BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/MC/RM/2022-23/16232]

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 –

K Venkatraman (AGVPK6472K) having address at 177, Ground Floor, 2A Cross, 2nd Main, Domlur, Bangalore - -560071

In the matter of Investigations in Coromandal Fertilizers Ltd.

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') initiated adjudication proceedings under Section 15HA of SEBI Act,1992 (hereinafter referred to as, '**SEBI Act**') against Mr. K Venkatraman **("Noticee")** for alleged violation of the Regulation 4(1), 4(2), (a), (b), (g), and (n) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003 (hereinafter referred as '**PFUTP Regulations'**) in the matter of Investigations in Coromandal Fertilizers Ltd. (hereinafter referred to as '**CFL**').

2. Shri Amit Pradhan was appointed as the Adjudicating Officer (hereinafter referred as AO), vide communique dated May 08, 2006, under Section 15-I of the SEBI Act read with Rule 3 of the Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as **'Adjudication Rules'**) to inquire into and adjudge under the provisions of Section 15 HA of the SEBI Act, the aforesaid alleged violations by the Noticee.

3. Order dated June 09, 2009 was passed in the matter imposing penalty of Rs.5 lakhs to be paid by the Noticee for violating regulation 4(1), 4(2)(a), (b) and (g) of

the PFUTP Regulations. This order was appealed before the Hon'ble Securities Appellate Tribunal (SAT) by the Noticee vide Appeal No. 78 of 2021. Hon'ble SAT vide Order dated March 25, 2021 remitted the matter to AO as given hereunder:

"4. Since the impugned order was passed ex-parte without serving the show cause notice, the said impugned order cannot be sustained and is quashed. The recovery certificate dated December 11, 2017 issued pursuant to the said order is also quashed.

5. The appeal is allowed. The matter is remitted to the AO who will issue a show cause notice and proceed from there onwards in accordance with law after giving an opportunity of hearing. For this purpose, the appellant will appear before the AO on April 15, 2021 on which date a show cause notice will be served upon the appellant.

6. Since the bank account has been attached pursuant to the impugned order of the AO and the recovery certificate, and since the said recovery certificate and the order of the AO has been quashed we direct SEBI to intimate the bank forthwith to remove the attachment order."

APPOINTMENT OF ADJUDICATING OFFICER

4. Subsequent to the aforesaid SAT order, Shri Amit Pradhan was appointed as Adjudicating Officer under Section 15-I of the SEBI Act read with Rule 3 of the Adjudication Rules vide order dated April 06, 2021 to inquire into and adjudge under section 15HA of the SEBI Act, the aforesaid alleged violations against the Noticee. Subsequently, the undersigned was appointed as Adjudicating Officer *vide* order dated June 18, 2021. The appointment of the AO was communicated *vide* order dated June 21, 2021.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. Show Cause Notice No. EAD/AP/ADJ/68067/06 dated May 30, 2006 (hereinafter be referred to as, the "**SCN**") was served upon the Noticee on April 06, 2021 under Rule 4 of the Adjudication Rules and read with Section 15I of the SEBI Act to show cause as to why an inquiry should not be held and penalty not be

imposed against Noticee under aforesaid Sections for the aforesaid alleged violations.

6. Briefly, the allegations made in the SCN against the Noticee are given below:

7. National Stock Exchange (hereinafter referred to as "**NSE**") initiated investigation in the case of trading in CFL on the basis of internal alerts generated for rise in price and volume, volatility and member concentration. The closing price of the scrip had risen from Rs. 81.45 on October 15, 2003 to Rs. 150.25 on December 15, 2003, an increase of 84.46% during the period of investigation. The Bombay Stock Exchange (hereinafter referred to as "**BSE**") was also asked to conduct an investigation for the above mentioned period and submit its report. BSE submitted its report to SEBI on March 04, 2005.

8. Upon receipt of observations of NSE and BSE, the preliminary investigation in the scrip was carried out by SEBI for the trading period October 15, 2003 to December 15, 2003. The trade and order log for the period was analyzed to uncover any instance of manipulative trades. The price volume data for the period was analyzed in conjunction with the corporate news and developments reported during the period. Explanations were sought from the brokers and clients including the noticee.

9. The investigation conducted by SEBI revealed that during the period of October 15, 2003 to December 15, 2003 the scrip was traded on all 45 days available for trading, at NSE. The quantity traded in the period was about 985360 shares with highest volume of 77952 shares and lowest volume of 1110 shares and average volume of 21897 shares. The details of the trading are as under:

NSE

Date		Price fluctuations					Price Variation (%)		Volume, day wise		
From	**To**	**High**	**Low**	**Avg.**	**Open**	**Close**	**High/Low**	**Open/Close**	**High**	**Low**	**Avg.**
15/10/2003	15/12/2003	158	79.7	108.06	88	150.25	98.24	70.77	77952	1110	21897

10. On BSE the scrip was traded on all 45 days during the period of investigation. The quantity traded in the period was about 680607 shares. An analysis of the price movement of the scrip during the subsequent period showed that the price remained above the Rs. 100 level. The closing price of the scrip which was Rs. 150.50 at the end of the investigation period on December 2003 remained at the same levels in January 2004. It then decreased to a low of Rs.108 in March 2004 after which it again showed a continuous rising trend to reach Rs. 156 in December 2004. At the time of completion of investigation the price of the scrip was Rs. 80 after the sub division of shares from Rs. 10 to 3 which is equivalent to Rs. 400 (on the face value of Rs. 10). The details of the trading are as under:

BSE

Date		Price fluctuations					Price Variation (%)		Volume, day wise		
From	To	High	Low	Avg.	Open	Close	High/Low	Open/Close	High	Low	Avg.
15/10/2003	15/12/2003	158.75	80	108.17	82.95	150..5	98.43	81.4	67676	150	15124

11. The noticee was the client of sub-broker M/s Dove Securities Pvt. Ltd. (Broker ISE Capital Market Services Ltd.). The sub-broker was dealing on behalf of its clients, and had constituted 15.41% of the gross traded quantity for the market during the period October 15, 2003 to December 15, 2003. The day wise range of the gross quantity traded by it to the gross traded quantity for the market was in the range of 11% to 40%. The sub broker Dove Securities Pvt. Ltd. was trading for its clients Gopal Kumar Agarwal, Bhagwandas Agarwal, Shankar Agarwal and for the noticee. Each of these three clients Gopal Kumar Agarwal, Shankar Agarwal and the noticee traded in 5 out of 44 days accounting for 5.01%, 3.45% and 2.44% respectively, of the market gross quantity during the period of investigation which was in the range of 9% to 40 % in those days, whereas Bhagwandas Agarwal traded on 4 days accounting for 3.55% of the market gross quantity in the range of 21% to 32% to the daily volume. These clients were buying and selling equal quantity during the day and had nil position at the end of the day.

12. The summary of the trading of the major clients of the sub broker during the investigation period is as follows:

Sr. No.	Client Name	Buy Qty.	Sell Qty.	Client Gross Qty.	Client Net Qty.	% to period gross
1.	Gopal Kumar Agrawal (HUF)	49350	49350	98700	0	5.01
2.	Bhagwandas Agarwal (HUF)	35000	35000	70000	0	3.55
3.	Shankar Agarwal	34000	34000	68000	0	3.45
4.	K. Venkartaman (the Noticee)	24000	24000	48000	0	2.44

13. From the findings of the investigations it was observed that Noticee had executed 66.67% of reversal trades and the summary of the same is as follows:

Trade Date	Purchased by Polar Securities from K Venkatraman	Purchased by K Venkatraman from Polar Securities	Volume of both Clients (Trade + Reversal)	Market Volume	% to total market volume
03/11/2003	2000	2000	4000	6401	62.49
05/11/2003	4000	4000	8000	12550	63.75
06/11/2003	10000	10000	20000	63934	31.28

14. Similar observations were also observed in respect of other clients of Keynote Capitals Ltd. and Dove Securities Pvt. Ltd, and it was observed that reversal/circular trade was observed between two set of clients of aforesaid brokers involving 264584 units of shares. It was observed that the entity who purchased the shares initially on a given day sold back the shares to the same counterparty on the very same day.

15. Therefore, in view of the above, it was alleged Noticee by indulging in reversal of trades with other client created artificial volumes in the scrip of CFL and thus was alleged to have violated the provisions of regulation 4(1), 4(2)(a), (b), (g) and (n) of (PFUTP) Regulations, 2003. The aforesaid provisions are reproduced below:

SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003

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;

(b) dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss;

(g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security;

(n) circular transactions in respect of a security entered into between intermediaries in order to increase commission to provide a false appearance of trading in such security or to inflate, depress or cause fluctuations in the price of such security;

16. Noticee filed reply vide letter dated April 20, 2021. An opportunity of personal hearing was provided to the Noticee through video conferencing on December 03, 2021, and Mr.Keshav Borhade, Advocate (authorised representative of the Noticee) attended the hearing and reiterated the submissions made by Noticee in his reply dated April 20, 2021. Further, Notice submitted copy of his pan card, sample signature and address proof.

17. The submissions of the Noticee in his reply are summarized as below:

18. Noticee contends that, he demanded all papers and proceedings relating to the investigation carried out of the SEBI by emails dated April 06, 2021 and on April 13, 2021. However, vide email dated 16.04.2021, SEBI declined the request with remarks that, "*all the relevant documents which are relied upon while issuance of SCN is provided to you along with SCN".* But, the Noticee has not been provided with following documents:
    a) SEBI Investigation Report
    b) Explanations and documents received from Brokers.
    c) Investigation Report of National Stock Exchange (NSE)

19. The Noticee is working as "Independent Producer" in feature films/ AD films and media since 1992 and has never traded in the Share or securities market in his lifetime. The Noticee is operating only Saving Bank Account in Kotak Mahindra Bank Ltd and State Bank of India and he does not have or had any Current Bank Account or Demat Account with any bank or financial institution.

20. As an independent director of the films, Noticee used to take orders from various advertising and promotion agencies and work for them on contractual basis for their advertisements or short films. Most of the agency owners never engaged written contracts with the noticee as they know him personally and on the basis of oral understanding, the noticee used to undertake their film works.

21. In the year 2002-2003 Noticee was working with advertising firm 'Concept Communications' as 'Outsourced Producer for Making Advertisement Films on Contract Basis'. Since, Noticee knew Vivek Suchanti (owner of said firm) since last several years, he didn't have written contract with them. For payments and other works, Noticee had given his KYC details (PAN CARD and Address Details) to Concept Communications. Concept Communications made payments to the Noticee in Cash/Cheque.

22. Mr. Vineet Suchanti the Brother of Vivek Suchanti, was owner of securities agent firm, Keynote Capitals. However, noticee did not have any professional or financial relations with Mr. Vineet Suchanti. Presently, Mr. Vivek Suchanti is Chairman and Managing Director of Concept Communications Ltd and Mr. Vineet Suchanti is Director of Keynotes Capital Ltd. In support the data from MCA website is placed on records.

23. Noticee is settled at Bangalore since 2016 and was contacted by Recovery Officer, SEBI (hereinafter referred to as '**RO**') on November 21, 2019 after getting his mobile number from the Income Tax Authorities, based on the returns filed by the Noticee. Vide email dated November 21, 2019, RO forwarded the Recovery

Certificate to the Noticee for the first time. By email dated November 30, 2019, the Noticee replied to the said mail with explanations.

24. On December 18, 2019, RO attached Bank Accounts of the Noticee, pursuant to which noticee over telephone inquired with RO about the reasons for attachment of Bank Accounts, and got to know that the same is pursuant to the Order dated June 09, 2009 and Recovery Certificate No. 1269 of 2017 as per which the Noticee had been ordered to pay penalty of Rs. 10,11,740. Noticee informed RO that, he has never traded in the Share or securities market in his lifetime, the Recovery Officer informed him that, he had current bank account in three banks viz. HDFC Bank Ltd, HSBC Bank and ICICI Bank Ltd. These accounts are used for Share Transactions, and those accounts have been closed since then. The Noticee met RO on January 10, 2020, and RO showed him documents in regard to the case available with him, basis which Noticee got a clue that, his KYC documents must have been misused by somebody and done the fraudulent transactions in his name in the securities market.

25. It is contended that someone from the staff member of Keynote Capitals or Concept Communications must have used the KYC details of Noticee and opened fraudulent accounts with HDFC Bank Ltd, HSBC Bank and ICICI Bank Ltd. Before the Recovery Officer, the Noticee checked the phone details and found that, the alleged phone contact details (i.e., 022- 56308888) of Noticee was given to SEBI actually belongs to Keynote Capitals. Thereafter, the noticee filed Appeal before Hon'ble Securities Appellate Tribunal and the matter was remanded back to SEBI.

26. Noticee became the scapegoat of the fraudulent transactions done by someone else in his name, Noticee has never engaged in securities transactions and hence, there is no question of doing any fraudulent transactions as alleged in the SCN. The Noticee has never traded in the Securities Market and he has no connection with Dove Securities Private Limited. That, he does not know other entities or clients of Dove Securities Private Limited. That, Noticee is also not

aware about ISE Securities & Services Ltd. Noticee is not aware of the securities market and has no knowledge of securities trading. The Noticee never participated in such a synchronized trade.

27. SEBI has not provided any details about connection of noticee with Dove Securities Private Limited and ISE Securities & Services Ltd. SEBI is claiming that, Dove Securities Private Limited have transacted on behalf of noticee, there is no iota of evidence to prove that, the noticee have any nexus with Dove Securities Private Limited or ISE Securities & Services Ltd.

28. The Bank Accounts from which the alleged transactions have been operated, does not belong to the Noticee and SEBI has not provided details of Bank Accounts, their KYC details and Account Statements to the Noticee.

29. The Noticee has gone through the orders passed by SEBI in respect of other entities in the matter i.e. Gopalkumar Agarwal, Bhagwandas Agarwal and Shankar Agarwal, who are connected with the trades through their common friend Mr. Manoj Agarwal. The said noticees have admitted their trading activities and therefore, their Appeals (Appeal No. 138 of 2009 and Appeal No. 56 of 2010) also have been rejected by the Hon'ble SAT with reducing their penalty from 5 lacs to 3 lacs.

30. Noticee do not have any acquaintance with Mr. Gopalkumar Agarwal, Bhagwandas Agarwal and Shankar Agarwal, and their common friend Mr. Manoj Agarwal. Noticee has never met those persons in his lifetime and do not know the meaning of circular trading.

31. In its observations NSE has claimed that, the Noticee is major client of ISE Securities. However, no investigation report or documents showing acquaintance of Noticee with ISE Securities have been provided to the Noticee till date. Noticee doesn’t have nexus either with any broker or securities market at all. Noticee has

never traded in securities market and does not have any shares of listed company in his name.

32. It is noted that SEBI called for explanation from clients and their brokers. However, apparently no such explanation was sought from the Noticee at that time and also explanations if any received from Brokers have not been provided to the noticee by SEBI.

33. It is alleged that the Sub-broker Dove Securities Ltd have traded for the Noticee and other persons. However, neither Noticee has instructed anyone for trading nor has personally traded in the securities market till today. SEBI has not investigated the fact that, whether the noticee is really a client of Dove Securities Ltd. The Noticee has no any nexus with Dove Securities Ltd. He never approached for trading to Dove Securities Ltd or any other broker or sub broker in his entire lifetime. Since, Noticee has never engaged in Securities market, question of circular or reversal trading as alleged does not arise.

34. The observations of SEBI in Para 12 of Annexure 2 suggests that, three of the clients were known to each other through common friend Mr. Manoj Agrawal. However, SEBI has not investigated about the Noticee and his alleged involvement with Dove Securities. Had the SEBI investigated this aspect, the SEBI could have found the truth that, the Noticee has never traded in the securities market through Dove Securities.

35. It is pertinent to note that, amounts involved in the said securities transactions were transacted through alleged Current Accounts of the Noticee and the Noticee being an individual do not have any Current Account in any bank. It is also pertinent to note that, someone from the staff member of Keynote Capitals or Concept Communications must have fraudulently used the KYC details of Noticee and opened fraudulent accounts with HDFC Bank Ltd, HSBC Bank and ICICI Bank Ltd. It is also pertinent to note that, the alleged phone contact details

(i.e., 022-56308888) of Noticee was given to SEBI actually belongs to Keynote Capitals.

36. In view of the submissions made, Noticee pray that the SCN may be quashed and set aside in the interest of justice.

37. 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 and material available on record.

CONSIDERATION OF ISSUES AND FINDINGS

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

Issue No. I	Whether Noticee is in violation of regulation 4(1), 4(2)(a), (b), (g) and (n) of (PFUTP) Regulations, 2003?
Issue No. II	If yes, whether the failure, on the part of the Noticees would attract monetary penalty under Section 15HA of SEBI Act,1992? And
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 Noticee is in violation of regulation 4(1), 4(2)(a), (b), (g) and (n) of (PFUTP) Regulations, 2003?

39. Before proceeding with the merits of the case, I take note of the preliminary submission of the Noticee that all the documents pertaining to the matter like SEBI/NSE Investigation Report, explanations and documents received from brokers/clients was not provided to the Noticee. Further, details of Bank Accounts which were used in regard to alleged reversal trades including their KYC details and Account Statements were not provided to the Noticee.

40. In this regard, I note that as annexures to the SCN, findings of the SEBI investigation along with the details of the trades reversed by the Noticee were provided to the Noticee. Further, the details of the bank accounts and related documents to it, as well as explanations and documents received from brokers/clients (if any) are not available on records, and has not been relied upon to frame the violations committed by Noticee in the SCN. In view of the same, I note that all the relevant documents which are relied upon during the proceedings and basis which alleged violations are framed have been provided to the Noticee. However, I note that KYC documents of Noticees who were clients of brokers ISE Securities and Keynote Capital are not available on record, and hence could not be provided to the Noticee.

41. The primary contention of the Noticee is that his KYC documents have been misused by someone for opening bank/demat/trading accounts and the alleged reversal trades are carried out fraudulently by someone else. Further, Noticee contends that his KYC documents could have been misused by Keynotes Capitals Ltd., one of the broker involved in the reversal trades in the matter, as he had work relationship with the brother of Director of Keynote Capitals. In this regard, I note that, as per Noticee's submission, Noticee got to know about the SEBI order dated June 09, 2009, when on November 21, 2019 RO contacted the Noticee on his mobile. Further, upon attachment of his bank accounts due to recovery proceedings in the matter, he met RO on January 10, 2020 and noticed the misuse of his KYC documents for fraudulent opening of bank/trading/demat accounts and subsequent impugned reversal trades in his name.

42. In view of the contention raised by the Noticee, information was sought from Depositories (NSDL/CDSL) vide email dated December 28, 2021 seeking details of the demat/trading accounts held by Noticee, along with their status. Depositories have informed that there is no demat account linked to the PAN number of the Noticee in their records.

43. I note that the account opening forms for bank/demat/trading accounts used in the reversal transactions are not on records. In the absence of relevant KYC documents, it cannot be established with certainty that the trading account and bank accounts were opened by the Noticee. The allegations against the Noticee were based on the information sought from exchanges wherein the client name is shown as K Venkatraman. The name of the Trading Member in the Table in Annexure 2.1 of SCN in respect of client K Venkatraman is shown as Dove Securities. As per SCN, Dove Securities was sub-broker of ISE Securities and Services Ltd. However, other than the information that the Noticee was client of Dove Securities as stated above, there is no material on record to establish that Noticee was indeed a client of Dove Securities.

44. The Noticee has contended that Noticee was never a client of Dove Securities Ltd, and has never participated in securities market and this was never investigated by SEBI. Considering that the KYC documents of the account through which trading in the name of Noticee took place are not on record, it is not possible to state with certainty that it was the Noticee who carried out the impugned reversal trades. I also take note that the depositories have informed that there is no demat account mapped to the PAN number of the Noticee. Hence, in the absence of any material on record to either reject or accept the contention of the Noticee, I am inclined to give the benefit of the doubt to the Noticee regarding his contention that he was never a client of Dove Securities and that his KYC details may have been misused. Further, I note that the matter pertains to trades which took place in 2003, in respect of which an order was passed in 2009 and subsequently recovery proceedings were initiated in 2017.

45. In view of the above, as it is not certain that Noticee was the client of Dove Securities, I find that allegation of violation of Regulation 4 (1), 4 (2) (a), (b) and (g) of PFUTP Regulation by the Noticee is not established.

46. As the violations alleged against the Noticee are not established, issues II and III do not merit consideration.

ORDER

47. In view of the findings noted in the preceding paragraphs, the adjudication proceedings initiated against the Noticee i.e. Mr. K Venkatraman vide SCN dated May 30, 2006 are disposed of.

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

MANINDER CHEEMA Digitally signed by MANINDER CHEEMA Date: 2022.04.28 17:18:39 +05'30'

DATE: April 28, 2022 **MANINDER CHEEMA**

PLACE: MUMBAI **ADJUDICATING OFFICER**