BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. ORDER/SRP/HKS/2018-19/2550]

ORDER UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992, READ WITH RULE 5 OF THE SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995, IN THE ADJUDICATION PROCEEDINGS INITIATED AGAINST SHRI JADAVJI KARAMSHI CHHEDA [PAN: AABPC7705R] IN THE MATTER OF DEALINGS OF MAGNUM FINCOM BROKING PRIVATE LIMITED IN THE IPO OF KERNEX MICROSYSTEMS LIMITED, PUNJ LLOYD LIMITED AND ABG SHIPYARD LIMITED.

BACKGROUND

1. The Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**), initiated adjudication proceedings against Shri Jadavji Karamshi Chheda (hereinafter referred to as **"Noticee"**) along with Magnum Fincom Broking Private Limited (for short **'Magnum'**) and 22 other connected entities for the alleged violations of the provisions of Section 12A (a) to (c) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **"SEBI Act"**) read with Regulation 3 (a) to (d) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as **"PFUTP Regulations"**) and Guideline 1.2.1 (xxiva) read with Guideline 7.6.1.2.1 of SEBI (Disclosure and Investor Protection) Guidelines, 2000 (hereinafter referred to as **"DIP Guidelines"**) and Regulation 111 of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 (hereinafter referred to as **"ICDR Regulations"**).

2. SEBI conducted Investigation into the dealing of Magnum and related entities in the Initial Public Offers (**IPOs**) of Kernex Microsystems Limited (for short **'Kernex'**), Punj Lloyd Limited (for short **'Punj Lloyd'**) and ABG Shipyard Limited (for short **'ABG Shipyard'**) during the period from November 28, 2005 to January 6, 2006 (hereinafter referred to as **"Investigation Period"**).

3. Pursuant to Investigation it was alleged that Magnum had, in connivance with 23 connected entities (which includes the Noticee), applied in the IPOs of Kernex, Punj Lloyd and ABG Shipyard with the intention to corner a chunk of retail investor category of shares. All these 23 connected entities including the Noticee, who acted as fronts of Magnum, opened multiple demat accounts, with the same address of Centurion Bank and same telephone number shown in their application forms. 18 out of these 23 connected entities, made multiple applications and multiple allotment was made to them. Subsequently, after allotment, these 23 connected persons transferred their entire allotments in the IPOs of Kernex, Punj Lloyd and ABG Shipyard to Magnum through off- market. Subsequently, Magnum sold these shares in the market and made profits. It was also alleged that the transactions were completely funded by Magnum and no consideration for the off-market transfers was paid to the 23 connected entities.

4. Therefore it was alleged that the Noticee along with Magnum and 22 connected entities violated the provisions of Section 12A (a) to (c) of the SEBI Act read with Regulation 3 (a) to (d) of PFUTP Regulations and Guideline 1.2.1 (xxiva) read with Guideline 7.6.1.2.1 of DIP Guidelines and Regulation 111 of ICDR Regulations.

APPOINTMENT OF ADJUDICATING OFFICER

5. Initially, Shri Biju. S was appointed as the Adjudicating Officer by SEBI, in the matter. Subsequently, on July 06, 2018 the undersigned has been appointed as

the Adjudicating Officer, to inquire into and adjudge under Section 15HA of the SEBI Act the aforesaid violations alleged to have been committed by the Noticee.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

6. Show Cause Notice No. EAD-5/ADJ/BS/HKS/OW/7708 /1/2018 dated March 12, 2018 (hereinafter referred to as **“SCN”**) was issued to the Noticee in terms of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as **“Adjudication Rules"**) read with Section 15-I of the SEBI Act, to show cause as to why an inquiry should not be initiated and penalty should not be imposed under Section 15HA of the SEBI Act, on the Noticee for the alleged violation of Section 12A (a) to (c) of the SEBI Act read with Regulation 3 (a) to (d) of PFUTP Regulations and Guideline 1.2.1 (xxiva) read with Guideline 7.6.1.2.1 of DIP Guidelines and Regulation 111 of ICDR Regulations.

7. A letter dated March 19, 2018 was received from Shri Jiten Jadavji Chheda S/o Shri Jadavji Karamshi Chheda (the Noticee) stating *inter alia* that his father Late Jadavji Karamshi Chheda had passed away on December 03, 2011 and requested to withdraw the SCN qua the Noticee, which was issued after his demise and abate any further proceedings against him. In this regard a copy of death certificate of the Noticee, has been filed along with the said letter dated March 19, 2018 by his son.

8. I note that as per the death certificate dated December 09, 2011 issued by Municipal Corporation of Greater Mumbai, the Noticee had expired on December 03, 2011. It is observed that the Noticee had expired even before the issuance of the present SCN to him. Accordingly, the present adjudication proceedings against Late Jadavji Karamshi Chheda stands abated in view of the observations of Hon’ble Supreme Court, in the matter of *Girijanandini vs. Bijendra Narain (AIR*

1967 SC 2110), wherein the Hon'ble Supreme Court observed that in case of personal actions, i.e. the actions where the relief sought is personal to the deceased, the right to sue will not survive to or against the representatives and in such cases the maxim *actio personalis moritor cum persona* (personal action dies with the death of the person) would apply.

9. Relying on the aforementioned Order of Hon'ble Supreme Court, I am of the view that the adjudication proceedings initiated against the deceased Noticee will not survive and is liable to be abated without going into the merits of the case. Consequently, no penalty is imposed on the Noticee, who is since deceased, and the Adjudication Proceedings against him stand abated.

10. Accordingly, the present Adjudication proceedings initiated against the Noticee viz. Late Jadavji Karamshi Chheda, vide the SCN No. EAD-5/ADJ/BS/HKS/OW/7708 /1/2018 dated March 12, 2018 is disposed of without going into the merits of the case.

11. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is sent to Shri Jiten Jadavji Chheda S/o of the Noticee and also to the Securities and Exchange Board of India.

Date : March 29, 2019
Place : Mumbai

Satya Ranjan Prasad
Adjudicating Officer