BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. ORDER/SRP/MCS/2018-19/1583-1587]

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 respect of

Mr. Aditya Bangad (PAN : AERPB8952P),
Ms. Anuradha Bangad (PAN : AKUPB6965B),
Ms. Usha Devi Bangad (PAN : ACEPB2789F),
Mr. Vikas Kumar Bangad (PAN : ABXPB9340G) and
Mr. Vijay Kumar Bangad (PAN : AFYPB2261H)

In the matter of M/s. Kaveri Seed Company Limited.

FACTS OF THE CASE IN BRIEF

1. The Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) conducted investigations into the alleged irregularity in the trading and dealings in the shares of M/s. Kaveri Seed Company Limited (hereinafter referred to as **"Company"** or "**KSCL"**) which had witnessed abnormal increase in the volumes traded during the period from October 01, 2008 to June 10, 2009 (hereinafter referred to as **"Investigation Period"**). During the said period under investigation, the shares of the Company were listed on the Bombay Stock Exchange Limited ("**BSE")** and the National Stock Exchange of India Limited ("**NSE"**). The Investigations, *prima facie,* revealed that Mr. Aditya Bangad, Ms. Anuradha Bangad, Ms. Usha Devi Bangad, Mr. Vikas Kumar Bangad and Mr.

Vijay Kumar Bangad (hereinafter referred to as "**the Noticees"**) along with a group of following 14 entities (hereinafter collectively referred to as **"the Group Entities"** and individually by their respective "**name**") who were connected/related to each other had allegedly executed synchronized trades in the scrip of KSCL at NSE and BSE and thereby created artificial volumes in the scrip and their trades were designed to create alleged false market in the scrip.

Sl. No.	**Name of the entities who allegedly executed synchronized trades in the scrip of KSCL (Group Entities)**
1	Ms. Anjana Bangad
2	Mr. Krishna Bangad
3	Ms. Rukmini Devi Bangad*
4	Ms. Indira Devi Bangad
5	Ms. Sudha Sharma
6	Mr. Abhishek Sharma
7	Ms. Preeti Agarwal
8	Mr. Hiralal Agarwal
9	Mr. Ganesh Khaja Ambarkar
10	Mr. Chandrakanth Ambarkar
11	Ms. Shashikala Ambarkar
12	Ms. Pavani Ambarkar
13	Mr. Vimesh Doshi
14	Ms. Dhara Doshi

*One of the aforesaid Group Entities *namely,* Smt. Rukmani Devi Bangad has since deceased.

2. SEBI has, therefore, initiated Adjudication Proceedings under Section 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act")** against the Noticees along with the aforesaid Group Entities for the

alleged violation of the provisions of Regulations 3(a), (b), (c), 4(1) and 4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as **“PFUTP Regulations”**).

APPOINTMENT OF ADJUDICATING OFFICER

3. Initially, in the matter, Shri Biju S. was appointed as the Adjudicating Officer by SEBI. Subsequently, the undersigned has been appointed as the Adjudicating Officer by SEBI on July 06, 2018 to inquire into and adjudge under Section 15HA of the SEBI Act for the violations alleged to have been committed by the Noticees.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. Show Cause Notice dated August 03, 2018 (hereinafter referred to as **“SCN”**) was issued to the Noticees 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 Noticees for the alleged violation of Regulations 3(a), (b), (c), 4(1) and 4(2)(a) of the PFUTP Regulations.

5. It was alleged in the aforesaid SCN that the Noticees along with the Group Entities had indulged in ‘Synchronized Trades’ and thereby created artificial volume and misleading appearance of trading in the scrip of KSCL during the period under investigation. Thus, it was alleged that the Noticees violated the provisions of Regulations 3(a), (b), (c), 4(1) and 4(2) (a) of PFUTP Regulations.

6. The Noticees, vide their common letter dated September 10, 2018, submitted reply to the SCN, *inter-alia*, reproduced hereunder :

- *It is submitted that the Noticees are close family members, having the demat account with M/s. Sushil Finance Consultants Limited in the year 2008 and done trading as per the Rules and Regulations of the Stock Exchanges.*

- *It is submitted that they have not done any fraudulent trading or deliberate synchronized trading or created any misleading appearance of trading leading to contravention of SEBI (PFUTF), Regulations, 2003. All the transactions were as per the norms of trading and there was never any intention to carry-on synchronized trading. The Noticees further submitted that there are no artificial or fictitious trades by us nor was there any allegation that the transactions were not at the current market price which goes to show that the transactions would not affect the price movement and thus it does not tantamount to violation under the PFUTP Regulations and also there was no intention to hike the price and all the trades executed in the said scrip was purely based on commercial terms.*

- *It is submitted that they have their own source of income and operate different bank account with different Banks as can be seen from the KYC forms. Also, the Noticees submitted that since we live in a joint family set up, the use of mobile phones and correspondence through e-mails was very limited hence their email id and phone number were given and not acted in concert with the other Noticees. Further they stated that there can always be a common broker through whom the trades are executed but it is not necessary that every client of the broker knows about the trading of other client.*

- *It is submitted that having a common address, phone no and email ID cannot be taken as a conclusion that the Noticees are connected to the other Noticees in connection with the dealing in shares of KSCL, though they may be relatives to each other and denied the allegation that they are connected to the other Noticees in connection with the dealing in shares of KSCL and invested in its shares from their own resources with an intention to hold the shares for long term.*

- *It is submitted that at NSE, the low and high trading price of the KSCL before investigation period (01.04.2008 to 30.09.2008) stands at Rs.165 and 314.90 respectively against Rs.116 and Rs.244 respectively during the investigation period (01.10.2008 to 30.06.2009) and Rs.148.30 and Rs.272 respectively during the post investigation period (01.07.2009 to 31.12.2009) which was by and large the same was the trading price pattern at BSE also with plus or ·minus of Rs.10 to 15 and submitted that the trading done by them has not contributed to any price increase so as to mislead any set of investors or public at large. Also, submitted that there has not been much of change even after the investigation period. The price of the scrip whatever was quoted during the investigation period has continued even in the post investigation period and there is no any decrease.*

- *It is submitted that the trading volume that took placse during the investigation period has continued even in the post investigation period and there is no any decrease and also it may be further noted that the number of average trades in the scrip has gone up along with the average volume in the post investigation period which would indicate a healthy trading pattern and better participation in the trading of the scrip. It is further submitted that the trading done by them has not solely* *contributed to any volume increase so as to mislead any set of investors or public at large and It clearly indicates that the price and the volume rise in the scrip of the Company during the investigation period and after was in response to the financial performance and other corporate actions.*

- *It is submitted that as per the SCN relating to their trading on NSE was 11.49% and 7.22% of total market volume of buy and sale of the scrip of KSCL respectively. Similarly on BSE was 8.90% and 7.34% of total market volume of buy and sale of the scrip of KSCL respectively and with this the shares traded by them are not material and cannot have a bearing on the market in terms of change in price or volume.*

- *It is submitted that some portion of the trading in the total volume of trading were done by the Noticees and many other investors including FIIs who, no way connected with them were traded in the scrip which indicates broad based trading in KSCL. Further, it is submitted that based on the performance, credentials and future prospectus of the company, other investors have voluntarily participated in trading without any influence their end and they all have reaped handsome benefits in the subsequent years. No investors were put to loss. The said scrip subsequent to the investigation period continued to do well on the stock exchanges and those who remain invested in the company got huge benefits in terms of price appreciation, dividend, stock split, buy-back etc.*

- *It is submitted that the company being a seasonal industry by engaging in production and sale of cotton seeds business with world class technology and infrastructure built over a period four decades would do* *exceedingly well in one quarter i.e. April to June and rest of the 3 quarters its performance will be negligible since the season got to over by June itself based on the pattern of monsoons in India as on quarter end of June 2008 and June 2009 the Company's turnover is Rs. 677.15 and 1000.65 millions and earned net profit of Rs. 187.23 and 231.34 million respectively whereas as on quarter end of September 2008 and September 2009 the Company's turnover was Rs. 169.44 and Rs.267.80 millions and earned net profit of Rs. 17.46 and 26.91 million respectively.*

- *The turnover and profits of the Company has gone up from Rs. 965.71 million and Rs. 139.56 million in 2007-08 respectively to Rs. 130.56 million and Rs.229.02 million respectively in 2008-09 which might have prompted the investors including FIIs to participate in the trading of the shares of KSCL. There were no fictitious trades by us and any allegation that the transactions were not at the current market price, hence, not amounts to violation under the PFUTP Regulations.*

- *It is purely a fundamental principle of trading that when a scrip with solid foundation is trading at lower levels, it is the best time to buy it, provided the Company and its promoters have the credibility and capability to move the Company into increased turnover and profitability. The same is shown in the SCN that the average number of shares traded on NSE and BSE has risen from 7759 and 4160 to 22552 and 16474 respectively.*

- *The online trading is done through the algorithmic Trading Software approved by the Exchanges. The instances of synchronized trades are purely incidental to the execution of the trading strategy and are not* *planned to be executed. The random nature of timing, quantity, dealers and partial matching with other market participants substantiate that these are unintentional and are a matter of pure co-incidence. The human involvement is very less for putting the parameters of orders for the day and the trading take place through the algorithmic trading software connected to the server/ CTCL ID and the orders are passed on to the NSE/BSE Exchanges and the same are matched at the Exchange level. All the trades/transactions are Jobbing/Arbitrage in nature and due to High Speed of trading in small lots spread across the day evenly.*

- *It is further submitted that the trading was done on market and during the trading on the screen it is not possible to know the shares sold by them are the same shares bought by the other persons and vice versa. All the transactions were as per the norms of the trading and there was never an intention to carry-on synchronized trading. Therefore, they denied the allegations made in the SCN.*

- *It is further submitted that when a trading takes place on the screen, there is a possibility of a match between shares purchased by an individual and the shares sold by another. This does not necessarily should be construed as group trading in order to influence the market in respect of the volume or the price. Also, submitted that the Noticees have not created any artificial demand in the scrip and gave false or misleading appearance of trading in the securities market with respect to the scrip and also not executed any transaction with a view to manipulate the market or to result in circular trading or is dubious in nature or with a view to avoid regulatory detection or to result in upsetting the market equilibrium etc.*

- *It is submitted that the alleged synchronized shares carried out by them on BSE and NSE was 361275 (5.24%) of the total shares traded on BSE and NSE during the investigation period, which is very miniscule and cannot be construed either to create artificial volume or contributed Last Traded Price leading to trading in a fraudulent manner.*

- *It is submitted that there was no intention to manipulate the price of the scrip or create any false or artificial market. Further, the Noticees submitted that the volumes and price of the scrip continued to be more robust even after investigation period. In the ten years of the Noticees trading, they were never been accused of any wrong doing by SEBI or exchanges or any other court of law. Also the Noticees submitted that they are law abiding citizens and have not incurred any loss or caused harm to any investor or society at large. Further, the Noticees submitted that at no point of time there was any intention to defraud or mislead any persons or investors and their trading transactions in the scrip are genuine but not fake and not done any fraudulent trading or created any misleading appearance of trading leading to contravention of SEBI (PFUTP) Regulations, 2003.*

7. In the interest of natural justice, vide Hearing Notice dated August 29, 2018, an opportunity of Personal Hearing was granted to the Noticees on September 25, 2018. Shri S. Sarveswar Reddy, the Authorized Representative (**AR**) of the Noticees appeared for Hearing on the said date. AR reiterated the submissions made by the Noticees in their aforesaid reply to the SCN and no additional submissions were made during the proceedings of the Hearing.

ISSUES FOR CONSIDERATION AND FINDINGS

8. I have carefully examined the allegations against the Noticees, their reply to the SCN and the documents / material available on record. The issues arise for consideration in the present case are:

   1) Whether the Noticees violated the provisions of Regulations 3(a), (b), (c), 4(1) and 4(2) (a) of PFUTP Regulations?

   2) Whether the Noticees are liable for imposition of monetary penalty under Section 15HA of the SEBI Act?

   3) If yes, then what should be the quantum of monetary penalty?

9. It is pertinent to mention here the relevant provisions of Regulations 3(a), (b), (c), 4(1) and 4(2) (a) of PFUTP Regulations, alleged to have been violated /contravened by the Noticees. The same are reproduced hereunder:

PFUTP Regulations, 2003:

"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 thereunder;

(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.

……"

"Regulation 4 : Prohibition of manipulative, fraudulent and unfair trade practices

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

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

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

……"

10. I note that the allegation levelled in the SCN is to the effect that during the Investigation Period the Noticees along with the aforesaid Group Entities were indulged in 'Synchronized Trades' in the scrip of KSCL and thereby created artificial volumes and misleading appearance of trading, therefore, it was alleged that the Noticees had violated the provisions of Regulations 3(a), (b), (c), 4(1) and 4(2) (a) of PFUTP Regulations.

11. Before going into merits of the case, I would like to highlight the observations of the Hon'ble Supreme Court in the matter of ***SEBI Vs. Kishore Ajmera*** with respect to synchronized trades and market manipulations as under:-

"It is a fundamental principle of law that proof of an allegation levelled against a

person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/ charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion…

In these cases the volume of trading in the illiquid scrips in question was huge, the extent being set out hereinabove. Coupled with the aforesaid fact, what has been alleged and reasonably established, is that buy and sell orders in respect of the transactions were made within a span of 0 to 60 seconds. While the said fact by itself i.e. proximity of time between the buy and sell orders may not be conclusive in an isolated case such an event in a situation where there is a huge volume of trading can reasonably point to some kind of a fraudulent/manipulative exercise with prior meeting of minds…The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors."

12. Further, Hon'ble Securities Appellate Tribunal ("**SAT"**) in the matter of ***Magnum Equity broking Ltd. Vs SEBI***, noted the following:

"Synchronized trades in the history of the securities market have always been shunned for the simple reason that they create a misleading appearance of artificial volume in a particular scrip by giving the public the impression that a lot

of trading activity is being conducted with respect to that scrip, making it seem like a good investment opportunity. Such artifices, if allowed to grow in number in the market, hurt the sanctity of market mechanism and hinder the ongoing constant process of the market righting and restoring itself."

13. The Noticees denied any involvement in the manipulation to create artificial volumes in the scrip and stated that they had traded in the scrip based on the performance, credentials and future prospects of KSCL. Further, the Noticees submitted that there was no intention of manipulation in the scrip and all the trades executed in the scrip were purely based on commercial terms. In this regard, it is important to mention here to find out the "intention" behind commission of any manipulative/unfair/fraudulent trades/activities and the attending circumstances have to be taken into account. The Hon'be SAT in the case of ***Ketan Parekh Vs. SEBI (Appeal No. 2 of 2004),*** held on July 14, 2006:

    "… *in order to find out whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism, will depend upon the intention of the parties which could be inferred from the attending circumstances of the cases, because direct evidence in such cases may not be available*."

14. In other words, the manipulative intent can only be derived from the circumstance/modus operandi used by the person and it would generally be case specific. Further, the matching of the orders could not be coincidental, therefore, it is necessary to analyse the trading pattern of the Noticees. Now, with regard to the facts and circumstances attending the case, the trading pattern adopted by the Noticees along with the Group Entities while executing the alleged 'Synchronized Trades' in the scrip of KSCL have been examined below.

15. It is pertinent to note here that the trading details as provided in the SCN are not disputed by the Noticees.

16. Entity-wise (for all the 19 group entities) gross buy, gross sell and net traded volume in the scrip of KSCL during the Investigation Period is given hereunder:

		NSE				BSE				Total		
S. no	Name entity	Total Buy In NSE	Total Buy Qty. as a % of Mkt. Vol.	Total Sales In NSE	Total sell Qty. as a % of Mkt. Vol.	Total Buy In BSE	Total Buy Qty. as a % of Mkt. Vol.	Total Sales In BSE	Total sell Qty. as a % of Mkt. Vol.	Total Purchase (NSE + BSE)	Total Sales (NSE+BSE)	Net buy/ (sell) qty. (Purchase - Sale)
1	Aditya	185061	0.05	89477	2.25	94761	3.27	60604	2.09	279822	150081	129741
2	Hiralal	42093	0.01	35808	0.90	23369	0.81	26527	0.91	65462	62335	3127
3	Preeti	51054	0.01	43262	1.09	32402	1.12	36157	1.25	83456	79419	4037
4	Pavani	8334	0	11155	0.28	11356	0.39	8072	0.28	19690	19227	463
5	Anjana	206465	0.05	148781	3.75	90387	3.12	74907	2.58	296852	223688	73164
6	Anuradha	92708	0.02	53162	1.34	50105	1.73	53099	1.83	142813	106261	36552
7	Indra	83519	0.02	71041	1.79	39501	1.36	52641	1.82	123020	123682	-662
8	Krishna	83602	0.02	36615	0.92	32851	1.13	24087	0.83	116453	60702	55751
9	Usha	46745	0.01	21720	0.55	19397	0.67	20706	0.71	66142	42426	23716
10	Vikas	76943	0.02	61191	1.54	45574	1.57	38869	1.34	122517	100060	22457
11	Vijay	57565	0.01	62750	1.58	48489	1.67	39617	1.37	106054	102367	3687
12	Ganesh	245665	0.06	233198	5.87	172798	5.96	185469	6.40	418463	418667	-204
13	Rukmini	83449	0.02	105474	2.66	17400	0.60	19551	0.67	100849	125025	-24176
14	Abhishek	56010	0.01	55543	1.40	31793	1.10	32055	1.11	87803	87598	205
15	Shashikala	24307	0.01	32928	0.83	22255	0.77	10268	0.35	46562	43196	3366
16	Sudha	81432	0.02	50894	1.28	55424	1.91	56659	1.95	136856	107553	29303
17	Vimesh Doshi	51171	0.01	43064	1.08	11159	0.38	29212	1.01	62330	72276	-9946
18	Dhara Doshi	15600	0	20600	0.52	3344	0.12	3425	0.10	18944	23365	-4421
19	Chandrakant	650	0	700	0.02	105	0	55	0.01	755	849	-94
	Group Total	1492373	37.58	1177363	29.64	802470	27.68	771980	26.61	2294843	1948777	346066
	Mkt Volume	3993774	100	3993774	100	2899352	100	2899352	100			

17. From the above table, it is observed that at NSE, during the relevant period of the Investigation, the Group Entities had altogether purchased 14,92,373 shares and sold 11,77,363 shares of KSCL, constituting 37.58% and 29.64% respectively of the total traded quantity of 39,93,774 shares. At BSE, the Group Entities had altogether purchased 8,02,470 shares and sold 7,71,980 shares of KSCL, constituting 27.68% and 26.61% respectively of the total traded quantity of 28,99,352 shares.

18. Following are the details of month-wise trading volume in the scrip of KSCL:

Month	BSE Total Turnover	Average Turnover in qty.	No. of trades in BSE	Average trade	NSE Total Turnover	Average Turnover in qty.	NSE No. of trades	Average trade
Pre-investigation period								
Apr-08	90000	4500	336	17	336880	16844	894	45
May-08	66078	3304	484	24	91917	4596	932	46
Jun-08	62949	2998	480	22	69207	3296	1003	47
Jul-08	81203	3691	824	38	86966	3781	1235	54
Aug-08	48805	2569	414	22	43579	2179	1397	70
Sep-08	162646	7675	942	45	341367	16256	2709	129
Investigation period								
Oct-08	*351954*	*17598*	*2487*	*125*	*551642*	*27582*	*6169*	*308*
Nov-08	*343203*	*19067*	*1003*	*56*	*408611*	*22701*	*2340*	*130*
Dec-08	*457209*	*21772*	*1174*	*55*	*529899*	*25233*	*2322*	*110*
Jan-09	*220741*	*11037*	*1497*	*75*	*388588*	*19429*	*2573*	*128*
Feb-09	*203087*	*10689*	*1700*	*89*	*311087*	*16373*	*2561*	*135*
Mar-09	*300466*	*15023*	*1376*	*69*	*309493*	*15475*	*2319*	*116*
Apr-09	*400486*	*23558*	*3372*	*198*	*492991*	*28999*	*5408*	*318*
May-09	*262495*	*13816*	*2610*	*137*	*468969*	*23448*	*4289*	*215*
Jun-09	*359711*	*16351*	*4009*	*186*	*530427*	*24110*	*6229*	*283*
Post investigation period								
Jul-09	325900	14169	3775	164	480887	20908	6698	304
Aug-09	712944	33949	6207	295	1010492	48118	10445	497
Sep-09	245663	12283	3447	172	465027	23251	6336	317

19. It is observed from the above table that prior to the entry of the Group Entities in the scrip, KSCL had an average daily volume of around 4,000 and 8,000 shares at BSE and NSE respectively. However, the trading in the scrip started to increase from the month of October 2008. (i.e. the period when the Group Entities started trading in the scrip). During the period from October 2008 to June 2009, the average daily volume in the scrip shot up to 16,500 shares at BSE and 22,500 shares at NSE which is more than thrice the average daily volume during the prior period.

20. Trading summary of the Group Entities in the scrip of KSCL is given hereunder :

	Market Volume	**Total Buy of Entities**	**Total Sell of Entities**	**Trade among the Entities**	**Sync trades by Entities**	**Sync Trades as % of Market volume**	**Net LTP at Sync Trades (Rs)**
	A	B	C	D	E	F = E/A	G
NSE	3993744	1492373	1177364	627550	514488	12.88	9.50
BSE	2899352	802470	771980	400343	345859	11.93	-3.60

21. It was alleged in the SCN that Group Entities had transacted in 5,14,488 shares in a synchronized manner in 551 trades at NSE and 3,45,859 shares in a synchronized manner in 304 trades at BSE. These transactions executed among the Group Entities in a synchronized manner amounted to 12.88% and 11.93% of the market volume at NSE and BSE respectively, which leads to create artificial volumes in the market in the scrip of KSCL. Group entity-wise details (quantity and No. of trades) of the 'Synchronized Trades' executed in the scrip of SKCL at NSE and BSE are given hereunder:-

(i) NSE :

Seller / Buyers	Aditya	Hira Lal	Preeti	Anjana	Anuradha	Indra	Krishna	Usha	Vikas	Vijay	Dhara	Vimesh	Ganesh	Pavani	Rukmini	Abhishek	Sudha	Shashikala	Total
	No of shares (No of trades)																		
Ganesh	44112 (68)				17901 (21)	23624 (13)	6079 (14)	2250 (7)	1648 (2)	21471 (8)				4300 (1)	6000 (1)	321 (5)	30165 (29)		157871 (169)
Aditya		11376 (11)		12930 (5)	4586 (4)	500 (1)			2960 (1)				15846 (53)	1520 (1)	1300 (5)			550 (1)	51568 (82)
Vijay				2193 (1)									22128 (18)	300 (1)				8567 (3)	33188 (23)
Sudha	4000 (3)												13583 (5)		9857 (8)			5600 (1)	33040 (17)
Anuradha				5000 (6)									19807 (26)		6303 (5)				31110 (37)
Krishna				6195			8		500				23538					1162	30903

Seller / Buyers	Aditya	Hira Lal	Preeti	Anjana	Anuradha	Indra	Krishna	Usha	Vikas	Vijay	Dhara	Vimesh	Ganesh	Pavani	Rukmini	Abhishek	Sudha	Shashikala	Total
				(5)			(1)		(1)				(27)					(1)	(35)
Anjana													18851 (21)		8500 (5)				27351 (26)
Indira				7271 (2)			80 (1)						14499 (9)		55 (1)			3100 (1)	25005 (14)
Vikas				9687 (10)									10065 (12)		500 (1)			2000 (1)	22252 (24)
Usha						200 (1)			300 (1)				3876 (2)		13093 (51)				17469 (55)
Preeti													8624 (5)		1950 (2)			6800 (4)	17374 (11)
Vimesh											5500 (9)		9633 (4)			409 (1)			15542 (14)
Rukmini				2392 (5)				4997 (8)	1050 (1)				5667 (2)						14106 (16)
Shashikala			1450 (1)			4871 (2)	2000 (1)		2820 (9)					1435 (1)					12576 (14)
Abhishek													8276 (7)		2800 (1)				11076 (8)
Hiralal													9507 (2)						9507 (2)
Dhara												39 50 (3)							3950 (3)
Chandrakanth															100 (1)				100 (1)
Total	48112 (71)	11376 (11)	1450 (1)	45668 (34)	22487 (25)	29195 (17)	8167 (17)	7247 (15)	9278 (15)	21471 (8)	5500 (9)	39 50 (3)	183900 (193)	7555 (4)	50458 (81)	730 (6)	30165 (29)	2777 9 (12)	514488 (551)

(ii) BSE :

Seller / Buyer	Abhishek	Aditya	Shashikala	Anjana	Ganesh	Hiralal	Indra	Krishna	Pavani	Preeti	Rukmini	Sudha	Usha	Vijay	Vikas	Vimesh	Total
	No of shares (No of trades)																
Ganesh		25456 (35)		6840 (12)		2222 (1)	14300 (9)	4795 (8)				28453 (22)	1600 (6)	17486 (7)	2051 (4)		103203 (104)
Aditya	2 (2)			1000 (1)	10569 (13)	4532 (1)	4 (2)	5300 (1)		3116 (2)	0				7235 (2)		31758 (24)
Sudha		2000 (1)			26260 (11)						1000 (2)						29260 (14)
Krishna					25016 (18)												25016 (18)
Vijay			2300 (3)		15272 (8)				5000 (1)								22572 (12)
Anuradha				2000 (1)	10397 (14)						4813 (4)						17210 (19)
Anjana				4700 (4)	11601 (18)						100 (1)	0			401 (2)		16802 (25)
Vikas			2700 (1)	1961 (2)	10711 (19)												15372 (22)

Seller / Buyer	Abhishek	Aditya	Shashikala	Anjana	Ganesh	Hiralal	Indra	Krishna	Pavani	Preeti	Rukmini	Sudha	Usha	Vijay	Vikas	Vimesh	Total
Shashikala		1000 (1)				5600 (1)	1218 (1)					4501 (2)			2600 (8)		14919 (13)
Preeti			1125 (1)		11100 (6)						950 (2)						13175 (9)
Usha					6469 (8)						3200 (4)						9669 (12)
Abhishek				2200 (1)	6063 (6)									870 (1)			9133 (8)
Rukmini					6323 (3)								1500 (2)		1001 (1)		8824 (6)
Hiralal					7950 (3)												7950 (3)
Pavani															7600 (3)		7600 (3)
Indira			2143 (1)		3225 (5)												5428 (6)
Vimesh					5000 (2)												5000 (2)
Dhara																2868 (2)	2868 (2)
Total	**2 (2)**	**28456 (37)**	**8268 (6)**	**18701 (21)**	**155956 (134)**	**12354 (3)**	**15522 (12)**	**10095 (9)**	**5000 (1)**	**3116 (2)**	**10123 (14)**	**32954 (24)**	**3100 (8)**	**18356 (8)**	**20888 (20)**	**2968 (3)**	**345859 (304)**

22. For the purpose of the understanding the trading pattern of the Group Entities in respect of 'Synchronized Trades' at NSE and BSE in the scrip of KSCL, a few such instances extracted from their trade and order logs are tabulated below:

(A) NSE:

Trade Date	Buyer Name	Seller Name	Buy order time	Sell order time	Trade time	Trade price	Traded quantity	Buy order original vol.	Sell order original vol.	Buy/ sell order price
31/12/2008	Aditya	Vikas	12:25:10	12:25:09	12:25:10	128.75	2960	2960	2960	128.75
24/04/2009	Anuradha	Ganesh	12:15:27	12:15:25	12:15:27	157.65	2400	2400	2400	157.65
09/03/2009	Usha	Rukmini	12:16:59	12:16:55	12:16:59	149.50	2500	2500	2500	149.50
28/11/2008	Vikas	Shashikala	12:44:10	12:43:56	12:44:10	146.30	2000	2000	2000	146.30
03/11/2008	Vijay	Ganesh	13:49:12	13:49:25	13:49:25	139.00	5000	5000	5000	139.00

23. From the details mentioned in the above table, synchronized trades are seen on December 31, 2008 when Vikas placed a sell order of 2,960 shares for Rs.128.75 at 12:25:09 and Aditya placed a buy order for the same quantity and price at 12:25:10 with a time difference of less than 1 minute. The above orders got executed at 12:25:10 at the price of Rs.128.75.

(B) BSE:

Trade Date	Buyer Name	Seller Name	Buy order time	Sell order time	Trade time	Trade price	Traded quantity	Buy order original vol.	Sell order original vol.	Buy/ sell order price
31/12/2008	Aditya	Krishna	12:03:28	12:03:24	12:03:29	129.70	5300	5300	5300	129.70
09/03/2009	Anuradha	Ganesh	11:56:19	11:56:07	11:56:19	154.75	1150	1150	1150	154.75
09/03/2009	Usha	Ganesh	14:43:09	14:43:06	14:43:09	143.15	2000	2000	2000	143.15
28/11/2008	Vikas	Shashi kala	12:44:47	12:44:39	12:44:47	144.50	2700	2700	2700	144.50
16/12/2008	Vijay	Ganesh	15:12:22	15:12:21	15:12:22	134.60	5000	5000	5000	134.60

24. From the above table, synchronized trades are seen on December 31, 2008, when Krishna placed a sell order of 5,300 shares for Rs.129.70 at 12:03:24 and Aditya placed a buy order for the same quantity and price at 12:03:28 with a time difference of less than 1 minute. The above orders got executed at 12:03:29 at the price of Rs.129.70.

25. From the details of the above tables, it is understood that the buy order and sell order price and quantity are same and the difference between time of placing the buy order and sell order was less than 60 seconds.

26. Similarly, during the relevant period under investigation the Noticees altogether had purchased 1,55,587 shares in 221 trades and sold 1,08,595 shares in 134 trades at NSE in synchronized manner. Also, the Noticees altogether had purchased 96,581 shares in 89 trades and sold 70,800 shares in 73 trades at BSE in synchronized manner. Details of artificial volumes created by the Noticees by way of synchronized trades are given hereunder :

Sl. No.	Name of the Notice	NSE				BSE				Total aritifical volume (G=A+C+E+G)
		Buy Qty. (A)	No. of trades (B)	Sell Qty. (C)	No. of trades (D)	Buy Qty. (E)	No. of trades (F)	Sell Qty. (G)	No. of trades (F)	
1	Aditya Bangad	51568	82	48112	71	31758	24	28456	37	159894
2	Anuradha Bangad	33188	23	21471	8	22572	12	18356	8	95587
3	Usha Devi Bangad	31110	37	22487	25	17210	19	0	0	70807
4	Vikas Kumar Bangad	22252	24	9278	15	15372	22	20888	20	67790
5	Vijay Kumar Bangad	17469	55	7247	15	9669	12	3100	8	37485
	Total	**155587**	**221**	**108595**	**134**	**96581**	**89**	**70800**	**73**	**431563**

27. The trading pattern of trades and order placement with selected parties clearly point out that the transactions were carried-out in such synchronized manner that the orders of the Group Entities were matching, which clearly indicate that there was a prior meeting of minds with respect to these transactions. On analysing the trading done by the Group Entities, it is revealed that most of the trades executed by them resulted in synchronized trading i.e. the difference between placement of order by the buyer and the seller are within one minute and order rate as well as order quantity of buy side and sale side are the same.

28. From the above trading details of the Noticees, it is further noted that the synchronized trades executed by the Noticees were repetitive in nature and significant in volume. Looking at the trading pattern of the Noticees, I am convinced that the Noticees had traded within the Group Entities in synchronized manner with prior arrangement resulting in creation of artificial volume and thereby distorting the market equilibrium. The pattern of order placement indicate that the transactions were carried-out with an intention to match the various orders of the aforesaid Group Entities and there was a prior arrangement with respect to these transactions. The time difference between buy and sell order was approximately less than a minute. The order quantity and price were designed to match. By indulging in such manipulative trading persistently, the Noticees along with the Group Entities created artificial liquidity in the scrip and played a role in the manipulation of the trading in the scrip of KSCL.

29. It is contention of the Noticees that the trading was done on-market and during the trading on the screen it is not possible to know the shares sold by them are the same shares bought by the other persons and *vice versa*. Further, Noticees submitted that the random nature of timing, quantity, dealers and partial matching with other market participants are a matter of pure co-incidence. In this regard, I note that a large number of trades were executed among the Group Entities

within close proximity of time of placing the orders. This cannot happen without prior meeting of minds among the Group Entities. From the details of the trades executed and having regard to the trading system, I do not think that such large number of trades could match between the same parties unless the trading system was being abused. Noticees along with the Group entities had indulged in synchronized trades in the scrip of KSCL on more than one day. Synchronized trades of the Group Entities constitute 12.88% of the market volume at NSE and 11.93% of the market volume at BSE which is huge and such large volumes of synchronized trades cannot be a mere coincidence.

30. Further, the Noticees contended that the trading done by them was not contributed to any price increase or solely contributed to any volume increase so as to mislead any set of investors or public at large, which is very miniscule and cannot be construed to create artificial volume. The Noticees further submitted that no investor was put to loss and they did not make any ill gains. In this regard, I note that it is the case of the Noticees to create artificial volume in the scrip of KSCL by way of executing synchronized trades. There is no allegation of price manipulation in the scrip of KSCL in the instant matter. These synchronized trades of the Group Entities constitute 12.88% of the market volume at NSE and 11.93% of the market volume at BSE. These trades were entered for the purpose of creation of artificial volume and to create false and misleading appearance of trading in the scrip of KSCL. In view of the same, I do not find any merit in the aforesaid contention of the Noticees.

31. With regard to connection/relation among the Group Entities, I note from the investigations that they were identified as connected / related to each other on the basis of Know Your Client Form (KYC), off market transactions, bank statements etc. in the following manner :

Entity / Sl. No.	Name of Entity	Basis of connection
1	Anjana Bangad	Sl No (1) to (9) have the same address 593, Vittakwadi, Himayat Nagar, Hyderabad, Andhra Pradesh mobile number 09885535558 and landline no. . 040-23225652, as well as same email id viz. krishnabangad@gmail.com, as per their KYC. Sl. No (1) to (9) are connected to Sl. No (10) to (13) as they are relatives and they have common mobile number, landline number and email id. Sl. No (1) is connected to Sl.No (19) as there was off market transfer of KSCL shares.
2	Aditya Bangad (Noticee herein)	
3	Krishna Bangad	
4	Anuradha Bangad (Noticee herein)	
5	Rukmini Devi Bangad	
6	Usha Devi Bangad (Noticee herein)	
7	Indira Devi Bangad	
8	Vikas Kumar Bangad (Noticee herein)	
9	Vijay Kumar Bangad (Noticee herein)	
10	Sudha Sharma	Sl No (10) and (11) have the same mobile number 09885535558 and landline no. 040-23225652, as well as same email id viz. krishnabangad@gmail.com, as per their KYC.
11	Abishek Sharma	
12	Preeti Agarwal	Sl No (12) & (13) have the same mobile number 09885535558 as well as same email id viz. krishnabangad@gmail.com, as per their KYC.
13	Hiralal Agarwal	
14	Ganesh Khaja Ambarkar	Sl No (14) is the brother of Sl No (17) who is a proprietor of Sri Mahayogi Laxmamma Securities Hyderabad through which Sl No (1) to s (13) and (17) traded. Sl No (15) is the wife of Sl No (14) and also partner of Sri Mahayogi Laxmamma Securities in which Padmabai and Shoba Bai Ambarkar are the other partners. Sl No (16) is the wife of Sl No (17).
15	Shashikala Ambarkar	
16	Pavani Ambarkar	
17	Chandrakanth Ambarkar	
18	Dhara Doshi	Sl No (1) had transferred 5,000 KSCL shares to Sl No (19) through off market and Sl No (19) transferred 5,000 Shares to Sl No (1) through off market transaction.
19	Vimesh Doshi	

32. In addition to the aforementioned connection among the Group Entities, it is accepted fact that the Noticees are close family members as Mrs. Usha Devi Bangad and Mr. Vijay Kumar Bangad are parents of Mr. Vikas Kumar Bangad and Mr. Aditya Bangad, Mrs. Anuradha Bangad is wife of Mr. Vikas Kumar Bangad. Further, from the replies submitted by the other entities in the matter I note that Mr. Krishna Bangad is son of Mrs. Indira Devi Bangad. Mrs. Sudha Sharma is the mother of Mr. Abhishek Sharma. Mrs. Preeti Agarwal is the wife

of Mr. Hiralal Agarwal. Mr. Chandrakanth Ambarkar is brother of Mr. Ganesh Khaja Ambarkar. Mrs. Shashikala Ambarkar is wife of Mr. Ganesh Khaja Ambarkar and Mrs. Pavani Ambarkar is sister-in-law of Mr. Ganesh Khaja Ambarkar. Mrs. Dhara Doshi is wife of Mr. Vimesh Doshi.

33. Accordingly, considering the aforesaid connections of the Group Entities on the basis of KYC documents, off market deals and the close family relations among the Noticees, I am of the opinion that the Noticees are connected / related with the Group Entities.

34. Further, In the matter of ***Sparkline Mercantile Co Pvt. Ltd. Vs SEBI Appeal No. 171 of 2011dated 16.01.2012,*** the Hon'ble SAT held that:

"It is an admitted position that it is difficult to get direct evidence with regard to synchronization of trades for the purpose of upsetting the market equilibrium or to manipulate the market. It is only on the basis of circumstantial evidence that such a connection can be proved."

35. The Hon'ble Supreme Court in its Order dated April 26, 2013 in the matter of ***N. Narayanan Vs. Adjudicating Officer, SEBI,*** has laid down that "*Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law. Section 12A read with Regulations 3 and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'. The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. 'Market abuse' impairs economic growth and erodes investor's confidence. Market abuse refers to the use of manipulative and*

deceptive devices, giving out incorrect or misleading information, so as to encourage investors to jump into conclusions, on wrong premises, which is known to be wrong to the abusers. The statutory provisions mentioned earlier deal with the situations where a person, who deals in securities, takes advantage of the impact of an action, may be manipulative, on the anticipated impact on the market resulting in the "creation of artificiality"

36. Further, In the matter of ***SEBI Vs. Kishore R. Ajmera,*** *(supra)* the Hon'ble Supreme Court 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 pre-empt 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".*

37. In view of the forgoing, I conclude that the Noticees along with the Group Entities were involved in 'Synchronized Trades' on more than one day in the scrip of KSCL, which altogether constitute 12.88% and 11.93% of the market volume at NSE and BSE respectively. Therefore, I am of firm opinion that the Noticees indulged in creation of artificial volume and in creation of misleading appearance of trading in the scrip of KSCL by violating the Regulations 3(a), (b), (c), 4(1) and 4(2)(a) of SEBI (PFUTP) Regulations. The aforesaid violation by the Noticees attract monetary penalty under Section 15HA of the SEBI Act, which at the time of the violation committed by the Noticees reads as follows:

<u>"Penalty for fraudulent and unfair trade practices."</u>

15HA. *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher, –*

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

"15J - Factors to be taken into account by the adjudicating officer

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 <u>shall be and shall always be</u> deemed to have been exercised under the provisions of this Section."*

39. In this connection, reliance is placed upon the Order of the Hon'ble Supreme Court in the matter of ***Chairman, SEBI Vs Shriram Mutual Fund {[2006]5 SCC 361 }*** – where the Hon'ble Supreme Court of India 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 and hence the intention of the parties committing such violation becomes wholly irrelevant….."*

40. It may also be noted that the Investigation Report has not quantified the profit/loss for the nature of violations committed by Noticees and further no direct material made available on record to assess the disproportionate gain or unfair advantage and amount of loss caused to an investor or group of investors.

41. The Noticees along with the Group Entities had collectively executed series of synchronized transactions continuously over a period of time. "Synchronized Trades" are the instruments/tools employed by some unscrupulous elements in the securities market to manipulate the market. When over a period of time such transactions were carried-out among the same set of persons who are interconnected, a conclusion can be reasonably reached that there is a concerted effort to indulge in synchronized trades which resulted into large volumes of fictitious trading on a massive scale.

42. In cases of such nature, it is difficult to quantify with mathematical precision the disproportionate gains or unfair advantage enjoyed by an entity and the consequent loss suffered by the investors. The Noticees who are connected/related to each other and also to Group Entities had collectively created artificial volume by way of synchronized trades in the scrip of KSCL as mentioned at the para no. 26. General Public could have been carried away by the unusual rise in the volumes in the scrip of KSCL and induced into investing in the said scrip. People who indulge in manipulative, fraudulent and deceptive transaction or abet the carrying-out of such transactions which are fraudulent and deceptive should be suitably penalized for such acts of omissions and commissions. Considering the continuous aforesaid synchronized trades in large volumes by the Noticees collectively with the Group Entities in the scrip of KSCL and the said 'Synchronized Trades' were carried-out persistently for a long period, it is concluded that the nature of default was also repetitive in nature, hence, the Noticees had violated the provisions of Regulations 3(a),(b),(c), 4(1)

and 4(2)(a) of PFUTP Regulations and liable for penalty under Section 15HA of the SEBI Act.

ORDER

43. After taking into consideration the nature and gravity of the violations established in the preceding paragraphs and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act, read with Rule 5 of the SEBI Adjudication Rules and in terms of Section 15HA of the SEBI Act, I hereby impose following penalties on the Noticees on the basis of artificial volumes created by them individually in the scrip of M/s. Kaveri Seed Company Limited which amount to violation of provisions of Regulation 3(a), (b), (c), 4(1) and 4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003:

Sl. No.	Name of the Noticee	Penalty (Rs.)
1	Mr. Aditya Bangad	Rs.10,00,000/- (Rupees Ten Lakh Only)
2	Mrs. Anuradha Bangad	Rs.5,00,000/- (Rupees Five Lakh Only)
3	Mrs. Usha Devi Bangad	Rs.3,00,000/- (Rupees Three Lakh Only)
4	Mr. Vikas Kumar Bangad	Rs.4,00,000/- (Rupees Four Lakh Only)
5	Mr. Vijay Kumar Bangad	Rs.6,00,000/- (Rupees Six Lakh Only)

44. The amount of penalty shall be paid by the Noticees jointly or severely either by way of demand draft in favour of “SEBI - Penalties Remittable to Government of India”, payable at Mumbai or by e-payment in the account of “SEBI - Penalties Remittable to Government of India”, A/c No. 31465271959, State Bank of India, Bandra Kurla Complex Branch, Mumbai, RTGS Code SBIN0004380 within 45 days of receipt of this Order. The said demand draft or forwarding details and confirmations of e-payments made (in the format given below) should be sent to

"The Division Chief, Enforcement Department – DRA-IV, the Securities and Exchange Board of India, SEBI Bhavan, Plot No. C – 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051."

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 : (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details)	

45. In terms of Rule 6 of the SEBI Adjudication Rules, copy of this Order is sent to the Noticees and also to the Securities and Exchange Board of India.

Date : November 28, 2018
Place : Mumbai

Satya Ranjan Prasad
Adjudicating Officer