BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/MC/HP/2022-23/16202-16203]

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

In respect of –

1) **Vipul Pannalal Shah (PAN: AIFPS9349P)** having address at - 1, Yashovijay Flats, Near Anand Nagar Stop, Bhattha, Paldi, Ahmedabad, Gujarat - 380007
2) **H K Stock Services Private Limited (PAN: AABCH7940N)** having address at - 6, Asarwa Society, Holi Chakla, Asarwa, Ahmedabad, Gujarat - 380016

In the matter of Coral Hub Limited

BACKGROUND

1. Securities and Exchange Board of India (hereinafter be referred to as, **'SEBI'**) initiated adjudication proceedings under Section 15HA of the SEBI Act, 1992 (hereinafter referred to as, **'SEBI Act'**), against Vipul Pannalal Shah (**Noticee 1**) and H K Stock Services Private Limited (**Noticee 2**) for the alleged violations of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as, **'PFUTP Regulations'**); pursuant to investigation in the matter of trading in the scrip of Coral Hub Limited (**CHL/Scrip/Company**) by certain entities during the period from December 01, 2008 to March 31, 2009 (**IP/investigation period**). The Noticee 1 and 2 are collectively referred to as **'Noticees/You'**.

APPOINTMENT OF ADJUDICATING OFFICER

2. SEBI appointed Shri Amit Pradhan as Adjudicating Officer under Section15-I of the SEBI Act read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter be referred to as the **'Adjudication Rules'**), vide order dated December 28, 2020 to inquire into and adjudge under section 15HA of the SEBI Act, the aforesaid alleged violations against the Noticees. Subsequently, the undersigned was appointed as Adjudicating Officer (hereinafter referred to as "AO") vide an order dated June 18, 2021.

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice No. EAD-2/AP/VS/2815/2021 dated February 03, 2021 (hereinafter be referred to as, the "**SCN**") was served upon Noticee 1 and SCN No. EAD-2/AP/VS/2814/2021 dated February 03, 2021 was served upon Noticee 2 under Rule 4(1) of the Adjudication Rules read with Section 15-I of the SEBI Act, to show cause as to why an inquiry should not be held and penalty not be imposed against the Noticees under Section 15HA of SEBI Act for the aforesaid alleged violations.

4. The allegations levelled against the Noticees in the SCN are summarized as below:

5. During the investigation period there was a stock split (1 share of Face Value of Rs.10/- divided into 10 shares of Face Value of Rs.1/-) on February 27, 2009. The investigation period is divided into two periods:
   a) Pre-Split Investigation period (December 01, 2008 to February 26, 2009)
   b) Post-Split Investigation Period (February 27, 2009 to March 31, 2009)

6. Trading analysis was carried out for pre-split period and post-split period separately. It was observed that there was no adverse inference drawn from the post-split period. The detail of trading analysis pertaining to pre-split period is as follows:

7. **Trading details during pre-split period on NSE and BSE:**

Sr. No.	Particulars	NSE	BSE
1	Total volume traded	20,65,140	18,70,102
2	No. of trading days	59	59
3	Average daily volume	35,002	31696
4	No. of Trades in the scrip	22,958	14280
5	Opening price (in Rs.)	318.60	319.50
6	Highest price (in Rs.)	360.01(19.01.2009)	353.71(26.02.2009)
7	Lowest price (in Rs.)	262.99(09.01.2009)	283.50(12.01.2009)
8	Closing price (in Rs.)	346.85	344.90

8. During the pre-split period the top 10 clients at NSE and BSE were as follows:

Clients:

Top 10 clients at NSE and BSE on the basis of gross buy and gross sell:

Buy Client	Buy Qty	% of buy Qty to the Market buy Qty	Sell Client	Sell Qty	% of sell qty to the market sell qty
NSE (Total traded quantity 20,65,140)					
H K Stock Services Pvt Ltd (Noticee 2)	1,57,691	7.64	**H K Stock Services Pvt Ltd (Noticee 2)**	2,27,195	11.00
Real Marketing Pvt Ltd	1,54,592	7.49	Panther Finvest Pvt. Ltd.	1,45,231	7.03
Panther Finvest Pvt. Ltd.	1,45,231	7.03	Shah Hemendra R	1,06,768	5.17
Sushma Kapur (Prop. Shivam Investment)	1,43,768	6.96	Jigneshbhai Hiralal Shah	1,01,333	4.91
Shobha Imtiyaz Desai	1,04,500	5.06	Real Marketing Pvt Ltd	87,563	4.24
Pravina Rohitkumar Mehta	1,00,000	4.84	Shivam Investment (Prop. Sushma Kapur)	80,268	3.89
Alin Ajaykumar Shah	76,000	3.68	Koshti Securities	73,943	3.58
D. B. Securities P. Ltd.	63,456	3.07	D. B. Securities P. Ltd.	64,948	3.15
APM Financial Consultants Pvt. Ltd.	61,371	2.97	APM Financial Consultants Pvt. Ltd.	61,371	2.97
Vipul Pannalal Shah (Noticee 1)	49,297	2.39	Hiren Kumar Parshottam Bhai Patel	53,851	2.61
Total	**10,55,906**	**51.13**		**10,02,471**	**48.54**
BSE (Total traded quantity 18,70,102)					
H K Stock Services Pvt Ltd (Noticee 2)	1,62,726	8.70	**H K Stock Services Pvt Ltd (Noticee 2)**	1,86,484	9.97
Shobha Imtiyaz Desai	1,05,000	5.62	Anil Shrimal	92,050	4.92
Pravina Rohitkumar Mehta	1,00,000	5.35	D B Securities Private Limited	89,931	4.81

Anil Shrimal	94,189	5.04	Shah Hemendra R	87,137	4.66
D B Securities Private Limited	78,909	4.22	Nareshkumar Khoobchand Koshti	80,287	4.29
Real Marketing Pvt Ltd	78,552	4.20	Real Marketing Pvt Ltd	75,660	4.05
Mananbhai Ajaybhai Shah	76,000	4.06	Atulbhai Gordhanbhai Vaja	69,959	3.74
Atulbhai Gordhanbhai Vaja	65,255	3.49	Jigneshbhai Hiralal Shah	66,970	3.58
Vipul Pannalal Shah (Noticee 1)	62,519	3.34	**Vipul Pannalal Shah (Noticee 1)**	62,519	3.34
Anand Yogesh Shares And Consultancy Pvt Ltd	50,920	2.72	Shaishil Tusharkumar Jhaveri	53,204	2.85
Total	**8,74,070**	**46.74**	**Total**	**8,64,201**	**46.21**

9. From the above table it is observed that Noticee 1 is featured in top 10 entities as a buyer on NSE and as a buyer and seller on BSE. Further, Noticee 2 is featured in top 10 entities as a buyer and a seller on both NSE and BSE.

10. **Trading by Noticees at NSE and BSE:**

Client Name	Gross Buy	Gross Buy % to total market Buy vol.	Gross Sale	Gross Sell % to total Sell vol.	Net Trade
NSE (Total traded quantity 20,65,140)					
Vipul Pannalal Shah	49,297	2.39	49,524	2.40	-227
H K Stock Services Pvt Ltd	1,57,691	7.64	2,27,195	11.00	-69,504
BSE (Total traded quantity 18,70,102)					
Vipul Pannalal Shah	62,519	3.34	62,519	3.34	-
H K Stock Services Pvt Ltd	1,62,726	8.70	1,86,484	9.97	-23,758

11. From the above table it is observed that Noticee 1 contributed 2.39% of market buy volume and 2.40% market sell volume at NSE and contributed 3.34% of market buy volume and 3.34% of market sell volume at BSE. Further, Noticee 2 contributed 7.64% of market buy volume and 11.00% of market sell volume at NSE and contributed 8.70% of market buy volume and 9.97% of market sell volume at BSE.

12. **LAST TRADE PRICE (LTP) ANALYSIS:**

13. The LTP contribution of Noticee at NSE are as follows:

Name of the buyer	All Trades			LTP Diff. >0			LTP Diff. < 0			LTP Diff. =0		% Of +LTP To Market + LTP (Market +LTP= Rs.5839)
	Net LTP	Sum Of Quantity	No Of Trades	LTP Impact	QTY Traded	No Of Trades	LTP Impact	QTY Traded	No Of Trades	QTY Traded	No Of Trades	
A	B	C	D	E	F	G	H	I	J	K	L	M
Vipul Pannalal Shah	288	49,297	431	420	11,753	155	-132	25,926	139	11,618	137	7.19
H K Stock Services Pvt Ltd	499	1,57,691	1,573	928	65,597	496	-428	43,512	417	48,582	660	15.89
Total Market	**28**	**20,65,140**	**22,958**	**5,839**	**5,33,163**	**4,611**	**-5,809**	**5,41,834**	**5,126**	**9,90,143**	**13,221**	**100.00**

14. From the above table it is observed that Noticee 1 had contributed Rs.288 to net LTP contribution while buying 49,297 shares and Noticee 2 had contributed Rs.499 to net LTP contribution while buying 1,57,691 shares on NSE. Therefore, it was alleged that Noticees tried to jack up the price while other entities in the market bought the shares at a price below LTP (on net basis).

15. **Order book analysis:**

16. Order book analysis of top 10 trades executed by Noticee 1 as a buyer, in the order of LTP contribution is given below:

S.No.	Date	Buy Order No.	Counter party / Seller	Buy Order Time	Sell order time	Trade Price	Buy Order Price	Sell Order Price	Traded qty	Buy Order Qty	Sell Order Qty	LTP Contribution
	A	B	C	D	E	F	G	H	I	J	K	L
1.	05.12.2008	2008120533374302	Govindan Potty V	09:55:50	09:55:12	322	322	322	2	2	10	15.3
2.	04.12.2008	2008120433366909	Tarkeshwar Nath Tripathi	09:55:21	09:55:05	318	320	318	2	2	5	12
3.	07.01.2009	2009010733457970	S K Janakiraman	10:00:06	09:59:48	309	310	309	10	2000	10	9
4.	15.12.2008	2008121533540202	Rohit Kahandelwal	10:08:46	10:07:54	303	303	303	2	2	10	7.85
5.	16.12.2008	2008121633394698	Bharatkumar Chaturdas Patel	09:56:41	09:56:18	299.65	299.65	299.65	1	1	10	7.6
6.	12.01.2009	2009011235353822	Senthilnathan. S. S	14:38:25	13:11:55	293.75	293.75	293.75	1	1	10	6.7
7.	24.12.2008	2008122433373000	Chacko Joshymon Mangalathu	09:55:40	09:55:21	309	309	309	1	1	60	6.3
8.	15.12.2008	2008121533895387	Jantu Kumar	10:43:54	10:39:18	305	305	305	1	1	8	6.1
9.	15.12.2008	2008121534556583	Hameed M A	12:17:08	11:34:48	296	296	296	1	1	50	6

S.No.	Date	Buy Order No.	Counter party / Seller	Buy Order Time	Sell order time	Trade Price	Buy Order Price	Sell Order Price	Traded qty	Buy Order Qty	Sell Order Qty	LTP Contribution
	A	B	C	D	E	F	G	H	I	J	K	L
10.	15.12.2008	2008121533550533	Rohit Kahandelwal	10:09:41	10:07:54	308.9	308.9	308.9	1	1	8	5.9
	Total								**22**			**82.75**

17. It is observed from the above table that the Noticee 1 was placing the buy orders of very small quantity in the range of 1 - 2 shares (except in 1 instance). Thereby, just with the traded quantity of 22 shares, the Noticee 1 contributed to Rs.82.75 to the LTP. It was alleged that these small orders were placed to artificially inflate the price.

18. Considering the trading pattern of the Noticee 1 of placing miniscule buy orders, his trading pattern was further analysed. It was observed that he contributed Rs.420 to positive LTP in 155 trades with a volume of 11,753 shares. The analysis of buy orders volume with respect to 155 trades and their impact on LTP is tabulated below:

Buy orders quantity range	No. of Trades	Sum of positive LTP Difference in Rs.	% to the total LTP Rs. 420	Sum of Traded Quantity
1-5	120	369	87.88	148
5-10	15	16	3.72	65
10-50	2	8	1.86	16
50-100	4	10	2.29	198
>100	14	18	4.25	11,326
Grand Total	**155**	**420**	**100.00**	**11,753**

19. From the above table it was observed that the Noticee 1, in 120 trades, placed buy orders in the range of 1-5 shares and contributed to Rs.369 positive LTP which is 88% of the overall positive LTP contributed by the Noticee 1. Therefore, it was alleged that the Noticee 1 has artificially inflated the price of the scrip by placing small orders at a price more than LTP.

20. Order book analysis of top 10 trades executed by Noticee 2 as a buyer on NSE, in the order of LTP contribution is given below:

Date	Buy Order No.	Counter party / Seller	Buy Order Time	Sell order time	Trade Price	Buy Order Price	Sell Order Price	Trade qty	Buy Order Qty	Sell Order Qty	LTP Contribution
A	B	C	D	E	F	G	H	I	J	K	L
20.01.2009	2009020333421632	Sterling Derivatives & Commodities Services Ltd.	10:09:01	10:09:13	325	325	325	2	2	4	**22**
29.12.2008	2009010933519825	Chandrashekarappa A G	10:02:07	09:59:23	305	305	305	1	1	16	**15**
03.02.2009	2008122933372522	Vikramkumar Karanraj Sakaria Huf Daksh Corporation	09:58:25	09:56:40	329.8	329.8	329.8	2	2	100	**14.7**
09.01.2009	2009012133402928	K. K. Finstock	10:07:24	10:00:58	294.8	294.8	294.8	1	1	100	**14.5**
29.12.2008	2009011233455303	Vikramkumar Karanraj Sakaria Huf Daksh Corporation	09:55:59	09:55:27	315	315	315	1	1	100	**13.45**
21.01.2009	2008121033382766	Shah Hemendra R	09:57:07	09:56:57	328.8	329.95	328.8	2620	2620	2625	**10.8**
12.01.2009	2008121736121906	Varatharajan	10:01:34	10:01:18	300	300	300	2	2	10	**10.3**
10.12.2008	2009010933440416	Gupta Nirmala	09:56:14	09:55:09	315	315	315	2	2	50	**10**
17.12.2008	2009020333421632	Vishnu S Mittal	15:28:02	15:24:27	309	309	309	2	2	25	**10**
09.01.2009	2009010933519825	K. K. Finstock	10:00:53	09:57:18	294.9	300	294.9	37	100	37	**9.9**
Total								**2670**			**130.65**

21. It was observed from the above table that the Noticee 2 was placing the buy orders of very small quantity in the range of 1 - 2 shares (except in 2 instances). Thereby, just with the traded quantity of 2670 shares, the Noticee 2 contributed to Rs.130.65 to the LTP. It was alleged that these small orders are placed to artificially inflate the price.

22. Considering the trading pattern of the Noticee 2 of placing miniscule buy orders, his trading pattern was further analysed. It was observed that he contributed Rs.928 to positive LTP in 496 trades with a volume of 65,597 shares. The analysis of buy orders volume with respect to 496 trades and their impact on LTP is tabulated below:

Buy orders quantity range	No. of Trades	Sum of Positive LTP in Rs.	% to the total+ LTP of the client (₹928)	Sum of Traded Quantity
1-5	240	621	66.97	348
5-10	19	44	4.78	115
10-50	38	51	5.47	394
50-100	49	54	5.87	685
>100	150	157	16.92	64055
Total	**496**	**928**	**100.00**	**65,597**

23. From the above table it was observed that the Noticee 2, in 240 trades, placed buy orders in the range of 1-5 shares and contributed to Rs.621 positive LTP which is 67% of the overall positive LTP contributed by the Noticee 2. Therefore, it was alleged that the Noticee 2 has artificially inflated the price of the scrip by placing small orders at a price more than LTP.

24. The LTP contribution of Noticees at BSE are as follows:

Name of the buyer.	All Trades			LTP Diff. >0			LTP Diff. < 0			LTP Diff. =0		% Of positive LTP To Mkt positive LTP (Market Positive LTP, ₹4060)
	Net LTP	Sum Of Quantity	No Of Trades	LTP Impact		No Of Trades	LTP Impact	QTY Traded	No Of Trades	QTY Traded	No Of Trades	
A	B	C	D	E	N	G	H	I	J	K	L	M
Vipul Pannalal Shah	320	62,519	472	470	19,189	195	-150	22,458	154	20,872	123	11.58
H K Stock Services Pvt Ltd	397	1,62,726	1,202	756	69,753	409	-359	54,012	365	38,961	428	18.62
Total Market	**28**	**18,70,102**	**14,280**	**4,060**	**6,08,756**	**3,406**	**-4,120**	**5,55,653**	**3,862**	**7,05,693**	**7,012**	100.00

25. From the above table it is observed that Noticee 1 had contributed Rs.320 to net LTP contribution while buying 62,519 shares and Noticee 2 had contributed Rs.397 to net LTP contribution while buying 1,62,726 shares on BSE. Therefore, it was alleged that Noticees tried to jack up the price while other entities in the market bought the shares at a price below LTP (on net basis).

26. It was observed from the trading pattern of the Noticees that they contributed to the LTP by placing small quantity orders. Noticees followed the same pattern in NSE also, as seen in the previous paragraphs. The analysis of trading pattern of the Noticee 1 is as follows:

Buy orders quantity range	No. of Trades	Sum of positive LTP Difference in Rs.	% to the total LTP Rs.470	Sum of Trade Quantity
1-5	116	370	79	135
5-10	13	47	10	68
10-50	2	1	0	31
50-100	5	6	1	96
>100	59	45	10	18,859
Grand Total	**195**	**470**	**100**	**19,189**

27. Out of total 195 trades of the Noticee 1 which are executed above LTP, in 116 trades the buy order volume is in the range of 1-5 and contributed Rs.370 to the positive LTP which is 79% of the total positive LTP contributed by the entity.

28. The analysis of trading pattern of the Noticee 2 is as follows:

Buy orders quantity range	No. of Trades	Sum of positive LTP Difference in ₹	% to the total LTP ₹756	Sum of Trade Quantity
1-5	219	536	71	310
5-10	7	11	1	54
10-50	9	15	2	142
50-100	33	43	6	1,022
>100	141	151	20	68,225
Grand Total	**409**	**756**	**100**	**69,753**

29. Out of total 409 trades of the Noticee 2 which are executed above LTP, in 219 trades the buy order volume is in the range of 1-5 and contributed Rs.536 to the positive LTP which is 71% of the total positive LTP contributed by the entity.

NEW HIGH PRICE (NHP) ANALYSIS:

30. It was also observed that during the pre-split period, the scrip price at NSE opened at Rs.318.60, reached high of Rs.360.01 with increase in price of Rs.41.41 and at BSE it opened at Rs.319.50, reached high of Rs.353.71 with the increase in price of Rs.34.21. The contribution to the NHP by Noticee 2 at NSE and BSE is given below:

Particulars	Qty	No. of Trades	Sum of NHP Contribution	% of total mkt NHP
At NSE				
H K Stock Services Pvt Ltd	1	1	5.4	13.04
At BSE				
H K Stock Services Pvt Ltd	**500**	**2**	**2.8**	**8.18**

31. From the above table it is observed that the Noticee 2 has contributed to 13.04% and 8.18% of NHP of the scrip of at NSE and BSE, respectively.

32. **FIRST TRADE ANALYSIS:**

At NSE there are 59 trading days during the pre-split period. The analysis of the first trades of the Noticees is given below:

S.No.	Particulars	No. of days appearing as buyer	Trade quantity	LTP contributed	% of LTP to the total LTP through first trades (Rs.510)
1.	Vipul Pannalal Shah	10	33	58.65	11.50
2.	H K Stock Services Pvt Ltd	11	26	77.25	15.15

33. From the above table it is observed that Noticee 1 appeared as a buyer on 10 first trades and contributed to 11.50% of total LTP through first trades and Noticee 2 appeared as a buyer on 11 first trades and contributed to 15.15% of total LTP through first trades.

34. Further, with respect to BSE the details of the first trade analysis of the Noticees is given below:

S.No.	Particulars	No. of days appearing as buyer	Trade quantity	LTP contributed	% of LTP to the total LTP through first trades (Rs.359.05)
1.	Vipul Pannalal Shah	7	25	55.75	15.53
2.	H K Stock Services Pvt Ltd	17	2,333	131.30	36.57

35. From the above table it is observed that the Noticee 1 has traded as a buyer on 7 first trades and contributed to 15.53% of total LTP contributed through first trades and Noticee 2 has traded as a buyer on 17 first trades and contributed to 36.57% of total LTP contributed through first trades

36. In view of the above analysis of trading by the Noticees of Last Trade Price, New High Price (in respect of Noticee 2) and First Trade Analysis, it was alleged that the Noticees have placed maximum orders at very low quantities in the range of 1-10 shares to artificially inflate the price by contributing to positive LTP through first trades and by establishing New High Price (in respect of Noticee 2). The said actions on the part of the Noticees are allegedly in violation of section 12A (a), (b) & (c) of SEBI Act and Regulations 3 (a), (b), (c) & (d), 4(1), 4 (2) (a) & (e) of PFUTP Regulations, as these were the devices employed by the Noticees to manipulate the price.

37. The aforesaid alleged violations, if established, make the Noticees liable for monetary penalty under Section 15HA of the SEBI Act.

38. SCN was duly served to the Noticees. Noticee 1 filed his reply to the SCN vide letter dated December 02, 2021. SCN was duly served to the Noticee 2. The SCN was handed over to Shardaben J. Patel on behalf of Noticee 2.

39. The key submissions of the Noticee 1 are summarised below:

a) Noticee submitted that trading in the scrip had started at BSE on 11-08-2008 and the opening price was Rs.150/-. It reached high at Rs.356.75 on 26-09-2008 i.e. pre investigation period. Further, the price of the scrip was quoting around Rs.307 to Rs.344.90 during November, 2008 i.e. also pre investigation period. During the course of Period 1 of the investigation, the price of the scrip were quoting in between Rs.283.50 to Rs.353.70. Therefore, it can be seen that the price of the scrip had already increased up to Rs.356.75 before the period of investigation started and was trading in between Rs. 300/- to Rs. 340/- during November, 2008 i.e. just one month prior to the period of investigation.

b) It was alleged in the SCN that 13 entities including the Noticee are connected to each other. On perusal of the Annexure to the SCN, it is gathered that the Noticee is not shown connected with any of these entities. The allegation of connection against the Noticee cannot be proved and therefore liable to be dropped. Since the connection of the Noticee with suspected entities cannot be proved, the allegation of violation of PFUTP Regulations also liable to be dropped. In this regard, Noticee placed reliance on judgments in several Orders passed by the Ld. WTM and AO of SEBI and Hon'ble SAT. Noticee placed reliance on the Orders passed in favour of **Amit Tilala, Kaushik Rajnikant Mehta and Manish Suresh Joshi**.

c) Noticee stated that he had requested to provide Complete Trade and Order Logs so that Noticee can file convincing reply. However, the request of the Noticee has been totally overlooked. The Noticee was provided details of only alleged trades and not all the trades executed by the Noticee. In this way the principle of natural justice has not been followed. In this regard, Noticee placed reliance on the Order passed by the Hon'ble SAT wherein the Hon'ble SAT set aside the Orders of SEBI on the violation of principle of natural justice. **(Vikas Narnavar and Dhirajbhai Sanghavi Orders)**.

d) In the entire SCN, it is not alleged that the 13 suspected entities including the Noticee had traded amongst themselves and increased the price of the scrip. Indeed, no such allegation has been made for sell trades of purported 13 suspected entities including the Noticee. The allegation has been made for only buy trades executed by the purported 13 suspected entities including the Noticee.

e) The Noticee is not facing any allegation of creation of New High Price, execution of Synchronized/self/reversal/structured trades in the scrip.

f) During the period 1 of the investigation, 2773 trades for 1 - 50 shares of the Company had been executed at BSE and contributed Rs.3536.40 to gross +ve LTP. Similarly, 3961 trades for 1 - 50 shares of the Company had been executed at NSE and contributed Rs. 5256.95 to gross +ve LTP. Further, following entities had substantially contributed to +ve LTP but not made parties to the SCN.

Name of the Entity	**Exchange**	**Trades**	**Contribution to gross +ve LTP (Rs.)**
MULTIPLIER SHARE & STOCK ADVISORS PRIVATE LIMITED	BSE	110	140.55
MULTIPLIER SHARE & STOCK ADVISORS PRIVATE LIMITED	NSE	279	363.55
VAJSHAH SHARES & CONSULTANCY PVT LTD	BSE	138	243.45
VAJSHAH SHARES & CONSULTANCY PVT LTD	NSE	163	412.35
MANISH NARAYANBHAI SHETTY	BSE	55	154.40
MANISH NARAYANBHAI SHETTY	NSE	36	77.50
V J PATEL INVESTMENT	BSE	43	122.15
V J PATEL INVESTMENT	NSE	73	275.75

g) Since the Noticee is not connected with any of the other entities, the case of Noticee is no different from the case of entities mentioned above. Thus, on this ground alone the allegations against the Noticee should be dropped.

h) Noticee submitted that the SCN is bad in law as the same has been issued after a period of more than 12 - 13 years from the last date of execution of trades by the Noticee. BSE and NSE are first stage Regulator and claim that they have most scientific surveillance mechanisms. Similarly, SEBI as Regulator of all intermediaries and the entities who deal in securities market, have also a sophisticated surveillance system. The Noticee had not received a single caution letter either from BSE/NSE/SEBI in the scrip. Hence, the issue of SCN after a lapse of period of 12 -13 years has caused extreme mental agony to the Noticee. This highly prejudices the case of the Noticee as justice delayed is justice denied. Recently, the Hon'ble Supreme Court of India and the Hon'ble Tribunal took a tough stand against inordinate delay and latches in quasi-judicial proceedings. In this regard, the Noticee relied upon few Judgments/Orders passed by the Hon'ble SAT / Hon'ble Supreme Court including Order of Hon'ble SAT (**Rajeev Bhanot**) wherein Order of SEBI was set aside by the Hon'ble SAT on the ground of delay.

i) Noticee submitted that there was substantial increase in the price of the scrip i.e. from Rs. 150/- to Rs. 356.75/- during pre-investigation period. No adverse inference has been drawn in the SCN to such phenomenal increase in the price of the scrip. However, an adverse inference was drawn against the trades executed by the Noticee during period 1 of the investigation for mere Rs. 28/- (Opening Price - Closing Price) increase in the price of the scrip. The said increase in the price of the scrip of the Company has also not created any new high price.

j) No allegation has been made against the counterparties to the trades of the Noticee. For manipulation of price, connivance between buyer and seller is sine quo non. Since, the seller counterparties to the alleged trades has not been charged, no allegation can be made against the Noticee herein for his alleged trades.

k) The trades executed by the Noticee in the scrip were in the normal course of trading and there was no intention of raising, decreasing or maintaining the price of the scrip.

l) The order placed / trades executed above or below the Last Traded Price per se is not illegal. In catena of cases, SEBI itself gave clean chit to various entities on this ground. In this regard, Noticee relied upon several orders passed by Hon’ble SAT and SEBI.

m) There was huge time difference between placing of buy orders by the Noticee and sell orders placed by other counterparties. Further, even when the Noticee was not trading in the scrip, the price of the scrip was increasing/decreasing. This was mainly due to gap between the demand and supply. The price of the scrip witnessed sharp increase just before starting of the investigation period and period 2 of the Investigation. Thus, the price of the scrip was increasing due to pressure of demand and inadequate supply of shares in the market.

n) Noticee submitted that there is no allegation that the Noticee had any collusion with the counter party sellers to his buy trades. In absence of any collusion, the price manipulation cannot be alleged. In this regard, the Noticee placed reliance on several Orders of Hon’ble SAT.

o) Noticee submitted that in the entire SCN there is no allegation of synchronized trade / circular trade / self-trade / reversal of trade in the scrip. Indeed, a favorable finding for synchronized trade / circular trade / self-trade / reversal of trade has been recorded in the investigation report.

p) Noticee further submitted that the allegation of fraud cannot sustain against the Noticee as he had not induced any person while trading in the scrip. Thus, the necessary ingredients of fraud are totally missing. Noticee relied upon the Order of Hon'ble Supreme Court in the matter of **SEBI v/s Shri Kanaiyalal Baldevbhai Patel** in Civil Appeal No. 2595 of 2013.

40. Opportunity of hearing was provided to the Noticee 1 through video conferencing and Mr. Vikas Bengani, Authorized Representative (AR) attended the hearing on behalf of Noticee 1 on November 24, 2021.

41. Vide hearing notice dated March 11, 2022, an opportunity of personal hearing through video conferencing was provided to Noticee 2 on April 08, 2022. Hearing Notice was duly served to the Noticee 2 through paper publication on March 23, 2022. Vide aforesaid notice, Noticee 2 was informed to submit its reply to the SCN till April 06, 2022. Noticee 2 was also informed that, if it failed to appear for the hearing and did not file the reply to the SCN, the matter would be proceeded further on the basis of evidence available on record in terms of sub-rule (7) of rule (4) of the Adjudication Rules. However, Noticee 2 neither appeared on the scheduled date of personal hearing nor any reply to the SCN was received from Noticee 2.

42. As sufficient opportunity was given to the Noticee 2 to submit reply and appear for hearing and no response was received from it, the adjudication proceeding against the Noticee 2 is undertaken *ex-parte* on the basis of material available on record.

43. As the inquiry in the matter has been completed, I now proceed to decide the case on the basis of SCN issued, reply made by the Noticee 1 and material available on record.

CONSIDERATION OF ISSUES AND FINDINGS

44. The issues that arise for consideration in the instant matter are:

Issue No. I	Whether, the Noticees are in violation of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (e) of PFUTP Regulations
Issue No. II	If yes, whether the failure on the part of the Noticees would attract monetary penalty under Section 15HA of the SEBI Act?

Issue No. III If yes, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?

Issue No. I **Whether, the Noticees are in violation of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (e) of PFUTP Regulations**

45. Before going into the merits of the case, I note the contention of the Noticee 1 that complete trade log and order log have not been provided to him. In this regard, I note that all the documents relied up on in the instant proceedings are already provided as annexures to the SCN. Further, at the time of personal hearing Noticee 1 raised the same contention. Accordingly, the entire trade log and order log was provided to the AR of the Noticee 1. Further, sufficient time was provided to Noticee 1 to file his submissions.

46. Noticee 1 further contended that the SCN is issued after 12-13 years post the alleged transactions were executed. In this regard, I note that SEBI initiated the Investigation in the instant matter in 2013, which was completed in December 2013. However, on account of procedural issues, adjudication proceedings were initiated in December 2020, and SCN in the matter was issued on February 03, 2021. I take note of this delay. I further note that no limitation has been prescribed in SEBI Act for initiating proceedings for violation of securities laws.

47. It is alleged in the SCN that during pre-split period Noticees 1 and 2 have traded in the scrip with significant traded volume. Further, with the intent of manipulating the price of the scrip they bought the shares in small quantities at the price well above LTP. Noticees had also entered into First Trades with positive LTP contribution and Noticee 2 had contributed to New High Price.

48. I note that the Noticee 1 has made his submissions and also appeared for the hearing through his Authorised Representative. The gist of the contentions of the Noticee 1 is as follows:

a) He has no connection with other suspected entities mentioned in the SCN.
b) It was not alleged in the SCN that the 13 suspected entities including him had traded amongst themselves and increased the price of the scrip.
c) No allegation against him of creation of New High Price, execution of Synchronized/self/reversal/structured trades in the scrip.
d) Some entities with substantial contribution to LTP have not made parties to the SCN.
e) There was substantial increase in the price of the scrip i.e. from Rs. 150/- to Rs. 356.75/- during pre-investigation period. No adverse inference has been drawn in the SCN to such phenomenal increase. However, an adverse inference was drawn against the trades executed by him during period 1 of the investigation for mere Rs. 28/- (Opening Price - Closing Price) increase in the price of the scrip.
f) For manipulation of price, connivance between buyer and seller is sine quo non. However, no allegation has been made against counterparty sellers.
g) The order placed / trades executed above or below the Last Traded Price is per se not illegal.
h) There was huge time difference between placing of buy orders by the Noticee 1 and sell orders placed by other counterparties. Further, even when the Noticee 1 was not trading in the scrip, the price of the scrip was increasing/decreasing.
i) He had not induced any person while trading in the scrip. Thus, the necessary ingredients of fraud are totally missing in the SCN.

49. I note that during pre-split period, price of the scrip at NSE opened at Rs.318.60, touched at a high price of Rs.360 and closed at Rs.346.85. Noticee 1 purchased

total of 1,11,816 shares and sold 1,12,043 shares during the pre-split period at NSE and BSE. Noticee 2 purchased total of 3,20,417 shares and sold 4,13,679 shares during the pre-split period at NSE and BSE.

50. I note from the SCN that during pre-split period Noticee 1 had contributed 7.19% to positive LTP as buyer at NSE and 11.58% to positive LTP as buyer at BSE. Noticee 2 had contributed 15.89% to positive LTP as buyer at NSE and 18.62% to positive LTP as buyer at BSE. The buy orders placed by Noticees 1 and 2 wherein they have contributed significant percentage of their overall LTP contribution, are in the range of 1-5 shares on various days. With the traded quantity of 148 shares and 135 shares, Noticee 1 has contributed to Rs.369 and Rs.370 to the LTP at NSE and BSE respectively. Similarly, in case of Noticee 2, with the traded quantity of 348 shares and 310 shares, it has contributed to Rs.621 and Rs.536 to the LTP at NSE and BSE respectively.

51. Noticee 2 neither filed any reply to the SCN nor did it appear on the scheduled date of hearing. Noticee 2 has significantly contributed to the positive LTP of the scrip. Noticee 2 had contributed 15.89% to positive LTP as buyer at NSE and 18.62% to positive LTP as buyer at BSE. Further, it has also contributed to 15.15% of total LTP through first trades on NSE and 36.57% of total LTP through first trades on BSE. Noticee 2 has also contributed to 13.04% and 8.18% of NHP of the scrip of at NSE and BSE, respectively.

52. With regard to positive LTP contribution, Noticee 1 contended that the order placed / trades executed above or below the Last Traded Price are per se not illegal and there was huge time difference between placing of buy orders by the Noticee 1 and sell orders placed by other counterparties. Noticee 1 also contended that for manipulation of price, connivance between buyer and seller is sine quo non.

53. In this regard, I note that pattern of placing orders by Noticee 1 above LTP with smaller quantity of shares continuously for several trading days in December 2008 and January 2009 suggests that the same has been done intentionally to manipulate the price of the scrip. I further note that the Noticee 1 has also contributed to 11.50% of total LTP through first trades on NSE and 15.53% of total LTP through first trades on BSE. On perusal of trade log of Noticee 1, I find that he has executed total 431 buy trades on NSE. Out of those buy trades, time difference between buy orders of Noticee 1 and sell orders of counterparties was less than one minute for 145 trades and 65 trades were synchronized in nature. Further, Noticee 1 has executed total 472 buy trades on BSE. Out of those buy trades, time difference between buy orders of Noticee 1 and sell orders of counterparties was less than one minute for 150 trades and 74 trades were synchronized in nature.

54. Noticee 1 contended that he had not induced any person while trading in the scrip. Thus, the necessary ingredients of fraud are totally missing in the SCN. In this regard, I note that Noticees 1 and 2 artificially inflated the price of the scrip by placing small orders at a price more than LTP. Such manipulative trades may have induced the other genuine investors for making an investment in the scrip, as the price of the scrip moved up artificially as a result of non-genuine trades executed by the Noticees. Thus, the said trades executed by the Noticees were not genuine trades in the market and were intentionally executed by the Noticees to distort market equilibrium to induce other investors to deal in the scrip.

55. With regard to the judicial precedents relied upon by Noticee 1, I note that the instant cases is distinct from the precedents quoted in view of the pattern of trading by Noticee 1, percentage contribution of 7.19% and 11.58% to LTP increase at NSE and BSE respectively, significant contribution of Rs.369 and Rs.370 to the LTP with the traded quantity of 148 shares and 135 shares at NSE and BSE respectively, and also having trades where time difference between buy

orders of Noticee 1 and sell orders of counterparties was less than one minute for 150 trades and 74 trades were synchronized in nature.

56. Therefore, I find that the Noticees 1 and 2 through their trading in the scrip as brought out above manipulated the price of the scrip and created false and misleading appearance of trading in violation of Regulations 3(a),(b),(c),(d) and 4(1) and 4(2)(a) and (e) of PFUTP Regulations.

Issue No. II	**If yes, whether the failure on the part of the Noticees would attract monetary penalty under Section 15HA of the SEBI Act?**
Issue No. III	**If yes, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5(2) of the Adjudication Rules?**

57. Since the violation of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3 (a), (b), (c), (d) and Regulations 4 (1), 4(2) (a) and (e) of PFUTP Regulations has been established against the Noticees 1 and 2, they are liable for monetary penalty under Section 15HA of SEBI Act.

<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 failure, whichever is higher*

58. While determining the quantum of penalty under Section 15HA and 15HB of SEBI Act, the following factors stipulated in Section 15J of the SEBI Act have to be given due regard:

Factors to be taken into account by the adjudicating officer

__15J.__While adjudging quantum of penalty under Section 15-I, the adjudicating officer shall have due regard to the following factors, namely: -

a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

(b) the amount of loss caused to an investor or group of investors as a result of the default;

(c) the repetitive nature of the default.

59. I note that the material on record has not brought out any disproportionate gain made by the Noticees or loss caused to investors by the Noticees. I also note that the trades took place in the year 2008-09 and considerable time has elapsed since the violations took place. In view of the above, taking into account the facts and circumstances of this matter, I find that a penalty of Rs. 50,000/- (Rupees Fifty Thousand only) each on Noticees 1 and 2 under Section 15HA of the SEBI Act will be commensurate with the violations committed by them.

ORDER

60. After taking into consideration all the facts and circumstances of the case, in exercise of powers conferred upon me under Section 15-I of SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose a penalty of Rs. 50,000/- (Rupees Fifty Thousand only) each upon Vipul Pannalal Shah (Noticee 1) and H K Stock Services Private Limited (Noticee 2) under Section 15HA of the SEBI Act for violation of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) and (e) of PFUTP Regulations i.e. total penalty of Rs. 1,00,000/- (Rupees One Lakh only).

61. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of “SEBI - Penalties Remittable to Government of India”, payable at Mumbai, OR through online

payment facility available on the SEBI website www.sebi.gov.in on the following path, by clicking on the payment link

ENFORCEMENT → Orders → Orders of AO → PAY NOW

62. The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid to the Enforcement Department – Division of Regulatory Action – II of SEBI. The Noticees shall provide the following details while forwarding DD/ payment information:

    a) Name and PAN of the entity (Noticee)
    b) Name of the case / matter
    c) Purpose of Payment – Payment of penalty under AO proceedings
    d) Bank Name and Account Number
    e) Transaction Number

63. Copy of this Adjudication Order is being sent to the Noticees and also to SEBI in terms of Rule 6 of the Adjudication Rules.

DATE: April 27, 2022 | **MANINDER CHEEMA**
PLACE: MUMBAI | **ADJUDICATING OFFICER**