BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. ORDER/SRP/MCS/2018-19/ 1648-1651]

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

In respect of

Mr. Ganesh Khaja Ambarkar (PAN : ACDPA8541R);
Mr. Chandrakanth Ambarkar (PAN : AEAPA7219R;
Ms. Shashikala Ambarkar and (PAN : ADRPA4909Q) and
Ms. Pavani Ambarkar (PAN : AFDPA8090E)

In the matter of M/s Kaveri Seed Company Limited

FACTS OF THE CASE IN BRIEF

1. The Securities and Exchange Board of India (hereinafter referred to as **"SEBI"**) conducted investigations into the alleged irregularity in the trading and dealings in the shares of M/s. Kaveri Seed Company Limited (hereinafter referred to as **"Company"** or "**KSCL"**) which had witnessed abnormal increase in the volumes traded during the period from October 01, 2008 to June 10, 2009 (hereinafter referred to as **"Investigation Period"**). During the said period under investigation, the shares of the Company were listed on the Bombay Stock Exchange Limited ("**BSE")** and the National Stock Exchange of India Limited ("**NSE"**). The Investigations, *prima facie,* revealed that Mr. Ganesh Khaja Ambarkar, Mr. Chandrakanth Ambarkar, Ms. Shashikala ambarkar and Ms. Pavani Ambarkar (hereinafter referred to as "**the Noticees"**) along with a group of following 15 entities (hereinafter collectively referred to as **"the Group**

Entities” and individually by their respective “**name**”) who were connected/related to each other had allegedly executed synchronized trades in the scrip of KSCL at NSE and BSE and thereby created artificial volumes in the scrip and their trades were designed to create alleged false market in the scrip.

Sl. No.	Name of the entities who allegedly executed synchronized trades in the scrip of KSCL (Group Entities)
1	Ms. Anjana Bangad
2	Mr. Aditya Bangad
3	Mr. Krishna Bangad
4	Ms. Anuradha Bangad
5	Ms. Rukmini Devi Bangad*
6	Ms. Usha Devi Bangad
7	Ms. Indira Devi Bangad
8	Mr. Vikas Kumar Bangad
9	Mr. Vijay Kumar Bangad
10	Ms. Sudha Sharma
11	Mr. Abhishek Sharma
12	Ms. Preeti Agarwal
13	Mr. Hiralal Agarwal
14	Mr. Vimesh Doshi
15	Ms. Dhara Doshi

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

2. SEBI has, therefore, initiated Adjudication Proceedings under Section 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act”)** against the Noticees along with the aforesaid Group Entities for the alleged violation of the provisions of Regulations 3(a), (b), (c), 4(1) and 4(2)(a) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to

Securities Market) Regulations, 2003 (hereinafter referred to as **"PFUTP Regulations"**).

APPOINTMENT OF ADJUDICATING OFFICER

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

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. Show Cause Notice dated August 03, 2018 (hereinafter referred to as **"SCN"**) was issued to the Noticees in terms of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as **"Adjudication Rules"**) read with Section 15-I of the SEBI Act to show-cause as to why an inquiry should not be initiated and penalty should not be imposed under Section 15HA of the SEBI Act on the Noticees for the alleged violation of Regulations 3(a), (b), (c), 4(1) and 4(2)(a) of the PFUTP Regulations.

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

6. The Noticees, vide their common letter dated September 11, 2018, submitted reply to the SCN, *inter-alia*, reproduced hereunder :

   - *It is submitted that Mr. Ganesh Khaja Ambarkar, his wife Mrs. Shashikala Ambarkar, his brother Chandrakanth Ambarkar and his sister-in-law Mrs. Pavani Ambarker have not done any fraudulent trading or deliberate* *synchronized trading or created any misleading appearance of trading leading to contravention of SEBI PFUTP Regulations.*

- *It is submitted that there was never any intention to carry-on synchronized trading and there were no artificial or fictitious trades by them nor was there any allegation that the transaction were not at the current market price which goes to show that the transactions would not effect the price movement and thus it does not tantamount to violation under the PFUTP Regulations. Further, submitted that all the trades executed in the said scrip were purely based on commercial terms.*
- *It is submitted that in a stock broking firm, lot of people from the same family or friends trade in the securities, hence, trading done by them in the same stock broking firm cannot be taken as the basis of connected entities and the Noticees denied the allegation of connection to the other Noticees except for their family members in connection with the dealing in shares of KSCL.*
- *It is submitted that the trading done by them has not contributed to any price increase so as to mislead any set of investors or public at large and there has not been much of change even after the investigation period. Further submitted that the price of the scrip whatever was quoted during the investigation period has continued even in the post investigation period and there was no any decrease, hence, the trading done by them has not solely contributed to any volume increase so as to mislead any set of investors or public at large and the increase in the price and the volume in the scrip of the company is a result of increased turnover and profitability.*
- *It is submitted that as per the SCN the shares traded by them are not material and cannot have a bearing on the market in terms of change in*

price or volume and no investor was put to loss and they did not make any ill gains out of the trading in the shares of the Company.

- *It is submitted that there were no fictitious trades by them nor was there any allegation of transactions were not at the current market price which goes to prove that the transactions would not affect the price movement, which does not amount to violation under the PFUTP.*

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

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

- *It is submitted that the information provided by SEBI, the number of shares traded by them are insignificant in nature and the trading also has been done on very few days.*

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

ISSUES FOR CONSIDERATION AND FINDINGS

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

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

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

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

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

PFUTP Regulations, 2003:

"Regulation 3 : Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made thereunder;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange.

……"

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

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

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

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

……"

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

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

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

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

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

"Synchronized trades in the history of the securities market have always been shunned for the simple reason that they create a misleading appearance of artificial volume in a particular scrip by giving the public the impression that a lot of trading activity is being conducted with respect to that scrip, making it seem like a good investment opportunity. Such artifices, if allowed to grow in number in the market, hurt the sanctity of market mechanism and hinder the ongoing constant process of the market righting and restoring itself."

13. The Noticees denied any involvement in the manipulation to create artificial volumes in the scrip and stated that there was no intention of manipulation in the scrip and all the trades executed in the scrip were purely based on commercial terms. In this regard, it is important to mention here to find out the "intention" behind commission of any manipulative/unfair/fraudulent trades/activities and the attending circumstances have to be taken into account.

14. The Hon'be SAT in the case of ***Ketan Parekh Vs. SEBI (Appeal No. 2 of 2004),*** held on July 14, 2006:

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

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

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

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

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

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

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

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

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

21. Trading summary of the Noticees along with the Group Entities in the scrip of KSCL is given hereunder :

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

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

(i) NSE :

Seller / Buyers	Aditya	Hira Lal	Preeti	Anjana	Anuradha	Indra	Krishna	Usha	Vikas	Vijay	Dhara	Vimesh	Ganesh	Pavani	Rukmini	Abhishek	Sudha	Shashikala	Total
	No of shares (No of trades)																		
Ganesh	44112 (68)				17901 (21)	23624 (13)	6079 (14)	2250 (7)	1648 (2)	21471 (8)				4300 (1)	6000 (1)	321 (5)	30165 (29)		157871 (169)
Aditya		11376 (11)		12930 (5)	4586 (4)	500 (1)			2960 (1)				15846 (53)	1520 (1)	1300 (5)			550 (1)	51568 (82)
Vijay				2193 (1)									22128 (18)	300 (1)				8567 (3)	33188 (23)
Sudha	4000 (3)												13583 (5)		9857 (8)			5600 (1)	33040 (17)
Anuradha				5000 (6)									19807 (26)		6303 (5)				31110 (37)
Krishna				6195 (5)			8 (1)		500 (1)				23538 (27)					1162 (1)	31403 (35)
Anjana													18851 (21)		8500 (5)				27351 (26)

Seller Buyers	Aditya	Hira Lal	Preeti	Anjana	Anuradha	Indra	Krishna	Usha	Vikas	Vijay	Dhara	Vimesh	Ganesh	Pavani	Rukmini	Abhishek	Sudha	Shashikala	Total
Indira				7271 (2)			80 (1)						14499 (9)		55 (1)			3100 (1)	25005 (14)
Vikas				9687 (10)									10065 (12)		500 (1)			2000 (1)	22252 (24)
Usha						200 (1)			300 (1)				3876 (2)		13093 (51)				17469 (55)
Preeti													8624 (5)		1950 (2)			6800 (4)	17374 (11)
Vimesh											5500 (9)		9633 (4)			409 (1)			15542 (14)
Rukmini				2392 (5)				4997 (8)	1050 (1)				5667 (2)						14106 (16)
Shashikala			1450 (1)			4871 (2)	2000 (1)		2820 (9)					1435 (1)					12576 (14)
Abhishek													8276 (7)		2800 (1)				11076 (8)
Hiralal													9507 (2)						9507 (2)
Dhara												3950 (3)							3950 (3)
Chandrakanth															100 (1)				100 (1)
Total	48112 (71)	11376 (11)	1450 (1)	45668 (34)	22487 (25)	29195 (17)	8167 (17)	7247 (15)	9278 (15)	21471 (8)	5500 (9)	3950 (3)	183900 (193)	7555 (4)	50458 (81)	730 (6)	30165 (29)	27779 (12)	514488 (551)

(ii) BSE :

Seller Buyer	Abhishek	Aditya	Shashikala	Anjana	Ganesh	Hiralal	Indra	Krishna	Pavani	Preeti	Rukmini	Sudha	Usha	Vijay	Vikas	Vimesh	Total
	No of shares (No of trades)																
Ganesh		25456 (35)		6840 (12)		2222 (1)	14300 (9)	4795 (8)				28453 (22)	1600 (6)	17486 (7)	2051 (4)		103203 (104)
Aditya	2 (2)			1000 (1)	10569 (13)	4532 (1)	4 (2)	5300 (1)		3116 (2)	0				7235 (2)		31758 (24)
Sudha		2000 (1)			26260 (11)						1000 (2)						29260 (14)
Krishna					25016 (18)												25016 (18)
Vijay			2300 (3)		15272 (8)				5000 (1)								22572 (12)
Anuradha				2000 (1)	10397 (14)						4813 (4)						17210 (19)
Anjana				4700 (4)	11601 (18)						100 (1)	0			401 (2)		16802 (25)
Vikas			2700 (1)	1961 (2)	10711 (19)												15372 (22)
Shashikala		1000 (1)				5600 (1)	1218 (1)					4501 (2)			2600 (8)		14919 (13)
Preeti			1125 (1)		11100 (6)						950 (2)						13175 (9)
Usha					6469 (8)						3200 (4)						9669 (12)

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

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

(A) NSE:

Trade Date	Buyer Name	Seller Name	Buy order time	Sell order time	Trade time	Trade price	Traded quantity	Buy order original vol.	Sell order original vol.	Buy/ sell order price
11/12/2008	Ganesh	Sudha	14:07:34	14:07:30	14:07:34	138.10	5000	5000	5000	138.10
06/11/2008	Shashikala	Krishna	15:12:43	15:12:44	15:12:44	134.00	2000	2000	2000	134.00

24. From the details mentioned in the above table, synchronized trades are seen on December 11, 2008 when Sudha placed a sell order of 5,000 shares for Rs.138.10 at 14:07:30 and Ganesh placed a buy order for the same quantity and price at 14:07:34 with a time difference of less than 1 minute. The above orders got executed at 14:07:34 at the price of Rs.138.10. Similarly, on November 06, 2008 when Shashikala placed a buy order of 2,000 shares for Rs.134.00 at 15:12:43 and Krishna placed a sell order for the same quantity and price at 15:12:44 with a time difference of less than 1 minute. The above orders got executed at 15:12:44 at the price of Rs.134.00.

(B) BSE:

Trade Date	Buyer Name	Seller Name	Buy order time	Sell order time	Trade time	Trade price	Traded quantity	Buy order original vol.	Sell order original vol.	Buy/ sell order price
11/12/2008	Ganesh	Sudha	14:10:46	14:10:45	14:10:47	137.65	5000	5000	5000	137.65
17/12/2008	Shashikala	Hira Lal	13:42:46	13:42:44	13:42:46	134.85	5600	5600	5600	134.85

25. From the details mentioned in the above table, synchronized trades are seen on December 11, 2008 when Sudha placed a sell order of 5,000 shares for Rs.137.65 at 14:10:45 and Ganesh placed a buy order for the same quantity and price at 14:10:46 with a time difference of less than 1 minute. The above orders got executed at 14:10:47 at the price of Rs.137.65. Similarly, on December 17, 2008 when Hiralal placed a sell order of 5,600 shares for Rs.134.85 at 13:42:44 and Shashikala placed a buy order for the same quantity and price at 13:42:46 with a time difference of less than 1 minute. The above orders got executed at 13:42:46 at the price of Rs.134.85.

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

27. Similarly, during the relevant period under investigation the Noticees altogether had purchased 1,70,547 shares in 184 trades and sold 2,19,234 shares in 209 trades at NSE in synchronized manner. Also, the Noticees altogether had purchased 1,25,722 shares in 120 trades and sold 1,69,224 shares in 141 trades at BSE in synchronized manner. Thereby, the Noticees had altogether created artificial volume of 6,84,727 shares in the scrip of KSCL. Details of aforesaid artificial volumes created by the Noticees by way of synchronized trades are given hereunder :

Sl. No.	Name of the Notice	NSE				BSE				Total artificial volume (G=A+C+E+G)
		Buy Qty. (A)	No. of trades (B)	Sell Qty. (C)	No. of trades (D)	Buy Qty. (E)	No. of trades (F)	Sell Qty. (G)	No. of trades (H)	
1	Ganesh	157871	169	183900	193	103203	104	155956	134	600930
2	Chandrakanth	100	1	0	0	0	0	0	0	100
3	Shashikala	12576	14	27779	12	14919	13	8268	6	63542
4	Pavani	0	0	7555	4	7600	3	5000	1	20155
	Total	**170547**	**184**	**219234**	**209**	**125722**	**120**	**169224**	**141**	**684727**

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

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

30. It is contention of the Noticees that the trading was done on-market and during the trading on the screen it is not possible to know the shares sold by them are the same shares bought by the other persons and *vice versa*. Further, Noticees have contended that there was a possibility of a match between shares purchased by an individual and the shares sold by another but this does not necessarily should be construed as group trading in order to influence the market

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

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

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

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

33. In addition to the aforementioned connection of the Noticees with the Group Entities, it is accepted fact that the Noticees are close family members as Mr. Chandrakanth Ambarkar is brother of Mr. Ganesh Khaja Ambarkar. Mrs. Shashikala Ambarkar is wife of Mr. Ganesh Khaja Ambarkar and Mrs. Pavani Ambarkar is sister-in-law of Mr. Ganesh Khaja Ambarkar. Further, from the replies of other entities in the instant matter, I note that Mrs. Usha Devi Bangad and Mr. Vijay Kumar Bangad are parents of Mr. Vikas Kumar Bangad and Mr. Aditya Bangad, Mrs. Anuradha Bangad is wife of Mr. Vikas Kumar Bangad. Mr.

Krishna Bangad is son of Mrs. Indira Devi Bangad. Mrs. Preeti Agarwal is wife of Mr. Hiralal Agarwal. Mrs. Dhara Doshi is wife of Mr. Vimesh Doshi. Mrs. Sudha Sharma is the mother of Mr. Abhishek Sharma.

34. Accordingly, considering the aforesaid connections of the Noticees as well as the Group Entities on the basis of KYC documents, off market deals and the close family relations among them, I am of the opinion that the Noticees are connected / related to each other and also to the Group Entities.

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

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

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

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

37. Further, In the matter of ***SEBI Vs. Kishore R. Ajmera,*** *(supra)* the Hon'ble Supreme Court observed that *"the SEBI Act and the Regulations framed there under are intended to protect the interests of investors in the Securities Market which has seen substantial growth in tune with the parallel developments in the economy. Investors' confidence in the Capital/Securities Market is a reflection of the effectiveness of the regulatory mechanism in force. All such measures are intended to pre-empt manipulative trading and check all kinds of impermissible conduct in order to boost the investors' confidence in the Capital market. The primary purpose of the statutory enactments is to provide an environment conductive to increased participation and investment in the securities market which is vital to the growth and development of the economy. The provisions of the SEBI Act and the Regulations will, therefore, have to be understood and interpreted in the above light".*

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

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

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

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

“15J - Factors to be taken into account by the adjudicating officer
While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-

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

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

(c) the repetitive nature of the default

Explanation – *For the removal of doubts, it is clarified that the power of an Adjudicating Officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of Section 15F,15G,15H and 15HA <u>shall be and shall always be</u> deemed to have been exercised under the provisions of this Section.”*

40. In this connection, reliance is placed upon the Order of the Hon’ble Supreme Court in the matter of ***Chairman, SEBI Vs Shriram Mutual Fund {[2006]5 SCC 361 }*** – where the Hon’ble Supreme Court of India held that *“In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant…..”*

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

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

43. In cases of such nature, it is difficult to quantify with mathematical precision the disproportionate gains or unfair advantage enjoyed by an entity and the consequent loss suffered by the investors. The Noticees who are connected/related to each other and also to the Group Entities had collectively created artificial volume by way of synchronized trades in the scrip of KSCL as mentioned at the para no. 26. General Public could have been carried away by the unusual rise in the volumes in the scrip of KSCL and induced into investing in the said scrip. People who indulge in manipulative, fraudulent and deceptive transaction or abet the carrying-out of such transactions which are fraudulent and deceptive should be suitably penalized for such acts of omissions and commissions. Considering the continuous aforesaid synchronized trades in large volumes by the Noticees collectively with the Group Entities in the scrip of KSCL the said 'Synchronized Trades' were carried-out persistently for a long period, hence, the nature of default was also repetitive in nature. In view of the above, I am of firm opinion that the Noticees had violated the provisions of Regulations 3(a),(b),(c), 4(1) and 4(2)(a) of PFUTP Regulations and liable for penalty under Section 15HA of the SEBI Act.

ORDER

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

Sl. No.	Name of the Noticee	Penalty (Rs.)
1	Mr. Ganesh Khaja Ambarkar	Rs.15,00,000/- (Rupees Fifteen Lakh Only)
2	Mr. Chandrakanth Ambarkar	Rs.1,00,000/- (Rupees One Lakh Only)
3	Ms. Shashikala Ambarkar	Rs.4,00,000/- (Rupees Four Lakh Only)
4	Ms. Pavani Ambarkar	Rs.2,00,000/- (Rupees Two Lakh Only)

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

Exchange Board of India, SEBI Bhavan, Plot No. C – 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051."

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

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

Date : November 30, 2018
Place : Mumbai

Satya Ranjan Prasad
Adjudicating Officer