

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER

FINAL ORDER

**Under Regulation 28 (2) of the Securities and Exchange Board of India
(Intermediaries) Regulations, 2008**

In the matter of Sarang Chemicals Limited

In re: Broker Regulations

In respect of:

Name of the Entity	Registration No./ PAN
Galaxy Broking Limited (Presently known as Starlink Finsec Limited)	INB 010882739/ AABCG5457B

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1. Galaxy Broking Limited (“**Galaxy Broking**”) is registered with Securities and Exchange Board of India (“**SEBI**”) as a Stock Broker having registration number INB 010882739. Galaxy Broking is a trading member of BSE Ltd (“**BSE**”). I note that Galaxy Broking has changed its registered name to Starlink Finsec Limited. Its registered address is at 805-C, Panchdhara Plaza, Next to Ocean Park, Opp. Shiromani Complex, Nr. Nehrunagar Cross Road, Ahmedabad Gujrat- 380015.

SEBI’s Examination:

2. SEBI had conducted an investigation into the trading activities of certain entities in the scrip of Sarang Chemicals Limited (“**Sarang**”), and observed that approximately eight crores shares were traded in the scrip of Sarang during the period of January 3, 2011 to June 8, 2011 (hereinafter referred to as the “**investigation period**”). It was observed that a group of 21 connected entities had traded among themselves and created artificial volume and misleading appearance of trading in the scrip and increased the price of the scrip from Rs.

0.31 to Rs.0.90 and out of 21 group entities 13 entities off-loaded shares at increased prices and made an unlawful gain of Rs. 1.60 crores.

3. SEBI has also observed that Galaxy Broking was one of the Top 10 sell brokers who had executed trades for its clients viz. Mr. Manish K Ashar, Ms. Bhavna M Ashar, Mr. Hemanshu P Mehta, Mr. Manish M Raja and AUM Technocast Pvt. Ltd. who were identified as connected / related through common address/ telephone number/off-market transfers of shares/ family members. It was also observed that the Group entities who had traded in the scrip of SCL during Investigation Period viz., Mr. Shailesh Ved, Ms. Bhavna Asher and Ms. Bhavika Vaza and Mr. Haresh Tejani were / are the Directors of the Noticee.
4. In view of the above, SEBI initiated proceedings against Galaxy Broking in terms of the SEBI (Intermediaries) Regulations, 2008 (hereinafter referred to as '**the Intermediaries Regulations**') in order to determine whether Galaxy Broking failed to exercise due skill, care and diligence in avoiding execution of manipulative trades on behalf of its clients which had ultimately facilitated certain group entities in placing / executing huge trades resulting into creation of artificial volume / misleading appearance of trading in the shares of Sarang. SEBI vide order dated July 13, 2015 appointed a Designated Authority (hereinafter referred to as 'DA') under Section 19 of the SEBI Act read with Regulation 24 of the Intermediaries Regulations to enquire into the alleged violations of provisions of clause A (2) of the Code of Conduct under Schedule II read with regulation 7 of the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred to as '**Brokers Regulations**'). On completion of the proceedings, the DA vide Report dated July 14, 2016 recommended suspension of the certificate of registration granted to Galaxy Broking for a period of 15 days.
5. Subsequently, SEBI issued a Show Cause Notice dated December 20, 2016 ("**SCN**") in terms of Regulation 28(1) of the Intermediaries Regulations, to Galaxy Broking (hereinafter referred to as "**the Noticee**"), asking it to show cause as to why the action recommended by the DA or higher penalty should not be imposed on the Noticee as deemed fit.

6. The Noticee was advised to reply to the SCN within twenty one (21) days from the date of receipt of the SCN. SEBI also informed the Noticee that in case of failure to reply, it would be presumed that they had no explanation to offer and that the matter would be proceeded on the basis of the evidence available on record. The Noticee was further advised to indicate if they would like to avail an opportunity of personal hearing before SEBI. A copy of the Report of DA was also forwarded to the Noticee along with the said SCN.
7. ***Service of SCN:*** The SCN was sent to the Noticee through Speed Post with acknowledgment. The SCN sent to the Noticee at its registered office was returned undelivered and subsequently served through affixture at its registered office. However, the Noticee failed to submit any reply to the said SCN.

Hearing and submissions:

8. Vide hearing notice dated July 07, 2017 an opportunity of personal hearing was granted to the Noticee on September 05, 2017. The hearing notice was served through affixture at the registered address of the Noticee. However, the Noticee failed to appear on July 07, 2018.
9. Thereafter, another opportunity of hearing was granted to the Noticee on August 29, 2018. However, the Noticee sought an adjournment vide letter/e-mail dated August 28, 2018. Considering the same, another opportunity of hearing was granted on October 23, 2018. The hearing notice was duly served through Speed Post with Acknowledgment and also through e-mail. However, I note that the Noticee failed to avail the said opportunity of hearing nor filed any reply on merits till date.
10. In view of the same, I shall now proceed to deal with the merits of the case on the basis of material available on record such as SCN, the Report submitted by DA and the documents relied upon therein. On perusal of the same, the following issue arise for consideration:
 - ***Whether the Noticee failed to exercise due skill, care and diligence in avoiding execution of manipulative trades on behalf of its clients in the scrip of Sarang and***

thereby violated the provisions of clause A (2) of the Code of Conduct under Schedule II read with regulation 7 of the Brokers Regulations.

11. Before dealing with the merits of the case, the relevant legal provisions, the contravention of which have been alleged in the instant case are reproduced hereunder:

Stock Brokers Regulations (Schedule II of regulation 7)

“A (2) Exercise of due skill and care: A stock-broker, shall act with due skill, care and diligence in the conduct of all his business”.

12. From the SCN I note that the Noticee had allegedly executed manipulative trades on behalf of its clients which had ultimately facilitated certain group entities in placing / executing huge trades resulting into creation of artificial volume / misleading appearance of trading in the shares of Sarang and thereby increased the price of the scrip and made unlawful gains by off-loading the shares at increased price.

Before dealing with the allegations against the Noticee, it would be appropriate to note the following facts and circumstances brought out by SEBI's investigation, leading to such allegation:

- 12.1 During the investigation period i.e. from January 03, 2011 to June 08, 2011, 8,40,17,121 shares of Sarang were traded with a daily average volume of 7,77,936 shares. It is also noted that BSE Sensex opened at 20621.61 (03.10.2011) and closed at 18394.29 (08.06.2011) registering a decrease of 2227.32(10.80%). During the same period, price of the scrip of Sarang on BSE moved from Rs.0.31 to Rs.0.90 and closed at Rs.0.74, an increase of Rs.0.43 (138.71%).

Details of price / volume details before, after and during the investigation period and the top 10 buy / sell stock brokers and buy / sell clients are given in tables below:

<i>Period</i>	<i>Dates</i>	<i>Opening Price in Rs. /volume on first day of the period</i>	<i>Closing price in Rs. / volume on last day of the period</i>	<i>Low price in Rs./volume during the period</i>	<i>High Price in Rs. / volume during the period</i>	<i>Avg. no. of (shares) traded daily during the period</i>
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<i>Before IP</i>	<i>(01/10/2010-31/12/2010)</i>	<i>Price</i>	<i>0.37</i>	<i>0.30</i>	<i>0.28</i>	<i>0.42</i>	<i>33,184</i>
		<i>Vol</i>	<i>1,575</i>	<i>17,212</i>	<i>1</i>	<i>2,82,000</i>	
<i>During IP</i>	<i>(03/01/2011 – 08/06/2011)</i>	<i>Price</i>	<i>0.31</i>	<i>0.74</i>	<i>0.30</i>	<i>0.90</i>	<i>7,77,936</i>
		<i>Vol</i>	<i>26,748</i>	<i>61,358</i>	<i>2</i>	<i>79,17,327</i>	
<i>After IP</i>	<i>(09/06/2011 - 30/09/2011)</i>	<i>Price</i>	<i>0.77</i>	<i>0.48</i>	<i>0.48</i>	<i>0.92</i>	<i>2,70,407</i>
		<i>Vol</i>	<i>35,670</i>	<i>17,017</i>	<i>906</i>	<i>23,91,396</i>	

Top 10 buy and sell brokers details:

<i>Buy Broker Name</i>	<i>Trd. Volume</i>	<i>% to Mkt. volume</i>		<i>Sell Broker Name</i>	<i>Trd. Volume</i>	<i>% to Mkt. volume</i>
<i>SKSE SECURITIES LTD.</i>	<i>1,79,35,052</i>	<i>21.35%</i>		<i>ATLANTA SHARE SHOPEE LTD.</i>	<i>5,46,74,328</i>	<i>65.08</i>
<i>ATLANTA SHARE SHOPEE LTD.</i>	<i>1,06,63,516</i>	<i>12.69%</i>		<i>GALAXY BROKING LTD.</i>	<i>1,08,60,000</i>	<i>12.93</i>
<i>PRABHUDAS LILLADHER PVT.</i>	<i>65,72,100</i>	<i>7.82%</i>		<i>SKSE SECURITIES LTD.</i>	<i>79,21,498</i>	<i>9.43</i>
<i>INANI SECURITIES LTD.</i>	<i>40,40,700</i>	<i>4.81%</i>		<i>ICICI SECURITIES LIMITED</i>	<i>18,28,316</i>	<i>2.18</i>
<i>BANSAL FINSTOCK PVT. LTD.</i>	<i>35,25,000</i>	<i>4.20%</i>		<i>OPG SECURITIES PVT. LTD.</i>	<i>9,35,023</i>	<i>1.11</i>
<i>JHAVERI SECURITIES LTD.</i>	<i>30,74,003</i>	<i>3.66%</i>		<i>JMP SECURITIES PVT. LTD.</i>	<i>9,00,020</i>	<i>1.07</i>
<i>SSJ FINANCE & SECURITIES</i>	<i>30,61,630</i>	<i>3.64%</i>		<i>ANAND RATHI SHARE & STOCK</i>	<i>6,59,952</i>	<i>0.79</i>
<i>JOINDRE CAPITAL SERVICES</i>	<i>28,04,750</i>	<i>3.34%</i>		<i>INANI SECURITIES LTD.</i>	<i>5,00,000</i>	<i>0.60</i>
<i>HDFC SECURITIES LTD.</i>	<i>22,00,000</i>	<i>2.62%</i>		<i>TECHNO SHARES & STOCKS LTD</i>	<i>4,26,590</i>	<i>0.51</i>
<i>MOTILAL OSWAL SECURITIES</i>	<i>12,14,101</i>	<i>1.45%</i>		<i>RELIGARE SECURITIES LIMIT</i>	<i>2,87,656</i>	<i>0.34</i>
<i>Top 10 Buy Brokers</i>	<i>5,50,90,852</i>	<i>65.57%</i>		<i>Top 10 Sell Brokers</i>	<i>7,89,93,383</i>	<i>94.02</i>
<i>Remaining Brokers</i>	<i>2,89,26,269</i>	<i>34.43%</i>		<i>Remaining Brokers</i>	<i>50,23,738</i>	<i>5.98</i>
<i>Total Traded Volume</i>	<i>8,40,17,121</i>	<i>100.00%</i>		<i>Total Traded Volume</i>	<i>8,40,17,121</i>	<i>100.00</i>

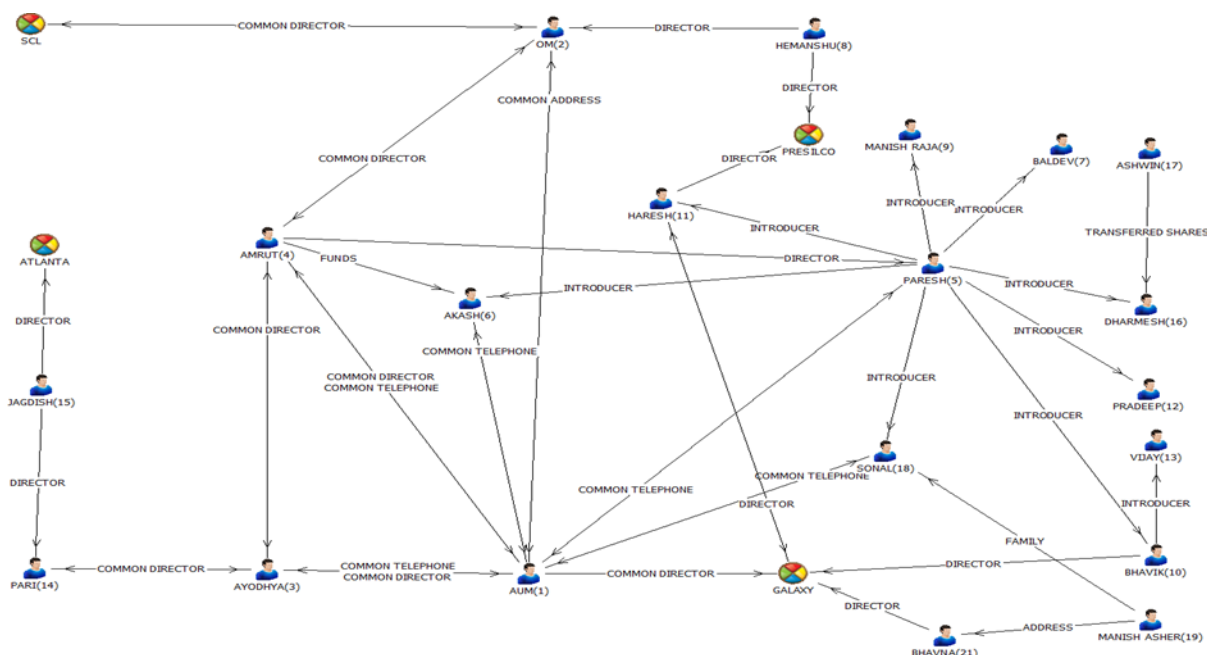
Top 10 buy clients and Sell clients details

Buy Client Name	Trd. Volume	% to Mkt. volume	Sell Client Name	Trd. Volume	% to Mkt. volume
AYODHYAPATI INVESTMENT PVT LTD	77,32,184	9.20	MANISH MANSUKHLAL RAJA	1,13,23,106	13.48
AMRUT SECURITIES LTD.	64,00,572	7.62	BALDEVSINH VIJAYSINH ZALA	82,80,000	9.86
AUM TECHNOCAST PVT. LTD	49,14,157	5.85	SHAILESH MULRAJ VED	80,00,000	9.52
ASHWINBHAI PRABHUDAS RUPAREL	48,50,765	5.77	DHARMESH NARENDRAKUMAR SOLANKI	73,77,000	8.78
DIPAKKUMAR BHOGILAL KOTHARI	23,65,173	2.82	PARESH CHAMANLAL DOSHI	70,01,000	8.33
THAKUR ESTATE DEVELOPMENT PRIVATE LIMITED	18,50,000	2.20	PRADEEP SYAMSUNDER SWAIN	69,74,665	8.30
RAJKUMAR SHYAMNARAYAN SINGH	18,50,000	2.20	SONAL KANAKSINGH ASHAR	42,00,000	5.00
THAKUR FININVESTPVT. LTD.	16,50,000	1.96	MANISH KANAKSHI ASHAR	42,00,000	5.00
OM EDUCATION (IT) PVT LTD	16,41,079	1.95	HARESH LALITBHAI TEJANI	39,74,200	4.73
GIRISH PRABHUDAS RUPAREL	11,05,048	1.32	BHAVIK AMRUTLAL VAZA	38,67,305	4.60
Top 10 Buy Clients	5,50,90,852	40.89	Top 10 Selling Clients	6,51,97,276	77.60
Remaining Clients	2,89,26,269	59.11	Remaining Brokers	1,88,19,845	22.40
Total Traded Volume	8,40,17,121	100.00	Total Traded Volume	8,40,17,121	100.00

12.2 It is noted that a group of 21 entities who traded in the scrip of Sarang during the investigation period from January 03, 2011 to June 08, 2011 were found to be connected

to each other through common address/telephone number/ common directors/off-market transfers of shares/family relationships/introducers/common directors of Sarang. It is also noted that the group entities had executed their trades through Brokers and Sub-Brokers connected to the group viz., Atlanta Share Shoppee Ltd, Galaxy Broking Ltd. (the Noticee) and one sub-broker viz., Presilco Impex Ltd. who is a sub broker affiliated with stock broker SKSE Securities Ltd.

12.3 A pictorial representation of the connection is as under:



12.4 During January 03, 2011 to March 14, 2011(“Patch 1”), a large volume of shares of Sarang was traded among a group of eleven connected entities. Subsequently, a large volume of shares were sold by them during the period March 15, 2011 to June 08, 2011(“Patch 2”). The details of trade by the group of eleven including Noticees 1-5 is as under:

Period	Market Vol.	Group Vol.	Group vol. % to Mkt.	Group Buy volume	Group buy % to Mkt.	Group Sell volume	Group sell % to Mkt.	Trading among the group	Trading among the group % to Mkt.
Patch -1	2,66,62,070	2,46,25,630	92.36	2,37,56,895	89.10	2,41,09,847	90.43	2,32,41,112	87.17

Patch-2	5,73,55,051	4,93,61,363	86.06	39,40,965	6.87	4,82,98,446	97.85	28,78,048	5.02
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12.5 The day-wise volume contribution by group of 11 connected entities is illustrated in the following table:

Date	Market Vol.	Group buy vol	Group buy % to Day Mkt. Vol.	Group Sell Vol.	Group Sell % to Day Mkt. Vol.	Net(Buy-Sell)	Trading among the group (TAG)	TA G % to Day
03-Jan-	26,748	0	0.00	0	0.00	0	0	0.00
04-Jan-	34,632	0	0.00	0	0.00	0	0	0.00
05-Jan-	276	0	0.00	0	0.00	0	0	0.00
06-Jan-	6,37,828	6,05,620	94.95	6,00,000	94.07	5,620	6,00,000	94.0
07-Jan-	8,00,893	6,89,994	86.15	6,80,000	84.91	9,994	6,80,000	84.9
10-Jan-	81,500	0	0.00	0	0.00	0	0	0.00
11-Jan-	3,067	0	0.00	0	0.00	0	0	0.00
12-Jan-	2	0	0.00	0	0.00	0	0	0.00
13-Jan-	7,500	0	0.00	0	0.00	0	0	0.00
14-Jan-	16,000	0	0.00	0	0.00	0	0	0.00
17-Jan-	60,002	0	0.00	0	0.00	0	0	0.00
18-Jan-	55,566	0	0.00	0	0.00	0	0	0.00
19-Jan-	82,500	0	0.00	0	0.00	0	0	0.00
20-Jan-	92,057	0	0.00	0	0.00	0	0	0.00
21-Jan-	63,755	0	0.00	0	0.00	0	0	0.00
24-Jan-	37,600	0	0.00	0	0.00	0	0	0.00
25-Jan-	78,087	0	0.00	0	0.00	0	0	0.00
27-Jan-	8,45,204	7,99,000	94.53	8,00,000	94.65	-1,000	7,99,000	94.5
28-Jan-	24,507	12,807	52.26	0	0.00	12,807	0	0.00
31-Jan-	8,99,078	8,01,000	89.09	8,00,000	88.98	1,000	8,00,000	88.9
01-Feb-	8,72,815	8,00,000	91.66	8,00,000	91.66	0	8,00,000	91.6
02-Feb-	3,25,137	2,87,311	88.37	2,87,311	88.37	0	2,87,309	88.3
03-Feb-	63,449	0	0.00	0	0.00	0	0	0.00
04-Feb-	9,15,702	8,00,000	87.36	8,00,000	87.36	0	7,95,500	86.8
07-Feb-	9,47,494	8,39,500	88.60	8,50,000	89.71	-10,500	8,24,500	87.0
08-Feb-	1,01,405	0	0.00	0	0.00	0	0	0.00
09-Feb-	9,56,316	7,15,036	74.77	8,00,000	83.65	-84,964	6,84,498	71.5
10-Feb-	18,08,696	16,95,000	93.71	16,70,957	92.38	24,043	16,70,857	92.3
11-Feb-	3,42,553	3,33,243	97.28	2,54,043	74.16	79,200	2,54,033	74.1
14-Feb-	9,44,646	8,45,000	89.45	8,45,000	89.45	0	8,45,000	89.4
15-Feb-	16,89,500	16,41,000	97.13	16,40,000	97.07	1,000	16,34,400	96.7
16-Feb-	8,64,100	8,50,000	98.37	8,52,845	98.70	-2,845	8,44,789	97.7
17-Feb-	2,76,200	2,01,500	72.95	2,70,000	97.76	-68,500	2,01,500	72.9
18-Feb-	500	0	0.00	0	0.00	0	0	0.00
21-Feb-	6,79,111	6,15,000	90.56	6,43,600	94.77	-28,600	5,94,500	87.5
22-Feb-	13,79,795	12,86,795	93.26	13,42,000	97.26	-55,205	12,86,795	93.2
23-Feb-	10,46,200	10,43,699	99.76	10,43,000	99.69	699	10,42,979	99.6
24-Feb-	11,72,519	10,07,518	85.93	11,66,519	99.49	-	10,07,518	85.9
25-Feb-	9,68,595	8,39,000	86.62	8,39,000	86.62	0	8,31,963	85.8
28-Feb-	16,82,829	16,77,429	99.68	16,15,642	96.01	61,787	16,10,242	95.6
01-Mar-	8,76,680	8,26,680	94.30	8,53,495	97.36	-26,815	8,03,495	91.6
03-Mar-	13,58,512	12,96,012	95.40	12,86,430	94.69	9,582	12,23,930	90.0
04-Mar-	8,58,035	7,58,035	88.35	8,53,535	99.48	-95,500	7,53,535	87.8
07-Mar-	4,85,000	3,63,799	75.01	4,25,000	87.63	-61,201	3,03,799	62.6
08-Mar-	8,29,117	8,09,117	97.59	8,24,000	99.38	-14,883	8,04,000	96.9
09-Mar-	4,96,440	4,86,240	97.95	4,95,500	99.81	-9,260	4,85,500	97.8
10-Mar-	48,970	34,970	71.41	34,970	71.41	0	34,970	71.4

Date	Market Vol.	Group buy vol	Group buy % to Day Mkt. Vol.	Group Sell Vol.	Group Sell % to Day Mkt. Vol.	Net(Buy-Sell)	Trading among the group (TAG)	TAG % to Day
11-Mar-	21,906	1,000	4.56	0	0.00	1,000	0	0.00
14-Mar-	8,03,046	7,95,590	99.07	7,37,000	91.78	58,590	7,36,500	91.7
Total	2,66,62,0	2,37,56,8	89.10	2,41,09,8	90.43	-	2,32,41,11	87.1

12.6 From the perusal of Day-wise volume of trades in the scrip of Sarang during January 03, 2011 to March 14, 2011, I note that on January 3, January 4, and January 5, 2011 shares in the scrip of Sarang were traded in low volume i.e., 26,748 shares, 34,632 shares and 276 shares, respectively (an average of 20,552 shares).

12.7 However, there was a steep increase in the volume of shares traded on January 6, 2011, when the market volume had increased to 6,37,828 shares i.e., 30.03 times increase. On the said date the group trade volume was 6,00,000 shares which was 94.07% of the market volume. Similarly, on January 7, 2011, the group sell volume was 6,80,000 shares which was 84.91% of the total market volume of 8,00,893.

12.8 From January 10, 2011 till January 25, 2011, when the group trading volume was zero, the total market trading volume in the scrip of Sarang fell to an average of 48,136 shares, with the lowest trade volume being recorded on January 12, 2011 of 2 shares, and the highest trade volume on January 20, 2011 of 92,057 shares.

12.9 During the period from January 03, 2011 to March 11, 2011, eleven entities of the group had contributed 87.17% of market volume (i.e., 2,66,62,070 shares) by trading among themselves (i.e., 2,32,41,112 shares). I also note that the shares were traded in less volume when the group entities did not trade in the market. However, the group entities, by trading among themselves, created huge artificial volume in the market on most of the days.

13. I also note that considering the gravity of fraud involved in the matter, SEBI has taken Proceedings under Section 11B of the SEBI Act and Adjudication Proceedings against the Group entities and Brokers for the violation of PFUTP Regulations. I note that proceedings under Section 11B of the SEBI Act were concluded vide SEBI Order bearing No. WTM/MB/SEBI/EFD-DRA3/ 71 /2018 dated December 31, 2018. Vide the said Order,

SEBI issued certain directions including disgorgement against 13 entities of the Group including one of the clients and past and present directors of the Noticee viz., Mr. Manish K Ashar, Ms. Bhavna M Ashar, Mr. Hemanshu P Mehta Mr. Shailesh Ved, Mr. Haresh Tejani, and Bhavik Amrutlal Vaza who were involved in the creation of artificial volume and manipulation of price and had off-loaded the shares and made unlawful gains.

14. Having seen the factual background of trading pattern of group entities vide which they had created huge artificial volume in the scrip of Sarang, I shall now proceed to deal with the allegation against the Noticee. It is a well established principle that the role of broker in exercising due diligence under the code of conduct has to be gathered from the totality of circumstances since direct evidence for proving such allegations/role may not be forthcoming. Hence, it would be necessary to look into the circumstantial evidences available on record. I note that the Noticee has not filed any reply to the SCN till date nor appeared before me for personal hearing. Hence, I am of the view that the Noticee has not disputed any of the trading details and facts leading to such allegations. In order to examine whether the Noticee failed to exercise due skill, care and diligence, it would be necessary to look into the role played by the clients of the Noticees/involvement of past and present directors of the Noticee in the said manipulation. The same are detailed as under:

14.1 I note that the Noticee executed sell trades for its clients viz., Mr. Manish K Ashar, Ms. Bhavna M Ashar, Mr. Hemanshu P Mehta and Mr. Manish M Raja who were part of the Group of 21 connected entities. Further, I note that directors of the Noticee viz., Mr. Shailesh Ved, Mr. Haresh Tejani, Ms. Bhavna Asher and Bhavik Amrutlal Vaza also traded in the scrip of Sarang during the investigation period.

14.2 The connection of the clients of the Noticee and past and present directors with the Group of 21 entities of Sarang is detailed as under:

- Mr. Manish Asher is sibling of Ms. Sonal Kanaksingh Ashar who is a common director of Aum Technocast Pvt Ltd. (group entity) and also shares common telephone number with Aum Technocast Pvt Ltd. Mr. Manish Asher was found to be instrumental in creation of artificial volume and manipulation of price. It was also

- found that he had off-loaded shares and made an unlawful gain of Rs.13,14,230/-/
- Ms. Bhavna M Ashar was a director of the Noticee and wife of Mr. Manish Asher. It is noted that by taking advantage of increased price of the scrip, Ms. Bhavna M Ashar off-loaded the shares and made an unlawful gain of Rs.14,97,483/-.
 - Mr. Hemanshu P Mehta is director of a group entity Om Education (IT) Pvt. Ltd. He is also a director of Presilco Impex Ltd. (Sub-Broker affiliated with Stock Broker SKSE Securities Ltd.). Presilco Impex Ltd. and the Noticee is connected through a common director viz., Mr.Haresh Tejani. I note that Mr. Hemanshu P Mehta off-loaded the shares and made an unlawful gain of Rs.7,53,713/-.
 - Mr. Manish M Raja was introduced by one of the group entity Mr. Paresh C.Doshi. I note that Mr. Manish M Raja was instrumental in creation of artificial volume and price manipulation in the scrip of Sarang.
 - A pictorial representation of the connection of the clients of the Noticee along with the other group entities is already detailed at paragraph 12.3 above.

Creation of Artificial Volume-Role of Clients of the Noticee:

15. I note that out of total 87.17% of the trading done by the eleven connected entities of the Group in the scrip of Sarang, the clients of the Noticee viz., Mr. Manish M. Raja and Mr. Manish K. Asher had contributed to the extent of 40.76% and 3.62 % respectively totaling into 44.38% of total market volume.
16. By virtue of such a huge volume of trades i.e. 44.38% executed by the two clients of the Noticee had great impact upon the volume in the scrip. I note that the Noticee had executed trades on behalf of its aforesaid 2 clients only for selected patch / selected days and prior to that there was very low trading by them. I also note that the said huge trading took place amongst the connected Group entities only. Hence, I am of the view that the modus operandi used by the clients of the Noticee viz. trading heavily from January 06, 2011 to March 14, 2011 amongst connected entities of the Group only for selected

days/patch/ by increasing their trading around 30 times as compared to their prior trades, and off-loading the shares thereafter at increased price, cannot be seen as an ordinary transaction in the securities. The method and the manner in which the trades were executed can only be considered as to create artificial volumes of the shares of Sarang in order to induce innocent investors to invest in the said scrip.

Price Manipulation and Off-loading of shares by clients and past and present directors of the Noticee:

17. As a consequence of trading amongst the eleven entities of the Group including the clients of Noticee which created artificial volume in the scrip, the price of the scrip increased from Rs.0.31 (as on January 3, 2011) to Rs. 0.90 (as on April 27, 2011). I also note that 16 entities of the Group including clients of Noticee viz., Mr. Manish K Ashar and Mr. Manish M Raja and directors of the Noticee viz., Mr. Shailesh Ved, Mr. Haresh Tejani, Ms. Bhavna Asher and Bhavik Amrutlal Vaza (which consisted of entities who had created artificial volume in the scrip) contributed to the said price rise.

18. Taking advantage of this price rise, during the period of March 15, 2011 to June 8, 2011, the Group entities including clients and directors of the Noticee off-loaded the shares at various increased prices well above the starting price of Rs.0.31.

Details of the number of shares traded by the clients and past and present directors of the Noticee and the average sell prices and the unlawful gains are given below:

S N	Name of the entity	TRADED QTY	Avg. Sell Rate	Price diff. from	Gain
1.	SHAILESH MULRAJ VED	72,38,448	0.62	0.31	2,243,919
2.	HARESH LALITBHAI TEJANI	39,59,800	0.70	0.39	1,544,322
3.	BHAVIK AMRUTLAL VAZA	38,09,565	0.72	0.41	1,561,922
4.	BHAVANA MANISH ASHER	34,82,519	0.74	0.43	1,497,483
5.	MANISH KANAKSHI ASHAR	32,05,439	0.72	0.41	1,314,230
6.	HEMANSHU P MEHTA	18,38,325	0.72	0.41	753,713

19. In view of the above huge involvement of 44.38% of the total market volume by the 2 persons (client of the Noticee) and aforesaid modus operandi used by them which

resulted into unlawful gains, I am of the view that it certainly had an impact in the scrip of Sarang and had thereby created artificial volume and misleading appearance of trading in the scrip.

20. I note that being a Stock Broker the Noticee has direct access to the trading platform for executing the trades on behalf of its clients. While executing the trades on behalf of its clients the Noticee ought to have known the impact of such trades in the market in a scrip which is categorized as “T” Group. I note that the trades executed by the Noticee on behalf of its clients contributed to the huge volume in the scrip of Sarang which was well within the knowledge of the Noticee as brokers have access to data on transaction volumes at scrip level. The fact that the scrip is placed in the “T” Group and there is persistent trading in such scrip by its clients in huge volume should have alerted the Noticee/broker. The fact that the client of the Noticee Mr. Manish Asher is none other than husband of one of the directors viz., Ms. Bhavana Asher, further reinforces the fact that the orders on behalf of Mr. Manish Asher had been placed by the Noticee with clear knowledge and connections. Additionally, the fact that Mr. Shailesh Ved, Mr. Haresh Tejani, Bhavna Asher and Ms. Bhavika Vaza, who were the Directors of the Noticee (at the relevant point of time) had also traded in the scrip of Sarang during the period of investigation coupled with their connection with other Group entities including the clients of the Noticee viz., Mr. Manish Ashar and Manish Raja, further strengthens the role and knowledge of the Noticee in the volume and price manipulation in the scrip of Sarang.

21. In this context, it is pertinent to mention herein the following observations of the Hon’ble Supreme Court in the matter of *Kishore R. Ajmera*, (Civil Appeals No.2818 of 2008 with Nos.8769 of 2012, 6719 of 2013, 252 of 2014 decided on February 23, 2016 [(2016) 6 SCC 368]):

“The failure of the brokers/sub-brokers to alert themselves to this minimum requirement and their persistence in trading in the particular scrip either over a long

period of time or in respect of huge volumes thereof, in our considered view, would not only disclose negligence and lack of due care and caution but would also demonstrate a deliberate intention to indulge in trading beyond the forbidden limits thereby attracting the provisions of the FUTP Regulations. The difference between violation of the Code of Conduct Regulations and the FUTP Regulations would depend on the extent of the persistence on the part of the broker in indulging with transactions of the kind that has occurred in the present cases. Upto an extent such conduct on the part of the brokers/sub-brokers can be attributed to negligence occasioned by lack of due care and caution. Beyond the same, persistent trading would also show a deliberate intention to play the market. The dividing line has to be drawn on the basis of the volume of the transactions and the period of time that the same were indulged in. In the present cases it is clear from all these surrounding facts and circumstances that there has been transgressions by the respondents beyond the permissible dividing line between negligence and deliberate intention.”

Conclusion:

22. Considering the above legal and factual position detailed above in the preceding paragraphs, I note that in the instant case there is enough material on record to show that the Noticee was facilitating execution of abnormally large number of manipulative trades for its clients in the scrip of Sarang during the investigation period. Further, as stated above, the directors of the Noticee was also involved in the manipulation of the scrip and off loaded the shares and made unlawful gains.
23. Therefore, in light of aforesaid observations and facts and circumstance of the case, I am of the view that the Noticee had failed to exercise due skill, care and diligence in execution of trades which had ultimately facilitated Group entities in creation of artificial volume / misleading appearance of trading in the scrip. By virtue of the aforesaid acts / failure, I find that the Noticee has violated clause A (2) of the Code of Conduct under

Schedule II read with regulation 7 of the Stock Brokers Regulations and liable for the same.

24. Enquiry proceedings are mainly disciplinary proceedings initiated against intermediaries registered with SEBI. Section 12(3) of the SEBI Act provides that: *"The Board may, by order, suspend or cancel a certificate of registration in such manner as may be determined by regulations..."*. As per intermediaries Regulations, an intermediary can be proceeded against for violation of securities laws. Since the Noticee being an intermediary has violated the code of conduct prescribed for stock brokers, I find that the Noticee is liable for action under the intermediaries Regulations. I note that the DA has recommended for suspension of certificate of registration of the Noticee for a period of fifteen days. However, considering the fact that the directors of the Noticees themselves have traded in the scrip of Sarang and one of the directors of the Noticee is wife of the trading client of the Noticee who has indulged in manipulative trades, I find that this is a fit case for altering the penalty recommended by the DA in consonance with the interest of investors. Upon considering the totality of the facts and circumstances, the interest of securities market, the market participants and my observations/findings, I am of the view that prohibition to take up any new assignment or contract for a period of six months along with bar on its proprietary trading would be commensurate with the violations found hereinabove.

25. In view of the above, I in exercise of the powers conferred upon me in terms of Section 19 read with Section 12 (3) of the Securities and Exchange Board of India Act, 1992 read with Regulation 28(2) of Securities and Exchange Board of India (Intermediaries) Regulations, 2008, hereby prohibit the Noticee i.e. Galaxy Broking Limited (Presently known as Starlink Finsec Limited) to take up any new assignment or contract or launch a new scheme for a period of **six (6)** months. The Noticee shall not enter into any new contract of buy and sell on his own account as principal (proprietary trade) for the said period of six (6) months.

26. This order shall come into force immediately on expiry of seven days from the date of this order.
27. The copy of this order shall be served upon the Noticee and BSE in accordance with regulation 30(3) of the Intermediaries Regulations.
28. The SCN issued against the Noticee is accordingly disposed of.

DATE: January 04, 2019

PLACE: Mumbai

**MADHABI PURI BUCH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**