BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: Order/AK/BS/2023-24/26681-26684)

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

1	**HARSHAD RAVILAL SHAH (PAN:AMNPS3285Q)**
2	**MAYUR RAVILAL SHAH (PAN:AAGPS4644G)**
3	**NEETA HARSHAD SHAH (PAN:AAVPS0605E)**
4	**VIPUL DILEEP LATHI (PAN:ACQPL5044B)**

IN THE MATTER OF GALACTICO CORPORATE SERVICES LIMITED

BACKGROUND OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') had carried out investigation in the scrip of Galactico Corporate Services Limited (hereinafter referred to as **"Galactico/GCSL/the Company"),** to ascertain violation of provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **"SEBI Act"**), Securities and Exchange Board of (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as **"PFUTP Regulations")** and SEBI (Prohibition of Insider Trading) Regulations, 2015 (hereinafter referred to as **"PIT Regulations"**) if any, with respect to trading in the scrip of GCSL during the period January 25, 2021 to August 18, 2021 (hereinafter referred to as **'Investigation period or IP'**)

2. Pursuant to the investigations, it was found that Harshad Ravilal Shah (Noticee No. 1), Mayur Ravilal Shah (Noticee No. 2), Neeta Harshad Shah (Noticee No. 3) allegedly violated the provisions of Section 12A (a), (b) and (c) of **SEBI Act, 1992** read with Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(e) of **PFUTP**

Regulations and Vipul Dileep Lathi (Noticee No. 4) violated the provisions of Regulation 7 (2) (a) of **PIT Regulations** in the matter of Galactico Corporate Services Limited. Noticee Nos. 1, 2, 3 and 4 shall hereinafter collectively be referred to as "Noticees".

APPOINTMENT OF ADJUDICATING OFFICER

3. Upon being satisfied that there are sufficient grounds to inquire and adjudicate upon the violation of provisions of the SEBI Act, PFUTP Regulations and/ or PIT Regulations by the Noticees, SEBI, in exercise of powers u/s 15-I of the SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**Adjudication Rules**"), r/w Section 19 of the SEBI Act appointed undersigned as the Adjudicating Officer **(**hereinafter referred to as the "**AO"),** vide order dated January 27, 2023, to inquire into and adjudge u/s 15-I r/w Section 15 A (b) and/or Section 15 HA of SEBI Act, the alleged violations by the Noticees.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice (SCN) ref. no. EAD-6/AK/BS/6553/1-4/2023 dated February 15, 2023 (hereinafter referred to as **SCN**) was issued to the Noticees in terms of the provisions of rule 4(1) of the SEBI Adjudication Rules, 1995 r/w Section 15-I of SEBI Act, requiring the Noticees to show cause as to why an inquiry should not be held against them and why penalty, if any, should not be imposed on them under the provision of Section 15 A (b) and/or Section 15 HA of SEBI Act, as applicable, for the alleged violations.

5. Vide email dated March 01, 2023, Noticee Nos. 1 & 3 requested for extension of time to file reply to SCN. Subsequently, vide notice dated March 02, 2023, Noticees were advised to file reply on or before March 24, 2023. Thereafter, Noticee No. 1, vide letter dated March 14, 2023 sought inspection of documents. Vide email dated March 17, 2023, combined opportunity of inspection of documents was provided to Noticee Nos. 1, 2 & 3. The said Noticees, vide common letter dated March 21, 2023 filed authority letter for the purpose of

inspection of documents. Inspection of documents was conducted by Noticee Nos.1, 2 & 3 through their Authorized Representative (AR) Ms. Samita Vaviya, Advocate, on March 24, 2023. Copies of certain documents, as sought during the course of inspection of documents, were also provided to said Noticees.

6. Noticee no. 4, vide email dated March 02, 2023, requested for extension of time to file reply to SCN. Vide email dated March 03, 2023, Noticee No. 4 was advised to file reply to SCN on or before March 24, 2023. Noticee no. 4, vide email dated March 17, 2023, sought inspection of documents. Vide email dated March 17, 2023, Noticee no. 4 was informed that an opportunity of inspection of documents has been granted and same has been scheduled on March 24, 2023. Inspection of documents was re-scheduled to April 05, 2023 on the request made by Noticee no. 4, vide email dated March 23, 2023. Inspection of documents was conducted by Noticee no. 4 through his Authorized representative Mr. Chinmay Paradkar, Advocate, on April 05, 2023. Copies of certain documents, as sought during the course of inspection of documents, were also provided to Noticee no. 4.

7. On non-receipt of any reply on merits from the Noticees, vide hearing notice dated April 05, 2023, hearing was scheduled on April 20, 2023 and same was conveyed to Noticees. Noticee nos. 1, 2 & 3, vide email dated April 18, 2023 requested for postponement of hearing citing non-availability of authorized representative on the scheduled date of hearing. Therefore, hearing was re-scheduled to May 15, 2023 for all Noticees. In the meanwhile, Noticee no.s 1, 2 & 3 responded to the allegations made in the SCN vide letter dated May 13, 2023 and Noticee No. 4 vide letter dated May 05, 2023. Noticee nos. 1, 2 & 3 appointed Ms. Samita Vaviya and Noticee no. 4 appointed Mr. Chinmay Paradkar, Advocate to appear for hearing. Authorized representatives appeared for hearing on scheduled date of hearing and made submissions which were in line with reply dated May 13, 2023 of Noticee no.s 1, 2 & 3 and reply dated May 05, 2023 of Noticee no. 4. Noticee nos. 1, 2 & 3 filed additional reply, vide letter dated May 19, 2023 and reiterated the submissions made in earlier reply dated May 13, 2023.

8. The allegation levelled against Noticees in the SCN was that during the IP, Noticee nos. 1, 2 & 3 executed trades amongst themselves and contributed to positive LTP (last traded price) in the scrip of GCSL, in violation of SEBI Act and PFUTP Regulations. Noticee no. 4 violated the provisions of PIT Regulations by failing to file disclosures stipulated under PIT Regulations.

CONSIDERATION OF ISSUES AND FINDINGS

9. I have taken into consideration the facts and material available on record. The issues that arise for consideration, in the present case, are as follows:
   I. Whether Noticee nos. 1, 2 & 3 violated provisions of section 12A (a), (b) & (c) of SEBI Act r/w Regulations 3 (a), (b), (c) & (d), Regulation 4(1) and 4(2) (e) of PFUTP Regulations?
   II. Whether Noticee no. 4 violated the provisions of Regulation 7 (2) (a) of SEBI PIT Regulations 2015?
   III. If answer to above mentioned “Issue I” and “Issue II”, is affirmative, whether it attracts monetary penalty u/s 15A (b) and/or 15HA, as applicable, of the SEBI Act?
   IV. If so, what should be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act r/w Rule 5(2) of the Adjudication Rules?

BRIEF FACTS OF THE MATTER

10. The following are the brief facts of the matter as noticed in the investigation;

10.1 GCSL is registered with SEBI as Category-I Merchant Banker having Registration No. - INM000012519 and BSE SME Platform on October 9, 2019. The company shares got migrated from BSE SME platform and admitted to dealings on the Main Board Platform on April 07, 2022.

10.2 Management of the company during IP;

DIN	Name	Designation	Begin date	End date
05173313	Vipul Dileep Lathi	Non-Exec Director & Chairman	30/01/2018	

06395443	Ankur Bhupendra Shah	Non-Executive Director	31/07/2020	21/06/2022
03578448	Krishna Shyam Sunder Rathi	Independent Director	23/08/2018	
08196604	Nilam Avinash Ghundiyal	Independent Director	23/08/2018	
08788172	Rahul Pravinchandji Dungarwal	Non-Execuive Director	31/07/2020	

10.3 Details of Promoters' Holdings;

Promoter Name	Qtr ended Dec 2020		Qtr ended March 2021		Quarter ended June 21		Quarter ended Sep 2021	
	No of Shares	%	No of Shares	%	No of Shares	%	No of Shares	%
Vipul Dileep Lathi	4061649	70.87	4007649	69.93	3977649	69.40	3980649	69.46
Saroj Deelip Lathi	100	0.00	100	0.00	100	0.00	100	0.00
Vikas Deelip Lathi	100	0.00	100	0.00	100	0.00	100	0.00
Charushila V Lathi	67056	1.17	67056	1.17	67056	1.17	67056	1.17
Total	4128905	72.04	4074905	71.10	4044905	70.58	4047905	70.63

From the above table, it was observed that Mr. Vipul Dileep Lathi, the promoter, reduced his holdings by 81,000 shares i.e. 1.44% from January 2021 to September 2021.

10.4 The price-volume data for the Investigation Period, is depicted hereunder:

(Source: BSE Website)

Period	Dates	Particulars	Opening Price (volume) on first day of the period (Rs)	Closing price (volume) on last day of the period (Rs.)	Low price(volume) during the period (Rs.)	High Price(volume) during the period (Rs.)	Total no. of shares traded during the period (avg. daily vol.)
Before Investigation period	23/12/2020 to 24/01/2021	Price	26 (23/12/2020)	23.05 (08/01/2021)	23 (29/12/2020)	26 (23/12/2020)	132000 (18857)
		volume	6000 (23/12/2020)	6000 (08/01/2021)	48000 (29/12/2020)	6000 (23/12/2020)	
During Investigation Period	**25/01/2021 to 18/08/2021**	**Price**	**23 (25/01/2021)**	**98 (18/08/2021)**	**23 (25/01/2021)**	**99.50 (18/08/2021)**	**1485000 (11975)**
		volume	**24000 (25/01/2021)**	**9000 (18/08/2021)**	**24000 (25/01/2021)**	**9000 (18/08/2021)**	
After investigation period	20/08/2021 to 17/09/2021	Price volume	102 (20/08/2021) 6000 (20/08/2021)	100 (17/09/2021) 3000 (17/09/2021)	91 (01/09/2021) 12000 (01/09/2021)	102 (20/08/2021) 6000 (20/08/2021)	69000 (5307)

10.5 During the IP, the price of the scrip of GCSL opened at Rs.23.00 on 25/01/2021, reached a high of Rs.99.50 on 18/08/2021 and closed at Rs.98.00 on 18/08/2021. The average volume of the trades for the IP was 11,975 shares.

10.6 During the IP, one of the Promoters of GCSL viz., Vipul Dileep Lathi (Noticee No. 4) sold 1,38,000 shares of GCSL.

10.7 Further, based on top 10 net sellers, top 10 LTP contributors, reversal trades and circular trades and based on unique client code (UCC) details, off market transfers, bank statements of suspected entities and MCA database, the following connection between the Noticees was identified.

S NO	PAN	Name of Client	Basis of connection	Reason for considering suspects
1	AMNPS3285Q	Harshad Ravilal Shah	• Harshad Ravilal Shah and Neeta Harshad Shah share common Ph.No.9320386338 and common email Id hrshahtou@hotmail.com; Harshad, Neeta and Mayur share common address: C/201 Gaurav Gunjan Bander Pokhadi Road, Dhanukarwadi Kandivali W and Ph.No.56790595. Fund transfers observed between Mayur, Neeta and Harshad from the Bank a/c of Mayur Ravilal Shah with IDBI	Entered into reversal trades; Positive LTP from buy side
2	AAVPS0605E	Neeta Harshad Shah		Entered into reversal trades
3	AAGPS4644G	Mayur Ravilal Shah		Entered into reversal trades

11. **Issue I. Whether Noticee nos. 1, 2 & 3 violated provisions of section 12A (a), (b) & (c) of SEBI Act r/w Regulations 3 (a), (b), (c) & (d), Regulation 4(1) and 4(2) (e) of PFUTP Regulations.**

11.1 Before moving forward, it is pertinent to refer to the relevant provisions which are alleged to have been violated. The said provisions are reproduced hereunder:

SEBI Act

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

Section 12A. No person shall directly or indirectly—

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

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

PFUTP REGULATIONS

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: —

..

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

..

11.2 I note that in the SCN, Last Traded Price (LTP) Analysis of Noticee Nos.1, 2 & 3 as a group and as an individual, was provided as under:-

S.No.		All trades			Positive LTP trades			Negative LTP trades			Zero LTP trades		
	Client Name	LTP Rate	Traded Qty	No. Of Trades	LTP Rate	Traded Qty	No. Of Trades	LTP Rate	Traded Qty	No. Of Trades	Traded Qty	No. Of Trades	% positive LTP
1	Harshad Ravilal Shah	16.05	453000	124	52.05	270000	72	-36.00	123000	33	60000	19	28.53%
2	Mayur Ravilal Shah	-0.25	99000	33	10.00	45000	15	-10.25	36000	12	18000	6	5.48%
3	Neeta Harshad Shah	-10.90	141000	45	13.50	48000	16	-24.40	72000	23	21000	6	7.40%
	Total	4.90	693000	202	75.55	363000	103	-70.65	231000	68	99000	31	41.41%
	Market total	75.00	1485000	402	182.45	828000	218	-107.45	417000	116	240000	68	100.00%

11.3 Noticee No. 1, Noticee No. 2 and Noticee No. 3 together contributed Rs.4.90 to net LTP and Rs.75.55 to Positive LTP from 103 Positive LTP trades, which was 41.41% of total market Positive LTP of Rs.182.45 during the IP. Out of 103 Positive LTP trades of Noticee Nos. 1, 2 & 3, 43 trades were amongst themselves. Individual contribution of each of said three Noticees to Positive LTP was more than 5%.

11.4 During the IP, Noticee Nos. 1, 2 & 3 executed 74 trades amongst themselves. Details of LTP contribution from trades amongst the Noticees, is summarized below:

S.No.		All trades			Positive LTP trades			Negative LTP trades			Zero LTP trades		
	Client Name	LTP Rate	Traded Qty	No. Of Trades	LTP Rate	Traded Qty	No. Of Trades	LTP Rate	Traded Qty	No. Of Trades	Traded Qty	No. Of Trades	%LTP
1	Harshad Ravilal Shah	12.00	90000	30	14.50	66000	22	-2.50	6000	2	18000	6	7.94%

2	Mayur Ravilal Shah	1.00	60000	20	6.00	24000	8	-5.00	18000	6	18000	6	3.28%
3	Neeta Harshad Shah	2.00	72000	24	11.00	39000	13	-9.00	30000	10	3000	1	6.03%
	Total	15.00	222000	74	31.50	129000	43	-16.50	54000	18	39000	13	17.26%
	Market total	75.00	1485000	402	182.45	828000	218	-107.45	417000	116	240000	68	100.00%

11.5 Of the 74 trades among themselves, 43 trades amongst the Noticees No. 1, 2 and 3 were Positive LTP trades in which the said Noticees contributed Rs.31.50 to Positive LTP. The contribution of Rs. 31.50 to the positive LTP by Noticee nos. 1, 2 & 3, was 17.26% to market positive LTP of Rs.182.45. Further, of the 74 trades, 13 trades were for 0 LTP and the remaining 18 trades were negative LTP trades, through which the said Noticees contributed Rs. 16.50 to Negative LTP. Therefore, the Net LTP contribution by Noticee nos. 1, 2 & 3 from trades amongst themselves was Rs.15.00, which was 20% of total market Net LTP of Rs.75.

11.6 Details of individual entity-wise trade volume and Positive LTP contribution from trades among Noticees, is tabled below:

Client name	Net LTP (Rs.) from trades among the group	Positive LTP (Rs.) from trades among the group	No. of Positive LTP Trades among the group	% to total Positive LTP of the Group	Trade Volume of the group	% to total trade volume from trades among the group
Harshad Ravilal Shah	12.00	14.50	22	46.03%	66,000	51.16%
Mayur Ravilal Shah	1.00	6.00	8	19.04%	24,000	18.60%
Neeta Harshad Shah	2.00	11.00	13	34.92%	39000	30.23%
Total	15.00 (20.00% of total market Net LTP)	31.50 (17.26% of total Market Positive LTP)	43	100.00%	129000	100.00%

11.7 From the above, it was seen that Noticee Nos. 1, 2 & 3 as a Group, contributed Rs.15.00 to Net LTP (i.e. 20% of the total market Net LTP of Rs.75/-) and Rs.31.50 to Positive LTP from 43 trades among themselves (i.e.17.26% of total market Positive LTP of Rs.182.45).

11.8 I note that based on the above it was alleged that Noticee no. 1, 2 & 3 manipulated the price of GCSL by executing trades at higher LTP.

11.9 Noticee nos. 1, 2 & 3 in their reply to SCN have submitted the following:

- *On perusal of trade details provided along with SCN, few of our sell orders placed at price which are already existed on trading terminal at that point of time. Therefore, we cannot be held responsible for placing an order at a price high than LTP since it is the buyer who placed the order before us.*
- *Since our trades were all delivery based and met with all obligation of fund and securities with the broker and the exchange, we could not have resulted into price or volume manipulation.*
- *The Scrip of GCSL was in the "T" group, settled on trade-to-trade basis, and intra day trading was not allowed. Investors could only have bought or sold shares (not both) during the day, price was controlled by BSE, there was requirement of 100% margin and shares were bought or sold with 100% delivery. As the scrip was in the "T" group, it was illiquid and there was no speculative element.*
- *Our trades transaction in GSCL was at the then prevailing market price as existed at the time we placed our order to sell or buy shares of GSCL. Therefore, the said transactions could not have been termed "fraudulent" or manipulative in nature. The volume and price of GSCL were not affected by our dealings in the scrip of GSCL.*
- *We submit that, we have executed a share through online screen-based trading system. We have traded in GCSL on the basis of the news and updates at the relevant time. The financial results of the GCSL was improving quarter by quarter. Therefore, we buy shares in GCSL and after release of financial results for March 2021 quarter, which were excellent in nature and then we have observed liquidity and price movement in price of GCSL. Thus, we executed few trades through online trading system. We have dealt in shares of GCSL within our financial and risk bearing capacity.*
- *There is no allegation of any circular trading or synchronization of trades and there was never any intention to involve in any illegal market practices. Importantly, there is real change of beneficial ownership, hence no charge of any PFUTP regulation ought to be leveled against us.*
- *We have no linkage with any of the counter parties. Therefore, it is incomprehensible to hold or bind us as belonging to any group or connected entities as alleged.*
- *There is no structure/ pattern of trading that is carried out by us which can be treated as instrumental for manipulating the price of the scrip of GSCL.*
- *At the relevant time, no alerts were generated by any regulatory authority and only in hindsight SEBI has established that we created misleading appearance of trading and manipulated price, resulting in higher price in scrip of GSCL.*

- *It is untenable to arrive at a finding of "fraud" solely on the basis of the fact that the we dealt in the scrip of GSCL. The Hon'ble SAT has held that in the case of R.K. Global Vs. SEBI (decided on 16th September 2010) that a higher degree of probability must exist before a serious charge such as that of execution of fraudulent trades could be found to have been established.*
- *In another case of Narendra Ganatra vs SEBI (decided on 29th July 2011) the Hon'ble SAT observed that proving a charge of conniving with group entities in creating false and misleading appearance of trading in the market and artificially raising the price of scrip, requires a higher degree of probability, and cannot stand on surmises and conjuncture.*
- *The Supreme Court has held that in Ram Sharan Yadav vs Thakur Mineshwar Nath Singh [(1984) 4 SCC 649] a charge of corrupt practice has to be proved by convincing evidence and not merely by preponderance of probabilities.*

11.10 I have perused the available records in respect of the allegations made in the SCN, replies of the Noticees and submissions made during the course of hearing.

11.11 Noticees in their replies stated that they preferred to trade in the scrip of GCSL on the basis of improvement in financial condition of the company. In this regard, I note from the copy of corporate announcement dated June 25, 2021 made by the company through BSE, whereby financial results for year ended March 31, 2021 were considered and approved by the board of directors, that profit of the company increased from Rs. 121.5 Lakh in FY ended March 31, 2020 to Rs. 239.52 Lakh in FY March 31, 2021 on consolidated basis. On standalone basis also, profit of the company increased from Rs. 47.59 Lakh to Rs.136.20 Lakh over the same period.

11.12 With respect to LTP contribution by Noticee nos. 1, 2 & 3, I note that Noticee no. 1 executed 124 trades for 4,53,000 shares during IP out of which 72 trades of Noticee no. 1 were positive LTP trades contributing Rs. 52.05/- to positive LTP accounting for 28.53% of market total LTP of Rs. 182.05/-. However, I also note from the findings of investigation that 33 trades of Noticee no. 1 were executed at negative LTP contributing for (negative) Rs. 36/- to total negative LTP of Rs. 107.45/-. Further 19 trades of Noticee no. 1 were executed at zero LTP. I note that Noticee no. 1 traded 2,70,000 shares at positive LTP, he also traded 1,83,000 shares either at negative or zero LTP during IP. Thus, I find that Noticee no. 1 executed trades at both positive and negative LTP and trades were also executed at zero LTP.

11.13 Similarly, Noticee nos. 2 & 3 executed 33 & 45 trades for 99,000 shares and 1,41,000 shares respectively during IP. 15 trades of Noticee no. 2 and 16 trades of Noticee no. 3 were executed at positive LTP accounting for Rs. 10/- (i.e. 5.48%) and Rs.13.50/- (i.e. 7.40%) respectively to total positive LTP of Rs. 182.45/-. However, I also note from the findings of investigation that Noticee no. 2 executed 12 trades at negative LTP contributing (negative) Rs. 10.25/- and 23 trades of Noticee no. 3 were executed at negative LTP contributing (negative) Rs. 24.40/- to total negative LTP of Rs. 107.45/-. Noticee nos. 2 & 3 traded 54,000 shares and 93,000 shares respectively either at negative or zero LTP during the IP. Therefore, I note that Noticee nos. 2 & 3 executed trades not only at positive LTP but also at negative/zero LTP.

11.14 With respect to 74 trades executed amongst Noticee nos. 1, 2 & 3, investigation findings revealed that 43 trades for 1,29,000 shares contributed to Rs. 31.50/- to positive LTP which accounted for 17.26% to market positive LTP of Rs. 182.45/-. However, I note that investigation pointed out that Noticee nos. 1, 2 & 3 also executed 18 trades for 54,000 shares at negative LTP and 13 trades for 39,000 shares at zero LTP contributing (negative) Rs. 16.50/- to total market negative LTP of Rs. 107.45/-. Therefore, said Noticees not only executed trades at positive LTP but also at negative/zero LTP.

11.15 I note the following from a few trades amongst Noticee Nos. 1, 2 & 3:

11.15.1 On 14/05/2021, Noticee no. 1 placed buy order for 3000 shares at 09:02:57 hrs. and counter party i.e. Noticee no. 3, placed sell order for 3000 shares at 09:19:12 hrs. Noticee no. 1 modified his order at 10:14:12 hrs. and trade got executed for 3000 shares at Rs. 58/- per share at 10:14:12 hrs.

11.15.2 On 21/05/2021, Noticee no. 3 placed buy order for 3000 shares at 11:38:13 hrs. and Noticee no. 1 placed sell order for same number of shares at 14:32:47 hrs i.e. after a time gap of around 3 hrs (approx.).

Noticee no. 3 modified her order at 14:58:23 hrs. Trade for 3000 shares was executed at 14:58:23 hrs at Rs. 59/- per share.

11.15.3 On 24/05/2021, Noticee no. 1 placed sell order at 09:03:40 hrs for 3000 shares. Sell order of Noticee no. 1 was lying in the trading system from 09:03:40 hrs. until buy order was placed by Noticee no. 3 at 11:05:41 hrs i.e. after a time gap of 2 hrs. (approx.) resulting into execution of trade at 11:05:41 hrs for 3000 shares at 60 per share.

11.16 I note that most of the trades amongst the said Noticees were executed in a similar manner. From the above, I note that there was substantial time gap between orders placed by parties and counterparties. Order placed by one Noticee was waiting in the system and could have matched with any other client other than said Noticees. However, there was no order placed by anybody other than the Noticees and hence the orders got executed between the said Noticees. Based on the above, I note that the trades between the said Noticees cannot be termed as executed with prior meeting of mind and hence cannot be termed as fraudulent or manipulative.

11.17 I do not find any other material on record to indicate that the trades between the Noticee nos. 1, 2 and 3 were manipulative or fraudulent and hence mere creation of LTP without any manipulation cannot be termed as fraudulent in terms of PFUTP Regulations. In absence of sufficient material on record to establish the allegations, I am inclined to agree with the submissions of the Noticee nos. 1, 2 & 3 that they have not violated the provisions of PFUTP Regulations, as alleged in the SCN.

12. **Issue II: Whether Noticee no. 4 violated the provisions of Regulation 7 (2) (a) of SEBI PIT Regulations 2015?**

12.1 Before moving forward, relevant provisions of law are reproduced below:-

PIT Regulations

Continual Disclosures.

7(2) (a). Every promoter employee and director of every company shall disclose to the company the number of such securities acquired or disposed of within two trading days of such transaction if the value of the securities traded, whether in one transaction or a series of transactions over any calendar quarter, aggregates to a traded value in excess of ten lakh rupees or such other value as may be specified;

12.2 I note that Noticee No. 4 traded in the scrip of GCSL during the IP but failed to file disclosures as required under Regulation 7 (2) (a) of the PIT Regulations.

12.3 I note that during the IP, the promoter and Non-Executive Director of the Company (DIN: 05173313) Mr. Vipul Lathi i.e. Noticee No. 4 sold 1,38,000 shares of the company, which was 2.41% of his holdings in the company. As per shareholding data filed with BSE, at the end of December 2020, 72.04% of the shares of the company were held by four promoter entities. Of the 72.04% of shares, Noticee No. 4 was holding was 70.87% of shares. During the IP, no other promoter entity, except Noticee No. 4 traded in the scrip of GCSL. Noticee No. 4 did not enter into any buy trade in the scrip.

12.4 I note that trade details of Noticee No. 4 along with his disclosure details were analysed to ascertain disclosure violations under Regulation 7(2)(a) read with 7(2)(b) of PIT Regulations. The following table shows details of transactions with due date for compliance and the actual date of compliance by Noticee No. 4:

S NO	Trade Date (As per trade log / DP stt for off-market transfers)	No. of shares held - Pre acquisition / disposal	% of shareholding held pre-acquisition / disposal	No. of shares acquired / (disposed off)	No. of shares acquired / disposed off as % of paid up capital	Value of transaction	No. of shares held post acquisition / disposal	% of shareholding held post acquisition / disposal	Due date for disclosure to Company (u/s 7(2)(a) of SEBI (PIT) Reg. 2015	Date of disclosure to the company	Date of disclosure by company to BSE	No. of days of delay
1	06/01/2021	4061649	70.87%	24000	0.42%	553200	4085649	71.29%	-			
2	07/01/2021	4085649	71.29%	24000	0.42%	553200	4109649	71.71%	11-Jan-21	07-Apr-22	08-Apr-22	452

S N O	Trade Date (As per trade log / DP stt for off-market transfers)	No. of shares held - Pre acquisition / disposal	% of shareholding held pre-acquisition / disposal	No. of shares acquired / (disposed off)	No. of shares acquired / disposed off as % of paid up capital	Value of transaction	No. of shares held post acquisition / disposal	% of shareholding held post acquisition / disposal	Due date for disclosure to Company (u/s 7(2)(a) of SEBI (PIT) Reg. 2015	Date of disclosure to the company	Date of disclosure by company to BSE	No. of days of delay
3	08/01/2021	4109649	71.71%	6000	0.10%	138300	4115649	71.81%	-			
4	27/01/2021	4115649	71.81%	-6000	-0.10%	147000	4109649	71.71%	-			
5	28/01/2021	4109649	71.71%	-12000	-0.21%	351000	4097649	71.50%	-			
6	22/02/2021	4097649	71.50%	-12000	-0.21%	330000	4085649	71.29%	-			
7	23/02/2021	4085649	71.29%	-12000	-0.21%	354000	4073649	71.08%	25-Feb-21	07-Apr-22	08-Apr-22	407
8	24/02/2021	4073649	71.08%	-12000	-0.21%	363000	4061649	70.87%	-			
9	25/02/2021	4061649	70.87%	-12000	-0.21%	375000	4049649	70.66%	-			
10	01/03/2021	4049649	70.66%	-6000	-0.10%	189000	4043649	70.55%	-			
11	03/03/2021	4043649	70.55%	-6000	-0.10%	195000	4037649	70.45%	05-Mar-21	07-Apr-22	08-Apr-22	399
12	04/03/2021	4037649	70.45%	-6000	-0.10%	198000	4031649	70.35%	-			
13	05/03/2021	4031649	70.35%	-6000	-0.10%	195000	4025649	70.24%	-			
14	09/03/2021	4025649	70.24%	-6000	-0.10%	199500	4019649	70.14%	-			
15	12/03/2021	4019649	70.14%	-12000	-0.21%	409500	4007649	69.93%	16-Mar-21	07-Apr-22	08-Apr-22	388
16	09/04/2021	4007649	69.93%	-6000	-0.10%	288000	4001649	69.82%	-			
17	12/04/2021	4001649	69.82%	-12000	-0.21%	591000	3989649	69.61%	-			
18	15/04/2021	3989649	69.61%	-12000	-0.21%	609000	3977649	69.40%	19-Apr-21	07-Apr-22	08-Apr-22	354

12.5 I note that the Noticee no. 4 submitted, inter alia, the following in its submissions:

- *The Noticee sold 1,38,000 shares in normal course of business and normal trading hours. After knowledge of the said provisions, the Noticee immediately made necessary disclosures to the GCSL. Therefore, it is crystal clear that Noticee has acted in bonafide manner.*
- *The Noticee has not made delay in disclosure to gain any monetary benefit in malafide intention. The Noticee respectfully submits that he did not gain any ill-gotten profit by alleged delayed in disclosures. Further, any of investor did not suffered any monetary loss and no complaint has been made by any of the investors to the regulatory bodies.*
- *The Noticee without prejudice to its rights and its contentions submit that said violations are technical in nature.*

12.6 I note that during the IP, Noticee No. 4 did not make disclosures under PIT Regulations within stipulated time. All the transactions executed from January 2021 to April 2021, were only disclosed to the Company on April 7, 2022, which was in turn disclosed to the Stock Exchange by the

Company on April 8, 2022. During the IP, five instances of delay in disclosure under PIT Regulations are observed, out of which, in four instances, the delay was more than one year and in the fifth instance also, the delay of disclosure was nearly one year (i.e. 354 days).

12.7 Noticee no. 4 in his reply stated that he was not aware of the provisions related to disclosure under PIT Regulations and he had sold 1,38,000 shares in normal course of business. After knowledge of the said provision, the Noticee no. 4 made necessary disclosures to the GCSL. The Noticee also submitted that he did not gain any ill-gotten profit by alleged delay in disclosures and emphasized that said violations are technical in nature.

12.8 In this connection, I note that Hon'ble Securities Appellate Tribunal (*Hon'ble SAT*) in the matter of **Coimbatore Flavors & Fragrances Ltd. vs SEBI** (Appeal No. 209 of 2014 order dated August 11, 2014), highlighted the importance of disclosures, and held that *"Undoubtedly, the purpose of these disclosures is to bring about more transparency in the affairs of the companies. True and timely disclosures by a company or its promoters are very essential from two angles. Firstly; investors can take a more informed decision to invest or not to invest in a particular scrip secondly; the Regulator can properly monitor the transactions in the capital market to effectively regulate the same".*

12.9 I also note in the matter of **Virendrakumar Jayantilal Patel Vs SEBI** (Appeal No.299 of 2014 and Order dated October 14, 2014), the Hon'ble Appellate Tribunal had held that *"……….. obligation to make the disclosures within the stipulated time is a mandatory obligation and penalty is imposed for not complying with the mandatory obligation. Similarly, argument that the failure to make the disclosures within the stipulated time, was unintentional, technical or inadvertent and that no gain or unfair advantage has accrued to the appellant, is also without any merit, because, all these factors are mitigating factors and these factors do not obliterate the obligation to make the disclosures" (Emphasis supplied).*

12.10 I note that disclosure requirements as stipulated in the PIT regulations involves dissemination of the timely information to public at large. I note that Noticee sold 1,38,000 shares of GCSL accounting for 2.41% of his holding in the Company and failed to make necessary disclosures. The non-disclosures cannot be condoned as a bona fide or inadvertent error or on the ground of the Noticees being unaware of such requirement.

12.11 In view of the above, it is conclusively established that Noticee no. 4 violated Regulation 7(2)(a) of PIT Regulations.

13. **Issue III. If yes, whether the violations, if any, attract monetary penalty u/s 15HA or 15 A (b) of the SEBI Act?**

13.1 Before moving forward, it is pertinent to refer to the relevant provisions under which penalty is attracted. The said provisions are provided hereunder:

SEBI Act

Penalty for failure to furnish information, return, etc.

15A. If any person, who is required under this Act or any rules or regulations made thereunder,—

(a) ...

(b) to file any return or furnish any information, books or other documents within the time specified therefor in the regulations, fails to file return or furnish the same within the time specified therefor in the regulations [or who furnishes or files false, incorrect or incomplete information, return, report, books or other documents, he shall be liable to a penalty [which shall not be less than one lakh rupees but which may extend to one lakh rupees for each day during which such failure continues subject to a maximum of one crore rupees];

13.2 Since, it has been established that Noticee no. 4 has violated Regulation 7(2)(a) of PIT Regulations, he is liable for monetary penalty u/s 15 A(b) of SEBI Act.

14. **Issue IV. If so, 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 r/w Rule 5(2) of the Adjudication Rules?**

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

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

While adjudging quantum of penalty under [15-I or section 11 or section 11B, the Board or the adjudicating officer] shall have due regard to the following factors, namely :—

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

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

(c) the repetitive nature of the default.

15. I have taken into consideration that Noticee no. 4 failed to file disclosures within stipulated timelines. There are 5 instances during IP when he filed necessary disclosure with substantial delay. There is nothing on record to show amount of disproportionate gain or unfair advantage made as a result of default or the loss caused to investors due to violation committed by Noticee no. 4. From past action history, I note that no action has been taken against Noticee no. 4 in the past.

ORDER

16. Considering all the facts and circumstances of the case and exercising the powers conferred upon me u/s 15-I of the SEBI Act r/w rule 5 of the SEBI Adjudication Rules, I hereby impose the following penalty on the Noticee no. 4;

Name of the Noticee	**Provisions Violated**	**Penalty u/s of SEBI Act**	**Penalty**
Vipul Dileep Lathi PAN: ACQPL5044B	Regulation 7 (2) (a) of SEBI (PIT) Regulations, 2015	Section 15A(b) of SEBI Act	Rs. 2,00,000 (Rupees Two Lakhs Only)

I find that the said penalty is commensurate with the violations committed by the Noticee no.4 in this case. SCN dated February 15, 2023 is disposed of in respect of Noticee nos. 1, 2 & 3 without penalty.

17. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

18. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

19. In terms of Rule 6 of the Adjudication Rules, a copy of this order is sent to the Noticees and also to the Securities and Exchange Board of India.

Place: Mumbai **AMIT KAPOOR**

Date: May 25, 2023 **ADJUDICATING OFFICER**