BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

(ADJUDICATION ORDER NO: Order/GR/RK/2023-24/27469-27483)

UNDER SECTION 15 - I OF THE 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:

S. No.	Name of the Noticees	PAN
1	Divyaben Hiteshbhai Gangani	BTHPG8954L
2	Bhavin Natwarlal Panchal	AJMPP8429P
3	Nikhil Kiritbhai Panchal	AVOPP6274G
4	Naileshkumar Ganeshbhai Prajapati	ARTPP3943M
5	Jay Kamleshbhai Bhavsar	DFVPB1395J
6	Krunal Bhupendrabhai Makwana	BJBPM2368A
7	Nilesh Kishanbhai Pandya	CWUPP8504Q
8	Chandakant Sevantilal Thakkar	AIFPT7753A
9	Pardhi Dhirubhai Khanabhai	CEPPP2873D
10	Deepak Parsharam Salvi	GFDPS9384R
11	Dashrathbhai Maheshbhai Vada	ASBPV0615M
12	Manjulaben Bhaveshkumar Rangee	BDMPR5764C
13	Bhumikaben Makvana Bhumikaben	BUNPM7656J
14	Ravikumar Vinodbhai Parmar	EDOPP4355L
15	Dineshbhai Vaghela	AZPPV5815L

In the matter of “**Kapil Raj Finance Ltd.,**”

BACKGROUND

1. Securities and Exchange Board of India **("SEBI")** conducted an investigation into the trading activities of certain entities in the scrip of Kapil Raj Finance Ltd., ("**KRJFL/Company**"), a company listed on Bombay Stock Exchange Limited **("BSE").** The investigation was mainly to ascertain whether there was any alleged trading activities by the suspected entities and thus to ascertain whether by involving in such activities in the scrip of the company during the period from January 24, 2018 to April 20, 2018 (hereinafter referred to as "**Investigation period/IP**") they have violated the provisions of SEBI Act, 1992 (hereinafter referred to as "**SEBI Act**") and SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations")**

2. During the investigation, it was observed that there were 30 suspected entities alleged to have involved in irregular trading activities. Of which, 15 connected entities namely, Divyaben Hiteshbhai Gangani (**Noticee No.1**), Bhavin Natwarlal Panchal (**Noticee No.2**), Nikhil Kiritbhai Panchal (**Noticee No.3**), Naileshkumar Ganeshbhai Prajapati (**Noticee No.4**), Jay Kamleshbhai Bhavsar (**Noticee No.5**), Krunal Bhupendrabhai Makwana (**Noticee No.6**), NileshKishanbhai Pandya (**Noticee No.7**), Chandakant Sevantilal Thakkar (**Noticee No.8**), Pardhi Dhirubhai Khanabhai (**Noticee No.9**), Deepak Parsharam Salvi (**Noticee No.10**), Dashrathbhai Maheshbhai Vada (**Noticee No.11**), Manjulaben Bhaveshkumar Rangee (**Noticee No.12**), Bhumikaben Makvana Bhumikaben (**Noticee No.13**), Ravikumar Vinodbhai Parmar (**Noticee No.14**) and Dineshbhai Vaghela (**Noticee No.15**) had allegedly entered into circular trades with no intention of changing the ownership and created a misleading appearance of trading in the scrip of KRJFL (hereinafter together all of them are referred to as the "**Noticees**"). Accordingly, it was alleged that the said Noticees have failed to comply with the provisions of the aforementioned Act and Regulation.

3. SEBI, therefore, initiated adjudication proceedings under the SEBI Act against the Noticees to inquire into and adjudge the alleged violations of the provisions of Section 12A(a), (b), (c) of SEBI Act and Regulation 3(a), (b), (c), (d), 4(1), 4(2) (a) and (g) of

the PFUTP Regulations and if the said violations are established, to impose penalties under section 15HA of the SEBI Act.

APPOINTMENT OF ADJUDICATING OFFICER

4. In this regard, SEBI appointed the undersigned as the Adjudicating Officer **("AO")** vide order dated March 15, 2023, communicated vide communique dated March 16, 2023 under Sub-section 1 of Section 15-I of the SEBI Act read with Rule 3 of the SEBI (Procedure of Holding Inquire and Imposing Penalties) Rules, 1995 (hereinafter referred to as **"Adjudication Rules"**) to inquire into and adjudge under Section 15HA for the aforesaid violations alleged to have been committed by the Noticees.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

5. A Common Show Cause Notice dated April 12, 2023 (hereinafter referred to as '**SCN**') was issued to the Noticees under rule 4 of the Adjudication Rules, to show cause as to why an inquiry should not be held against them and why penalty, if any, under Section 15HA of the SEBI Act be not imposed upon the Noticees.

6. The said SCN was served on the Noticees via SPAD and also through email. The proof of service is on record. The material available on record shows that the Noticees have not submitted their replies to the SCN till date.

7. The details of mode of delivery of the SCN and the hearing Notice are mentioned in the table below:

Noticee No.	**Name of the Noticee**	**SCN Delivered (Y/N)**	**Reply Received Y/N (Date)**	**Hearing Notice Date**	**HN Delivered (Mode of Service)**	**Hearing Date**	**Hearing Attended (Y/N)**

1	Divyaben Hiteshbhai Gangani	Y	N	May 02, 2023	EMAIL	May 16, 2023	N
2	Bhavin Natwarlal Panchal	Y	N	May 17, 2023	EMAIL	March 20, 2023, April 13, 2023	N
3	Nikhil Kiritbhai Panchal)	Y	N	May 02, 2023	EMAIL	May 16, 2023	N
4	Naileshkumar Ganeshbhai Prajapati	Y	N	May 02, 2023	EMAIL	May 16, 2023	N
5	Jay Kamleshbhai Bhavsar	Y	N	May 02, 2023	EMAIL	May 16, 2023	N
6	Krunal Bhupendrabhai Makwana	Y	N	May 02, 2023	EMAIL	May 16, 2023	N
7	Nilesh Kishanbhai Pandya	Y	N	May 02, 2023	EMAIL	May 16, 2023	N
8	Chandakant Sevantilal Thakkar	Y	N	May 02, 2023	EMAIL	May 16, 2023	N
9	Pardhi Dhirubhai Khanabhai	Y	N	May 02, 2023	EMAIL	May 16, 2023	N

10	Deepak Parsharam Salvi	Y	N	May 02, 2023	EMAIL	May 16, 2023	N
11	Dashrathbhai Maheshbhai Vada	Y	N	May 02, 2023	EMAIL	May 16, 2023	N
12	Manjulaben Bhaveshkumar Rangee	Y	N	May 02, 2023	EMAIL	May 16, 2023	N
13	Bhumikaben Makvana Bhumikaben	Y	N	May 02, 2023	EMAIL	May 16, 2023	N
14	Ravikumar Vinodbhai Parmar	Y	N	May 02, 2023	EMAIL	May 16, 2023	N
15	Dineshbhai Vaghela	Y	N	May 02, 2023	EMAIL	May 16, 2023	N

8. Accordingly, in the interest of natural justice and in order to conduct an inquiry in terms of Rule 4(3) of the Adjudication Rules, the Noticees were provided with an opportunity of personal hearing as detailed in the table above. However, in respect of Noticee No.1, 3, 5, 6, 7, 9, 12, 13, 14 and 15, they neither attended the hearing nor submitted their replies to the SCN till date. Further, for Noticee No. 2, 4, 8,10 and 11, the SCN sent through SPAD returned undelivered with common remark "left" and finally it was served on their email IDs available on record. However, they did not submit their reply neither attended the hearing in the matter.

9. In view of the above, I am of the view that principles of natural justice have been duly complied with, as SCN and hearing Notice were duly served upon the Noticees and sufficient opportunity was also granted to them to reply to the SCN and appear for the

hearing. However, I note that the Noticees have failed to reply and avail the opportunity of personal hearing. Noting that no prejudice has been caused to the Noticees and that the principal of natural justice has been duly followed in the matter. I am, therefore, inclined to take a view that Noticees have nothing to submit in their contention in the matter and in terms of Rule 4(7) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 the proceedings in respect of the Noticees shall be conducted *ex-parte* taking into account material, facts and figures available on record. Further, in the absence of any response from the Noticees to the SCN, I presume that the Noticees have admitted the charges levelled against them.

10. In this regard, it is pertinent to note that the Hon'ble Securities Appellate Tribunal (SAT) in the matter of **Classic Credit Ltd. vs. SEBI** (Appeal No. 68 of 2003 decided on December 08, 2006) has, inter alia, observed that, "......*the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show cause notice were admitted by them"*.

11. Further, the Hon'ble SAT in the matter of **Sanjay Kumar Tayal & Others vs SEBI** (Appeal No. 68 of 2013 decided on February 11, 2014), has also, inter alia, observed that: *"........... appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges leveled against them in the show cause notices..."*

12. Additionally, the same position reiterated by the Hon'ble Securities Appellate Tribunal (SAT) in the matter of **Dave Harihar Kirtibhai vs SEBI** (Appeal No. 181 of 214 dated December 19, 2014), wherein the Hon'ble SAT observed as under:

"...further, it is being increasingly observed by the Tribunal that many persons/entities do not appear before SEBI (Respondent) to submit reply to SCN or, even worse, do not accept notices/letters of Respondent and when orders are passed ex-parte by

Respondent, appear before Tribunal in appeal and claim non-receipt of notice and do not appear and/or submit reply to SCN but claim violation of principles of natural justice due to not being provided opportunity to reply to SCN or not provided personal hearing. This leads to unnecessary and avoidable loss of time and resources on part of all concerned and should be eschewed, to say the least. Hence, this case is being decided on basis of material before this Tribunal...".

13. In view of the observations made by the Hon'ble SAT, I find no reason to take a different view and accordingly, I deem it appropriate to proceed against the Noticees ex parte, based on the material available on record and in absence of response of the Noticees, presume that the allegations/charges have been admitted by the Noticees.

14. While deciding the case, I also cannot lose sight of settled position of law that the charge should be established with valid reasons and in accordance with law. I, therefore, deem it necessary to examine the charge based upon the trades of the Noticees and supporting material as provided in the SCN.

CONSIDERATION OF ISSUES AND FINDINGS: -

15. I have carefully perused the charges levelled against the Noticees and the documents / material available on record. The issues that arise for consideration in the present case are:

    Issue No. I: Whether Noticees are in violation of the Section 12A(a), (b), (c) of SEBI Act and Regulation 3(a), (b), (c), (d), 4(1), 4(2) (a) and (g) of PFUTP Regulations?

    Issue No. II: If yes, does the violation, on the part of the Noticees would attract monetary penalty under Section 15HA of the SEBI Act?

Issue No. III: If so, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act?

16. Before proceeding further, I would like to refer to the relevant provisions of law alleged to have been violated by the Noticees:

Relevant provisions of SEBI Act, 1992.

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

***12A.** No person shall directly or indirectly—*

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

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

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

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

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

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

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

Relevant Provisions of PFUTP Regulations

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

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

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

Issue No. I: Whether Noticees are in violation of the Section 12A(a), (b), (c) of SEBI Act and Regulation 3(a), (b), (c), (d), 4(1), 4(2) (a) and (g) of PFUTP Regulations?

17. I noted from the SCN that SEBI was in receipt of a complaint from ICICI Securities Limited, alleging that certain SMSs were being circulated as stock tip in a manner, giving impression as if the sender of such SMSs was ICICI Securities Limited by using similar sounding sender id or website name. Example: SMSs were received from sender id –AX-ICISEC on January 30 & 31, 2018, as given below:

ON THE BASIS OF OUR RESEARCH REPORT ON "KAPILRAJ FINANCE" WE STRONGLY RECOMMEND BUY 6200 SHARES IN BSE (539679) ABV 31. TGT 85+ IN 1 MONTH

TECHNICAL PICK FOR BUDGET WEEK BUY 4890 SHARES OF "KAPILRAJ FINANCE LTD" IN BSE (539679) @ 42.30 BTST TGT 48+. FINAL TGT 55+ IN 3 DAYS. SL 34 DAILY 20% UP

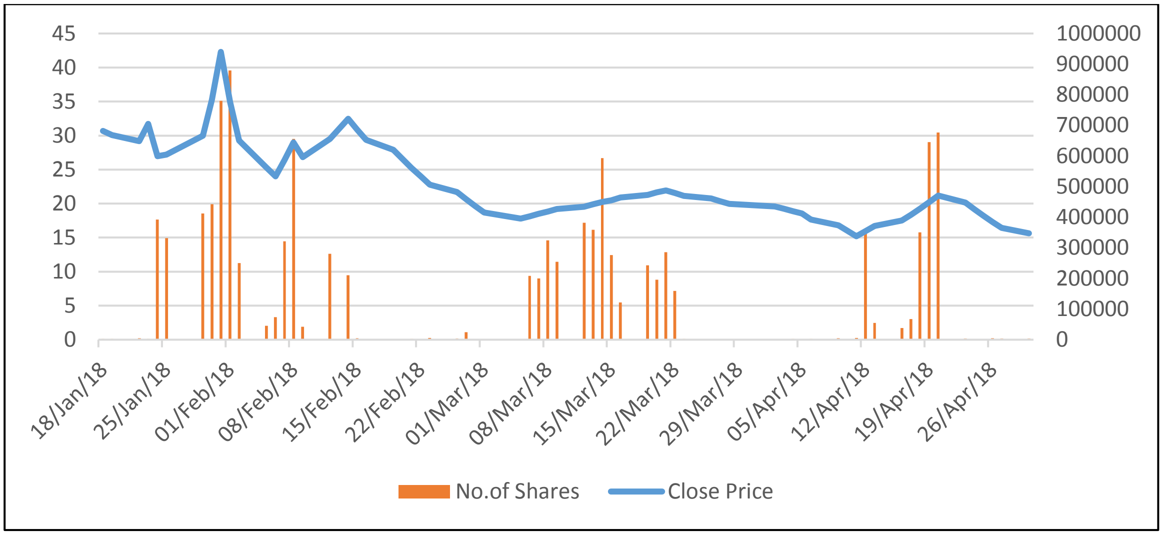
<u>Price Volume Analysis:</u>

18. With regard to the aforesaid, I note from Investigation Report (IR) that during the IP, the price of the scrip moved from Rs.31.80 on January 24, 2018 to Rs.21.20 on April 20, 2018.Based on the price volume movement during the IP, following SMS patches were identified:

Table 2

Price patch	**Time period**	**No. of trading days**	**High Price(in Rs.)**	**Open Price (in Rs.)**	**Close Price (in Rs.)**	**Total traded vol. (in no. of shares)**	**Avg. traded vol. (in no. of shares)**	**Count of PANs**
Pre-SMS Patch 1	January 18 – 23, 2018	4	-	35.00	31.70	11,991	2,998	37
SMS Patch 1	**January 24 – February 14, 2018**	**14**	**48.60**	**31.80**	**32.45**	**51,15,435**	**3,65,388**	**1,750**
Post SMS Patch 1/ Pre-SMS Patch 2	February 15 – March 5, 2018	12	30.85	30.85	17.80	47,884	3,990	142
SMS Patch 2	**March 6 – 22, 2018**	**13**	**22.30**	**17.45**	**21.55**	**36,03,861**	**2,77,220**	**2,113**
Post SMS Patch 2/ Pre-SMS Patch 3	March 23 – April 11, 2018	12	21.12	21.15	15.2	23,267	1,969	137
SMS Patch 3	**April 12 – 20, 2018**	**7**	**21.20**	**14.45**	**21.20**	**21,79,598**	**3,11,371**	**1,480**

19. From the table 2 above and Price Volume (PV) data, I note that during all the 3 SMS patches, the price moved up to a high of Rs.48.60, during Patch 1, but subsequently started falling and was between Rs.15 and Rs.23 in subsequent patches. However, the average trading volume was very high during the 3 SMS patches as compared to pre- and post SMS patches. The price volume chart for the time period, January 18, 2018 – April 30, 2018, is as follows:



20. I further note from IR that the company had made a preferential allotment of 49,40,000 Equity Shares on May 28, 2014 with value Rs.10/- each to 49 entities. Out of 49 entities,15 preferential allottees had sold 13,87,387 shares at an average price of Rs.25.00 and made a profit of Rs.2.09Cr through such sales during the SMS circulation period (during SMS patch1 and 2). The details of shares sold by preferential allottees are as under in Table 3:

Table 3

S. No	Name	PAN	No of shares allotted	Shares sold	% of shares sold from allotment	Buy Value (Rs)	Sell Value (Rs)	Profit
1	Anuradha Dhoot	ADFPT1371H	250000	120257	48.10	1202570	3200204.25	1997634.25

2	Bina Kalpesh Sutariya	DIHPS6693M	35000	28700	82.	287000	872480	585480.00
3	Bindu Dinesh Shah	AODPS8679A	500000	181500	36.30	1815000	5260550	3445550.00
4	Dinesh Manilal Shah	AAGPS5149G	500000	210497	42.10	2104970	5782184	3677214.00
5	Kailash Bhanji Patel	AAAPP9941K	250000	153433	61.37	1534330	3522325.55	1987995.55
6	Kalpesh Khimjibhai Sutariya	BHYPS6683R	35000	35000	100	350000	1087000	737000.00
7	Karan K Sutariya	DBGPS7616G	35000	35000	100	350000	1225030.45	875030.45
8	Khimjibhai Monabhai Sutariya	BKOPS5341F	35000	35000	100	350000	1480500	1130500.00
9	Krunal Jayesh Kuwadia	AVUPK1813G	250000	100000	40	1000000	2362500	1362500.00
10	Pankaj Dhoot HUF	AAIHP0487Q	250000	250000	100	2500000	6430616.65	3930616.65
11	Parag Sureshchandrs Shah HUF	AADHP2890Q	35000	30000	85.71	300000	1159500	859500.00
12	Pinkline Financial Consultants LLP .	AAPFP7168M	300000	105000	35.	1050000	2799750	1749750.00
13	Vidhi Parag Shah	DGQPS3478M	35000	35000	100	350000	1225000	875000.00
14	Vidya Gul Rohra	AADPR8582K	80000	43000	53.75	430000	927600	497600.00
15	Virmalaben Khimjibhai Sutariya	BHYPS6684J	35000	25000	71.43	250000	984500	734500.00

	Total		**2625000**	**1387387**	**52.82**	**13873870**	**34797415.4**	**2,09,23,545.40**

21. Further, I note from IR that several new investors i.e. 3538 in number were lured into trading in the scrip during the SMS patches in the scrip of KRJFL through SMS circulation and increased the volume of trading as seen from UCCs trading at the end of the patches, as shown in Table 4 below.

Table 4

Particulars	**Time period**	**Number of Unique Investors**	**Number of Investors lured by SMS (pre SMS –SMS period)**
Pre-SMS Period	January 18 – 23, 2018	57	NA
SMS Period 1	January 24 – February 14, 2018	846	789
Post SMS Period 1	February 15 – March 5, 2018	128	NA
SMS Period 2	March 6 – 22, 2018	1980	1852
Post SMS Period 2	March 23 – April 11, 2018	116	NA
SMS Period 3	April 12 – 20, 2018	1013	897
Total			3538

<u>Allegation of Circular Trading without intention of change in the ownership</u>

22. With regard to the captioned allegation, I note from IR that 30 entities had entered into 235 instances of circular trades and traded 24,28,423 shares. Circular trading occurred for 21 days out of 58 days when trading took place during the IP which created 28.15% of the market volume for the said 21 days. The details of entities involved in circular trading are mentioned in Table 5 as under:

Table 5

S. No	Name	PAN	Circular trades
1	DIVYABEN HITESHBHAI GANGANI	BTHPG8954L	242118
2	BHAVIN NATWARLAL PANCHAL	AJMPP8429P	234759
3	NIKHIL KIRITBHAI PANCHAL	AVOPP6274G	198472
4	SUBHASHBHAI GELOT	BTRPG9977K	150308
5	NAILESHKUMAR GANESHBHAI PRAJAPATI	ARTPP3943M	149681
6	JAY KAMLESHBHAI BHAVSAR	DFVPB1395J	144951
7	KRUNAL BHUPENDRABHAI MAKWANA	BJBPM2368A	132522
8	NILESH KISHANBHAI PANDYA	CWUPP8504Q	131767
9	CHANDAKANT SEVANTILAL THAKKAR	AIFPT7753A	131756
10	PARDHI DHIRUBHAI KHANABHAI	CEPPP2873D	113668
11	DEEPAK PARSHARAM SALVI	GFDPS9384R	107261
12	DASHRATHBHAI MAHESHBHAI VADA	ASBPV0615M	104708
13	VISHALKUMAR KRISHNAKANT BORISHA	BFKPB8172A	68268
14	MANJULABEN BHAVESHKUMAR RANGEE	BDMPR5764C	65195
15	BP FINTRADE PRIVATE LIMITED	AAACY2372G	61430
16	PREETI AJAY NATHWANI	AUWPP2833Q	58232
17	BHUMIKABEN MAKVANA BHUMIKABEN	BUNPM7656J	55839
18	AJAY DHIRAJLAL NATHWANI	AJGPN1996D	55204
19	RAVIKUMAR VINODBHAI PARMAR	EDOPP4355L	53617
20	DINESHBHAI VAGHELA	AZPPV5815L	53034
21	SHIRISHCHANDRA C. DESAI	CSXPD2229P	40570
22	VINOD KUMAR ARORA	AHQPA3262P	13397
23	CHIMANLAL MANEKLAL SECURITIES PRIVATE LIMITED	AAACC1892P	12552
24	CHIRAG BHARAT HUF	AACHC6865M	10000
25	AKRAM DUSHANI	COWPD7818B	9250
26	RONAK ASHOK SHAH	BDJPS9744J	8631
27	HITESH PANCHABHAI VASOYA	AEUPV1470M	6607

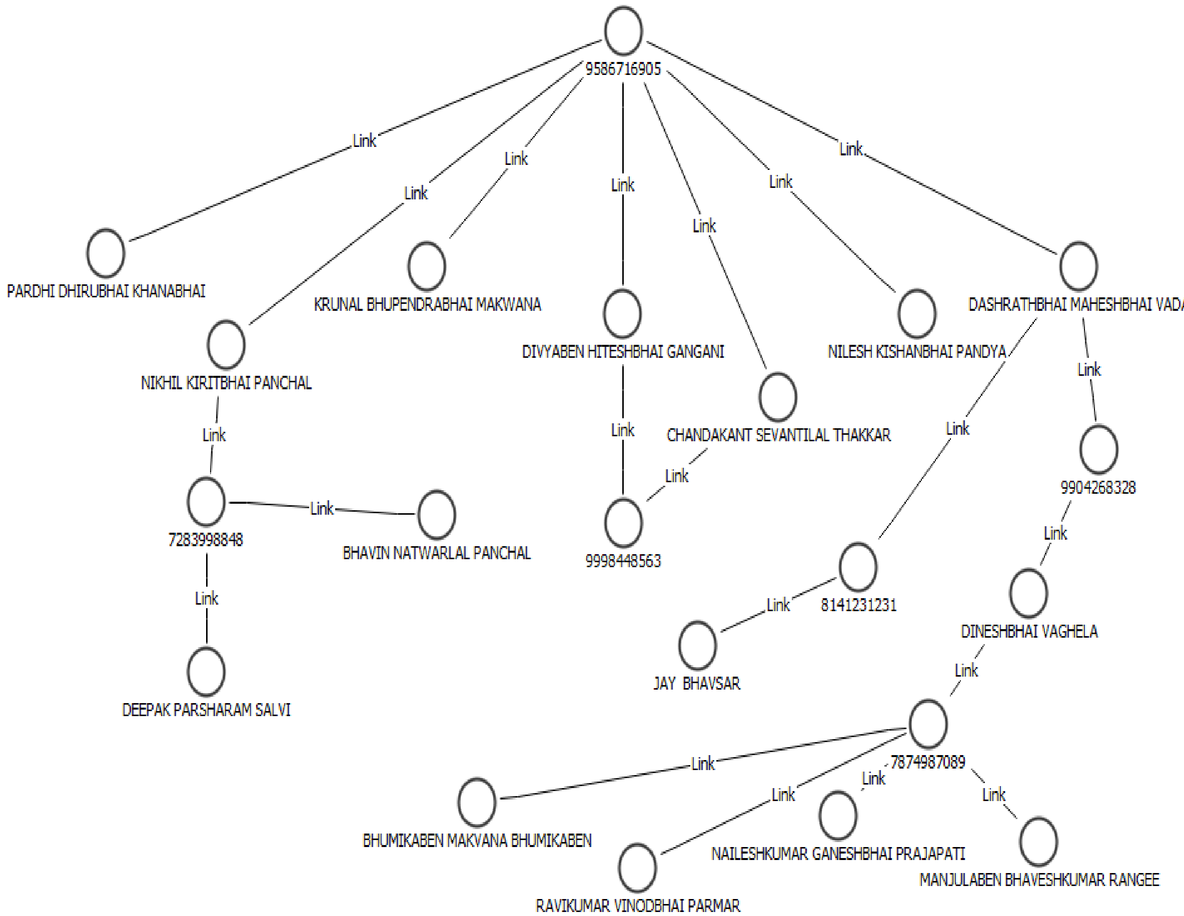
28	PURVISH MUKESH SHAH	BKQPS8541F	6100
29	NAVEEN GUPTA	AGZPG4203G	5020
30	ARCADIA SHARE STOCK BROKERS PVT. LTD	AAACA4562G	3506
	Total		**2428423**

23. Circular trading to the extent of 28.15% of the market volume for the said 21 days indicates creation of artificial volumes without change of beneficial ownership.

24. I further note from IR that connection amongst the entities engaged in circular trading was analyzed using UCC data obtained from exchange. Out of 30 entities, 15 entities are observed to be connected through common phone numbers and accounted for 79.04% (~80%) of the circular trading volume. Details of connections established between these 15 entities are as under:

a) Noticee No. 1, 3, 6, 7, 8, 9 and 11 are connected through common phone number 9586716905.
b) Noticee No.2, 3 and 10 are connected through common phone number 7283998848.
c) Noticee No.5 and 11 are connected through common phone number 8141231231.
d) Noticee No.11 and 15 are connected through common phone number 9904268328.
e) Noticee No. 4, 12, 13, 14 and 15 are connected through common phone number 7874987089.

25. The details of connections established among the Noticees are depicted in the chart below:



26. The said Noticees had carried out circular trading for 19,19,348 shares (79.04% of total circular trading). The details are as mentioned in Table 6 as under:

Table 6

S. No	Name	PAN	Shares traded
1	Divyaben Hiteshbhai Gangani	BTHPG8954L	242118
2	Bhavin Natwarlal Panchal	AJMPP8429P	234759
3	Nikhil Kiritbhai Panchal	AVOPP6274G	198472
4	Naileshkumar Ganeshbhai Prajapati	ARTPP3943M	149681
5	Jay KamleshbhaiBhavsar	DFVPB1395J	144951
6	KrunalBhupendrabhaiMakwana	BJBPM2368A	132522
7	NileshKishanbhai Pandya	CWUPP8504Q	131767

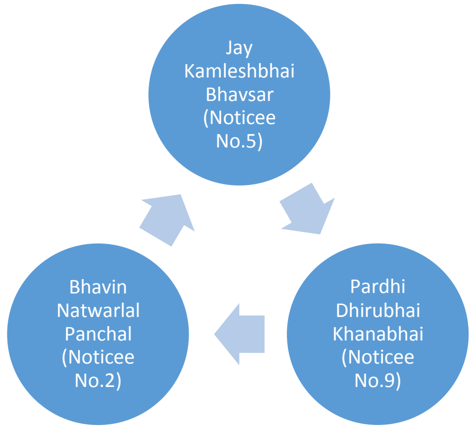
8	ChandakantSevantilal Thakkar	AIFPT7753A	131756
9	PardhiDhirubhaiKhanabhai	CEPPP2873D	113668
10	Deepak Parsharam Salvi	GFDPS9384R	107261
11	DashrathbhaiMaheshbhaiVada	ASBPV0615M	104708
12	ManjulabenBhaveshkumar Rangee	BDMPR5764C	65195
13	BhumikabenMakvanaBhumikaben	BUNPM7656J	55839
14	RavikumarVinodbhaiParmar	EDOPP4355L	53617
15	DineshbhaiVaghela	AZPPV5815L	53034
	Total		**1919348**

27. The details of the sample instances of the circular trades entered into by the Noticees on various dates are given below:

a) **Details of Transactions on February 12, 2018**

Table 6

Buyer name	**Seller name**	**Circular quantity**
PARDHI DHIRUBHAI KHANABHAI (Noticee No.9)	JAY KAMLESHBHAI BHAVSAR (Noticee No.5)	20000
BHAVIN NATWARLAL PANCHAL (Noticee No.2)	PARDHI DHIRUBHAI KHANABHAI (Noticee No.9)	20000
JAY KAMLESHBHAI BHAVSAR (Noticee No.5)	BHAVIN NATWARLAL PANCHAL (Noticee No.2)	20000



28. From the above, I note that on February 12, 2018, Noticee No.5 had sold 20000 shares to Noticee No.9, who in turn sold 20000 shares to Noticee No.2 on the same day. Subsequently, Noticee No.2 sold 20000 shares to Noticee No.5 on the same day. The above trades have not effected the change of ownership, thereby, created a misleading appearance of trading in the scrip.

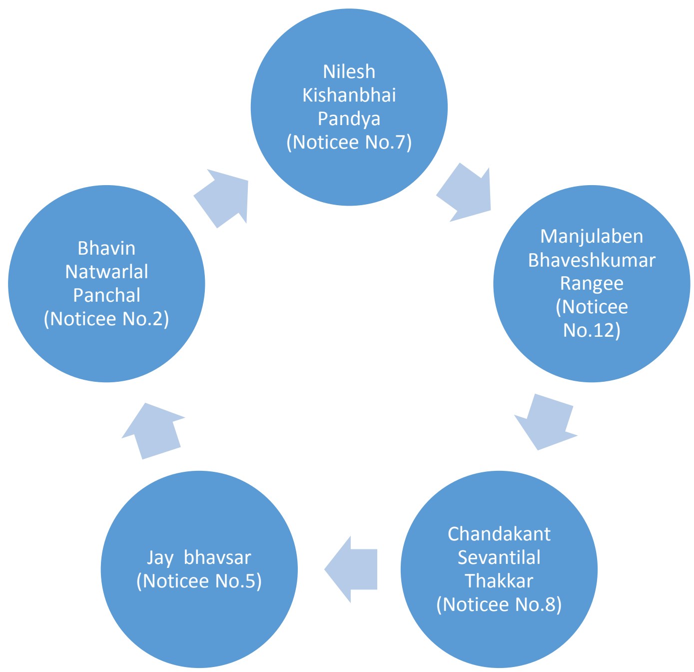
b) <u>Details of Transactions on March 19, 2018</u>

29. Similarly, on March 19, 2018 Noticee No.7 sold 7628 shares to Noticee No.12, who in turn sold 7628 shares to Noticee No.8, on the same day. Subsequently, Noticee No.8 sold 7628 shares Noticee No.5, who in turn sold 7628 shares to Noticee No.2. Finally, Noticee No.2 sold 7628 shares to Noticee No.7 on the same day. The above trades have not effected the change of ownership, thereby, created a misleading appearance of trading in the scrip. The same is also mentioned in the Table 7 below:

Table 7

Buyer name	**Seller name**	**Circular quantity**
MANJULABEN BHAVESHKUMAR RANGEE (Noticee No.12)	NILESH KISHANBHAI PANDYA (Noticee No.7)	7628

CHANDAKANT SEVANTILAL THAKKAR (Noticee No.8)	MANJULABEN BHAVESHKUMAR RANGEE (Noticee No.12)	7628
JAY BHAVSAR (Noticee No.5)	CHANDAKANT SEVANTILAL THAKKAR (Noticee No.8)	7628
BHAVIN NATWARLAL PANCHAL(Noticee No.2)	JAY BHAVSAR (Noticee No.5)	7628
NILESH KISHANBHAI PANDYA (Noticee No7)	BHAVIN NATWARLAL PANCHAL (Noticee No.2)	7628

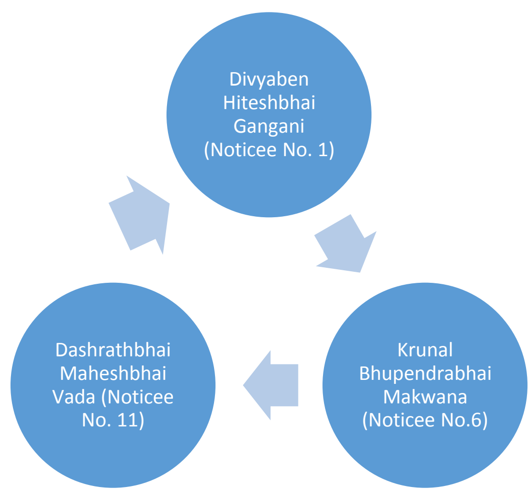


c) Details of Transaction on April 20, 2018

30. Again on April 20, 2018, Noticee No.1 sold 30000 shares to Noticee No.6, who in turn sold 30000 shares to Noticee No.11, on the same day. Subsequently, Noticee No.11 sold 30000 shares to Noticee No.1 on the same day. The above trades have not effected the change of ownership, thereby, created a misleading appearance of trading in the scrip and same is also mentioned in the Table 8 below:

Table 8

Buyer name	Seller name	Circular quantity
KRUNAL BHUPENDRABHAI MAKWANA (Noticee No.6)	DIVYABEN HITESHBHAI GANGANI (Noticee No.1)	30000
DASHRATHBHAI MAHESHBHAI VADA (Noticee No.11)	KRUNAL BHUPENDRABHAI MAKWANA (Noticee No.6)	30000
DIVYABEN HITESHBHAI GANGANI (Noticee No.1)	DASHRATHBHAI MAHESHBHAI VADA (Noticee No.11)	30000



31. Further, IR finds mention of the fact that the LTP contribution by the aforesaid Noticees was analyzed during the IP and the resultant data is mentioned in Table 9 below:

Table 9

Name	LTP Contribution as a Buyer			LTP Contribution as a Seller			Total_LTP Contribution
	Net	Positive	Negative	Net	Positive	Negative	Net
Bhavin Natwarlal Panchal	-1.75	1	-2.75	-1.25	1.15	-2.4	-3

Bhumikaben Makvana Bhumikaben	0.35	1.25	-0.9	-1.2	0.25	-1.45	-0.85
Chandakant Sevantilal Thakkar	-0.55	1.6	-2.15	3.6	4.7	-1.1	3.05
Dashrathbhai Maheshbhai Vada	0.1	0.25	-0.15	0.05	0.05	0	0.15
Deepak Parsharam Salvi	-6.9	8.7	-15.6	9.85	11.5	-1.65	2.95
Dineshbhai Vaghela	0.1	0.15	-0.05	0.2	0.2	0	0.3
Divyaben Hiteshbhai Gangani	1.05	1.65	-0.6	0.4	1.5	-1.1	1.45
Jay Kamleshbhai Bhavsar	0.1	0.4	-0.3	0.25	0.6	-0.35	0.35
Krunal Bhupendrabhai Makwana	0.55	1.2	-0.65	0.85	2	-1.15	1.4
Manjulaben Bhaveshkumar Rangee	0.15	0.35	-0.2	0.1	0.4	-0.3	0.25
Naileshkumar Ganeshbhai Prajapati	0.15	0.3	-0.15	1.1	1.15	-0.05	1.25
Nikhil Kiritbhai Panchal	0.7	1.9	-1.2	-0.75	1.2	-1.95	-0.05
Nilesh Kishanbhai Pandya	-0.15	0.3	-0.45	0.15	0.45	-0.3	0
Pardhi Dhirubhai Khanabhai	0.05	1.65	-1.6	-0.15	1.4	-1.55	-0.1
Ravikumar Vinodbhai Parmar	0.15	0.15	0	-0.05	0.1	-0.15	0.1
Total	**-5.9**	**20.85**	**-26.75**	**13.15**	**26.65**	**-13.5**	**7.25**
Total Market	**-10.9**	**427.1**	**-438**	**-10.9**	**427.1**	**-438**	

32. From the above table, I noted that while the total LTP of the scrip during the IP had decreased by Rs.10.9 and that the Noticees had contributed to positive LTP of Rs.7.25.

33. From the pattern of trading of the Noticees as brought out above, I note that they engaged in circular trading without change of beneficial ownership, contributing to nearly 80% of circular trading volume, and thereby creating 22.2% of trading volume which was non-genuine and artificial which created a misleading appearance of trading. By creating artificial volumes, they lured 3538 new retail investors into trading in the scrip. They also maintained price levels through their circular trades thereby creating a misleading appearance of trading in the scrip as their net LTP stood at 7.25 during the IP whereas the price of scrip moved by -10.9. This enabled preferential allottees to sell 13,87,387 shares at an average price of Rs.25/-.

34. The upshot of the above discussion clearly establish that the Noticees have violated Section 12A(a), (b), (c) of SEBI Act and Regulation 3(a), (b), (c), (d), 4(1), 4(2) (a) and (g) of PFUTP Regulations.

Issue No. II: If yes, does the violation, on the part of the Noticees would attract monetary penalty under Section 15HA of the SEBI Act?

35. As it has been established that the Noticees have violated Section 12A(a), (b), (c) of SEBI Act and Regulation 3(a), (b), (c), (d), 4(1), 4(2) (a) and (g) of PFUTP Regulations, I am of the view that the Noticees are liable for imposition of monetary penalty under Section 15HA which is reproduced hereunder:

SEBI Act, 1992

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 102[which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher].*

Issue No. III: If so, what would be the monetary penalty that can be imposed upon the Noticees taking into consideration the factors stipulated in Section 15J of the SEBI Act?

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

<u>SEBI Act, 1992</u>

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.*

37. In this case, from the material available on record, any quantifiable gain or unfair advantage accrued to the Noticees or the extent of loss suffered by the investors as a result of the circular trades carried out by the Noticees is not available. Further, from the material available on record, it may not be possible to ascertain the exact monetary

loss to the investors on account of violations by the Noticees. Further, I note that Notice No.1-12 and 14 have already faced SEBI action for similar fraudulent activities and the penalties imposed upon the aforesaid Noticees for violation of the various provisions of SEBI Act and PFUTP Regulations in the past are as under:

Sr.	Name	In the matter of	Penalty amount	Charging Provision
1	Divyaben Hiteshbhai Gangani (Noticee No.1)	Gala Global Products Limited (Adjudication Order dated March 22, 2022)	Penalty of Rs.5,00,000/-	Under Section 15 HA of the SEBI Act
		Global Infratech and Finance Limited (Adjudication Order dated September 23, 2022)	Penalty of Rs 5,00,000/-	Under Section 15 HA of the SEBI Act
		Steel Exchange India Ltd(Adjudication Order dated Jan 29, 2021)	Penalty of Rs 8,00,000/-	Under Section 15HA of the SEBI Act
			Penalty of Rs 5,00,000/-	Under Section 15 A(a) of the SEBI Act
		Ejecta Marketing Limited (Adjudication Order dated July 29, 2022)	Penalty of Rs 5,00,000/-	Under Section 15HA of the SEBI Act
2	Bhavin Natwarlal Panchal (Noticee No.2)	Gala Global Products Limited (Adjudication Order dated March 22, 2022)	Penalty of Rs 7,00,000/-	Under Section 15HA of the SEBI Act
		Global Infratech and Finance Limited (Adjudication Order dated September 23, 2022).	Penalty of Rs 5,00,000/-	Under Section 15HA of the SEBI Act
3	Nikhil Kiritbhai Panchal (Noticee No.3)	Gala Global Products Limited (Adjudication Order dated March 22, 2022)	Penalty of Rs 5,00,000/-	Under Section 15HA of the SEBI Act
		Global Infratech and Finance Limited	Penalty of Rs 5,00,000/-	

		(Adjudication Order dated September 23, 2022).		Under Section 15HA of the SEBI Act
4	Naileshkumar Ganeshbhai Prajapati (Noticee No.4)	Ejecta Marketing Limited (Adjudication Order dated July 29, 2022)	Penalty of Rs 5,00,000/-	Under Section 15HA of the SEBI Act
5	Jay Kamleshbhai Bhavsar (Noticee No.5)	Ejecta Marketing Limited (Adjudication Order dated July 29, 2022)	Penalty of Rs 5,00,000/-	Under Section 15HA of the SEBI Act
6	Krunal Bhupendrabhai Makwana (Noticee No.6)	Ejecta Marketing Limited (Adjudication Order dated July 29, 2022)	Penalty of Rs 5,00,000/-	Under Section 15HA of the SEBI Act
7	Nilesh Kishanbhai Pandya (Noticee No.7)	Global Infratech and Finance Limited (Adjudication Order dated September 23, 2022).	Penalty of Rs 5,00,000/-	Under Section 15HA of the SEBI Act
8	Chandakant Sevantilal Thakkar (Noticee No.8)	Gala Global Products Limited (Adjudication Order dated March 22, 2022)	Penalty of Rs 5,00,000/-	Under Section 15HA of the SEBI Act
9	Pardhi Dhirubhai Khanabhai (Noticee No.9)	Gala Global Products Limited (Adjudication Order dated March 22, 2022)	Penalty of Rs 8,00,000/-	Under Section 15HA of the SEBI Act
		Global Infratech and Finance Limited (Adjudication Order dated September 23, 2022)	Penalty of Rs 5,00,000/-	Under Section 15HA of the SEBI Act
10	Deepak Parsharam Salvi (Noticee No.10)	Steel Exchange India Ltd(Adjudication Order dated Jan 29, 2021)	Penalty of Rs 5,00,000/-	Under Section 15HA of the SEBI Act
		Universal Credit and Securities Limited (Adjudication	Penalty of Rs 10,00,000/-	Under Section 15HA of the SEBI Act

		Order dated Oct 31, 2022)		
		Edynamics Solutions Limited (Adjudication Order dated Dec16, 2022)	Penalty of Rs 25,00,000/- imposed jointly and severally on 15 entities.	Under Section 15HA of the SEBI Act
11	Dashrathbhai Maheshbhai Vada (Noticee No.11)	Ejecta Marketing Limited (Adjudication Order dated July 29, 2022)	Penalty of Rs 5,00,000/-	Under Section 15HA of the SEBI Act
12	Manjulaben Bhaveshkumar Rangee (Noticee No.12)	Ejecta Marketing Limited (Adjudication Order dated July 29, 2022)	Penalty of Rs 5,00,000/-	Under Section 15HA of the SEBI Act
14	Ravikumar Vinodbhai Parmar (Noticee No.14)	Gala Global Products Limited (Adjudication Order dated March 22, 2022)	Penalty of Rs 5,00,000/-	Under Section 15HA of the SEBI Act
		Thirani Projects Ltd (Adjudication Order dated Aug 30, 2022)	Penalty of Rs 6,00,000/-	Under Section 15HA of the SEBI Act

38. This apart, in the present matter, the induction of 3538 new investors during the IP as detailed above had affected the investment decisions of the prospective investors at large. Further, there is no doubt that while interpreting the expression ‘fraud’ under the PFUTP Regulations, 2003, it is absolutely clear that if a person by his act either directly or indirectly causes the investors in the securities market in India to believe in something which is not true and thereby induces the investors in India to deal in securities, then that person is said to have committed fraud on the investors in India. In such a case, action can be taken under the PFUTP Regulations against the person committing the fraud. Further, the investors have been induced by the misleading appearance of trading created by the Noticees by carrying out circular trades without change of ownership showing that a fraud has been committed upon the investors and shareholders of the Securities which is serious in nature, thus, attract and deserve considerable penalties. The modus operandi adopted by the Noticees is detrimental

to the smooth functioning of the securities market, and hence, deserves to be viewed seriously.

ORDER

39. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in preceding paragraphs and in exercise of powers conferred upon me under Section 15-I of the SEBI Act 1992 read with Rule 5 of the Adjudication Rules, I hereby impose the penalty upon the Noticees mentioned in the table below under the provision of Section 15HA of the SEBI Act. I am of the view that the said penalty is commensurate with the lapse/omission on the part of Noticees:

Name of the Noticees	Penal Provisions	Penalty
Divyaben Hiteshbhai Gangani	Section 15HA of the SEBI Act, 1992	Rs.8,00,000/- (Rupees Eight Lakhs Only)
Bhavin Natwarlal Panchal		Rs.7,00,000/- (Rupees Seven Lakhs Only)
Nikhil Kiritbhai Panchal		Rs.5,00,000/- (Rupees Five Lakhs Only)
Naileshkumar Ganeshbhai Prajapati		Rs.5,00,000/- (Rupees Five Lakhs Only)
Jay Kamleshbhai Bhavsar		Rs.5,00,000/- (Rupees Five Lakhs Only)
Krunal Bhupendrabhai Makwana		Rs.5,00,000/- (Rupees Five Lakhs Only)
Nilesh Kishanbhai Pandya		Rs.5,00,000/- (Rupees Five Lakhs Only)
Chandakant Sevantilal Thakkar		Rs.5,00,000/- (Rupees Five Lakhs Only)
Pardhi Dhirubhai Khanabhai		Rs.8,00,000/- (Rupees Eight Lakhs Only)

Deepak Parsharam Salvi		Rs.7,00,000/- (Rupees Seven Lakhs Only)
Dashrathbhai Maheshbhai Vada		Rs.5,00,000/- (Rupees Five Lakhs Only)
Manjulaben Bhaveshkumar Rangee		Rs.5,00,000/- (Rupees Five Lakhs Only)
Bhumikaben Makvana Bhumikaben		Rs.5,00,000/- (Rupees Five Lakhs Only)
Ravikumar Vinodbhai Parmar		Rs.7,00,000/- (Rupees Seven Lakhs Only)
Dineshbhai Vaghela		Rs.5,00,000/- (Rupees Five Lakhs Only)

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

ENFORCEMENT □ Orders □ Orders of AO □ PAY NOW

41. The said confirmation of e-payment made in the format as given in table below should be sent to "The Division Chief, EFD-I DRA -I, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C-7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai -400 051" and also to e-mail id:-tad@sebi.gov.in:

1. Case Name:	
2. Name of payee:	
3. Date of payment:	
4. Amount paid:	
5. Transaction no.:	
6. Bank details in which payment is made:	

7. Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount etc.)	

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

43. 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: June 16, 2023 **G RAMAR**

Place: Mumbai **ADJUDICATING OFFICER**