**BEFORE THE ADJUDICATING OFFICER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**[ADJUDICATION ORDER NO. Order/SM/DD/2021-22/13554-13556]**

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**UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995**

In respect of:-

| **Name of entity** | **PAN** |
|---|---|
| Mr. Karan Subhaschandra Ravde | BBBPR1121E |
| Mr. Sanat Dinesh Munot | CLLPM8415M |
| Mr. Mahendra Vadilal Shah | GLWPS8277L |

In the matter of Kushal Limited

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## FACTS OF THE CASE IN BRIEF:

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') received a complaint from Central Vigilance Commission alleging price manipulation in the scrip of Kushal Ltd. (hereinafter referred to as '**Company/ Kushal'**). Thereafter, SEBI conducted an investigation into the scrip of Kushal during the period from January 01, 2016 to July 12, 2018, (hereinafter referred to as '**Investigation Period/IP**').The shares of the company are listed at the BSE Ltd (hereinafter referred to as '**BSE**').

2. It was observed during investigation that the entities, namely, Sanat Dinesh Munot , Karan Subhashchandra Ravde and Mahendra Vadilal Shah (hereinafter referred to as '**Noticees 1 to 3**' respectively or "**Noticees**" collectively) have

allegedly violated the provisions of Sections 12A(a), (b), (c) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act'**) and Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a), (b) and (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003,(hereinafter referred to as '**PFUTP Regulations'**) while dealing in the scrip of Kushal.

## APPOINTMENT OF ADJUDICATING OFFICER

3. Vide order dated March 18, 2021, SEBI appointed the undersigned as Adjudicating Officer (under Section 15I of the SEBI Act, read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to inquire into and adjudge under the provisions of Section 15HA of the SEBI Act, the aforesaid alleged violations of SEBI Act and PFUTP Regulations by Noticees.

## SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. A show cause notice dated June 10, 2021, (hereinafter referred to as '**SCN**') was issued to Noticees under Rule 4 of the Adjudication Rules to show-cause as to why an inquiry should not be initiated against Noticees, in terms of Rule 3 of SEBI Adjudication Rules read with Section 15I of the SEBI Act, and penalty, if any, be not imposed upon them under Section 15HA of the SEBI Act for the aforesaid violations of provisions of SEBI Act and PFUTP Regulations as alleged against them.

5. The SCN was sent to Noticees through Speed Post Acknowledgement due (herein after referred to as '**SPAD**') and a copy of digitally signed SCN was also sent to Noticees through email on June 11, 2021. The SCN sent through SPAD returned undelivered for the three Noticees but those issued through emails were

duly served upon Noticees 1 to 3. Noticees was given fifteen (15) days' time to make their submissions in respect of the allegations made in the SCN. However, no replies were received from any Noticee. In the interest of natural justice, vide emails dated July 07, 2021, Noticees were granted opportunities of personal hearing before the undersigned through videoconferencing on July 20, 2021. However, Noticees did not appear for the personal hearing. In the interest of natural justice, a final opportunity of personal hearing was granted to Noticees on July 28, 2021 vide email dated July 22, 2021. However, Noticees failed to avail of this opportunity of hearing also.

6. I note that sufficient opportunities have been given to Notocees 1 to 3 to represent themselves and the principles of natural justice have been complied with. However, despite service of the SCN and hearing notices, none of the given opportunities were availed of by Noticees. The Hon'ble SAT in the matter of Classic Credit Ltd. v. SEBI [2007] 76 SCL 51 (SAT - MUM), *inter alia*, held that – "*the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show-cause notice were admitted by them"*. Similarly, the Hon'ble SAT also, in the case of Sanjay Kumar Tayal & Ors. v. SEBI (in appeal No. 68/2013) decided on February 11, 2014, held that *"…appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices"*. Since no replies to the SCN have been filed by Noticees, it can be reasonably presumed that the allegations have been admitted to by Noticees in this case.

7. In view of the above, I am compelled to proceed *ex parte* in the matter against Noticees. I am of the view that Noticees have nothing to submit and in terms of Rule 4(7) of the Adjudication Rules, the matter can be proceeded ex-parte on the basis of material available on record. Therefore, the present proceedings against

Noticees are undertaken *ex-parte* on the basis of available documents and information. While deciding the case, I also cannot lose sight of settled position of law that the charge in the SCN should be established with valid reasons and in accordance with law. I, therefore, deem it necessary to examine the charge based upon the trades of Noticees and supporting material as provided in the SCN.

## CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

8. I have carefully perused the charges levelled against Noticees and documents/ evidence available on record. The issues that arise for consideration in the present case are:

I. Whether Noticees violated Sections 12A (a), (b), (c) of SEBI Act and Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a), (b) and (e) of PFUTP Regulations?

II. Do the violations, if any, attract monetary penalty under Section 15HA of SEBI Act?

III. If so, what should be the quantum of monetary penalty?

**ISSUE - I: Whether Noticees violated Section 12A (a), (b), (c) of SEBI Act and Regulation 3(a), (b), (c), (d) and Regulation 4(1), 4(2)(a), (b) and (e) of PFUTP Regulations?**

9. Before moving forward, it is pertinent to refer to the relevant provisions of the SEBI Act and PFUTP Regulations which are reproduced as under:

***SEBI Act***

***Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.***

*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;*

***PFUTP Regulations***

***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.*

***4. Prohibition of manipulative, fraudulent and unfair trade practices***

*(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*

*(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—*

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

*(b) dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss;*

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

10. The first issue for consideration is whether Noticees have violated Section 12A (a), (b), (c) of SEBI Act and Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a), (b) and (e) of PFUTP Regulations.

11. I note that during investigation, the price/volume data of the company in the investigation period, as demarcated into four patches, was computed on the basis of price movement (rise and fall) as well as corporate action with respect to allotment of bonus shares, as reproduced hereunder:

Table – 1

| Period | Dates | | Opening Price (volume) on first day of the period (Rs) | High Price (volume) during the period (Rs.) | Low price (volume) during the period (Rs.) | Closing price (volume) on last day of the period (Rs.) | Avg. no. of (shares) traded daily during the period |
|---|---|---|---|---|---|---|---|
| **Pre-Investigation** | (01/10/2015 31/12/2015) | Price | 33.9 | 80.65 30/12/2015 | 33.9 01/10/2015 | 80.60 | 445815 |
| | | Vol | 20000 | 1603087 31/12/2015 | 10000 08 &13/10/2015 | 1603087 | |
| **Patch 1** | 01/01/2016-31/08/2016 | Price | 83 | 163 31/08/2016 | 82 01/01/2016 | 162.75 | 1349240 |
| | | Vol | 969654 | 3697891 06/05/2016 | 6254 30/09/2016 | 1465329 | |
| **Patch 2** | 01/01/2017-24/01/2017 | Price | 550.90 | 611.10 24/01/2017 | 550.90 02/01/2017 | 609.50 | 1387478 |
| | | Vol | 6683165 | 6683165 02/01/2017 | 635211 18/01/2017 | 899842 | |
| **Patch 3** | 25/01/2017 – 15/03/2017 | Price | 597.35 | 597.35 25/01/2017 | 367.75 15/03/2017 | 367.75 | 2489 |
| | | Vol | 14600 | 14600 25/01/2017 | 207 03/03/2017 | 4943 | |
| **Patch 4** | 16/03/2017-12/07/2018 | Price | 180.20 | 229.60 09/06/2017 | 46.10 12/07/2018 | 46.17 | 282791 |
| | | Vol | 17965 | 5444249 21/04/2017 | 1839 21/03/2018 | 730270 | |
| **Post-investigation** | 13/07/2018 – 12/10/2018 | Price | 46.7 | 53.9 04/10/2018 | 41.45 12/10/2018 | 41.45 | 254012 |
| | | Vol | 567540 | 761377 18/07/2018 | 972 09/10/2018 | 4950 | |

12. I note that SEBI analyzed top 10 positive Last Traded Price (‘**LTP’**) Contributors as buyers on BSE during Patch 1 and observed that Noticees 1 to 3 were among them. Details of LTP Contribution by Noticees 1 to 3 on BSE during the investigation period are tabulated as below:

Table – 2

| Client name | All Trades | | | Trades with LTP diff>0 | | | Trades with LTP diff<0 | | | Trades with LTP diff = 0 | | % of positive LTP to Total Mkt +ve LTP |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **All Ltp Rate** | **All Traded Qty** | **All No Trades** | **Pos Ltp Rate** | **Pos Traded Qty** | **Pos No Trades** | **Neg Ltp Rate** | **Neg Traded Qty** | **Neg No Trades** | **Zero Traded Qty** | **Zero No Trades** | |
| Sanat Dinesh Munot | 1701.9 | 3953936 | 98842 | 2080.35 | 708921 | 25669 | -378.45 | 175687 | 4868 | 3069328 | 68305 | 8.19% |
| Karan Subhashchandra Ravde | 1495.9 | 4738245 | 111075 | 2053.7 | 1315946 | 27771 | -557.85 | 193039 | 9685 | 3229260 | 73619 | 8.09% |
| Mahendra Vadilal Shah | 1045.4 | 5771838 | 127623 | 1663.6 | 1059984 | 32506 | -618.2 | 702804 | 12089 | 4009050 | 83028 | 6.55% |
| **Total** | **4243.2** | **14464019** | **337540** | **5797.65** | **3084851** | **85946** | **-1554.5** | **1071530** | **26642** | **10307638** | **224952** | **22.83** |
| **Market Total** | **82.15** | **222624626** | **2279901** | **25387.2** | **28608825** | **342500** | **-25305.1** | **30601110** | **342935** | **163414691** | **1594466** | **100.00%** |

13. From the above, I observe that Noticees had contributed Rs. 4243.2 to net positive LTP in 3,37,540 trades and Rs. 5797.65 to positive LTP (22.83% to market positive LTP) in 85,946 trades. Therefore, it was observed that Noticees 1 to 3 had contributed to more than 5% of market positive LTP individually and had a net positive LTP contribution during Patch 1, i.e., the price rise patch.

14. During investigation, SEBI further observed that a group of 17 entities, including Noticees, connected to each other, were found to be trading among themselves. The aforesaid 17 entities (referred to as "**connected entities**"), including Noticees, were found to be connected to each other on basis of details, as provided in the Table – 3 below :-

Table – 3

| Sl. no | Name | Remarks/ Connections | Connected Entities |
|---|---|---|---|
| 1 | | a. Connected to entities 2, 6 via common mobile number (7383913459) | |

| Sl. no | Name | Remarks/ Connections | Connected Entities |
|---|---|---|---|
| | Maulik Vinitkumar Parikh | b. Connected to entities 2,6,12 via common mobile number (9104789597)<br>c. Connected to entity 11 and 15 via common mobile number (9726494848)<br>d. Connected to entities 4, 11, 13 via common mobile number (9974316976) | 2,4,6,11, 12,13, 15 |
| 2 | Arpita Ilesh Patel | a. Connected to entity 10 via common address - 215 Stadium House Nr Das Khaman Navrang Pura Ahmedabad Gujarat 380009 & common mobile number (9998448504)<br>b. Connected to entities 1,6 via common mobile number (7383913459)<br>c. Connected to entities 1,6,12 via common mobile number (9104789597) | 1,6,10, 12 |
| 3 | Girishbhai Shantilal Varia | a. Connected to entity 9, 14 common mobile number (7283970254) | 9, 14 |
| 4 | Karan Subhashchandra Ravde | a. Connected to entities 5, 10, 15 via common mobile number (9054846830)<br>b. Connected to entities 1,11,13 via common mobile number (9974316976) | 1, 5, 10, 11,13,15 |
| 5 | Roshanlal Daulatram Aggarwal | a. Connected to entity 10 common mobile number (8347937024)<br>b. Connected to entities 4, 10, 15 via common mobile number (9054846830) | 4,10, 15 |
| 6 | Rohini Popatlal Parikh | a. Connected to entities 1,2 via common mobile number (7383913459)<br>b. Connected to entities 1,2,12 via common mobile number (9104789597) | 1,2,12 |
| 7 | Lakhani Babulal Hansraj | a. Connected to entities 8,12, 17 via common mobile number 7779082715<br>b. Connected to entities 14 via common mobile number 8000186665 | 8,12, 14, 17 |
| 8 | Mahendra Vadilal Shah | a. Connected to entities 11 via common address - 74,SHIVSHAKTI, NAGAR, CHANDLODIA, AHMEDABAD, GUJARAT 382481<br>b. Connected to entities 7,12, 17 via common mobile number (7779082715)<br>c. Connected to entities 15, 16 via common mobile number (7778049781) | 7, 11, 12, 15, 16, 17 |
| 9 | Jitin Popatlal Parikh | a. Connected to entity 3, 14 via common mobile number (7283970254)<br>b. Connected to entity 11 via common mobile number (9998448563) | 3,11, 14 |
| 10 | Ilesh Madhusudan Patel | a. Connected to entity 2 via common address - - 215 Stadium House Nr Das Khaman Navrang Pura Ahmedabad Gujarat 380009 & common mobile number (9998448504) | 2,4, 5, 15 |

| Sl. no | Name | Remarks/ Connections | Connected Entities |
|---|---|---|---|
| | | b. Connected to entity 5 common mobile number (8347937024) | |
| | | c. Connected to entities 4, 5, 15 via common mobile number (9054846830) | |
| 11 | Kalpesh Dineshbhai Patel | a. Connected to entity 8 via common address 74,SHIVSHAKTI, NAGAR, CHANDLODIA, AHMEDABAD, GUJARAT 382481 | 1,4,8,9,13, 15, 17 |
| | | b. Connected to entity 1 and 15 via common mobile number (9726494848) | |
| | | c. Connected to entities 1,4,13 via common mobile number (9974316976) | |
| | | d. Connected to entity 9 via common mobile number (9998448563 | |
| | | e. Connected to entity 17 via common mobile number (8905762634) | |
| 12 | Manoj Parmar | a. Connected to entities 7,8, 17 via common mobile number (7779082715) | 1,2,6, 7,8, 17 |
| | | b. Connected to entities 1,2,6 via common mobile number (9104789597) | |
| 13 | Bhavnesh C Gandhi | a. Connected to entities 1,4,11 via common mobile number (9974316976) | 1,4,11 |
| 14 | Mushabber Imranali Ahmadi | a. Connected to 3 and 9 via common mobile number (7283970254) | 3, 7, 9 |
| | | b. Connected to 7 via common mobile number (8000186665) | |
| 15 | Sanat Dinesh Munot | a. Connected to 8, 16 via common mobile number (7778049781) | 1, 4, 5, 8 10, 11, 16 |
| | | b. Connected to 4, 5 and 10 via common mobile number (9054846830) | |
| | | c. Connected to 1 and 11 via common mobile number (9726494848) | |
| 16 | Upendra Hiralal Dalal | a. Connected to 8, 15 via common mobile number (7778049781) | 8, 15 |
| 17 | Ramanlal Ravchand Shah | a. Connected to 7, 8 and 12 via common mobile number (7779082715) | 7, 8, 11, 12 |
| | | b. Connected to 11 via common mobile number (8905762634) | |

15. The LTP contribution analysis of the 17 connected entities on the buy side is observed as under:-

Table – 4

| Sr. No | Client Name | All trades | | | Positive LTP trades | | | Negative LTP trades | | | Zero LTP trades | | % Ltp |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Ltp Rate | Traded Qty | No. Of Trades | Ltp Rate | Traded Qty | No. Of Trades | Ltp Rate | Traded Qty | No. Of Trades | Traded Qty | No. Of Trades | |
| 1 | Sanat Dinesh Munot | 1701.90 | 3953936 | 98842 | 2080.35 | 708921 | 25669 | -378.45 | 175687 | 4868 | 3069328 | 68305 | 8.19% |

| Sr. No | Client Name | All trades | | | Positive LTP trades | | | Negative LTP trades | | | Zero LTP trades | | % Ltp |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Ltp Rate | Traded Qty | No. Of Trades | Ltp Rate | Traded Qty | No. Of Trades | Ltp Rate | Traded Qty | No. Of Trades | Traded Qty | No. Of Trades | |
| 2 | Karan Subhashchandra Ravde | 1495.85 | 4738245 | 111075 | 2053.70 | 1315946 | 27771 | -557.85 | 193039 | 9685 | 3229260 | 73619 | 8.09% |
| 3 | Mahendra Vadilal Shah | 1045.40 | 5771838 | 127623 | 1663.60 | 1059984 | 32506 | -618.20 | 702804 | 12089 | 4009050 | 83028 | 6.55% |
| 4 | Arpita Ilesh Patel | 310.15 | 680043 | 24460 | 421.95 | 180518 | 8345 | -111.80 | 79783 | 2224 | 419742 | 13891 | 1.66% |
| 5 | Ilesh Madhusudan Patel | 228.45 | 2180744 | 59599 | 634.85 | 349307 | 12567 | -406.40 | 179227 | 8106 | 1652210 | 38926 | 2.50% |
| 6 | Maulik Vinitkumar Parikh | 192.95 | 944775 | 14223 | 237.25 | 340665 | 4631 | -44.30 | 28635 | 872 | 575475 | 8720 | 0.93% |
| 7 | Girishbhai Shantilal Varia | 80.40 | 932784 | 16057 | 181.55 | 207798 | 3526 | -101.15 | 108277 | 1995 | 616709 | 10536 | 0.72% |
| 8 | Roshanlal Daulatram Aggarwal | 0.00 | 1000 | 3 | 0.00 | 0 | 0 | 0.00 | 0 | 0 | 1000 | 3 | 0.00% |
| 9 | Rohini Popatlal Parikh | -0.85 | 22250 | 81 | 0.10 | 500 | 2 | -0.95 | 5650 | 18 | 16100 | 61 | 0.00% |
| 10 | Bhavnesh C Gandhi | -26.95 | 291247 | 2933 | 22.35 | 40311 | 375 | -49.30 | 96642 | 983 | 154294 | 1575 | 0.09% |
| 11 | Manoj Parmar | -143.50 | 2245454 | 34201 | 236.95 | 372997 | 4542 | -380.45 | 462790 | 7580 | 1409667 | 22079 | 0.93% |
| 12 | Ramanlal Ravchand Shah | -162.05 | 1087960 | 19294 | 86.50 | 63846 | 1646 | -248.55 | 335323 | 4919 | 688791 | 12729 | 0.34% |
| 13 | Mushabber Imranali Ahmadi | -170.60 | 1357749 | 25043 | 177.70 | 121257 | 3522 | -348.30 | 417889 | 6898 | 818603 | 14623 | 0.70% |

| Sr. No | Client Name | All trades | | | Positive LTP trades | | | Negative LTP trades | | | Zero LTP trades | | % Ltp |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Ltp Rate | Traded Qty | No. Of Trades | Ltp Rate | Traded Qty | No. Of Trades | Ltp Rate | Traded Qty | No. Of Trades | Traded Qty | No. Of Trades | |
| 14 | Lakhani Babulal Hansraj | -209.65 | 1185820 | 33311 | 177.85 | 211439 | 3483 | -387.50 | 136699 | 7635 | 837682 | 22193 | 0.70% |
| 15 | Kalpesh Dineshbhai Patel | -279.05 | 960925 | 9764 | 1.50 | 27654 | 16 | -280.55 | 216266 | 2769 | 717005 | 6979 | 0.01% |
| 16 | Jitin Popatlal Parikh | -364.80 | 1012210 | 21131 | 24.35 | 73784 | 427 | -389.15 | 176829 | 7666 | 761597 | 13038 | 0.10% |
| 17 | Upendra Hiralal Dalal | -485.30 | 4234675 | 115338 | 793.20 | 440672 | 15081 | -1278.50 | 909668 | 25364 | 2884335 | 74893 | 3.12% |
| **Total** | | **3212.35** | **31601655** | **712978** | **8793.75** | **5515599** | **144109** | **-5581.40** | **4225208** | **103671** | **21860848** | **465198** | **34.64%** |
| **Market total** | | **82.15** | **222624626** | **2279901** | **25387.20** | **28608825** | **342500** | **-25305.05** | **30601110** | **342935** | **163414691** | **1594466** | **100.00%** |

16. I note that connected entities contributed Rs. 3,212.35 to net LTP and Rs. 8,793.75 to gross positive LTP in 1,44,109 positive LTP trades (34.64 % of market positive LTP). From the counterparties to their positive LTP trades, it is observed that in their 65,183 positive LTP trades, the counterparties were group entities and through trades among themselves they contributed 13.31% (Rs. 3,379.50) to market positive LTP. In remaining 78,926 positive LTP trades with non-group entities, they contributed Rs. 5,414.70.

17. I further observe from the analysis of trading by the connected entities that 16 out of the 17 connected entities had traded among themselves. The summary of trades done by the connected entities among themselves is tabulated below:

Table 5

| Seller (vol of shares) / Buyer (Vol of Shares) | Arpita ilesh patel | Babulal hansraj lakhani | Bhavnesh c gandhi | Girishbhai shantilal varia | Ilesh madhusudan patel | Jitin popatlal parikh | Kalpesh dineshbhai patel | Karan subhashchandra ravde | Mahendra vadilal shah | Manoj parmar | Maulik vinitkumar parikh | Mushabber imranali ahmadi | Ramanlal raychand shah | Rohini popatlal parikh | Sanat dinesh munot | Upendra hiralal dalal | Total volume traded | Total Trades |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Arpita Ilesh Patel | | 27698 | 5991 | 2657 | 80603 | | 121 | 52201 | 122006 | 28003 | 17165 | 4934 | 2054 | 500 | 135 | 120145 | **464213** | **17050** |
| Babulal Hansraj Lakhani | 28624 | | | | 79053 | 56081 | | 13363 | 223933 | 12525 | 7331 | 1487 | | | | 213581 | **635978** | **16673** |
| Bhavnesh C Gandhi | 6292 | | | 37604 | | | | 63349 | 15742 | 30758 | 44306 | | | | | | **198051** | **1963** |
| Girishbhai Shantilal Varia | 2534 | | 36340 | | | | | 108022 | 213845 | 128126 | 24549 | 76403 | 132157 | | | | **721976** | **13287** |
| Ilesh Madhusudan Patel | 71774 | 77605 | | | | | | 15405 | 352562 | 55275 | 22312 | 10490 | | | 7827 | 568911 | **1182161** | **33071** |
| Jitin Popatlal Parikh | | 60004 | | | | | | | 127922 | | | | | | 13855 | 169877 | **371658** | **7660** |
| Kalpesh Dineshbhai Patel | | | | | | | | 20852 | | | | | | 4 | 505634 | | **545268** | **2208** |
| Karan Subhashchandra Ravde | 52189 | 10749 | 59657 | 107169 | 17405 | 9829 | 18778 | | 269411 | 402588 | 50664 | 348935 | 253661 | | 150 | 192367 | **1774774** | **37388** |
| Mahendra Vadilal Shah | 124536 | 229850 | 21464 | 205403 | 363716 | 124054 | | 271229 | | 417234 | 161878 | 289556 | 183550 | | | 1012164 | **3404634** | **74902** |
| Manoj Parmar | 38351 | 5691 | 31794 | 129220 | 49491 | | | 421567 | 418238 | | 183291 | 204258 | 293579 | | | 30905 | **1806385** | **28918** |
| Maulik Vinitkumar Parikh | 14022 | 11485 | 40583 | 27887 | 25876 | 3399 | | 52589 | 161576 | 178760 | | 117307 | | | | 58101 | **691585** | **11063** |
| Mushabber Imranali Ahmadi | 5217 | 1170 | | 72534 | 8105 | 2500 | | 355434 | 284880 | 208114 | 120469 | | 100511 | | | 2167 | **1161101** | **20657** |
| Ramanlal Raychand Shah | 276 | | | 121158 | | | | 261334 | 186891 | 301458 | | 115045 | | | | | **986162** | **17876** |
| Rohini Popatlal Parikh | | | | | | | | | | | | | | | 70 | | **70** | **1** |
| Sanat Dinesh Munot | | 50 | | | | 12085 | 8649 | 520276 | 1250 | | | | | | | 44254 | **586564** | **12855** |
| Upendra Hiralal Dalal | 115672 | 214282 | | | 604100 | 178653 | | 208985 | 1034782 | 28812 | 56066 | 2378 | | 1518 | 44893 | | **2490141** | **66034** |
| Total Volume Traded | **459487** | **638584** | **195829** | **703632** | **1228349** | **386601** | **27548** | **2364606** | **3413038** | **1791653** | **688031** | **1170793** | **965512** | **2022** | **572564** | **2412472** | **17020721** | **361606** |
| Total Trades | **16145** | **14261** | **2432** | **14047** | **30890** | **8665** | **3256** | **30595** | **76079** | **27601** | **11338** | **23285** | **18595** | **7** | **14458** | **69952** | **361606** | **-** |

18. From the above, it is noted that the connected entities had purchased 3,16,01,655 shares (14.20% of total market volume) and sold 3,16,01,644 shares (14.20% of total market volume) during investigation period. The net traded quantity of all the entities during the IP was either zero or negligible.

19. The 16 connected entities had traded among themselves for a total volume of 1,70,20,721 shares in 3,61,603 trades in 88 trading days during Patch 1. Further, out of the 3,61,606 trades among themselves, in 3,32,674 trades, the quantity traded was less than 100 shares. It is further noted that there were 1,22,966 trades among the connected entities where the quantity traded was in single digits.

20. On the basis of above pattern of trading by Noticees, SEBI alleged that Noticees 1 to 3 influenced the price of the scrip, while trading among connected group entities and entered into square-off trades (i.e. buying and selling equal quantity of shares) in the scrip, with net traded quantity of all the entities being either zero or negligible and that the aforesaid trades were executed with the intention of influencing the price only without any effecting any change of ownership of the securities.

21. In this case, in absence of any reply, response or justification from Noticees, I do not find any reason to differ with the allegations in the SCN that the pattern of trading by Noticees 1 to 3 during the IP, i.e. repeated instances of trading among themselves with minimal quantity of shares, without any intention of effecting a change of ownership of the securities, created a misleading appearance of trading in the scrip of Kushal, thereby influencing its price.. It is relevant to mention that in *SEBI v. Kishore R. Ajmera, (2016) 6 SCC 368*, Hon'ble Supreme Court has observed that–

*"the SEBI Act and the Regulations framed there under are intended to protect the interests of investors in the Securities Market which has seen substantial growth in tune with the parallel developments in the economy. Investors' confidence in the Capital/Securities Market is a reflection of the effectiveness of the regulatory mechanism in force. All such measures are intended to preempt manipulative trading and check all kinds of impermissible conduct in order to boost the investors' confidence in the Capital market. The primary purpose of the statutory enactments is to provide an environment conductive to increased participation and investment in the securities market which is vital to the growth and development of the economy. The provisions of the SEBI Act and the Regulations will, therefore, have to be understood and interpreted in the above light."*

22. Hon’ble Supreme Court, while dealing further with the scope of the prohibitions contained in the PFUTP Regulations, while emphasizing its above ruling, further held in the matter of *SEBI Vs Kanhaiyalal Baldevbhai Patel (Civil Appeal No. 2595 of 2013)* decided on September 20, 2017 held that –

*“… it can be inferred that as a matter of principle, while interpreting this regulation, the court must weigh against an interpretation which will protect unjust claims over just, fraud over legality and expediency over principle. Once this rule is clearly established, individual cases should not pose any problem.”*

23. The prohibitions contained in the charging provisions in this case contemplate deployment of a *fraudulent* or *unfair* or *manipulative* ‘*device’, ‘scheme’, ‘artifice’* or ‘*contrivance*’ with a design or purpose or plan or motive to ‘*defraud’, ‘to ‘deceive’, to ‘manipulate’, to ‘induce’*, etc. ‘*in connection with dealing in securities’* and apply even in cases where the acts or omissions or concealments are committed, whether in a deceitful manner or not, by any person while dealing in securities to induce any person to deal in securities would amount to *fraudulent act*. Hon’ble Supreme Court in the above referred *Kanhaiyalal Baldevbhai Patel* case also held that –“*The emphasis in the definition in Regulation 2(c) of the 2003 Regulations is not, therefore, of whether the act, expression, omission or concealment has been committed in a deceitful manner but whether such act, expression, omission or concealment has/had the effect of inducing another person to deal in securities.*” Hon’ble Supreme Court further held that the definition of “*fraud*” expands beyond what can normally be understood to be a ‘*fraudulent’* act. The emphasis is on act of inducement. It further held that for scrutinizing the cases under the PFUTP Regulations, mere inference, rather than proof, that the person induced would not have acted in the manner that he did but for the inducement is sufficient. No element of dishonesty or bad faith in the making of the inducement would be required.

24. I, therefore, find that by indulging in fraudulent, unfair and manipulative acts as established in this case, Noticees 1 to 3 have contravened the provisions of Sections 12A (a), (b) and (c) of SEBI Act and Regulations 3 (a), (b), (c), (d), 4(1), 4(2)(a), (b) and (e) of the PFUTP Regulations.

**ISSUE-II: Do the violations, if any, attract monetary penalty under Section 15HA of SEBI Act?**

25. In this regard, I note that the Hon'ble Supreme Court of India in the matter of SEBI v/s Shri Ram Mutual Fund [2006] 68 SCL 216(SC) held that

*"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established.….".* ,

26. In view of the judgment referred above and considering the aforesaid facts and circumstances of the case, I find that the aforesaid violations of SEBI Act and PFUTP Regulations by Noticees 1 to 3 case deserve imposition of penalty under section 15HA of the SEBI Act. The provision of section 15HA of the SEBI Act is reproduced as under:

***Penalty for fraudulent and unfair trade practices.***

***15HA.*** *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

**ISSUE – III: What would be the quantum of monetary penalty to be imposed?**

27. While determining the quantum of penalties under Section 15HA of the SEBI Act, it is important to consider the relevant factors as stipulated in Section 15J of the SEBI Act, which reads as under: -

***SEBI Act***

***Factors to be taken into account by the adjudicating officer.***
***Section 15J*** *- While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-*

*(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
*(b) the amount of loss caused to an investor or group of investors as a result of the default;*
*(c) the repetitive nature of the default.*

*Explanation. — For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.*

28. Having regard to the factors listed in Section 15J, it is noted that from the material available on record that any quantifiable gain or unfair advantage accrued to the Noticees or the extent of loss suffered by the investors as a result of the default in this case cannot be computed. I note that for violations of PFUTP Regulations and SEBI Act committed by Noticees 1 and 3, SEBI had earlier initiated adjudication proceedings against them and the Adjudicating Officer had imposed penalties on Noticees 1 and 3. Therefore, I observe that defaults on the parts of

Noticees 1 and 3 are repetitive in nature. I do not find any record of such defaults committed by Noticee 2 occurring repeatedly. Nevertheless, the aforementioned acts of creating a misleading appearance of trading and influencing the price of a scrip artificially have the potential to mislead and induce gullible investors to trade in the scrip. Thus, the fundamental tenets of market integrity get violated with impunity due to such fraudulent acts.

29. This is a case wherein Noticees, acting in league, orchestrated a fraudulent device and artifice to create artificial volume while trading amongst themselves and created a misleading appearance of trading in the scrip of Kushal, thereby influencing its price. In the facts and circumstances of this case, it can reasonably be inferred that the impugned trades were carried out by Noticees with a predetermined arrangement and with prior meeting of minds amongst trading parties. It is also to be kept in mind that such heinous acts as established in this case do not deserve leniency, and should be dealt with sternly with suitable penalty.

## **ORDER**

30. Having considered all the facts and circumstances of the case, the material available on record, and also the factors mentioned in Section 15J of the SEBI Act, as enumerated above, I, in exercise of powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, hereby impose following penalties upon Noticees, under the provisions of Section 15HA of SEBI Act:-

| Sr. No. | Name of the Noticee | Penalty |
|---|---|---|
| 1 | Mr. Karan Subhaschandra Ravde | Rs. 10,00,000/- (Rupees Ten Lakh only) |
| 2 | Mr. Sanat Dinesh Munot | Rs. 8,00,000/- (Rupees Eight Lakh only) |
| 3 | Mr. Mahendra Vadilal Shah | Rs. 10,00,000/- (Rupees Ten Lakh only) |

I am of the view that the aforesaid penalties are commensurate with the lapses/ omissions on the part of Noticees.

31. Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW. In case of any difficulties in payment of penalties, Noticees may contact the support at portalhelp@sebi.gov.in.

32. The said confirmation of e-payment made in the format as given in table below should be sent to "The Division Chief, EFD – DRA - IV, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C- 7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051" and also to e-mail id:- tad@sebi.gov.in

| | |
|---|---|
| 1. Case Name: | |
| 2. Name of payee: | |
| 3. Date of payment: | |
| 4. Amount paid: | |
| 5. Transaction no.: | |
| 6. Bank details in which payment is made: | |

| | |
|---|---|
| 7. Payment is made for:<br>(like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details) | |

33. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties of Noticees.

34. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to Noticees 1 to 3 viz. Mr. Karan Subhaschandra Ravde, Mr. Sanant Dinesh Munot and Mr. Mahendra Vadilal Shah and also to Securities and Exchange Board of India.

**Place: Mumbai** **SOMA MAJUMDER**

**Date: September 28, 2021** **ADJUDICATING OFFICER**