<u>BEFORE THE ADJUDICATING OFFICER</u>

<u>SECURITIES AND EXCHANGE BOARD OF INDIA</u>

[ADJUDICATION ORDER NO. Order/MC/HP/2022-23/16211-16218]

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 AND UNDER SECTION 23-I OF SECURITIES CONTRACTS (REGULATION) ACT, 1956 READ WITH RULE 5 OF SECURITIES CONTRACTS (REGULATION) (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 2005

In respect of –

1. **Alpeshbhai Rasiklal Shah HUF (PAN: AAOHA0526M)** having address at - 402 Devashray Flat Pritamnagar Ellisbridge, Ahmedabad, Gujarat - 380006
2. **Jignaben Alpeshbhai Shah (PAN: DILPS9782M)** having address at - 402 Devashray Flat Pritamnagar Ellisbridge, Ahmedabad, Gujarat - 380006
3. **Vimal Rasiklal Shah (PAN: AZEPS7370J)** having address at - 12, 3rd Flr Mahavir Apt 45 Pritam Nagar Soc Bh Sadhana School Ellisbridge, Ahmedabad - 380006
4. **Sushil Kumar Saraf (PAN: AGCPS0024N)** having address at - Chemice Centre, Napukhuri Road, Tinsukia, Assam - 786125
5. **Blue Pearl Texspin Limited (PAN: AAACE2845A)** having address at - Office No. 32, Vyapar Bhavan,49, P. D'Mello Road, Mumbai - 400009
6. **Arun Kumar Sharma (PAN: AKRPS3173M)** having address at - M-14, Supertex Tower, Opp. Metro Tower, Ring Road, Surat City 395002
7. **Navinchandra Chunilal Shah (PAN: AACPS0647R)** having address at - 22, Vijay Villa, Block No.5, Bajaj Road, Juhu, Vile Parle (W), Mumbai - 400056
8. **Shrikrishna Baburam Pandey (PAN: ANMPP2257P)** having address at - C-27, Bhairav Nagar-1, Bhestan-4, Surat City 395023

In the matter of Blue Pearl Texspin Limited

BACKGROUND

1. Securities and Exchange Board of India (hereinafter be referred to as, **'SEBI'**) initiated adjudication proceedings against Alpeshbhai Rasiklal Shah HUF (**Noticee 1**), Jignaben Alpeshbhai Shah (**Noticee 2**), Vimal Rasiklal Shah (**Noticee 3**), Sushil Kumar Saraf (**Noticee 4**), Blue Pearl Texspin Limited (**Noticee 5/Scrip/Company**), Arun Kumar Sharma (**Noticee 6**), Navinchandra Chunilal Shah (**Noticee 7**) and Shrikrishna Baburam Pandey (**Noticee 8**) pursuant to investigation in the matter of trading by certain entities in the scrip of Blue Pearl Texspin Limited during the period from January 10, 2017 to July 05, 2017 (**IP/investigation period**). The Noticees 1 to 8 are collectively referred to as **'Noticees/You'.**

2. Adjudication proceedings have been initiated against,

   a) Noticees 1 to 4 under section 15HA of SEBI Act, 1992, (hereinafter referred to as, '**SEBI Act**') for alleged violations of Section 12A (a), (b), (c) of SEBI Act and Regulation 3(a) (b) (c) (d), 4(1) and 4(2) (a), (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as, '**PFUTP Regulations'**).

   b) Noticees 1 to 3 under section 15A(a) of SEBI Act for alleged violations of Section 11 C(2) and 11 C(3) of SEBI Act.

   c) Noticee 5 under section 23E of Securities Contracts (Regulation) Act, 1956 (hereinafter referred to as, **'SCRA'**) for alleged violations of SEBI Circular Cir/ISD/3/2011 dated June 17, 2011, SEBI/Cir/ISD/05/2011 dated September 30, 2011, SEBI/Cir/ISD/1/2012 dated March 30, 2012 and CIR/CFD/CMD/13/2015 dated November 30, 2015 and Regulation 31(2) and 31(3) of SEBI (Listing Obligations and Disclosure Requirements)

Regulations, 2015 (hereinafter referred to as, '**LODR Regulations'**) read with Section 24(1) of SCRA.

d) Noticees 6 to 8 under section 24(1) read with section 23E of SCRA for alleged violations of SEBI Circular Cir/ISD/3/2011 dated June 17, 2011, SEBI/Cir/ISD/05/2011 dated September 30, 2011, SEBI/Cir/ISD/1/2012 dated March 30, 2012 and CIR/CFD/CMD/13/2015 dated November 30, 2015 and Regulation 31(2) and 31(3) of LODR Regulations read with Section 24(1) of SCRA.

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI appointed the undersigned as Adjudicating Officer (hereinafter referred to as "**AO**") under Section 15-I of the SEBI Act read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and Section 23-I of SCRA read with Rule 3 of Securities Contracts (Regulation) (Procedure for Holding Inquiry and Imposing Penalties) Rules, 2005 (hereinafter be referred to as the **'Adjudication Rules'**), vide order dated August 12, 2020 to inquire into and adjudge under section 15A(a) and 15HA of SEBI Act and Section 23E of SCRA, the aforesaid alleged violations against the Noticees. The appointment of the AO was communicated vide order dated August 31, 2020.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. Show Cause Notice No. EAD5/MC/HP/2021/2184 dated March 05, 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 and Section 23-I of SCRA, to show cause as to why an inquiry should not be held and penalty not be imposed against the Noticees under Section 15A(a) and 15HA of SEBI Act and Section 23E of SCRA for the aforesaid alleged violations.

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

6. **Background of the Company**

The Company (formerly known as E-Wha Foam India Limited) was incorporated on 06/11/1992 as a Public Limited Company in Maharashtra. It was promoted by Navinchandra Chunilal Shah, Ajay Bhupatrai Shah and Jayant Shah. The Company came out with a public issue in August 1994 and got listed on November 08, 1994 on BSE.

7. **Management of the Company**

The following are the details of the management of the company during the investigation period:

Sl. No	Name	Designation	Appointment Date	Cessation Date
1.	Arun Kumar Sharma	Compliance Officer , Whole-Time Director cum CEO	30/07/2012	-
2.	Ganeshbhai Sahebraobhai Sengadani	Independent Non-Executive Director	14/11/2013	13/08/2018
3.	Navinchandra Chunilal Shah	Executive Director	06/11/1992	14/02/2018
4.	Om Prakash Madhogarhia	Independent Non-Executive Director	07/02/2014	23/07/2018
5.	Renu Singh	Additional Independent Women Director	01/03/2015	-
6.	Shrikrishna Baburam Pandey	Whole-Time Director & CFO	13/11/2014	-

8. **Shareholding Pattern**

The share holding pattern of the promoters of the company for the quarters ended March 2017 and June 2017 pertaining to the investigation period is as under:

Name of the promoter	**Qtr ended March-2017**		**Qtr ended June-2017**	
	No of shares	**% shares held**	**No of shares**	**% shares held**
Nijal Navinchandra Shah	5327	2.08%	5327	2.08%
E-Wha Foam Korea Co.	50023	19.54%	50023	19.54%
Total	55350	21.62%	55350	21.62%

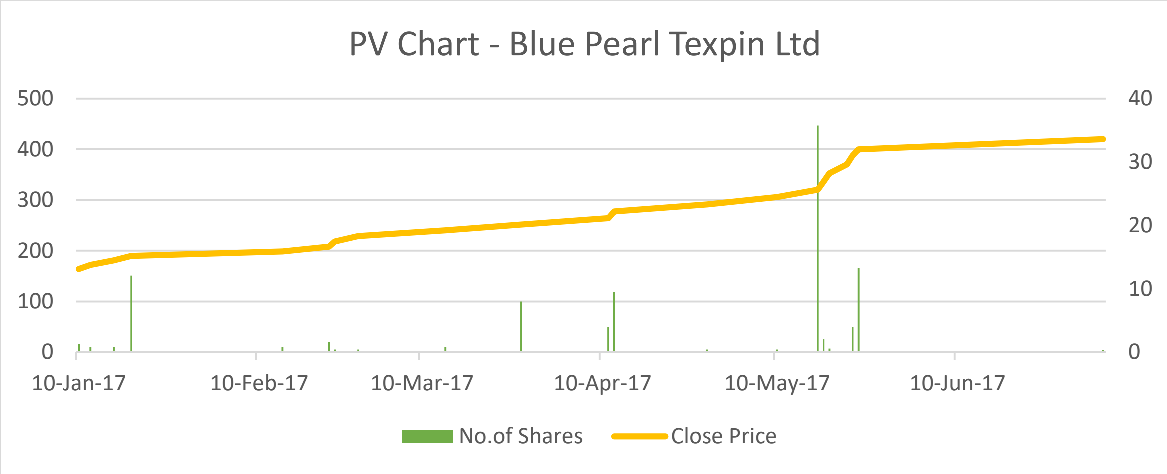
9. **Financial Results**

The quarterly financial results of the company for the quarters ended March 2017, June 2017 and September 2017 covered under investigation period are as under:

Particulars	**Qtr ended March-2017**	**Qtr ended June-2017**	**Qtr ended Sept-2017**
Total Income	18.5	6.2	2.4
Net Profit	0.1	-1.1	-0.4
Declared on	30.05.2017	14.08.2017 & 15.09.2017*	14.12.2017

10. **Price Volume Analysis**

Price-volume chart of the scrip at BSE from January 10, 2017 to July 05, 2017 is as follows:



11. It was observed during the investigation period, that the price of the scrip on BSE opened at Rs. 12.5, reached a high of Rs. 33.6 and closed at Rs 33.6, registering an increase of Rs. 21.1 (168.8 %) from the opening price.

12. The price movement and volume traded in the scrip during investigation period, in pre-investigation period and also in post investigation period in BSE are summarized as follows:

Period	**Date**	**Price/ Date & Vol**	**Opening price/ volume on 1st trade day of the period**	**Closing price/ vol on last trade day of the period**	**Low price/ vol during the period**	**High price/ vol during the period**	**Avg. no. of shares traded daily during the period**	**Total traded quantity**
Pre-investigation period	**December 10, 2016 to January 09, 2017**	No Trading						
Investigation period	**January 10, 2017 to**	**Price**	12.50	33.60	12.50	33.60	58	1217
		Date	10/01/17	05/07/17	10/01/17	05/07/17		
		Vol						

	July 05, 2017	**Vol**	16	4	16	4		
Post Investigation period	**July 06, 2017 to August 06, 2017**	**Price**	33.1	27.35	27.35	33.1	20	121
		Date	06/07/17	03/08/17	03/08/17	06/07/17		
		Vol	82	5	5	82		

13. **Clients' Concentration:**

14. **<u>Top 10 Gross Buyers</u>:**

Details of top 10 buyers during the investigation period are given below:

Client PAN	**Client Name**	**Traded Qty**	**% of traded qty**
AAOHA0526M	Alpeshbhai Rasiklal Shah HUF	499	41.00%
DILPS9782M	Jignaben Shah	276	22.68%
AOFPB0437B	Priteshbhai Diptiben	145	11.91%
AGCPS0024N	Sushil Saraf	131	10.76%
AZEPS7370J	Vimal Shah	119	9.78%
CAZPS4313R	Baby Shaheen	16	1.31%
AMMPM7826Q	Ravindra Mirjolkar	10	0.82%
AAAPM1959Q	Rajiv Maheshwari	10	0.82%
DSXPK8442J	Salman Khan	7	0.58%
AAFPG1600H	Meenu Gupta	4	0.33%
Total		**1217**	**100.00%**
Market Total		**1217**	**100.00%**

15. It is observed from table above that top 10 buyers contributed 100% to the market volume. Noticee 1 was the top buyer with 41.00% contribution to the market volume.

16. **<u>Top 10 Gross Sellers:</u>**

Details of top 10 sellers during the investigation period are given below:

Cp PAN	Client Name	Traded Qty	%Traded Qty
ABAPP6688C	Kishor Pravinchandra Parikh	380	31.22%
AGCPS0024N	Saraf Sushil Kumar	201	16.52%
ACDPL9295R	Laherchand Shamjibhai Lakhani	166	13.64%
CRBPP6343M	Pramod G Palkar	119	9.78%
AABHS8078K	Sanjay Nandlal Tibdewal	54	4.44%
AAOFB5467G	Bodhesh Trade Invest Llp	50	4.11%
AALFN4632Q	Narmina Trade Invest Llp	50	4.11%
ABZPN8901H	Ravi Nookala	50	4.11%
AEYPT2857C	Ishan Sanjay Tibdewal	38	3.12%
ACQPT2092P	Asha Sanjay Tibdewali	29	2.38%
Total		**1137**	**93.43%**
Market Total		**1217**	**100.00%**

17. It is observed from the above table that top 10 sellers contributed 93.43% to market volume. Kishor Pravinchandra Parikh was the top seller with 31.22% contribution to market volume.

18. On analysis of trading pattern and based on UCC details, the following entities were found to be connected and contributed significantly to LTP.

Sl. No	Name of the entity	PAN	On the basis of connection	On the basis of trading activity
1	Noticee 1	AAOHA0526M	Entities connected/related to each other through Common Address: 402 Devashray Appt., Pritam Nagar, Ellis Bridge, Ahmedabad, Gujarat 380006. Further, karta of Noticee 1 (i.e. Alpeshbhai Rasiklal Shah) and Noticee 2 are connected by virtue of spouse to each other and Karta of Noticee 1 and	The entities contributed Rs. 8.72 (41.33 % of positive LTP to total market positive LTP) to positive LTP during the investigation period.
2	Noticee 2	DILPS9782M		
3	Noticee 3	AZEPS7370J		

			Noticee 3 are connected to each other by virtue of being siblings.	
4	Noticee 4	AGCPS0024N	NIL	The entity contributed Rs. 7.45 (35.31 % of positive LTP to total market positive LTP) to positive LTP during the investigation period.

19. **Trading by the Noticees 1 to 4**:

It was observed that Noticees 1, 2 and 3 traded as only buyers, and Noticee 4 traded as buyer as well as seller during the investigation period. Details of their trading is given below:

Name of the entity	**Buy Traded Qty**	**%to total buy vol**	**Sell Traded Qty**	**%to total sell vol**
Noticee 1	499	41.00%	0	0.00%
Noticee 2	276	22.68%	0	0.00%
Noticee 4	131	10.76%	201	16.52%
Noticee 3	119	9.78%	0	0.00%
Total	**1025**	**84.22%**	**201**	**16.52%**
Market total	**1217**	**100.00%**	**1217**	**100.00%**

20. From the table above it is observed that the Noticees 1 to 4 contributed 84.22% to buy volume and 16.52% to sell volume and contributed 45.28% to market volume through trades among them.

21. LTP Analysis **(Price Rise Patch)**:

During the period of investigation, the price of the scrip opened at Rs.12.5 and touched a high of Rs.33.6 and closed at Rs.33.6. Thus, the price has increased by 168.8%. Since, this is a price rise patch, LTP Analysis was carried out on the buy side. Details of analysis of trades carried out by the Noticees 1 to 4 entities as buyers, with positive impact on LTP is as follows:

	All trades			**LTP Diff. > 0**			**LTP Diff. < 0**			**LTP Diff. = 0**		**% LTP**
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**	
Noticee 4	7.45	131	9	7.45	78	7	0.00	0	0	53	2	23.81%
Noticee 2	4.07	276	6	4.07	226	5	0.00	0	0	50	1	13.01%
Noticee 1	3.60	499	5	3.60	81	3	0.00	0	0	418	2	11.51%
Noticee 3	1.05	119	1	1.05	119	1	0.00	0	0	0	0	3.36%
Total	**16.17**	**1025**	**21**	**16.17**	**504**	**16**	**0.00**	**0**	**0**	**521**	**5**	**51.68%**
Market Total	**31.29**	**1217**	**29**	**31.29**	**546**	**22**	**0.00**	**0**	**0**	**671**	**7**	**100.00%**

22. It is observed from the table above that during the price rise, Noticees 1 to 4 contributed Rs. 16.17 to net LTP and to the positive LTP of 51.68% to market positive LTP.

Noticee 4:

23. It was observed that trades carried out by Noticee 4 contributed Rs. 7.45 to positive LTP (i.e. 23.81% to market positive LTP) through 7 trades, one each on 7 trading days. Further, there were 7 different counterparties to the 7 trades. Based on UCC details, off market transfers, MCA website, bank statement, no connection of Noticee 4 with other Noticees or with the promoters/ directors of the company could be established. From the order book analysis, it was observed

that for all trades, the buy order was placed before the sell order. The details of the trades done by Noticee 4 as a buyer and a seller are as under:

Client : Noticee 4						Counterparty: Kanaiyalal Jagjivandas Mehta		
Date of txn	**Qty placed to buy**	**Time at which buy order placed**	**Rate at which buy order placed**	**Prev day's closing price (Rs.)**	**% of increase to the price provided**	**Qty placed by cpty to sell**	**Time at which sell order placed**	**Rate at which sell order placed**
22/02/2017	151	09:00:00	Rs. 16.64	15.90	4.65%	15	09:36:00	Rs. 16.64
Client : Noticee 4						Counterparty: Shyamsunder Shivaraman		
22/02/2017	151	09:00:00	Rs. 16.65	15.90	4.65%	5	15:09:30	Rs. 16.65
Client : Noticee 4						Counterparty: Chandra Dey		
23/02/2017	101	09:00:00	Rs. 17.45	16.65	4.80%	5	11:00:36	Rs. 17.45
Client : Noticee 4						Counterparty: Aildas Ramchand Mamtani		
28/04/2017	151	09:00:00	Rs. 23.3	22.20	4.95%	5	12:23:19	Rs. 23
Client : Noticee 4						Counterparty: Dipak Kumar R Dave		
10/05/2017	151	09:00:00	Rs. 24.45	23.30	4.93%	5	15:10:10	Rs. 24.45
Client :Noticee 4						Counterparty: Shweta Ashish Agarwal		
18/05/2017	61	09:00:00	Rs. 26.9	25.65	4.87%	25	09:37:09	Rs. 26.9
Client :Noticee 4						Counterparty: Sanjay Nandlal Tibdewal		
23/05/2017	101	09:00:00	Rs. 31.05	29.60	4.89%	2	09:51:02	Rs. 31.05
	101	09:00:00	Rs. 31.05	29.60	4.89%	48	15:11:41	Rs. 31.05
Client :Noticee 4						Counterparty: Laherchand Shamjibhai Lakhani		
24/05/2017	21	09:41:19	Rs. 32	31.04	3.09%	166	10:37:57	Rs. 32

24. It is observed from table above that except for the trade on 24.05.2017, Noticee 4 has placed all buy orders as first order for the market itself and all buy orders are placed at rate above the previous day's closing price. Further, except for buy order placed on 24/05/2017, all other orders were approximately close to 5% above the previous day's closing price i.e. the first trades were placed at upper circuit level of 5% applicable on the scrip during the entire investigation period. It was observed that the transactions stated in table above are the orders which have been executed on the mentioned dates. However, it is seen from the order log that Noticee 4 has been continuously and consistently placed the buy orders

at an upper circuit level of close to 5% during the entire investigation period which have not been executed for want of counterparty trades but the orders were added to the system and some of the trades were deleted either manually or through the system. The following are the summary details of such orders placed, executed and deleted /cancelled by Noticee 4:

Sl. No	No of trading days during investigation period	No of days on which orders were placed	No of days on which orders were executed	No of days on which orders were added	No of days on which orders were deleted/ cancelled
1.	108	70	7	70	27

25. The following are the instances of such orders placed by Noticee 4 during the month of January 2017 provided as illustration.

ORDER_DATE	ORDER_TIME	BUY SELL	RATE	Prev Day's closing price	% of increase/decrease to the price provided	QTY	AVL QTY	Order added/ updated/ deleted	Deletion (Manual/ System)
10/01/17	09:00:00	B	4.4	2.31	90.48%	500	500	A	-
10/01/17	09:50:03	B	4.4	2.31	90.48%	500	0	D	M
10/01/17	10:22:45	B	13.12	12.5	4.96%	20	20	A	-
10/01/17	12:08:57	B	11.88	12.5	-4.96%	21	21	A	-
10/01/17	15:30:00	B	11.88	12.5	-4.96%	21	0	D	S
11/01/17	09:00:00	B	13.77	13.12	4.95%	101	101	A	-
11/01/17	09:57:39	B	12.48	13.12	-4.88%	121	121	A	-
11/01/17	15:30:00	B	12.48	13.12	-4.88%	121	0	D	S
12/01/17	09:00:00	B	13.77	13.12	4.95%	121	121	A	-
12/01/17	10:26:20	B	12.5	13.12	-4.73%	121	121	A	-
12/01/17	15:17:31	B	13.77	13.12	4.95%	121	0	D	M
12/01/17	15:30:00	B	12.5	13.12	-4.73%	121	0	D	S
13/01/17	09:00:00	B	14.45	13.77	4.94%	101	101	A	-
16/01/17	09:00:01	B	14.45	13.77	4.94%	121	121	A	-

16/01/17	10:46:00	B	13.1	13.77	-4.87%	121	121	A	-
16/01/17	15:09:25	B	14.45	13.77	4.94%	121	0	D	M
16/01/17	15:30:00	B	13.1	13.77	-4.87%	121	0	D	S
17/01/17	09:00:00	B	15.17	14.45	4.98%	151	151	A	-
18/01/17	09:00:00	B	15.17	14.45	4.98%	151	151	A	-
19/01/17	09:34:15	B	15.17	14.45	4.98%	151	151	A	-
19/01/17	09:35:06	B	13.77	14.45	-4.71%	121	121	A	-
19/01/17	15:30:00	B	13.77	14.45	-4.71%	121	0	D	S
20/01/17	09:00:00	B	15.92	15.17	4.94%	151	151	A	-
23/01/17	10:15:50	B	14.5	15.17	-4.42%	121	121	A	-
23/01/17	15:30:00	B	14.5	15.17	-4.42%	121	0	D	S
24/01/17	09:00:00	B	15.92	15.17	4.94%	151	151	A	-
25/01/17	09:00:00	B	15.92	15.17	4.94%	151	151	A	-
27/01/17	09:00:00	B	15.92	15.17	4.94%	151	151	A	-
30/01/17	09:15:00	B	15.92	15.17	4.94%	151	151	A	-
31/01/17	09:00:00	B	15.92	15.17	4.94%	151	151	A	-

26. It was also observed that all the buy orders placed by Noticee 4 for the above trades were limit orders. Therefore, the trades of Noticee 4 does not appear to have been entered as normal market transactions.

27. Sell orders of Noticee 4 during the investigation period are as under:

Client :Noticee 4					Counterparty: Baby Shaheen		
Date of txn	**Qty available with the entity as on date of txn**	**Qty placed to sell**	**Time at which sell order placed**	**Rate at which sell order placed**	**Qty placed by cpty to buy**	**Time at which buy order placed**	**Rate at which buy order placed**
10/01/2017	76	15	09:31:34	Rs. 12.50	500	09:00:00	Rs. 12.50
	76	1	10:22:11	Rs. 13.12	500	10:00:00	Rs. 13.12
Client :Noticee 4					Counterparty: Noticee 2		
12/01/2017	76	10	15:24:54	Rs. 13.77	5000	09:00:00	Rs. 13.77
Client :Noticee 4					Counterparty: Ravindra Deoo Mirjolkar		
16/01/2017	66	10	15:22:25	Rs. 14.45	5000	09:00:00	Rs. 14.45

Client :Noticee 4					Counterparty: Noticee 2		
19/01/2017	56	151	09:00:00	Rs. 15.17	5000	09:00:00	Rs. 15.17
Client :Noticee 4					Counterparty: Noticee 2		
14/03/2017	25	10	15:28:36	Rs. 19.2	2000	09:00:00	Rs. 19.2
Client :Noticee 4					Counterparty: Meenu Gupta		
05/07/2017	121	28	13:25:23	Rs. 33.6	4	14:35:58	Rs. 33.6

28. It is observed from the table above that except for sell order placed on 05/07/2017, the remaining sell orders of Noticee 4 were placed only after the buy orders were available and the sell order was placed at the same rate as that of buy order already available in the system. Even though Noticee 4 had higher quantity of shares available with him at the time of trade, he had placed sell orders only for miniscule or negligible quantity. Further, for trade done on 19/01/2017, even though the entity did not have sufficient shares at the time of trade, he placed sell order nearly 3 times more than the quantity available with him at that time. Therefore, the trades do not appear to be normal in nature.

Noticee 2:

29. It was observed that the trades carried out by Noticee 2 contributed Rs. 4.07 to positive LTP (i.e. 13.01% to market positive LTP) through 5 trades. There are 4 different counterparties to the 5 trades and one of them is Noticee 4. Noticee 4 had appeared in 60% of LTP trades of Noticee 2 and contributed 55.77% of positive LTP of Noticee 2.

30. The details of the trades executed by Noticee 2 as a buyer are given as under:

Client : Noticee 2						Counterparty: Noticee 4		
Date of txn	**Qty placed to buy**	**Time at which buy order placed**	**Rate at which buy order placed**	**Prev day's closing price (Rs.)**	**% of increase to the price provided**	**Qty placed by cpty to sell**	**Time at which sell order placed**	**Rate at which sell order placed**
12/01/2017	5000	09:00:00	Rs. 13.77	13.12	4.95%	10	15:24:54	Rs. 13.77
Client : Noticee 2						Counterparty: Noticee 4		
19/01/2017	5000	09:00:00	Rs. 15.17	14.45	4.98%	151	09:00:00	Rs. 15.17
Client : Noticee 2						Counterparty: Jagdish Dewani		
27/02/2017	2000	09:00:00	Rs. 18.3	17.45	4.87%	5	11:07:11	Rs. 18.3
Client : Noticee 2						Counterparty: Noticee 4		
14/03/2017	2000	09:00:00	Rs. 19.2	18.30	4.91%	10	15:28:36	Rs. 19.2
Client : Noticee 2						Counterparty: Narmina Trade Invest LLP		
27/03/2017	2000	09:00:01	Rs. 20.14	19.20	4.89%	50	12:55:16	Rs. 20.14
Client : Noticee 2						Counterparty: Bodhesh Trade Invest LLP		
27/03/2017	2000	09:00:01	Rs. 20.14	19.20	4.89%	50	12:55:29	Rs. 20.14

31. It is observed from table above that Noticee 2 has placed all buy orders as first buy order for the market itself and all buy orders are placed at rate above the previous day's closing price. Further, all the buy orders were approximately 5% above the previous day's closing price i.e. the first trades were placed at upper circuit level of 5% applicable on the scrip during the entire investigation period. It was also observed that the transactions stated in above table are the orders which have been executed on the mentioned dates. However, it was observed from the order log that Noticee 2 has been continuously and consistently placed the buy orders at an upper circuit level of close to 5% during the entire

investigation period which have not been executed for want of counterparty trades but the orders were added to the system and some of the trades were deleted either manually or through the system. The following is the summary of such orders placed, executed, and deleted /cancelled by Noticee 2:

Sl.No	No of trading days during investigation period	No of days on which orders were placed	No of days on which orders were executed	No of days on which orders were added	No of days on which orders were deleted/ cancelled
1.	108	55	5	55	9

32. The following are the instances of such orders placed by Noticee 2 during the month of January 2017 provided as illustration:

ORDER DATE	ORDER TIME	BUY SELL	RATE	Prev Day's closing price	% of increase/decrease to the price provided	QTY	AVLQTY	Order added/updated/ deleted	Deletion (M/S)
10/01/17	10:00:01	B	13.12	12.5	4.96%	5000	5000	A	-
10/01/17	10:00:05	B	13.12	12.5	4.96%	2500	2500	A	-
10/01/17	10:00:13	B	13.12	12.5	4.96%	2500	0	D	M
11/01/17	09:00:00	B	13.77	13.12	4.95%	5000	5000	A	-
11/01/17	09:00:00	B	13.77	13.12	4.95%	2000	2000	A	-
12/01/17	09:00:00	B	13.77	13.12	4.95%	5000	5000	A	-
12/01/17	09:00:00	B	13.77	13.12	4.95%	2000	2000	A	-
13/01/17	09:00:00	B	14.45	13.77	4.94%	5000	5000	A	-
13/01/17	09:00:00	B	14.45	13.77	4.94%	2000	2000	A	-
16/01/17	09:00:00	B	14.45	13.77	4.94%	5000	5000	A	-
16/01/17	09:00:00	B	14.45	13.77	4.94%	2000	2000	A	-
17/01/17	09:00:00	B	15.17	14.45	4.98%	5000	5000	A	-
17/01/17	09:00:00	B	15.17	14.45	4.98%	2000	2000	A	-
17/01/17	15:44:52	B	15.17	14.45	4.98%	2000	0	D	S
18/01/17	09:00:00	B	15.17	14.45	4.98%	5000	5000	A	-
18/01/17	09:00:00	B	15.17	14.45	4.98%	2000	2000	A	-

19/01/17	09:00:00	B	15.17	14.45	4.98%	5000	5000	A	-
19/01/17	09:00:00	B	15.17	14.45	4.98%	2000	2000	A	-
20/01/17	09:00:00	B	15.92	15.17	4.94%	5000	5000	A	-
20/01/17	09:00:00	B	15.92	15.17	4.94%	2000	2000	A	-
20/01/17	15:44:38	B	15.92	15.17	4.94%	2000	0	D	S
23/01/17	09:00:01	B	15.92	15.17	4.94%	5000	5000	A	-
23/01/17	09:00:01	B	15.92	15.17	4.94%	2000	2000	A	-
23/01/17	15:53:58	B	15.92	15.17	4.94%	2000	0	D	S
24/01/17	09:00:00	B	15.92	15.17	4.94%	2000	2000	A	-
24/01/17	09:00:01	B	15.92	15.17	4.94%	2000	2000	A	-
25/01/17	09:00:00	B	15.92	15.17	4.94%	2000	2000	A	-
25/01/17	09:00:00	B	15.92	15.17	4.94%	2000	2000	A	-
27/01/17	09:00:00	B	15.92	15.17	4.94%	2000	2000	A	-
27/01/17	09:00:00	B	15.92	15.17	4.94%	2000	2000	A	-
30/01/17	09:00:00	B	15.92	15.17	4.94%	2000	2000	A	-
30/01/17	09:00:00	B	15.92	15.17	4.94%	2000	2000	A	-
30/01/17	15:53:15	B	15.92	15.17	4.94%	2000	0	D	S
31/01/17	09:00:00	B	15.92	15.17	4.94%	2000	2000	A	-
31/01/17	09:00:00	B	15.92	15.17	4.94%	2000	2000	A	-

33. It is also observed that all the buy orders placed by Noticee 2 for the above trades were limit orders. Further, for 3 out of 6 trades of Noticee 2, the counterparty is Noticee 4. Therefore, it was observed that the trades of Noticee 2 have not been entered as normal market transactions but with a manipulative intent.

Noticee 1:

34. Trades carried out by Noticee 1 contributed Rs. 3.60 to positive LTP (i.e. 11.51% to market positive LTP) through 3 trades. There were 3 different counterparties to these 3 trades. The details of the trades executed by Noticee 1 as a buyer are given as under:

Client : Noticee 1						Counterparty: Ravi Nookala		
Date of txn	**Qty placed to buy**	**Time at which buy order placed**	**Rate at which buy order placed**	**Prev day's closing price (Rs.)**	**% of increase to the price provided**	**Qty placed by cpty to sell**	**Time at which sell order placed**	**Rate at which sell order placed**
11/04/2017	500	09:00:00	Rs. 21.15	20.15	4.96%	50	11:14:08	Rs. 21.15
Client : Noticee 1						Counterparty: Asha Sanjay Tibdewal		
17/05/2017	500	09:00:00	Rs. 25.65	24.45	4.90%	29	13:30:55	Rs. 25.65
Client : Noticee 1						Counterparty: Ishan Sanjay Tibdewal		
17/05/2017	500	09:00:00	Rs. 25.65	24.45	4.90%	38	13:31:15	Rs. 25.65
Client : Noticee 1						Counterparty: Kishor Pravinchandra Parikh		
17/05/2017	500	09:00:00	Rs. 25.65	24.45	4.90%	380	14:18:43	Rs. 25.65
Client : Noticee 1						Counterparty: Sanjay Nandlal Tibdewal		
22/05/2017	500	09:00:00	Rs. 29.60	28.20	4.96%	2	09:46:24	Rs. 29.60

35. It is observed from the table above that Noticee 1 has placed all buy orders as first buy order for the market itself and all buy orders are placed at rate above the previous day's closing price. Further, all the buy orders were approximately 5% above the previous day's closing price i.e. the first trades were placed at upper circuit level of 5% applicable on the scrip during the entire investigation period. Further, the transactions stated in above table are the orders which have been executed on the mentioned dates. However, it is observed from the order log that Noticee 1 has been continuously and consistently placed the buy orders at an upper circuit level of close to 5% during the entire investigation period which have not been executed for want of counterparty trades but the orders were added to the system and some of the trades were deleted either manually or through the system. Summary of such orders placed, executed, and deleted /cancelled by the entity is as follows:

Sl.No	No of trading days during investigation period	No of days on which orders were placed	No of days on which orders were executed	No of days on which orders were added	No of days on which orders were deleted/ cancelled
1.	108	69	3	69	16

36. The following are the instances of such orders placed by Noticee 1 during the month of February 2017 provided as illustration:

ORDER DATE	ORDER TIME	BUYSELL	RATE	Prev Day's closing price	% of increase /decrease to the price provided	QTY	AVL QTY	Order added/ updated/ deleted	Deletion (M/S)
14/02/2017	10:23:38	B	15.9	15.17	4.81%	2000	2000	A	-
15/02/2017	09:00:00	B	16.64	15.9	4.65%	2000	2000	A	-
16/02/2017	09:00:00	B	16.64	15.9	4.65%	2000	2000	A	-
17/02/2017	09:00:00	B	16.64	15.9	4.65%	2000	2000	A	-
17/02/2017	15:49:56	B	16.64	15.9	4.65%	2000	0	D	S
20/02/2017	09:00:00	B	16.64	15.9	4.65%	2000	2000	A	-
22/02/2017	09:00:00	B	16.64	15.9	4.65%	2000	2000	A	-
23/02/2017	09:00:00	B	16.64	16.65	-0.06%	2000	2000	A	-
27/02/2017	09:00:29	B	18.3	17.45	4.87%	2000	2000	A	-
27/02/2017	15:53:29	B	18.3	17.45	4.87%	2000	0	D	S
28/02/2017	09:00:00	B	19.2	18.3	4.92%	2000	2000	A	-

37. It was observed that all the buy orders placed by Noticee 1 for the aforementioned trades were limit orders. Therefore, it was observed that the trades of Noticee 1 have not been entered as normal market transactions but with a manipulative intent.

Noticee 3:

38. Trades carried out by Noticee 3 contributed Rs. 1.05 (i.e. 3.36% to market positive LTP) through one trade. From UCC details and KYC analysis obtained from the trading member, it is observed that Noticee 1, 2 and 3 are connected to each other. Together these entities have contributed Rs. 8.72 to positive LTP (i.e. 27.88% to market positive LTP) through 9 trades. The details of the trade executed by Noticee 3 as a buyer is given as under:

Client : Noticee 3						Counterparty: Pramod G Palkar		
Date of txn	**Qty placed to buy**	**Time at which buy order placed**	**Rate at which buy order placed**	**Prev day's closing price (Rs.)**	**% of increase to the price provided**	**Qty placed by cpty to sell**	**Time at which sell order placed**	**Rate at which sell order placed**
12/04/2017	1000	09:00:00	Rs. 22.2	21.15	4.96%	119	13:41:00	Rs. 22.2

39. It was observed that even though Noticee 3 has executed only one trade, Noticee 3 is connected to Noticee 1 and 2. From above table, it is observed that Noticee 3 has placed the buy order on 12/04/2017 as first buy order for the market itself and the said buy order was placed at rate above the previous day's closing price. Further, all the buy order was approximately 5% above the previous day's closing price i.e. the first trade was placed at upper circuit level of 5% applicable on the scrip during the entire investigation period.

40. The following are the instances of such orders placed by Noticee 3 during the investigation period:

ORDER DATE	ORDER TIME	BUY/SELL	RATE	Prev Day's closing price	% of increase/decrease to the price provided	QTY	AVL QTY	Order added/updated/deleted	Deletion (M/S)
12/04/2017	09:00:00	B	22.2	21.15	4.96%	1000	1000	A	-
13/04/2017	09:00:00	B	22.2	22.2	0%	1000	1000	A	-

41. It was observed that the buy order placed by Noticee 3 was in the nature of limit order. Therefore, it was observed that the trades of Noticee 3 have not been entered as normal market transactions but with a manipulative intent.

Analysis of trades of top 10 positive LTP during the investigation period:

42. Top 10 entities who contributed to positive LTP during the investigation period are given in the table below:

Client name	All Trades			LTP Diff. > 0			LTP Diff. < 0			LTP Diff. = 0		% LTP
	All Ltp Rate	All Traded Qty	All No Trades	Pos Ltp Rate	Pos Traded Qty	Pos No Trades	Neg Ltp Rate	Neg Traded Qty	Neg No Trades	Zero Traded Qty	Zero No Trades	
Baby Shaheen	10.81	16	2	10.81	16	2	0.00	0	0	0	0	34.55%
Noticee 4	7.45	131	9	7.45	78	7	0.00	0	0	53	2	23.81%
Noticee 2	4.07	276	6	4.07	226	5	0.00	0	0	50	1	13.01%
Noticee 1	3.60	499	5	3.60	81	3	0.00	0	0	418	2	11.51%
Meenu Gupta	1.60	4	1	1.60	4	1	0.00	0	0	0	0	5.11%
Salman Khan	1.30	7	2	1.30	2	1	0.00	0	0	5	1	4.15%
Noticee 3	1.05	119	1	1.05	119	1	0.00	0	0	0	0	3.36%

Rajiv Maheshwari	0.73	10	1	0.73	10	1	0.00	0	0	0	0	2.33%
Ravindra Deoo Mirjolkar	0.68	10	1	0.68	10	1	0.00	0	0	0	0	2.17%
Diptiben Priteshbhai Bhatt	0.00	145	1	0.00	0	0	0.00	0	0	145	1	0.00%
Total	**31.29**	**1217**	**29**	**31.29**	**546**	**22**	**0.00**	**0**	**0**	**671**	**7**	**100.00%**
Market Total	**31.29**	**1217**	**29**	**31.29**	**546**	**22**	**0.00**	**0**	**0**	**671**	**7**	**100.00%**

43. It is observed from the table above that top 10 LTP contributors among buyers contributed Rs.31.29 to net LTP and Rs.31.29 to total market positive LTP. Baby Shaheen was the top LTP contributor with contribution of Rs.10.81 to net LTP and Rs.10.81 to total market positive LTP. Baby Shaheen and four other entities have contributed to more than 5% to positive LTP. Apart from three connected entities Noticee 1, 2 and 3, no other connection could be established among the top 10 LTP contributors.

New High Price (NHP) analysis:

44. NHP analysis was carried out on the buy side, as there was increased in the price during IP. During this period, price of the scrip moved from open price of Rs.12.5 to a high price of Rs.33.6 and Rs.21.10 NHP was created. The contribution to NHP by Noticees 1 to 4 during the investigation period is given in the table below:

Client Name	Quantity	Number Of Trades	Contribution To Market NHP	% Of Market NHP	Contribution Among Noticees 1 to 4	Contribution To NHP In Buy Order First Trades With other Entities
Noticee 4	78	7	7.45	35.31%	0	7.45

Noticee 2	226	5	4.07	19.29%	2.27	1.80
Noticee 1	81	3	3.60	17.06%	0	3.60
Noticee 3	119	1	1.05	4.98%	0	1.05
Total	**504**	**16**	**16.17**	**76.64%**	**2.27**	**13.90**
Market total	**531**	**21**	**21.10**	**100.00%**	**2.27**	**13.90**

45. It is observed from the table above that the contribution to NHP by Noticees 1 to 4 as buyers was significant. They have contributed for Rs.16.17 to market NHP. This was 76.64% of market NHP. In trades among the Noticees 1 to 4, they have contributed Rs.2.27 to market NHP. In remaining trades with other entities in which they placed buy order first they contributed Rs.13.90 to NHP.

Noticee 4:

46. It was observed that out of the total NHP contribution of Rs. 16.17 by the Noticees 1 to 4, Rs. 7.45 i.e. 35.31% of market NHP was contributed by Noticee 4 through 7 trades. Further, Noticee 4 was buyer in 7 first trades out of 16 trades by suspected entities and contributed Rs. 7.45 to the positive market LTP.

Noticees 1, 2 and 3:

47. It was observed that out of the total NHP contribution of Rs. 16.17 by Noticees 1 to 4, Rs. 8.72 i.e. 41.33% of market New High Price was contributed by Noticees 1, 2 and 3 through 9 trades. Further, Noticees 1 to 3 were buyers in 9 first trades out of 16 trades by Noticees 1 to 4 and contributed Rs. 8.72 to the positive market LTP.

Analysis of trades of top 10 NHP contributors during the investigation period:

48. Analysis of trades of top 10 NHP contributors during the investigation period was also carried out and it is observed that Noticees 1 to 4 appear in top 10 NHP contributors.

Client name	Quantity	Number Of Trades	Contribution To Market NHP	% Of Market NHP
Noticee 4	78	7	7.45	35.31%
Noticee 2	226	5	4.07	19.29%
Noticee 1	81	3	3.60	17.06%
Meenu Gupta	4	1	1.60	7.58%
Salman Khan	2	1	1.30	6.16%
Noticee 3	119	1	1.05	4.98%
Rajiv Maheshwari	10	1	0.73	3.46%
Ravindra Deoo Mirjolkar	10	1	0.68	3.22%
Baby Shaheen	1	1	0.62	2.94%
Total	**531**	**21**	**21.10**	**100.00%**
Market Total	**531**	**21**	**21.10**	**100.00%**

First trade analysis:

49. The analysis of first trades carried out by Noticees 1 to 4 as buyers, with positive impact on LTP are given below:

Client Name	Total Number Of First Trades	Traded Quantity First Trades	Number of First Trades At Positive LTP	Net LTP	Positive LTP	Number Of First Trades Among Noticees 1 to 4	Positive LTP Contribution In First Trades Among Noticee 1 to 4
Noticee 4	7	78	7	7.45	7.45	0	0.00

Noticee 2	5	226	5	4.07	4.07	3	2.27
Noticee 1	3	81	3	3.60	3.60	0	0.00
Noticee 3	1	119	1	1.05	1.05	0	0.00
Total	**16**	**504**	**16**	**16.17**	**16.17**	**3**	**2.27**
Market total	**21**	**545**	**21**	**30.67**	**30.67**	**3**	**2.27**

50. From the above table, it is observed that the contribution to LTP through first trades by Noticees 1 to 4 as buyers was significant. Noticee 1 to 4 were buyers in 16 first trades and contributed Rs.16.17 to market positive LTP. In 3 first trades the counterparty was among the Noticees 1 to 4. In first trades among themselves they contributed Rs.2.27 to positive LTP. In remaining 13 first trades with other entities, Noticees 1 to 4 contributed 13.9 to positive LTP. In 13 such first trades, Noticees 1 to 4 had placed buy order first and contributed Rs.13.9 to positive LTP.

Noticee 4:

51. With respect to the first trades of Noticee 4, it is observed that there were 7 first trades for 78 shares which contributed to Rs. 7.45 of positive LTP. The counterparties are all other entities.

Noticee 2:

52. It is observed that there were 5 first trades of Noticee 2 for 226 shares which contributed to Rs. 4.07 of positive LTP. Out of 3 counterparties, one counterparty is Noticee 4.

Noticee 1:

53. It is observed that there were 3 first trades for 81 shares which contributed to Rs. 3.60 of positive LTP. The counterparties are all other entities.

Noticee 3:

54. It is observed that there was 1 first trade of Noticee 3 for 119 shares which contributed to Rs. 1.05 of positive LTP. The counterparty is other entity.

Analysis of first trades of top 10 entities:

55. Top 10 entities who contributed to first trades during the investigation period are given in the table below:

Client Name	**Total Number Of First Trades**	**Traded Quantity First Trades**	**Number Of First Trades At Positive LTP**	**Net LTP**	**Positive LTP**
Noticee 4	7	78	7	7.45	7.45
Notice 2	5	226	5	4.07	4.07
Noticee 1	3	81	3	3.60	3.60
Rajiv Maheshwari	1	10	1	0.73	0.73
Meenu Gupta	1	4	1	1.60	1.60
Ravindra Deoo Mirjolkar	1	10	1	0.68	0.68
Noticee 3	1	119	1	1.05	1.05
Baby Shaheen	1	15	1	10.19	10.19

Salman Khan	1	2	1	1.30	1.30
Total	21	545	21	30.67	30.67
Market Total	21	545	21	30.67	30.67

56. It is observed that Noticees 1 to 4 were amongst the top 10 buyers in 21 first trades and contributed Rs.16.17 of positive LTP out of total Rs.30.67 by top 10 buyers to market positive LTP.

Allegations based on LTP Analysis, NHP Analysis, First Trade Analysis of Noticees 1 to 4:

Noticee 4:

57. It was observed that Noticee 4 contributed 23.81% to the market positive LTP. Further, in 6 out of 7 instances of trade, it is observed that Noticee 4 placed buy orders higher than the previous day's closing price. The buy orders were placed at upper circuit limit of 5% prior to the execution of first trades. Out of the total NHP contribution of Rs. 16.17 by Noticees 1 to 4, Rs. 7.45 i.e. 35.31% of market New High Price was contributed by Noticee 4 through 7 trades. Further, Noticee 4 was buyer in 7 first trades out of 16 trades by Noticees 1 to 4 and contributed Rs. 7.45 to the positive market LTP. It is also observed from the analysis of order log that Noticees 4 had been placing buy orders consistently at upper circuit limit of 5%. Out of 108 trading days, he has placed orders for 70 trading days out of which orders placed on 7 trading days got executed and orders placed on 70 trading days got added to the system. Further, Noticee 4 has not provided any reasons or response for executing trades in such manner vide summons sent on February 07, 2020. In view of the above, it was alleged that the trades of Noticee 4 does not appear to be normal/ genuine trades and a manipulative intent could be seen in terms of the rate, time and quantity at which the orders were placed by Noticee 4, therefore, Noticee 4 has violated Section 12A(a), (b), (c) of SEBI

Act and Regulations 3(a) (b), (c), (d), 4(1) and 4(2) (a) and (e) of PFUTP Regulations.

Noticee 1, 2 and 3:

58. Based on UCC details, off market transfers, MCA website, bank statements it is observed that Noticee 1, 2 and 3 are connected to each other.

59. It was observed that Noticees 1, 2 and 3 together have contributed Rs. 12.57 (27.88% of positive market LTP) to the market positive LTP through 12 trades for 894 shares. The Noticees 1 to 3 placed the buy orders at successive higher prices throughout the 12 instances of trading. The buy orders by the aforesaid Noticees were at upper circuit limit of 5% prior to the execution of first trades. Out of the total NHP contribution of Rs. 16.17 by Noticees 1 to 4, Rs. 8.72 i.e. 41.33% of market NHP was contributed by Noticees 1 to 3 through 9 trades. Further, Noticee 1 to 3 were buyers in 9 first trades out of 16 trades by Noticees 1 to 4 and contributed Rs. 8.72 to the positive market LTP. It is also observed from the analysis of order log that Noticee 1 and 2 had been placing buy orders consistently at upper circuit limit of 5%. Out of 108 trading days, Noticee 1 has placed orders on 69 trading days out of which orders placed on 3 trading days got executed and orders for 69 days got added to the system. For Noticee 2, out of 108 trading days, orders had been placed on 55 trading days out of which orders placed on 5 trading days got executed and orders placed on 55 trading days got added to the system. In view of the above, it was alleged that the trades of Noticees 1, 2 and 3 does not appear to be normal/ genuine trades and a manipulative intent could be seen in terms of the rate, time and quantity at which the orders were placed, therefore, Noticee 1, 2 and 3 have violated Section 12A(a), (b), (c) of SEBI Act and Regulations 3(a) (b), (c), (d), 4(1) and 4(2) (a) and (e) of PFUTP Regulations.

60. **Allegations based on order book analysis in respect of Noticees 1 to 4:**

It was observed from the order book analysis of Noticees 1 to 4 that they were placing orders on each day during the investigation period from January 10, 2017 to July 05, 2017 i.e. out of 108 trading days, there were only 7 days on which only Noticees 1 to 4 placed orders and no orders were received from any other entity. On all other days there were orders from both aforesaid Noticees and other entities and on each of the trading day, the number of Noticees who have placed orders is far less than the other entities. However, on 95 days, the aforesaid Noticees have placed orders as first trades out of which on 75 days these first trades have been placed at upper circuit thereby not leaving any scope for other entities to place their orders at a lower rate. A sample of 10 such instances of such orders are provided below for illustration.

Date of Txn	No of clients			No of orders placed			First Trade		UC/LC*	Entity Name	%increase/ decrease
	Total	Notic-ees	Other Entities	Total	Notic-ees	Other Entities	Notic-ees	Other Entities			
10/01/2017	26	2	24	66	10	56	1	0	UC	Noticee 4	90.48%
12/01/2017	11	2	9	23	7	16	1	0	UC	Noticee 2	4.95%
17/01/2017	7	2	5	13	4	9	1	0	UC	Noticee 4	4.98%
18/01/2017	8	2	6	15	3	12	1	0	UC	Notice 2	4.98%
19/01/2017	12	2	10	26	6	20	1	0	UC	Noticee 2	4.98%
23/01/2017	7	2	5	15	5	10	1	0	UC	Noticee 2	4.94%
24/01/2017	8	2	6	15	3	12	1	0	UC	Noticee 4	4.94%

25/01/ 2017	8	2	6	14	3	11	1	0	UC	Noticee 2	4.94%
27/01/ 2017	7	2	5	13	3	10	1	0	UC	Noticee 4	4.94%
30/01/ 2017	5	2	3	9	4	5	1	0	UC	Noticee 2	4.94%

* UC/LC→ Upper Circuit/Lower Circuit

61. It is observed from the table above that even though on most of the days, the number of other entities who have placed orders are more than the Noticees 1 to 4, but other entities by virtue of placing orders as first trades and at the upper circuit limit left no scope for the other entities to place buy orders at a lower rate. Therefore, it is alleged that Noticees 1 to 4 have pushed the price of the scrip at the highest rate each day from Rs. 12.5 to Rs. 33.6 by placing orders at first trades and at upper circuit limits.

62. An Analysis of the orders placed by other entities on the days where Noticees 1 to 4 placed orders, either not as first trades or at upper circuit limit was carried out. The details of the number of days on which Noticees 1 to 4 had not placed orders as first trades or at upper circuit limit are as under:

Total no of trading days	**No of days where first trades placed at upper circuit by Noticees**	**No of days available for other entities for placing orders at upper circuit limits**
108	75	33

63. It is observed from the above table that other entities had scope for placing orders at upper circuit for 33 days whereas they have placed orders much below the upper circuit limit for 23 days out of 33 days unlike the Noticees whereby it is seen that there is no tendency on the part of clients other than Noticees 1 to 4 to consistently place orders at upper circuit limits to push up the price.

64. Therefore, it appears that Noticees 1 to 4 by placing the buy orders as not only as first trades of the day but also consistently at upper circuit limit thereby giving no scope for the other entities either to place orders as first trades or at lower rates have pushed the price of the scrip from RS. 12.5 to Rs. 33.6 during the investigation period. In view of the above, the trades of Noticees 1 to 4 does not appear as normal/ genuine but only as trades executed for the purpose of increasing price of the scrip.

65. In view of the above, it was alleged that Noticees 1 to 4 by entering into non-genuine trades with the purpose of increasing price of scrip have violated Section 12A(a), (b), (c) of SEBI Act and Regulations 3(a) (b), (c), (d), 4(1) and 4(2) (a) and (e) of PFUTP Regulations.

66. **Non-Compliance of Summons:**

a) During the course of the investigation, information was sought from the Noticees 1, 2 and 3 vide summons dated 07.02.2020 and the same sent by scanned copy through email dated 07.02.2020. However, none of them responded in any manner in spite of receipt of the summons.

b) As per website of Govt. of India, India Post, Speed Post Acknowledgement Nos. EM949333082IN, EM949333224IN, EM949333096IN and EM949333105IN addressed to the aforesaid Noticees have since been delivered with delivery date being 10/02/2020.

c) In addition, reminder emails were sent to Noticees 1, 2 and 3 through email dated February 20, 2020. In spite of receipt of the summons and reminder emails sent to them, none of them have responded to the summons in any manner. Therefore, summons for personal appearance dated March 02, 2020 was issued to them and the same by scanned copy through email dated 02.03.2020. However, no reply was received from Noticees 1, 2 and

3 in any manner. On website of Govt. of India, India Post that Speed Posts Ack Nos. EM100257211IN, EM100257185IN, EM100257199IN and EM100257208IN addressed to the aforesaid Noticees have since been delivered with delivery date being 05/03/2020.

d) The information sought through the summons included intention of the Noticee to place the orders only at upper circuit every day in the scrip, details of family members of the Noticee to establish connection with the promoters and/or the company or with any other entity who traded in the scrip, details of any association/ connection with the company and/or the promoters/promoter group/directors/designated persons of the company and details of any other bank accounts other than those mentioned in KYC to ascertain the financial transactions if any of the entity with the company and/or promoters/directors of the company and was required for the investigation purpose so as to obtain necessary evidence in respect of these three Noticees. However, their failure to respond to summons has hampered investigation in the matter.

e) Therefore, by failing to furnish the reply to the summons, Noticees 1, 2 and 3 alleged to have violated Section 11C(2) & 11C(3) of the SEBI Act.

67. **Promoters' Shareholding in the company:**

a) SEBI Circular Cir/ISD/3/2011 dated June 17, 2011 stipulates that *"In order to further promote dematerialization of securities, encourage orderly development of the securities market and to improve transparency in the dealings of shares by promoters including pledge / usage as collateral, SEBI in consultation with Stock Exchanges, has decided that the securities of companies shall be traded in the normal segment of the exchange if and only if, the company has achieved 100% of promoter's and promoter group's* *shareholding in dematerialized form latest by the quarter ended September 2011 as reported to the Stock Exchanges".*

b) Further, in terms of SEBI Circular SEBI/Cir/ISD/05/2011 dated September 30, 2011, the time stipulation has since been extended for compliance of SEBI Circular Cir/ISD/3/2011 dated June 17, 2011 up to the quarter ended December 2011. Further, in terms of SEBI Circular SEBI/Cir/ISD/1/2012 dated March 30, 2012, it has been stipulated that while arriving at compliance of 100% dematerialization by listed entities certain exemptions therein such as where promoters who sold shares in physical mode and such shares have not been lodged for transfer with company, matters where promoter shareholding is subjudice before any court/tribunal, death of any promoter etc. have been provided in paragraph 3 (a) to (d) therein and further, in order to avail such exemption under para 3(a) to (d), the company shall approach Stock Exchange along with necessary documentary evidence. The same has been reiterated vide SEBI Circular CIR/CFD/CMD/13/2015 dated November 30, 2015 in paragraph 6 stated therein.

c) The shareholding of promoters received from the company on January 07, 2020 is given as under:

Sl No	Name of the entity	Quarter ended Dec-19			
		No of shares held	No of shares held in physical form	Number of shares held in dematerialized form	% of physical form to total no. of shareholding
1	Nijal Navinchandra Shah	5,327	328	4,999	6.15%
2	E-Wha Foam Korea Co.	50,023	50,023	0	100%
Total		**55,350**	**50, 351**	**4,999**	**90.96%**

d) The aforesaid shareholding has since been confirmed both by BSE vide email dated March 11, 2020 and by RTA to the company M/s. Link Intime Pvt Ltd vide email dated 29/01/2020. It is observed from the above table that one of the two promoters having majority of shareholding namely, E-Wha Foam Korea Co. is having its entire 100% shareholding in physical form.

e) BSE, vide its reply dated March 11, 2020 to SEBI's email dated March 11, 2020 has confirmed that the company has not sought any exemption from the exchange for the compliance requirement of promoter shareholding in dematerialized form. The percentage of demat holding of the promoters and public shareholders as per the latest shareholding pattern filed by the Company is given below:

Name of the Company	**Promoter's demat holding**	**Public demat holding**
Blue Pearl Texspin Ltd	9.03%	27.42%

f) In view of the above, it was alleged that the company has not complied with the provisions of the aforesaid SEBI Circulars dated June 17, 2011, September 30, 2011, March 30, 2012 and November 30, 2015 read with Regulation 31(2) of LODR Regulations thereby violated the provisions of Regulation 31(3) ibid.

g) SEBI Circular Cir/ISD/3/2011 dated June 17, 2011 has clearly stated the purpose for which this stipulation of promoters' shareholding to be held 100% in dematerialized form which is in order to further promote dematerialization of securities, encourage orderly development of the securities market and to improve transparency in the dealings of shares by promoters including pledge / usage as collateral etc. failing which trading in securities of such company shall take place in trade for trade segment only until the company satisfies the requirement.

h) BSE vide its email dated March 11, 2020 has confirmed that the scrip of the company is traded in XT group (i.e. trade for trade) even as on date.

i) Further, a company is a legal entity, it cannot act by itself, but only through its directors who are expected to exercise their power on behalf of the company with due diligence and within the framework of law. It was observed that the following directors were in the board during the investigation period:

Sl.No	Name	Designation	Appointment Date	Cessation Date
1.	Arun Kumar Sharma	Compliance Officer , Whole-Time Director cum CEO	30/07/2012	-
2.	Ganeshbhai Sahebraobhai Sengadani	Independent Non-Executive Director	14/11/2013	13/08/2018
3.	Navinchandra Chunilal Shah	Executive Director	06/11/1992	14/02/2018
4.	Om Prakash Madhogarhia	Independent Non-Executive Director	07/02/2014	23/07/2018
5.	Renu Singh	Additional Independent Women Director	01/03/2015	-
6.	Shrikrishna Baburam Pandey	Whole-Time Director & CFO	13/11/2014	-

j) By virtue of being the directors of the company Noticees 6, 7 and 8 have been associated with the day to day activities of the company and should have ensured to comply with the provisions of SEBI Circulars dated June 17, 2011, September 30, 2011, March 30, 2012 and November 30, 2015 read with Regulation 31(2) of LODR Regulations but have failed to do so.

k) In terms of Section 24(1) of SCRA, the liability consequent on the violation committed by the company regarding the non-compliance of 100% dematerialization of promoter shareholding would also be extended to Noticees 6, 7 and 8 who are responsible for the day-to-day affairs of the company.

l) In view of the above, it was alleged that Noticee 5 violated the provisions of SEBI circular Cir/ISD/3/2011, SEBI/Cir/ISD/05/2011, SEBI/Cir/ISD/1/ 2012, CIR/CFD/CMD/13/2015 read with Regulation 31(2) and Regulation 31(3) of LODR Regulations. Further, in terms of Section 24(1) of SCRA, Noticees 6, 7 and 8, the then executive directors/Whole-Time Directors of the company by virtue of holding directorships of the company are responsible for the conduct of its business and are hence alleged to have violated SEBI Circular Cir/ISD/3/2011, SEBI/Cir/ISD/05/2011, SEBI/Cir/ISD/1/2012, CIR/CFD/ CMD/13/2015 read with Regulation 31(2) and Regulation 31(3) of LODR Regulations.

68. The aforesaid alleged violations, if established, make the Noticees liable for monetary penalty under Section 15A(a) and 15HA of SEBI Act and section 23E of SCRA as applicable.

69. SCN was duly served to the Noticees. Noticees 1, 2 and 3 filed their reply to the SCN on March 22 and 23, 2021. Noticees 5, 6 and 8 filed their reply to the SCN vide email/letter dated March 27, 2021 and January 05, 2022 and additional reply vide letter dated March 15, 2022.

70. SCN was served to the Noticee 7 through SPAD and its email address i.e. navinchandrashahbp@gmail.com. The email to the Noticee 7 did not bounce back. In the interest of justice, an opportunity of personal hearing through video conferencing was provided to the Noticee 7 on October 12, 2021 vide Hearing

Notice dated September 03, 2021. The Hearing Notice was served upon the Noticee 7 through email. Noticee 7 neither appeared on the scheduled date of personal hearing nor was any reply to the SCN received from the Noticee 7. Through the SCN and the hearing notice, Noticee 7 was informed that, if he did not appear for the hearing and did not file the reply to the SCN, the matter would be proceeded further on the basis of evidence available on record in terms of sub-rule (7) of rule (4) of the Adjudication Rules.

72. As sufficient opportunity was given to the Noticee 7 to submit reply and appear for the hearing and no response was received from him, the adjudication proceeding against the Noticee 7 is undertaken ex-parte on the basis of material available on record.

73. It was informed vide email dated December 29, 2021 that Sushil Kumar Saraf (Noticee 4) had passed away on November 23, 2020. Copy of Death Certificate to this effect had been produced alongwith the said email.

74. Opportunity of hearing was provided to the Noticees 1, 2, 3, 5, 6 and 8 through video conferencing and Authorized Representative (AR) attended the hearing on behalf of Noticees. Mr. Meit Shah appeared for the hearing on March 03, 2022 as AR of the Noticees 5, 6 and 8. Further, Mr. Anish Shah appeared for the hearing on October 11, 2021 as AR of the Noticees 1, 2 and 3.

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

Submission of the Noticees 1, 2 and 3:

a) Noticees 1, 2 and 3 submitted that they are investors looking to invest only in delivery based transactions believing in long term investing based on fundamentals or events affecting functioning of the company.

b) They have been a long term investor and in the field of value investing for many years now. They believe in investing on the basis of market research only.

c) They received summons in February, 2020 but on account of newly scary situation and havoc created by covid-19, could not appear in person.

d) The company had reduced its share capital in the ratio 10:1 shares (Shareholders having 10 shares will get 1 share after reduction of paid share capital). They found the opportunity of long term investment if the trade price goes below reduced value.

e) They denied the allegation of putting the trade with manipulative intent. As volume of the trade was very thin and very less public shareholding involved and was very difficult to get shares at previous day's closing price. Hence, they put trade at upper circuit at the market opening time of 9.00 AM to get shares even at higher price. Even then Noticees 1, 2 and 3 could manage to purchase only 499 shares, 276 shares and 119 shares respectively.

f) Hence, they had to put trade on higher price to get shares which was also a futile effort. They have not sold a single share till date.

g) They have no manipulative intent as they have bought only nominal quantity of shares and they still holding the shares.

Submission of the Noticees 5, 6 and 8:

a) A common Show Cause Notice is issued in the caption matter wherein the allegation and role of noticees are different from one another. Noticee 1 to 4, have executed trades in Blue Pearl and they are alleged to have caused price manipulation in the scrip of Blue Pearl. However, the allegations alleged against them are completely different; hence great prejudice is caused to them by issuance of a Common Show Cause Notice.

b) Mr. Nijal Navinchandra Shah and his father Navinchandra Chunnilal Shah were associated with the Company since its incorporation and they were classified as promoters of the Company. Pursuant to exit of Mr. Nijal

Navinchandra Shah on 07.02.2014 and exit of Navinchandra Chunnilal Shah on 14.02.2018, they are no longer associated or have any relationship with the Company. Hence, they cannot be said to be the promoters of Blue Pearl. In this regard, Blue Pearl had by letter dated 27.03.2021 informed Mr. Nijal Navinchandra Shah about the facts of the case and the necessity to reclassify them from promoter group to public category. Further, they were also advised to make an application in this regard to Blue Pearl. However, till date no response is received from their end to their letter dated 27.03.2021.

c) Further, the Company by letter dated 27.03.2021 addressed to BSE, sought guidance from them w.r.t. procedure for reclassification of promoter of the Company i.e. E-Wha Foam Korea Co. as they are unable to make any contact with E-Wha Foam Korea. E-Wha Foam Korea is a South Korea based Company. They have tried all possible ways to get in touch with E-Wha Foam Korea but no response was received from them. From one of the contacts, it was understood that E-Wha Foam Korea has completely shut down its business and operations. The said promoter is not traceable and no details or documents can be obtained from them to dernaterlize their physical shares. As no reply was received from BSE to their letter dated 27.03.2021, Blue Pearl by letter dated 13.05.2021 had once again sought guidance from BSE on reclassification of E-Wha Foam Korea from promoter category to public category. However, till date, no response is received from BSE w.r.t. to their aforesaid request.

d) They submitted that Mr. Nijal Navichandra Shah and E-Wha Foam Korea Co. are not promoters of the Company. However, due to non-cooperation from the aforesaid entities, they are constrained to disclose them as promoters of the Company. Apart from the aforesaid entities, all the shares held by promoters are 100% dematerlized.

e) Further, the Company by letter dated 26.05.2021, filed exemption application with SEBI w.r.t. exemption from compliance of strict rules pertaining to clause

31 of LODR on reclassification of existing promoter shareholding of Blue Pearl into public category.

f) As no response was received from SEBI w.r.t. the exemption application, Blue Pearl by letter dated 11.10.2021 sent reminder to SEBI seeking appropriate response w.r.t. exemption application filed by them.

g) As one of the promoter of the Company viz. E-Wha Foam Korea was not traceable, Company has by letter dated 26.10.2021 sought certain information/details from the RTA of the Company viz. Link Intime India Pvt Ltd w.r.t. the promoter i.e. E-Wha Foam Korea. However, no response is received from Link Intime India Pvt Ltd w.r.t. Company's letter dated 26.10.2021.

Additional Submission of the Noticees 5, 6 and 8:

a) Pursuant to personal hearing held on 03.03.2022 and as no reply was received from Mr. Nijal Navinchandra Shah to their previous letters, they had deputed one of their office personnel to the residence of Mr. Nijal Navinchandra Shah having address at "22, Vijay Villa, Block No. 5, Bajaj Road, Vile Parle (West), Mumbai - 400056" as per the adress available with them. However, it was informed by the watchman of the building that Mr. Nijal Navinchandra Shah and his family have shifted to some other place long time back and they no longer reside at the present address.

b) As they could not personally meet Mr. Nijal Navinchandra Shah, by their letter dated 07.03.2022, sent via speed post at "22, Vijay Villa, Block No. 5, Bajaj Road, Vile Parle (West), Mumbai - 400056", again briefed him about the facts of the case and the necessity to reclassify him from promoter group to public category. Further, they were also advised to make an application in this regard to Blue Pearl. However, the said letter could not be delivered as the addressee was absent and when it was again tried later the door was locked. A copy of the aforesaid letter was also sent on the email which was available. The said email was delivered as it has not been bounced back. However, till date no reply has been received from Nijal Navinchandra Shah.

c) From the DIN records available on MCA website, they found another address related to Mr. Nijal Navinchandra Shah. Hence, they once again by letter dated 11.03.2022, sent via speed post at "101, Guru Ashish, Bapu Bhai Vasi Road, Near Laxmi Narayan Temple, Vile Parle (West), Mumbai - 400056", again briefed him about the facts of the case and the necessity to reclassify him from promoter group to public category. Further, they were also advised to make an application in this regard to Blue Pearl. However, even the letter dated 11.03.2022 did not get delivered because "Addressee left without instructions".

76. 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

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

Issue No. I Whether,

a) Noticees 1 to 4 are in violation of Section 12A (a), (b), (c) of SEBI Act and Regulation 3(a) (b) (c) (d), 4(1) and 4(2) (a), (e) of PFUTP Regulations.
b) Noticees 1 to 3 are in violation of Section 11 C(2) and 11 C(3) of SEBI Act.
c) Noticee 5 is in violation of SEBI Circular Cir/ISD/3/2011 dated June 17, 2011, SEBI/Cir/ISD/05/2011 dated September 30, 2011, SEBI/Cir/ISD/1/2012 dated March 30, 2012 and CIR/CFD/CMD/13/2015 dated November 30, 2015 and Regulation 31(2) and 31(3) of LODR Regulations read with Section 24(1) of SCRA.

d) Noticees 6 to 8 are in violation of SEBI Circular Cir/ISD/3/2011 dated June 17, 2011, SEBI/Cir/ISD/05/2011 dated September 30, 2011, SEBI/Cir/ISD/1/2012 dated March 30, 2012 and CIR/CFD/CMD/13/2015 dated November 30, 2015 and Regulation 31(2) and 31(3) of LODR Regulations read with Section 24(1) of SCRA.

Issue No. II If yes, whether the failure, on the part of the Noticees 1 to 4 would attract monetary penalty under Section 15 A(a) and 15HA of the SEBI Act and whether the failure, on the part of the Noticees 5 to 8 would attract monetary penalty under Section 23E of SCRA?

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 and Section 23J of SCRA read with Rule 5(2) of the Adjudication Rules?

Issue No. I Whether the Noticees have violated the aforesaid Regulations

<u>Allegation of PFUTP Violation</u>

78. I note that Noticee 4 had passed away on November 23, 2020 and I have perused copy of his Death Certificate which was submitted vide email dated December 29, 2021.

79. The Hon'ble Supreme Court's Order in the case of Girija Nandini vs. Bijendra Narain Choudhury (AIR 1967 SC 2110) has stated that in case of personal actions, i.e. the actions where the relief sought is personal to the deceased, the right to sue will not survive to or against the representatives, and in such cases the maxim "actio personalis moritur cum persona" (personal action dies with the death of the person) would apply, and the said view was

subsequently followed by SEBI in the case of M/s. Sakthi Finance Limited, wherein Adjudication Proceedings against Late N. Mahalingam were abated. In the present case, as per the Death Certificate, Noticee 4 had passed away on November 23, 2020.

80. Therefore, by relying on the aforementioned Order of Hon'ble Supreme Court, I am of the view that the Adjudication Proceedings initiated against Noticee 4 will not survive and are liable to be abated without going into the merits of the case. Consequently, no penalty is imposed on Sushil Kumar Saraf (Noticee 4) and the Adjudication Proceedings stand abated.

81. It is alleged in the SCN that during the investigation period Noticees 1 to 3 have traded in the scrip with significant traded volume. It is also alleged that they have contributed to positive LTP with the intent of manipulating the price of the scrip. Further, Noticees 1 to 3 have entered into First Trades with positive LTP contribution and they also contributed to New High Price. It is also alleged that Noticees 1 to 3 have pushed the price of the scrip at the highest rate each day from Rs. 12.5 to Rs. 33.6 by placing orders at first trades and at upper circuit limits.

82. I note that the Noticee 1 to 3 have made their submissions. The gist of the contentions of the Noticee 1 to 3 is as follows:

   a) They have invested in the scrip considering the fundamentals of the company and they believe in investing on the basis of market research.
   b) Since, company had reduced its share capital, they found it as opportunity for long term investment. They put the orders at higher price as the volume was very thin in the scrip and they were ready to purchase the shares at higher price. They have not sold a single share till date.

83. I note that during the investigation period, price of the scrip at BSE opened at Rs.12.5, touched at a high price of Rs.33.6 and closed at Rs.33.6, registering an increase of Rs. 21.1 (168.8 %) from the opening price. I note that Noticees 1 to 3 are connected to each other through common address. They have not denied the connection between them. Noticees 1 to 3 have purchased total of 894 shares during the investigation period, which contributed to 73.46% to total buy volume in the scrip.

84. With regard to positive LTP contribution, Noticees 1 to 3 contended that they put the orders at higher prices as the volume was very thin in the scrip and they were ready to purchase the shares even at higher price. I note that Noticee 1 has purchased 499 shares in 5 trades executed on 3 trading days and contributed to positive LTP of 11.51% in the scrip. On all 5 instances, buy order of Noticee 1 was the first buy order in the scrip for that particular day and the order placed at the rate which was approximately 5% above the previous day's closing price and close to the upper circuit. Out of aforesaid 5 instances, in all 5 instances matching order by counterparty seller was placed after significant time difference. Noticee 2 has purchased 276 shares in 6 trades executed on 5 trading days and contributed to positive LTP of 13.01% in the scrip. On all 5 instances, buy order of Noticee 2 was the first buy order in the scrip for that particular day and the order placed at the rate which was approximately 5% above the previous day's closing price and close to the upper circuit. Out of aforesaid 5 instances, in 4 instances matching order by counterparty seller was placed after significant time difference. Noticee 3 has purchased 119 shares in 1 trade and contributed to positive LTP of 3.36% and traded with similar pattern as that of Noticees 1 and 2.

85. I note that as per trade log, trading has taken place on 21 trading days in the scrip during the period 10.01.2017 to 05.07.2017. Total 10 persons appear on the buy side and 19 persons appear on the sell side. 29 trades have taken place of which 20 trades are close to upper circuit. 9 of the 10 persons on the buy side

have traded on the upper circuit. 8 of the 10 buyers have entered first trades. Noticee 1 to 3 are connected to each but not connected to any other buyer or seller and not connected to the company. Noticee 3 has done 1 trade, Noticee 1 has done 5 trades and Noticee 2 has done 6 trades, i.e. 12 out of total 29 trades are done by Noticee 1, 2 and 3.

86. Considering that almost all buyers have contributed to first trades and traded at upper circuit, the only difference in trading of Noticee 1, 2 and 3 from other buyers is that they are connected to each other. There is no finding on any motive Noticee 1, 2 and 3 could have had to cause price increase in such thinly traded scrip. Further, the Noticees have not sold the shares bought by them during the IP to make gains from price rise. Considering the aforesaid, and that they are not connected to company or other buyers or sellers, and the handful of trades done by the Noticees over a period of 6 months, I find that the allegation of price manipulation by the Noticees 1, 2 and 3 is not established.

87. Therefore, violation of Section 12A (a), (b), (c) of SEBI Act and Regulations 3(a),(b),(c),(d) and 4(1) and 4(2)(a) and (e) of PFUTP Regulations is not established against Noticees 1, 2 and 3.

Allegation of non-compliance with summons

88. It is alleged in the SCN that during the course of the investigation, information was sought from the Noticees 1, 2 and 3 vide summons dated 07.02.2020 and the same sent by scanned copy through email dated 07.02.2020. However, none of them responded in any manner in spite of receipt of the summons. The information sought through the summons included intention of them to place the orders only at upper circuit every day in the scrip and their failure to respond to summons has hampered investigation in the matter.

89. Noticees 1, 2 and 3 contended that they received summons in February, 2020 but on account of newly scary situation and havoc created by covid-19, could not appear in person. In this regard, I note that Covid-19 in India started only in the month of March 2020 and first lockdown was announced from March 25, 2020. Since, they have received the summons in February – 2020 through email also, nothing has stopped them to reply to the said summons through email. I note from the information available on record that summons dated 07.02.2010 was for seeking information from the Noticees 1, 2 and 3 and not for personal appearance. Since, they have not responded at the first opportunity, they were again summoned for personal appearance in March 2020. While for failing to appear personally on account of Covid-19 and lockdown can be accepted, the Noticee failed to respond by email and failed to give any information.

90. In view of the above, I find that by failing to furnish the reply to the summons dated 07.02.2020, Noticees 1, 2 and 3 have violated Section 11C(2) & 11C(3) of the SEBI Act.

Allegation of LODR Violation

91. SEBI Circular Cir/ISD/3/2011 dated June 17, 2011 stipulates that *"In order to further promote dematerialization of securities, encourage orderly development of the securities market and to improve transparency in the dealings of shares by promoters including pledge / usage as collateral, SEBI in consultation with Stock Exchanges, has decided that the securities of companies shall be traded in the normal segment of the exchange if and only if, the company has achieved 100% of promoter's and promoter group's shareholding in dematerialized form latest by the quarter ended September 2011 as reported to the Stock Exchanges".* Further, vide SEBI Circulars SEBI/Cir/ISD/1/2012 dated March 30, 2012 and CIR/CFD/CMD/13/2015 dated November 30, 2015 some exemptions were provided to the companies in arriving at compliance with 100% promoter(s) holding in demat form.

92. Regulation 31(2) and 31(3) of LODR Regulations provide as follows:

(2) The listed entity shall ensure that hundred percent of shareholding of promoter(s) and promoter group is in dematerialized form and the same is maintained on a continuous basis in the manner as specified by the Board.
(3) The listed entity shall comply with circulars or directions issued by the Board from time to time with respect to maintenance of shareholding in dematerialized form

93. It is alleged in the SCN that the two promoters namely Nijal Navinchandra Shah and E-Wha Foam Korea Co. are having their 6.15% and 100% shareholding in physical form respectively. Therefore, the company has not complied with the provisions of the aforesaid SEBI Circulars and other relevant circulars and Regulations. Further, in terms of Section 24(1) of SCRA, the liability consequent on the violation committed by the company regarding the non-compliance of 100% dematerialization of promoter shareholding would also be extended to Noticees 6, 7 and 8 who are responsible for the day-to-day affairs of the company.

94. Noticees 5, 6 and 8 contended that a common Show Cause Notice is issued in the captioned matter wherein the allegation and role of Noticees are different from one another. I note that even though a common SCN is issued to the Noticees, their role and alleged charges against each Noticee are clearly explained in the SCN. Therefore, I do not agree with the contention that great prejudice is caused to them because of common SCN.

95. Noticees 5, 6 and 8 further contended that they have tried all possible ways to get in touch with the said two promoters but no response was received from them. Further, they have also sought guidance from BSE and also filed exemption application with SEBI.

96. In this regard, I note that the said SEBI Circular for compliance of 100% dematerialization by listed entities was first issued in June 2011. In terms of SEBI Circular SEBI/Cir/ISD/05/2011 dated September 30, 2011, the time stipulation for compliance of SEBI Circular Cir/ISD/3/2011 dated June 17, 2011 was extended up to the quarter ended December 2011. Further, vide SEBI Circulars SEBI/Cir/ISD/1/2012 dated March 30, 2012 and CIR/CFD/CMD/13/2015 dated November 30, 2015 some exemptions were provided to the companies in arriving at compliance with 100% promoter(s) holding in demat form. Noticees 5, 6 and 8 in their reply submitted that Mr. Nijal Navinchandra Shah has exited from the company on February 07, 2014. As mentioned in the SCN, Noticee 6 (Arun Kumar Sharma) was Whole Time Director cum CEO of the company since July 30, 2012 till date, Noticee 7 was Executive Director from November 06, 1992 to February 14, 2018 and Noticee 8 was Whole Time Director and CFO of the company since November 13, 2014 till date. I note that Mr. Nijal Navinchandra Shah exited from the company 3 years after issuance of this circular. Since, Nijal Navinchandra Shah was very much a promoter during the timeline for compliance of SEBI Circular with respect to 100% dematerialization of Promoter's shareholding, there is no substance in the contention of the Noticees 5, 6 and 8 that Mr. Nijal Navinchandra Shah cannot be said to be the promoters of the company after his exit.

97. With regard to promoter E-Wha Foam Korea Co, Noticees have stated that they are unable to contact this promoter. I note that Noticee 5 did not seek any exemption in respect of difficulty faced by them in contacting this promoter pursuant to SEBI circulars SEBI/Cir/ISD/1/2012 dated March 30, 2012 and CIR/CFD/CMD/13/2015 dated November 30, 2015.

98. I further note from the submissions of the Noticees 5, 6 and 8 that the company has sent first communication with respect to compliance of SEBI Circular to Mr. Nijal Navinchandra Shah only on March 27, 2021 i.e. after the issuance of the

SCN dated March 05, 2021. Further, all the other actions taken by the company i.e. sending letter to other promoter, seeking guidance from BSE or filing exemption application with SEBI are all subsequent to the issuance of the SCN. Therefore, it is very clear from their own submissions that the Noticees 5, 6, 7 and 8 did not take any action with respect to compliance of the SEBI Circular till the issuance of the SCN. In view of the above, I find that Noticee 5 failed to comply with the provisions of the SEBI Circular and Regulation 31(2) and Regulation 31(3) of LODR Regulations. Section 24(1) of SCRA states that,
"24. (1) Where a contravention of any of the provisions of this Act or any rule, regulation, direction or order made thereunder has been committed by a company, every person who, at the time when the contravention was committed, was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the contravention, and shall be liable to be proceeded against and punished accordingly". Therefore, by virtue of being the whole time directors / executive director of the company, Noticee 6, 7 and 8 are liable for non-compliance by the company.

99. Therefore, I find that Noticee 5 violated the provisions of SEBI circular Cir/ISD/3/2011 read with SEBI/Cir/ISD/05/2011 read with Regulation 31(2) and Regulation 31(3) of LODR Regulations. Further, in terms of Section 24(1) of SCRA, Noticees 6, 7 and 8, by virtue of being then executive directors/Whole-Time Directors of the company were responsible for the conduct of its business and hence violated SEBI Circular Cir/ISD/3/2011 read with SEBI/Cir/ISD/05/2011 and Regulation 31(2) and Regulation 31(3) of LODR Regulations.

Issue No. II **If yes, whether the failure, on the part of the Noticees 1 to 4 would attract monetary penalty under Section 15 A(a) and 15HA of the SEBI Act and whether the failure, on the part of the Noticees 5 to 8 would attract monetary penalty under Section 23E of SCRA?**

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 and Section 23J of SCRA read with Rule 5(2) of the Adjudication Rules?**

100. Since, it is established that Noticees 1 to 3 are in violation of Section 11 C(2) and 11 C(3) of SEBI Act, they are liable for monetary penalty under 15A(a) of SEBI Act.

101. Since, it is established that Noticees 5, 6, 7 and 8 are in violation of SEBI Circular Cir/ISD/3/2011 dated June 17, 2011 read with SEBI/Cir/ISD/05/2011 dated September 30, 2011 and Regulation 31(2) and 31(3) of LODR Regulations read with Section 24(1) of SCRA, they are liable for monetary penalty under Section 23E of SCRA in respect of Noticee 5 and under Section 23H in respect of Noticees 6, 7 and 8. Since, Section 23E of SCRA is applicable to listed company and not to individuals and the Noticees 6, 7 and 8 have been charged under Section 23E of SCRA, penalty cannot be imposed upon them under Section 23E of SCRA.

102. The relevant provisions are reproduced below.

<u>SEBI Act:</u>

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) to furnish any document, return or report to the Board, fails to furnish the same 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;

<u>SCRA:</u>

Penalty for failure to comply with provision of listing conditions or delisting conditions or grounds

***23E.** If a company or any person managing collective investment scheme or mutual fund, fails to comply with the listing conditions or delisting conditions or grounds or commits a breach thereof, it or he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees.*

103. While determining the quantum of penalty under Section 15A(a) of SEBI Act and Section 23E of SCRA, the following factors stipulated in Section 15J of the SEBI Act and Section 23J of SCRA 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.*

Factors to be taken into account while adjudging quantum of penalty

23J.*While adjudging quantum of penalty under Section 12A,or Section 23-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.

104. I note that the material on record has not brought out any disproportionate gain made by the Noticees or loss caused to investors by the Noticees. In view of the above, taking into account the facts and circumstances of this matter, I find that a penalty of Rs.1,00,000/- (Rupees One Lakh only) under Section 15A(a) of SEBI Act to be paid jointly and severally by Noticees 1, 2 and 3 for violation of Section 11 C(2) and 11 C(3) of SEBI Act and Rs.5,00,000/- (Rupees Five Lakh only) under Section 23E of SCRA to be paid by Noticees 5 for violation of SEBI Circular Cir/ISD/3/2011 dated June 17, 2011 read with SEBI/Cir/ISD/05/2011 dated September 30, 2011 and Regulation 31(2) and 31(3) of LODR Regulations will be commensurate with the violations committed by them.

ORDER

105. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in Section 15J of the SEBI Act and Section 23J of SCRA and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act and Section 23-I of SCRA read with Rule 5 of the SEBI Adjudication Rules, I hereby impose the following penalty on the Noticees:

Sl. No.	Name of the Noticee	Penalty
1.	Alpeshbhai Rasiklal Shah HUF (Noticee 1), Jignaben Alpeshbhai Shah (Noticee 2) and Vimal Rasiklal Shah (Noticee 3)	Rs. 1,00,000 (Rupees One Lakh only) under Section 15A(a) of the SEBI Act for violation of Section 11 C(2) and 11 C(3) of SEBI Act (payable jointly and severally)
2.	Blue Pearl Texspin Limited (Noticee 5)	Rs. 5,00,000 (Rupees Five Lakh only) under Section 23E of SCRA for violation of SEBI Circular Cir/ISD/3/2011 dated June 17, 2011 read with SEBI/Cir/ISD/05/2011 dated September 30, 2011 and Regulation 31(2) and 31(3) of LODR Regulations
TOTAL PENALTY		**Rs. 6,00,000/- (Rupees Six Lakh only)**

106. 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

107. The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid to the Enforcement Department – Division of Regulatory Action – V 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

108. 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: April 27, 2022
PLACE: MUMBAI

MANINDER CHEEMA
ADJUDICATING OFFICER