BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/MC/HP/2021-22/15210-15213]

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

In respect of –

1. **Shushma Kapur (PAN: ABMPK8540Q)** having address at - 801, International Trade Tower, Nehru Palace, New Delhi-110019
2. **APM Financial Consultants Private Limited (PAN: AABCA8631R)** having address at - 801, International Trade Tower, Nehru Palace, New Delhi-110019
3. **Panther Finvest P. Ltd. (PAN: AAACP6722B)** having address at - 121, 1st Floor, Maker Chambers, V221, Nariman Point, Mumbai-400021
4. **Pee Dee Kapur Stock and Securities Limited (PAN: AELPK4977J)** having address at - 801, International Trade Tower, Nehru Palace, New Delhi-110019 **and**
   121, 1st Floor, Maker Chambers, V221, Nariman Point, Mumbai-400021

In the matter of Coral Hub Limited

BACKGROUND

1. Securities and Exchange Board of India (hereinafter be referred to as, **'SEBI'**) initiated adjudication proceedings under Section 15HA of the SEBI Act, 1992 (hereinafter referred to as, **'SEBI Act'**), against Shushma Kapur (**Noticee 1**), APM Financial Consultants Private Limited (**Noticee 2**) and Panther Finvest P. Ltd. (**Noticee 3**) for the alleged violations of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a), (e) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities

Market) Regulations, 2003 (hereinafter referred to as, **'PFUTP Regulations'**); and under Section 15HA and 15HB of SEBI Act, against Pee Dee Kapur Stock and Securities Limited (**Noticee 4**) for the alleged violations of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a), (e) and (g) of PFUTP Regulations and Regulation 7 read with Schedule II A (3), (4) and (5) of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as, **'Brokers Regulations'**) pursuant to investigation in the matter of trading in the scrip of Coral Hub Limited (**CHL/Scrip/Company**) by certain entities during the period from December 01, 2008 to March 31, 2009 (**IP/investigation period**). The Noticees 1 to 4 are collectively referred to as **'Noticees/You'.**

APPOINTMENT OF ADJUDICATING OFFICER

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

SHOW CAUSE NOTICE, REPLY AND HEARING

3. Show Cause Notice No. EAD-2/AP/VS/2812/2021 dated February 03, 2021 (hereinafter be referred to as, the "**SCN**") was served upon the Noticees under Rule 4(1) of the Adjudication Rules read with Section 15-I of the SEBI Act, to show cause as to why an inquiry should not be held and penalty not be imposed against the Noticees under Section 15HA and 15HB of SEBI Act for the aforesaid alleged violations.

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

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

6. Based on Know Your Client (KYC) documents, Bank account statements, demat account statements and MCA website (for common directors), Noticee 1, 2 and 3 were identified as 'Group entities'.

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

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

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

9. During the pre-split period the top 10 clients and brokers/members at NSE and BSE were as follows:

Clients:

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

Buy Client	Buy Qty	% of buy Qty to the Market buy Qty	Sell Client	Sell Qty	% of sell qty to the market sell qty
NSE (Total traded quantity 20,65,140)					
H K Stock Services Pvt Ltd	1,57,691	7.64	H K Stock Services Pvt Ltd	2,27,195	11.00
Real Marketing Pvt Ltd	1,54,592	7.49	Panther Finvest Pvt. Ltd.	1,45,231	7.03
Panther Finvest Pvt. Ltd.	1,45,231	7.03	Shah Hemendra R	1,06,768	5.17
Sushma Kapur (Prop. Shivam Investment)	1,43,768	6.96	Jigneshbhai Hiralal Shah	1,01,333	4.91
Shobha Imtiyaz Desai	1,04,500	5.06	Real Marketing Pvt Ltd	87,563	4.24
Pravina Rohitkumar Mehta	1,00,000	4.84	Shivam Investment (Prop. Sushma Kapur)	80,268	3.89
Alin Ajaykumar Shah	76,000	3.68	Koshti Securities	73,943	3.58
D. B. Securities P. Ltd.	63,456	3.07	D. B. Securities P. Ltd.	64,948	3.15
APM Financial Consultants Pvt. Ltd.	61,371	2.97	APM Financial Consultants Pvt. Ltd.	61,371	2.97
Vipul Pannalal Shah	49,297	2.39	Hiren Kumar Parshottam Bhai Patel	53,851	2.61
Total	**10,55,906**	**51.13**		**10,02,471**	**48.54**
BSE (Total traded quantity 18,70,102)					
H K Stock Services Pvt Ltd	1,62,726	8.70	H K Stock Services Pvt Ltd	1,86,484	9.97
Shobha Imtiyaz Desai	1,05,000	5.62	Anil Shrimal	92,050	4.92
Pravina Rohitkumar Mehta	1,00,000	5.35	D B Securities Private Limited	89,931	4.81
Anil Shrimal	94,189	5.04	Shah Hemendra R	87,137	4.66
D B Securities Private Limited	78,909	4.22	Nareshkumar Khoobchand Koshti	80,287	4.29
Real Marketing Pvt Ltd	78,552	4.20	Real Marketing Pvt Ltd	75,660	4.05
Mananbhai Ajaybhai Shah	76,000	4.06	Atulbhai Gordhanbhai Vaja	69,959	3.74
Atulbhai Gordhanbhai Vaja	65,255	3.49	Jigneshbhai Hiralal Shah	66,970	3.58
Vipul Pannalal Shah	62,519	3.34	Vipul Pannalal Shah	62,519	3.34
Anand Yogesh Shares And Consultancy Pvt Ltd	50,920	2.72	Shaishil Tusharkumar Jhaveri	53,204	2.85
Total	**8,74,070**	**46.74**	**Total**	**8,64,201**	**46.21**

10. From the above table it is observed that on NSE, Noticee 1, 2 and 3 have featured in top 10 entities.

Broker/Members:

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

Buy Member	Buy Qty	% of buy Qty to the Market buy Qty	Sell Member	Sell Qty	% of sell qty to the market sell qty
NSE (Total traded quantity 20,65,140)					
Shriram Insight Share Brokers Limited	3,42,352	16.58	Shriram Insight Share Brokers Limited	5,05,580	24.48
Pee Dee Kapur Stock & Securities Limited	3,32,366	16.09	Pee Dee Kapur Stock & Securities Limited	2,64,866	12.83
Rajvi Stock Broking Private Limited	1,20,400	5.83	Religare Securities Ltd.	1,04,924	5.08
Networth Stock Broking Ltd.	1,18,322	5.73	Sharekhan Ltd.	85,647	4.15
Religare Securities Ltd.	1,07,961	5.23	Mangal Keshav Securities Ltd.	80,788	3.91

Jm Financial Services Limited	1,07,528	5.21	Arcadia Share & Stock Brokers Private Limited	78,372	3.80
Arcadia Share & Stock Brokers Private Limited	79,145	3.83	Sic Stocks & Services Private Limited	76,277	3.69
ANS Pvt. Ltd.	65,779	3.19	Anagram Capital Limited	69,313	3.36
Anagram Capital Limited	65,568	3.18	Excel Mercantile Private Limited	64,948	3.15
Emkay Global Financial Services Limited	63,503	3.08	Indiabulls Securities Ltd.	55,294	2.68
Total	**14,02,924**	**67.93**	**Total**	**13,86,009**	**67.12**
BSE (Total traded quantity 18,70,102)					
Shriram Insight Share Brokers Limited	3,33,165	17.82	Shriram Insight Share Brokers Limited	4,28,606	22.92
Rajvi Stock Broking Ltd.	1,37,719	7.36	Mangal Keshav Securities Ltd.	1,09,862	5.88
JM Financial Services Pvt. Ltd.	1,21,095	6.48	ANS Pvt. Ltd.	1,06,952	5.72
Networth Stock Broking Ltd.	1,09,919	5.88	SIC Stocks & Services Pvt. Ltd.	98,333	5.26
ANS Pvt. Ltd.	1,08,660	5.81	Excel Mercantile Pvt. Ltd.	89,931	4.81
Sic Stocks & Services Pvt. Ltd.	94,189	5.04	Arcadia Share & Stock Brokers Pvt. Ltd.	89,461	4.78
Arcadia Share & Stock Brokers Pvt. Ltd.	87,930	4.70	Archi Shares & Stocks Brokers Pvt. Ltd.	78,105	4.18
Mangal Keshav Securities Ltd.	80,518	4.31	Religare Securities Limited.	63,047	3.37
Excel Mercantile Pvt. Ltd.	78,909	4.22	Sharekhan Ltd.,	58,328	3.12
Religare Securities Limited.	60,951	3.26	Anagram Stock Broking Ltd.	53,367	2.85
Total	**12,13,055**	**64.87**	**Total**	**11,75,992**	**62.89**

11. From the above table it is observed that Noticee 4 featured in top 10 brokers at NSE.

12. **Trading by Noticees 1, 2 and 3 at NSE:**

S.No	Noticee Name	Gross Buy	Gross Buy % to total market Buy vol.	Gross Sale	Gross Sell % to total Sell vol.	Net Trade
NSE (Total traded quantity 20,65,140)						
1.	Panther Finvest Pvt. Ltd.	1,45,231	7.03	1,45,231	7.03	0
2.	Sushma Kapur (Prop. Shivam Investment)	1,43,768	6.96	80,268	3.89	63,500
3.	APM Financial Consultants Pvt. Ltd.	61,371	2.97	61,371	2.97	0
	Total (A)	**3,50,370**	**16.97**	**2,86,870**	**13.89**	**63,500**

13. From the above table it is observed that Noticees 1, 2 and 3 have contributed 16.97% of market buy volume and 13.89% market sell volume at NSE.

14. **Trading of Noticees 1, 2 and 3 among themselves:**

Buyer	Seller			
	APM Financial Consultants Pvt. Ltd.	**Panther Finvest Pvt. Ltd.**	**Sushma Kapur (Prop. Shivam Investment)**	**Grand Total**
APM Financial Consultants Pvt. Ltd.	0	43720	14726	58446
Panther Finvest Pvt. Ltd.	43083	1241	59420	103744
Sushma Kapur (Prop. Shivam Investment)	16572	83759	98	100429
Grand Total	**59655**	**128720**	**74244**	**262619**

15. It is observed from the above table that Noticees 1, 2 and 3 traded among themselves for 2,62,619 shares which is 12.72% of total market volume, 74.95% of their total buy volume and 91.55% of their sell volume.

16. **REVERSAL OF TRADES:**

17. It was observed that during the pre-split period Noticees 1, 2 and 3 indulged in reversal trades, details of which are given below:

Date	PAN 1 – Client Name	PAN 2 – Client Name	Qty. (PAN 2(Sell) to PAN 1(Buy))	Qty. (PAN 1(Sell) to PAN 2(Buy))	Reversal Qty.	No. of Reversal trades	Market volume on the day of reversal	% of reversal Qty to day mkt volume
30.12.2008	Panther Finvest Pvt. Ltd.	Sushma Kapur (Prop. Shivam Investment)	9,984	9,975	9,975	30	52171	19.12
31.12.2008	Panther Finvest Pvt. Ltd.	APM Financial Consultants Pvt. Ltd.	4,899	4,999	4,899	18	194642	12.68
	Panther Finvest Pvt. Ltd.	Sushma Kapur (Prop. Shivam Investment)	19,782	19,999	19,782	68		
01.01.2009	Panther Finvest Pvt. Ltd.	APM Financial Consultants Pvt. Ltd.	7,000	7,000	7,000	22	58726	28.95
	Panther Finvest Pvt. Ltd.	Sushma Kapur (Prop. Shivam Investment)	9,999	10,000	9,999	18		
02.01.2009	Panther Finvest Pvt. Ltd.	APM Financial Consultants Pvt. Ltd.	9,999	9,890	9,890	29	32251	30.67
09.01.2009	Panther Finvest Pvt. Ltd.	Sushma Kapur (Prop. Shiv Investment)	4,098	4,528	4,098	67	24430	16.77
12.01.2009	Panther Finvest Pvt. Ltd.	APM Financial Consultants Pvt. Ltd.	5,255	4,954	4,954	61	24228	20.45
13.01.2009	Panther Finvest Pvt. Ltd.	APM Financial Consultants Pvt. Ltd.	2,238	2,260	2,238	32	23140	9.67

14.01.2009	Panther Finvest Pvt. Ltd.	APM Financial Consultants Pvt. Ltd.	4,709	4,710	4,709	41	26079	18.06
15.01.2009	Panther Finvest Pvt. Ltd.	APM Financial Consultants Pvt. Ltd.	8,392	7,907	7,907	40	40453	19.55
16.01.2009	Panther Finvest Pvt. Ltd.	Sushma Kapur (Prop. Shivam Investment)	4,528	5,051	4,528	31	37294	12.14
19.01.2009	APM Financial Consultants Pvt. Ltd.	Sushma Kapur (Prop. Shivam Investment)	3,935	4,134	3,935	58	16886	23.30
20.01.2009	APM Financial Consultants Pvt. Ltd.	Sushma Kapur (Prop. Shivam Investment)	3,346	3,121	3,121	89	17581	17.75
21.01.2009	APM Financial Consultants Pvt. Ltd.	Sushma Kapur (Prop. Shivam Investment)	6,253	6,243	6,243	129	20430	30.56
22.01.2009	APM Financial Consultants Pvt. Ltd.	Sushma Kapur (Prop. Shivam Investment)	1,192	1,198	1,192	12	22385	5.33
Total of group 1 entities:			**1,05,609**	**1,05,969**	**1,04,470**	**745**	**590696**	**17.89%**

18. From the above table it is observed that Noticees 1, 2 and 3 have together traded 1,04,470 shares through reversal trades. This is 17.89% of Market Volume (5,90,696 shares) during the days on which reversal trades have taken place. The reversal volume, day wise is in the range of 5.33% - 30.67%.

19. The reversal trades are of repetitive nature as there are 745 reversal trades. It is also observed from the above table that the quantity reversed by these Noticees is almost same.

20. In view of the above, it was alleged that Noticees 1, 2 and 3 have indulged in reversal trades and thereby artificially inflated the volume in the scrip of CHL at NSE, which is in violation of Section 12A (a), (b) & (c) of SEBI Act and Regulations 3 (a), (b), (c) & (d), 4(1), 4 (2) (a), (e) & (g) of PFUTP Regulations.

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

22. The LTP contribution of Noticees 1, 2 and 3 at NSE are as follows:

Name Of The Buyer.	All Trades			LTP Diff. >0			LTP Diff. < 0			LTP Diff. =0		% Of +LTP To Market + LTP (Market +LTP= Rs.5839)
	Net LTP	Sum Of Quantity	No Of Trades	LTP Impact	QTY Traded	No Of Trades	LTP Impact	QTY Traded	No Of Trades	QTY Traded	No Of Trades	
A	B	C	D	E	F	G	H	I	J	K	L	M
Panther Finvest Pvt. Ltd.	282	1,45,231	536	310	25,003	94	-28	23,507	63	96,721	379	5.31
Sushma Kapur (Prop. Shivam Investment)	67	1,43,768	725	129	21,968	101	-61	21,511	69	1,00,289	555	2.21
APM Financial Consultants Pvt. Ltd.	46	61,371	423	63	5,614	56	-16	2,569	23	53,188	344	1.08
Total (A)	**396**	**3,50,370**	**1,684**	**501**	**52,585**	**251**	**-105**	**47,587**	**155**	**2,50,198**	**1,278**	**8.58**

23. From the above table it is observed that Noticees 1, 2 and 3 have contributed Rs.396 net LTP contribution while buying 3,50,370 shares on NSE. Therefore, it was alleged that Noticees 1, 2 and 3 as a group tried to jack up the price while other entities in the market bought the shares at a price below LTP (on net basis). The trading pattern of the Noticees 1, 2 and 3 as a group while inflating the LTP is discussed in below paragraphs. In terms of positive LTP contribution they have contributed 8.58%.

24. **Order book analysis:**

Order book analysis of top 10 trades executed by Noticees 1, 2 and 3 as buyers, in the order of LTP contribution is given below:

Date	Buy Order No.	Seller	Buy Order Time	Sell order time	Trade Price	Buy Order Price	Sell Order Price	Trade qty	Buy Order Qty	Sell Order Qty	LTP Contribution	Top 5 Bid Price Available(Range)	Top 5 Ask Price Available(Range)	Top 5 Ask Vol. Available(Total)
A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
19.01.2009	2009011966680097	Brij Mohan Bansal HUF	09:55:05	09:55:06	360	360	349.80	10	10	200	**31.45**	No other buy orders/ sell orders are available at the time of entering buy order.		
20.02.2009	2009022066678983	Sangeeta Agarwal	09:55:06	09:55:10	350	350	339.00	10	10	15	**24.75**			
09.01.2009	2009010966678741	Vikramkumar Karanraj Sakaria Huf Daksh Corporation	09:55:06	9:55:06	314.7	315	314.70	10	10	1000	**22.95**			

12.01.2009	20090112 66686434	Vikramkumar Karanraj Sakaria Huf Daksh Corporation	09:55:06	09:55:10	309.9	309.90	309.90	10	10	200	**19.95**			
17.02.2009	20090217 66681438	Taurus Portfolio Private Limited	09:55:05	09:55:14	335	335	335	10	10	100	**18.75**	**-NA-**	**350**	**132**
16.01.2009	20090116 66683481	Brij Mohan Bansal Huf	09:55:06	09:55:17	350	350	350	10	10	200	**16.9**	No other buy orders/ sell orders are available at the time of entering buy order.		
26.02.2009	20090226 66681441	Taurus Portfolio Private Limited	09:55:05	09:55:05	335	350	335	10	10	100	**16.45**	291.55-302.55	335-349.70	10,300
21.01.2009	20090121 66703845	Mr Venugopal K	09:55:27	09:55:08	335	335	335	10	10	100	**15.4**	314.15-319.60	335-350	439
22.01.2009	20090122 66721600	Radiant Equity Management Pvt Ltd	09:56:06	09:55:47	324.95	325	324.95	5	5	300	**14.9**	**300 - 300.20**	**324.95-325**	**336**
18.02.2009	20090218 66682682	Balvant Jethalal Sagar	09:55:07	09:55:08	335	335	331	10	10	25	**14.1**	No other buy orders/ sell orders are available at the time of entering buy order.		
Total								**95**			**195.6**			

25. It is observed from the above that Noticees 1, 2 and 3 (in most of the instances) were placing buy orders at a price more than the available sell order price, hence it was alleged that these entities artificially inflated the price of the scrip.

26. Also, in majority of the instances there were no other buyers available in the market while Noticees 1, 2 and 3 were placing their buy orders at a price well above the last traded price.

27. The buy orders placed by Noticees 1, 2 and 3 are in the range of 5-10 shares on various days. Thereby, just with the traded quantity of 95 shares they contributed to Rs.195.60 to the LTP. Hence, it was alleged that these small orders are placed to artificially inflate the price.

28. Considering the above observation of placing miniscule buy orders by them, their trading pattern is further analysed. They contributed Rs.501 to positive LTP in

251 trades with a volume of 52,585 shares. The analysis of buy orders volume with respect to these 251 trades and their impact on LTP is tabulated below:

Buy orders quantity range	No. of Trades	Sum of + LTP in Rs.	% to the total +LTP by the client Rs.501	Sum of Trade Quantity
1-5	28	89	18	65
5-10	17	223	44	169
Sub total	**45**	**312**	**62**	**234**
10-50	17	17	3	341
50-100	21	19	4	520
>100	168	154	31	51,490
Total	**251**	**501**	**100**	**52,585**

29. It is observed from the above table that Noticees 1, 2 and 3, in 45 trades placed buy orders in the range of 1-10 shares and contributed to Rs.312 positive LTP, which is 62% of the overall positive LTP contributed by them. Therefore, it was alleged that the Noticees 1, 2 and 3 have artificially inflated the price of the scrip of CHL by placing small orders at a price more than LTP.

30. **NEW HIGH PRICE (NHP) ANALYSIS:**

It was observed that during the pre-split period the scrip of CHL at NSE opened at Rs.318.60, reached high of Rs.360.01 with increase in price of Rs.41.41. The contribution to the NHP by the Noticees 1, 2 and 3 at NSE is given below:

S.NO	Particulars	Qty	No. of Trades	Sum of NHP Contribution	% of total mkt NHP, Rs.41.41
At NSE (NHP of Rs.41.41/-)					
1.	Panther Finvest Pvt. Ltd.	10	1	10	24.15
2.	APM Financial Consultants Pvt. Ltd.	10	1	8	19.32
	Total	**20**	**2**	**18**	**43.47**

31. From the above table it is observed that Noticee 2 and 3 have contributed to 43.47% of NHP in the scrip of CHL at NSE.

32. **FIRST TRADE ANALYSIS:**

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

S.No.	Particulars	No. of days appearing as buyer	Trade quantity	LTP contributed	% of LTP to the total LTP through first trades (Rs.510)
1.	Panther Finvest Pvt. Ltd.	16	136	242.5	47.55
2.	APM Financial Consultants Pvt. Ltd.	2	11	21.7	4.25
	Total	**18**	**147**	**264.2**	**51.80**

33. From the above table it is observed that Noticee 2 and 3 appeared as buyers on 2 and 16 first trades respectively, and collectively as a group contributed to 51.80% of total LTP through first trades.

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

35. **Role of Noticee 4 (Broker of Noticees 1, 2 and 3):**

36. From the above paragraphs it was alleged that Noticees 1, 2 and 3 have indulged in volume manipulation by entering into reversal trades and in price manipulation

by placing small orders at a price higher than LTP during pre-split period. It was observed that Noticee 4 acted as broker to the trades of Noticees 1, 2 and 3.

37. It was observed that Noticee 1, Devendra P Kapur, Sapna Kapur and Puneet D Kapur are directors of Noticee 4 and all of these directors are having common residential address at Janak Villa, 296, Forest Lane, Neb Sarai, Sainik Farms, New Delhi, 110068, Delhi. It was also observed that Noticee 1 is proprietor of Shivam Investments. Noticee 1, Devendra P Kapur and Sapna Kapur are directors of Noticee 2. Further, Noticee 1, Devendra P Kapur and Sapna Kapur are directors of Noticee 3. Thus, Noticee 4 is connected with Noticee 1, 2 and 3, and further, they indulged in price/volume manipulation in active connivance with Noticee 4. Their trades including the trades which have been alleged as manipulative and fraudulent, through the Noticee 4 as their broker at NSE are given below:

Noticee Name	**Buy Qty**	**Sell Qty**
Panther Finvest Pvt. Ltd.	1,45,231	1,45,231
Sushma Kapur (Prop. Shivam Investment)	1,23,630	60,130
APM Financial Consultants Pvt. Ltd.	59,371	59,371
Total	**3,28,232**	**2,64,732**

38. In view of the above, it was alleged that Noticee 4 has violated the provisions of Section 12A (a), (b) and (c) of the SEBI Act read with Regulation 3 (a), (b), (c) and (d), Regulations 4(1) and 4(2)(a), (e) & (g) of the PFUTP Regulations, as the Noticee 4 employed the device to manipulate the price in active connivance with Noticees 1, 2 and 3. Further, Noticee 4 being a SEBI registered broker was bound to maintain high standards of integrity, promptitude and fairness in the conduct of its business. It was alleged that it failed to exercise due skill, care and diligence laid down in the code of conduct for Brokers thereby violating Regulation 7 read with Schedule II A (3), (4) and (5) of the Brokers Regulations.

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

40. SCN was duly served to the Noticees. Noticees filed their reply to the SCN vide letter dated February 12, 2022.

41. Opportunity of hearing was provided to the Noticees through video conferencing and Authorized Representative (AR) attended the hearing on behalf of Noticees. Mr. Devendra P Kapur appeared for the hearing on February 17, 2022 as AR of the Noticees. AR of the Noticees reiterated the submissions made in their reply dated February 12, 2022.

42. The key submissions of the Noticees are summarised below:

Common Submission of the Noticees:

a) Noticees submitted that certain documents have not been provided to them to submit concrete reply to the SCN.
b) Vide their letters dated January 17, 2022 they submitted that since the present matter is still at the stage of furnishing the reply to SCN under Rule 4(1) therefore there is no stage for issuing the "Notice for Hearing" Under Rule 4(3) of the Adjudication Rules. While submission dated January 17, 2022, before AO is pending for disposal and in the absence of having considered the Cause shown Under Rule 4(1) the assumption of the Jurisdiction to initiate proceedings under 4(3) of the Rules against them are illegal, invalid and untenable.
c) They engaged in to the trading and investment of listed shares since its incorporation. They have been trading like a normal investor in various scrips listed at both National Stock Exchange and Bombay Stock Exchange and their trades were quite voluminous.

d) They stated that the present SCN is issued after almost 13 (thirteen) years post the alleged transactions were executed on the floor of stock exchange. To expect an entity to give clarification on impugned transactions after a long inordinate delay of around 13 years is unfair and arbitrary. The SCN suffers from laches and on this ground alone the captioned SCN qua them be withdrawn in *limine*. SCN has been issued after a inordinate time lapse of 12-13 years and due to this there is always risk of loss of evidence or the data getting corrupt since the reliance has been placed both on electronic record and physical records etc. In this regard, Noticees relied up on certain judgments of Hon'ble SAT.

e) In order to prove the bonafide of any trade carried out it is not merely the documentary evidences to be relied. The circumstantial evidences and other related facts prevailing at that point of time are also to be considered. In view of this substantial time lag, no one can be expected to remember the circumstances and other connected facts which were prevailing at the point of time during which the said alleged trades were executed by them.

f) The inference drawn that since there are common Directors with common address hence Noticee 1, 2 and 3 are termed as "Group" is not correct because the day to day affairs of all these entities are managed independently and therefore the inference drawn is based on surmises.

g) During the alleged investigation conducted by SEBI, in the instant matter, no notice was ever served upon them calling any information / details. Thus the said investigation has been conducted without making them as party/ noticee and it was conducted on the back of them.

h) With respect to allegation that during the pre-split period Noticee 1, 2 and 3 indulged in reversal trades, Noticees submitted that in the SCN it is recorded that out of total 59 trading days in pre-split investigation period the alleged reversal trades by Noticees 1, 2 and 3 were on 14 days only. In view of this fact it is evident that they have not carried out the alleged reversal trades on most of the days and are not significant. The trades pointed are carried out in normal course of business.

i) With respect to allegation of LTP contribution, Noticees submitted that the inference drawn in the SCN that the Noticee 1, 2 and 3 as a group tried to jack up the price while the other entities in the market bought the shares at a price below LTP on net basis is not correct. In this regard, Noticees submitted the analysis of Buy Trades during investigation period showing quantity and the percentage of overall buy by them showing zero LTP, positive LTP and negative LTP as per the data in the SCN as under:

Particulars	**Quantity of their buy trades during investigation period**	**Percentage of overall buy by them**
Overall Buy	1684	100%
Zero LTP	1278	75.90%
Positive LTP	251	14.90%
Negative LTP	155	9.20%

Thus, from the above table it is evident that during relevant time, their total buy trade in 1278 counts (constituting 75.90% of their buy during relevant period) had no impact on LTP. Therefore, they had no intent to manipulate price of the scrip (either upward or downward).

j) Noticees submitted that in the past in case of miniscule/meagre quantity of inadvertent LTP trades; SEBI has taken a lenient stand and exonerated the entities. In this regard, Noticees relied up on SEBI Orders viz. Order dated September 06, 2017 in the matter of First Financial Services Ltd., Order dated September 19, 2017 in the matter of Pine Animation Ltd etc.

k) Noticees submitted that the inference drawn in the SCN that Noticees 1, 2 and 3 (in most of the instances) are placing buy order at a price more than the available sell order price to artificially inflate the price of the scrip is not justified. In this regard, they submitted that the seller parties were neither known nor connected with them, further, there are no negative inference is drawn with regard to Synchronized Trades by them on NSE. From the SCN data it is evident that their buy quantity were only 5 to 10 shares. In view of the above, it will be wrong to suggest that such trades were for artificially inflating the price of the scrip.

l) The inference drawn from the first Trade Analysis that there was device employed by Noticees 1, 2 and 3 to manipulate the price is not correct and has no evidence to support this inference. No such instance with regard to Notice 1 has been pointed out in the SCN. Thus, Noticee 1's name is wrongly included in the inference so drawn.

m) As per data in the SCN, the total number of days during pre-split period were 59 trading days, whereas there are only 16 trading days in case of Noticee 3 and 2 trading days in case of Noticee 2. In view of this the number of days are quite minimal.

n) The trades in question were entered into by them through screen based trading account. In the screen based trading mechanism the order is placed by the client to the broker and the dealer of the broker carry out the trades on the exchange platform for execution. Thus, in the screen based trading system, the question of any influence does not arise. The entire process of placing order and matching the order is automated and software driven with no human involvement at all. Hence, it will not justified in holding that they were into the executing fictitious trades.

o) They had traded in approximately more than 100 scrips with voluminous trades both intraday and delivery based and the turnover of the impugned trades in the scrip of Coral Hub Ltd. constituted in quite minimal of their total turnover during the investigation period.

p) As per the prevailing law they are not required to preserve the Books of Accounts and Documents beyond a period of 8 years. Further, there is no ongoing investigation by any agency against them in the year 2008-09 therefore they were not required to preserve the Books of Accounts, both in electronic and physical form, till year 2021 (when this under reference inquiry is initiated and come into the knowledge of them). Their Books of Accounts and other records and documents are audited by Tax Auditor under Income tax Act, by an Independent Auditor and there is no adverse remarks with regard to such instances of violation of such nature as alleged in SCN.

q) Following are the admitted facts in the Investigation Report:

   i. Noticees were not found to be connected with M/s Coral Hub Ltd.

   ii. No negative inference is drawn with regard to synchronized trades by them on NSE, and they are trading member of NSE only.

   iii. There is no specific trading pattern of Circular of Trades during Pre-Split Period among them.

   iv. The volume of Self Trades at NSE by them is insignificant hence, no adverse inference is drawn.

   v. Counter Parties of the majority of the trades in case of Noticees 1, 2 and 3 (which are allegedly executed at a price more than LTP) are unconnected and scattered.

   vi. On analysis of the first trades, it is observed that counter parties are scattered.

r) It is on record that Noticees had no direct or indirect relationship or connection with any other entities, as well as with any entities with whom screen based trades were matched.

s) The shares of Coral Hub Ltd. were traded at BSE as well. It is on record that they carried out all their trades at NSE only. In view of this fact they fail to understand as to how the share price of the Coral Hub Ltd. shares at BSE was also impacted whereas the alleged trades to LTP / Reversal trade were executed at NSE.

t) In respect of allegation for violation of Regulation 4(1), 4(2) of PFUTP Regulations by holding that they were involved in the alleged manipulation of price, they submitted that the word "Manipulative" in Regulation 4(1) is inserted *vide* SEBI (PFUTP) (Amendment Regulations 2018, w.e.f. 1st February, 2019. Similarly the word "Manipulative" in Regulation 4(2) is inserted *vide* SEBI (PFUTP) (Second Amendment) Regulation 2020, w.e.f 19th October, 2020. Further the wording "including influencing or manipulating the reference price or bench mark price of any securities" in

Regulation 4(2)(e) is inserted *vide* SEBI (PFUTP) Amendment Regulations 2018, w. e. f. 1st February, 2019. The investigation period is from December 01, 2008 to March 31, 2009, therefore the above clauses were not in existence at that point of time viz. 2008-09. Hence, the law which is not in existence at the time of alleged violation, cannot be applied on them and the same is in violation of Article 20 of Constitution of India.

u) In their legal submissions Noticees stated that strict proof required for a serious charge of ‘fraud’, compelling evidence required to charge someone of "fraud" and proceedings after long efflux of time is meaningless. In this regard, Noticees relied up on several judgments of Hon’ble Supreme Court and SAT.

Noticee 1:

a) M/s Shivam Investment is a Separate Independent Legal Entity and it is owned by Noticee 1 as Sole Proprietor. While issuing the under reference SCN it is termed as a "Group" along with Noticee 2 and 3. M/s Shivam Investment is independent entity having its own legal status and are carrying out its business activities independently.

b) It is on record that it has not sold / offloaded their holding in the shares of Coral Hub Ltd. when the share price were rising. If at all it was part of any manipulative scheme then it would have sold off all their holding when share was making its high. On the contrary the fact is that it traded the shares even upto the year 2011 and it incurred huge net loss in the total trading in the shares of Coral Hub Ltd. The total loss of Rs. 2,38,158/- is incurred. The details of all its trades are in the records of NSE.

c) Further, it is observed in the investigation report that it made gain of Rs. 32,934/- from trading in the scrip. The above figures are observed in the Investigation Report to establish a Ratio that the entities involved in Price / Volume manipulation have made a gain and this gain made by the entities are attributable to their trading pattern of placing order and artificial volume created through reversal trades. It is admitted in Investigation Report that it has made a very minimal gain. Hence, from the above ratio established in investigation report it cannot be held that Noticee 1 was involved in alleged Price / volume manipulation.

Noticee 2:

a) Noticee 2 submitted that it is a Separate Independent Legal Entity. It is incorporated under the provisions of Companies Act 1956. Therefore, as per Companies Act it is independent artificial person created by Law having perpetual succession and a Common Seal.

b) While issuing the under reference SCN, Noticee 2 is termed as a "Group" along with Noticee 1 and 3. Noticee 2 is independent entity having its own legal status and are carrying out its business activities independently.

c) It is on record that it has not sold / offloaded their holding in the shares of Coral Hub Ltd. when the share price were rising. If at all it was part of any manipulative scheme then it would have sold off all their holding when share was making its high. On the contrary the fact is that it traded the shares even upto the year 2011 and it incurred huge net loss in the total trading in the shares of Coral Hub Ltd. The total loss of Rs. 52,41,933/- is incurred. The details of all its trades are in the records of NSE.

d) Further, it is observed in the investigation report that it made gain of Rs. 32,934/- from trading in the scrip. The above figures are observed in the Investigation Report to establish a Ratio that the entities involved in Price / Volume manipulation have made a gain and this gain made by the entities are attributable to their trading pattern of placing order and artificial volume created through reversal trades. It is admitted in Investigation Report that it has made a very minimal gain. Hence, from the above ratio established in investigation report it cannot be held that Noticee 2 involved in alleged Price / volume manipulation.

Noticee 3:

a) Noticee 3 submitted that it is a Separate Independent Legal Entity. It is incorporated under the provisions of Companies Act 1956. Therefore, as per Companies Act it is independent artificial person created by Law having perpetual succession and a Common Seal.

b) While issuing the under reference SCN, Noticee 3 is termed as a "Group" along with Noticee 1 and 2. Noticee 3 is independent entity having its own legal status and are carrying out its business activities independently.

c) It is on record that it has not sold / offloaded their holding in the shares of Coral Hub Ltd. when the share price were rising. If at all it was part of any manipulative scheme then it would have sold off all their holding when share was making its high. On the contrary the fact is that it traded the shares even upto the year 2011 and it incurred huge net loss in the total trading in the shares of Coral Hub Ltd. The total loss of Rs. 39,11,638/- is incurred. The details of all its trades are in the records of NSE.

d) Further, it is observed in the investigation report that it has made loss of Rs. 88,739/- from trading in the scrip. The above figures are observed in the Investigation Report to establish a Ratio that the entities involved in Price / Volume manipulation have made a gain and this gain made by the entities are attributable to their trading pattern of placing order and artificial volume created through reversal trades. It is admitted in Investigation Report that it has made a loss. Hence, from the above ratio established in investigation report it cannot be held that Noticee 3 involved in alleged Price / volume manipulation.

Noticee 4:

a) Noticee 4 submitted that it is SEBI registered broker and the member of National Stock Exchange. Since inspection to till date it has never traded in any scrip in its own account. All the trades executed by it are of its clients from whom only brokerage is being charged.

b) During investigation period Noticees 1, 2 and 3 were its regular clients, who were carrying out trading in shares of various companies listed at National Stock Exchange.

c) While issuing the under reference SCN, Noticee 4 is termed as a "Group" along with Noticee 1, 2 and 3. Noticee 4 is independent entity having its own legal status and are carrying out its business activities independently.

d) No specific allegation of any its action / conduct is pointed out. There are only two observation qua it: The name of its company is included in the list of entities in the Investigation Report with the following remark: *"Included as suspected trading member since it shares same directors with Group 1 entitles"*. Further, the observations that all the Directors of Noticee 4 and Noticees 1, 2 and 3 are common and further the Quantitative details of Buy and Sell shares of the trades of Noticees 1, 2 and 3 through its company as member of NSE has only been made.

e) Thus from the above it is evident that there is neither any specific adverse observations nor any conclusive evidence as to what Action of Noticee 4 amounts indulging in price / volume manipulation in active connivance with Noticees 1, 2 and 3.

f) Noticee 4 submitted that the Regulation 4 (2) (g) of PFUTP Regulations reads as under:-

   "Dealing in securities shall be deemed to be a [manipulative] fraudulent or an unfair trade practice if it involves [any of the following]:- (g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security;"

g) The trades in Coral Hub Ltd., carried out by Noticees 1, 2 and 3 were delivery based also and their respective trades were settled by Custodian. In view of this fact it is wrong to allege that Noticee 4 entered into transaction in securities without intention of performing it or without intention of change of ownership of such security within the meaning of Regulation 4(2)(g) of PFUTP Regulations.

h) In the SCN there is no reference as to how there is violation of Regulation 4(2)(g) of PFUTP Regulations. There is no conclusive evidence on record to prove that Noticee 4 as Stock Broker has indulged in manipulative, fraudulent or deceptive transactions or schemes or spread any rumors with a view to destroying market equilibrium or making personal gains and therefore there is no violation of regulation 7 read with Schedule IIA (3) of Code of Conduct for Stock Broker. Noticee 4 as Broker has charged reasonable brokerage for the trades and therefore there is no instance of making personal gain.

i) Further, there is no conclusive evidence on record to prove that Noticee 4 as Stock Broker has created false market either singly or in concert with Noticees 1, 2 and 3 or indulged in anything detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. There is no evidences supported with documentary evidence on record to prove that Noticee 4 as Stock Broker involved itself in excessive speculative business in the market beyond reasonable levels not commensurate with financial soundness and therefore these is no violation of Regulations 7 read with Schedule II A (4) of Code of Conduct for Stock Brokers.

j) There is neither any incident nor any conclusive evidence on record that Noticee 4 as Stock Broker has not abided by all the provisions of the Act and the Rules, Regulations issued by Government, the Board and the Stock Exchange issued from time to time as may be applicable to it, therefore there is no violation of Regulation 7 read with Schedule IIA (5) of Code of Conduct of Stock Broker.

k) It has neither made any Purchases nor Sales of Coral Hub Ltd. shares in its own account and therefore, it cannot be held guilty of violating the provisions contained in the PFUTP Regulations.

l) Assuming that the said clients (Noticees 1, 2 and 3) had indulged in manipulative trades, there is not an iota of evidence to establish that it had connived with the said clients in executing the manipulative trades. Apart from providing screen based trading platform to the said client in accordance with law, it had neither aided not abetted the said clients in executing the manipulative trades. In the absence of any evidence it will not be justified in holding that Noticee 4 had aided and abetted the said clients in executing fraudulent transactions in violation of PFUTP Regulations. In the present case, it had permitted the said clients to trade on the screen based trading platform as stock broker in the ordinary course of its business. The trades in question were entered into by the said clients through screen based trading account with absolutely no influence of it. In the screen based trading mechanism the order is placed by the client to the broker and the dealer of the broker carry out the trades on the exchange platform for execution. Thus, in the screen based trading system, the question of the influence of the broker does not arise. The entire process of placing order and matching the order is automated and software driven with no human involvement at all. Hence it will not be justified in holding that it was aiding and abetting the said clients in executing fictitious trades.

m) The value and volume of the trades in question were so low that they did not raise any suspicion. It has complete surveillance and control over the activities of its clients as the quantity of the trades executed by the client in the scrip of Coral Hub Ltd. was so low that there was no reason to suspect.

n) It is not the case of SEBI that the systems put in place by the Noticee 4 were not in accordance with the requirements prescribed in that regard. Since it has appropriate system of monitoring the actives by its clients, it could not be said that it had violated the Brokers Regulations.

o) The said clients had traded in approximately more than 100 scrips with voluminous trades both intraday and delivery based. Since, the turnover of the impugned trades in the scrip of Coral Hub constituted in quite minimal of the total turnover of the said client during the investigation period, it cannot be said that on bare perusal of the said trades, Noticee 4 as broker ought to have visualized that the said client was executing fraudulent trades and accordingly should have taken remedial measures.

p) Noticee 4 in discharge of its duties as a stock broker had always taken due precaution by implementing systems of checks and balances as safeguards employed in order to prevent any untoward occurrences in relation to the trades being executed by it on behalf of its clients. Only because, the trades executed by the said client in the instant case resulted in self-trades/ reverse trades, it cannot be assumed that there was manipulative intent underlying such trades by the client and that it had hand in glove with the said clients.

q) Hon'ble Adjudicating Officer of SEBI in the case of **Arcadia Share and Stock Brokers Pvt. Ltd**., which is similar to the case of Noticee 4, has passed an order on November 21, 2013 wherein it is held that in the absence of any evidences on record to suggest that the broker was in any manner involved with its clients in executing the self-trades / reverse trades, it is difficult to hold that the broker has violated the Brokers Regulations. Similarly, in the case of J.V. Stock Broking Pvt. Ltd. the same AO of SEBI has passed an order on April 30, 2014 holding that where the percentage of self-trades / reverse trade executed by the client are negligible when compared to the days total market volume the charges leveled against the broker that the Brokers Regulations have been violated do not stand established. In the present case, the percentage of self-trades / reverse trade executed by the said client being negligible, therefore it will not be justified in holding that by failing to stop execution of such trades Noticee has failed to perform duties as contemplated under the Brokers Regulations.

r) Any occurrence of self-trade / reverse trades is not per se illegal. Since the trades get executed at the level of exchange, it is not possible for a broker to prevent self-trades / reverse trades being executed by its clients. In fact the BSE and NSE by their respective circulars dated February 11, 2015 have introduced a functionality in its trading systems which prevent self-trades at the level of the exchange. This factor established that at the relevant time it was not possible for brokers to prevent self-trades being executed by its client. In these circumstances, it is not justified in holding that it has violated the Brokers Regulations and consequently will not be justified in imposing penalty against it.

s) As per Regulation 18 of Stock Brokers Regulation, the Stock Broker is required to preserve specified books of accounts for a minimum period of five year however vide Circular No. MRD/SE/CIR-23/2005, Dated 22/12/2005, the Stock broker is advised that in case the copies of which have been taken by CBI, Police or any other enforcement agency during the course of any investigation to preserve these original of the documents both in electronic and physical forms, till the trial is complete. In our case there is no ongoing investigation by any such agency in the year 2008-09 therefore it was not required to preserve the Books of Accounts, both in electronic and physical form, till year 2021 (when this under reference inquiry is initiated and come into the knowledge of it).

t) Its Books of Accounts and other records and documents are inspected by Stock Exchange on regular interval. Further as per Circular No. SMD/DBA:-/CIR-27/2003, Dated 26/06/2003, Vide one the instances of violation (as mentioned at Si. No. 14 of the illustrations of this Circular), the inspection team has also to examine any "Instants of the Broker/ Dealer / other connected with the Broker / Dealer / other connection with the broker, involved in front running". The Books of Accounts and Other records of Noticee 4 are being inspected by stock exchange even since 2008-2009 (period of investigation). However, no such instance of violation of such nature as alleged in the SCN were pointed out in the Inspection Report.

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

CONSIDERATION OF ISSUES AND FINDINGS

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

Issue No. I Whether

a) Noticees 1, 2 and 3 are in violation of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a), (e) and (g) of PFUTP Regulations

b) Noticee 4 is in violation of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a), (e) and (g) of PFUTP Regulations and Regulation 7 read with Schedule II A (3), (4) and (5) of the Brokers Regulations

Issue No. II If yes, whether

a) the failure, on the part of the Noticees 1, 2 and 3 would attract monetary penalty under Section 15HA of the SEBI Act?

b) the failure, on the part of the Noticee 4 would attract monetary penalty under Section 15HA and 15HB of the SEBI Act?

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

a. Whether Noticees 1, 2 and 3 are in violation of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a), (e) and (g) of PFUTP Regulations

45. Before going into the merits of the case, I note the contention of the Noticees that certain documents have not been provided to them to submit the concrete reply to the SCN. In this regard, I note that all the documents relied up on in the instant proceedings are already provided as annexures to the SCN. Further, at the time of personal hearing Noticees raised this contention. The said contention of the Noticees is resolved at the time of hearing by explaining to them that the information provided as annexures to the SCN is complete and all the documents/information relied upon in the present proceedings have already been provided to them. Further, sufficient time was provided to the Noticees to file additional submissions, if any. However, Noticees mentioned at the time of hearing that they do not have any other additional submissions to file.

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

47. It is alleged in the SCN that during pre-split period Noticees 1, 2 and 3 have traded in the scrip with significant traded volume at NSE with the intent of manipulating the price of the scrip by executing reversal trades, buying small quantity of shares at the price well above LTP, contributing to New High Price and also by entering into First Trades with positive LTP contribution.

48. Noticees have made their individual submissions. They have made similar contentions regarding alleged charges levied against them. The gist of their contentions is as follows:

a) Notice 1, 2 and 3 are termed as "Group" is not correct because the day to day affairs of all these entities are managed independently.
b) Out of total 59 trading days in pre-split investigation period the alleged reversal trades by Noticees 1, 2 and 3 were on 14 days only.
c) Their total buy trade in 1278 counts (constituting 75.90% of their buy during relevant period) had no impact on LTP. Therefore, they had no intent to manipulate price of the scrip.
d) The seller counterparties were neither known nor connected with them, further, there are no negative inference drawn with regard to Synchronized Trades by them on NSE.
e) There is no instance of first trade reported with regard to Notice 1 in the SCN. Thus, Noticee 1's name is wrongly included in the inference so drawn. The total number of days during pre-split period were 59 trading days, whereas there are only 16 trading days in case of Noticee 3 and 2 trading days in case of Noticee 2, which are quite minimal.
f) How was the share price of the Coral Hub Ltd. at BSE impacted when the alleged trades of LTP / Reversal trades of Noticees 1, 2 and 3 were executed at NSE.
g) Since they have made minimal gain or loss by trading in the scrip during the relevant period, the ratio established in investigation report that they were involved in alleged Price / volume manipulation, as the gain made by the entities are attributable to their trading pattern of placing order and artificial volume created through reversal trades, is not correct.

49. I note that during pre-split period, price of the scrip at NSE opened at Rs.318.60, touched at a high price of Rs.360 and closed at Rs.346.85. Noticees 1, 2 and 3 have purchased 3,50,370 shares (16.97% of the total market buy volume) and sold 2,86,870 shares (13.89% of the total market sell volume) during the pre-split period at NSE. Out of these trades, Noticees 1, 2 and 3 traded among themselves for 2,62,619 shares which is 12.72% of total market volume, 74.95% of their total buy volume and 91.55% of their sell volume. During this period Noticees 1, 2 and

3 have executed reversal trades (745 such reversal trades) for 1,04,470 shares which is 17.89% of market volume (5,90,696 shares) during the days on which reversal trades have taken place.

50. Noticees 1, 2 and 3 not denied their connection with each other in terms of common directors and common addresses. On perusal of reversal trades of Noticees 1, 2 and 3, I find that out of aforesaid 745 reversal trades 662 trades i.e. 88.85% were synchronized in nature. While Noticees have stated that there is no allegation of synchronized trades, it is evident from the trade log provided along with the SCN that majority of the reversal trades were synchronized at the time of order entry, showing that not only were they carried out between connected entities, but were carried out in a manner to ensure that the orders did not match with any other traders, by placing orders in a synchronized manner. I note that the reversal trades of 17.89% of market volume indicate that they had no other intention but to create artificial volume in the scrip to mislead the investors. In view of the above, I note that Noticees 1, 2 and 3 executed reversal trades in the scrip which were non-genuine in nature and carried out without any intention of change of beneficial ownership merely to generate artificial volume in the scrip which created a misleading impression of liquidity in the scrip and may have induced investors to buy or sell in marginally illiquid scrip with average daily volume of around 35,000 shares.

51. I note from the SCN that during pre-split period Noticees 1, 2 and 3 have contributed 8.58% to positive LTP as buyers. The buy orders placed by Noticees 1, 2 and 3 are in the range of 5-10 shares on various days. With the traded quantity of 95 shares, they contributed to Rs.195.60 to the LTP. Further, in 45 trades they placed buy orders in the range of 1-10 shares and contributed to Rs.312 positive LTP, which is 62% of the overall positive LTP contributed by them. In majority of the instances there were no other buyers available in the market while Noticees 1, 2 and 3 placing their buy orders at a price well above the LTP.

52. With regard to positive LTP contribution, Noticees 1, 2 and 3 contended that their total buy trade in 1278 counts (constituting 75.90% of their buy during relevant period) had no impact on LTP. I note that even if considering their trades with zero LTP or negative LTP, they have contributed Rs.396 i.e. 6.78% to net LTP as buyers while buying 3,50,370 shares in the scrip on NSE. I further note that the Noticees 2 and 3 contributed to 43.47% of NHP in the scrip and they also collectively contributed to 51.80% of total LTP through first trades.

53. Noticees contended that how the share price of the scrip at BSE was impacted whereas the alleged trades of Noticees 1, 2 and 3 were executed at NSE. I note that as general market practice, arbitragers in the market ensure parity in the prices of same security between different exchanges by profiting from any difference in prices, which causes the price at other exchange to move more or less in tandem. Therefore, price rise in one exchange leads to price rise in other exchange and vice versa due to presence of arbitragers in the market. Further, allegations against the Noticees are with respect to their trading in the scrip at NSE, and the fact that they have not traded in the scrip at BSE, cannot absolve them from the consequences of their actions while trading at NSE.

54. In view of the findings noted at above paragraphs, I note that Noticees 1, 2 and 3 by carrying synchronized reversal trades in the scrip of CHL created fictitious volume in the scrip and distorted market equilibrium to induce other investors to deal in the scrip. The demand and supply in any scrip determines the market price of the scrip and consequent trading in the scrip. This is one of the major determining factors considered by genuine investors for making an investment decision for buying or selling the shares. Noticees 1, 2 and 3 also artificially inflated the price of the scrip by placing small orders at a price more than LTP even when there were no other buyers available in the market.

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

b. Whether Noticee 4 is in violation of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a), (e) and (g) of PFUTP Regulations and Regulation 7 read with Schedule II A (3), (4) and (5) of the Brokers Regulations

56. It is alleged in the SCN that Noticee 4 acted as broker to the trades of Noticees 1, 2 and 3. Noticee 4 is connected with Noticee 1, 2 and 3, and they indulged in price/volume manipulation in active connivance with Noticee 4.

57. Noticee 4 contended that no specific allegation of any action is pointed out in the SCN. Further, there is no conclusive evidence on record to prove that Noticee 4 as Stock Broker has indulged in manipulative, fraudulent or deceptive transactions or schemes or spread any rumors with a view to destroying market equilibrium or making personal gains.

58. I note from the material available on record that Noticces 1, 2 and 3 are connected with Noticee 4. Noticee 1 is one of the directors of Noticee 4; further, Noticee 1, Devendra P Kapur and Sapna Kapur are directors of Noticee 2 and 3. Noticee 4 has not denied the connection between it and other Noticees 1, 2 and 3. Further, it has not been denied that the Noticees 1, 2 and 3 traded though Noticee 4 as their Broker.

59. Noticee 4 contended that on bare perusal of the trades of the Noticees 1, 2 and 3 it cannot be said that Noticee 4 as broker ought to have visualized that the said

client was executing fraudulent trades and accordingly should have taken remedial measures.

60. It is established that Noticees 1, 2 and 3 traded in violation of certain provisions of PFUTP Regulations. I note that Noticee 2, 3 and 4 have common directors including Noticee 1. Noticee 4 acted as broker for the trades of Noticee 1, 2 and 3. Noticee 4 has contended that apart from providing screen based trading platform to its client in accordance with law, it had neither aided not abetted the said clients in executing the manipulative trades. While this contention could be accepted in the normal course, I cannot ignore the fact that Noticee 4 shared common directors with Noticee 2 and 3 and one of the directors was Noticee 1. Noticee 1 itself executed manipulative trades in the scrip, and the nature of trades strongly indicates that directors of the Noticees 2 and 3 were aware of their trading in the scrip. Therefore, directors of the Noticee 4 including Noticee 1 were well aware of their trading in the scrip. Therefore, the contentions of the Noticee 4 are not tenable that they were not privy to their trades and that they have not acted in connivance with Noticees 1, 2 and 3 in execution of aforesaid manipulative and malafied trades. The circumstances of the trades establish Noticee 4 facilitated the reversal trades by ensuring order entry in a synchronized manner through its terminals. Hence, Noticee 4 aided and abetted Noticees 1, 2 and 3 in employing the device to manipulate the price in active connivance with them.

61. Brokers Regulations clearly requires that a stock-broker shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business. A stock-broker is required to act with due skill, care and diligence in the conduct of all his business, and not indulge in manipulative, fraudulent or deceptive transactions or schemes, nor create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. By aiding Noticees 1, 2 and 3 in creation of artificial volumes and in manipulating the price

of the scrip, Noticee 4 failed to exercise due skill, care and diligence laid down in the code of conduct for Brokers.

62. Noticee 4 relied upon certain SEBI Orders, wherein it is held that in the absence of any evidences on record to suggest that the broker was in any manner involved with its clients in executing the self-trades / reverse trades. I note that in the instant matter Noticee 4 was not only the broker of the Noticees 1, 2 and 3, but was very closely connected to them. Directors of the companies are responsible for day-to-day affairs of the companies. The said orders can be distinguished from the instant matter on the basis that in the instant matter, on the basis of preponderance of probability, it is clearly established that Noticee 4 was aware of and privy to the nature of trades and thus a part of the scheme and device to create artificial volumes and manipulate price of the scrip.

63. In view of the above, I find that Noticee 4 is in violation of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a), (e) and (g) of PFUTP Regulations and Regulation 7 read with Schedule II A (3), (4) and (5) of the Brokers Regulations.

Issue No. II If yes, whether

a) the failure, on the part of the Noticees 1, 2 and 3 would attract monetary penalty under Section 15HA of the SEBI Act?

b) the failure, on the part of the Noticee 4 would attract monetary penalty under Section 15HA and 15HB of the SEBI Act?

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

64. Since the violation of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3 (a), (b), (c), (d) and Regulations 4 (1), 4(2) (a), (e) and (g) of PFUTP Regulations has been established against the Noticees 1, 2, 3 and 4 and violation of Regulation 7 read with Schedule II A (3), (4) and (5) of the Brokers Regulations against the Noticee 4 as brought out in the foregoing paragraphs, the Noticee 1, 2 and 3 are liable for monetary penalty under Section 15HA of SEBI Act and Noticee 4 is liable for monetary penalty under Section 15HA and 15HB of SEBI Act

<u>SEBI Act:</u>

Penalty for fraudulent and unfair trade practices.

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

Penalty for contravention where no separate penalty has been provided.

15HB. *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which may extend to one crore rupees*

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

Factors to be taken into account by the adjudicating officer

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

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

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

(c) the repetitive nature of the default.

66. The material on record has established that the Noticees 1, 2 and 3 made profits of Rs.2,14,770/- from the impugned trades. I also note that the trades took place in the year 2008-09. In view of the above, taking into account the facts and circumstances of this matter, I find that a penalty of Rs.4,00,000/- (Rupees Four Lakh only) on Noticees 1, 2, 3 and 4 under Section 15HA of the SEBI Act, payable jointly and severally and a penalty of Rs. 2,00,000/- (Rupees Two Lakh only) on Noticee 4 under Section 15HB of the SEBI Act will be commensurate with the violations committed by them.

ORDER

67. After taking into consideration all the facts and circumstances of the case, in exercise of powers conferred upon me under Section 15-I of SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose a penalty of Rs. 4,00,000/- (Rupees Four Lakh only) upon Shushma Kapur (Noticee 1), APM Financial Consultants Private Limited (Noticee 2), Panther Finvest P. Ltd. (Noticee 3) and Pee Dee Kapur Stock and Securities Limited (Noticee 4) payable jointly and severally under Section 15HA of the SEBI Act for violation of Section 12A(a),(b),(c) of SEBI Act read with Regulation 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a), (e) and (g) of PFUTP Regulations and a penalty of Rs. 2,00,000/- (Rupees Two Lakh only) on Pee Dee Kapur Stock and Securities Limited (Noticee 4) under Section 15HB of the SEBI Act for violation of Regulation 7 read with Schedule II A (3), (4) and (5) of the Brokers Regulations i.e. total penalty of Rs. 6,00,000/- (Rupees Six Lakh only).

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

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

ENFORCEMENT → Orders → Orders of AO → PAY NOW

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

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

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

DATE: February 28, 2022	**MANINDER CHEEMA**
PLACE: MUMBAI	**ADJUDICATING OFFICER**