BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/BD/VS/2020-21/8757]

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 BY ADJUDICATING OFFICER) RULES, 1995.

In respect of

H Bhavesh Securities and Commodities Private Limited (PAN: AAACB1655R)

In the matters of Spectacle Infotek Limited, Goldstone Technologies Limited, Gemstone Investments Limited, LGS Global Limited and Well Pack Papers & Containers Limited

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BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter known as "SEBI"), vide an ad-interim ex-parte order no. WTM/KMA/ISD/353/02/2011 dated February 02, 2011, restrained39 entities from accessing the securities market and prohibited them from buying, selling or dealing in securities in any manner. Thereafter, SEBI conducted an investigation in the matters of Spectacle Infotek Limited (hereinafter referred to as "**Spectacle / Company / by Name**"), LGS Global Limited (hereinafter referred to as "**LGS / Company / by Name**"), Goldstone Technologies Limited (hereinafter referred to as "**Goldstone / Company / by Name**"), Gemstone Investments Limited (hereinafter referred to as "**Gemstone / Company / by Name**") and Well

Pack Papers & Containers Limited (hereinafter referred to as "**Wellpack / Company / by Name**"). Listing status and periods of investigation are mentioned in Table–1-

Table - 1

S.No.	Scrip	Period of Investigation	Listed on BSE/NSE* during the IP
1	Spectacle Infotek Limited	May 29, 2009 - January 31, 2011	BSE & NSE
2	LGS Global Limited	February 10, 2009 - May 7, 2010	BSE
3	Goldstone Technologies Limited	January 21, 2009 - April 13, 2010	BSE
4	Gemstone Investments Limited	January 6, 2009 - December 30, 2009	BSE
5	Well Pack Papers & Containers Limited	November 28, 2008 - June 30, 2010	BSE

*Bombay Stock Exchange is referred as BSE and National Stock Exchange is referred as NSE.

2. Investigation Department of SEBI observed that few entities along with the aforesaid 39 entities (hereinafter referred as '**group entities'**) indulged in manipulation of the aforementioned scrips during the respective periods of investigation. Investigation Department of SEBIalso observed that H Bhavesh Securities and Commodities Private Limited (hereinafter referred to as "**Noticee/ HBSPL/ by name**") through its off market transactions of shares with other group entities in the scrips of Spectacle, LGS, Goldstone, Gemstone and Wellpack (hereinafter 5 companies arecollectively referred to as "**Scrips**") during the respective periods of investigation, aided and abetted the group entities to manipulate price and/or volume of the 5 scrips.

APPOINTMENT OF ADJUDICATING OFFICER

3. Vide an order dated May 17, 2017, Shri Sahil Malikwas appointed as the Adjudicating Officer (hereinafter referred to as "**AO**") to inquire into and adjudge under Sections 15HA of the SEBI Act, 1992 and Rule 3 of SEBI

(Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, (hereinafter referred to as '**AO Rules**') for the alleged violations of provisions under Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations"). Pursuant to the posting of Shri Sahil Malikto another department of SEBI, Shri V. S. Sundaresan was appointed as the AO vide order dated August 09, 2019. Thereafter, pursuant to promotion of Shri V. S. Sundaresan as Executive Director of SEBI, the undersigned was appointed as AO vide order dated September 26, 2019.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice No. SEBI/EAD-12/SM/JR/27749/2017 dated November 10, 2017 (herein after referred to as **'SCN'**) issued to the Noticee, by the erstwhile AO, under Rule 4(1) of the AO Rules to show-cause as to why an inquiry should not be initiated against theNoticee and penalty not be imposed upon it under section 15HA of the SEBI Act for the alleged violation of the Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relation to Securities market), 2003 (hereinafter referred to as the '**PFUTP Regulations'**) is being relied upon in the instant proceedings.

5. The details in respect of violation/ non-compliance by the Noticeeas observed from the SCN are as given below:

a) *Vide an order dated May 17, 2017, the undersigned has been appointed as the Adjudicating Officer (hereinafter referred to as "AO") to inquire into and adjudge under Sections 15HA of the SEBI Act, 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, for the alleged violations of provisions under Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations"). Copy of the order appointing AO is enclosed as Annexure '2' for your reference.*

b) *The details of connection between HBSPL and the other debarred entities is summarized as under:-*

<u>Table – 2 Connections between HBSPL and the other debarred entities:</u>

S.No	Connection of HBSPL with debarred entities	Source
1	Bhavesh Pabari and Hemant Madhusudan Sheth (debarred entities) are the directors of HBSPL	KYC of HBSPL (DP – Axis Bank Ltd.)
2	Off-market transactions between HBSPL and the debarred entities namely Bhavesh Pabari, Ankit Sachaniya, Prem Mohanlal Parikh, Hemant Madhusudan Sheth, Bipin Jayant Thaker, Bharat Shantilal Thakkar, Bipinkumar Gandhi, Vivek Kishanpal Samant, Kishor Balubhai Chauhan, Chirag Rajnikant Jariwala and Raj Nandi Yarns Pvt. Ltd.	NSDL demat statement of HBSPL

c) ***<u>Analysis of Off-market transactions of HBSPL with the debarred entities in the scrip of Spectacle</u>:***

i. *From the demat statement of HBSPL during May 29, 2009 to January 31, 2011 (investigation period), it was observed that HBSPL had nil shareholding in the scrip of Spectacle at the beginning of the investigation period.*

ii. *During the investigation period, HBSPL received 43,56,169 shares from eight debarred entities and transferred 40,30,559 shares to nine debarred entities.*

iii. *From the analysis of the off-market transfers from HBSPL to the nine debarred entities, it was observed thats even of the nine debarred entities transferred the shares to their respective brokers namely, S P Jain Securities Pvt. Ltd (S P Jain), Edelweiss Broking Ltd. (Edelweiss), Aditya Birla Money Ltd. (Aditya Birla), Greshma Shares and Stocks Ltd. (Greshma), Ashika Stock Broking Ltd. (Ashika), Arch Finance Ltd. (Arch Fin), Arcadia Share and Stock Brokers Pvt. Ltd (Arcadia) and Bhavik Rajesh Khandhar Share and Stock Brokers Pvt. Ltd. (Bhavik).*

iv. *The brokers had received the shares from the debarred entities for settlement of the trades, for availing exposure and towards margin/collateral.*

v. *The analysis of the usage of shares by the nine debarred entities who received the shares from HBSPL in the scrip of Spectacle Infotek Limited is given as under:-*

<u>Table – 3</u>

	Off-market transfer from HBSPL to the debarred entities		Off-market transfer from Debarred entities to Broker			Trades of the debarred entity	Analysis of the trades of the debarred entity			
S. No.	Debarred Entity to whom HBSPL tfd the shares	No. of shares tfd by HBSPL to debarred entity (Dates of transfer, No. of tfrs)	Broker to whom debarred entity tfd the shares	No. of shares tfd by debarred entity group entity (Dates of transfer, No. of tfrs)	Purpose of transfer as per the Broker(s)	No. of shares sold thru that broker (Dates of Sale)	Counterparty to Sell Trades - Volume traded		Sync trade volume with group entity	Self trade volume
							Group Entities	Others		
Debarred entities who used the shares received for settlement of the sell trades										
1	Bhavesh Pabari	21,30,517 (17/07/2009 to 18/01/2011,13)	S P Jain	31,57,100 (20/07/2009-18/01/2011,19)	Settlement of trades	31,57,100 (20/07/2009 to 18/01/2011)	19,53,792	14,10,531	6,313	98,161 (diff broker)
2	Kishor	500	Greshma	2,500	Settlement	2,500	2,000	500	0	2,000 (diff

	Off-market transfer from HBSPL to the debarred entities		Off-market transfer from Debarred entities to Broker			Trades of the debarred entity	Analysis of the trades of the debarred entity			
S. No.	***Debarred Entity to whom HBSPL tfd the shares***	***No. of shares tfd by HBSPL to debarred entity (Dates of transfer, No. of tfrs)***	***Broker to whom debarred entity tfd the shares***	***No. of shares tfd by debarred entity group entity (Dates of transfer, No. of tfrs)***	***Purpose of transfer as per the Broker(s)***	***No. of shares sold thru that broker (Dates of Sale)***	***Counterparty to Sell Trades - Volume traded***		***Sync trade volume with group entity***	***Self trade volume***
							Group Entities	***Others***		
Debarred entities who used the shares received for settlement of the sell trades										
	Balubhai Chauhan	*(26/03/2010,1)*		*(26/03/2010,1)*	*of trades*	*(26/03/2010)*				*broker)*
3	*Bharat Shantilal Thakkar*	*20,000 (09/09/2009,1)*	*Tfd 20,00 shares on 10/09/2009 to another debarred entity Vasudev Ramchandra Kamat who sold the shares*			*20,000 (23//11/2009 to 09/12/2009)*	*17,600*	*2,400*	*0*	*0*
	Total	***21,51,017***		***31,59,600***		***31,59,600***	***19,73,392***	***14,13,431***	***6,313***	***1,00,161***
Debarred entities who used the shares received for settlement of their trades and also for availing exposure										
4	*Bipin Jayant Thaker*	*1,03,542 (26/03/2010 to 29/05/2010,3*	*Greshma*	*1,42,000 (26/03/2010 to 11/06/2010,3)*	*Settlement of trades*	*1,42,000*	*1,36,682*	*5,318*	*600*	*0*
		1,25,000 (14/07/2010,1)	*Aditya Birla*	*1,25,000 (26/07/2010,1)*	*For availing exposure*	*Entity did not trade in the scrip of Spectacle during the investigation period using the exposure*				
5	*Hemant Madhusudan Sheth*	*2,00,000 (27/03/2010,1)*	*Arcadia*	*2,00,000 (13/12/2010,1)*	*Margin / Collateral*	*Entity did not trade in the scrip of Spectacle during the investigation period*				
		4,50,000 (29/05/2010 to 08/06/2010,2)	*S P Jain*	*4,31,000 (31/05/2010 to 10/06/2010,3)*	*Settlement of trades*	*4,48,000 (28/05/2010 to 10/06/2010)*	*4,23,498*	*24,502*	*11,610*	*69,368 (diff broker)*
		2,00,000 (14/12/2010,1)	*Bhavik*	*2,00,000 (20/12/2010,1)*	*Selling the shares*	*Entity did not sell the shares during the investigation period*				
6	*Prem Mohanlal Parikh*	*1,000 (26/03/2010,1)*	*Greshma*	*5,000 (08/04/2010)*	*Settlement of trades*	*5,000 (06/04/2010)*	*4,975*	*25*	*4,975*	*0*
		4,00,000 (29/03/2010 to 09/06/201,3)	*Ashika, Edelweiss, Arch Fin*	*4,00,000 (29/03/2010 to 09/06/2010,3)*	*For getting exposure*	*Entity traded in the shares of Spectacle on BSE and NSE during the investigation period*				
Debarred entities who used the shares received for availing exposure										
7	*Vivek Kishanpal Samant*	*2,25,000 (02/06/2010 to 14/07/2010,2)*	*Edelweiss, Aditya Birla*	*2,25,000 (02/06/2010 to 26/07/2010,2)*	*For getting exposure*	*Edelweiss - Entity traded in the shares of Spectacle on BSE and NSE during the investigation periodusing the exposure* *Aditya Birla – Entity did not trade in the scrip of Spectacle during the investigation period using the exposure*				
8	*Chirag Jariwala*	*1,25,000 (14/07/2010,1)*	*Aditya Birla*	*1,25,000 (26/07/2010,1)*	*For availing exposure*	*Entity did not trade in the scrip of Spectacle during the investigation period using the exposure*				
Debarred entities who transferred the shares to entities other than debarred entities										
9	*Raj Nandi Yarns*	*50,000 (13/12/2010,1)*	*Transferred 50,000 to entity other than debarred entity on 18/01/2011*							

vi. *Debarred entities who used the shares received to settle the sell trades: - It was observed that HBSPL transferred 21,51,017 shares to three debarred entities namely, Bhavesh Pabari, Kishor Balubhai Chauhan and Bharat Shantilal Thakkar.*

- *After receiving the shares through off-market transfer, Bhavesh Pabari and Kishor Balubhai Chauhan transferred the shares to their brokers. As per the reply of the respective brokers, the shares were received towards settlement of the sell trades of the aforesaid debarred entities.*

- *One debarred entity namely, Bharat Shantilal Thakkar transferred the shares to group entity namely, Vasudev Ramchandra Kamat, who was a seller.*
- *Out of the sell trades (aided by the off-market transfer of HBSPL) of the three entities namely, Bhavesh Pabari, Kishor Balubhai Chauhan and Vasudev Ramchandra Kamat, 19,73,392 shares were sold to other group entities. Further, 6,313 shares were traded through synchronised trades amongst group entities and 1,00,161 shares were traded through self-trades (buy/sell trades were through different brokers) by the debarred entities.*

vii. Debarred entities who used the shares received for settlement of their trades and for availing exposure: - It was observed that HBSPL transferred 14,79,542 shares to three debarred entities namely, Bipin Jayant Thaker, Hemant Madhusudan Sheth and Prem Mohanlal Parikh.

- *Three debarred entities namely, Bipin Jayant Thaker, Hemant Madhusudan Sheth and Prem Mohanlal Parikh transferred 5,54,542 shares to their brokers. As per the reply of the respective brokers, the shares were received towards settlement of the sell trades of the aforesaid debarred entities. Out of the sell trades (aided by the off-market transfer of HBSPL) of the three debarred entities namely, Bipin Jayant Thaker, Hemant Madhusudan Sheth and Prem Mohanlal Parikh, 5,65,155 shares were sold to other group entities. Further, 17,185 shares were traded through synchronised trades amongst group entities.*
- *Two debarred entities namely, Bipin Jayant Thaker and Hemant Madhusudan Sheth transferred 1,25,000 shares and 2,00,000 shares respectively to their brokers. As per the reply of the respective brokers, the shares were received to provide exposure for trading to Bipin Jayant Thaker and Hemant Madhusudan Sheth. Based on the replies of the brokers of these entities, it was observed that these two debarred entities did not trade in the scrip of Spectacle during the investigation period using the exposure.*
- *The debarred entity, Hemant Madhusudan Sheth transferred 2,00,000 shares received from HBSPL to its broker Bhavik. As per the reply of the broker, Hemant Madhusudan Sheth transferred the shares to sell in the market, however, the debarred entity did not sell the shares during the investigation period.*
- *The debarred entity, Prem Mohanlal Parikh transferred 4,00,000 shares received from HBSPL to its brokers namely, Ashika, Edelweiss and Arch Fin. As per the reply of the brokers, the shares were transferred by Prem Mohanlal Parikh for availing exposure. Based on the replies of the brokers of Prem Mohanlal Parikh, it was observed that Prem Mohanlal Parikh traded in the scrip of Spectacle during the investigation period using the exposure. It was*

observed that entity traded 33,26,159 shares with the group entities and 2,50,512 shares were traded in synchronised manner.

viii. *Debarred entities who used the shares received for availing exposure: - It was observed that HBSPL transferred 3,50,000 shares to two debarred entities namely, Vivek Kishanpal Samant and Chirag Jariwala. Chirag Jariwala did not trade in the scrip of Spectacle during the investigation period using the exposure.Vivek Kishanpal Samant transferred the shares to its brokers Aditya Birla and Edelweiss. Based on the reply of Edelweiss, it was observed that Vivek Kishanpal Samant traded in the scrip of Spectacle during the investigation period using the exposure. It was observed that he had bought 25,000 shares at BSE and NSE together and all the counterparties were group entities.*

d) ***Analysis of Off-market transactions of HBSPL with the debarred entities in the scrip of LGS:***

i. *From the demat statement of HBSPL during February 10, 2009 to May 07, 2010 (investigation period), it was observed that HBSPL had nil shareholding in the scrip of LGS at the beginning of the investigation period.*

ii. *During the investigation period, HBSPL received 2,78,525 shares from six debarred entities and transferred 78,400 shares to three debarred entities.*

iii. *From the analysis of the off-market transfers from HBSPL to three debarred entities namely, Bhavesh Pabari, Bharat Shantilal Thakkar and Hemant Madhusudan Sheth it was observed that the aforesaid three debarred entities transferred the shares to the brokers namely, S P Jain and Arcadia.*

iv. *As per the reply of the brokers, the shares were received from the debarred entities for settlement of the trades.*

v. *the analysis of the usage of shares by the three debarred entities who received the shares from HBSPL in the scrip of LGS is given as under:-*

Table – 4

	Off-market transfer from HBSPL to the debarred entities		Off-market transfer from Debarred entities to Broker			Trades of the debarred entity	Analysis of the trades of the debarred entity			
S. No.	Debarred Entity	No. of shares tfd by HBSPL to debarred entity (Dates of transfer, No. of tfrs)	Broker to whom debarred entity tfd the shares	No. of shares tfd by debarredentity (Dates of transfer, No. of tfrs)	Purpose of transfer as per the Broker	No. of shares sold thru that broker (Dates of Sale)	Counterparty to Sell Trades - Volume traded		Sync trade volume with group entity	Self trade volume
							Group Entities	Others		
1	Bhavesh Pabari	10,900 (04/09/2009,1)	S P Jain	10,900 (04/09/2009,1)	Settlement of trades	10,900 (03/09/2009)	10,900	0	0	0
2	Bharat Shantilal Thakkar	27,500 (30/10/2009, 05/03/2010,3)	Arcadia	25,000 (05/03/2010 to 09/03/2010,3)	Settlement of trades	31,827 (03/03/2010 to 05/03/2010)	9,750	22,027	1,000	0
3	Hemant Madhusudan Sheth	40,000 (29/04/2010,1)	S P Jain	40,000 (29/04/2010 to 07/05/2010,2)	Settlement of trades	40,000 (29/04/2010 to 07/05/2010)	39,000	1,000	5,000	0
	Total	**78,400**		**75,900**		**82,727**	**59,650**	**23,027**	**6,000**	**0**

vi. *Analysis of Sell Trades of Debarred Entities: - It was observed that HBSPL transferred 78,400 shares to the debarred entities. After receiving the shares, the debarred entities transferred the shares to their brokers. As per the reply of the brokers, the shares were transferred bythe debarred entities towards settlement of their sell trades. Out of the sell trades (82,727 shares) of the debarred entities (aided by the off-market transfer of HBSPL), the counterparties to 59,650 shares were other group entities. Further, 6,000shares were traded through synchronised trades amongst group entities.*

e) ***Analysis of Off-market transactions of HBSPL with the debarred entities in the scrip of Goldstone:***

i. *From the demat statement of HBSPL during the period from January 06, 2009 to December 30, 2009 (investigation period), it was observed that HBSPL had nil shareholding in the scrip of Goldstone at the beginning of the investigation period.*

ii. *During the investigation period, HBSPL received 3,88,771 shares from four debarred entities and transferred 3,84,771 shares to four debarred entities. It was observed that all the off-market transactions of HBSPL in the scrip of Goldstone were with the debarred entities.*

iii. *From the analysis of the off-market transfers from HBSPL to four debarred entities namely, Bhavesh Pabari, Bharat Shantilal Thakkar, Hemant Madhusudan Sheth and Prem Mohanlal Parikh, it was observed that the aforesaid four debarred entities transferred the shares to the brokers namely, S P Jain, Arcadia and Sunidhi Securities and Finance Limited (Sunidhi).*

iv. *As per the replies of the broker, the shares were received from the debarred entities for settlement of their trades. The brokers also submitted the details of trades of the debarred entities. The trades of the debarred entities executed through their brokers were analysed.*

v. *Accordingly, the analysis of the usage of shares by the debarred entities in the scrip is given below:-*

Table – 5

	Off-market transfer from HBSPL to the debarred entities		***Off-market transfer from Debarred entities to Broker***			***Trades of the debarred entity***	***Analysis of the trades of the debarred entity***			
S.No.	***Debarred Entity***	***No. of shares tfd by HBSPL to debarred entity (Dates of transfer, No. of tfrs)***	***Broker to whom debarred entity tfd the shares***	***No. of shares tfd by debarred entity (Dates of transfer, No. of tfrs)***	***Purpose of transfer as per the Broker***	***No. of shares sold thru that broker (Dates of Sale)***	***Counterparty to Sell Trades - Volume traded***		***Sync trade volume with group entity***	***Self trade volume***
							Group Entities	***Others***		
1	*Bhavesh Pabari*	*2,68,000 (30/06/2009 to 03/11/2009,3)*	*S P Jain*	*3,18,000 (02/07/2009 to 04/11/2009,3)*	*Settlement of trades*	*3,18,000 (29/06/2009 to 30/10/2009)*	*3,16,028*	*1,973*	*0*	*1,01,804 (diff broker)*
2	*Bharat*	*90,000*	*Arcadia*	*90,000*	*Settlem*	*90,000*	*88,516*	*1,484*	*0*	*0*

	Off-market transfer from HBSPL to the debarred entities		Off-market transfer from Debarred entities to Broker			Trades of the debarred entity	Analysis of the trades of the debarred entity			
S.No.	Debarred Entity	No. of shares tfd by HBSPL to debarred entity (Dates of transfer, No. of tfrs)	Broker to whom debarred entity tfd the shares	No. of shares tfd by debarred entity (Dates of transfer, No. of tfrs)	Purpose of transfer as per the Broker	No. of shares sold thru that broker (Dates of Sale)	Counterparty to Sell Trades - Volume traded		Sync trade volume with group entity	Self trade volume
							Group Entities	Others		
	Shantilal Thakkar	(16/02/2010,1)		(18/02/2010,1)	ent of trades	(16/02/2010)				
3	Hemant Madhusudan Sheth	25,000 (03/11/2009,1)	S P Jain	25,000 (03/11/2009,1)	Settlement of trades	75,000 (30/10/2009)	74,963	37	0	0
4	Prem Mohanlal Parikh	1,771 (04/01/2010,1)	Sunidhi	1,771 (30/12/2009,1)	Settlement of trades	77,500 (30/12/2009)	75,473	2,027	0	0
	Total	**3,84,771**		**4,34,771**		**5,60,500**	**5,54,980**	**5,521**	**0**	**1,01,804**

vi. *Analysis of Sell Trades of Debarred Entities: - It was observed that HBSPL transferred 3,84,771 shares to four debarred entities namely, Bhavesh Pabari, Bharat Shantilal Thakkar, Hemant Madhusudan Sheth and Prem Mohanlal Parikh. After receiving the shares in off-market from HBSPL, the debarred entities transferred the shares to their brokers. As per the replies of the brokers, the shares were received from debarred entities towards settlement of their sell trades. Out of the sell trades (5,60,500 shares) of the four debarred entities (aided by the off-market transfer from HBSPL), the counterparties to 5,54,980 shares were other group entities. Further, 1,01,804 shares were traded through self- trades by a debarred entity namely, Bhavesh Pabari.*

f) ***Analysis of Off-market transactions of HBSPL with the debarred entities in the scrip of Gemstone:***

i. *From the demat statement of HBSPL during the period from January 06, 2009 to December 30, 2009 (investigation period), it was observed that HBSPL had nil shareholding in the scrip of Gemstone at the beginning of the investigation period.*

ii. *During the investigation period, HBSPL received 74,585 shares from three debarred entities and transferred 74,585 shares to three debarred entities. It was observed that all the off-market transactions of HBSPL in the scrip of Gemstone were with the debarred entities.*

iii. *From the analysis of the off-market transfers from HBSPL to three debarred entities namely, Bhavesh Pabari, Hemant Madhusudan Sheth and Prem Mohanlal Parikh, it was observed that the aforesaid debarred entities transferred the shares to the brokers namely, S P Jain and Sunidhi.*

iv. *As per the replies of the brokers, the shares were received from the debarred entities for settlement of their sell trades. The brokers also submitted the details of trades of the debarred entities.*

v. *Accordingly, the analysis of the usage of shares by the debarred entities is given below:-*

<u>Table – 6</u>

	Off-market transfer from HBSPL to the debarred entities		***Off-market transfer from Debarred entities to Broker***			***Trades of the debarred entity***	***Analysis of the trades of the debarred entity***			
S. No.	***Debarred Entity***	***No. of shares tfd by HBSPL to debarred entity (Dates of transfer, No. of tfrs)***	***Broker to whom debarred entity tfd the shares***	***No. of shares tfd by debarred entity (Dates of transfer, No. of tfrs)***	***Purpose of transfer as per the Broker***	***No. of shares sold thru that broker (Dates of Sale)***	***Counterparty to Sell Trades - Volume traded***		***Sync trade volume with group entity***	***Self trade volume***
							Group Entities	***Others***		
1	*Hemant Madhusudan Sheth*	*49,850 (29/06/2009 to 30/06/2009,2)*	*S P Jain*	*89,000 (29/06/2009 to 01/07/2009,2)*	*Settlement of trades*	*89,000*	*5,625*	*83,375*	*0*	*0*
2	*Bhavesh Pabari*	*20,000 (15/09/2009,1)*	*Sunidhi*	*20,000 (15/09/2009)*	*Settlement of trades*	*20,000 (15/09/2009)*	*15,944*	*4,056*	*0*	*0*
3	*Prem Mohanlal Parikh*	*4,735 (30/10/2009,1)*	*Sunidhi*	*4,735 (09/11/2009 to 18/11/2009)*	*Settlement of trades*	*4,735 (05/11/2009 to 16/11/2009)*	*150*	*4,585*	*0*	*0*
	Total	***74,585***		***1,13,735***		***1,13,735***	***21,719***	***92,016***	***0***	***0***

vi. *Analysis of Sell Trades of Debarred Entities: - It was observed that HBSPL transferred 74,585 shares to the debarred entities. After receiving the shares through off-market transfer the debarred entities transferred the shares to their brokers. As per the replies of the brokers, the shares were received towards settlement of the sell trades of the debarred entities. Out of the sell trades (1,13,735 shares) of the debarred entities (aided by the off-market transfer of HBSPL), the counterparties to 21,719 shares were other group entities.*

g) ***<u>Analysis of Off-market transactions of HBSPL with the debarred entities in the scrip of Wellpack:</u>***

i. *From the demat statement of HBSPL during the period from November 28, 2008 to June 30, 2010 (investigation period), it was observed that HBSPL had nil shareholding in the scrip of Gemstone at the beginning of the investigation period.*

ii. *During the investigation period, HBSPL received 2,000 shares from debarred entity namely, Prem Mohanlal Parikh and transferred 2,000 shares to debarred entity namely, Bhavesh Pabari. It was observed that all the off-market transactions of HBSPL in the scrip of Wellpack were with the debarred entities during the investigation period.*

iii. *From the analysis of the off-market transfer from HBSPL to Bhavesh Pabari, it was observed that Bhavesh Pabari transferred the shares to his broker namely, S P Jain.*

iv. *As per the reply of the broker, the shares were received from Bhavesh Pabari for settlement of the trades. S P Jain also submitted the details of trades of the debarred entities. The trades of the Bhavesh Pabari executed through S P Jain were analysed.*

v. *Accordingly, the analysis of the usage of shares by Bhavesh Pabari who received the shares from HBSPL in the scrip is given below:-*

Table – 7

	Off-market transfer from HBSPL to the debarred entities		***Off-market transfer from Debarred entities to Broker***			***Trades of the debarred entity***	***Analysis of the trades of the debarred entity***		
S. No.	***Debarred Entity***	***No. of shares tfd by HBSPL to debarred entity (Dates of transfer, No. of tfrs)***	***Broker to whom debarred entity tfd the shares***	***No. of shares tfd by debarred entity (Dates of transfer, No. of tfrs)***	***Purpose of transfer as per the Broker***	***No. of shares sold thru that broker (Dates of Sale)***	***Counterparty to Sell Trades - Volume traded***		***Sync trade volume with group entity***
							Group Entities	***Others***	
1	*Bhavesh Pabari*	*2,000 (30/10/2009,1)*	*S P Jain*	*2,000 (30/10/2009,1)*	*Settlement of trades*	*2,000 (29/10/2009)*	*2,000*	*0*	*2,000*

vi. *Analysis of Sell Trades of Debarred Entities: - It was observed that HBSPL transferred 2,000 shares to Bhavesh Pabari. After receiving the shares through off-market transfer, Bhavesh Pabari transferred the shares to his broker S P Jain. As per the reply of S P Jain, the shares were received towards settlement of the sell trades of Bhavesh Pabari. It was observed that the counterparties to all the sell trades were other group entities and the trades were synchronised in nature.*

h) *In view of the above, the Noticee is alleged to have violated regulation 3 (a), (b), (c), (d), 4(1) and 4 (2) (a) of PFUTP Regulations by aiding and abetting the debarred entities who had violated PFUTP Regulations in the scrips of Spectacle, LGS, Goldstone, Gemstone and Wellpack during the respective periods of investigation.*

6. The SCN was sent through Speed Post Acknowledgement Due (herein after referred to as '**SPAD**'), however, it returned undelivered for the reason '*The Noticee refused to accept*'. Thereafter, a copy of SCN was served upon the director of the Noticee (i.e. Shri Hemant Madhusudan Sheth), vide letter dated November 23, 2017. The Noticee vide letter dated December 01, 2017, requested for inspection of documents. The request of the Noticee was acceded to and vide letter dated December 14, 2017, the Noticee was granted

inspection of documents, however, it also returned undelivered for the reason '*The Noticee refused to accept*'. The Noticee was again granted opportunity of inspection of documents vide email dated March 09, 2018. Inspection of documents was conducted on January 30, 2018 and completed on April 11, 2018.Thereafter, the Noticee was granted an opportunity of personal hearing on April 12, 2018, vide hearing notice dated April 02, 2018, in the interest of natural justice. The hearing notice, which was served on the AR vide email dated April 05, 2018. The Noticee vide email dated April 11, 2018, requested for adjournment of hearing which was acceded to and it was adjourned to April 16, 2018. The AR attended hearing on the scheduled date, submitted reply dated April 14, 2018, to the SCN and reiterated the contents of the same. The Noticee vide aforesaid reply*inter alia* made the following submissions before the erstwhile AO:

i. *We deny and refute that our Company has violated any provision of Regulations of PFUTP Regulation.*
ii. *It is the finding of the Investigation that our Company had not executed any trade in the five scrips on both the Exchanges i.e. BSE and NSE. The allegations made in the SCN are based on unsubstantial facts and circumstances.*
iii. *Our Company has been debarred from the Securities market from 02-02-2011 and the said order is still in force. Initiation of the said Adjudication Proceeding is nothing but double jeopardy to our Company.*
iv. *SEBI has filed Appeals before the Hon'ble Supreme Court against the various Orders of the Hon'ble Securities Appellate Tribunal. The said Appeals are still pending for hearing and final decision. Thus, the present Adjudication Proceeding against our Company should be kept in abeyance till the final out come from the Hon'ble Supreme Court do not come.*
v. *That the several Orders passed by the Ld. Adjudicating Officer against several entities were set aside and remanded back to SEBI for passing fresh Orders. Till the date the fresh proceeding in the remanded back matters not started by the SEBI. Thus, the present Adjudication Proceeding against our Company should be kept in abeyance till the final out come from the SEBI in remanded back matters.*
vi. *That our Company had not executed any trades at the platform of the Exchange in the above referred five scrips, there is no direct adverse finding was made against our Company in Investigation Report.*

vii. Our Company admittedly not facing any allegation of execution of synchronized trades and self-trades in the above five scrips.

viii. The directors of the Company had already been penalized by the Ld. Adjudicating Officer, SEBI in the Adjudication proceeding initiated in the above referred five scrips.

ix. Off market transaction per se not illegal.

x. How our Company as a separate and distinct entity became responsible for alleged allegation of aiding the purported debarred entities when our Company had not made any on market transaction with the said entities and the entities to whom our Company had transferred shares were not debarred at the time of transfer of shares in the above referred five scrips

xi. ***Nowhere in the SCN it is explained that the securities transferred by our Company to purported entities were used in executing alleged transactions among themselves,synchronized trades and self-trades****.The details of alleged trades i.e. transactions among themselves, synchronized trades and self-trades have not been relied in the SCN and did not provide the details of the same separately.*

xii. That our Company either received payment of the shares transferred to the purported debarred entities or returned the shares received from them. However, we will require 2-3 weeks'time to compile bank and demat statement of Our Company.

xiii. The figures of synchronized trades and self-trades executed by the purported entities provided in the Tables in the SCN are not substantial in comparing to the total market volume during the Investigation Period.

7. The Noticee was granted time till April 27, 2018 to make additional submissions. The AR, vide email dated April 27, 2018, requested for additional time to file additional submissions. The request was acceded to and the Noticee was granted time till May 07, 2018, to make additional submissions, vide email on the same day. Further, vide email dated May 07, 2018, the Noticee was advised to provide status of appeals filed before Hon'ble Supreme Court of India, in support of its submissions.

8. Thereafter, pursuant to transfer of Shri Sahil Malik to NISM, vide communiqué dated August 13, 2019, Shri V. S. Sundareshan was appointed as AO, in the matter. Vide communiqué dated September 30, 2019, the undersigned was appointed as AO, in the matter. In view of the change in AO and in the

interest principle of natural justice, the Noticee was granted an opportunity of hearing on March 18, 2020, vide email dated February 28, 2020. The AR, vide email dated March 13, 2020, requested for adjournment of hearing which was acceded to and hearing was rescheduled on March 24, 2020. The Noticee, vide email dated March 20, 2020, again requested for adjournment of hearing which was also acceded to and the Noticee was granted another opportunity of online hearing on April 24, 2020, vide email dated April 20, 2020.The Noticee, vide email dated April 20, 2020, again requested for adjournment of hearing. The Noticee was granted one final opportunity of online hearing on June 12, 2020, vide email dated June 04, 2020. In view of the Covid-19, the Noticee, vide email dated June 04, 2020, again requested for adjournment of hearing to a date after lifting of the lockdown. The Noticee was granted one final opportunity of hearing through digital mode on July 21, 2020, vide email dated July 10, 2020. The Noticee was also advised to make written submissions in lieu of hearing or additional submissions latest by July 18, 2020, in the matter, if any. The Noticee vide email dated July 20, 2020, filed additional submissions dated July 20, 2020, wherein it repeated the submissions made vide letter dated April 21, 2018 and also submitted following additional points:

i. *The allegations contained in SCN particularly as against our Company are farfetched and based on surmises, conjectures, assumption and presumptions. Furthermore, SCN is bad in law as the same has been issued after a period of more than 8 -9 years after execution of alleged off market transactions by the Noticee.*
ii. *The Noticee had not traded on the trading floor in the scrips during the Investigation period.*
iii. *SEBI has conducted an investigation in the matter of five scrips viz. Spectacle, LGS, Gemstone, Goldstone and Well Pack and there was no adverse finding against the Noticee in that investigation report.*
iv. *Several entities had executed off market transactions in the 5scrips during the Investigation period, however, no action has been initiated against them.*
v. *It is further submitted that quantum of the alleged off market transactions executed by our Company in the scrip of 5 Companies were minuscule in*

comparison to the market volume as well as off market transactions executed by the purported Pabari Parikh Group entities.

vi. *That our Company was not managing the debarred entities trading accounts. No such allegation has been made against our Company in the SCN. Since we are not operating their account, how we can be held responsible for the purported trades executed by the debarred entities in their respective trading accounts.*

vii. *That our Company had received consideration on transfer of the shares of these 5 Companies.*

viii. *That no linkages have been made in between Self – Trades and Synchronized Trades executed by the debarred entities and off market transactions executed by our Company with the purported debarred entities.*

ix. *That SEBI has not taken any action against Brokers (except one) for allowing voluminous trades from their trading terminals to the purported debarred entities. Since no action has been initiated against those Brokers, no action should be taken against our Company.*

The Noticee also cited various case laws and Judgments in support of its submissions.

Hearing was conducted on scheduled date and time. The AR attended the hearing and reiterated the contents of the submissions made vide dated April 14, 2018 and July 20, 2020. The Noticee was advised to submit bank account statement of the Noticee and other relevant documents on or before July 30, 2020. The Noticee vide email dated July 30, 2020, submitted bank account statement of the Noticee and other relevant documents.

CONSIDERATION OF EVIDENCE AND FINDINGS

9. I have perused the written submissions of the Noticeeand the documents available on record. The issues that arise for consideration in the present case are:

    a) Whether the Noticee has violated Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a)of PFUTP Regulations by indulging in off market transactions with group entities.

    b) Does the violation, if any, attract monetary penalty under Section 15HA of the SEBI Act?

c) If yes, what should be the quantum of penalty?

10. Before moving forward, it is pertinent to refer to the relevant provisions of the PFUTP Regulations read as under:

> ***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;*

11. The Noticee has raised objection stating that there has been inordinate delay and latches in the instant proceedings against them. At the outset, I note that there is no provision in the SEBI Act which lays down any limitation period for initiating any action under the Act. For ascertaining whether there is any delay in the matter, the date when the violation came to the notice of the SEBI would be the relevant point and not the date of violation. In the present case, it is noted that the investigation could be completed in the instant matter in March, 2017 and thereafter a show cause notice was issued to the Noticeeon November, 2017. Therefore, there is no delay in dealing with the matter as action has been initiated as soon as the investigation was completed in the matter. In addition to that the Noticee, in its reply dated April 14, 2018, had also requested to keep the matter at abeyance, citing various reasons.

Hence, the contention raised by the Noticeeregarding delay, is devoid of any merit.

12. Now I proceed to deal with the issues of the case. The first issue for consideration is whether the Noticee has violated provisions of Regulation 3(a), (b), (c), (d) and Regulation 4(1)& 4(2)(a) of PFUTP Regulations. On consideration of the SCN, its annexure and other material available on record, I observe that the Noticee had connections with group entities as given in following table, at the relevant time:

S. No	Connection of the Noticee with group entities	Source
1	Bhavesh Pabari and Hemant Madhusudan Sheth are the directors of the Noticee	KYC of HBSPL (DP – Axis Bank Ltd.)
2	Off-market transactions between the Noticee and the group entities namely Bhavesh Pabari, Ankit Sachaniya, Prem Mohanlal Parikh, Hemant Madhusudan Sheth, Bipin Jayant Thaker, Bharat Shantilal Thakkar, Bipinkumar Gandhi, Vivek Kishanpal Samant, Kishor Balubhai Chauhan, Chirag Rajnikant Jariwala and Raj Nandi Yarns Pvt. Ltd.	NSDL demat statement of HBSPL

13. I note from the SCN that the Noticeeis alleged to be connected to the group entities on the basis of off market share transfer with group entities viz. Mr. Bhavesh Pabari, Mr. Ankit Sachaniya, Mr. Prem Mohanlal Parikh, Mr. Hemant Madhusudan Sheth, Mr. Bipin Jayant Thaker, Mr. Bharat Shantilal Thakkar, Mr. Bipinkumar Gandhi, Mr. Vivek Kishanpal Samant, Mr. Kishor Balubhai Chauhan, Mr. Chirag Rajnikant Jariwala and Raj Nandi Yarns Pvt. Ltd.In this regard, I note from the Off market share transfer data available on record (which was also shared with the Noticee), in the scrip of Spectacle for the period May 29, 2009 to January 31, 2011, that the Noticee has transferred total 21,30,517 shares to Mr. Bhavesh Pabari in thirteen (13) transactions. Similarly, the Noticee had multiple off market share transactions with the other groupe ntities viz. Mr. Prem Mohanlal Parikh, Mr. Hemant Madhusudan Sheth, Mr. Bipin Jayant Thaker, Mr. Bharat Shantilal Thakkar, Mr. Vivek Kishanpal Samant, Mr. Kishor Balubhai Chauhan, Mr. Chirag Rajnikant Jariwala and Raj Nandi Yarns Pvt. Ltd. in the scrip of Spectacle during the IP.

In addition to that the Noticee also had off market transfer of shares with Mr. Ankit Sachaniya and Mr. Bipinkumar Gandhi during the relevant period. In addition, I also note from the KYC as well as from MCA Website that Mr. Bhavesh Pabari and Mr. Hemant Madhusudan Sheth are directors of the Noticee since May 07, 2008. Further, I also note that these directors who were responsible for managing the affairs of the Noticee directly during the relevant period have also executed off-market transfers in large volume with themselves as well as other group entities during the investigation period. Therefore, I find that the Noticee was well connected to abovementioned eleven group entities on the basis of off market transfer of shares and directorship at the time of respective investigation periods.

14. Before proceeding further, I note that the charge against the Noticee is that it has aided and abetted entities viz Bhavesh Pabari, Prem Mohanlal Parikh, Hemant Madhusudan Sheth, Bipin Jayant Thaker, Bharat Shantilal Thakkar, Vivek Kishanpal Samant, Kishor Balubhai Chauhan, Chirag Rajnikant Jariwala and Raj Nandi Yarns Pvt. Ltd. in market manipulation. In this regard, I find it pertinent to note that charge against the Noticee is directly connected to the acts of the aforesaid 9 entities. Therefore, in order to adjudicate the charges against the Noticee herein, I find it necessary to ascertain whether the trades carried out by the aforesaid 9 entities have created artificial volume and thereby were in manipulative in nature. I note that that the said entities are not the subject matter of the instant adjudication proceedings. Therefore, I restrain from recording any findings in this regard. However, in this regard, I note that vide an ad-interim order dated WTM/KMA/ISD/353/02/2011 dated February 2, 2011, *inter alia* the Noticee along with the said entities were debarred from accessing the securities market on the same set of facts. Further, I also note that SEBI after completion of investigation passed the below mentioned final orders against the said entities wherein their trades of were held to be manipulative in nature:

Sr. No.	Order Ref No.	Order Date	Scrip
1	WTM/RKA/EFD-DRA-II/06/2016	January 04, 2016	Spectacle
2	WTM/RKA/EFD/DRA II/53/2015	June 29, 2015	LGS
3	WTM/RKA/EFD-DRA-II/43/2015	May 13, 2015	Goldstone
4	WTM/RKA/EFD-DRA-II/06/2016	January 04, 2016	Gemstone
5	WTM/RKA/EFD/04/2016	January 04, 2016	Well Pack

15. Having noted as above and considering that trades of entities to whom Noticee transferred shares in off market, were concluded to be manipulative, I consider it appropriate to briefly discuss the facts of the matter in order to have holistic approach before deciding the charges against Noticee as both the facts are inter dependent and connected to each other.

Spectacle Infotek Limited

16. I note from the available records that the Noticee, is alleged to have aided and abetted the group entities in manipulating 5 scrips during the respective investigation periods. It is observed from the Table – 3 of this order, that the Noticee has transferred 40,30,559 shares in the scrip of Spectacle to nine group entities viz. Mr. Bhavesh Pabari, Mr. Prem Mohanlal Parikh, Mr. Hemant Madhusudan Sheth, Mr. Bipin Jayant Thaker, Mr. Bharat Shantilal Thakkar, Mr. Vivek Kishanpal Samant, Mr. Kishor Balubhai Chauhan, Mr. Chirag Rajnikant Jariwala and Raj Nandi Yarns Pvt. Ltd. during the investigation period. It is further observed that seven out of the aforesaid nine group entities transferred the shares to their respective brokers namely, S P Jain Securities Pvt. Ltd (herein after referred to as '**S P Jain**'), Edelweiss Broking Ltd. (herein after referred to as '**Edelweiss**'), Aditya Birla Money Ltd. (herein after referred to as '**Aditya Birla**'), Greshma Shares and Stocks Ltd. (herein after referred to as '**Greshma**'), Ashika Stock Broking Ltd. (herein after referred to as '**Ashika**'), Arch Finance Ltd. (herein after referred to as '**Arch Fin**'), Arcadia Share and Stock Brokers Pvt. Ltd (herein after referred to as '**Arcadia**') and Bhavik Rajesh Khandhar Share and Stock Brokers Pvt. Ltd.

(herein after referred to as '**Bhavik**'). I further, note from the Table – 3 that the Noticee transferred 21,30,517 shares, 500 shares and 20,000 shares to the group entities viz. Mr. Bhavesh Pabari, Mr. Kishor Balubhai Chauhan and Mr. Bharat Shantilal Thakkar, respectively. It is observed that Mr. Bhavesh Pabari, Mr. Kishor Balubhai Chauhan used these shares for settlement of their sale trades with the brokers S. P. Jain & Greshma, respectively. I also note that Mr. Bhavesh Pabari who is a beneficiary of off market transfer of the Noticee, has total sold 31,57,100 shares in the market, during the Investigation period, through the broker S. P. Jain. Out of his total sale of 31,57,100 shares in the scrip, he has sold 19,53,792 shares, to the group entities. Further, he has sold 6,313 shares in synchronized manner to the group entities and traded 98,161 shares through self-trades. Similarly, Mr. Kishor Balubhai Chauhan, who is another beneficiary of off market transfer of the Noticee, has total sold 2,500 shares in the market, during the Investigation period, through the broker Greshma. Out of his total sale of 2,500 shares in the scrip, he has sold 2,000 shares, to the group entities. Further, he has traded 2,000 shares through self-trades. Another beneficiary of off market transfer of the Noticee viz. Mr. Bharat Shantilal Thakkar transferred these shares to another group entity Mr. Vasudev Ramchandra Kamat. Mr. Kamat sold entire 20,000 shares in the market, during the Investigation period. Out of his total sale of 20,000 shares in the scrip, he has sold 17,600 shares, to the group entities.

17. The Noticee transferred 2,28,542 shares, 8,50,000 shares and 4,01,000 shares to the group entities viz. Mr. Bipin Jayant Thaker, Mr. Hemant Madhusudan Sheth and Mr. Prem Mohanlal Parikh, respectively. Further, Mr. Bipin Jayant Thaker transferred 1,42,000 shares to Greshma, Mr. Hemant Madhusudan Sheth transferred 4,31,000 shares to S P Jain and Mr. Prem Mohanlal Parikh transferred 5,000 shares to Greshma for settlement of sale trades. It is observed that, Mr. Bipin Jayant Thaker traded 1,36,682 shares

out of 1,42,000 shares with the group entities and also traded 600 shares with the group entities in synchronized manner. Mr. Hemant Madhusudan Sheth traded 4,48,000 shares through S P Jain and out of the same, he traded 4,23,498 shares with the group entities, traded 11,610 shares with the group entities in synchronized manner and traded 69,368 shares trough self trades. Mr. Prem Mohanlal Parikh traded 5,000 shares through Greshma and out of the same, he traded 4,975 shares with the group entities in synchronized manner.

18. Further, one beneficiary of the off market transfer of the Noticee viz. Mr. Vivek Kishanpal Samant partly used shares received from the Noticee for getting exposure and traded in the shares of Spectacle using this exposure during the Investigation period. Two other Beneficiaries of the off market transfer of the Noticee Viz. Chirag Jariwala and Raj Nandi Yarns Private Limited did not used these shares for further trading in the scrip.

19. In view of the above, I find that four (4) beneficiaries of the off market transfer of the Noticee viz. Mr. Bhavesh Pabari, Mr. Bipin Jayant Thaker, Mr. Hemant Madhusudan Sheth and Mr. Prem Mohanlal Parikh have used shares received from the Noticee, for trading in the scrip of Spectacle Infotek Limited during the Investigation Period.

LGS Global Limited

20. It is observed from the Table – 4 of this order, that the Noticee has transferred 78,400 shares in the scrip of LGS to three group entities viz. Mr. Bhavesh Pabari, Mr. Hemant Madhusudan Sheth, and Mr. Bharat Shantilal Thakkar during the investigation period. I further, note from the Table – 4 that the Noticee transferred 10,900 shares, 27,500 shares and 40,000 shares to the group entities viz. Mr. Bhavesh Pabari, Mr. Bharat Shantilal Thakkar and Mr. Hemant Madhusudan Sheth, respectively, which in turn used these shares for

settlement of their sale trades with the brokers S P Jain & Arcadia. I also note that Mr. Bhavesh Pabari has total sold 10,900 shares in the scrip, to the group entities, in the market, during the Investigation period, through the broker S. P. Jain. Mr. Bharat Shantilal Thakkar has total sold 31,827 shares in the scrip, in the market, during the Investigation period, through the broker Arcadia. Further, out of total sale of 31,827 shares, he has sold 9,750 shares to the group entities and sold 1,000 shares in synchronized manner to the group entities. Mr. Hemant Madhusudan Sheth has total sold 40,000 shares in the scrip, in the market, during the Investigation period, through the broker S. P. Jain. Further, out of total sale of 40,000 shares Mr. Hemant Madhusudan Sheth has total sold 39,000 shares in the scrip, to the group entities. Further, he has sold 5,000 shares in synchronized manner to the group entities.

21. In view of the above, I find that three (3) beneficiaries of the off market transfer of the Noticee viz.Mr. Bhavesh Pabari, Mr. Hemant Madhusudan Sheth and Mr. Bharat Shantilal Thakkar have used shares received from the Noticee, for trading in the scrip of LGS during the Investigation Period.

Goldstone Technologies Limited

22. It is observed from the Table – 5 of this order, that the Noticee has transferred 3,84,771 shares in the scrip of Goldstone to four group entities viz. Mr. Bhavesh Pabari, Mr. Hemant Madhusudan Sheth, Mr. Bharat Shantilal Thakkar and Mr. Prem Manoharlal Parikh, during the investigation period. I further, note from the Table – 5 that the Noticee transferred 2,68,000 shares, 90,000 shares, 25,000 shares and 1,771 shares to the group entities viz. Mr. Bhavesh Pabari, Mr. Bharat Shantilal Thakkar, Mr. Hemant Madhusudan Sheth and Mr. Prem Manoharlal Parikh, respectively, who in turn used these shares for settlement of their sale trades with the brokers S P Jain, Arcadia and Sunidhi Securities and Finance Limited (herein after referred to as

‘**Sunidhi**’). I also note that Mr. Bhavesh Pabari has total sold 3,18,000 shares in the scrip, in the market, during the Investigation period, through the broker S. P. Jain. Further, out of total sale of 3,18,000 shares Mr. Bhavesh Pabari has total sold 3,16,028 shares, to the group entities. Further, he has traded 1,01,804 shares through self-trades, in the scrip. Mr. Bharat Shantilal Thakkar has total sold 90,000 shares in the scrip, in the market, during the Investigation period, through the broker Arcadia. Further, out of total sale of 90,000 shares, he has sold 88,516 shares to the group entities. Mr. Hemant Madhusudan Sheth has total sold 75,000 shares in the scrip, in the market, during the Investigation period, through the broker S. P. Jain. Further, out of total sale of 75,000 shares Mr. Hemant Madhusudan Sheth has total sold 74,963 shares in the scrip, to the group entities. Mr. Prem Manoharlal Parikh has total sold 77,500 shares in the scrip, in the market, during the Investigation period, through the broker Sunidhi. Further, out of total sale of 77,500 shares Mr. Prem Manoharlal Parikh has total sold 75,473 shares in the scrip, to the group entities.

23. In view of the above, I find that four (4) beneficiaries of the off market transfer of the Noticee viz. Mr. Bhavesh Pabari, Mr. Hemant Madhusudan Sheth, Mr. Bharat Shantilal Thakkar and Mr. Prem Manoharlal Parikh, have used shares received from the Noticee, for trading in the scrip of Goldstone during the Investigation Period.

Gemstone Investments Limited

24. It is observed from the Table – 6 of this order, that the Noticee has transferred 74,585 shares in the scrip of Gemstone to three group entities viz. Mr. Hemant Madhusudan Sheth, Mr. Bhavesh Pabari, and Mr. Prem Manoharlal Parikh during the investigation period. I further, note from the Table – 6 that the Noticee transferred 49,850 shares, 20,000 shares and 4735 shares to the group entities viz. Mr. Hemant Madhusudan Sheth, Mr. Bhavesh Pabari, and Mr. Prem Manoharlal Parikh, respectively, who in turn have used these

shares for settlement of their sale trades with the brokers S P Jain & Sunidhi. I also note that Mr. Hemant Madhusudan Sheth has total sold 89,000 shares in the scrip, in the market, during the Investigation period, through the broker S. P. Jain. Further, out of total sale of 89,000 shares Mr. Hemant Madhusudan Sheth has total sold 5,625 shares in the scrip, to the group entities. Mr. Bhavesh Pabari has total sold 20,000 shares in the scrip, in the market, during the Investigation period, through the broker Sunidhi. Further, out of total sale of 20,000 shares Mr. Bhavesh Pabari has total sold 15,944 shares in the scrip, to the group entities. Mr. Prem Manoharlal Parikh has total sold 4,735 shares in the scrip, in the market, during the Investigation period, through the broker Sunidhi. Further, out of total sale of 4,735 shares, he has sold 150 shares to the group entities.

25. In view of the above, I find that three (3) beneficiaries of the off market transfer of the Noticee viz. Mr. Hemant Madhusudan Sheth, Mr. Bhavesh Pabari and Mr. Prem Manoharlal Parikh have used shares received from the Noticee, for trading in the scrip of Gemstone during the Investigation Period.

Well Pack Papers and Containers Limited

26. It is observed from the Table – 7 of this order, that the Noticee has transferred 2,000 shares in the scrip of Well Pack to one group entity viz. Mr. Bhavesh Pabari during the investigation period, who in turn used these shares for settlement of their sale trades with the brokers S P Jain. I also note that Mr. Bhavesh Pabari has total sold 2,000 shares in the scrip, to the group entities, in the market, during the Investigation period, through the broker S. P. Jain. In view of the above, I find that one (1) beneficiary of the off market transfer of the Noticee viz. Mr. Bhavesh Pabari, has used shares received from the Noticee for trading in the scrip.

27. In view of the above, I find that one (1) beneficiary of the off market transfer of the Noticee viz. Mr. Bhavesh Pabari, has used shares received from the Noticee, for trading in the scrip of Well Pack during the Investigation Period.

28. I now proceed to deal with the charges as to whether Noticee had aided and abated manipulative trades in 5 scrips. Before proceeding further I shall deal with the submission of the Noticee.

29. The Noticee has contended that it has not traded in the market thus it cannot violate PFUTP Regulations. In this regard I note that the Regulation 4(2)(a) of PFUTP Regulations states that *indulging in an act which creates false or misleading appearance of trading in the securities market* is deemed to be fraud in terms of PFUTP Regulations. As discussed in earlier paragraphs of this order, the Noticee has supplied shares to the various entities through off market in five (5) scrips and these entities were found to have created artificial volume in these scrips thus the act of the Noticee was instrumental in creating artificial volume in the aforesaid scrips. Therefore, I find that the contention of the Noticee is devoid of merit.

30. The Noticee further contended that *nowhere in the SCN it is explained that the securities transferred by our Company to purported entities were used in executing alleged transactions among themselves*. In this regard I note that it is clearly stated in the SCN that, on multiple instances, the shares transferred by the Noticee were further transferred by the beneficiary to his broker for the purpose of settlement of sale trades. Further, it was also mentioned in the SCN that on various instances the aforesaid beneficiaries have traded among themselves using aforesaid shares in the scrips. Thus, argument of the Noticee, is not acceptable.

31. The Noticee also submitted that it has either received payment of the shares transferred to the purported debarred entities or returned the shares received

from them. The Noticee has submitted copy of its bank account statement of axis bank Account No: 233010200019576 and statement of account of its Depository Participant account (DP ID: IN300484). However, it has not specifically indicated the transactions corresponding to the respective off market share transactions. On perusal of the bank statement, I note that there are large number of debits and credits on continuous basis and therefore it is difficult to ascertain whether Noticee had actually received or not payment corresponding to all the off market transactions executed by the Noticee. In this regards, I have examined the receipts reflected in the bank transactions for a period of 2 days from the date of off market transfers (as required in terms of provisions of Securities Contracts (Regulation) Act, 1956). However, on multiple instances it was observed that amount was not credited within two days. For example, the Noticee transferred 2,00,000 shares of Spectacle to Mr. Prem Mohanlal Parikh in his NSDL Account Number IN30048412469630 on June 09, 2010 (Wednesday). On that day closing price of the scrip was Rs. 130.5, however, on perusal of aforesaid bank account statement I am unable to find a corresponding credit entry of the amount of Rs. Rs. 2,61,00,000/- within two days. Therefore, I find it difficult to agree with the said submission of the Noticee. Furthermore, with respect to the submission of the Noticee that he returned the shares without any payment of consideration, I note that such acts on the part of the Noticee is also not in compliance of the provisions pertaining to off market transactions as per SCRA. I therefore conclude that the off market transfers were made with manipulative intent which is further corroborated given that the fact that majority of shares were transferred to directors of the Noticee who have subsequently used these share for creation of artificial volumes in the market.

32. The Noticee submitted that volume contributed by the beneficiaries of off market transfers of the Noticee is very miniscule in comparison to the total market volume in the scrip during the Investigation Period. In this regard, I

note that the issue with respect to the guilt of the beneficiaries has already been settled before the WTM as noted above and thus, aforesaid submissions do not merit consideration.

33. I also find it pertinent to note that the Noticee has been admittedly debarred from accessing the securities market since 2011 and the Noticee has not preferred any appeal against the same. Furthermore, it has been contended before me by the Noticee that the SEBI has filed an appeal in the connected matter and citing the same, the Noticee has submitted that the instant proceedings should be kept in abeyance. However, I note that the Noticee has not placed before me any order of stay on the instant proceedings by any authority even though it has been more than 2 and a half years since the service of SCN in the matter. In view of the same, I do not find merit in the submission of the Noticee. Also taking note of the fact that there has already been a considerable delay in the instant proceedings, I do not find it just to keep the proceedings pending in the absence of any cogent reason for the same is placed before me.

34. Therefore, as noted in the pre-paragraphs above, the trades carried out by the off-market beneficiaries of the Noticee during the relevant period have already been observed to be concluded as manipulative in nature as mentioned in para 14 above. From my observations with respect to the Noticee as recorded above, the Noticee who is directly connected to the 9 group entities, out of which 2 entities were even responsible for the management of the Noticee, had carried out off market transfers with the said entities. Such shares subsequently formed part of the manipulative trades by which the said 9 entities created artificial volume in the market. In light of the aforesaid notings, I further note that act of the Noticee, whereby it carried out off market transactions of shares with same set of entities consistently across 5 scrips of Spectacle, LGS, Goldstone, Gemstone and Wellpack during different point of time, cannot be considered as a mere coincidence and

implies clear meeting of minds to give effect to the premeditated scheme of manipulation as mentioned above. Therefore, I conclude that the Noticee aided and abetted the group entities to execute manipulateive trades of the 5 scrips. In view of the same, I find that the charges leveled against him in the SCN regarding the contravention of the provisions of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) of PFUTP Regulations stand established.

35. The Hon'ble Supreme Court of India in the matter of SEBI Vs. 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 and hence the intention of the parties committing such violation becomes wholly irrelevant…".*

36. In view of the above, I am convinced that it is a fit case for imposition of monetary penalty on the Noticee under the provisions of Section 15HA of the SEBI Act, which reads as under:

<u>SEBI Act</u>

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 of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.

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

Factors to be taken into account while adjudging quantum of penalty.

15J.While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or 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 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.

38. I note that the available records do not mention the specific profits made by the Noticee or loss suffered by the investors due to volume manipulation committed by the Noticee in the instant case. However, I cannot ignore the gravity of violations involved in the matter. Having established that the Noticee had executed multiple off market transfers with the group entities which has helped them in creating artificial volume in 5 scrips, in my opinion, such act of aiding and abetting manipulative trades certainly in the nature of causing adverse impact in disturbing the equilibrium of fair market mechanism. Noting the above, I also take into consideration of the fact as submitted by the Noticee that he has already been undergoing debarment from accessing the market vide the WTM order dated February 2, 2011 in determining the appropriate quantum of penalty.

ORDER

39. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by the Noticee and also the factors mentioned in Section 15J of the SEBI Act and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the AO Rules, I hereby impose a penalty of Rs. 5,00,000/- (Rupees Five Lakh only) on the Noticee viz. H Bhavesh Securities and Commodities Private Limited the provisions of Section15HA of the SEBI Act. I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticee.

40. The Noticee shall remit / pay the said total amount of penalty within 45 days of receipt of this order in either of the way, such as by following the path at SEBI website www.sebi.gov.in, ENFORCEMENT > Orders > Orders of AO > PAY NOW; OR by using the web link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

41. The said confirmation of e-payment made in the format as given in table below should be sent to "The Division Chief, EFD-DRA- II, 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. Nameof payee:	
3. Dateof payment:	
4. Amount paid:	
5. Transactionno.:	

6. Bank detailsin whichpayment ismade:	
7. Payment ismadefor: (like penalties/ disgorgement/recovery/ settlementamountandlegalchargesalong withorderdetails)	

42. 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.

43. In terms of the provisions of Rule 6 of the Adjudication Rules, copies of this order are being sent to H Bhavesh Securities and Commodities Private Limitedand also to the Securities and Exchange Board of India, Mumbai.

Place: Mumbai **B J Dilip**
Date: August 27, 2020 **Adjudicating Officer**