other Noticees has responded to the SCN, till date. In order to proceed further in the matter, an opportunity of hearing was granted to the Noticees on January 30, 2019. On the date scheduled for hearing, Shri Dipak Purwar, Chartered Accountant, appeared for hearing as Authorised Representative of Noticee No. 7 & 8 and made oral submissions on the lines of the written replies filed by the two Noticees in the matter. The summary of the written and oral submissions made by Noticee No. 7 & 8 is as under:

   a) Smt. Sunila Rai Verma (Noticee No. 7) is the mother of Shri Ashvin Verma (Noticee No. 8). They do not know anything about ECO, its IPO and its preferential allotment or the fraudulent scheme or mechanism, if any,

surrounding its IPO. They are not connected or related to the company, its promoters/directors or to any company related to ECO.

b) The trading account through which the alleged manipulative trades were done in the scrip was not opened by them but by some other person whom they do not know. Trades done in their name from this account were without their knowledge or consent.

c) Ashwin Verma further stated that he is an investor and invests in securities market from his own savings, and that he is trading in securities market through his genuine trading accounts opened in the year 2010, 2013 & 2014. He is facing mental agony and harassment due to the restrictions imposed on him on buying, selling and dealing in any shares or commodities.

7. During the course of hearing, the authorised representative was advised to furnish certain documents by February 4, 2019, in support of the noticees claim that their trading accounts, demat accounts and bank accounts were misused and that they had not authorised anyone to execute the alleged manipulative trades. They were also advised to furnish details of demat statement, bank statement and ITR for the relevant period as it was claimed by them that they have been regular investors in securities. However, till date no documents have been furnished by the noticee no. 7 & 8.

8. Shri Santosh Kumar (Noticee No. 6) has stated in his written reply that the transaction in the scrip were purely made for investment purpose without any ulterior or malafide intention of manipulating the price of the scrip. Before me, neither he nor his authorised representative has appeared for hearing. The remaining Noticees have also neither filed their written replies nor have appeared for personal hearing. I note that in this case an ex-parte interim order was passed on June 29, 2015 prior to the issuance of SCN dated November 30, 2017. Noticees have been granted sufficient time to file their replies and have been provided adequate opportunity to appear for hearing, however, they have chosen not to avail the same. Therefore, I have to proceed and decide the matter on merit, on the basis of the SCN, the replies and all the documents available on record.

Consideration and findings:

9. I have gone through the contents of the SCN, written replies received in the matter and the documents and materials available on record. The allegations against the Noticees are that they have traded amongst themselves in a concerted and pre-meditated manner in the scrip of ECO and were instrumental in increasing the price of the scrip by establishing successive New Higher Prices during the period of investigation. The SCN alleges that the acts of the Noticees are in violation of the provisions of regulation 3(a), (b), (c), (d), 4(1), 4(2) (a) and (e) of PFUTP Regulations. The provisions of these regulations are reproduced hereunder:

Regulation 3. Prohibition of certain dealings in securities

"No person shall directly or indirectly –

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

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

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

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

Regulation 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:—

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

……

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

……."

10. I would now proceed to examine as to whether or not, in the facts of this matter, the manner of trading in the shares of ECO by the Noticees can be considered as trades executed in normal course of trading or it contains elements which would amount to violation of the aforesaid provisions of PFUTP Regulations.

11. The SCN mentions that the nine Noticees were part of the 'trading group' entities, i.e. the entities whose trades have contributed to price rise in the scrip. Based on the findings of the investigation, it was alleged that there was connection/relation amongst them as there were several direct or indirect transactions executed between them. The investigation has found that within the trading group, Noticee No. 4 is director in several companies which are having fund transactions and/or off-market transactions with other entities of the group. It has been also noted that certain entities of the trading group are having common addresses, common phone numbers, common email address, etc. These entities are also having several, direct or indirect, off-market transactions and fund transactions amongst them and some of these entities have also engaged in off-market transaction with entities which had received funds from issuer companies. I find that the Noticees have been provided with all the relevant documents along with the SCN, including trade logs and the details of the connection among the Noticees, in support of the allegations made in the SCN.

12. It is noted from the said details annexed to the SCN that Shri Amit Kumar Saxena (Noticee No. 4) was a director in Accurate Buildwell Private Ltd. (Noticee No. 1) and several other companies in the group and was indirectly effecting fund movements with others in the group. Shri Amit Kumar Saxena had also done off-market transactions with Ms. Sunila Rai Verma (Noticee No. 7). Smt. Sunila Rai Verma and Shri Ashwin Verma (Noticee No. 8) are mother and son and they share the same address. Shri Vishal Yadav (Noticee No. 2) was having off-market transactions with Shri Ashwin Verma (Noticee No. 8). Shri Pawan Kumar Kaul (Noticee No. 5) and Shri Ashwin Verma (Noticee No. 8) shared common email address and phone number with each other. Further, Accurate Buildwell Pvt. Ltd., Shri Vishal Yadav, Century Buildmart Pvt. Ltd., Shri Amit Kumar Saxena, Shri Santosh Kumar, Smt. Sunila Rai Verma, Shri Ashvin Verma, Shri Pawan Kumar Kaul and M/s. Stallion Trading Co. have been noted to have direct or indirect off-market transactions and fund transactions with other entities in the group.

13. The details of the trades executed by and between the Noticees along with the inter-se connection and relationship shared by the Noticees with each other have been provided to them along with the SCN. Most of the Noticees choose not to respond to the SCN and even the Noticees who have filed replies, i.e., Noticee no. 6, 7 & 8, have not disputed their relation and connections as alleged in the SCN. Noticees have also not disputed their relation with counterparties to their trades. I find it relevant to refer a judgment of the Hon'ble Securities Appellate Tribunal (SAT) dated December 08, 2006 in the case of *Classic Credit Ltd. vs. SEBI* (Appeal No. 68 of 2003), wherein Hon'ble SAT observed that, *"…the appellants did not file any reply to the second show-cause. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them".* This finding was reiterated by Hon'ble SAT in a recent case decided on February 11, 2014 (*Sanjay Kumar Tayal & Ors. vs. SEBI* - Appeal No. 68 of 2013), where it was 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 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. …"* . Under the circumstances, I can conclude that the relationships shared by the Noticees as observed in the SCN is undisputed.

14. Before I proceed further, at this stage it will be relevant to discuss the trades in detail executed by the nine Noticees in the scrip of ECO which have provided the cause of action against them based on the allegations made in the SCN. The SCN alleges that the trades of the Noticees amongst themselves in the scrip of ECO were instrumental in establishing NHP and in increasing the price of the scrip. It is noted that NHP is the price which is higher than the price already established in the scrip over a period which is under consideration. On the basis of NHP analysis carried out during the investigation it has been alleged that the Noticees contributed to substantial and unusual price rise in the scrip of ECO by trading amongst themselves. The details of trades executed amongst the Noticees and their resultant contribution to NHP are indicated as under.

NHP contribution of the Noticees by trading among themselves

Buyer / Counterparty	Pawan kumar Kaul (No. of trades)	Accurate Buildwell Pvt. Ltd. (No. of trades)	Ashvin Verma (No. of trades)	Total
Accurate Buildwell Private Limited	31.45 (3)	-	-	31.45 (3)
Vishal Yadav	-	16.00 (1)	3.00 (1)	19.00 (2)

Century Buildmart Pvt Ltd	-	-	18.90 (2)	18.90 (2)
Pawan Kumar Kaul	-	-	1.15 (2)	1.15 (2)
Amit Kumar Saxena	6.40 (1)	-	-	6.40 (1)
Santosh Kumar	-	-	0.50 (1)	0.50 (1)
Sunila Rai Verma	-	-	2.00 (1)	2.00 (1)
Stallion Trading Co. Pro. Sapna	-		0.05 (1)	0.05 (1)
Total	37.85 (4)	16.00 (1)	25.60 (8)	79.45 (13)

Details of trades in which Noticees were counterparties and NHP contribution

Date	Buyer Name	Seller Name	Buy Order No.	Sell Order No.	Buy Order Time	Sell Order Time	Trade Price	Diff NHP	Trade Qty
08/01/14	Vishal Yadav	Accurate Buildwell	17000118780651	14000121102100	3:01:55 PM	10:13:20 AM	125	16.00	1200
10/01/14	Century Buildmart	Ashvin Verma	12000118423580	17000142486055	3:11:39 PM	3:11:36 PM	137	12.00	1200
13/01/14	Vishal Yadav	Ashvin Verma	13000101308728	23000091342322	3:05:16 PM	3:05:13 PM	140	3.00	1200
17/01/14	Accurate Buildwell	Pawan Kumar Kaul	19000124086230	20000105073657	10:14:56 AM	9:35:52 AM	185	12.50	1200
21/01/14	Accurate Buildwell	Pawan Kumar Kaul	17000130078494	14000131058455	9:44:26 AM	9:34:49 AM	202	17.00	1200
22/01/14	Pawan Kumar Kaul	Ashvin Verma	14000125064236	12000111061883	3:01:40 PM	2:59:24 PM	203.05	1.05	1200
23/01/14	Pawan Kumar Kaul	Ashvin Verma	23000061476458	19000083186916	3:06:23 PM	10:55:32 AM	208	0.10	2400
24/01/14	Accurate Buildwell	Pawan Kumar Kaul	19000124621375	12000105040618	3:22:34 PM	9:36:43 AM	217.95	1.95	1200
29/01/14	Century Buildmart	Ashvin Verma	16000111060107	13000100082677	3:03:02 PM	9:57:17 AM	236.9	6.90	2400
30/01/14	Amit Kumar Saxena	Pawan Kumar Kaul	14000146018657	12000111486418	3:21:16 PM	3:21:13 PM	246.4	6.40	3600
19/02/14	Santosh Kumar	Ashvin Verma	23000099005577	14000131064666	3:08:02 PM	10:24:11 AM	397	0.50	1200
24/02/14	Sunila Rai Verma	Ashvin Verma	11000088147816	12000108072246	3:04:27 PM	10:09:01 AM	421	2.00	1200
25/02/14	Stallion Trading Co.	Ashvin Verma	19000137419318	12000110161753	3:15:47 PM	9:59:52 AM	429.15	0.05	1200

15. The above trades were executed by the Noticees during the month of January and February 2014. I note that the trade log for the above trades and the pre-order book positions for both buy and sell orders have been provided to the Noticees along with the SCN. Noticees have not responded to the same, therefore, it can be assumed that they have nothing contrary to offer in their defence to the allegations made in the SCN. However, in order to examine whether the trades executed by the Noticees were manipulative or not, the aforesaid trades executed by the Noticees are discussed further hereunder.

16. From the details of trades entered into by the Noticees and the details of orders placed during the day on which the trades were executed, I note that for the trade executed between Vishal Yadav (Noticee No. 2) and Accurare Buildwell Pvt. Ltd. (Noticee No. 1) on January 8,

2014, the order book analysis shows that Noticee No. 1 placed sell order for 1200 shares at 10:13:20 AM at a price of Rs.126. Before this sell order there was no other sell order available in the system. However, there was a buy order available at the price of Rs.84.05, which was much lower than the price at which sell order was placed by Noticee No. 1 on January 8, 2014. I further note that a little before the market closing time, Noticee No. 1 modified its offer price to Rs.125/- and immediately thereafter, Noticee No. 2, a connected entity, placed buy order for 1200 shares at a price matching with the sell order price of Accurate Buildwell (Noticee No. 1) resulting in a trade at Rs.125 for 1200 shares. This new buy order price was higher than the existing buy order price on that day. This trade between the two Noticees established a NHP which was Rs.16.00 more than the last high price. Thus, I find that the sell order of Noticee No. 1 was pending in the system since morning and there was no buying interest in the scrip at the price quoted by the Noticee No. 1. It was only after a group entity (Noticee No. 2) placed a matching buy order, the sell order resulted into a trade and established NHP.

17. On January 10, 2014, the next trading day after January 08, 2013, Shri Ashwin Verma (Noticee No. 8) placed sell order for 1200 shares at 3:11:36 PM at a price of Rs.137 per share. Before this sell order, there was no existing sell order in the system and only a buy order of 1200 shares at the price of Rs 100.5 was present in the system. I note that immediately after placing of the sell order, Century Buildmart Pvt. Ltd. (Noticee No. 3), a connected entity, placed buy order matching with the sell order quantity and price of Noticee No. 8. I note that the trade has been executed between the two Noticees within a time difference of 3 seconds only. Considering the absence of liquidity in the scrip, negligible volume of trade and the timing of orders placed by the connected entities, I find that the trade was not executed in normal course of trading. The Noticees No. 3 by placing buy order to match the sell order of Noticee No. 8 contributed to price rise in the scrip and established another NHP of Rs.137 which was Rs.12 more than the last high price of Rs.125 on the previous trading day.

18. Similarly, on January 13, 2014, the next trading day after January 10, 2018, Shri Ashwin Verma (Noticee No. 8) again placed sell order in the evening at 3:05:13 PM. At the time of placing this sell order, one sell order of 1200 shares was pending at Rs. 161.75 and a buy order for 1200 shares was pending at price of Rs.109.65. Shri Ashwin Verma placed his sell

order at a price less than existing sell order price at Rs.140 with 1200 quantity. At 3:05:16 PM, i.e. after 3 seconds of placing the aforementioned sell order of Shri Ashwin Verma, Shri Vishal Yadav (Noticee No. 2), a connected entity, placed the buy order at the same price and volume as that of the sell order of Ashwin Verma. Thus, I find that the orders by the above two Noticees were placed in a pre-meditated manner which resulted in a trade of 1200 shares at a price of Rs.140.00 per share. This trade again established a NHP of Rs. 140/- which was Rs.3 more from the last high price of Rs.137 on the previous trading day.

19. Further, on January 17, 2014, Shri Pawan Kumar Kaul (Noticee No. 5) placed sell order for 1200 shares at 9:35:52 AM at a price of Rs.187 per share. Before this sell order, there was no other sell order pending in the system and buy orders for 1200 shares were pending for prices in the range of Rs. 153.05 to Rs.155. Shri Pawan Kumar Kaul modified his sell price to Rs.185 at 10:13:49 AM and immediately afterwards Accurate Buildwell (Noticee No. 1) placed a buy order at 10:14:56 AM at the same price and volume as the sell order and the trade got executed. I find that the trade executed by the above two Noticees created a NHP of Rs.185 and the high price difference of the trade from the last high price was Rs.12.50.

20. Again, on January 21, 2014, Shri Pawan Kumar Kaul (Noticee No. 5) placed sell order for 1200 shares at 9:34:49 AM at a price of Rs. 202 per share. I note that before this sell order, there was no other sell order in the system and some buy orders were present in the system with a price range of Rs.153.05 to Rs.155.00. Accurate Buildwell (Noticee No. 1), a connected entity, placed buy order at 9:44:26 AM at same price and volume to match the sell order of Shri Pawan Kumar Kaul and the trade was accordingly executed. It may be noted that there was a huge difference in the buy order prices quoted by others and the price at which trade was executed by the connected entity. Had the connected entity not placed a buy order matching the sell order price, the trade would not have resulted in creation of a huge NHP difference of Rs.17.

21. I further note that on January 22, 2014, Shri Ashwin Verma (Noticee No. 8) placed a sell order for 1200 shares at 2:59:24 PM at a price of Rs 203.5 per share. Before this sell order, there was no other sell order in the system and a buy order was present in the system at price of Rs.166. Again a connected entity, namely, Shri Pawan Kumar Kaul (Noticee No. 5) placed a buy order within minutes of the placing of sell order by Shri Ashvin Verma (Noticee No.

8). The buy order was placed in a way so as to ensure matching the price and volume of the sell order and get the trade executed at a NHP.

22. On January 23, 2014, Shri Ashwin Verma (Noticee No. 8) placed a sell order for 2400 shares at 10:55:32 AM at Rs.208. At the time of placing the sell order by him, other sell orders were pending in the range of Rs.198 to Rs.208 per share while no buy order was pending. Subsequently, one buy order was placed at Rs.188.20 while sell orders were pending in the range of Rs.206.50 to Rs.208. Thus, there was no buyer at the sell order price quoted by Noticee No. 8. I note that a little before market closing time, a buy order was placed by Shri Pawan Kumar Kaul (Noticee No. 5), a connected entity, at the same price as the sell order price of the other connected entity and for a quantity more than sell order quantity so as to ensure the execution of the trade.

23. On January 24, 2014, Shri Pawan Kumar Kaul (Noticee No. 5) placed a sell order for 1200 shares at Rs.123 in the morning. At the time of placing the sell order, other sell orders were available in the system at Rs.214.00 while there were no buy orders available. Pawan Kumar Kaul (Noticee No. 5), modified price of his sell order to Rs.217/- and immediately thereafter a buy order for a larger quantity was placed by Accurate Buildwell (Noticee No. 1), a connected entity, at same price as offered by the sell order price placed by Noticee No. 5 so as to ensure execution of trade with Noticee No. 5 and to establish a NHP.

24. Again on January 29, 2014, Shri Ashwin Verma (Noticee No. 8) placed a sell order for 2400 shares at Rs.239 in the morning. No pending sell order was available before the entity placed the sell order, although a buy order was available at price of Rs.217.10 i.e. at a price lower than the sell order price of Noticee No. 8. Ashwin Verma modified his sell order price to Rs.236.90 at 02:57:15 PM and immediately thereafter at 03:03:02 PM a buy order was placed by Century Buildmart Pvt. Ltd. (Noticee No. 3), a connected entity, at same price and same volume matching the sell order and the trade was executed at Rs. 236.90. It is noted that there was a large difference between the buy order prices quoted by others and the connected entity. Had the Noticees No. 3 not placed the buy order matching the sell order, the trade would not have resulted in creation of a NHP difference of Rs.6.90.

25. On January 30, 2014, Shri Pawan Kumar Kaul (Noticee No. 5) placed a sell order for 3600

shares at 3:21:13 PM at a price of Rs.246.40. At the time of placing the sell order by Noticee No. 5, other sell orders were available in the range of Rs.247 - 248.50 per share and a buy order was available at Rs.225.20, i.e. at a price lower than the sell order price. In an apparently deliberate move, Shri Pawan Kumar Kaul placed a sell order at a price less than available sell order price just before the market closing time and within 3 seconds (at 3:21:16 PM) of the placing of this sell order, Amit Kumar Saxena (Noticee No. 4), a connected entity, placed a buy order matching the sell order price and quantity of Pawan Kumar Kaul (Noticee No. 5). The trade was executed and established a new high price which was Rs.6.40 more than the last high price in the scrip during the period.

26. On February 19, 2014, Shri Ashwin Verma (Noticee No. 8) placed a sell order for 1200 shares at 10:24:11 AM at a price of Rs.397. There was no other sell order in the system although a buy order was available at Rs.381.60 for 1200 shares. The pending buy order price was lower than the sell order price. Subsequently, a little before the market closing hour a buy order was placed by a connected person, Santosh Kumar (Noticee No. 6) at Rs.382 for 1200 shares. Immediately after placing the buy order, the price of this buy order was modified to Rs.397.00 apparently to match the sell order price and the trade was executed. This trade created a NHP of Rs.397/-.

27. I also note similar patterns in other trades executed by and between the Noticees in a way to ensure matching of orders placed by one Noticee with other Noticees. The Noticees apparently have placed their orders in such a way that every time the order placed by one of them matches with the order of another counterparty Noticee it leads to establishing a NHP for the scrip of ECO. Their pattern of trading was unusual and did not contain the characteristics of being held to be executed by persons in normal course of trading in the market or a genuine trade intended to be executed on the floor of the exchange.

28. As can be observed from the above analysis, during the period of price rise only a few trades were taking place in the scrip of ECO on each day and the trades were mostly happening on account of matching and execution of orders placed by the Noticees. On most of the days falling in the above period that witnessed sharp rise in the price of the scrip, the sell order placed by a connected entity in the morning remained in the system till the evening when buy order of equal or more quantity was placed by a connected entity matching the sell order

price so as to get the trades executed and to establish a NHP on that day. Further, on many days when sell orders were placed in the evening, matching buy orders were placed within few seconds or minutes by connected entities. Thus, the manner in which the orders were placed and matched shows that there was a continuous meeting of mind and the trades executed by the connected entities were premeditated in order to gradually raise the price of the scrip of ECO. I find from the pattern of trading by the Noticees that one of them was invariably placing buy order chasing the pending sell order price of another Noticee in such a manner that the orders must end in matching with a known counterparty and result in establishment of NHP.

29. As revealed during the investigation that the trades executed by the Noticees in the aforesaid manner by trading amongst each other have contributed 12.90% of NHP to total market NHP of the scrip of ECO and Noticees have so far not disputed to this finding. In this context, I would like to refer to the order of Hon'ble Securities Appellate Tribunal (SAT) in the matter of *Shri Lakhi Prasad Kheradi Vs. SEBI* decided on June 21, 2018 wherein the Hon'ble SAT while addressing the issue as to whether the entity had contributed to 9.17% of the market New High Price within a span of two week, has observed as follows:

> *"…Very fact that the appellant had indulged in self-trades/ LTP/ NHP without giving any justifiable reason, clearly justifies the inference drawn by the AO that the trades executed by the appellant were manipulative trades…"*

30. After analysing the trades executed by the connected entities (the Noticees) amongst themselves, one can surely say that such a trading pattern cannot be called as involving any genuine trading; rather by so trading continuously for a period of around one and half months, such trading pattern had resulted into an artificial rise in price and volume in the share of ECO thereby creating a false and misleading impression about the trading in the scrip of ECO to the investors at large in the market. By continuously entering sell and buy orders deliberately to match each other's order and entering into trades in the scrip in a concerted manner the Noticees have collusively established higher prices of the scrip which was bound to have influenced the decision of the innocent investors to invest in the scrip. In this regard, the observations made by the Hon'ble SAT in its order dated March 21, 2014 in *Saumil Bhavnagari Vs. SEBI* are worth recalling, which are as under:

"… but by purchasing shares at the higher price in LTP in most of the trades, the noticee had given a wrong impression about the liquidity of the scrip in the market. It must not be forgotten that every trade establishes the price of the scrip and the Noticees trading at higher than LTP resulted in the price of the scrip going up and were done with a view to set the price at a desired level and thereby influencing the innocent/gullible investors. By purchasing at a higher price in most of his trades, the noticee had given the wrong impression about the price of the scrip in the market. It is an accepted state of affairs that in cases of manipulation of the volume and / or price of a particular scrip, it is usually an arduous task to obtain direct evidence. However, the analysis of the trade and order logs as undertaken hereinabove, establishes the malafide intention of the appellant."

31. Keeping in view the aforesaid factual findings and observations on the trading activities of the Noticees, I do not find any merit in the submission of Shri Santosh Kumar (Noticee No. 6) that his trades were genuine. With regard to the submission made by Smt. Sunila Rai Verma (Noticee No. 7) and Shri Asnvin Verma (Noticee No. 8) that the trades executed in their names were not authorised by them, it is observed that they have neither submitted any document in support of their claim nor have taken any action against persons who have misused their accounts. Further, I find it difficult to agree with them that an unknown person can open a bank account, demat account and trading account only with the help of photocopy of or forged documents, as claimed by the two Noticees, without producing any original document at the time of opening of these accounts. Therefore, I do not find any merit in their contention.

32. To sum up, the discussions in the preceding paragraphs clearly indicate that the Noticees have executed their trades in a pre-meditated manner and as revealed by investigation have contributed 12.90% of NHP to total market NHP of the ECO price by trading among themselves during the relevant period. From the multiple trades executed between the Noticees, it is clear that they were not trading as genuine buyers/ sellers and had no bona fide intention to trade. Almost each trade of the Noticees was instrumental in establishing a NHP and contributed to increase in scrip price of ECO. In view of the repeated nature of such trades, the culpability in increasing the price is established. I can clearly find that the trades of the Noticees are not trades executed in normal course of trading and investment in securities market. Noticees have deliberately manipulated the price of the scrip and created a

misleading appearance of trading in the scrip to induce innocent investors in the securities market thereby contravening the provisions of regulations 3 (a), 3(b), 3(c), 3(d), 4 (1), 4(2)(a) and 4(2)(e) of the PFUTP Regulations.

Directions:

33. In view of the foregoing, I, in order to protect the interest of the investors in the securities market, in exercise of the powers conferred upon me under sections 11(1), 11B, 11(4) read with section 19 of the SEBI Act, 1992 hereby restrain the Noticees from accessing the securities market and further prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of four years. However, for the purpose of computation of the period of restrain and prohibition as directed above, the period of restraint already undergone by the Noticees in terms of the interim order dated June 29, 2015 shall be taken into account. It is also clarified that during the period of restraint, the existing holding, including units of mutual funds, of the Noticees shall remain frozen.

34. The above directions shall be effective from the date of this order.

35. A copy of this order shall be served upon the Noticees, Stock Exchanges, Depositories and Registrar and Share Transfer Agents of all Mutual Funds for ensuring compliance with the above direction.

-Sd-

Date: March 13, 2019 **S. K. MOHANTY**

Place: Mumbai **WHOLE TIME MEMBER**