

WTM/ AB /EFD-1/DRA-4/21 /2020-21

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

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

S. No.	Name of the Noticee	PAN
1.	Vertex Spinning Limited	AABCV5617N
2.	Mr. Sachin Sharma	ACWPS3831M
3.	Mr. Suresh Sharma	ANFPS2503J
4.	Mansukh Finance & Investments Pvt. Ltd.	AABCM0703C
5.	Mr. Suresh Sharma	ANFPS2503J
6.	Mr. Mithilesh Suresh Sharma	Not available
7.	S. S. Forging & Engineering Ltd.	AABCS2068J
8.	Mr. Suresh Sharma	ANFPS2503J
9.	Mr. Daljit Singh Matharu	AILPM1271C
10.	Mr. Ram Pratap Singh	Not available
11.	Mr. Ashok Sharma	Not available
12.	Twinstar Finvest Pvt. Ltd.	AABCT1168Q
13.	Mr. Suresh Sharma	ANFPS2503J
14.	Mr. Mithilesh Suresh Sharma	Not available
15.	Mr. Ramkumar Sidhar	BHWPS2060J
16.	Mr. Narendra Upadhyay	AAUPU8088L
17.	Mr. Kuldeep Singh	BHWPS2065P
18.	Mr. Sandeep Mishra	ALLPM8699K
19.	Mr. Ram Sharan Yadav	ABUPY1807E
20.	Mr. Co. Rajinder Handa	AACPH4025Q

In the matter of Vertex Spinning Limited

The aforesaid entities are hereinafter referred to individually, by their respective names/ Noticee numbers and collectively as “the Noticees”.

1. The present proceedings emanate from a show cause notice dated August 08, 2016 (hereinafter referred to as “**SCN**”) issued by the Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) to the Noticees asking them to show cause as to why suitable directions under Sections 11 and 11B of

Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act, 1992**”) including directions to debar the Noticees from accessing, buying, selling or otherwise dealing in securities market, should not be issued against them for the alleged violations contained in the SCN. The SCN alleged that Vertex Spinning Limited (hereinafter referred to as “**VSL**”/ “**the Company**”) and its promoters and the then CEO, Mr. Suresh Sharma (Noticee no. 3) and its Executive Director, Mr. Sachin Sharma (Noticee no. 2) had made misleading corporate announcements without proper basis only to lure investors. The SCN also alleged that promoter/director of VSL i.e. Noticee no. 3 along with certain related entities traded in the scrip of VSL and were creating huge volume of false trading in the scrip of VSL and had facilitated in creation of false market in shares of VSL. The SCN charged the Noticees for the violation of Section 12A (a), 12A(b), 12A(c) of SEBI Act, 1992, Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”).

2. The SCN was issued subsequent to an investigation by SEBI in the scrip of VSL pertaining to the period March 29, 2006 to March 28, 2007 (hereinafter referred to as, “**investigation period**”) for possible violations of provisions of the SEBI Act, 1992 and PFUTP Regulations. SEBI observed that the price of the scrip of VSL was fluctuating during the investigation period. It opened at Rs. 32 on March 29, 2006 and increased to Rs. 80.55 on May 19, 2006 and then gradually came down to Rs. 29.70 on October 20, 2006 and again increased to Rs. 64.05 on February 09, 2007 and then closed at Rs. 30 on March 29, 2007. SEBI also observed that during the investigation period, VSL made certain major corporate announcements with respect to its project in Dhule District, Maharashtra.
3. The brief facts of the case, as mentioned in the SCN are as follows:
 - 3.1. SEBI conducted investigations in the matter of VSL, which was listed on BSE during the Investigation period. The price of the scrip of the Company was fluctuating during the investigation period. During investigation period the benchmark index, Sensex moved from opening 11103.87 points as on March 29, 2006 to 14007.67 points on December 08, 2006 and closed at

12979.66 points on March 29, 2007. Out of 251 trading days, the scrip was traded for 244 days during the investigation period with the total traded quantity of 1,27,43,328 shares with an average daily volume of 52,226 shares.

- 3.2. The Company was incorporated on September 12, 1994 as a Private Limited company namely Vertex Machineries Pvt. Ltd. The Company changed its name from Vertex Machineries Ltd. to Vertex Technosoft Ltd. and then changed its name to Vertex Spinning Ltd. in the year 2003. The registered office of the Company is situated at 1011, Embassy Centre, Nariman Point, Mumbai.
- 3.3. As per Annual reports during 2005-06 and 2006-07, the Board of directors of VSL comprised of:
 - Mr. Suresh Sharma – Promoter, Chairman and the then CEO of VSL
 - Mr. Sachin Sharma (son of Mr. Suresh Sharma) Executive Director
 - Mr. Pankaj Vaidya,
 - Mr. Gautam Jha and
 - Mr. Mandar Viyala
- 3.4. It was observed from findings of investigation that during investigation period the Company made certain major corporate announcements with respect to its project in Dhule District, Maharashtra at Nardhana Industrial Textile Park.
- 3.5. SEBI vide summons dated December 09, 2010 asked the Company *inter alia* to give details of the implementation status of all the corporate announcement made during the investigation period, with necessary supporting evidences. However, the Company merely provided the copy of announcements made and did not mention about the implementation status of the same.
- 3.6. Mr. Suresh Sharma, the then CEO of VSL, while appearing on his behalf and on behalf of VSL, for recording of statements, confirmed to provide the status of implementation of all the corporate announcements and also provide acknowledged copies of letter submitted to BSE in respect of intimation for implementation of said announcements. Mr. Suresh Sharma mentioned about certain developments in respect of certain

announcements, however, he failed to provide full details of implementation status in respect of all announcements made, with evidence.

- 3.7. The major corporate announcements made by the Company with respect to its expansion project in Dhule District, Maharashtra during the investigation period and the status of implementation is as follows:

Table -1

	Announcement/News	Price Impact/Shares Traded	Implementation status								
1.	<p>a) March 29, 2006 @ 12:48:12 PM</p> <p>i. Company has received letter from Maharashtra Industrial Development Corporation (MIDC) to register the lease Dated March 27, 2006.</p> <p>ii. The Company has applied to the District industries center to give a Certificate for the exemption of Stamp Duty (Rs.3,00,000/ of 10% of Rs.60,00,000/-) as per the Government Policy of New Unit at Nardhana Textile Park of Dist. Dhule.</p> <p>iii. Further the Company submitting the document for NOC from pollution Department, Building Map, Water and Electrical connection will also be completed shortly and Construction will be started in April 2006.</p>	<p>29.03.2006</p> <table border="1"> <tr> <th>O</th><th>H</th><th>L</th><th>C</th></tr> <tr> <td>32.00</td><td>32.26</td><td>32.00</td><td>32.26</td></tr> </table> <p>No. of shares traded: 19695</p> <p>This announcement did not have any immediate effect on the price/volume</p>	O	H	L	C	32.00	32.26	32.00	32.26	<p>i. With respect to the announcement at Sr. no. ii i.e. it has applied for exemption of stamp duty, it has not been informed whether these have been achieved or not</p> <p>ii. With respect to the announcement at Sr. no. iii i.e. VSL will submit the documents for NOC from pollution Dept and construction work in Dhule shall start in April 2006, it was not been informed whether it has been achieved or not.</p> <p>iii. With respect to implementation status of corporate announcement, VSL has merely informed that Electricity connection has been obtained and is developing plot T1 and T2, Nardana, Dhule.</p>
O	H	L	C								
32.00	32.26	32.00	32.26								
2.	<p>April 13, 2006 @ 02:53:50 PM:</p> <p>i. Company has updated the plant and machinery and also enhancement capacity to 160000 Spindles of Cotton Spinning, the total cost of project is Rs.5120 million.</p> <p>ii. The Company has completed the survey of land and appointed Architect and Structural Engineer</p>	<p>On April 13, 2006 as the announcement was made at 02:53:50 PM, it did not have any immediate effect on the price/volume on the same day.</p> <p>However, on next trading day i.e. Apr. 17, 2006, the price increased by 4.97% than the previous close and</p>	<p>i. No information as to the work performed by VSL was given to SEBI.</p> <p>ii. Further no status of plant & machinery and enhancement of capacity referred in announcement is provided to SEBI.</p>								

	Announcement/News	Price Impact/Shares Traded	Implementation status
	(Mumbai), Electrical Engineering Firm (Ahmedabad), Land Escaping Firm (Baroda) and also appointed the supervision team at site. Hope that the building and layout will be submitted soon and construction will start in this month.	volume was also more by 4 times than the previous day's volume.	
3.	<p>April 20, 2006 @ 11:41:12 AM</p> <p>i. Company has submitted the map and Complete Building plan to MIDC Dhulia alongwith the application Water and air pollution to the pollution Board necessary fees has also been Deposited.</p> <p>ii. Further, the Company has appointed Mr Rahul Deora and senior Deora as an architect of Nasik and also appointed Mr M M Kelker as Electrical Consultant, Mr Dilip Bhai Mehta CSE Consultant, Mrs Shobha Bhoptker, Mrs Anju Viyala, Architect and Landscape Designer, Mumbai, Ahmedabad and Baroda Electrical and land scape replaced.</p> <p>iii. The Company hopes that the sanction of layout plan and building plan shortly.</p>	The announcement did not have any immediate effect on the price/volume.	i. No information as to the work performed by entities referred was given to SEBI.

	Announcement/News	Price Impact/Shares Traded	Implementation status								
4.	<p>April 21, 2006 @ 2:39:43 PM</p> <p>i. Maharashtra Industrial Development Corporation (MIDC) has sanctioned Building Plan on plot T/1 for the Company's factory at Nardhana office of the Executive Engineer Division Dhule.</p> <p>ii. The Company calling Tender from the A class contractor to submit their offer for following Construction to the registered office Nariman Point or to the Architect office at Dhulia. Total construction 70627.49 Sq. Meters.</p> <p>iii. Construction of Boundary and office building will start on time as the Company's announcement earlier and factory building will also start as soon as the Contractor Rates final. The Company's speed of working very fast looking to the coming rainy season.</p>	<p>21.04.2006</p> <table border="1"> <tr> <th>O</th><th>H</th><th>L</th><th>C</th></tr> <tr> <td>56.30</td><td>56.30</td><td>54.00</td><td>56.30</td></tr> </table> <p>No. of shares traded: 51299</p> <p>On April 21, 2006 as the announcement was made at 02:39:43 PM, it did not have any immediate effect on the price/volume on the same day.</p> <p>However, on next trading day i.e. Apr. 24, 2006, the price increased by 4.97% than the previous close and volume also increased to 72680 than the previous day's volume of 51299.</p>	O	H	L	C	56.30	56.30	54.00	56.30	No information with respect to implementation was given to SEBI.
O	H	L	C								
56.30	56.30	54.00	56.30								
5.	<p>April 24, 2006 @ 4:01:16 PM</p> <p>i. Company has offered its Services to Maharashtra Industrial Development Corporation (MIDC) for Textile Zone at Nardhana / Amaravati / near Mumbai by its letter dated April 18, 2006.</p> <p>ii. In response of their Letter MIDC has also eagerly interested for Joint Venture (JV) with the Company by their letter dated April 24, 2006, Dpt. CEO of MIDC Mr. R M Naikhede informed</p>	<p>24.04.2006</p> <table border="1"> <tr> <th>O</th><th>H</th><th>L</th><th>C</th></tr> <tr> <td>59.10</td><td>59.10</td><td>59.00</td><td>59.10</td></tr> </table> <p>No. of shares traded: 72680</p> <p>On April 24, 2006 as the announcement was made at 04:01:16 PM, it did not have any immediate effect on the price/volume on the same day.</p> <p>However, on next trading day i.e. Apr. 25, 2006, the price increased by 1.94% than the previous close and</p>	O	H	L	C	59.10	59.10	59.00	59.10	No information with respect to implementation was given to SEBI.
O	H	L	C								
59.10	59.10	59.00	59.10								

	Announcement/News	Price Impact/Shares Traded	Implementation status								
	and invited the Company in the next week for detail discussion on the issue and furnish the brief of project for joint share with MIDC.	there was a decrease in volume to 31965 than the previous day's volume of 72680.									
6.	May 02, 2006 @ 10:20:57AM Meeting of the Board of Directors of the Company will be held on May 08, 2006, inter alia, to consider, recommend & declare dividend to the shareholders for financial year 2005-06.	<p>02.05.2006</p> <table border="1"> <tr> <th>O</th><th>H</th><th>L</th><th>C</th></tr> <tr> <td>66.45</td><td>66.45</td><td>66.40</td><td>66.45</td></tr> </table> <p>No. of shares traded: 34435</p> <p>The announcement did not have any immediate effect on the price/volume</p>	O	H	L	C	66.45	66.45	66.40	66.45	No information with respect to implementation was given to SEBI.
O	H	L	C								
66.45	66.45	66.40	66.45								
7.	May 08, 2006 @ 11:31:21 AM the Board of Directors of the Company at its meeting held on May 08, 2006, has recommended Dividend @10% to the Shareholders of the Company.	<p>08.05.2006</p> <table border="1"> <tr> <th>O</th><th>H</th><th>L</th><th>C</th></tr> <tr> <td>71.80</td><td>71.80</td><td>71.80</td><td>71.80</td></tr> </table> <p>No. of shares traded: 32154</p> <p>The announcement did not have any immediate effect on the price/volume on the same day. However, on next day the scrip opened at a price higher by 1.94% than the previous close and on next day there was a decrease in volume to 24661 than the previous day's volume of 32154.</p>	O	H	L	C	71.80	71.80	71.80	71.80	No information with respect to implementation was given to SEBI.
O	H	L	C								
71.80	71.80	71.80	71.80								
8.	<p>June 22, 2006 @ 12:20:52 PM</p> <p>i. Mr.. Suresh Sharma CEO of the Company visited various Plant at Italy, Promoters are running very doubtful way looking to the future scared from Asian Countries, like India, China, Bangladesh, Sri Lanka and Pakistan.</p> <p>ii. They are facing highly competition from Asian Countries. The Company CEO has visited Top Industrialist of Italy and after deep study,</p>	<p>22.06.2006</p> <table border="1"> <tr> <th>O</th><th>H</th><th>L</th><th>C</th></tr> <tr> <td>54.65</td><td>54.65</td><td>54.65</td><td>54.65</td></tr> </table> <p>No. of shares traded: 64352</p> <p>The announcement did not have any immediate effect on the price/volume</p>	O	H	L	C	54.65	54.65	54.65	54.65	<p>i. No evidence of any MOU/ agreement with Italian companies (whose names were also not provided) given to SEBI.</p> <p>ii. VSL did not inform SEBI whether the machinery has been shifted from Italy, as was mentioned.</p>
O	H	L	C								
54.65	54.65	54.65	54.65								

	Announcement/News	Price Impact/Shares Traded	Implementation status								
	finally decided get hold of two Leading Textile Mills at Italy on Equity participation. Some of machinery will be shifted to the Company's Plant at Nardhana, Distt. Dhule, Maharashtra and value added product will be process on their existing site.										
9.	<p>August 01, 2006 @ 12:33:44 PM</p> <p>i. The Company has launched a festive range of Acrylic Mink Blankets under the brand name "DIANA". Each design is available in various colour combinations & permutations. These blankets are manufactured by using best of the yarns having the properties of attaining colour brightness & softness, the essential property is required for a quality blanket as per the international standard.</p> <p>ii. The company also manufactures colourful baby blankets with cartoon motifs & logos. The company is having wide marketing network throughout India & exports its products to Gulf Countries & UK. Though Spain is considered market leader of Mink Blanket in the world, there is heavy demand for Mink Blanket of the company from Spain & UK, resulting into fully booking of the company production for next two years.</p>	<p>01.08.2006</p> <table border="1"> <tr> <td>O</td><td>H</td><td>L</td><td>C</td></tr> <tr> <td>45.35</td><td>45.35</td><td>45.35</td><td>45.35</td></tr> </table> <p>No. of shares traded: 301</p> <p>The announcement did not have any major effect on the price. The volume came down considerably to 301 shares from 65000 shares on previous day.</p>	O	H	L	C	45.35	45.35	45.35	45.35	<p>The manufacture/ sales details of blanket under brand name "Diana" were not provided to SEBI to verify the claim made by VSL.</p>
O	H	L	C								
45.35	45.35	45.35	45.35								
10.	<p>September 29, 2006 @ 07:09:11 PM</p>	<p>29.09.2006</p> <table border="1"> <tr> <td>O</td><td>H</td><td>L</td><td>C</td></tr> </table>	O	H	L	C	<p>i. Company has not provided any evidence expansion in plant & machinery in</p>				
O	H	L	C								

	Announcement/News	Price Impact/Shares Traded	Implementation status				
	<p>i. The Company has undertaken a major expansion programme, whereby it has updated the Plant and Machinery and completed 25,000 Spindles expansion programme at existing Unit at Pithampur, Madhya Pradesh.</p> <p>ii. After the completion of this expansion of acrylic spinning mill, the Company became one of the top three Acrylic Blanket Manufacturing Mills in the world and it has established itself as a strategically located quality supplier of acrylic blanket to the whole of the country, Africa, USA, UK, Australia, Canada and all Asian Countries including Middle East.</p> <p>iii. To start Cotton spinning the Company has acquired 100 Acres of Land and has started construction activity at Nardhana Industrial Area, Dist. Dhule, Maharashtra. The new Mega Project is at a cost of Rs 512 Crores. The company has obtained license from Govt. of India for Cotton Spinning of 1,60,000 Spindles. The Directors of the Company expected to commence its production of Phase-I of 80,000 Spindles by March 2007.</p> <p>iv. After completion of Cotton Spinning Project the company is expected to earn a gross revenue of Rs. 227.32 crores and a profit after tax amounting to Rs. 51.11 crores. Extensive efforts are being made to revamp and upgrade technology to enable the company to take advantage of the</p>	<table border="1" data-bbox="692 237 1099 280"> <tr> <td>31.30</td><td>32.45</td><td>31.30</td><td>31.35</td></tr> </table> <p>No. of shares traded: 26153</p> <p>As the announcement was made at 07:09:11 PM, it did not have any impact on price and volume on same day and on next trading day also there was no major impact on price. However, on next trading day the volume also increased three times than the previous day's volume.</p>	31.30	32.45	31.30	31.35	<p>Pithampur plant as contended.</p> <p>ii. Further no evidence of production of 80000 spindles in phase-I in Dhule project which was contended to commence by March 2007 was given to SEBI.</p>
31.30	32.45	31.30	31.35				

	Announcement/News	Price Impact/Shares Traded	Implementation status								
	changing business opportunities										
11.	<p>November 10, 2006 @ 12:57:15 PM</p> <p>The Company is Developing Integrated Textile Park, details as under.</p> <p>i. Integrated Textile Park being Developed by the Company in District Dhule, Maharashtra, Dhule an important place in Maharashtra industrial scenario various industries on small scale. Knitwear, Hosiery, Weaving has been growing @10% over the past few year. Lifting of quantitative restrictions of quotas in the year 2005.</p> <p>ii. The quality of Textile with reduction of cost and skill improvement compete the market. The Company has opened, Division of Integrated Textile Park and has acquired 400 acres land (1600000 sq meters) for 99 years in Nardhana industrial area Dist Dhule from MIDC.</p> <p>iii. The project aimed Developing Dhule as a major cotton export city and to create employment for Rural Area on big scale as many as 10000 jobs or more. Company had chosen Dhule as one of the Cotton Producing District in the Maharashtra and there will be no shortage of the Raw material.</p>	<p>10.11.2006</p> <table border="1"> <tr> <td>O</td><td>H</td><td>L</td><td>C</td></tr> <tr> <td>38.80</td><td>38.80</td><td>38.80</td><td>38.80</td></tr> </table> <p>No. of shares traded: 33893</p> <p>The announcement did not have any major effect on the price. The volume came down by three time than the previous day's volume.</p>	O	H	L	C	38.80	38.80	38.80	38.80	No information with respect to implementation was given to SEBI.
O	H	L	C								
38.80	38.80	38.80	38.80								
12.	<p>February 01, 2007 @ 11:11:27 AM</p>	<p>01.02.2007</p> <table border="1"> <tr> <td>O</td><td>H</td><td>L</td><td>C</td></tr> <tr> <td>56.00</td><td>57.05</td><td>55.95</td><td>57.05</td></tr> </table> <p>No. of shares traded: 35335</p>	O	H	L	C	56.00	57.05	55.95	57.05	No information with respect to implementation was given to SEBI.
O	H	L	C								
56.00	57.05	55.95	57.05								

	Announcement/News	Price Impact/Shares Traded	Implementation status
	<p>i. The company has announced the opening of yet another Unit which is coming up shortly at Nardhana Industrial area, Dist. Dhule, MH. Mr. Sharma has very ambitious plans to develop a Textile Park for which he has acquired 400 acres of land. (2 copies of letters of Advanced Possession Receipt dt. December 01, 2006 and January 02, 2007 issued by the MIDC are enclosed herewith).</p> <p>ii. The construction of the Unit is already in progress and expected to complete by August 2007. All the necessary infrastructure like construction of roads is completed, Water tank is installed by the MIDC the water has been brought from 35 kms away from the factory site. Electricity / Light connections and installation is already completed as per the required capacity.</p> <p>iii. Mr. Sharma, the CEO has absolute clear vision and long terms plan. He categorically said that the purpose of opening a Unit at Dhule will not only solve unemployment problem of thousands of workers of Dhule and surrounding areas but it will also add to economical prosperity & growth of this particular district. The Company is poised to produce quality Cotton Yarn for which qualified, ITI trained workers and staff will be recruited. The Company is expected to erect Machinery by the end of Sept 07 or middle of Oct 07 and the production will be</p>	<p>The announcement did not have any major effect on the price/volume.</p>	

	Announcement/News	Price Impact/Shares Traded	Implementation status								
	under taken in 2 phases.										
13.	<p>February 07, 2007 @ 04:05:36 PM</p> <p>i. Vertex Spinning Ltd has announced that the Company added Weaving and Processing in its upcoming Project at Dhule, in order to strengthen and improvise its product range.</p> <p>ii. The Company foresee fabulous response to come after the inception of the production. The bifurcation would be 20% of the capacity will be in house for Weaving and Processing. The processed fabrics will be utilized for mass production for consumers in the market. This will bring value-addition to the Company's Project.</p>	<p>07.02.2007</p> <table border="1"> <tr> <td>O</td><td>H</td><td>L</td><td>C</td></tr> <tr> <td>61.60</td><td>61.60</td><td>61.60</td><td>60.40</td></tr> </table> <p>No. of shares traded: 45709</p> <p>As the announcement was made at 04:05:36 PM, it did not have any impact on price and volume on same day and on next trading day the scrip opened at a price higher by 1.78% than previous close.</p> <p>There was a substantial increase in the volume on Feb.08, 2007 to 144521 shares from 44709 shares on Feb. 07, 2007.</p>	O	H	L	C	61.60	61.60	61.60	60.40	No information with respect to implementation was given to SEBI.
O	H	L	C								
61.60	61.60	61.60	60.40								

3.8. Further, apart from the implementation status mentioned in table above, VSL has merely informed the following:

- a) Corporate Announcement dated January 30, 2007- On August 08, 2008, a lease agreement was executed and registered between MIDC, Dhule and VSL. It was informed that roads are completed and electricity connection also installed in plot T1 and T2, Nardhana, Dhule.
- b) Corporate Announcement dated December 12, 2006 and November 30, 2006- M/s Green Cottage & Resort Ltd. had completed half construction of their first project.

3.9. Mr. Daljeeth Singh Matharu, ex-GM (Operation & Maintenance) of VSL has vide his e-mail dated March 28, 2012 to SEBI stated that,

“All his statements with respect’s to his new set up at Dhulia (Mah.) are hoax’s, in the name of development a floor has been constructed in last 5 to 6 years its just a barren land which he has got on nominal charges and wants to sell it at an exorbitant price, in the name of development there – it’s a big ZERO.”

- 3.10. VSL vide its letter dated December 07, 2012 stated that only half the construction has been done. At the time of investigation, it was already six years since announcements were made by VSL. Even in respect of its claim merely half of construction has been completed, no evidence (like report of Architect/ structural engineer) to substantiate that actually half the construction work has been completed.
- 3.11. Further there has been no mention about the implementation of the said projects in the annual reports of the Company for the year 2006-07 and 2007-08. The Annual Report for the year 2009-10, stated that-
“The proposed Dhule project was expected to commence by financial year 2010-2011”
- 3.12. Further no reason was given for such an unusual time being taken for even construction of building, while the announcement gave the picture that VSL is seriously pursuing this project.
- 3.13. Therefore, it is alleged that the Company and its promoters and the then CEO, Mr. Suresh Sharma and its Executive Director, Mr. Sachin Sharma has made these misleading corporate announcements without proper basis only to lure the general investors to fall in trap laid by promoter directors of VSL. The said corporate announcements have also affected the price and volume of the scrip of the Company.
- 3.14. The above acts resulted into alleged violations of Section 12A (a), 12A(b), 12A(c) of SEBI Act, 1992, Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUP Regulations by the Company and its promoters and the then CEO, Mr. Suresh Sharma and its Executive Director, Mr. Sachin Sharma.
- 3.15. While the misleading corporate announcements were made to the public, the promoter/director and related entities of VSL were creating huge volume of false trading in the scrip of VSL. The dealings of top 6 brokers in the shares of VSL during the investigation period (whose buying or selling exceeded 1 lacs shares) is as per the table given below.

Table 2

Name of the Broker	Name of Major clients	Purchased Quantity	Percentage to total volume	Sold Quantity	Percentage to total volume
SIC Stocks & Services Pvt. Ltd.	Narendra Upadhyay (Noticee no. 16)	4028683	31.61%	4069415	31.93%
	SS Forging & Eng. Pvt. Ltd. (Noticee no. 7)	1684922	13.22%	1629130	12.78%
	Daljeet Singh Matharu (Noticee no. 9)	1181549	9.27%	1142845	8.96%
	Sandeep Mishra (Noticee no. 18)	919091	7.21%	919091	7.21%
	Ramkumar Sidhar (Noticee no. 15)	436907	3.42%	484271	3.80%
	Kuldeep Singh (Noticee no. 17)	439216	3.44%	457879	3.59%
	Twinstar Finvest Pvt. Ltd. (Noticee no. 12)	67609	0.53%	172051	1.35%
	Mansukh Finance and Investment P. Ltd.* (Noticee no. 4)	109007	0.85%	282282	2.21%
	Suresh Sharma (Noticee no. ----)	179450	1.40%	91456	0.71%
	Col. Rajinder Hand (Noticee no. 20)	34316	0.26%	34316	0.26%
	SIC Stocks & Services Pvt. Ltd.	10011	0.07%	20654	0.15%
	Dealing of linked clients		71.28%		72.95%
	All clients of SIC	9368149	73.51%	9546940	74.92%
Sunchan Securities Ltd.	Brakes Auto (India) Ltd./ Mr. Suresh Sharma (noticee no. 3)	225649	1.77%	207708	1.63%
	Total dealing of Sunchan	1033634	8.11%	1039713	8.16%
AKG Stock Brokers Pvt. Ltd.	Proprietary account	433121	3.40%	430121	3.38%
J.G.A Shah Share Brokers Pvt. Ltd.	Milind Madhani, Kalpana Madhani	155515	1.22%	107780	0.85%
Sykes & Rays Equity (India) Ltd.	Pratyusha Singh Rahul Jha	105400	0.83%	0	0.00%
Sanjay C. Baxi	Jagdish Chandra Agarwal	8470	0.06%	10090	0.07%

Name of the Broker	Name of Major clients	Purchased Quantity	Percentage to total volume	Sold Quantity	Percentage to total volume
	Sanjay Goyal	17717	0.13%	15935	0.12%
	Samta Agarwal	10806	0.07%	10350	0.07%
	Sudha Goyal	24106	0.18%	22154	0.17%
	Total dealing of linked clients of Sanjay C. Baxi	61099	0.44%	58529	0.43%
	Total dealing of all clients of Sanjay C. Baxi	104507	0.82%	103144	0.81%
Total		11200326	87.89%	11227698	88.12%

* This dealing by Mansukh, includes 103502 shares (buy) and 282282 shares (sell) that was covered during previous investigation report.)

- 3.16. From the above tables it is observed that on buy side 87.89% of the total trading volume was among top six brokers and on sale side 88.12% of the total volume was among top six brokers and the broker, SIC Stocks & Services Pvt. Ltd. is the major broker having buy concentration of 73.51% and sale concentration of 74.92% of the total trading volume and their clients were Narendra Upadhyay, SS Forging & Eng. Pvt. Ltd., Daljeet Singh Matharu, Sandeep Mishra, Ramkumar Shidhar, Kuldeep Singh, Twinstar Finvest Pvt. Ltd., Mansukh Finance and Investment P. Ltd., Suresh Sharma and Col. Rajinder Handa.
- 3.17. Further from the analysis of trade and order log, it was observed that there were 61,988 buy orders placed by 260 brokers for their 1781 clients for 18,95,08,550 shares and 87,510 sale orders placed by 231 brokers for their 1348 clients for 71,50,97,965 shares which resulted into 50,594 trades for 1,27,43,328 shares during the investigation period.
- 3.18. Amongst the clients of the broker SIC Stock & Services Pvt. Ltd. referred in Table 2 it was observed that the following clients were related to VSL as follows:

S. No.	Name of Client	Basis of Connection
1.	Suresh Sharma	CEO of VSL
2.	Narendra Upadhyay	Employee of VSL
3.	Daljeeth Matharu,	Employee of VSL
4.	Sandeep Mishra,	Employee of VSL
5.	Ramkumar Shidhar,	Employee of VSL

6.	Kuldeep Singh,	Employee of VSL
7.	SS Forging & Eng. Ltd.,	Group Company of VSL
8.	Twinstar Finvest Pvt. Ltd.,	Group Company of VSL
9.	Mansukh Finance & Investment Pvt. Ltd.	Group Company of VSL

3.19. It is observed that Mr. Suresh Sharma, the then CEO of VSL was the promoter/director of SS Forging & Eng. Ltd., Twinstar Finvest Pvt. Ltd., Mansukh Finance & Investment Pvt. Ltd. The said group of clients are hereinafter referred to as Vertex Group Clients.

3.20. It is alleged that the Vertex Group Clients while dealing through broker SIC Stock & Services Pvt. Ltd. entered into 26,956 cross deal trades (53.27% of total trades) among themselves and accounted for 53.44% of the total market volume during investigation period. Out of the 26,956 trades entered into among the clients linked to VSL, in 2,130 trades for 32,07,489 shares (25.16% of the total market volume) the difference between buy order time and sale order time was less than one minute and difference between buy order rate/sale order rate and buy quantity/sale order quantity for all the trades were zero. Hence, it is alleged that these trades are synchronized trades. Further, the role of the clients in trading among themselves is as given under:

Table 3

Name of the clients	No. of Days Traded During the Period on buy side/ No of Days Done Trading with other group clients on buy side	Total buy Qty/Buy Qty. from group clients	Buy from Group as a % to market volume.	No of Days Traded During the Period on sell side/ No of Days Done Trading with other group clients on sale side	Total Sell Qty/Sell Qty. to group clients	Sell to Group as a % to market volume.	Trading among clients as % to gross market
Narendra Upadhyay	92/81	4028683/2730542	21.43%	88/80	4069415/2900158	22.46%	22.09%
Ramkumar Sidhar	13/13	436907/379703	2.98%	17/14	484271/413945	3.25%	3.11%

Mansukh Finance & Investment Pvt. Ltd.	14/3	109007/ 72778	0.57%	6/5	282282/ 31526	0.25%	0.41%
Suresh Sharma (SIC)	8/5	179450/ 77964	0.61%	6/2	91456/ 77747	0.61%	0.61%
Twinstar Finvest P. Ltd.	10/7	67609/ 34983	0.27%	13/6	172051/ 65119	0.51%	0.39%
SS Forging & Eng. P. Ltd.	57/44	1684922/ 1210665	9.50%	50/43	1629130/ 1154635	9.06%	9.28%
Sandeep Baldevprasad Mishra	27/25	919091/ 835502	6.56%	29/25	919091/ 798078	6.26%	6.41%
Kuldeep Singh	12/12	439216/ 417419	3.28%	17/15	457879/ 364340	2.86%	3.07%
Daljeeth Singh Matharu	38/32	1181549/ 1050664	8.24%	30/29	1142845/ 1004672	7.88%	8.06%
Total		9046434/ 6810220	53.44%		9248420/ 6810220	53.44%	53.44%

3.21. The broker SIC Stocks & Services Pvt. Ltd. with respect to the trading pattern in the scrip of VSL stated that the client Suresh Sharma used to place buy/sale orders on behalf of these clients and the orders were placed over phone or by personal visit of the office of the broker.

3.22. In view of the aforesaid, it may be seen from the above table that though the individual contribution of the client may not be higher, yet cumulative contribution of the Vertex Group Client account for 53.44% during the period which is substantial considering the fact that the trades of all the clients are through the same broker i.e. SIC Stocks & Services Pvt. Ltd. and orders were used to be placed by one client Mr. Suresh Sharma.

3.23. LTP Analysis of trading of Vertex Group Clients-

On analysis of price influence through incremental trades with a price difference of Rs. 0.20 or more, it was observed that there were 822 such incremental trades and out of 822 trades, 544 trades were executed by the broker SIC Stock & Services Pvt. Ltd. wherein for 501 trades for 370362 shares, the broker dealt on behalf of Vertex Group clients.

3.24. The client wise details of such incremental trades are as given below:

Table No. 4

Name of the clients	No. of shares bought	No. of incremental trades	Counterparty clients	Net LTP variation (Rs.)
Narendra Upadhyay	201603	231	Clients linked to VSL for 61 trades and other scattered clients.	162.85
Ramkumar Sidhar	35851	8	Clients linked to VSL	5.05
Mansukh Finance & Investments Pvt. Ltd.	2900	21	Scattered clients	14.16
Suresh Sharma	1023	10	Scattered clients	5.35
Twinstar Finvest P. Ltd.	377	3	Scattered clients	3.75
SS Forging & Eng. P. Ltd.	61168	175	Clients linked to VSL for 33 trades and other scattered clients	99.30
Sandeep Baldevprasad Mishra	31765	27	Clients linked to VSL for 33	12.70
Kuldeep Singh	21000	3	Clients linked to VSL	2.00
Daljeeth Singh Matharu	14675	23	Clients linked to VSL for 14 trades and other scattered clients.	10.75
Total	370362	501		

3.25. From the table above, it is observed that dealings of VSL Group Clients especially Narendra Upadhyay and Sandeep Mishra had caused major positive impact over LTP of VSL. Further, on analysis of price influence through detrimental trades with a price difference of Rs.-0.20 or more, it was observed that there were 845 such decremental trades and out of 845 trades, 462 trades were executed by the broker SIC Stock & Services Pvt. Ltd. wherein for 411 trades for 563496 shares, the broker dealt on behalf of Vertex Group clients. The client wise details of such decremental trades are as given below:

Table No. 5

Name of the clients	No. of shares bought	No. of decremental trades	Counterparty clients	Net LTP variation (Rs.)
Narendra Upadhyay	381984	195	For 70 trades counterparty clients were Vertex Group clients.	-104.75
Ramkumar Sidhar	1	1	Unrelated client	-1.05
Mansukh Finance & Investments Pvt. Ltd.	224	5	For 2 trades counterparty clients were Vertex Group clients.	-4.50
Suresh Sharma	624	6	Scattered clients	-4.15
Twinstar Finvest P. Ltd.	0	0		0.00
SS Forging & Eng. P. Ltd.	60990	145	For 16 trades counterparty clients were Vertex Group clients.	-62.00
Sandeep Baldevprasad Mishra	108430	27	For 12 trades counterparty clients were Vertex Group clients.	-8.75
Kuldeep Singh	0	0		0.00
Daljeeth Singh Matharu	11243	32	Scattered clients	-18.70
Total	563496	411		

3.26. The price of the scrip of the Company was fluctuating during the investigation period and it opened at Rs. 32.00 on March 29, 2006 and increased to Rs. 80.55 on May 19, 2006 and then gradually came down to Rs. 29.70 on October 20, 2006 and again increased to Rs. 64.05 on February 09, 2007 and then closed at Rs. 30.00 on March 29, 2007.

3.27. From the above Tables - 4 & 5, it is seen that Vertex Group Clients has influenced the price of the scrip. In view of the above, considering the substantial volume of trading by way of cross deal trades and synchronized trading by Narendra Upadhyay, Ramkumar Sidhar, Suresh Sharma, Twinstar Finvest P. Ltd., SS Forging & Eng. P. Ltd., Sandeep Baldevprasad Mishra, Kuldeep Singh and Daljeeth Singh Matharu, Mansukh Finance & Investment Pvt. Ltd it is alleged that they had facilitated in creation of false volume in shares of VSL and by way of incremental as well as decremental trades they brought about fluctuation in the price of the scrip.

Trading of Ram Sharan Yadav

3.28. Ram Sharan Yadav was the employee of VSL. It was observed during the Investigation that the Employees of VSL were dealing in the Shares of VSL. It was noticed that Narendra Upadhyay, Ramkumar Sidhar, Daljeet Matharu, Sandeep Mishra, Kuldeep Singh were dealing in shares of VSL through SIC (as detailed in Table 2) and Ram Sharan Yadav was dealing through Satco Capital Markets Ltd. Their dealings are tabulated below:

Table No. 6

Name of Major clients	Purchased Quantity	Percentage to total volume	Sold Quantity	Percentage to total volume
Narendra Upadhyay (SIC)	4028683	31.61%	4069415	31.93%
Daljeet Singh Matharu (SIC)	1181549	9.27%	1142845	8.96%
Sandeep Mishra (SIC)	919091	7.21%	919091	7.21%
Ramkumar Sidhar (SIC)	436907	3.42%	484271	3.80%
Kuldeep Singh (SIC)	439216	3.44%	457879	3.59%
Ram Sharan Yadav (SATCO)	33645	0.26%	11870	0.09%
Dealing of employee of VSL	7039091	55.21%	7085371	55.58%

3.29. During investigation, a perusal of trade log showed that broker Satco Capital Markets Ltd. (Satco) had purchased 37,239 shares and sold 19,950 shares for its six clients. Out of these six clients one client namely Ram Sharan Yadav had address similar to that of the company and the client had bought 33645 shares and sold 11870 shares during the period. Out of 14 buy trades for 33645 shares of Ram Sharan Yadav, for 14 trades for 11533 shares the counterparty clients were linked entities of VSL.

3.30. It was observed from the KYC of the client Ram Sharan Yadav that the client had monthly income of Rs.3500. It was noted from the ledger account of the client that Rs. 3 lacs were credited in his client account. On further verification, it was observed that the said amount of Rs. 3.00 lacs was a third party payment given to the broker by another VSL Group client namely, Ram Kumar Sidhar.

KYC details of Employees of VSL-

3.31. The following are the bank and demat account details of the employees of VSL.

Table 7

Name of Major clients	PAN	Bank account details in KYC	Demat account details in KYC
Narendra Upadhyay (SIC)	AAUPU8088L	No. 10095588610 State Bank of India, Manik Bagh, Indore, MP.	No. 1301190300029350 BOI Shareholding,Ltd, Stock Exchange Bldg., Ambalal Doshi Marg, Fort, Mumbai
Daljeet Singh Matharu (SIC)	AILPM1271C	No. 20156963 Syndicate Bank, Nariman Point, Mumbai (Introducer-VSL-signed by Mr. Suresh Sharma)	No. 80055027 Oriental bank of Commerce, 67, Mumbai Samachar Marg, Fort, Mumbai,
Sandeep Mishra (SIC)	ALLPM8699K	No. 024101504370 ICICI Bank, Ashok Nagar Branch, Indore	No. 1301190300029346 BOI Shareholding Ltd. Stock Exchange Bldg., Ambalal Doshi Marg, Fort, Mumbai
Ramkumar Sidhar (SIC)	BHWPS2060J	No. 50372010057352 Syndicate Bank, Nariman Point, Mumbai (introducer-Brakes Auto (India) Ltd.	No. 1301190300032040 BOI Shareholding Ltd. Stock Exchange Bldg., Ambalal Doshi Marg, Fort, Mumbai
Kuldeep Singh (SIC)	BHWPS2065P	No. 50372010057280 Syndicate Bank, Nariman Point, Mumbai (introducer-Brakes Auto (India) Ltd.	No. 1301190300032055 BOI Shareholding,Ltd. Stock Exchange Bldg., Ambalal Doshi Marg, Fort, Mumbai
Ram Sharan Yadav (SATCO)	ABUPY1807E	50372010057367 Syndicate Bank, Nariman Point, Mumbai	No. 12039900 Satco Securities & Financial Services Ltd.1 st floor, Makhija Chambers, Turner Road, Bandra (west), Mumbai

- 3.32. It was observed from the KYC of the client Ram Sharan Yadav, Kuldeep Singh, Ram Kumar Sidhar that these were persons having monthly income of upto Rs. 3500, which is apparent from their copy of ration card which were used to open the trading account of these clients with brokers.
- 3.33. The other persons have also confirmed that they were employees of VSL. In fact, these employees have denied having opened bank account and demat account. This raises the serious concern on opening of these accounts by banks & DPs.
- 3.34. A perusal of bank records shows that VSL vide letter dated October 26, 2006 had requested Syndicate Bank for opening of bank account in name of their employees namely Ram Sharan Yadav, Ardit Yadav, Ratnesh Pandey, Kuldeep Singh, Ajaysingh Patel, Ramkumar Sidhar, Balram Prasad Chaturvedi, Mayay Singh, Jay Kumar, Murlidhar. VSL had admitted that Mr. Narendra Upadhyay and Mr. RamKumar Sidhar were their old employees. It was observed from the KYC of the client Ram Sharan Yadav that the client had monthly income of Rs.3500. It was noted from the ledger account of the client that Rs. 3 lacs were credited in his client account by another linked client of VSL namely, Ram Kumar Sidhar.
- 3.35. SIC vide its letter dated January 14, 2012 had also admitted that trading account of all these clients were opened with the assistance of Mr. Suresh Sharma while Mr. Hemant Kokatry and Mr. Laxman Khamkar assisted as witnesses.
- 3.36. Mr. Suresh Sharma stated that he opened the accounts with SIC after their officers came to his office for opening the account during early 2006. It was agreed that orders would be placed by SIC themselves in the different client codes and whenever debit balance used to happen, they used to make payment. In respect of delivery of shares, the authority for auto debit was given to broker for debiting their accounts and SIC used to debit their accounts accordingly. SIC executed trades in their account without their knowledge.
- 3.37. During investigations, Mr. Suresh Sharma had provided with DIS signed by him on various dates for delivery of VSL shares from their demat accounts. Mr. Suresh Sharma had delivered 43065 shares from March 07, 2006 to November 16, 2006 from his demat account (number 16965088 with IDBI

Bank Ltd.) to SIC. Further, 344807 shares of VSL were delivered from demat account of Mansukh (No. 13079629 with IDBI Bank Ltd.) during the period from April 13, 2006 to November 23, 2006. In respect of Twinstar Finvest Pvt. Ltd., 110371 shares were delivered from its demat account no. 1202000000146086 with Joindre Capital Services Ltd. during the period from April 26, 2006 to May 17, 2006. As apparent, Mr. Sharma delivered 498243 shares of VSL from his / his group companies demat account to SIC for onwards delivery in market.

- 3.38. They used to get contract note after an interval of two-three months. They received contract notes for three-four times. Even after receiving contract notes after 2-3 months, no objection was raised or any complaint was filed before SEBI. It was stated that at the time of off-market transfer of 3 lacs shares in early January 2007 for getting loan, they did not knew of huge debit balance lying in their account. Mr. Suresh Sharma stated that that they were not receiving the contract notes regularly.
- 3.39. It is noted from the financial ledger of SSFL that debit balance had created from dealing during the year. While, no cheque from account of SSFL were received/ given. As detailed later, there was substantial dealing in shares of VSL in the account of employees of VSL. These employees who were based in Madhya Pradesh and were unaware of dealings in their accounts. It was Suresh Sharma who dealt on their behalf with SIC.
- 3.40. Investigations had shown that Mr. Suresh Sharma not only dealt through SIC, but also dealt through Sunchan Securities Ltd. It has been noticed that 197051 shares sold by Brakes Auto (India) Ltd. (director Mr. Suresh Sharma) from account of Sunchan were purchased by Mr. Narendra Upadhyaya (187046 shares on 28/6/2006, 29/06/2006 and 06/07/2006) and SSFL (10005 shares on 30/6/2006 and 31/1/2007) Similarly, 199740 shares purchased by Brakes Auto (India) Ltd. (director Mr. Suresh Sharma) through Sunchan were in turn sold by Mr. Narendra Upadhyay on 27/6/2006, 28/6/2006, 29/06/2006, 5/7/2006, 6/7/2006). Though, these were not synchronized, however such large matched transactions points towards manipulation in shares of VSL.

- 3.41. In view of the circumstances of events it is alleged that Mr. Suresh Sharma acting through his own promoter group entities and through account of his employees was indulging in manipulation in shares of VSL.

Trading of Col. Rajinder Handa-

- 3.42. Col. Rajinder Handa was the Director of SIC and SIC had dealt in shares of VSL, as detailed below: -
- 3.42.1 It is noted that out of 34,316 shares purchased by Col. Rajinder Handa, director of SIC, 34,047 shares were matched with another client of SIC namely SSFL. Out of these trades for 16,292 shares were structured transactions with same location ID and no difference between buy/sell rates, quantity and time of orders.
- 3.42.2 Out of 34,316 shares sold by Col. Rajinder Handa, director of SIC, all were matched with another client of SIC namely SSFL. Out of these trades for 9,832 shares were structured transactions with same location ID and no difference between buy/sell rates, quantity and time of orders.
- 3.42.3 It is noted that out of 10,011 shares purchased by SIC, 2 trades aggregating of 5,000 shares were done by structured transactions with same location ID and no difference between buy/sell rates, quantity and time of orders. The counter-party client was Mr. Narendra Upadhyay, another client of SIC.
- 3.42.4 Out of 20,654 shares sold by SIC, 14,900 were matched with SIC (5100 with Narendra Upadhyay and all were matched with another client of SIC namely SSFL. Out of these trades for 9,832 shares were structured transactions with same location ID and no difference between buy/sell rates, quantity and time of orders.
- 3.42.5 In view of the structured transactions by Col. Handa in the shares of VSL which were matched with promoter entity of VSL (i.e. SSFL) and with employees of VSL it is alleged that he was part of the overall scheme of manipulation in shares of VSL.
- 3.42.6 In view of the above it is alleged that promoter/director of VSL Suresh Sharma along with his Vertex Group clients and related entities Ram Sharan Yadav and Col. Rajinder Handa were creating huge volume of false

trading in the scrip of VSL and have facilitated in creation of false market in shares of VSL.

4. Based on the above mentioned observations, the SCN alleges that the company and its promoters and the then CEO Mr. Suresh Sharma and its Executive Director Mr. Sachin Sharma had made misleading corporate announcements without proper basis only to lure the general investors. The SCN also alleged that promoter/director of VSL Mr. Suresh Sharma along with his certain clients and related entities Mr. Ram Sharan Yadav and Colonel Rajinder Handa were creating huge volume of false trading in the scrip of VSL and had facilitated in creation of false market in shares of VSL. The SCN alleged that Noticees violated Section 12A (a), 12A(b), 12A(c) of SEBI Act, 1992, Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations.
5. The following annexures were provided with the SCN:

Annexures to SCN	
Annexure	Particulars
1	Price – Volume data in the scrip of VSL during the investigation period
2	Connections between the Vertex Group Clients
3	Details of cross deal trades between the Vertex Group Clients
4	Details of synchronised trades between the Vertex Group Clients

6. The SCN was forwarded by RPAD to all Noticees, however, it returned undelivered from Noticee nos. 1, 4, 7, 9, 10, 11, 15, 16, 17 and 18. The SCN with respect to Noticee nos. 15, 16, 17, 18 and 19 were forwarded to the Indore Local Office of SEBI. The Indore Local Office of SEBI informed that the addresses for Noticee nos. 15,16,17,18 and 19 could not be found. A date of hearing was granted to all Noticees on November 21, 2017. The hearing notice with respect to the said hearing was returned undelivered for Noticee no. 19. With respect to Noticee nos. 9, 10, 15,16, 17, 18 and 20 no proof of service is available on record. The Authorized Representative (hereinafter referred to as “AR”) of Noticee nos. 1, 2, 3, 4, 5, 6, 7, 8, 11, 12, 13, 14 sought an adjournment of the hearing.

7. A reply dated March 19, 2018, was received from the advocate Mr. Ashok Kumar Singh stating that it was on behalf of VSL and other co-Noticees and which made the following submissions:
- 7.1. The allegations against the Noticee are baseless, erroneous, untruthful and liable to be quashed.
 - 7.2. The Company was incorporated in 1994 and during year of the functioning of the company each and every letter and personal calls had been duly replied by the Company through its Directors and other officers and no letter or Show Cause had left unattended or un replied, as shown in Show Cause Notice, and always accepted and followed the instructions directions given by SEBI.
 - 7.3. With regard to the first announcement, VSL has completed the construction of the shade at Nardhana, Dhulia within the stipulated period but could not be started due to non – supply of water, electricity, HT connection by MIDC/ MSEB. The Company has filed petition in this regard before the Bombay High Court which stands transferred to Aurangabad Bench and is still pending. SCN has also remarked that this announcement did not have any immediate effect on the price/volume on that date share opening price was 33.26 and closing was 32.26, therefore it does not show any kind of violation and also not related to any private sector but it is purely with the MIDC which is government institution, hence, it cannot be said bogus and shameful announcement, in this regard to gain any undue advantage or profit gained by way of unfair trade practice.
 - 7.4. In regard to the announcement serial no 2 Dated 13 Apr 2006, regarding with the plant and machinery. The Company has completed appraisal note from Syndicate Bank of Rs 512 CR and also passed map sectioned the copy of the appraisal note. Regarding this announcement impact on the share opening was 44.20 and closing was also 44.20, it shows no difference in impact on share also on this fact this Investigating Authority (IA) also observed that it didn't have any immediate effect on the price Volume on the same date.
 - 7.5. Third announcement was in connection with the announcement made that MIDC has sanctioned building plan and in accordance with the sanction

plan, VSL has started the construction of shade. Such type of announcement did not have any immediate effect on the price of the share as on that day the opening of the share was 53.65 and closing also 53.65 it shows that there is no undue advantage or profit taken by the company from such announcement, as announcement made earlier that MIDC has sectioned building plan and in accordance with the sectioned plan company has started the construction of shade and further construction of about 60% of the total shade size of 11201000 sq ft is already been completed evidence of this can be find in the matter of High Court WP.

- 7.6. Regarding Serial No. 5 dated 2/5/2006, this is a positive announcement and is in welfare of the shareholders so it cannot said neither be false nor fake announcement and did not have any immediate effect on the price/ volume share.
- 7.7. In regard to the Serial No. 6 dated 8/5 /2006, this announcement was made by the board of director of the Company in the interest of shareholders and as such it cannot be said to bad or bogus announcement so cannot be said any kind of violation relating to the section of unfair trade practice.
- 7.8. As regard to the announcement made Serial No. 7 dated 22/6/2006, our submission is that such announcement is made by Mr. Suresh Sharma as CEO of the Company, he visited various countries for the development of textile company and also to transfer plant and machineries of Vertex Spinning Ltd. from MP Plant to Nardhana Dhule, Maharashtra. Behind the visit of various countries, the intension of the CEO was in welfare of the company hence no other ulterior motive behind it to gain any undue profit or advantage the trade of share market. Therefore, it cannot be said of any kind of violation relating to the unfair trade practice.
- 7.9. As announcement made on date 11/8/2006 in serial no 8 the Company has launched a festive range of acrylic mink blankets under the brand name Diana. This is the general announcement of the product of the company to display in the market. It has no connection with intention to fluctuate the rate share market it is only like comprise the
- 7.10. In the regard to the announcement made in Serial No. 4, 24/4/2006 this submission is, the Company has offered its service to MIDC for joint

venture, as such it cannot be said fake announcement and also such type of announcement did not have any effect on the price of the share.

- 7.11. The announcement made on 29/9/2006, in serial no 09 the Company has completed the plant and machinery of existing Vertex Spinning Ltd plant at Pithampur M.P. of 25,000 spindles for Acrylic yarn and because the third largest spinning plant for manufacturing of Acrylic Yarn and also prepared for expansion of 512 CR at Nardhana, Dhule, as above explained the appraisal done by Syndicate Bank, Mumbai. It is true and not bogus announcement and does not have any impact on the value of the share.
- 7.12. As regards to the announcement made on 10/11/2006 Serial No. 10 submission is that the announcement is true and nothing behind it to gain undue advantage of share market, as such it cannot said unfair trade practice and it is also found by the IA, it did not have any major effect on the price. The volume come down by three times then the previous day's volume, therefore it cannot be said of any kind of violation relating to the unfair trade practice.
- 7.13. The announcement made on 1/2/2007 (in notice the print shown as 1/2/2006), such announcement is also related with the establishment company at Nardhana, which is absolutely is in relation in discussion with MIDC, which has no effect on the share trading market. The company wrote various letters and had personal discussion with the relevant authorities of MIDC for the water supply and electricity at Nardhana Area for the upcoming project of the company but MIDC failed to supply water and electricity from the high tension line as required by the company. Therefore, the Company has also filed WP before the High Court, Mumbai/Aurangabad, thus company cannot be blamed that the company has made any kind of fraud or fictitious publicity before the investors in the share market. It cannot be said as unfair trade practice and there was no violation of the provision of the law.
- 7.14. As regards to the announcement made on 7/2/2007 (but in notice date shown 7/2/2006) made in Serial No. 13 is true not fake or bogus and IA has also observed and remarked that this announcement have any impact on price and volume on the same day and on next trading day the scrip

opened at price higher by 1.78% then previous close .has no larger effect unless it higher than 5% , therefore it is also clear no undue advantage or profit gained by me/ company for making such announcement and no any kind of violation of provision of law.

- 7.15. Mr. Narendra Upadhya, Mr. D.S. Matharu, Mr. Sandeep Mishra, Mr. Ramkumar Sridhar, Mr. Kuldeep Singh, Mr. Ram Sharan Yadav, have opened their accounts and the same was verified by the promoter Director Mr. Suresh Sharma as the broker and Mr. Suresh Sharma both resides at Mumbai and all the aforesaid persons stayed at Indore being employees of the company. Mr. Suresh Sharma verified those persons and they have opened their account with broker and at the time of opening the account with the bank and with brokers, all the documents of concern persons were available at Mumbai during that time, therefore Mr. Suresh Sharma verified. These persons and the same was also requested by SIC stock broker, they have requested for the verification of the employees. The Bank accounts were not opened in fraudulent manner and whenever trading operation was done it is available on the records. It is submitted that all the accounts were opened and introduced by Mr. Suresh Sharma.
- 7.16. Mr. D.S. Matharu was the director in S.S. Forgings and Engineering Ltd and Twinstar Finvest Pvt Ltd, Mr. Ramkumar and Mr. Narendra Updhyaya were the employee of the Vertex Spinning Ltd. When the broker opened the account the clients did not know that the share will be traded by the SIC. It is duty of the broker, if they notice any wrongful or unfair trading is happening in companies account or their employees account , or something is not going as per the SEBI guideline, the account should have to be stopped by the broker but unfortunately in this matter the stock broker took benefit for their own by doing transaction , which were not in the knowledge of the company , as it is very difficult to keep a check on every single account and the trading activities by the company , it is the duty of stock broker to check all the accounts and trading activities , as they are the one who are associated with the company for this purpose only , therefore it is clear that the huge amount or benefit went in the pocket of stock broker, who traded in the account of these personnel's for their own benefit.

- 7.17. Mr. Ram Pratap Singh, who is also one of the director S.S. Forgings & Engineering Ltd is simple and independent director and was not involved in day to day affairs of the company. Further he is a retired personal and his financial condition is also very poor. The Company had a discussion with him about his account with SIC and he had stated that he had a trading account with SIC, which he was not aware of and also he was not knowing if SIC has done any trading in his account, he has not given any instructions to Colonel Handa to do any transaction, first of all he is not aware of whereabouts of Colonel Handa, so giving instruction is completely out of question. He also stated that he is not a share trader neither he understand the trade though he was one of the Director in SS Forgings Ltd , but was not having any direct or indirect involvement in any activity of the company , according to him , if SIC has done any false or unlawful transaction in his account , then he cannot be held responsible for the act done by SIC, which is bad in law He is an old and god fearing person and would not do something , which can put him in trouble.
- 7.18. Mr. Ashok Sharma is also one of the director in S.S. Forgings & Engineering Ltd., and Twinstar Finvest Pvt. Ltd., but he was also not involved in day to day affairs of these companies, he had a trading account with SIC, which he was not aware of and also he was not knowing if SIC has done any trading in his account, he has not given any instructions to Colonel Handa to do any transaction, he never met Col. Handa personally neither he knows much about him, he has not given any instruction to SIC for any trading activity. He was the Director in S.S. Forgings & Engineering Ltd., and Twinstar Finvest Pvt. Ltd only for the name sake and was having no direct or indirect involvement in any activities of aforesaid companies.
- 7.19. Similarly, Mrs. Mithilesh Sharma is the wife of Mr. Suresh Sharma and also director of Mansukh Finance & Investments Pvt. Ltd., and Twinstar Finvest Pvt. Ltd, her name was included as director where as she never attend or participate in the companies day to day affair of the company, more she was the director for the name sake .She is a share holder and holding shares of Vertex Spinning Ltd since 1996. In your aforesaid show cause notice she has been shown as Director of Mansukh Finance & Investments Pvt. Ltd., and Twinstar Finvest Pvt. Ltd, upon investigating

with her, company was informed that she is not fully aware that she was Director in these companies, neither she know any persons shown as accused in the notice of SEBI, except Mr. Suresh Sharma, who is her husband and an Industrialist. Further she informed that she is a house wife and do not understand corporate culture by any means, as she didn't have any direct or indirect involvement in corporate activities. Neither had she had any relation with aforesaid companies Namely Mansukh Finance & Investments Pvt. Ltd., or Twinstar Finvest Pvt. Ltd) nor she was involved in any kind of money transaction; she never dealt with any day to day activities of these companies. She also stated that, she was not involved in any unlawful activities or neither did any fraud with any share holder of the company. Even if she was appointed as Director, it must have been only for the name sake and having no concern or involvement in day to day affairs of the companies. Only being Director of aforesaid companies, she cannot be blamed or held responsible for any illegal and unlawfully activities done by the company or any share broker (if any), whereas she is having no involvement by the whatsoever. As a matter of fact she was not involved in any kind of share transactions, neither any false or illegal transactions are being done in her account. Same can be verified from the account statement annexed along with the Show Cause Notice.

- 7.20. As far as letter of Mr. Narendra Upadhyay is concerned, which he wrote on Date 14/2/2011, that the show cause notice is completely baseless and untrue, fact is it was in his knowledge that he has opened his account with broker for the purpose of trading of shares and without his physically appearance and documents the accounts could not be opened with the bank. As such, as per the letter of Narendra Upadhyay that account was opened in his name by the chairman or the director of the company and all Transactions were done by company/ Suresh Sharma is totally false version and such type of version given to protect himself. Upon investigation it was found Mr. Narendra Upadhyay purchased 40,28,683 shares and sold out 40,69,915 shares, which shows that there is a difference of 40,000 shares and as per transaction is concerned in the account, it is clear that Mr. Narendra Upadhyay did not sale equity shares

in huge quantity and the percentage of equity is 31.93% of total value. Further to state, if you kindly look at the dealing with SIC and SATCO, it is mutual trading and shares were returned to the same account.

7.21. Mr. Daljeet Singh Matharu purchased 11,81,549 no. of shares and sold 11,42,845 nos., no promoters or company would do this kind of dealing, who is in the corporate since last more than 15 to 20 years. The alleged trading was by the brokers for their own profit/ gain, as we have highlighted earlier also in this reply, Mr. Narendra Upadhyay and Mr. Daljeet Singh Matharu was aware about the share transactions in their account and they were called by the management to justify their act but in spite of several reminders that they did not they didn't turn up.

7.22. It is the company, who was astonished by the unlawful act of these two employees and tried to figure out as why these two employees are working in this matter as front line staff, if they were aware about the trading activity done by the brokers, they could have informed the management of the company but instead they leveled baseless allegation on the company and promoter Director, It clearly indicates that Mr. Narendra Updayaya and Mr. Daljeet Singh Matharu along with brokers were purposely doing that with mala fide intentions , they were directly involved in the act of damaging the reputation of the company and because of their disloyalty , they left the job without any prior notice or intimation and then putting allegations on the company about their pending salary but the fact is there is no dues pending on the company toward their salary account. After receiving the show cause notice from SEBI, Company and Promoter Director called Mr. Matharu to explain and to reply to SEBI about the act done by them but thereafter he left the job and never turned back to Companies office and that makes everything clear.

7.23. It is submitted that Col. Rajinder Handa of SIL Stock Pvt. Ltd himself is involved in unfair trade practice in share market and cannot put blame upon other person, because SEBI have conducted investigation in to buying and selling and dealing share of VSL during the period from 1/2/2006 to 30/04/2006, the matter was adjudicated and the penalty was imposed on Promoter Director (Suresh Sharma) and the company,

amount of Rs. 1 Lacs and respectively Rs. 50,000 on the company vide order dated 9/7/2010 and SIC Stock and Service also warned by issuing a letter, it means that each and every fact is in the knowledge of SIC , therefore as soon as the warning letter issued to him by the SEBI , why he has not closed the accounts particularly relating to the share of the VSL in the share market? But he did not do it, which ought to have been done by him. As such in spite of closing all accounts even after warning of SEBI, he continued trade relating to share of VSL for his personal benefit, due to system of auto transfer/ Signed slip of the shares. Looking to this particular fact and circumstances present case conduct of SIC is revealed itself and none remains to say further. The Noticee No. 1 submits that Col. Handa has paid Rs 24.40 Lacks to Chetan on return instructions by Chetan and Chetan himself said in the police station that he does not know promoter Director (Suresh Sharma) and 24.40 Lacs transferred in my accounts falsely by SIC and further taken back in to their account. The SIC as per the policy cannot purchase, sale transfer money to group accounts without the instructions of individual or Pvt Ltd. Companies, it is the duty of SIC to sale and purchase the shares only on the request of the client,

- 7.24. The company, promoter Director and other directors of the company were not indulged in fraudulent and unfair trade practice as it was all done by the stock brokers themselves, and against their unlawful act SS Forging and Engineering Ltd, who is also one of party to the show cause notice made a complaint to the police, SS Forgings has also filed a suit against Col. Rajinder Handa , SIC and others.
- 7.25. No manipulations have done by the company as alleged. The Company has not planed. anything to make artificial market to defraud in this matter but some of the employees who have opened the account independently and traded small quantity with Stock Broker and company has not authorized any person to do so.
- 7.26. The company (Noticee No. 1) started operation in 1996 and Textile activities were started in the year, 2003. The existing unit of the Noticee M/S. Vertex Spinning Ltd was into knitting, dying, printing and finishing of textile with collaboration of a Korean Company. With the corporate

announcement dated 07.11.2006, the company only meant that they had added weaving and processing in the upcoming project at Dhule in order to strengthening and improvising its product range. In fact, there were nothing new in the corporate announcement and the said fact of production in the existing unit and value addition in the proposed unit is part of the project appraisal report prepared by the Syndicate Bank. The said facts were only reiteration of proposed product line to be adopted in its upcoming project.

- 7.27. The Noticee when mentioned upcoming project it is made categorically clear that the project was in pipeline and is yet to commence production and hence there is no question of any misinformation as alleged. With regard to corporate announcement made by Vertex Spinning Ltd (Noticee No. 1) on 01.02.2007 it is submitted that the Noticee company has categorically stated that MIDC was bringing water from 35 KM away from factory site and a permanent supply of water was not provided. The River from which that water was supplied dried up. It is further submitted that Corporate Announcement nowhere mentioned about permanent supply through pipeline as there were none.
- 7.28. Secondly when the Vertex Spinning Ltd announced corporate announcement on 01.02.2006, it was categorically stated that electricity/light connection and installation were completed as per the required capacity means that MIDC till that point of time had provided 10 WA connection for construction purpose from village feeder. The electricity was supplied in night time only when the supply of the villagers were minimal. However, MIDC vide letter dated 06.11.2006 itself records that permanent supply of 5 MW and 8 MW was the requirement of the Vertex Spinning Ltd and such power MIDC was trying to arrange for the power supply of 5 MW and 8 MW.
- 7.29. The Noticee submits that there is no error and incorrectness in the project announcement when it was announced that the light connection were provided by which the Noticee meant light connection for the purpose of lighting work or low capacity supply.
- 7.30. The Noticee No. 1 had duly informed the exchange vide their letter dated 09.06.2008 regarding difficulties faced by the Noticee No. 1 in their Dhule

project due to non-availability of water and HT power connection in the industrial area. The Noticee has in fact vide the said letter dated 09.06.2008 as a corporate clarification to the announcement dated 30.01.2007 has clearly spelt out with difficulty being faced in setting of the plant due to non-availability of water and HT connection. The said letter categorically mentioned that the time line given by the concerned official for making such availability. However, it could not materialize despite of assurance by the concerned authorities and the Noticee No. 1 had to resort to taking legal action by filing Writ Petition No. 09 of 2015 before Hon'ble High Court of Judicature, Aurangabad Bench and same is pending.

8. The next date of hearing was granted to the Noticees on March 22, 2019. The notice of hearing for the same was served on Noticee nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 11, 12, 13,14 and 20 and was returned undelivered for Noticee nos. 10, 15,16,17,18, and 19. None of the Noticees appeared for the hearing on the said date and no request for adjournment was received from any Noticee. Another date of hearing was granted to all Noticees on April 24, 2019 wherein the AR of Noticee nos. 1, 2, 3, 4, 5, 6, 7, 8, 13, 14 appeared and made submissions. The hearing notice for the hearing on April 24, 2019 pertaining to Noticee nos.15, 16, 17 18 and 19 were published in the local newspaper of Indore. Vide email dated December 24, 2019 Noticee no. 3, on behalf of Noticee nos. 1 to 10 sought another date of hearing. Thereafter, another fresh date of hearing was granted on April 09, 2020 to all Noticees. The notice for the hearing was delivered on Noticee nos. 1, 2, 3, 4, 5, 6, 7, 8, 10, 11, 12, 13, 14. Noticee nos. 1, 2, 3, 4, 5, 6, 7, 8, 13, 14 sought an adjournment to the hearing and a final opportunity of hearing was granted to them on July 20, 2020. Hearing Notice for the haring dated April 09, 2020 was hand delivered to Noticee nos. 10,11 and 12 but they did not respond to the same. On the said date, the AR of the Noticee nos. 1, 2, 3, 4, 5, 6, 7, 8, 13, 14 appeared via video conferencing and made submissions. Subsequently, vide email dated January 20, 2021 the compliance executive of SIC, in response to a hearing notice issued in the enquiry proceedings initiated against SIC, has informed that Col. Rajinder Handa has expired.

CONSIDERATION OF EVIDENCE AND FINDINGS

9. I have considered the SCN, replies received, submissions made during the personal hearing and written submissions made by the Noticees pursuant to the hearings granted to them. On perusal of the SCN, I note that the SCN alleges two set of violations. The SCN has alleged that the VSL i.e. Noticee no. 1 and its promoters and the then CEO, Mr. Suresh Sharma i.e. Noticee no. 2 and its Executive Director, Mr. Sachin Sharma i.e. Noticee no. 3 had made misleading corporate announcements without proper basis only to lure investors. The said corporate announcements also had an impact on the price and volume of the scrip. Therefore, the Company and its promoters and the then CEO, Mr. Suresh Sharma and its Executive Director, Mr. Sachin Sharma are alleged to have acted in violation of Section 12A (a), (b) and (c) of the SEBI Act, 1992 and Regulation 3 (a), (b), (c), (d) & Regulation 4 (1), 4 (2)(f), (k) and (r) PFUTP Regulations. Secondly, the SCN alleges that Mr. Suresh Sharma i.e. Noticee no. 2 along with Noticee nos. 4 to 20 namely, Mansukh Finance & Investment Pvt. Ltd., Mr. Suresh Sharma in his capacity as director of Mansukh Finance & Investment Pvt. Ltd., Mr. Mithilesh Suresh Sharma in his capacity as director of Mansukh Finance & Investment Pvt. Ltd., SS Forging & Engineering Ltd., Mr. Suresh Sharma in his capacity as director of SS Forging & Engineering Ltd., Mr. Daljeeth Matharu, Mr. Ram Pratap Singh in his capacity as director of SS Forging & Engineering Ltd., Mr. Ashok Sharma in his capacity as director of SS Forging & Engineering Ltd., Twinstar Finvest Pvt. Ltd., Mr. Suresh Sharma in his capacity as director of Twinstar Finvest Pvt. Ltd., Mr. Mithilesh Suresh Sharma in his capacity as director of Twinstar Finvest Pvt. Ltd., Mr. Ramkumar Sidhar, Mr. Narendra Upadhyay, Mr. Kuldeep Singh, Mr. Sandeep Mishra, Mr. Ram Sharan Yadav and Col. Rajinder Handa, respectively, created huge volume of false trading in the scrip of VSL and facilitated in creation of false market in the shares of VSL thereby violated Section 12A (a), (b) and (c) of the SEBI Act, 1992, Regulation 3 (a), (b), (c), (d) & Regulation 4 (1), 4 (2)(f), (k) and (r) of PFUTP Regulations.
10. Before dealing with the allegations made in the SCN, it would be appropriate to refer to the relevant provisions of law applicable, in the present case:

Relevant extract of provisions of SEBI Act, 1992:

12A. No person shall directly or indirectly—

- (a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;
- (b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;
- (c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

Relevant extract of provisions of PFUTP Regulations:

“Regulation 3. Prohibition of certain dealings in securities

No person shall directly or indirectly

- (a) buy, sell or otherwise deal in 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:—

...
...
...

(f) knowingly publishing or causing to publish or reporting or causing to report by a person dealing in securities any information relating to securities, including financial results, financial statements, mergers and acquisitions, regulatory approvals, which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

...

(k) disseminating information or advice through any media, whether physical or digital, which the disseminator knows to be false or misleading and which is designed or likely to influence the decision of investors dealing in securities;

...

(r) planting false or misleading news which may induce sale or purchase of securities.

.....”

11. I note that the inception of the present matter was a complaint filed by S.S. Forging and Engineering Ltd. (hereinafter referred to as “**SSFL**”) before the Additional Chief Metropolitan Magistrate, Mumbai (ACMM) that the broker SIC Stock & Services Pvt. Ltd. (hereinafter referred to as “**SIC**”) had falsely transferred Rs. 24 lacs from the client account of SSFL to one Mr. Chetan Wadhwa without authority from SSFL. The Hon’ble Additional Chief Metropolitan Magistrate, Mumbai (ACMM) had referred the matter for further investigation to the Mumbai police. During the course of investigation, Police suspected the price rigging in the scrip of VSL and thereafter, Office of Senior Inspector of Police, MRA Marg, Police station, Mumbai- 400 001 forwarded letters dated January 12, 2009 and April 18, 2009 referring the matter to SEBI
12. Investigation in the present matter was initiated by SEBI and the preliminary findings of investigation observed that:
- a) *S S Forging and Engineering Ltd. and Vertex Spinning Ltd. are sister concerns and Mr. Suresh Sharma is common director.*
 - b) *SIC had provided copy of client registration form of SSFL, which depicts that the name of Mr. Chetan Wadhwa is included among the list of the persons who have been authorized by SSFL to receive proceeds of shares owned by SSFL sold by the broker SIC. The list of persons authorized by SSFL (client code S201) to receive proceeds of sale were (a) Twinstar Finvest P. Ltd. (T-123), (b) Mr. Suresh Sharma (5V2), (c) Mr.*

Narendra Upadhyay (N047), (d) Mr. Sidhar Ram Kumar (S022) and (e) Mr. Chetan G. Wadhwa (C-064).

- c) The letter dated February 09, 2007 of SSFL signed by Mr. Suresh Sharma shows that Mr. Suresh Sharma had instructed SIC Stocks & Services Pvt. Ltd. to make payment to Mr. Chetan Wadhwa.*
- d) Whether SIC Stocks & Services Ltd. embezzled funds of SSFL is a matter of criminal investigation. However, the analysis of the trade and order log reveals that SSFL along with a group of clients namely Twinstar Finvest Pvt. Ltd., Mr. Suresh Sharma, Narendra Upadhyay, Sidhar Ram Kumar and Chetan Wadhwa indulged circular trading in shares of VSL. Instances of trade reversals done by these clients were also noticed.*

13. Thereafter, investigation was completed by SEBI and the final enforcement action was approved and the SCN was issued which contained the following two allegations:

- i) VSL and its promoters and the then CEO, Mr. Suresh Sharma (Noticee no. 3) and its Executive Director, Mr. Sachin Sharma (Noticee no. 2) had made misleading corporate announcements without proper basis only to lure investors.
- j) Promoter/director of VSL i.e. Noticee no. 3 along with certain related entities traded in the scrip of VSL and were creating huge volume of false trading in the scrip of VSL and had facilitated in creation of false market in shares of VSL.

14. At the outset I note that VSL has made detailed submissions related to the alleged transfer of Rs. 24 lacs from the client account of SSFL to one Mr. Chetan Wadhwa without authority from SSFL. In this regard, I observe that as mentioned in the preliminary findings of the investigation (at para 12 d) above) this issue is beyond the scope of the present proceedings since it was neither a part of the findings of investigation, nor the SCN and is the subject of criminal investigation. Therefore, the present proceedings shall not deal with the same.

15. Coming to the merits of the matter, the first allegation in the SCN is that VSL, Mr. Suresh Sharma and Mr. Sachin Sharma made misleading corporate announcements in order to lure investors to trade in the scrip of VSL. In this

regard, the analysis of the impugned corporate announcements, the explanation submitted by VSL and the impact on price is provided below:

	Announcement/News (I)	Implementation status (as stated in the SCN) (II)	VSL's reply (III)	Observation (IV)
1.	<p>a) March 29, 2006 @ 12:48:12 PM</p> <p>i. Company has received letter from Maharashtra Industrial Development Corporation (MIDC) to register the lease Dated March 27, 2006.</p> <p>ii. The Company has applied to the District industries center to give a Certificate for the exemption of Stamp Duty (Rs.3,00,000/ of 10% of Rs.60,00,000/-) as per the Government Policy of New Unit at</p>	<p>i. With respect to the announcement at Sr. no. ii i.e. it has applied for exemption of stamp duty, it has not been informed whether these have been achieved or not</p> <p>ii. With respect to the announcement at Sr. no. iii i.e. VSL will submit the documents for NOC from pollution Dept. and construction work in Dhule shall start in April 2006, it was not informed whether it has been achieved or not.</p>	<p>VSL has completed the construction of the shade at Nardhana, Dhule within the stipulated period but further construction could not be started due to non – supply of water , electricity, HT connection by MIDC/ MSEB. Company has filed petition in this regard before the Bombay High Court which stands transferred to Aurangabad Bench and is still pending. SCN has also remarked that this announcement did not have any immediate effect on the price/volume on that date share opening price was 33.26 and closing was 32.26, therefore it does not show any kind of violation.</p> <p>VSL has submitted the following documents with its reply:</p> <p>- A temporary license agreement dated March 28, 2006 entered into between VSL and MIDC for Plot no. T1</p> <p>-A letter dated September 29, 2007 from Principal Secretary,</p>	<p>From the documents submitted along with the reply of VSL I note the following:</p> <p>i. Although VSL has not provided a copy of the letter from MIDC dated March 27, 2006, as stated in the corporate announcement, from the document submitted by it along with its reply, it is noted that a temporary license agreement dated March 28, 2006 was entered into between VSL and MIDC, based on which VSL had taken temporary possession (for three years) of a portion of the plot (T1) till the Lease Agreement was finalized. From the same, it can be reasonably inferred that it was in the process of receiving allotment of land at Nardhana, Dhule at the time the corporate announcement was made.</p> <p>ii. Although VSL has not produced a copy of the application for exemption of stamp duty as declared in the corporate announcement, VSL has produced a copy of a letter dated September 29, 2007 from Principal Secretary, Industries, to VSL stating</p>

	<p>Nardhana Textile Park of Dist. Dhule.</p> <p>iii. Further the Company is submitting the document for NOC from pollution Department, Building Map, Water and Electrical connection will also be completed shortly and Construction will be started in April 2006.</p>	<p>iii. With respect to implementation status of corporate announcement, VSL has merely informed that Electricity connection has been obtained and is developing plot T1 and T2, Nardhana, Dhule.</p>	<p>Industries, to VSL stating that the government of Maharashtra has decided to offer the status of mega project to VSL's proposed project at MIDC area, Nardhana, Dhule and was offering 100% exemption from stamp duty.</p> <p>- Copy of WP no. 9 of 2015 before Hon'ble Bombay High Court filed by VSL</p>	<p>that the government of Maharashtra has decided to offer the status of mega project to VSL's proposed project at MIDC area, Nardhana, Dhule and was offering 100% exemption from stamp duty (refer to column III) . Based on the submissions made and material produced, it is observed that the announcement at ii. Cannot be considered to be misleading.</p> <p>iii. Regarding announcement at s. no. iii., VSL has submitted that construction of the shade at Nardhana, Dhule within the stipulated period had taken place but further construction could not be started due to non - supply of water, electricity, HT connection by MIDC/ MSEB because of which it had filed a WP no. 9 of 2015 before Hon'ble Bombay High Court which is still pending.</p> <p>Therefore, I find that the announcement was not misleading.</p> <p>I note that as per the SCN this announcement did not have an impact or effect on the price of the scrip of VSL, on the date of announcement.</p>
2.	<p>April 13, 2006 @ 02:53:50 PM:</p> <p>i. Company has updated the plant and machinery and also enhancement capacity to 160000 Spindles of Cotton Spinning, the total cost of project is Rs.5120 million.</p>	<p>i. No information as to the work performed by VSL was given to SEBI.</p>	<p>The company has completed appraisal note from Syndicate Bank of Rs. 512 CR. Regarding this announcement impact on the share opening was 44.20 and closing was also 44.20, it shows no difference in impact on share also on</p>	<p>i. Although VSL has claimed that a loan of Rs. 512 crore had already been sanctioned by Syndicate Bank for the expansion of plant and machinery, as mentioned in the corporate announcement, VSL has not produced the appraisal note from Syndicate Bank.</p>

			<p>this fact this Investigating Authority (IA) also observed that it didn't have any immediate effect on the price volume on the same date.</p> <p>VSL has submitted the following documents with its reply:</p> <p>-Letters dated December 07, 2006 and December 11, 2006 by Syndicate Bank indicating that its officials were proposing to visit the site (T1) for appraisal purposes.</p>	<p>Assuming that there is an appraisal note, as contended by VSL, that is not a proof of completion of updation, as claimed, rather relying on such appraisal note as a proof of achieving of updation, in itself shows that updation has not been achieved as announced. On the other hand, letters dated December 07, 2006 and December 11, 2006 by Syndicate Bank indicate that its officials were proposing to visit the site for appraisal purposes. This further shows that the appraisal from Syndicate Bank, for the purpose updation was in progress even after passing of 8 months from the corporate announcement. Thus, VSL has not been able to produce any evidence related to the actual updation of the plant and machinery and enhancement of the capacity of production, as claimed in the corporate announcement.</p>
ii.	<p>The Company has completed the survey of land and appointed Architect and Structural Engineer (Mumbai), Electrical Engineering Firm (Ahmedabad), Land Escaping Firm (Baroda) and also appointed the supervision team at site. Hope that the building and layout will be submitted soon and construction will start in this month.</p>	ii.	<p>Further no status of plant & machinery and enhancement of capacity referred in announcement is provided to SEBI.</p>	<p>ii. Regarding item no. ii of the corporate announcement, no submission has been made by VSL.</p> <p>Therefore, I find that the said announcement was misleading.</p> <p>Regarding submission of VSL that announcement did not has any immediate effect on the price and volume on the date of the announcement, I note that on April 13, 2006 as the announcement was made at close to end of the trading hours, at 02:53:50 PM, it did not have any immediate effect on the price/volume on the</p>

				same day. However, on next trading day i.e. April 17, 2006, the price increased by 4.97% than the previous day's close and volume also increased by more than 4 times of the previous day's volume. Therefore, the contention of VSL that the announcement did not has impact on the price/volume is not correct.
3.	<p>April 20, 2006 @ 11:41:12 AM</p> <p>i. Company has submitted the map and Complete Building plan to MIDC Dhulia alongwith the application for Water and air pollution to the pollution Board necessary fees has also been Deposited.</p> <p>ii. Further, the Company has appointed Mr. Rahul Deora and senior Deora as an architect of Nasik and also appointed Mr. M M Kelker as Electrical Consultant, Mr. Dilip Bhai Mehta CSE Consultant, Mrs. Shobha Bhoptker, Mrs. Anju Viyala, Archietact and Landscape Designer, Mumbai, Ahmedabad and Baroda Electrical and land scape replaced.</p>	No information as to the work performed by entities referred was given to SEBI.	<p>No specific submission made by VSL regarding this announcement.</p> <p>VSL has submitted the following documents with its reply:</p> <ul style="list-style-type: none"> - Approval of plan and building commencement permit dated April 21, 2006 issued by MIDC for plot T1 - A letter dated November 06, 2006 from the Executive Engineer, of MIDC, Aurangabad acknowledging that VSL had stated its electricity requirement vide letter dated October, 2006 and that an application had to be made to Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL) - A letter dated September 12, 2007, from MSEDCL pointed out certain discrepancies related to documents in the VSL's application for electricity - A letter dated April 27, 2006, from the Architect of VSL for the Project, Mr. Rahul Deora seeking the 'Capital Investment Certificate;' from VSL and the fee for the pollution clearance from 	<p>On perusal of the documents furnished by VSL alongwith its reply, I find the following:</p> <p>i. Approval of plan and building commencement permit dated April 21, 2006 issued by MIDC for plot T1 has been submitted by VSL (approval was received in response to VSL's application dated April 17, 2006).</p> <p>ii. No appointment letter for the architect, electrical consultant etc. has been produced by VSL. A letter dated November 06, 2006 has been submitted by VSL from the Executive Engineer, of MIDC, Aurangabad acknowledging that VSL had stated its electricity requirement vide letter dated October, 2006 and that an application had to be made to Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL). Subsequently, a letter dated September 12, 2007, from MSEDCL pointed out certain discrepancies related to documents in the VSL's application for electricity was also received by VSL.</p>

	<p>ii. The Company hopes that the sanction of layout plan and building plan shortly.</p>		<p>Maharashtra Pollution Control Board, from VSL.</p>	<p>No further communication from VSL's side has been submitted by VSL. This shows that VSL had made application for electric supply.</p> <p>ii. Vide letter dated April 27, 2006, the Architect of VSL for the Project, Mr. Rahul Deora has sought the 'Capital Investment Certificate,' from VSL and the fee for the pollution clearance from Maharashtra Pollution Control Board, from VSL. From this it can be reasonably inferred that pollution clearance had been applied for and that architects had been appointed by VSL, as informed in the corporate announcement.</p> <p>VSL has not submitted any proof related to the appointment of electrical consultant or landscape designer. Therefore, I find that corporate announcement was misleading to that said extent.</p> <p>I further note that SCN states that this corporate announcement by VSL did not have any immediate effect on the price/volume.</p>
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<p>4.</p>	<p>April 21, 2006 @ 2:39:43 PM</p> <p>i. Maharashtra Industrial Development Corporation (MIDC) has sanctioned Building Plan on plot T/1 for the Company's factory at Nardhana office of the Executive Engineer Division Dhule.</p> <p>ii. The Company is calling Tender from the A class contractor to submit their offer for following Construction to the registered office Nariman Point or to the Architect office at Dhulia. Total construction 70627.49 Sq. Meters.</p> <p>iii. Construction of Boundary and office building will start on time as the Company's announcement earlier and factory building will also start as soon as the Contractor Rates final. The Company's speed of</p>	<p>No information with respect to implementation was given to SEBI.</p>	<p>This announcement was in connection with the announcement made that MIDC has sanctioned building plan and in accordance with the sanction plan, VSL has started the construction of shade. Such type of announcement did not have any immediate effect on the price of the share as on that day the opening of the share was 53.65 and closing also 53.65 it shows that there is no undue advantage or profit taken by the company from such announcement, as announcement made earlier that MIDC has sanctioned building plan and in accordance with the sanctioned plan company has started the construction of shade and further construction of about 60% of the total shade size of 11201000 sq ft is already been completed evidence of the can be found in the matter of High Court WP. VSL has submitted the following documents with its reply: Copy of newspaper publication issued by VSL inviting tenders for construction of building at its plant in Nardhana, Dhule</p>	<p>i. Approval of plan and building commencement permit dated April 21, 2006 issued by MIDC for plot T1 has been submitted by VSL along with its reply.</p> <p>ii. Copy of newspaper publication inviting tenders for construction of building has been submitted by VSL along with reply. Though the date of the newspaper is not legible, however, the last date of submission of tender is February 10, 2010. This shows that the said notice inviting tender was published in the year 2010. However, a reading of the corporate announcement made at ii. shows that the company was going to invite tenders in the near future. A period of about four years, after which such tenders were invited, cannot be termed as made in "near future". No explanation has been given by VSL as to why there was such a delay in inviting tenders and why the corporate announcement was made in 2006 whereas the actual tender was invited in 2010.</p> <p>ii. This announcement at iii. mentions the previous announcements made by VSL and seems to inform about the progress made thereon. This corporate announcement was not required to be made at all as there was no materiality</p>
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	working very fast looking to the coming rainy season.			<p>involved in the same. Making of such an announcement which was not required to be made at all also misleads the investors.</p> <p>Therefore, the announcement made at ii and iii. by VSL was misleading.</p> <p>I further note that on April 21, 2006 as the announcement was made close to end of the trading hours, at 02:39:43 PM, it did not have any immediate effect on the price/volume on the same day. However, on next trading day i.e. Apr. 24, 2006, the price increased by 4.97% than the previous day's close and volume also increased to 72680 than the previous day's volume of 51299. Therefore, the contention of VSL that the announcement did not have impact on the price/volume is not correct.</p>
5.	<p>April 24, 2006 @ 4:01:16 PM</p> <p>i. Company has offered its Services to Maharashtra Industrial Development Corporation (MIDC) for Textile Zone at Nardhana / Amaravati / near Mumbai by its letter dated April 18, 2006.</p>	No information with respect to implementation was given to SEBI.	<p>Regarding Serial No. 5 i.</p> <p>- The announcement is that company has offered its service to MIDC for joint venture, as such it cannot be said fake announcement and also such type of announcement did not have any effect on the price of the share.</p> <p>Regarding Serial No. 5 ii.</p> <p>- This is a positive announcement and is in welfare of the shareholders so it cannot said neither be nor fake</p>	<p>i. The announcement states that VSL had offered its service to MIDC for setting up of Textile Zone. As per its own submission, it was mere an offer which was subject to acceptance by MIDC for resulting into a binding agreement which could be considered as positive news. Therefore, corporate announcement informing investors about mere making of an offer by VSL to MIDC whose finality was uncertain, was misleading.</p>

	<p>ii. In response of their Letter MIDC has also eagerly interested for Joint Venture (JV) with the Company by their letter dated April 24, 2006, Dpt. CEO of MIDC Mr. R M Naikhede informed and invited the Company in the next week for detail discussion on the issue and furnish the brief of project for joint share with MIDC.</p>		<p>announcement and did not have any immediate effect on the price/volume share.</p>	<p>ii. The said announcement is again about something which as per the announcement itself was not concrete and was only at the discussion stages.</p> <p>Therefore, the announcement was misleading.</p> <p>I further note that on April 24, 2006 as the announcement was made at 04:01:16 PM i.e. after the trading hours, therefore, it did not have any immediate effect on the price/volume on the same day. However, on next trading day i.e. Apr. 25, 2006, the price increased by 1.94% than the previous day's close and there was a decrease in volume to 31965 than the previous day's volume of 72680. Therefore, the contention of VSL that the announcement did not have impact on the price/volume is not correct.</p>
6.	<p>May 02, 2006 @ 10:20:57AM</p> <p>Meeting of the Board of Directors of the Company will be held on May 08, 2006, <i>inter alia</i>, to consider, recommend & declare dividend to the shareholders for financial year 2005-06.</p>	<p>No information with respect to implementation was given to SEBI.</p>	<p>This announcement was made by the board of director of the company in the interest of shareholders and as such it cannot be said to bad or bogus announcement so cannot be said any kind of violation relating to the section of unfair trade practice.</p>	<p>I find that no information with respect to implementation of said corporate announcement, was given to investigating authority of SEBI or has been furnished in the present proceedings in VSL's reply. Therefore, VSL's contention that the corporate announcement was made in the interest of shareholders and therefore, cannot be termed as bad or bogus, is not acceptable and I find that the said corporate announcement was misleading.</p> <p>I find that SCN observed that the said announcement did not have any effect on the price/volume</p>

7.	<p>May 08, 2006 @ 11:31:21 AM</p> <p>the Board of Directors of the Company at its meeting held on May 08, 2006, has recommended Dividend @10% to the Shareholders of the Company.</p>	<p>No information with respect to implementation was given to SEBI.</p>	<p>In regard to announcement dated 8/5 / 2006 this announcement was made by the board of director of the company in the interest of shareholders and as such it cannot be said to bad or bogus announcement so cannot be said any kind of violation relating to the section of unfair trade practice.</p>	<p>I find that no information with respect to implementation of said corporate announcement, was given to investigating authority of SEBI or has been furnished in the present proceedings in VSL's reply. Therefore, VSL's contention that the corporate announcement was made in the interest of shareholders and therefore, cannot be termed as bad or bogus, is not acceptable and I find that the said corporate announcement was misleading.</p> <p>I find that the announcement did not have any effect on the price/volume on the day when it was made. However, SCN observes that on next day the scrip opened at a price higher by 1.94% than the previous close and on next day there was a decrease in volume to 24661 than the previous day's volume of 32154. I note that as the corporate announcement was made just after the start of trading hours, at 11:30 am on May 08, 2006, therefore, the impact it had on that day on the price/volume is relevant and not the impact on price and volume which it had on the next day.</p>
8.	<p>June 22, 2006 @ 12:20:52 PM</p> <p>i. Mr. Suresh Sharma CEO of the Company visited various Plant at Italy, Promoters are running very doubtful way looking to the future scared from Asian Countries, like India, China, Bangladesh, Sri Lanka and Pakistan.</p>	<p>i. No evidence of any MOU/ agreement with Italian companies (whose names were also not provided) given to SEBI.</p> <p>ii. VSL did not inform SEBI whether the machinery has been shifted from Italy, as was mentioned.</p>	<p>Such announcement is made by Mr. Suresh Sharma as CEO of the company, he visited various many countries for the development of textile company and also to transfer plant and machineries of Vertex Spinning Ltd from MP Plant to Nardhana Dhule, Maharashtra. Behind the visit of various countries</p>	<p>i. I note that VSL has not provided any evidence of any MOU/ agreement with Italian companies either to the investigating authority or in the present proceedings. Therefore, the announcement made by VSL was misleading.</p>

	<p>ii. They are facing highly competition from Asian Countries. The Company CEO has visited Top Industrialist of Italy and after deep study, finally decided get hold of two Leading Textile Mills at Italy on Equity participation. Some of machinery will be shifted to the Company's Plant at Nardhana, Distt. Dhule, Maharashtra and value added product will be process on their existing site.</p>		<p>the intension of the CEO was in welfare of the company hence no other ulterior motive behind it to gain any undue profit or advantage the trade of share market. Therefore, it cannot be said of any kind of violation relating to the unfair trade practice</p>	<p>i. I note that VSL has not provided any details regarding the logistics of shifting machinery from Italy to India and the details of equity participation of VSL with Italian companies neither to the Investigating Authority nor in the present proceedings. Therefore, the announcement made by VSL was misleading.</p> <p>I note that SCN observes that the announcement did not have any immediate effect on the price/volume</p>
9.	<p>August 01, 2006 @ 12:33:44 PM</p> <p>iii. The Company has launched a festive range of Acrylic Mink Blankets under the brand name "DIANA". Each design is available in various colour combinations & permutations. These blankets are manufactured by using best of the yarns having the properties of attaining colour brightness & softness, the essential property is required for a quality blanket as per the international standard.</p> <p>iv. The company also manufactures colourful baby blankets with cartoon motifs & logos. The company is having wide marketing network throughout India & exports its products to Gulf Countries & UK. Though Spain is</p>	<p>The manufacture/ sales details of blanket under brand name "Diana" were not provided to SEBI to verify the claim made by VSL.</p>	<p>As announcement made on date 1/8/2006 in serial no 8 the company has launched a festive range of acrylic mink blankets under the brand name Diana. This is the general announcement of the product of the company to display in the market. It has no connection with intention to fluctuate the rate share market.</p>	<p>i. I note that VSL has not submitted any evidence related to launch of its product "Diana", manufacturing and sale details, etc. Therefore, the announcement made in this regard was misleading.</p> <p>ii. VSL has not provided any details of such baby blankets like the catalogue, product range etc. No details regarding its manufacturing units throughout India has been provided or details of the export has been furnished. VSL has also not provided details of the orders from UK and Spain for 2007 and 2008 which it has</p>

	considered market leader of Mink Blanket in the world, there is heavy demand for Mink Blanket of the company from Spain & UK, resulting into fully booking of the company production for next two years.			<p>claimed in the corporate announcement. Therefore, the announcement made by VSL in this regard was misleading.</p> <p>I note that SCN observes that the announcement did not have any major effect on the price.</p>
10.	<p>September 29, 2006 @ 07:09:11 PM</p> <p>i. The Company has undertaken a major expansion programme, whereby it has updated the Plant and Machinery and completed 25,000 Spindles expansion programme at existing Unit at Pithampur, Madhya Pradesh.</p> <p>ii. After the completion of this expansion of acrylic spinning mill, the Company became one of the top three Acrylic Blanket Manufacturing Mills in the world and it has established itself as a strategically located quality supplier of acrylic blanket to the whole of the country, Africa, USA, UK, Australia, Canada and all Asian Countries including Middle East.</p> <p>iii. To start Cotton spinning the Company has acquired 100 Acres of Land and has started construction activity at Nardhana Industrial Area, Dist. Dhule, Maharashtra. The new Mega Project is at a cost of Rs 512 Crores. The company has obtained license from Govt. of India for Cotton Spinning</p>	<p>i. Company has not provided any evidence expansion in plant & machinery in Pithampur plant as contended.</p> <p>ii. Further no evidence of production of 80000 spindles in phase-I in Dhule project which was contended to commence by March 2007 was given to SEBI.</p>	<p>The announcement made on 29/9/2006, in serial no 09 the company has completed the plant and machinery of existing Vertex Spinning Ltd plant at Pithampur M.P. of 25,000 spindles for Acrylic yarn and because the third largest spinning plant for manufacturing of Acrylic Yarn and also prepared for expansion of 512 CR at Nardhana, Dhule, as above explained the appraisal done by Syndicate Bank, Mumbai. It is true and not bogus announcement and does not have any impact on the value of the share.</p>	<p>I note that the company has not provided any evidence to show that the announcement made by it on September 29, 2006 was genuine. Thus, I find that the allegation made in the SCN that the aforesaid announcement was misleading, is sustainable.</p> <p>I note that as the announcement was made after the closing of the trading hours on September 29, 2006, it did not have any impact on price and volume in the scrip of VSL on the same day. However, on the next trading day the volume increased three time of the previous day's volume but there was no impact on the price.</p>

	<p>of 1,60,000 Spindles. The Directors of the Company expected to commence its production of Phase-I of 80,000 Spindles by March 2007.</p> <p>iv. After completion of Cotton Spinning Project the company is expected to earn a gross revenue of Rs. 227.32 crores and a profit after tax amounting to Rs. 51.11 crores. Extensive efforts are being made to revamp and upgrade technology to enable the company to take advantage of the changing business opportunities</p>			
11.	<p>November 10, 2006 @ 12:57:15 PM</p> <p>The Company is Developing Integrated Textile Park, details as under.</p> <p>i. Integrated Textile Park being Developed by the Company in District Dhule, Maharashtra, Dhule an important place in Maharashtra industrial scenario various industries on small scale. Knitwear, Hosiery, Weaving has been growing @10% over the past few year. Lifting of quantitative restrictions of quotas in the year 2005.</p> <p>ii. The quality of Textile with reduction of cost and skill improvement compete the market. The Company has opened, Division of Integrated Textile Park and has acquired 400 acres land (1600000 sq meters) for 99 years in</p>	<p>No information with respect to implementation was given to SEBI.</p>	<p>The announcement is true and nothing behind it to gain undue advantage of share market, as such it cannot said unfair trade practice and it is also found by the IA , it did not have any major effect on the price . The volume come down by three times then the previous days volume, therefore it cannot be said of any kind of violation relating to the unfair trade practice.</p>	<p>i. I note that VSL has produced a letter dated September 29, 2007 from Principal Secretary, Industries, Maharashtra to VSL stating that the government of Maharashtra has decided to offer the status of mega project to VSL's proposed project at MIDC area, Nardhana, Dhule and was offering 100% exemption from stamp duty. This shows that VSL was developing Textile Park at Dhule, Maharashtra. Therefore, said announcement was not misleading.</p> <p>ii. Regarding ii. and iii., from the documents submitted by VSL, I note that VSL was not in possession of 350 acres of land out of 400 acres as on the date of said announcement. I note that the Lease Agreement was only executed in 2008 in</p>

	<p>Nardhana industrial area Dist. Dhule from MIDC.</p> <p>i. The project aimed Developing Dhule as a major cotton export city and to create employment for Rural Area on big scale as many as 10000 jobs or more. Company had chosen Dhule as one of the Cotton Producing District in the Maharashtra and there will be no shortage of the Raw material.</p>			<p>respect of 400 acres of land after which it got possession of 350 acres of land. Therefore, the announcement made by VSL were misleading in this respect.</p> <p>I note that SCN observes that the announcement did not have any major effect on the price and the volume came down by three time than the previous day's volume.</p>
12.	<p>February 01, 2007 @ 11:11:27 AM</p> <p>i. The company has announced the opening of yet another Unit which is coming up shortly at Nardhana Industrial area, Dist. Dhule, MH. Mr. Sharma has very ambitious plans to develop a Textile Park for which he has acquired 400 acres of land. (2 copies of letters of Advanced Possession Receipt dt. December 01, 2006 and January 02, 2007 issued by the MIDC are enclosed herewith).</p> <p>ii. The construction of the Unit is already in progress and expected to complete by August 2007. All the necessary infrastructure like construction of roads is completed, Water tank is installed by the MIDC the water has been brought from 35 kms away from the factory site. Electricity / Light connections and installation is already completed as per the required capacity.</p>	<p>No information with respect to implementation was given to SEBI.</p>	<p>The announcement made on 1/2/2007 (in notice the print shown as 1/2/2006), such announcement is also related with the establishment company at Nardhana, which is absolutely is in relation in discussion with MIDC, which has no effect on the share trading market. The company wrote various letters and had personal discussion with the relevant authorities of MIDC for the water supply and electricity at Nardhana Area for the upcoming project of the company but MIDC failed to supply water and electricity from the high tension line as required by the company. Therefore, Company has also filed WP before the High Court, Mumbai/Aurangabad, thus company cannot be blamed that the company has made any kind of fraud or fictitious publicity before the investors in the share market. It</p>	<p>I find that VSL has not produced any information/evidence related to opening of another unit at Nardhana in Dhule either before the investigating authority or in the present proceedings. Therefore, I find that this announcement was misleading.</p> <p>I note that SCN observes that announcement did not have any major effect on the price/volume.</p>

	<p>iii. Mr. Sharma, the CEO has absolute clear vision and long terms plan. He categorically said that the purpose of opening a Unit at Dhule will not only solve unemployment problem of thousands of workers of Dhule and surrounding areas but it will also add to economical prosperity & growth of this particular district. The Company is poised to produce quality Cotton Yarn for which qualified, ITI trained workers and staff will be recruited. The Company is expected to erect Machinery by the end of Sept 07 or middle of Oct 07 and the production will be under taken in 2 phases.</p>		<p>cannot be said as unfair trade practice and there was no violation of the provision of the law.</p>	
13.	<p>February 07, 2007 @ 04:05:36 PM</p> <p>i. Vertex Spinning Ltd has announced that the Company added Weaving and Processing in its upcoming Project at Dhule, in order to strengthen and improvise its product range.</p> <p>ii. The Company foresee fabulous response to come after the inception of the production. The bifurcation would be 20% of the capacity will be in house for Weaving and Processing. The processed fabrics will be utilized for mass production for consumers in the market. This will bring value-addition to the Company's Project.</p>	<p>No information with respect to implementation was given to SEBI.</p>	<p>No submissions, made on this announcement</p>	<p>i. I note that VSL has not produced any evidence to show the veracity of the announcement. Therefore, I find that the announcement was misleading.</p> <p>ii. I note that said announcement was about projections of VSL that too in respect of a project whose implementation was not coming forth due to not getting of electricity and water connection. Therefore, I find that said announcement was misleading.</p> <p>I note that SCN observes that as the announcement was made at 04:05:36 PM i.e. after close of trading hours, it did not have any impact on price and</p>

				<p>volume on same day and on next trading day the scrip opened at a price higher by 1.78% than previous close. There was a substantial increase in the volume on February 08, 2007 to 144521 shares from 44709 shares on Feb. 07, 2007.</p>
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16. In addition to VSL's submissions recorded at column III of the above table, VSL has submitted that when it mentioned upcoming project, it made categorically clear that the project was in pipeline and was yet to commence production and hence, there is no question of any misinformation, as alleged. It has also submitted that it was categorically stated that electricity/ light connection and installation were completed as per the required capacity means that MIDC till that point of time had provided 10 WA connection for construction purpose from village feeder and that MIDC vide letter dated November 06, 2006 itself records that permanent supply of 5 MW and 8 MW was the requirement of the VSL and MIDC was trying to arrange for the power supply of 5 MW and 8 MW. I note that this submission of the VSL is incorrect since, on February 01, 2007 VSL made the following corporate announcement:

"The construction of the Unit is already in progress and expected to complete by August 2007. All the necessary infrastructure like construction of roads is completed, Water tank is installed by the MIDC the water has been brought from 35 kms away from the factory site. Electricity / Light connections and installation is already completed as per the required capacity."

I note from the announcement quoted above, that VSL never qualified that the power supplies were only available for 10 WA connection for construction purpose and the necessary connection required for running the plant was yet to be received. Moreover, the announcement never mentioned that water connection was yet to be received. In fact, it gives a picture that all facilities are available at the site. Therefore, I cannot accept the contention of VSL in this regard. I also note that The Annual Report of VSL for the year 2009-10, stated, *"The proposed Dhule project was expected to commence by financial year 2010-*

2011", which shows that VSL was aware that project would be starting in the financial year 2010-11 and there was no basis of making the impugned corporate announcement sin 2006-07.

17. In addition to the observations in Column IV of the table above, I note from the above analysis and documents furnished by VSL, that VSL had arrived at an understanding with MIDC related to opening a textile park in Nardhana, Dhule around March, 2006. I also note that the Lease Agreement for the said plot (comprising of T1 which was 50 acres and T2 which was 350 acres) was entered into on August 08, 2008 and there was a temporary license agreement dated March 28, 2006, based on which VSL had taken temporary possession (for three years) of a portion of the plot (T1) at Nadhana, Dhule which was to operate till the execution of the Lease Agreement. Vide a letter dated December 09, 2006 (copy submitted by VSL), the company was seeking possession of the remaining 350 acres of the land (T2). From the said letter, it is clear that as on December 2006, VSL did not have possession of the whole 400 acres of land. Regarding the pollution clearance from Maharashtra Pollution Control Board, I note that it is not clear from the material available on record whether the said clearance had been ever received by VSL. I also note that from September 2006 onwards VSL was requesting MIDC for the supply of electricity and water to the plot, as is observed from various letters exchanged between MIDC and VSL. Therefore, at the time when the corporate announcements were made by VSL, the company only had possession of plot T1 and not T2 and did not have water and power supply at T1. I also note that during this time, in spite of no water or electricity at the proposed site of the textile plant, the company kept on making forward looking corporate announcements related to the development of the plant at Nardhana, Dhule which gave the impression that work was progressing at the site whereas there was no actual development in the project and thus these corporate announcements were misleading. VSL, on its part has submitted that it was the responsibility of MIDC to supply water and power at the plot. In this regard, VSL has submitted minutes of several meetings such as on February 26, 2008, December 11, 2008, February 26, 2010, May 14, 2010 between officials of VSL and officials of MIDC. I note from the minutes of the meetings that during the meetings on February 26, 2010 and May 14, 2010, MIDC had informed that

MSEDCL had made power available in the area and that VSL should immediately apply for electricity. It is unclear whether VSL applied thereafter. Vide letter dated July 26, 2012, MIDC has also informed that water was available till the plot (T2) from January 16, 2007 and VSL had not made any application for water connection. It is understood that VSL had filed WP no. 9 of 2015 against MIDC before the Hon'ble High Court of Bombay seeking extension of time for completion of the project and submitting that water and power was not made available by MIDC to VSL at plots T1 and T2. Be that as it may, the fact stands established that plot no. T1 and T 2 were not at a stage wherein the plant could be constructed. I also note that at the time of investigation, it was already six years since announcements were made by VSL and there was a time limit of five years for development of the textile park provided by MIDC. This time limit was again reiterated by MIDC in its letter dated February 05, 2011 (a copy of the letter was submitted by VSL). I also note that vide letter dated June 09, 2008, VSL has issued a clarification related to a corporate announcement dated January 30, 2007 to the BSE Ltd. (formerly known as "Bombay Stock Exchange") wherein it had informed about the delay in the project due to non- availability of water and power. I also note that the findings of the investigation states that there has been no mention about the implementation of the said projects in the annual reports of the company for the year 2006-07 and 2007-08 and that the Annual Report of VSL for the year 2009-10, stated that the project was expected to commence by financial year 2010-2011 and thus, corporate announcement made by VSL during financial year 2006-07 were not correct and hence, misleading.

18. I observe that such misleading corporate announcements had the potential to influence the decision of the investors regarding their investment in the shares of VSL. Therefore, I find that the company and the then CEO Mr. Suresh Sharma and Mr. Sachin Sharma, being Executive Director of VSL and therefore, being in charge of the affairs of the VSL and responsible for the same, made misleading corporate announcements, as observed in the Table at para 15, above, without proper basis. I also note that out of the 13 impugned corporate announcements one was not misleading (at Sr. no. 1 of Table at para 15), 2 were partially misleading (at Sr. no. 3 and 11 of Table at para 15) and the remaining 10 corporate announcements were misleading (at Sr. no. 2, 4, 5, 6, 7, 8, 9, 10, 12

and 13 of Table at para 15). Moreover, out of the 13 impugned corporate announcements, 3 had an actual impact on the price and volume of trading, of the scrip (at Sr. no. 2, 4 and 13 of Table at para 15). In view of the same, VSL (Noticee no. 1), Mr. Suresh Sharma (Noticee no. 3, 5, 8 and 13) and Mr. Sachin Sharma (Noticee no. 2) are in violation of Section 12A (c) of SEBI Act, 1992, Regulations 3(d), 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of PFUTP Regulations.

19. Apart from issuing misleading corporate announcements, the SCN also alleges that while the misleading corporate announcements were made to the public, the promoter/director and related entities of VSL were creating huge volume of false trading in the scrip of VSL.
20. I note from the SCN that the dealings of top six brokers in the shares of VSL during the investigation period revealed that on buy side 87.89% of the total trading volume was created by clients of the top six brokers and on sale side 88.12% of the total volume was created by clients of the top six brokers. SIC was the major broker having buy concentration of 73.51% and sale concentration of 74.92% of the total trading volume. The dealings of the top six brokers in the shares of VSL during the investigation period is as per the table given below:

Name of the Broker	Name of Major clients	Purchased Quantity	Percentage to total volume	Sold Quantity	Percentage to total volume
SIC Stocks & Services Pvt. Ltd.	Narendra Upadhyay	4028683	31.61%	4069415	31.93%
	SS Forging & Eng. Pvt. Ltd.	1684922	13.22%	1629130	12.78%
	Daljeet Singh Matharu	1181549	9.27%	1142845	8.96%
	Sandeep Mishra	919091	7.21%	919091	7.21%
	Ramkumar Sidhar	436907	3.42%	484271	3.80%
	Kuldeep Singh	439216	3.44%	457879	3.59%
	Twinstar Finvest Pvt. Ltd.	67609	0.53%	172051	1.35%
	Mansukh Finance and Investment P. Ltd.*	109007	0.85%	282282	2.21%
	Suresh Sharma	179450	1.40%	91456	0.71%
	Col. Rajinder Handa	34316	0.26%	34316	0.26%
	SIC Stocks & Services Pvt. Ltd.	10011	0.07%	20654	0.15%
	Dealing of linked clients		71.28%		72.95%
	All clients of SIC	9368149	73.51%	9546940	74.92%
Sunchan Securities Ltd.	Brakes Auto (India) Ltd./ Mr. Suresh Sharma	225649	1.77%	207708	1.63%
	Total dealing of Sunchan	1033634	8.11%	1039713	8.16%

Name of the Broker	Name of Major clients	Purchased Quantity	Percentage to total volume	Sold Quantity	Percentage to total volume
AKG Stock Brokers Pvt. Ltd.	Proprietary account	433121	3.40%	430121	3.38%
J.G.A Shah Share Brokers Pvt. Ltd.	Milind Madhani, Kalpana Madhani	155515	1.22%	107780	0.85%
Sykes & Rays Equity (India) Ltd.	Pratyusha Singh Rahul Jha	105400	0.83%	0	0.00%
Sanjay C. Baxi	Jagdish Chandra Agarwal	8470	0.06%	10090	0.07%
	Sanjay Goyal	17717	0.13%	15935	0.12%
	Samta Agarwal	10806	0.07%	10350	0.07%
	Sudha Goyal	24106	0.18%	22154	0.17%
	Total dealing of linked clients of Sanjay C. Baxi	61099	0.44%	58529	0.43%
	Total dealing of all clients of Sanjay C. Baxi	104507	0.82%	103144	0.81%
Total		11200326	87.89%	11227698	88.12%

** This dealing by Mansukh, includes 103502 shares (buy) and 282282 shares (sell) that was covered during previous investigation report (EFD to kindly explain the meaning of this statement).*

21. The SCN alleges that amongst the top 11 major clients of SIC Stocks referred in the table above, nine clients were found to be connected to VSL/ promoters of VSL. The connections between the aforesaid nine clients are as under:

Sr. No.	Name of Client	Basis of Connection
1.	Suresh Sharma (Noticee no. 2)	CEO of VSL
2.	Narendra Upadhyay (Noticee no. 16)	Employee of VSL
3.	Daljeeth Matharu (Noticee no. 9)	Employee of VSL
4.	Sandeep Mishra (Noticee no. 18)	Employee of VSL
5.	Ramkumar Shidhar (Noticee no. 15)	Employee of VSL
6.	Kuldeep Singh (Noticee no. 17)	Employee of VSL
7.	SS Forging & Eng. Ltd. (Noticee no. 7)	Group Company of VSL
8.	Twinstar Finvest Pvt. Ltd. (Noticee no. 12)	Group Company of VSL
9.	Mansukh Finance & Investment Pvt. Ltd. (Noticee no. 4)	Group Company of VSL

The aforesaid Noticees due to their connection with VSL and its promoters and directors are hereinafter referred to as the **Vertex Group Clients**.

22. The SCN alleges that the Vertex Group Clients when dealing with SIC Stocks entered into 26,956 cross deal trades among themselves and accounted for 53.44% of the total market volume during the investigation period. In 2,130 trades out of the aforesaid 26,956 cross deal trades, the difference between the buy order time and sale order time was less than one minute and difference between the buy order rate/ sale order rate and buy order quantity and sale order quantity for all the trades were zero. Hence, the SCN has alleged that these trades are synchronized trades.

23. In this regard, VSL in its reply has stated as under:

“Mr. Narendra Upadhyaya, Mr. D.S. Matharu , Mr. Sandeep Mishra, Mr. Ramkumar Sridhar, Mr. Kuldeep Singh, Mr. Ram Sharan Yadav, have opened their accounts and the same was verified by the promoter Director Mr. Suresh Sharma as the broker and Mr. Suresh Sharma both resides at Mumbai and all the aforesaid persons stayed at Indore being employees of the company. Mr. Suresh Sharma verified those persons and they have opened their account with broker and at the time of opening the account with the bank and with brokers , all the documents of concern persons were available at Mumbai during that time, therefore Mr. Suresh Sharma verified. These persons and the same was also requested by SIC stock broker, they have requested for the verification of the employees. The Bank accounts were not opened in fraudulent manner and whenever trading operation was done it is available on the records. It is submitted that all the accounts were opened and introduced by Mr Suresh Sharma.”

24. From the SCN, I note certain observations regarding the KYC of these clients which are as follows:

- i) Mr. Daljit Singh Matharu, Mr. Ramkumar Sidhar, Mr. Kuldeep Singh all held bank account in the same branch of Syndicate Bank .
- ii) VSL vide letter dated October 26, 2006 had requested Syndicate Bank for opening of bank account in name of their employees namely Ram Sharan Yadav, Ardit Yadav, Ratnesh Pandey, Kuldeep Singh, Ajaysingh Patel, Ramkumar Sidhar, Balram Prasad Chaturvedi, Mayay Singh, Jay Kumar, Murlidhar.

- iii) The demat accounts of Mr. Narendra Upadhyay, Mr. Sandeep Mishra, Mr. Ramkumar Sidhar, and Mr. Kuldeep Singh were also opened from the same branch of BOI Shareholding Ltd.
 - iv) SIC vide its letter dated January 14, 2012 had also admitted that trading account of all these clients were opened with the assistance of Mr. Suresh Sharma. VSL in its reply has also stated that Mr. Suresh Sharma opened the accounts with SIC.
25. I note from the reply of the Noticees that they have acknowledged that Mr. Suresh Sharma had opened the trading and bank accounts on behalf of the VSL Group clients. However, in its reply VSL had claimed that the trading on the accounts had been carried out by the broker SIC in an unauthorized manner and that they were unable to realize it at that time since they used to receive contract notes after 2-3 months. I note that in spite of this submission by the Noticees, they have been unable to provide any supporting documents for the same or any proof that they had initiated any proceedings against SIC for the alleged unauthorized trades in VSL securities from their trading accounts. Moreover, during investigations, Mr. Suresh Sharma had provided DIS signed by him on various dates for delivery of VSL shares from their demat accounts. Mr. Suresh Sharma had delivered 43,065 shares from March 07, 2006 to November 16, 2006 from his demat account (number 16965088 with IDBI Bank Ltd.) to SIC. Further, 34,4807 shares of VSL were delivered from demat account of Mansukh (No. 13079629 with IDBI Bank Ltd.) during the period from April 13, 2006 to November 23, 2006. In respect of Twinstar, 1,10,371 shares were delivered from its demat account no. 1202000000146086 with Joindre Capital Services Ltd. during the period from April 26, 2006 to May 17, 2006. As apparent, Mr. Sharma delivered 4,98,243 shares of VSL from his / his group companies demat account to SIC for onwards delivery in market. Therefore, I find that Mr. Suresh Sharma was aware of the trades being carried out in his account and the accounts of the companies wherein he was the promoter/ director and therefore cannot take the plea that he was unaware of the transactions. I note that the details of the trades carried out by the above Vertex Group clients is as under:

Name of the clients	No. of Days Traded During the Period on buy side/ No of Days Done Trading with other Vertex group clients on buy side	Total buy Qty/Buy Qty. from Vertex group clients	Buy from Group as a % to market volume.	No of Days Traded During the Period on sell side/ No of Days Done Trading with other group clients on sale side	Total Sell Qty/Sell Qty. to group clients	Sell to Group as a % to market volume.	Trading among clients as % to gross market
Narendra Upadhyay	92/81	4028683/ 2730542	21.43%	88/80	4069415/ 2900158	22.46%	22.09%
Ramkumar Sidhar	13/13	436907/ 379703	2.98%	17/14	484271/ 413945	3.25%	3.11%
Mansukh Finance & Investment Pvt. Ltd.	14/3	109007/ 72778	0.57%	6/5	282282/ 31526	0.25%	0.41%
Suresh Sharma (SIC)	8/5	179450/ 77964	0.61%	6/2	91456/ 77747	0.61%	0.61%
Twinstar Finvest P. Ltd.	10/7	67609/ 34983	0.27%	13/6	172051/ 65119	0.51%	0.39%
SS Forging & Eng. P. Ltd.	57/44	1684922/ 1210665	9.50%	50/43	1629130/ 1154635	9.06%	9.28%
Sandeep Baldevprasad Mishra	27/25	919091/ 835502	6.56%	29/25	919091/ 798078	6.26%	6.41%
Kuldeep Singh	12/12	439216/ 417419	3.28%	17/15	457879/ 364340	2.86%	3.07%
Daljeeth Singh Matharu	38/32	1181549/ 1050664	8.24%	30/29	1142845/ 1004672	7.88%	8.06%
Total		9046434/ 6810220	53.44%		9248420/ 6810220	53.44%	53.44%

26. I note that the cumulative contribution of volume by the Vertex Group Clients is 53.44% to the total market volume in the VSL scrip during the investigation period which is substantial. Out of this 26,956 trades were cross deals through SIC (amounting to 53.27% of the market volume in the VSL scrip during the investigation period). Amongst these cross deals, for 2,130 trades for 32,07,489 shares (amounting to 25.16% of the market volume in the VSL scrip during the investigation period) the difference between buy order time and sale order time was less than one minute and the difference between buy order rate/sale order rate and buy order quantity/sale order quantity were zero. Thus, I find that these 2,130 trades for 32,07,489 shares were synchronized trades. I observe that in the facts and circumstances of the present case, the cross deals which resulted in 26,956 trades amounting to 53.27% of the market volume in the VSL scrip during the investigation period, amounted to false trades, since the trading accounts of both the buy client as well as sell client were being controlled by the same person (Mr. Suresh Sharma) through a common stock broker (SIC). I also find that these false trades were aimed at creating volume in the scrip of VSL

during the investigation period. Considering the fact that the trading accounts of the Vertex Group clients were all controlled by Mr. Suresh Sharma, I find that these synchronized trades were also false in nature meant to create volume in the scrip of VSL. I observe that though the individual contribution of each client among the Vertex Group clients may not be high, yet cumulative contribution of the Vertex Group Clients through these false trades accounted for 53.44% of the total trading in VSL scrip during the period which is substantial considering the fact that the trades of all the clients were through the same broker i.e. SIC and orders were placed by Mr. Suresh Sharma only. In view of the same, I find that Noticee nos. 3, 4, 5, 7, 8, 9, 12, 13, 15, 16, 17 and 18 have violated Section 12A (a) of SEBI Act, 1992, Regulations 3(a), (b), 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices) Regulations, 2003.

27. Apart from executing false trades through cross deals and synchronized trades, the SCN also alleges that the Vertex Group clients influenced the price of the scrip of VSL through incremental trades and decremental trades during the investigation period. The SCN states that analysis of price influence through incremental trades with a price difference of Rs. 0.20 or more in the scrip of VSL revealed that there were total 822 such incremental trades. Out of the said 822 trades, 544 trades were executed by the broker, SIC Stocks. Out of the said 544 trades executed by SIC Stocks, 501 trades for 3,70,362 shares were executed on behalf of Vertex Group Clients, the details of which is as under:

Name of the clients	No. of shares bought	No. of incremental trades	Counterparty clients	Net LTP variation (Rs.)
Narendra Upadhyay	201603	231	Clients linked to VSL for 61 trades and other scattered clients.	162.85
Ramkumar Sidhar	35851	8	Clients linked to VSL	5.05
Mansukh Finance & Investments Pvt. Ltd.	2900	21	Scattered clients	14.16
Suresh Sharma	1023	10	Scattered clients	5.35
Twinstar Finvest P. Ltd.	377	3	Scattered clients	3.75
SS Forging & Eng. P. Ltd.	61168	175	Clients linked to VSL for 33 trades and other scattered clients	99.30

Sandeep Baldevprasad Mishra	31765	27	Clients linked to VSL for 33	12.70
Kuldeep Singh	21000	3	Clients linked to VSL	2.00
Daljeeth Singh Matharu	14675	23	Clients linked to VSL for 14 trades and other scattered clients.	10.75
Total	370362	501		

28. In their replies the Noticees have not disputed the above mentioned trades. The Noticees have only stated that the stock broker was carrying out these trades in an unauthorized manner. I have noted in para 24 and 25 the reasons why that this argument of the Noticees is unacceptable. Further, as discussed in the previous paragraphs, the accounts of the Vertex Group clients were controlled by Mr. Suresh Sharma. In view of the same, I find that Noticee nos. 4, 5, 7, 8, 9, 12, 13, 15, 16, 17 and 18 have violated Section 12A (a) of SEBI Act, 1992, Regulations 3(a), 3(b), 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices) Regulations, 2003.
29. I also find that since Ms. Mithilesh Suresh Sharma (Noticee no. 6 and 14) was director of Mansukh Finance & Investments P. Ltd. and Twinstar Finvest P. Ltd. and Mr. Ram Pratap Singh (Noticee no. 10) and Ashok Sharma (Noticee no. 11) were directors of SS Forging & Eng. Ltd. and therefore responsible for the affairs of these companies, therefore Noticee nos. 6, 10, 11 and 14 have also violated Section 12A (a) of SEBI Act, 1992, Regulations 3(a), 3(b), 4(1) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices) Regulations, 2003.
30. With regard to the trading by the client Mr. Ram Sharan Yadav (Noticee no. 19) I note that the SCN states the following facts:
- He was an employee of VSL and traded through the stock broker Satco.
 - He traded in the scrip of VSL during the investigation period
 - His address was similar to that of VSL
 - He bought 33,645 shares and sold 11,870 shares during the period. Out of 14 buy trades for 33,645 shares of Ram Sharan Yadav, for 14 trades for 11,533 shares the counterparty clients were linked entities of VSL.
 - It was observed from the KYC of the client Ram Sharan Yadav that the client had monthly income of Rs.3500. It was noted from the ledger account of the client that Rs. 3 lacs were credited in his client account. On further verification,

it was observed that the said amount of Rs. 3.00 lacs was a third party payment given to the broker by another VSL Group client namely, Ram Kumar Sidhar.

I note that the SCN alleges that this Noticee has similar address to VSL. However, what are these addresses are not mentioned in the SCN nor available on record. I note that VSL in its reply has stated that Mr. Suresh Sharma had opened the trading accounts for the employees of VSL with SIC. However, I find that the trading account of Noticee no. 19 was with Satco and there is no information as to whether the trading account of Mr. Ram Sharan Yadav with Satco was also opened by him. Further, one of the reasons for which the term Vertex Group clients has been used is for the reason that all the Noticees belonging to Vertex Group clients had traded through SIC whereas this Noticee has traded through Satco. Moreover, the SCN only states that out of 14 buy trades for 33,645 shares of VSL by Noticee no. 19, for 14 trades for 11,533 shares the counterparty clients were linked entities of VSL but does not provide any instances as to whether these trades were synchronized trades or cross deals. I also note that no details regarding the nature of trades by Mr. Ram Sharan Yadav and whether they were fraudulent in nature is available in the SCN and the trades of Noticee no. 19 does not figure in the list of cross deals or synchronized trades mentioned in the SCN. In absence of the same, the allegation of violation of Section 12A (a), 12A(b), 12A(c) of SEBI Act, 1992, Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(f), 4(2)(k) and 4(2)(r) of SEBI (Prohibition of Fraudulent and Unfair Trading Practices) Regulations, 2003 against him does not stand established.

31. Regarding Col. Rajinder Handa (Noticee no. 20), I note that vide an email dated January 20, 2021 the compliance executive of SIC, in response to a hearing notice issued in the enquiry proceedings initiated against SIC, has informed that Col. Rajinder Handa has expired on January 13, 2021. In this regard, the medical certificate regarding cause of death has also been submitted. In view of the same, the proceedings against him abate.

DIRECTIONS

32. I, in exercise of the powers conferred upon me under section 19 read with sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992, issue the following directions:
- i) Noticee nos. 1, 2 and 3 are hereby restrained from accessing the securities market and further prohibited 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 six months from the date of this order. During the period of restraint, the existing holding including units of mutual funds, of the Noticees shall remain frozen.
 - ii) Noticee nos. 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17 and 18 are hereby restrained from accessing the securities market and further prohibited 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 one year from the date of this order. During the period of restraint, the existing holding including units of mutual funds, of the Noticees shall remain frozen.
33. This order shall come into force with immediate effect.
34. A copy of this order shall be served on all the Noticees, recognized stock exchanges, depositories and RTAs of mutual funds to ensure compliance with above directions.

Date: January 29, 2021
Place: Mumbai

-Sd-
ANANTA BARUA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA