BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO: Order/PM/PA/2022-23/18093-18097

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:

Sl. No.	Name of the Noticee	PAN
1	Arvind Babulal Goyal	ACIPG0193J
2	Sorab Wadia	ABOPW5107F
3	Ramesh Dwarkadas Daga	AMTPD7404Q
4	Rupesh D Bhatt	AILPB7596H
5	Dharmendra Bhojak	AFAPB7100D

In the matter of Kanchan International Ltd.

A. FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted an investigation in the scrip of Kanchan International Ltd., ("**Kanchan**"/"**Company**") during the period from October 04, 2011 and April 03, 2012 (hereinafter referred to as "**Investigation Period**") to ascertain whether was there any violation of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") and the regulations made thereunder. The investigation *inter alia* found that Arvind Babulal Goyal (hereinafter referred to as "**Noticee 1**"), Sorab Wadia (hereinafter referred to as "**Noticee 2**"), Ramesh Dwarkadas Daga (hereinafter referred to as "**Noticee 3**"), Rupesh D Bhatt (hereinafter referred to as "**Noticee 4**") and Dharmendra Bhojak (hereinafter referred to as "**Noticee 5**") (Noticee 1 to 5 are hereinafter collectively referred to as "**Noticees**") had traded in the scrip of Kanchan and created artificial volume in the scrip by reversing their trades, which lead to false or misleading appearance of trading in the market. Accordingly, it was alleged that Noticees had violated the provisions of regulations 3(a),(b),(c),(d), 4(1),4(2)

(a) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to "**SEBI (PFUTP) Regulations**").

B. APPOINTMENT OF ADJUDICATING OFFICER

2. Accordingly, SEBI initiated adjudication proceedings against the Noticees and appointed the undersigned as the adjudicating officer *vide* order dated July 02, 2018 under section 19 of the SEBI Act read with section 15-I of the SEBI Act and rule 3 of (SEBI Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**Adjudication Rules**") to inquire into and adjudge the violations of the provisions of SEBI (PFUTP) Regulations, alleged to have been committed by the Noticees, under section 15HA of SEBI Act..

C. SHOW CAUSE NOTICE, REPLY & HEARING

3. A common show cause notice dated December 31, 2019 (hereinafter referred to as "**SCN**') was issued to the Noticees under the provisions of rule 4(1) of the Adjudication Rules, to show cause as to why an inquiry should not be held and penalty should not be imposed on them, under the provisions of section 15HA of SEBI Act for the aforementioned alleged violation of the provisions of SEBI (PFUTP) Regulations. I note that the SCN sent by speed post to Noticees 3 and 4 was delivered to them, however no reply was received from them. In respect of Noticees 1, 2 and 5, the SCN sent to them by speed post returned undelivered. Therefore, in terms of rule 7(1)(b) of Adjudication Rules, the SCN along with the annexures mentioned therein were served on them at the following email IDs through digitally signed email on December 17, 2020, requiring them to submit their reply, if any by December 31, 2020. I note that the emails sent to the Noticees 1, 2 and 5 did not bounce.

Name of the Noticee	Email ID
Arvind Babulal Goyal (Noticee 1)	goyalarvind@hotmail.com AGOYAL143@YAHOO.COM
Sorab Wadia (Noticee 2)	dbinvestments39@gmail.com ARVINDG500@GMAIL.COM
Dharmendra Bhojak (Noticee 5)	dharmendra.bhojak@gmail.com dhbhojak@rediffmail.com

4. I note that Noticees 3 and 4 were also provided with one more opportunity to furnish their reply, if any, by December 31, 2020, which was communicated to them *vide* email dated December 17, 2020 sent to their email IDs: interactive_solutions@ymail.com, csbhatt111@zapak.com and dharmendra.bhojak@gmail.com, dhbhojak@rediffmail.com respectively. Further, in order to conduct an inquiry in the matter, all the Noticees were given an opportunity of hearing on January 08, 2021, which was communicated to all the Noticees *vide* the aforementioned email dated December 17, 2020 at their respective email IDs mentioned above. I note that the emails sent to the Noticees did not bounce. In view of covid-19 pandemic, the hearing was scheduled through videoconference on webex platform. The link for joining the hearing through videoconference on webex platform along with the login credentials were sent to the Noticees through email on January 06, 2021.

5. *Vide* email dated January 08, 2021, Noticee 1 informed that he is unable to join the hearing at the link provided to him. *Vide* email sent on January 08, 2021, the Noticee was informed that another opportunity of hearing has been granted to him on January 11, 2021. Noticee 1 *vide* email dated January 09, 2021 and February 10, 2021, requested for inspection of documents and cross examination respectively, which was rejected and Noticee 1 was informed that all the documents that have relied upon in the instant proceedings have been duly provided to him. Accordingly, Noticee 1 was granted one more opportunity of hearing on February 22, 2021, which was subsequently rescheduled to March 04, 2021. I note that Noticee 1 appeared before me in person on March 04, 2021 and sought additional time of 10

days to furnish his reply. However, I note that Noticee 1 failed to furnish his reply.

6. I note that Noticee 2 and 4 neither submitted their reply nor they attended the hearing opportunity granted to them. Noticee 3 *vide* email dated January 09, 2021 furnished his reply, however, he failed to avail the opportunity of hearing.

7. In respect of Noticee 5, consequent upon receipt of a request from his authorized representative (hereinafter referred to as "**AR**"), the AR was provided with soft copies of SCN and the annexures mentioned therein *vide* email dated March 25, 2021. *Vide* email dated April 15, 2021 and May 12, 2021, the AR of Noticee 5 sought additional time to furnish his reply, which was acceded to. Despite providing extension of time to Noticee 5 to furnish his reply, since Noticee 5 did not furnish his reply, *vide* email dated June 21, 2021, Noticee 5 was given an opportunity of hearing on June 30, 2021. Noticee 5 *vide* email dated June 30, 2021, sought adjournment of hearing to July 06, 2021, which was acceded to. I note that Noticee 5 through his AR furnished his reply *vide* email dated July 06, 2021. On the scheduled date of hearing *i.e.,* July 06, 2021, Noticee 5 appeared through his AR and requested for inspection of documents, which was acceded to. *Vide* email dated July 12, 2021, the AR was informed to carry out inspection of documents not later than July 22, 2021 and to furnish his reply by August 02, 2021. I note from the records that Noticee 5 carried out inspection of documents on July 20, 2021. Pursuant to inspection of documents, the AR of Noticee 5 *vide* email dated July 26, 2021 sought annexures to the SCN and cross examination of certain persons. *Vide* emails dated August 10, 2021 and August 11, 2021, the AR of Noticee 5 was provided with the annexures to the SCN and the rejection of request for cross examination of certain persons was communicated. I note that Noticee 5 furnished his reply on August 26, 2021. Further, Noticee 5 was given one more opportunity of hearing on September 06, 2021, wherein AR of Noticee 5 reiterated the contents of the submissions made *vide* email dated August 26, 2021 and once again sought documents mentioned therein.

8. The replies furnished by Noticee 3 (Ramesh Dwarkadas Daga) and Noticee 5 (Dharmendra Bhojak) are reproduced hereunder:

<u>Reply of Noticee 3:</u>

(a) The Noticee by profession, a Computer Hardware Engineer. During the maintenance in my client's office, I was interacted to Mr. Abhay Javlekar. He used to give me business of my field through his friends and relatives. Once he requested me to open a savings account in my name and he explained that a good transaction will be made in that account, and you will get a benefit of lone to expand your business. Then he requested to open a Demat Account. an as per the request I opened a saving Account in lnduslnd Bank (M.G. Road) Kandivali Branch through him having A/c No. 10004434914 and a demat account in Arihant Capital that too through him.

(b) Mr. Abhay requested me sign the cheque book/RTGS/NEFT forms and also the blank stock transactions slip of Arihant Capital. He regularly used to call me in the bank to sign more blank materials. The whole bank accounts and trading accounts was handled be him.

(c) Sir, I have not done a single transaction in these stated accounts as I am unaware how to trade in stocks and also till date, I have no trading account. Sir I was and I am in financial crises so there was no question to take any interest in trading in stock. Even I have not deposited or withdraw any amount of and for myself.

(d) After a few months when I saw the transactions in the passbook and statements of the demat accounts, I thought that it would let me in difficulties in future, so even on my request the accounts were not closed. Only the explanation was the trading account is in loss so you will not get any type of difficulties in feature time and if any negative things occur will bearer by him. Sir even I have requested Arithant

Capital to close the trading account but the even neglected my request and continued the trading. Even I have explained that trading's are made in my name by the other person they ignored it.

Reply of Noticee 5:

(a) *I state and submit that I am a High School dropout and I have completed my education till 9^th^ Grade. I primarily work as unskilled laborer to meet ends in my life. Sometime in the year 2009, I was in search of a job, when my friend Mr. Abhay Javlekar introduced me to Mr. Arvind Babulal Goyal (Noticee 1) and accordingly I joined the Office of Mr. Arvind Babulal Goyal in Goregaon East in February 2009 at a salary of Rs. 8,000/- per month as an Office Boy. Therefore, I state that I have zero awareness about finance, stock market, etc., Further, I state that I did not have enough money to involve into share market as I could barely meet ends in life.*

(b) *I state and submit that Mr. Arvind Babulal Goyal took my signatures on one pretext or another and used it to open Demat, Trading and Bank account in the month of October 2009. I was told by my dominated employer that I must obey him and disobedience would lead to due consequences. On account of my critical financial conditions and lack of awareness of the probable ramifications, I obeyed Mr. Arvind Babulal Goyal in the course of my employment.*

(c) *It must also be noted that there were many other such employees of Mr. Arvind Babulal Goyal, whose signatures and credentials were used by him as an artifice to carry out share marked and banking related activities. Mr. Goyal used to dictate terms and assure all Employees that he was doing the right thing for the growth of business using employees trading account and only on account of our lack of knowledge and unskilled background, we are unable to contribute directly to the business and hence he has to do such activity indirectly. It is further* *submitted that relying on the statement of Mr. Goyal, I opened the demat account with Arihant Capital Markets Ltd., at Vile Parle and a savings bank account with Indus Ind Bank at Kandivali.*

(d) It is further submitted that Mr. Goyal made an Email ID, the password of which was not known to me, however, I had just signed the application form and other relevant documents for account opening. It is further submitted that on the account opening all trades were executed by Mr. Arvind Babulal Goyal and the demat and bank accounts were used and operated by Mr. Goyal only and I was not aware about the same. It is submitted that pursuant to opening of the trading and savings bank accounts, Mr. Goyal would make me sign all the cheques and share transfer slips in advance in the normal course of business. Here, I must point out that this went on for considerable time and I did not receive any intimation from any authority, regulator or investigation agency, stock exchange or any intermediary, hence, I continued to work for Mr. Arvind Goyal in similar fashion.

(e) It is submitted that I used to receive regular statements of trading and bank accounts at my residence at a gap of 2–3 months and I used to hand over the same to Mr. Arvind Babulal Goyal. It is further submitted that I was only being paid my monthly salary from Mr. Arvind Babulal Goyal for the office work done by me.

(f) It is submitted that after passing of few years and not receiving my salary of Rs. 8,000/- per month, I suo-moto visited the Office of Arihant Capital Markets Pvt., Ltd., to close the demat account in my name and met Mr. Nimesh Vyas there, who informed me that he would speak to Mr. Goyal and take instructions accordingly. After waiting for a while at the Office of Arihant Capital Markets, I received a call from Mr. Goyal, who then informed me that, he would sell the shares lying in my account, pursuant to which my account would be closed. Accordingly, the closure account form was brought by Mr. Goyal and signed be me, however, the status

of the said account is not known to me, as Arihant Capital Markets refused to revert to my requests. It is further submitted that accordingly the Banka account with Indus Ind Bank was also closed by me after filling the necessary forms with the Bank.

(g) It is submitted that my demat client master shows the email as arvinvestment500@gmail.com, which is the email id of Arvind Babulal Goyal. The said email including the mobile number was changed by Arihant Capital Markets Ltd. at the request of Mr. Goyal and the mobile number mentioned in my demat client master is 808079797 which also belongs to Mr. Arvind Goyal.

(h) It is submitted that Mr. Arvind Goyal used my identity to open the trading cum demat account and operated the same as per his own whims and fancies. I have nothing to do with the alleged trades as set out in the SCN. I further request for an inspection of the Investigation Report to ascertain the role and liabilities cast upon me by SEBI in respect of the trades in question. I seek to file additional replies upon understanding the exact role and liabilities cast upon me.

(i) ln the process, he may have committed violations of SEBI Act and Regulations there under. I am faced with a number of Show Cause Notices by SEBI in several matters of which I have no knowledge and/or awareness. I come to know about my regulatory liabilities through these Show Cause Notices as and when I receive them and understand that a new regulatory action has been initiated against me.

(j) Furthermore, these notices pertain to violations which date back to 2009, 2010, 2011 etc. It becomes extremely difficult for me to deal with such archaic cause of actions. I am faced with difficulties to collate relevant data and it often happens that due to lapse of so much time, there remains no relevant data. Such instances causes me severe prejudice. Even in the present case, the investigation period is of 2011-12, which

is almost 10 years from now. Now in such circumstances, when I no more work with Arvind Goyal, it is practically impossible for me to recover data from Arvind Goyal's office records. Hence, I am put to extreme hardships, not only because of the acts of Arvind Goyal but also on account of unreasonable delay in issuing of the Show Cause Notice.

(k) It is submitted that all demat and bank accounts have been operated solely by Mr. Arvind Babulal Goyal in connivance with Arihant Capital Markets Ltd. It is further submitted that I was compelled and pressurized tremendously by Mr. Arvind Babulal Goyal to sign the required documents for opening the demat and bank accounts end moreover, my need for a job with a miniscule steady income forced me to bend down to the demands of Mr. Goyal. However, on receiving various Notices from SEBI in various scrips I realised the consequences of signing the documents on trust and am paying a huge price for the same.

(l) It is submitted that the facts stated by me hereinabove have not been covered by SEBI in its Investigation in the SCN under response, therefore I pray the Ld. Adjudicating Authority to make further inquiry in the scrip of KIL during the investigation period and summon the broker to find out as to who was trading and placing orders in my name. I say that I am not the culprit of any violation, however, I am a victim of the illicit acts conducted by Mr. Arvind Goyal.

(m) I say that the Ld. Whole Time Member in its Order dated 08-09-2020 bearing Reference No. WTM/ AB/IVD/101/8987/2020-21 in the matter of Global Securities Limited had observed that Mr. Arvind Goyal was the De-facto operator of my Demat Accounts. In the said Order the Ld. WTM, had taken a lenient view and debarred me for a period of 3 months. I undertake to voluntary debar myself from the securities market for the lifetime. I say that I am the sole bread earner for my family and nearly manage to carry out my expenses and therefore request you to

take a lenient view.

9. As brought out before, Noticees 2 and 4 neither furnished their reply nor they appeared before me for the hearing. I also note that Noticee 1 while appeared before me for the hearing, however, he failed to furnish his reply. Further, it is noted that Noticee 3 expressed his inability to attend the hearing owing to health reasons and requested his submissions as final for the purpose of the instant proceedings.

10. In this context, I would like to rely upon the findings of the Hon'ble Securities Appellate Tribunal (SAT) in the matter of Classic Credit Ltd., vs. SEBI (Appeal 68 of 2003 decided on December 08, 2006) wherein the Hon'ble SAT, *inter alia*, held 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. Hon'ble SAT has again in the matter of Sanjay Kumar Tayal & Others vs SEBI (Appeal 68 of 2013 decided on February 11, 2014), *inter alia*, held that – *"………………As rightly contended by Mr. Rustomjee, learned senior counsel for respondents, 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 levelled against them in the show cause notices…………….".*

12. In view of the above, I am of the opinion that the SCN and notice of hearing have been duly served on Noticees 1, 2 and 4, yet Noticees 2 and 4 failed to furnish their reply to the charges alleged in the SCN and also failed to avail the opportunity of hearing. Noticee 1 even though availed an opportunity of hearing, but failed to furnish his reply. Therefore, I am convinced that the principles of natural justice has been duly followed in the matter, as enough opportunities were provided to Noticees 1, 2 and 4 to reply to the SCN and to appear for hearing. Therefore, I am inclined to decide the matter ex-parte

in respect of Noticees 1, 2 and 4 taking into account the evidence/material available on record.

D. CONSIDERATION OF ISSUES

13. After perusal of the material available on record, I have the following issues for consideration *viz.,*

    I. Whether Noticees have violated the provisions of regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) and (g) of SEBI (PFUTP) Regulations?

    II. Whether Noticees are liable for monetary penalty under section 15HA of the SEBI Act?

    III. If so, what quantum of monetary penalty should be imposed on Noticees taking into consideration the factors mentioned in section 15-J of SEBI Act?

E. FINDINGS

14. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticees, I record my findings hereunder.

ISSUE I: Whether Noticees have violated the provisions of regulations 3 (a), (b), (c), (d), 4(1), 4 (2) (a) and (g) of SEBI (PFUTP) Regulations?

15. Before moving forward, it is pertinent to refer to the relevant provisions of SEBI (PFUTP Regulations), which reads as under:

Regulation 3 of SEBI (PFUTP) Regulations: - Prohibition of certain dealings in securities

3. 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 thereunder;

(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 thereunder.

Regulation 4 of SEBI (PFUTP) Regulations: - 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;

16. It has been alleged that Noticees had created artificial volume in the scrip by reversing their trades, which lead to false or misleading appearance of trading in the market. The method and the manner in which the trades were executed are the most important factors to be considered in these circumstances and the motive, thereafter, automatically falls in line.

17. Before going into the merits of the case, I would like to deal with the primary contention raised by Noticee 5 with regard to supply of documents including investigation report.

18. Noticee 5 has stated that a copy of the investigation report and complete trade log & order log have not been provided to him, and hence, it is a gross violation of natural justice as it has restricted his defence to the investigation carried out by SEBI. I note that the allegations against Noticee 5 are clearly delineated in the SCN and all the relevant documents that have been relied upon in the SCN have been provided to Noticee 5 and it is the Noticee's responsibility to defend his case by referring to the documents on which SEBI has relied upon in the SCN.

19. I find that the SCN issued by SEBI to Noticee 5 contains the findings of investigation in respect of him. I note that Noticee 5 has been provided with the details of reversal trades, extracts of off-market data received from depositories, and email dated September 01, 2015 received from Arihant Capital Markets Ltd., confirming placement of orders and account opening details. As regards contention of Noticee 5 that he has not been furnished with the entire investigation report, I note that in the present proceeding reliance is being placed on only those documents, which have been provided to Noticee 5.

20. Since all the documents which were relevant and relied upon in the instant proceedings have been provided to Noticee 5, I am of the opinion that principles of natural justice have been duly complied with in the instant proceedings. Therefore, I do not find that the interest of Noticee 5 has been prejudiced in any manner, and Noticee 5 has not explained as to how his interest has been prejudiced by not having a copy of the investigation report when the charges/allegations along with documents in support of the show cause have been clearly spelt out in the SCN and the detailed facts on the basis of which those charges have been framed are already contained in the SCN and the documents provided vide email dated August 10, 2021.

21. The shares of Kanchan were listed at the Bombay Stock Exchange (BSE) during the period of investigation. The price volume movement of Kanchan scrip, before, during and after the Investigation Period is as under:

Period	Dates		Opening Price (₹)/ (volume) on first day	Closing price (₹)/ (volume) on last day	Low Price (₹)/ (lowest volume)	High Price (₹)/ (highest volume)	Average no. of (shares) traded daily	Total traded quantity
Before Investigation Period	04/07/2011 to 03/10/2011	Price	87 (04/07/2011)	39.95 (03/10/2011)	33.9 (26/09/2011)	96 (20/06/2011)	81,503	51,34,714
		Volume	83839 (04/07/2011)	46859 (03/10/2011)	14140 (08/09/2011)	241107 (15/07/2011)		
During Investigation Period	04/10/2011 to 03/04/2012	Price	39 (04/10/2011)	69.2 (03/04/2012)	37.1 (05/12/2011)	110.4 (13/02/2012)	65,302	81,62,767
		Volume	8967 (04/10/2011)	42943 (03/04/2012)	1698 (19/03/2012)	302615 (31-01-2012)		
After Investigation Period	04/04/2012 to 03/07/2012	Price	66.15 (04/04/2012)	60 (03/07/2012)	47.9 (18/06/2012)	71.95 (02/05/2012)	14,426	8,94,428
		Volume	22064 (04/04/2012)	410 (03/07/2012)	25 (05-06-2012)	100181 (10-04-2012)		

22. I note that reversal trades are the trades where the buyer and seller reverse their position with each other on same day. Reversal trades create artificial/fictitious volume in the market and give a false and misleading appearance of trading in the scrip at the exchange.

23. During the course of investigation, it was observed that Noticees are connected with each in the following manner:

    a. As per the KYC documents of Noticee 5, it was observed that he shared common mobile number(s) and/or email ID(s) with Noticee 1.

    b. The stockbrokers of Noticees *viz.* Arihant Capital Markets Ltd. (Noticee 3 and 5) and Religare Securities Ltd. (Noticee 5) informed that the orders for Noticee 3 and 5 were placed through the numbers 9322229797/ 9768063366. Further, the stockbrokers of Noticee 2 *viz.* Anand Rathi

Share & Stock Brokers Ltd. and Way2wealth Brokers Pvt. Ltd. stated that orders used to be placed through phone number 8080029797(Anand Rathi) and 9322229797 (Way2wealth) for Noticee 2. The mobile numbers: 9322229797/8080029797 belonged to Noticee 1 as per his KYC documents.

c. Noticee 4 has entered into off-market transaction with Noticee 5 and also had financial transactions with Noticee 5.

24. I note from the SCN that it has been alleged that Noticees have carried out reversal trades and thus have alleged to have created artificial volume in the scrip. The details of reversal trades by the Noticees are tabulated hereunder:

Date	PAN 1 Client Name	PAN 2 Client Name	Qty.1 (PAN 1(Sell) to PAN 2(Buy))	Qty.2 (PAN 2(Sell) to PAN 1(Buy))	Reversal Qty.	No. of Reversal trades
07.12.2011	SORAB WADIA	PANKAJ JAYANTILAL DAVE	507	1	1	5
07.12.2011	SORAB WADIA	DHARMENDRA HARILAL BHOJAK	1160	1000	1000	4
14.11.2011	SORAB WADIA	RUPESH D BHATT	3350	3000	3000	4
14.11.2011	DHARMENDRA HARILAL BHOJAK	RUPESH D BHATT	8550	8000	8000	15
14.11.2011	DHARMENDRA HARILAL BHOJAK	RAMESH DWARKADAS DAGA	5000	5000	5000	2
08.02.2012	DHARMENDRA HARILAL BHOJAK	RAMESH DWARKADAS DAGA	1381	6804	1381	3
19.01.2012	SORAB WADIA	DHARMENDRA HARILAL BHOJAK	3000	2800	2800	4
11.11.2011	SORAB WADIA	RUPESH D BHATT	252	10	10	11
11.11.2011	ARVIND BABULALJI GOYAL	RUPESH D BHATT	1140	1050	1050	5

Date	PAN 1 Client Name	PAN 2 Client Name	Qty.1 (PAN 1(Sell) to PAN 2(Buy))	Qty.2 (PAN 2(Sell) to PAN 1(Buy))	Reversal Qty.	No. of Reversal trades
27.12.2011	ARVIND BABULALJI GOYAL	DHARMENDRA HARILAL BHOJAK	10000	10000	10000	2
02.02.2012	SORAB WADIA	RAMESH DWARKADAS DAGA	5000	5000	5000	2
10.01.2012	ARVIND BABULALJI GOYAL	DHARMENDRA HARILAL BHOJAK	2500	2500	2500	2
14.02.2012	ARVIND BABULALJI GOYAL	DHARMENDRA HARILAL BHOJAK	10000	5683	5683	3
23.11.2011	SORAB WADIA	PANKAJ JAYANTILAL DAVE	800	425	425	4
23.11.2011	SORAB WADIA	DHARMENDRA HARILAL BHOJAK	4000	7916	4000	13
25.01.2012	SORAB WADIA	DHARMENDRA HARILAL BHOJAK	100	2	2	3
14.10.2011	DHARMENDRA HARILAL BHOJAK	RAMESH DWARKADAS DAGA	1750	2000	1750	2
02.12.2011	ARVIND BABULALJI GOYAL	DHARMENDRA HARILAL BHOJAK	8000	8792	8000	4
12.10.2011	SORAB WADIA	RUPESH D BHATT	320	51	51	13
30.11.2011	SORAB WADIA	ARVIND BABULALJI GOYAL	5500	500	500	11
30.11.2011	SORAB WADIA	PANKAJ JAYANTILAL DAVE	1800	2101	1800	4
30.11.2011	SORAB WADIA	DHARMENDRA HARILAL BHOJAK	5000	7725	5000	21
24.01.2012	ARVIND BABULALJI GOYAL	DHARMENDRA HARILAL BHOJAK	2500	2500	2500	2
15.12.2011	SORAB WADIA	DHARMENDRA HARILAL BHOJAK	536	5000	536	3

Date	PAN 1 Client Name	PAN 2 Client Name	Qty.1 (PAN 1(Sell) to PAN 2(Buy))	Qty.2 (PAN 2(Sell) to PAN 1(Buy))	Reversal Qty.	No. of Reversal trades
15.12.2011	ARVIND BABULALJI GOYAL	DHARMENDRA HARILAL BHOJAK	12000	12000	12000	2
26.12.2011	SORAB WADIA	ARVIND BABULALJI GOYAL	266	476	266	17
10.02.2012	DHARMENDRA HARILAL BHOJAK	RAMESH DWARKADAS DAGA	5000	5000	5000	2
27.01.2012	ARVIND BABULALJI GOYAL	RAMESH DWARKADAS DAGA	5000	5000	5000	9
18.01.2012	SORAB WADIA	GANESH ANANT GHADGE	900	20	20	3
		TOTAL	**105312**	**110356**	**92275**	**175**

25. The aforesaid reversal trading pattern is explained by an illustration of the first instance reflected in the table above as follows:

Date	Particulars
15/12/2011	Arvind Babulal Goyal (Noticee 1) sold 12000 shares to Dharmendra Bhojak (Noticee 5) at 14:27:59 hours (trade time)
15/12/2011	Arvind Babulal Goyal (Noticee 1) bought back 12000 shares from Dharmendra Bhojak (Noticee 5) at 14:30:42 hours (trade time)
	Reversed Quantity: 12000 shares

26. Summary of reversal trades by the Noticees is as under:

Entity 1	Entity 2	Entity 1(Sell) to Entity 2(Buy)	Entity 2(Sell) to Entity 1(Buy)	Reversal Qty.	No. of Reversal trades	No. of days of Reversal trades
Arvind Babulal Goyal	Dharmendra Bhojak	45,000	41,475	40683	15	6
Sorab Wadia	Dharmendra Bhojak	13,796	24,443	13338	48	6
Dharmendra Bhojak	Ramesh Dwarkadas Daga	13,131	18,804	13131	9	4
Dharmendra Bhojak	Rupesh D Bhatt	8550	8000	8000	15	1
Sorab Wadia	Ramesh Dwarkadas Daga	5000	5000	5000	2	1

Entity 1	Entity 2	Entity 1(Sell) to Entity 2(Buy)	Entity 2(Sell) to Entity 1(Buy)	Reversal Qty.	No. of Reversal trades	No. of days of Reversal trades
Arvind Babulal Goyal	Ramesh Dwarkadas Daga	5000	5000	5000	9	1
Sorab Wadia	Rupesh D Bhatt	3922	3061	3061	28	3
Sorab Wadia	Pankaj Jayantilal Dave	3107	2527	2226	13	3
Arvind Babulal Goyal	Rupesh D Bhatt	1140	1050	1050	5	1
Sorab Wadia	Arvind Babulal Goyal	5766	976	766	28	2
Sorab Wadia	Ganesh Anant Ghadge	900	20	20	3	1
Total		**105312**	**110356**	**92,275**	**175**	**29**

27. From the above two tables, the pattern of reversal of trades executed by the Noticees is evident. I note that Noticees were involved in reversing 92,275 shares through 175 trades on 29 trading days, which was 1.13% of reversal quantity to market volume and 8.67% of artificial volume of the total artificial volume (10,63,693 shares) generated during the Investigation Period. It is noted that similar trading pattern was observed in the reversal trades executed by the Noticees. I am of the view that for off-market transaction to be executed successfully, the following four parameters are essential: (1) the buyer and seller should know each other, (2) the buyer must have knowledge of the fact that seller is holding the shares of the scrip which the buyer is interested to buy, (3) the buyer must have knowledge of the fact that seller is willing to sell the shares in that scrip, and (4) the buyer must have knowledge of the price at which the seller is willing to sell the shares. I note that only when the buyer and seller are known to each other and know about the holding of such shares by the seller, they can negotiate the price and quantity of shares. In view of the above and off-market transfers as seen from the tables above, I note that it can be reasonably concluded that the Noticees knew each other and thus, connected to each other through off-market transfers.

28. Taking into account the trading pattern of Noticees, buying shares in large quantity outside market will not only disturb the trail by adding another layer

to the complex web of transactions, but also impact the market when such shares enter in market subsequently. Besides, off-market transactions on the face of it may give a false and misleading impressions as being independent transactions, whereas when seen in the context of timing, pricing and pattern of transactions in both off market and market together, the overall scheme of manipulations can be inferred. Therefore, I am of the view that any irrational nature and terms of off-market transactions and subsequent offloading in the market indicates prior understanding which can be interpreted based on the outcome achieved by them collectively through creation of artificial volume. Therefore, from the above findings it is seen that Noticees have indulged in reversal trades among themselves on consistent basis and thereby created artificial volume in the market.

29. Further, I note from the reply of Noticee 5, wherein he has stated that all his trades were executed by Arvind Babulal Goyal and that he was not aware of anything and worked as an office boy with Arvind Babulal Goyal. Noticee 5 has also stated that all his accounts were operated by Arvind Babulal Goyal.

30. It is an admitted fact that Noticee 5 had knowingly lent his name and documents to Arvind Babulal Goyal to operate. It is evident and established that the dealings of Noticee 5 in the scrip of Kanchal were substantial. I am of the view that Noticee 5 cannot absolve his responsibility for misuse of his accounts by third parties by merely stating that he does not know the purpose for which his accounts were used. Name lending is a serious offence which enables manipulators to carry out their nefarious activities by masking their identity and the ultimate beneficiary of manipulative scheme of things. Therefore, I am not inclined to view the acts of voluntary name lending by Noticee 5 leniently, as such acts would facilitate market operators to devise and deploy deceptive, fraudulent and manipulative schemes in the securities market. In this regard, I take note of the findings of the Hon'ble Securities Appellate Tribunal in Rahul H. Shah Vs. SEBI (Appeal No. 83 of 2012 decided on May 11, 2012) wherein the Hon’ble SAT has held that name lending *"is a fraudulent activity and requires to be curbed for maintaining the sanctity of the securities market".*

31. In view of the above, since Noticee 5 had himself provided his trading and demat accounts to Arvind Goyal for trading purpose, Noticee 5 is responsible for the trades executed in his account.

32. I note that the Hon'ble Supreme Court in the matter of SEBI vs. Rakhi Trading Private Ltd., in Civil appeals no., 1969 of 2011 with Civil Appeal Nos., 3174-3177 of 2011 and Civil Appeal No., 3180 of 2011 decided on February 8, 2018 had held that *"the price discovery system itself was affected by synchronization and rapid reverse trade, which also had the impact of excluding other investors from participating in the market".* The Supreme Court, therefore found that the traders having engaged in a fraudulent and unfair trade practice while dealing in securities, are hence liable to be proceeded against for violation of regulations 3(a), 4(1) and 4(2)(a) of PFUTP Regulations. The Apex Court also held that *"considering the reversal transactions, quantity, price and time and sale, parties being persistent in the number of such trade transactions with huge price variations, it will be too naïve to hold that the transactions are through screen-based trading and hence anonymous. Such conclusion would be over-looking the prior meeting of minds involving synchronization of buy and sell order and not negotiated deals as per the board's circular. The impugned transactions are manipulative/deceptive device to create a desired loss and/or profit. Such synchronized trading is violative of transparent norms of trading in securities."*

33. In light of the above judgment of the Hon'ble Apex Court and from the aforesaid findings, I conclude that Noticees have created artificial volume in the scrip of Kanchan by reversing their trades and created a misleading appearance of trading in the scrip. Accordingly, I hold that Noticees have violated the provisions of regulation 3(a), (b), (c), (d) and regulation 4(1), 4(2) (a) and (g) of SEBI (PFUTP) Regulations.

ISSUE-II: Does the violation, if any, attract monetary penalty under Section 15HA of SEBI Act?

34. Pursuant to the detailed analysis brought out above, it is established that Noticees have created a misleading appearance of trading in the scrip by indulging in manipulative trading pattern *viz.,* reversal of trades, thereby contravening the provisions of regulations 3(a), (b), (c), (d), 4(1), 4(2)(a), and 4(2)(g) of SEBI (PFUTP) Regulations. Therefore, Noticees are liable for monetary penalty under section 15HA of SEBI Act, the provisions of which are reproduced hereunder:

Section 15HA of SEBI Act

Penalty for fraudulent and unfair trade practices

"If any person indulges in fraudulent and unfair trade practices relating to securities, 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 or three times the amount of profits made out of such practices, whichever is higher".

35. It was brought to the notice of the undersigned that Noticee 5 has passed away on May 11, 2022. On further inquiry, the AR of Noticee 5 furnished a copy of death certificate dated June 24, 2022 issued by Municipal Corporation of Greater Mumbai P North Ward. In this regard, it is relevant to note that Hon'ble Supreme Court in the case of Girja Nandini Devi and Ors. vs. Bijendra Narain Choudhury, Civil Appeal No. 756 of 1964, decided on August 11, 1966 discussed the *maxim "actio personalis moritur cum persona".* The maxim means that personal action (*i.e,* actions where the relief sought is personal to the deceased) dies with the person. Thus, basis the above, I find that proceedings against Noticee 5 do not survive and are liable to be abated.

ISSUE–III: If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in section 15-J of SEBI Act?

36. While determining the quantum of monetary penalty under section 15HA of SEBI Act, I have considered the factors stipulated in section 15-J of SEBI Act, which reads as under:

Section 15J - Factors to be taken into account by the Adjudicating Officer 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. The material made available on record has not quantified the amount of disproportionate gain or unfair advantage made by the Noticees and the loss suffered by the investors as a result of the Noticees default. I note that with respect to repetitive nature of default, penalties have been imposed or directions have been issued with respect to Noticee 1 and Noticee 2 *inter alia vide* the following orders:

Noticee 1:

Sl.no	Date	Order details
1.	May 31, 2022	Adjudication order in the matter of Global Securities Limited bearing reference no. Order/PM/GD/2022-23/16720-16739
2.	September 08, 2020	Final order in the matter of Global Securities Ltd. bearing reference no. WTM/AB/IVD/ID1/8987/2020-21
3.	April 30, 2020	Adjudication Order in respect of Arvind Babulal Goyal in the matter of Incap Financial Services Limited bearing reference no. Order/SR/PP/2020-21/7597/5
4.	November 28, 2019	Adjudication order in respect of 8 entities in the matter of Kausambi Vanijya Ltd (now known as Golden Bull Research & Growth Ltd.) bearing reference no. Order/KS/VC/2019-20/5772-5779
5.	October 28, 2010	Adjudication order in respect of Shri Arvind Babulal Goyal in the matter of Birla Capital and Financial Services Limited bearing reference no. PG/AO- 55/2010

Sl.no	Date	Order details
6.	August 31, 2010	Adjudication order in respect of Mr. Arvind Babulal Goyal in the matter of Alpha Hi Tech Fuel Ltd. bearing reference no. PB/AO-87/2010

Noticee 2:

Sl.no	Date	Order details
1.	May 31, 2022	Adjudication order in the matter of Global Securities Limited bearing reference no. Order/PM/GD/2022-23/16720-16739
2.	September 08, 2020	Final order in the matter of Global Securities Ltd. bearing reference no. WTM/AB/IVD/ID1/8987/2020-21
3.	September 03, 2020	Adjudication order in respect of various entities in the matter of Finalysis Credit and Gurantee Company Ltd. bearing reference no. ORDER/SR/2020-21/8886-8927/97-138

38. It is difficult, in cases of such nature, to quantify the disproportionate gains or unfair advantage enjoyed by an entity and the consequent loss suffered by the investors. General public and normal prudent investors could have been easily carried away by such unusual increase in the volumes in the scrip of Kanchan and were bound to get induced into investing in the said scrip looking at the steep rise in its volume without realizing that the volume was been artificially created by manipulative trades executed by the Noticees. This kind of trading behavior seriously affects the normal price discovery mechanism in the securities market. Therefore, I am of the view that people who indulge in manipulative, fraudulent and deceptive transactions, or abet in carrying out such transactions, which are fraudulent and deceptive in nature, should be suitably penalized for such acts of omissions and commissions.

F. ORDER

39. After taking into consideration the nature and gravity of the violations established in the preceding paragraphs and in exercise of the powers conferred upon me under section 15-I of the SEBI Act read with rule 5 of the Adjudication Rules, I hereby impose a penalty of ₹5,00,000/- (Rupees Five Lakhs Only) on each on the Noticees *i.e.,* Arvind Babulal Goyal (Noticee 1), Sorab Wadia (Noticee 2), Ramesh Dwarkadas Daga (Noticee 3), and Rupesh D Bhatt (Noticee 4) under section 15HA of the SEBI Act for violation of the provisions of regulations 3(a),(b),(c),(d), 4(1), (2) (a) and (g) of SEBI

(PFUTP) Regulations. Further, as noted above, since Dharmendra Bhojak (Noticee 5) has passed away, the SCN issued against him stands disposed of.

40. The said penalty imposed on the Noticees, as mentioned above is commensurate with the violation committed by the Noticee and acts as a deterrent factor for the Noticees and others in protecting the interest of investors.

41. The Noticee shall remit / pay the said amount of penalty within 45 days from the date 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

42. The Noticee shall forward said demand draft or the details/confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-II, SEBI, in the format as given in table below:

Case Name	
Name of Payee	
Date of payment	
Amount Paid	
Transaction No	
Bank Details in which payment is made	
Payment is made for	Penalty

43. In terms of rule 6 of the Adjudication Rules, copies of this order are sent to the Noticees and to SEBI.

Date: July 28, 2022
Place: Mumbai

PRASANTA MAHAPATRA
ADJUDICATING OFFICER