

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 ESTEEM BIO ORGANIC FOOD PROCESSING LIMITED

In respect of:

Sl. No.	Noticees /Name of the entities	PAN
1	Accurate Buildwell Pvt. Ltd.	AAGCA4053L
2	Shri Pawan Kumar Kaul	APJPK8855K
3	Shri Vishal Yadav	AJKPY8234D
4	Shri Ashwin Verma	AKFPV6256L
5	Century Buildmart Pvt. Ltd.	AADCC2898Q
6	Core Capital Services Limited	AAACC2840D
7	River High Right Share Brokers Pvt. Ltd.	AAGCR2643P
8	Sure Portfolio Services Pvt Ltd.	AATCS2129L

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 Esteem Bio Organic Food Processing Ltd. (hereinafter referred to as 'Esteem Bio'), ECO Friendly Food Processing Pvt. 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 Esteem Bio witnessed substantial increase during the period February 7, 2013 to December 31, 2014, i.e. within a span of 244 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 connection was 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.
4. Subsequent to passing of the interim order, investigation was carried out by SEBI to find out fraudulent 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 into the trading activity of certain entities in the scrip of Esteem Bio has revealed that eight connected entities of the trading group have contributed to the price rise of the scrip of Esteem Bio by their positive contribution to LTP and establishing NHP in the scrip by trading amongst themselves in a concerted manner. It was observed that 8.89% to total market positive LTP during the period of investigation was contributed by the Noticees 1-8 who traded amongst themselves continuously. Similarly, 9.15% of total market NHP during the period of investigation was contributed by Noticee No. 1 to 7 by executing the trades amongst themselves. Accordingly, based on the above findings from the investigation where trades

of these eight entities were found to be unusual they 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 of the scrip of Esteem Bio, a Show Cause Notice (SCN) dated November 30, 2017 was issued to the eight 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 and contributing to positive LTP. 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 Ashwin Verma (Noticee No. 4) has responded vide letters dated June 11, 2018. However, 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. 4 and made oral submissions on the lines of the written reply filed by the Noticee in the matter. The summary of the written and oral submissions made by Noticee No. 4 is as under:
 - a) He does not know anything about Esteem Bio, its IPO and its preferential allotment or the fraudulent scheme or mechanism, if any. He is not connected or related to the company, its promoters/directors or to any company related to Esteem Bio.
 - b) The trading account through which the alleged manipulative trades were done in the scrip was not opened by him but by some other person whom he does not know. Trades done in his name from this account were without his knowledge or consent.

- c) He is an investor and invests in securities market from his own savings and 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 his claim that the trading account, demat account and bank account were misused and that the Noticee had not authorised anyone to execute the alleged manipulative trades. He was also advised to furnish details of demat statement, bank statement and Income Tax Returns for the relevant period as it was claimed by him that he has been a regular investor in securities. However, till date, no documents have been furnished by the Noticee.
8. The remaining Noticees have neither filed their reply nor appeared for 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 opportunities 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 reply received and all the documents available on record.

Consideration and findings:

9. I have gone through the contents of the SCN, written reply of Noticee No. 4 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 Esteem Bio and were instrumental in increasing the price of the scrip by successive contribution to positive LTP and by establishing successive NHP during the period of investigation. The SCN alleges that regulations 3(a), (b), (c), (d), 4(1), 4(2) (a) and (e) of PFUTP Regulations have been violated by the Noticees. 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 Esteem Bio 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 eight 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, certain entities are having common directors,

common addresses, common phone numbers, common email address, etc. It has been also noted that certain entities of the trading group are having several, direct or indirect, off-market transactions and fund transactions amongst them. I find that the Noticees have been provided with all the relevant documents along with the SCN. The details of the connection found amongst the Noticees and relied upon in support of the allegations made in the SCN have also been furnished to the Noticees.

12. It is noted from the said details annexed to the SCN that Accurate Buildwell Private Ltd. (Noticee No. 1), River High Right Share Brokers Pvt. Ltd. (Noticee No. 7) and Century Buildmart Pvt. Ltd. (Noticee No. 5) were directly or indirectly effecting fund transactions between them. Further, as per KYC documents, River High Right Share Brokers Pvt. Ltd. (Noticee No. 7) is having common contact number with Century Buildmart Pvt. Ltd. (Noticee No. 5) and it was also having off-market transactions with Shri Ashvin Verma (Noticee No. 5). Shri Ashvin Verma and Shri Pawan Kumar Kaul (Noticee No. 2) shared common email address and contact number. Shri Pawan Kumar Kaul has executed off-market transactions with Core Capital Services Ltd. (Noticee No. 6). Shri Ashvin Verma (Noticee No. 4) has executed off-market transactions with River High Share Brokers Pvt. Ltd. (Noticee No. 7), Core Capital Services Ltd. (Noticee No. 6), Shri Vishal Yadav (Noticee No. 3) and others in the group. Shri Vishal Yadav (Noticee No. 3) has also executed off-market transactions with Core Capital Services Ltd. (Noticee No. 6), River High Share Brokers Pvt. Ltd. (Noticee No. 7), Shri Ashwin Verma (Noticee No. 4) and others in the group. Sure Portfolio Services Pvt. Ltd. (Noticee No. 8) has traded in the scrip of Esteem Bio and it is having common director, address and email id with several other entities in the trading group.
13. The details of the trades executed by and between the Noticees along with the inter-se connections and relationship shared by the Noticees with each other were provided to them along with the SCN. Most of the Noticees have chosen not to respond to the SCN and even the Noticee who has filed a written reply, i.e., Noticee no. 4, has not disputed the connections and transactions as alleged in the SCN. The Noticee has also not disputed his relation with counterparties to the trades. Similarly, other Noticees have also not raised any disputes with regard to their connections as pointed out in the SCN. 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 have 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 eight Noticees in the scrip of Esteem Bio 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 executed amongst themselves in the scrip of Esteem Bio were instrumental in contributing to positive LTP and establishing NHP. It is noted that while positive contribution to LTP increases the price of the scrip, 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 LTP and 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 Esteem Bio by trading amongst themselves. The details of trades executed amongst the Noticees and their resultant contribution to LTP and NHP are indicated as under.

Positive contribution to LTP by Noticees trading among themselves

Buyer / counterparty	Accurate Buildwell Private Limited (LTP contribution in Rupees, Number of trades in bracket)	Pawan Kumar Kaul (LTP contribution in Rupees, Number of trades in bracket)	Ashvin Verma (LTP contribution in Rupees, Number of trades in bracket)	Vishal Yadav (LTP contribution in Rupees, Number of trades in bracket)	Sure Portfolio Services Private Limited (LTP contribution in Rupees, Number of trades in bracket)	Total (LTP contribution in Rupees, Number of trades in bracket)
Accurate Buildwell Private Limited	0.05 (1)	24.75 (2)	-	-	-	24.80 (3)
Century Buildmart Private Limited	-	10.7 (1)	15.1 (2)	-	-	25.80 (3)

Core Capital Services Limited	-	-	-	14.50 (1)	-	14.50 (1)
Pawan Kumar Kaul	5.5 (1)	-	-	-	-	5.5 (1)
River High Right Share Brokers Private Limited	10.1 (1)	-	-	-	1.85 (1)	11.95 (2)
Vishal Yadav	-	-	7.85 (1)	-	-	7.85 (1)
Total	15.65 (3)	35.45 (3)	22.95 (3)	14.50 (1)	1.85 (1)	90.4 (11)

NHP contribution of the Noticees by trading among themselves

Buyer / Counterparty	Accurate Buildwell Pvt. Ltd. (NHP contribution in Rupees, Number of trades in bracket)	Pawan Kumar Kaul (NHP contribution in Rupees, Number of trades in bracket)	Ashvin Verma (NHP contribution in Rupees, Number of trades in bracket)	Vishal Yadav (NHP contribution in Rupees, Number of trades in bracket)	Total (NHP contribution in Rupees, Number of trades in bracket)
Accurate Buildwell Pvt. Ltd.	0.05 (1)	8.95 (1)	-	-	9 (2)
Century Buildmart Pvt. Ltd.	-	10.1 (1)	8.1 (1)	-	18.2 (2)
Core Capital Services Limited	-	-	-	6.55 (1)	6.55 (1)
Pawan Kumar Kaul	5 (1)	-	-	-	5 (1)
River High Right Share Brokers Pvt. Ltd.	10.1 (1)	-	-	-	10.1 (1)
Vishal Yadav	-	-	7.85 (1)	-	7.85 (1)
Total	15.15 (3)	19.05 (2)	15.95 (2)	6.55 (1)	56.70 (8)

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
16/01/14	Century Buildmart Pvt. Ltd	Pawan Kumar Kaul	14000128306358	13000101265572	3:09:57 PM	3:09:53 PM	134.9	10.10	1200
17/01/14	River High Right Share Brokers Pvt. Ltd	Accurate Buildwell Pvt. Ltd	12000105130311	19000124089524	10:25:49 AM	10:18:35 AM	145	10.10	1200
21/01/14	Core Capital Services Limited	Vishal Yadav	13000104444696	11000090155806	3:03:19 PM	11:33:49 AM	165.5	6.55	1200
22/01/14	Vishal Yadav	Ashvin Verma	11000089111133	18000122161439	3:04:26 PM	10:43:34 AM	173.85	7.85	1200
23/01/14	Pawan Kumar Kaul	Accurate Buildwell Pvt. Ltd	23000061480869	19000083088345	3:11:05 PM	3:11:01 PM	182	5.00	1200
27/01/14	Century Buildmart Pvt. Ltd	Ashvin Verma	17000079468104	18000079541800	3:25:46 PM	3:24:23 PM	193.1	8.10	4800
06/02/14	Accurate Buildwell Pvt. Ltd	Pawan Kumar Kaul	12000067205635	17000086053281	3:11:40 PM	10:25:20 AM	214.75	8.95	1200
26/02/14	Accurate Buildwell Pvt. Ltd	Accurate Buildwell Pvt. Ltd	17000123702166	12000105075272	3:19:32 PM	9:51:12 AM	384	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 were 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 Shri Pawan Kumar Kaul (Noticee No. 2) and Century Buildmart Pvt. Ltd. (Noticee No. 5) on January 16, 2014, the order book analysis has revealed that Pawan Kumar Kaul placed sell order for 1200 shares at 3:09:53 PM at a price of Rs.134.90. Before this sell order there was no other sell order available in the system. The buy order available in the system was at the price of Rs.112.35, which was much lower than the sell order price. Within 4 seconds of placing the sell order, i.e. at 3:09:57 PM, Century Buildmart Pvt Ltd (Noticee No. 5), a connected entity, placed buy order at the same price and the same volume as the sell order of Noticee No. 2 and the trade for 1200 shares was executed at the price of Rs. 134.90. This trade created NHP difference of Rs.10.10. Considering the absence of liquidity in the scrip and 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 Noticee No. 5 by placing buy order to match the sell order of Noticee No. 2 contributed to price rise in the scrip and established NHP of Rs.134.90 which was Rs.10.10 more from the last high price in the scrip.
17. On January 17, 2014, Accurate Buildwell Pvt. Ltd. (Noticee No. 1) placed sell order for 1200 shares at 10:18:35 AM at a price of Rs.145.00 per share. Before this sell order, there was no other sell order in the system. The buy order available in the system was at Rs.121.45, which was much lower than the sell order price. At 10:25:49 AM River High Right Share Brokers Pvt. Ltd. (Noticee No. 7), a connected entity, placed buy order at the same price and the same volume as the sell order of Noticee No. 1 and the trade for 1200 shares were executed at Rs.145.00. This trade also established a NHP and the difference of this high price from the last high price was Rs.10.10.
18. On January 21, 2014, Vishal Yadav (Noticee No. 3) placed sell order for 1200 shares at

11:33:49 AM at price of Rs.165.50. Before this sell order there was one more sell order available in the system for 1200 shares at 166.00. There was no buy order available in the system. At 3:03:19 PM, Core Capital Services Ltd. (Noticee No. 6), a connected entity, placed buy order at the same price and volume as the sell order of the connected entity and the trade for 1200 shares were executed at Rs.165.50. This trade created a NHP difference of Rs.6.55.

19. On January 22, 2014, Shri Ashwin Verma (Noticee No. 4) placed sell order for 1200 shares at 10:43:44 AM at price of Rs.173.85. Before this sell order there was no other sell order or buy order in the system. In the evening, before closure of market, Shri Vishal Yadav (Noticee No. 3), a connected entity, placed buy order at the same price and the same volume as the sell order of Noticee No. 4 and the trade for 1200 shares were executed at Rs.173.85. This trade created NHP difference of Rs.7.85. Thus, I find that the sell order of Noticee No. 4 was pending in the system since morning and there was no buying interest in the scrip at the price quoted by the Noticee No. 4. It was only after a group entity (Noticee No. 3) placed a matching buy order, the sell order resulted into a trade and established a NHP.
20. On January 23, 2014, Accurate Buildwell Pvt. Ltd. (Noticee No. 1) placed sell order for 1200 shares at 3:11:01 PM at a price of Rs.182.00. Before this sell order there was no other sell order or buy order pending in the system. At 3:11:05 PM, Pawan Kumar Kaul (Noticee No. 2), a connected entity, placed buy order at the same price and the same volume as the sell order of Noticee No. 1 and the trade for 1200 shares got executed at the rate of Rs.182.00 per share. This trade established a NHP and the difference of this high price from the last high price was Rs.5.00. I note that the orders were placed in the evening by the Noticees and the orders matched within a time difference of 4 seconds. Considering the absence of liquidity in the scrip and the 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 Noticee No. 2 by placing buy order to match the sell order of Noticee No. 1 contributed to price rise in the scrip and established another NHP which was Rs.5 more from the last high price in the scrip.
21. On January 27, 2014, Ashwin Verma (Noticee No. 4) placed a sell order for 4800 shares at 3:24:23 PM at a price of Rs.193.1 per share. At the time of placing of the sell order by

Noticee No. 4, other sell orders were available in the system in the range of Rs.184.00 to Rs.185.00, while a buy order was available at the price of Rs.175.00. The sell order placed by the Noticee No. 4 was at a price higher than the available sell order price. Within minutes of placing of the sell order by Noticee No. 4, a buy order was placed by Century Buildmart Pvt. Ltd. (Noticee No. 5), a connected entity. The buy order was at the same price and of the same volume as the sell order of Noticee No. 4 and the trade for 4800 shares got executed at Rs.193.10 per share. This trade again established a NHP and created a NHP difference of Rs.8.10.

22. On February 6, 2014, Pawan Kumar Kaul (Noticee No. 3) placed sell order for 1200 shares at 10:25:20 AM at price of Rs.214.75. At the time of placing of the sell order by Noticee No. 3, one sell order was pending in the system at the price of Rs.215.00 per share and a buy order was pending with a buy order price of Rs.200.00. The sell order remained pending in the system since morning. However, in the evening before closing of the trading on the exchange, a buy order was placed by a connected entity, namely, Accurate Buildwell Pvt. Ltd. (Noticee No. 1) matching the price and the volume of the sell order placed by Noticee No. 3 and the trade for 1200 shares got executed at a price of Rs.214.75 per share. This trade created NHP difference of Rs.8.95.
23. I further note that Accurate Buildwell Pvt. Ltd. (Noticee No. 1) executed a self-trade on February 26, 2014. Self-trades are fictitious trades which are executed without intention of change in ownership of shares as same person places orders from buy as well as sell side. Such trades merely creates artificial appearance of trading and establishes new price. Accurate Buildwell placed sell order for 1200 shares at a price of Rs.384.00 at 9:51:12 AM. At the time of placing the sell order, there were no pending sell orders available, while one buy order was pending at Rs.369.10. Subsequently, buy order was placed by the same entity at same price and for the same volume as sell order which resulted into trade at a price of Rs.384.00 per share. This trade established a NHP in the scrip and artificially raised the price of the scrip sending a false and deceptive perception to innocent investors about the market value of the scrip.
24. I also note that the trades of the Noticees have made positive contribution to LTP on several occasions in the scrip of Esteem Bio and such trades executed by the Noticees

were instrumental in unusual price rise in the scrip. The Noticees by acting as counterparty to each other have executed successive trades at prices higher than the last traded price and as per findings of the investigation, such trades have contributed Rs.90.04 to the price rise in the scrip. Sure Portfolio Services Pvt. Ltd. (Noticee No. 8) has executed trades which contributed Rs.1.85 to positive LTP and the trade has matched with River High Right Share Brokers Pvt. Ltd. (Noticee No. 7). Similarly, trades of other Noticees have also contributed to the price rise.

25. It is noted that the trades executed by and between the Noticees have been executed 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 and making positive contributions to LTP in the scrip of Esteem Bio. Their pattern of trading was unusual and did not contain the characteristics for being held to be executed by persons in normal course of trading in the market.
26. 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 Esteem Bio 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 price of Esteem Bio scrip, sell order placed by a connected entity in the morning remained in the system till the evening when buy order of equal 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 and also to make positive contribution to LTP. 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 Esteem Bio. 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 and in the process making positive contribution to LTP.
27. As revealed during the investigation that the trades executed by the Noticees 1 to 8 in the

aforesaid manner by trading amongst themselves have contributed 8.89% to the total market positive LTP and the trades executed by Noticee No. 1 to 7 amongst themselves have contributed 9.15% of total market NHP. As stated earlier these findings have not been disputed by any of the Noticees so far. 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 NHP within a span of two weeks 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...”

28. 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 shares of Esteem Bio thereby creating a false and misleading impression about the trading in the scrip of Esteem Bio 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 mala fide intention of the appellant.”

29. With regard to the submission made by Shri Ashvin Verma (Noticee No. 4) that the trades executed in his name were not authorised by him, it is observed that he has neither submitted any document in support of his claim nor have taken any action against persons who have misused his accounts. Further, I find it difficult to agree with him 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 Noticee, without producing any original document at the time of opening these accounts. Therefore, I do not find any merit in his contention.
30. 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 the investigation have contributed 8.89% to the total market positive LTP and 9.15% of total market NHP by trading amongst 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 contributing to LTP to increase the price of the scrip of Esteem Bio. 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:

31. 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 restraint 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.

32. The above directions shall be effective from the date of this order.
33. 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

Place: Mumbai

S. K. MOHANTY
WHOLE TIME MEMBER