BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER Ref No.: EAD-2/SS/VS/2019-20/3225-3233]

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:

1. **Ms. Henal C Patel (PAN No. BCZPP8593B)**
2. **Mr. Dantara Amish Vijaykumar (PAN No. ALQPD5735L)**
3. **Ms. Henal Hemantbhai Shah (PAN No. EXHPS9436L)**
4. **Mr. Keval Chandrakant Shah (PAN No. CDWPS5830H)**
5. **Ms. Devyaniben Jitendrakumar Gandhi (PAN No. AOCPG5559G)**
6. **Ms. Nikunj C Patel (PAN No. BCZPP8595H)**
7. **Mr. Dhaval Chandrakant Shah (PAN No. BRSPS0298A)**
8. **Mr. Vishal Pravinbhai Soni (PAN No. DFCPS9593L)**
9. **Dhanlaxmi Lease Finance Ltd. (PAN No. AABCD6189R)**

In the matter of
Exdon Trading Company Limited

1. Exdon Trading Company Limited (hereinafter referred to as 'the Company') is a listed company having its shares listed on Bombay Stock Exchange Limited (BSE). However, trading activity in the shares of the Company had been suspended by BSE from March 03, 2015 vide announcement dated February 20, 2015. Securities and Exchange Board of India ('SEBI') had conducted an investigation in the matter of trading in the scrip of the Company to ascertain whether there was any violation of the provisions of SEBI Act and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as 'the PFUTP Regulations') in trading by certain entities in the scrip of the Company during the period May 02, 2013, to March 03, 2015 (hereinafter referred to as '*investigation period*'). During the investigation, following were observed:
   a. The price of the scrip opened at ₹1.69 on May 15, 2013 and touched a high of ₹381.45 on December 18, 2014 and closed at ₹270.40 on February 20, 2015.
   b. Price rise from ₹14/- to ₹381/- had been observed during May 2014 – December 2014 period. Price of the scrip had increased by way of single share trades during the investigation period.
   c. During the investigation period total 757 trades happened and the scrip was traded with an average daily volume of 5476 shares with total traded volume of 15,38,963 shares.

d. Monthly traded volume from May 2013 to March 3, 2015 showed that trading activity in the scrip had increased during November and December 2014. Highest number of trades (255) had been observed during the month of December 2014.

e. Price of the scrip was rising exponentially till December 19, 2014 i.e. before the end of lock-in of preferential allotment of 2014 on January 13, 2015.

f. It was noted that trading activity had become negligible after December 22, 2014 and only 14 trades had happened from December 22, 2014 to March 4, 2015, the day of suspension of trading in the scrip.

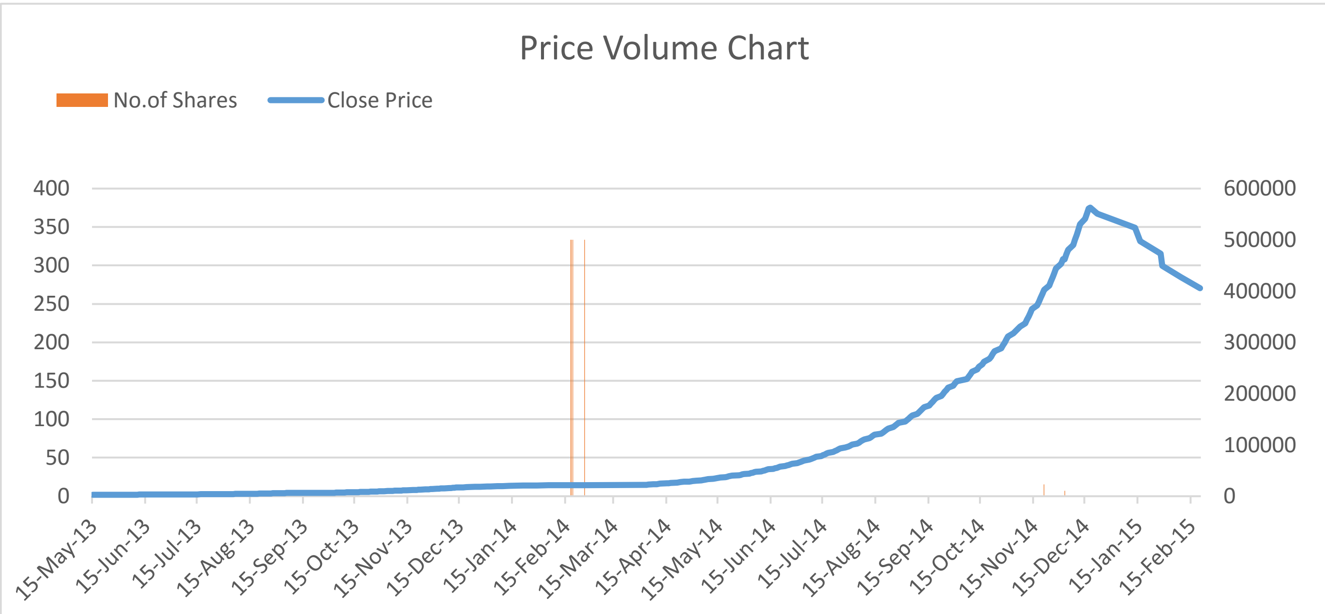
2. The price volume data of the scrip in BSE for the period before, during and after the *investigation period* was noted as mentioned in following table and graph:

Table-1: Price movement at BSE

Period	**Date**		**Opening Price (Volume) on the first day of the period (₹)**	**Closing Price(Volume) on the last day of the period (₹)**	**Low Price (Volume) during the period (₹)**	**High Price (Volume) during the period**	**Average No of shares traded daily during the period**
Before IP	**01/02/2013 To 01/05/2013**	Price	No trade executed during the period				
		Vol.					
During IP	**02/05/2013 to 03/03/2015**	Price	1.69 (15/5/13)*	270.40 (20/2/15)**	1.69 (15/5/13)	381.45(18/12/14)	5182
		Vol.	11 (15/5/13)	1(20/2/15)	1 (04/04/14)	5,00,000(18/02/14)	
After IP	**04/03/2015 to 03/06/2015**	Price	The scrip is suspended by the BSE				
		Vol.					

*No trades executed between May 02, 2013 to May 14, 2013
** No trades executed after February 20, 2015

Chart-1: Price Volume movement at BSE:



3. It was noted that:-
   a. During the investigation period, no major corporate announcements were made by the Company other than declaration of financial results, shareholding pattern and appointment/change of directors of the Company.
   b. The Company did not have any income from its operations and it was incurring losses continuously since December 2013 to March 2015 quarters and annually, it had reported ₹9 lakhs loss and ₹9 lakhs profit during the years 2014 and 2015.
   c. The financial results of the Company as disseminated on bseindia.com were as follows:

Table-2

(Figures in ₹Million)

Description	**Year Ended**			**Quarter Ended**					
	Mar-2015	**Mar-2014**	**Mar-2013**	**Jun 30, 2015**	**Mar 31, 2015**	**Dec 31, 2014**	**Sep 30, 2014**	**Jun 30, 2014**	**Mar 31, 2014**
Net Sales	-	-0.07	1.71	0.00	-	0.00	0.00	0.00	-2.04
Other Income	-0.15	-	-	0.00	-0.15	0.00	-0.09	0.00	0.00
Total Income	-0.15	-0.07	1.71	0.00	-0.15	0.00	-0.09	0.00	-2.04
Net Profit	**-0.86**	**-0.89**	**0.06**	**-0.03**	**-0.70**	**-0.01**	**-0.11**	**-0.14**	**-2.46**

Description	**Quarter Ended**			
	Dec 31, 2013	**Sep 30, 2013**	**Jun 30, 2013**	**Mar 31, 2013**
Net Sales	-0.23	1.90	0.30	0.16
Other Income	0.00	0.00	0.00	0.00
Total Income	-0.23	1.90	0.30	0.16
Net Profit	**0.25**	**1.85**	**-0.04**	**-1.17**

   d. From the above details, it was observed that the Company had reported 'nil' income for the financial year ended 2015. Further, it had reported negligible profit during the financial year ended 2013 and continuous losses during the financial year ended 2014 and 2015.
   e. There was change in promoter's shareholding during the investigation period solely on account of increase of share capital of the Company which resulted in reduction in %age of promoter's shareholding from 2.07% to 1.46%.
   f. Trading in the scrip of the Company was suspended by BSE from March 03, 2015.

4. However, the price of the scrip at BSE opened at ₹1.69, touched a high of ₹381.45, and closed at ₹270.40 in BSE on February 20, 2015 despite above credentials of the scrip.

5. From UCC details, MCA data and off market transaction data, the following 11 entities were identified as suspected entities. The connection was found amongst these 11 suspected entities on the basis mentioned in the following table:

Table-3

Sr. No.	Client Name	Client PAN	Observation	Basis of connection
1	Ms. Henal C Patel (Noticee No. 1)	BCZPP8593B	• Entity number 1 has received shares from entity number 9 through off market. • Entity number 1 has transferred shares to entity number 3 and 5 through off market.	Off market transfer
2	Mr. Vishal Pravinbhai Soni (Noticee No. 8)	DFCPS9593L	• Entity number 2 has received shares from entity number 9 through off market. • Entity number 2 has transferred shares to entity number 7 through off market.	Off market transfer
3	Mr. Keval C Shah (Noticee No. 4)	CDWPS5830H	• Entity number 3 has received shares from entity number 1 and 9 through off market.	Off market transfer
4	Mr. Dhaval Chandrakant Shah (Noticee No. 7)	BRSPS0298A	• Entity number 4 has received shares from entity number 9 through off market.	Off market transfer
5	Ms. Nikunj C Patel (Noticee No. 6)	BCZPP8595H	• Entity number 5 has transferred shares to entity number 6 and 1 through off market. • Entity number 5 has received shares from entity number 1 through off market	Off market transfer
6	Mr. Amish Vijaykumar Dantra (Noticee No. 2)	ALQPD5735L	• Entity number 6 has received shares from entity number 5 through off market	Off market transfer
7	Ms. Henal Hemantbhai Shah (Noticee No. 3)	EXHPS9436L	• Entity number 7 has received shares from entity number 2 through off market	Off market transfer
8	Ms. Devyaniben Jitendrakumar Gandhi (Noticee No. 5)	AOCPG5559G	• Entities number 8 and 3 are related based on common Mobile number (9974164689)	UCC details
9	Dhanlaxmi Lease Finance Ltd. (Noticee No. 9)	AABCD6189R	• Entity number 9 has transferred shares to entities number 1, 2, 3, and 4 through off market.	Off market transfer
10	Shreeji Broking Pprivate Limited	AAICS9909H	• Entity number 9 and 10 have common director Girishbhai Gatubhai Doshi	MCA Data
11	Parvatiminerals Privateltd	AAACP9191Q	• Entities number 9 and 11 are related based on common Address (3/a, Laxmi Colony ,navovas, Rakhiyal Road ,india, India, India, India, 380002)	UCC details

6. It was also observed that 10 entities out of such *connected entities* had traded on -market during the investigation period and the other *viz.* Dhanlaxmi Lease Finance Ltd. had transferred shares through off market to other *connected entities* directly or indirectly. In turn, those *connected* entities sold the shares in the market. It was noted that the *connected entities'* contribution to gross sell volume was more in comparison to gross buy volume. Summary of the trading by the said 10 *connected entities* at BSE during the investigation period is as following:

Table-4

Sr. No.	Connected entities	Gross Buy Volume	Gr. Buy% to total Market Volume	Gross Sell Volume	Gross Sell% to total Market Volume
1	Mr. Henal C Patel	0	0.0	457	0.0
2	Mr. Vishal Pravinbhai Soni	0	0.0	153	0.0
3	Mr. Keval Chandrakant Shah	22	0.0	118	0.0
4	Mr. Dhaval Chandrakant Shah	0	0.0	650	0.0
5	Ms. Nikunj C Patel	0	0.0	97	0.0
6	Mr. Dantara Amish Vijaykumar	3	0.0	103	0.0
7	Mr. Henal Hemantbhai Shah	0	0.0	1,839	0.1
8	Ms. Devyaniben Jitendrakumar Gandhi	0	0.0	150	0.0
9	Shreeji Broking Private Limited	0	0.0	500,000	32.5
10	Parvatiminerals Privateltd	0	0.0	500,000	32.5
	Total	**25**	0.0	**1003567**	**65.2**

7. Based on the variance in quantum of trading volumes and the price movement of the scrip during the investigation period, the following patches were identified :

Table-5

Patches	Price/Volume trend	Period		Exchange	Price Movement				Average Volume
		From	To		Open	High	Low	Close	
Patch-I	Price rise with high trading volume	15/05/2013 *	18/12/2014	BSE	1.69	381.45	1.69	375	5307
Patch-II	Price fall with low trading volume	22/12/2014	20/02/2015**	BSE	367.50	367.50	270.40	270.40	2

*No trading executed between May 02, 2013 to May 14, 2013

** No trades executed after February 20, 2015

8. It was observed that for the 301 trades that contributed to positive LTP of ₹442.81 in Patch-I, following 8 entities out of the said 11 *connected entities* contributed ₹353.38 (79.80% of total market positive LTP) to positive LTP in 244 trades. From the analysis of the trade log of these 8 *connected entities* following were observed:

Table-6

Sl. no	Seller Name	No. of trades (LTP >0)	Sell order qty Between 1-3 shares		Sell order qty Between 4- 10 shares		Sell order qty between 11- 25 shares		Sell order qty were more than 25 shares		Total Positive LTP contribution (₹)	% of positive LTP to Total Market positive LTP	No. of shares held before these trades (CDSL/NSDL statements)	Balance no. of shares held (CDSL/ NSDL statements/Broker declarations)
			Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades				
1	Henal C Patel	109	125.71	69	13.77	40	-	-	-	-	139.48	31.50	750	246
2	Dantara Amish Vijaykumar	31	84.30	30	-	-	-	-	5.25	1	89.55	20.22	100	0

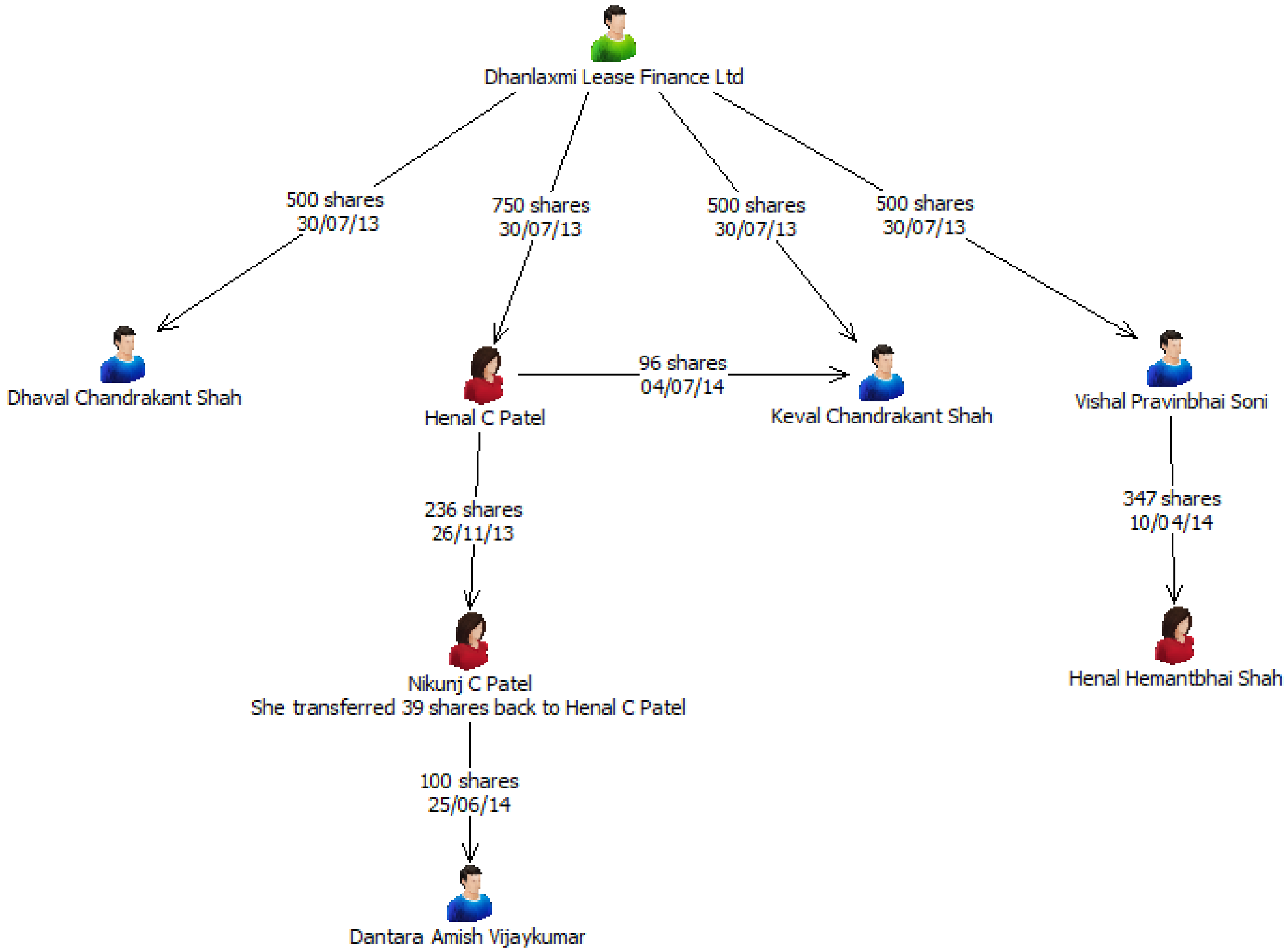
Sl. no	Seller Name	No. of trades (LTP >0)	Sell order qty Between 1-3 shares		Sell order qty Between 4- 10 shares		Sell order qty between 11- 25 shares		Sell order qty were more than 25 shares		Total Positive LTP contribution (₹)	% of positive LTP to Total Market positive LTP	No. of shares held before these trades (CDSL/NSDL statements)	Balance no. of shares held (CDSL/NSDL statements/Broker declarations)
			Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades				
3	Henal Hemantbhai Shah	9	0.70	1	-	-	-	-	49.55	8	50.25	11.35	1000	498
4	Keval Chandrakant Shah	20	24.60	18	-	-	0.05	1	5.65	1	30.3	6.84	96	0
5	Devyaniben Jitendrakumar Gandhi	3			-	-	20.35	3	-	-	20.35	4.60	150	0
6	Nikunj C Patel	35	12.24	27	1.71	8	-	-	-	-	13.95	3.15	236	139
7	Dhaval Chandrakant Shah	14	0.75	1	0.52	12	-	-	5.15	1	6.42	1.45	650	570
8	Vishal Pravinbhai Soni	23			3.08	**23**	**-**	**-**	**-**	**-**	3.08	0.70	500	347
	Total	**244**	**248.30**	**146**	**19.08**	**83**	**20.40**	**4**	**65.60**	**11**	**353.38**	**79.80**		

a. The price of the scrip rose from ₹1.69 to ₹381.45 during the period from May 15, 2013 to December 18 , 2014 out of which the rise of ₹353.38 (79.80% of total market positive LTP) resulted from the 244 trades done by these 8 *connected* entities. It was observed that in the 244 trades, all the 8 *connected entities* had put their sell orders with small quantity of shares mostly in single digits whereas buy orders were available with quantity in the range of 1 to 25000 shares (mostly 500, 1000, 2000 and 5000 shares). By executing these trades, the *connected* counterparties contributed to positive LTP and thus to the increased scrip price with each of their trades. It was also observed that these 244 trades were done on 243 different trading days across the period and each trade resulted in a higher LTP.

b. The transaction statements obtained from depositories (NSDL/CDSL) showed that these 8 *connected entities* were holding substantial quantity of shares during the period of their respective sale transactions. Despite holding abundant quantity of shares, these 8 *connected entities* released limited number of shares and matched the above LTP buy orders with trade quantity, offering shares in small quantities. Further, they had not executed more than one transaction a day (the only exception being of Henal C Patel, who had executed 2 sell transactions on one day viz. November 07, 2014). Thus, such trading pattern of these 8 *connected entities* showed that they had no *bona fide* intention to sell shares and their intention was to mark the price higher and thereby manipulate the scrip price.

9. The other *connected entity* Dhanlaxmi Lease Finance Ltd had transferred shares to 4 *connected entities* viz., Henal C Patel, Keval Chandrakant Shah, Vishal Pravinbhai Soni and Dhaval Chandrakant Shah through offmarket route. Further, these 4 *connected entities* also transferred shares to other 3 *connected entities* through off market route. Hence, Dhanlaxmi Lease Finance Ltd transferred shares directly or indirectly through off market route to 7 *connected entities* (out of total 8 *connected* entities referred in the table). Pictorial Presentation of the same is as follows:

Chart-2



a. It was evident from the above that the Dhanlaxmi Lease Finance Limited, by virtue of transfer of shares through off market to other *connected entities*, who used such shares for manipulation, had facilitated such manipulation..

b. In view of above, these 8 *connected entities* including 7 *connected entities* (who had received shares from Dhanlaxmi) and Dhanlaxmi Lease Finance Limited contributed to manipulation in the scrip price and created a misleading appearance of trading in the scrip by such trades as explained above.

10. In view of the above observations, it has been alleged that the Noticees no. 1 to 9 viz. Ms. Henal C Patel, Mr. Dantara Amish Vijaykumar, Ms. Henal Hemantbhai Shah, Mr. Keval Chandrakant Shah, Ms. Devyaniben Jitendrakumar Gandhi, Ms. Nikunj C Patel, Mr. Dhaval Chandrakant Shah, Mr. Vishal Pravinbhai Soni and Dhanlaxmi Lease Finance Ltd. have manipulated the price of the scrip of the Company and created a misleading appearance of trading in the scrip in Patch-I, and thereby violated the provision of regulation 3 (a), (b), (c), (d), regulation 4(1), 4 (2)(a) and 4 (2) (e) of the PFUTP Regulations. The relevant provisions of PFUTP Regulations are reproduced hereunder:

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;

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

11. SEBI felt satisfied that there are sufficient ground to inquire and adjudicate upon the alleged violations of the provisions of the aforesaid provisions of the PFUTP Regulations, by the Noticees. By a *communication-order* dated August 30, 2018, the undersigned has been appointed as Adjudicating Officer to inquire into and adjudge under section 15HA of the SEBI Act for the alleged violations by the Noticees.

12. After receipt of records, the notice to show cause no. EAD-2/SS/VS/35220/1-9/2018 dated December 26, 2018 (hereinafter referred to as 'SCN') was issued to the Noticees in terms of rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudication Officer) Rules, 1995 (hereinafter referred to as 'the Adjudication Rules') read with section 15I of the SEBI Act, with regards to the alleged violations of provision of regulation 3 (a), (b), (c), (d), regulation 4(1), 4 (2)(a) and 4 (2) (e) of the PFUTP Regulations by the Noticees. By the SCN the Noticees were called upon to show cause as to why an inquiry should not be held against them in terms of rule 4 of the Adjudication Rules and penalty be not imposed under section 15HA of the SEBI Act for the aforesaid alleged violations by them.

13. The SCN was duly served upon the respective Noticees through several alternative modes such as speed post, hand delivery and affixtures in terms of Rule 7 of the Adjudication Rules. However, except the Noticee No. 8 and 9 none of the Noticees filed their reply to the SCN despite sufficient opportunities provided to them.

14. The Noticee No. 8 vide his reply dated March 10, 2019 has *inter alia* submitted as following:

    "…I had my trading code 391022 in Urja Investment Where the owner namely Keval Shah had asked me for Cheque of Rs.5000/- in favor of Urja Investments. Then he informed me that 500 shares of Exdon Trading Company Limited have been transferred in your demat A/c. He then sold out 153 shares partially selling in my account. Balance 347 shares where transferred to some other a/c. which was not informed by him. Note - Kindly note that I was nowhere informed related to transfer or execution of trades in my a\c. When I have asked, he had transferred balance shares to some other account…"

15. The replies and submissions of Noticee No. 9 as submitted in its letter dated April 09, 2019 are *inter alia* as following:
    a. The SCN suffers from great delay and latches. The alleged off-market transactions of the Noticee are during the period of July 2013 and SCN was issued on December 26, 2018 which is more than 5 years of the alleged transaction. Noticee No. 9 relies on the Hon'ble Securities Appellate Tribunal (hereinafter referred to as 'Hon'ble SAT') Judgement in the matter of *HB Stockholdings Limited Versus SEBI.*
    b. The Noticee No. 9 denies that it had manipulated the price of the Company or created any misleading appearance of trading in the scrip of the Company as its role was only limited to certain off-market transfers in the scrip of Company.
    c. It had not at all traded on market in the scrip of the Company during the investigation period and even no allegation of positive LTP contribution is attributed to the Noticee No. 9 in the SCN.

d. The Noticee No. 9 was not one of the allottees to whom the Company had issued equity shares against the conversion of warrants to 37 non-promoter entities.

e. The Noticee No. 9 sold the shares to Mr. Mahendra Ganatra, on whose instructions it had transferred the shares in off-market to the Noticee No. 1, 4, 7 and 8 for value and consideration.

f. The role of the Noticee No. 9, if at all, was only limited to the off-market transfers and whatever happened pursuant to such transfers is not within the knowledge or scope of the Noticee No. 9. The connection of the Noticee No. 9 gets served once the off-market transfers are effected and transaction is complete.

g. The Noticee No. 9 denies having acted in concert with anyone in manipulating the scrip price as contended in SCN and the Noticee No. 9 was not aware about anyone else's trading pattern.

h. The Noticee No. 9 had not received any gain or unfair advantage by transferring shares off-market to the alleged 4 *connected entities*.

16. The opportunity of personal hearing was provided to Noticee No. 1, 2 and 4 to 9 on March 13, 2019 which all these Noticees failed to avail despite service of notice dated February 28, 2019 upon them. The Noticee No. 3 was provided opportunity of hearing on March 18, 2019 which it failed to avail despite service of notice dated March 14, 2019 upon it. The Noticee No. 9 vide its letters dated March 20, 2019 and April 02, 2019 requested for another opportunity of personal hearing which was also allowed to it on April 10, 2019 which it availed through its authorized representative Ms. Hiral Shah, Advocate, who appeared on the scheduled date before me and reiterated the submissions made in reply dated April 09, 2019. Thus, only Noticees No. 8 and 9 have responded to the SCN and only Noticee No. 9 has availed the opportunity of personal hearing. In these facts and circumstances, I deem it fit to proceed to conclude these proceedings considering the replies/submissions of Noticees 8 and 9 and in accordance with Rule 4(7) of the Adjudication Rules in respect of other Noticees.

17. I have considered the allegation levelled in the SCN, the aforesaid submission of the Noticees No. 8 and 9 and the relevant material available on record. In this case, the charge against the Noticees is that they being *connected entities* had manipulated the price of the scrip of the Company and created a misleading appearance of trading in the scrip in Patch-I.

18. It is noted that the Noticees No. 1 to 7 have neither filed any reply nor have availed the opportunity of personal hearing despite service of notices upon them with clear advice that in case of failure to submit reply or to appear for the hearing, the case would be proceeded with *ex-parte* on the basis of

the material available on record. In the facts and circumstances of this case, I am of the view that the Noticees No. 1 to 7 have nothing to submit and in terms of rule 4(7) of the Adjudication Rules the matter can be proceeded *ex-parte* on the basis of material available on record. In absence of any response from the Noticees No. 1 to 7, it is presumed that they have admitted the charge of provisions as alleged in the case. In this regard, the observations of Hon'ble Securities Appellate Tribunal (SAT) in the matter of Classic Credit Ltd. vs. SEBI (Appeal No. 68 of 2003 decided on December 08, 2006) are relevant to rely upon wherein it has that- *"… the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them"*. Further, the Hon'ble SAT in the matter of Sanjay Kumar Tayal & Others vs SEBI (Appeal No. 68 of 2013 decided on February 11, 2014), has, *inter alia*, observed that: *"… appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges levelled against them in the show cause notices..."* The material on record do not indicate anything to *ex facie* hold otherwise.

19. The basis of charge is the connection/relation amongst the Noticees and on market/off- market transactions and pattern of trading of the respective Noticees in the scrip in Patch-I as part of alleged unfair, manipulative and fraudulent device or artifice or contrivance of the *connected* Noticees. None of the Noticees have disputed their inter-relationship/connection amongst them which are established on the basis of actors described in above Table-3 such as common Contact Number, off-market transactions amongst them, common address, common director and the information available on the Ministry of Corporate Affairs ("MCA") website. Thus, from the factors as relied upon in this case, I note that the Noticees are connected /related to each other. In this regard, I note that Hon'ble SAT has, in many cases such as *Classic Credit Ltd. vs. SEBI* (SAT Appeal no. 68/2003, Order dated December 8, 2006), *Classic Credit Ltd. vs. SEBI* (SAT Appeal no. 76/ 2003, Order dated January 9, 2007) and *Veronica Financial Services Ltd. vs. SEBI* (SAT Order dated August 24, 2012), held that connection/relations can be established on the basis of factors including the common addresses, common directors/ shareholders, etc. It is established in this case that there is a connection amongst the Noticees who are part of the *connected entities* and they had traded during the Patch-I through on and/or off-market.

20. I note that Noticees No.8 and 9 have failed to give any plausible reason/explanation for the charges as described in the SCN. Further, the role played by the entities trading in Patch-I to artificially increase the price during the Patch-I needs to be seen holistically. The role played by these *connected* Noticees in the Patch-I also needs to be seen in the backdrop of scale and size of

transactions as a common unit rather than fragmenting and isolating individual trades and acts of the respective Noticees.

21. It is matter of record that the scrip in question was highly illiquid and was thinly traded during the investigation period, no major corporate announcements were made by the Company during Patch-I and it did not have any income from its operations and it was incurring losses continuously since December 2013 to March 2015. Trading in the scrip of the Company was suspended by BSE from March 03, 2015. It is very unusual in the market that in a situation the miniscule quantity is being offered by the sellers in a thinly traded scrip like the present one when the buyers place orders in large quantity as observed in this case. Such behavior would be self-detrimental as seeing so much interest on the buyer side, no seller will offer shares. In a real market situation, the buyer and sellers move step by step gauging the interest on the opposite side. Nobody displays such a huge interest which is in complete disconnect with the interest on the other side. The involvement of *connected entities* in placing such sell orders in a very thinly traded scrip in minuscule quantity repeatedly and consistently for a longer duration when the large number of buy orders were available in the market indicates the manipulative intent of the Noticees. The facts as observe during investigation show that supply side was being intentionally restrained/controlled by the sellers who were connected/related with each other. This type of trading pattern in illiquid scrip indicates that the sellers played a major role in manipulating the price of the scrip. The facts and circumstances including trading pattern of the Noticees in Patch-I show that a facade of huge demand, on account of such trading pattern of the Noticees, without which the scrip with hardly any credential regarding its trading history, fundamentals, business or financial standing etc., could not have witnessed an exponential increase in the price within a period of 244 trading days in Patch-I as found during investigation. The only way the price of such scrip could have increased is by deploying manipulative trading pattern.

22. By their trades, the Noticees were instrumental in establishing a price higher than the last traded price and thus contributed to increased scrip price with each of their trades. Such trades would lead to an artificial rise in the price of the scrip and the same would misguide the general public. The Noticees No. 1 to 8 had generated the wrong impression about the liquidity of the scrip in the market. It is pertinent to mention that every trade establishes the price of the scrip and the trading of Noticees No. 1 to 8 at higher than LTP resulted in the price of the scrip going up and were done with a view to set the price or benchmark the price at a desired level and thereby influencing the innocent / gullible investors. Therefore, it can be concluded that the Noticees No 1 to 8 had manipulated the price of the scrip of the Company and created a misleading appearance of trading in the scrip in Patch-I. Here, it is important to refer to the observations made by the

Hon'ble Securities Appellate Tribunal (SAT) in its order dated March 21, 2014 in Saumil Bhavnagari Vs. SEBI which are as under: *"... but by purchasing shares at the higher price in LTP in most of the trades, the noticee had given a wrong impression about the liquidity of the scrip in the market. It must not be forgotten that every trade establishes the price of the scrip and the noticee's trading at higher than LTP resulted in the price of the scrip going up and were done with a view to set the price at a desired level and thereby influencing the innocent/gullible investors."*

23. It may be relevant to refer to the observations of the Hon'ble Securities Appellate Tribunal (SAT) in its order dated July 14, 2006 in Ketan Parekh Vs. SEBI, wherein it was held that: *"When a person takes part in or enters into transactions in securities with the intention to artificially raise or depress the price he thereby automatically induces the innocent investors in the market to buy / sell their stocks. The buyer or the seller is invariably influenced by the price of the stocks and if that is being manipulated the person doing so is necessarily influencing the decision of the buyer / seller thereby inducing him to buy or sell depending upon how the market has been manipulated. We are therefore of the view that inducement to any person to buy or sell securities is the necessary consequence of manipulation and flows therefrom. In other words, if the factum of manipulation is established it will necessarily follow that the investors in the market had been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so wide spread that it may not be humanly possible for the Board to track the persons who were actually induced to buy or sell securities as a result of manipulation and law can never impose on the Board a burden which is impossible to be discharged. This, in our view, clearly flows from the plain language of Regulation 4(a) of the Regulations."*

24. I further note that Noticee No. 9 had provided shares to Noticees No. 1 to 8 directly or indirectly in order to enable them to manipulate the price of the scrip. The Noticees No. 8 and 9 have not given any plausible explanation in support of their claims. The stock broker who according to the Noticee No. 8 had traded on his behalf without his knowledge is also part of such *connected entities.* Admittedly, the Noticee No. 8 had transferred monies to said stock broker. The Noticee No. 8 had indulged in 23 trades on-market in the scrip. From material available on record it is established that the Noticee No. 8 had received 500 shares through off-market transaction form Noticee No. 9 and in turn transferred 347 shares off-market to the Noticee No. 3. Noticee No. 9 had transferred the shares of the Company through off-market to Mr. Mahendra Ganatra for consideration and on his instruction the Noticee No. 9 had transferred the shares to Noticees No. 1, 4, 7 and 8 who all were part of a common plan as alleged in the SCN. The pattern of transactions for LTP manipulation and artificial trading as found in this case amongst *connected Noticees* demonstrates their active involvement in the entire plan they cannot feign ignorance as sought to be done by them.

25. Here I refer the judgement of Hon'ble Supreme Court in the matter of Kishore R. Ajmera case wherein it was held that *"In the quasi-judicial proceeding before SEBI, the standard of proof is preponderance of probability. It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that are as on able/prudent man would adopt to arrive at a conclusion."*

26. Further, in the matter of SEBI v/s Rakhi Trading, Hon'ble Supreme Court has held that *"Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn."*

27. In view of the above, I find that the Noticees have contravened the provisions of regulation 3 (a), (b), (c), (d), regulation 4(1), 4 (2)(a) and 4 (2) (e) of the PFUTP Regulations. I further find that the acts and omissions of the Noticees as described above is inimical to the interests of investors in the securities market. Considering the aforesaid facts and circumstances, I am of the opinion that this case deserves imposition of penalty under section 15HA of the SEBI Act. The provisions of section 15HA of the SEBI Act are reproduced as follows:

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

28. For the purpose of adjudication of penalty it is relevant to mention that under section 15I of the SEBI Act imposition of penalty is linked to the subjective satisfaction of the Adjudicating Officer. The words in the section that "*he may impose such penalty*" are of considerable significance, especially in view of the guidelines provided by the legislature in section 15J of the SEBI Act. Further, while

adjudging the quantum of penalty the adjudicating officer has discretion and such discretion should be exercised having due regard to the factors specified in section 15J. The factors stipulated in Section 15J, which reads as follows:-

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

While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely: -

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

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

(c) the repetitive nature of the default.

Explanation-

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

29. Having regard to the factors listed in section 15J, it is noted that from the material available on record, any quantifiable gain or unfair advantage accrued to the Noticees or the extent of loss suffered by the investors as a result of the default in this case cannot be computed.

30. The Noticee No. 9 has contended that the instant proceedings suffer from delay and latches and hence, the SCN cannot survived. It is noted that the alleged defaults pertain to year of 2013. The investigation was completed in the year 2015 and enforcement action emanating these proceedings was approved on August 01, 2018 i.e. after more than three years post completion of the investigation. However, such delay has not caused any prejudice to the Noticee since even during the pendency of the proceedings no restraint or debarment order was in force against the Noticees. The acts of artificially increasing the price of scrip and creating a misleading appearance of trading have potential to mislead investors and the fundamental tenets of market integrity get violated with impunity due to such fraudulent acts. I am of the considered view that the manipulation in the price of the scrip by a group of *connected entities* has the potential to induce gullible and genuine investors to trade in the scrip and harm them. The *modus operandi* adopted by the Noticees is detrimental to the smooth functioning of the securities market, and hence, deserve to be viewed seriously. Such defaults cannot be allowed to go unpunished on the technical grounds of delay and latches.

31. Considering all the facts and circumstances of the case and factors as above and exercising the powers conferred upon me under section 15I of the SEBI Act read with Rule 5 of the Adjudication

Rules, I am of the view that the findings as aforesaid support imposition of penalty upon Noticees with regard to the violations committed by them. I, therefore, hereby impose the monetary penalty upon Noticees as per following table under section 15HA of the SEBI Act, payable jointly and severally by them. In my view, the said penalty is commensurate with the violation committed by these Noticees in this case.

Noticee No.	Name of Noticee	Amount of Penalty (₹)
1	Ms. Henal C Patel	₹10,00,000/-
2	Mr. Dantara Amish Vijaykumar	₹10,00,000/-
3	Ms. Henal Hemantbhai Shah	₹10,00,000/-
4	Mr. Keval Chandrakant Shah	₹5,00,000/-
5	Ms. Devyaniben Jitendrakumar Gandhi	₹5,00,000/-
6	Ms. Nikunj C Patel	₹5,00,000/-
7	Mr. Dhaval Chandrakant Shah	₹5,00,000/-
8	Mr. Vishal Pravinbhai Soni	₹5,00,000/-
9	Dhanlaxmi Lease Finance Ltd.	₹5,00,000/-

32. The Noticees shall remit / pay the said total 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 e-payment facility into Bank Account the details of which are as follows:

Bank Name	State Bank of India
Branch	Bandra-Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI – Penalties Remittable To Government of India
Beneficiary A/c No	31465271959

33. The said demand draft or forwarding details and confirmation of e-payment made in the format as given in table below should be sent to "The Division Chief, EFD-DRA-I, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C- 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 052." And also to e-mail id :- tad@sebi.gov.in

1	Case Name	
2	Name of the Payee	
3	Date of Payment	
4	Amount Paid	
5	Transaction No.	
6	Bank Details in which payment is made	
7	Payment is made for (like penalties/disgorgement / recovery/ settlement amount and legal charges along with order details)	

34. 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, 1992 for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

35. In terms of Rule 6 of the Adjudication Rules, copies of this order are sent to the Noticees and also to SEBI.

Date: May 17, 2019
Place: Mumbai

Santosh Shukla
Chief General Manager &
Adjudicating Officer