BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OFINDIA

ADJUDICATION ORDER NO. BD/MG/2020-21/9439

UNDER SECTION15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995

In respect of

Rajesh Jayantilal Savadia, (AAVPS3632H)

In the matter of Lifeline Drugs and Pharma Limited,

(Now known as Arihant Multi Commercial Limited)

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an investigation in the scrip of Lifeline Drugs and Pharma Limited, (now known as Arihant Multi Commercial Limited) (hereinafter referred to as '**LDPL**'/'**Company**') based on a reference received from the Director of Income Tax (Investigation), Kolkata vide letter dated April 27, 2015. It was alleged in the aforesaid letter that certain entities had used the stock exchange mechanism to generate Long Term Capital Gain Tax (hereinafter referred to as '**LTCG**') by trading in certain scrips including LDPL. The focus of the investigation was to ascertain whether there were any violations of 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**') by certain entities in scrip of LDPL during the period January 10, 2013 to May 30, 2015 (hereinafter referred to as '**Investigation Period/IP**').

2. Based on the variance in the quantum of trading volumes, the price movement of the scrip during the IP and the stock split, the investigation period was split into three patches. The price & volume details of the scrip LDPL during the three

patches of the investigation period are tabulated hereunder:

Patches	Period		Price Movement in ₹				Price/Volume trend
	From	To	Open	High	Low	Close	
Patch-1 (pre stock-split)	10/1/2013	13/11/2013	8.5	584.35	8.5	584.35	Price rise with low trading volumes
Patch-2 (post stock-split)	14/11/2013	2/12/2014	59.55	330	59.55	283	Price rise with high trading volumes
Patch-3 (post stock-split)	3/12/2014	30/5/2015	285	304	160	188.4	Price fall with high trading volumes

3. It was observed that during Patch 1 of the investigation period, the price of the LDPL scrip opened at ₹8.50 on January 10, 2013 and touched a high of ₹584.35 on November 12, 2013 and closed at ₹584.35 on November 12, 2013, with an average traded volume of two (2) shares and total volume of 226 shares. On November 13, 2013, the Company carried out stock split in the scrip in the ratio of 10:1. The trading volumes were high in the scrip during the period November 14, 2013 and December 2, 2014, i.e., Patch 2 of the investigation period. Pursuant to carrying out Last Traded Price (LTP) analysis for the investigation period, the investigation found that during Patch-1 of the investigation period, the market net LTP in the scrip was ₹575.85 with a market volume of 226 shares and the market positive LTP was ₹575.90 with a market volume of 207 shares. SEBI observed that Mr. Rajesh Jayantilal Savadia (hereinafter referred to as '**Noticee**/ **by Name**') and four other entities (viz. Mr. Anil Vishnu Bharti, Mr. Pratik Jain, Ms. Akshata Majgoankar and Mr. Narendra Kripashankar Mishra) created a misleading appearance of trading and contributed to manipulation in the scrip price. Therefore, it is alleged that the Noticee has violated the provisions of Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) and (e) of PFUTP Regulations.

APPOINTMENT OF ADJUDICATING OFFICER

4. Pursuant to investigation, SEBI initiated Adjudication Proceedings against the Noticee and appointed the undersigned as the Adjudicating Officer, vide order dated September 4, 2017, 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 '**AO Rules**') to inquire into and adjudge under Section 15HA of the SEBI Act, for the violations alleged to have been committed by the Noticee.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. A common Show Cause Notice (hereinafter referred to as '**SCN**') bearing ref. no. SEBI/EAD-7/BJD/BKM/27754/2018 dated October 3, 2018 was issued to the Noticee under Rule 4 of AO Rules to show cause as to why an inquiry be not held against them in terms of Rule 4 of the AO Rules and penalty be not imposed under Section 15HA of the SEBI Act for the violations alleged to have been committed by them. The SCN was duly served on the Noticee, however, the Noticee did not file his reply to the charges alleged in the SCN. Since there was no reply filed by the Noticee, vide email dated May 18, 2020, the Noticee was given one more opportunity to furnish his reply by May 31, 2020. I note that the email dated May 18, 2020 sent through digitally signed, in terms of Rule 7 (b) of SEBI Adjudication Rules, did not bounce. However, no reply to the SCN was received. Further, vide email dated June 1, 2020 the Noticee was given final opportunity to furnish his reply by June 10, 2020, besides providing him with an opportunity of hearing through video conference on June 12, 2020, in view of Covid-19 pandemic. I note that the email dated June 1, 2020 sent through digitally signed in terms of Rule 7 (b) of SEBI Adjudication Rules, did not bounce. Vide email dated June 10, 2020, One Mr. Vikas Bengani, who was representing other entities in the same matter informed that wife of the Noticee has informed him that the Noticee is suffering from psychiatric disorder and not keeping sound mind. Mr. Vikas Bengani requested to keep the present proceeding against the Noticee in abeyance. Further, vide email dated June 16, 2020, submitted that family members of the Noticee are trying to get medical certificate of his illness. Vide email dated July 06, 2020, AR submitted copy of a medical certificate dated July 06, 2020 and again requested to keep the present proceeding against the Noticee in abeyance till he recovers. On perusal of the aforesaid medical

certificate, it was observed that the medical certificate has been issued by one Consultant Psychiatrist, Dr. Mangesh A. Ghulghule, who has mentioned that the Noticee has been suffering from Schizophrenia and under his treatment from last two (2) years. In order to assess the degree of illness and to ascertain the ability of the Noticee to defend his case, vide email dated August 28, 2020, AR was advised to furnish a certificate from the civil surgeon of the district to this effect by September 14, 2020. The AR vide email dated September 14, 2020, submitted that he is not representing the Noticee anymore as any person with unsound mind cannot authorize anybody to represent his case. Further, the representative submitted that the examination is required to be done by the court and court has to direct the civil surgeon in this regard. On considering the reply, an email was sent to the Noticee on September 28, 2020 advising him to get a certificate of disability/ Mental incapacity under the Disabilities Act, 2016, similar to the format prescribed by the Central Board of Direct Taxation in such cases. Alternatively, the Noticee was advised to file the reply to the SCN and avail opportunity of the hearing on October 23, 2020. I note that the Noticee has not filed any reply to the charges alleged in the SCN.

6. I note that under Securities Law, there is no specific provision laid down to deal with the plea of insanity. However, the instant Adjudication proceedings are in the nature of quasi-judicial proceedings and therefore, in the facts and circumstances of the case, I am of the view that common law requirements have to be seen.

7. I note that Insanity defense is primarily used in criminal prosecutions. It is based on the assumption that at the time of the crime, the defendant was suffering from severe mental illness and therefore, was incapable of appreciating the nature of the crime and differentiating right from wrong behavior, hence making them not legally accountable for crime. However, just suffering from a mental disorder is not sufficient to prove insanity. The accused has the burden of proving the defense of insanity by a “preponderance of the evidence” like in a civil case. The term “insanity” itself has no precise definition, carries different meaning in different

contexts and describes varying degrees of mental disorders. Every person who is mentally ill is not ipso facto exempted from criminal responsibility. In order to plead insanity as a defense a distinction is to be made between legal insanity and medical insanity. Any person, who is suffering from any kind of mental illness is called “medical insanity,” however “legal insanity” means, person suffering from mental illness should also have a loss of reasoning power. The term legal insanity also refers to the “mental state” of a person at the time of committing crime and nothing else. This is purely a legal concept and is unrelated to the various psychiatric diagnoses.

8. The Supreme Court in the matter of *Surendra Mishra v. State of Jharkhand*, (2011) 11 SCC 495 has stated that an accused who seeks exoneration from liability of an act under Section 84 of the Indian Penal Code, 1872 is to prove legal insanity and not medical insanity. Further, the court in the matter of *Bapu @ Gajraj Singh v. State of Rajasthan*, Appeal (Cri.) 1313 of 2006 has held that the expression “unsoundness of mind” has not been defined in the IPC, and it has mainly been treated as equivalent to insanity. But the term insanity carries different meaning in different contexts and describes varying degrees of mental disorders. Every person who is suffering from mental illness is not exempted from criminal liability. The mere fact that the accused is conceited, odd, irascible, and his brain is not quite all right, or that the physical and mental ailments from which he suffered had rendered his intellect weak and affected his emotions or indulges in certain unusual acts, or had fits of insanity at short intervals or that he was subject to epileptic fits and there was abnormal behavior or the behavior is queer are not sufficient to attract the application of Section 84 of the IPC.

9. In terms of Section 105 of the Indian Evidence Act, 1872 the burden of proving insanity lies with the accused. The accused has to prove by placing material before the court such as expert evidence, oral and other documentary evidence, presumptions, admissions or even the prosecution evidence, satisfying that he was incapable of knowing the nature of the act or of knowing that what he was

doing was either wrong or contrary to law.

10. A subsequent insanity, as in the case of current proceedings, is a mitigating factor which is to be considered at the time of sentencing. However, in the current quasi-judicial proceedings, the outcome is only a monetary penalty. Since, there is no precedence or position in securities laws, the Noticee/ his family was requested to provide a certificate of mental incapacity under the Disabilities Act, 2016, in order to enable me to decide the gravity of mental illness suffered by the Noticee.

11. The Disabilities Act, 2016 and the rules thereunder prescribe for assessment of the degree or percentage of mental illness. The degree of Mental Illness is very important factor since not every mental illness would result in person being of unsound mind. In the instant case, the certificate mentions that the Noticee is suffering from “Schizophrenia”. However, it is not clear as to how much effect this disease has on the mental ability of the Noticee to defend his case or authorize legal representative to defend his case. As stated earlier, the defense of insanity is available in criminal proceedings if the person is legally insane at the time of commission of offence and secondly, if the person can prove with evidence about his insanity during the proceedings.

12. I note from aforesaid medical certificate dated July 06, 2020, that the Noticee is under treatment of Consultant Psychiatrist Dr. Mangesh A. Ghulghule from last two (2) years. As brought out in the following paragraphs, the offence was committed in 2013 which was 7 years ago. Thus, it can be inferred that at the time of trading the Noticee was perfectly fit and was not affected by the mental disease. Secondly, the Noticee and his family have been unable to provide any evidence of the degree of mental illness of the Noticee and whether the Noticee is mentally unsound. This fact becomes important since in the proceedings before Hon’ble Whole Time Member of SEBI (hereinafter Referred to as ‘**WTM**’) on the same cause of action, the Noticee has appeared personally before Hon’ble WTM along with AR on January 14, 2019 and made submissions. Surprisingly, contrary

to the aforesaid plea taken before me, the Noticee has not submitted anything in respect of his health conditions before Hon'ble WTM. Therefore, in view of all the above, I am of the opinion that the aforesaid submissions of the Noticee with respect to his health condition is not clearly established by him so as to warrant him any lenient view. In view of the same and considering that sufficient opportunities to submit reply has been given to the Noticee, I am proceeding in the matter based on the material available on records.

CONSIDERATION OF ISSUES

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

    I. *Whether the Noticee has violated the provisions of Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) and (e) of PFUTP Regulations?*

    II. *Whether the Noticee is liable for a monetary penalty under Section 15HA of the SEBI Act?*

    III. *If so, what quantum of monetary penalty should be imposed on the Noticee?*

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 Noticee, I record my findings hereunder.

ISSUE I: Whether the Noticee has violated the provisions of Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) and (e) of PFUTP Regulations?

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

Regulation 3 of 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 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;
(e) any act or omission amounting to manipulation of the price of a security;

16. It has been alleged that the Noticee had manipulated the price of LDPL scrip and created a misleading appearance of trading in the scrip. 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. I note from the information provided by Purva Sharegistry, Registrar and Transfer Agent to the Company that the Noticee and four (4) other entities had received same number of shares i.e. 25 shares each in physical form in off-market transactions on the same day i.e. February 15, 2013 from the same entity viz., Welldone Commodities Private Limited. I also note that it cannot be a mere

coincidence that the Noticee and four (4) other entities happen to acquire the same number of shares in the same scrip i.e. LDPL on the same day through off market transfer from the same seller. It is also pertinent to note from the information provided by the depositories (NSDL/CDSL) that after the receipt of shares all the Noticees got their holdings dematerialized in March, 2013.

18. 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. Besides, I note that it cannot be a mere coincidence that the Noticee and four (4) other entities happen to acquire the same number of shares in the same scrip (LDPL) on the same day through off market transfer from the same seller.

19. I note from the investigation report that as per MCA database that the status of Welldone Commodities Private Limited, is “strike off”. I also note that the Investigating Authority issued summons to the 2 Directors of Welldone Commodities Private Limited, viz., Om Prakash Goyal and Shankar Lal Agarwal, at the registered office to provide the reasons for transfer of such shares in off-market as well as the details of consideration received for the same. However, the said summons could not be delivered, as the addressee could not be found on the given address.

20. I note from the SCN that during Patch 1 of the investigation period, the price of the scrip, LDPL had increased. I note that the scrip opened at ₹8.50 on January 10, 2013, reached a high of ₹584.35 on November 13, 2013 and closed at the

same price of ₹584.35 on the same day. During this period, the market net LTP was ₹575.85 with a market volume of 226 shares and the market positive LTP was ₹575.90 with a market volume of 207 shares.

21. The price volume details of LDPL scrip, during Patch 1 of the investigation period is furnished as under: *(source: www.bseindia.com).* The trades carried out by the Noticee, which are alleged to have contributed to price rise, are highlighted in bold.

Date	Open Price (₹)	High Price (₹)	Low Price (₹)	Close Price (₹)	No.of Shares	No. of Trades	Total Turnover (₹.)	Deliverable Quantity	% Delivery quantity to traded quantity
10-Apr-13	45.45	45.45	45.45	45.45	1	1	45	1	100
11-Apr-13	46.35	46.35	46.35	46.35	1	1	46	1	100
12-Apr-13	47.25	47.25	47.25	47.25	1	1	47	1	100
15-Apr-13	48.15	48.15	48.15	48.15	1	1	48	1	100
16-Apr-13	**49.1**	**49.1**	**49.1**	**49.1**	**1**	**1**	**49**	**1**	**100**
17-Apr-13	50.05	50.05	50.05	50.05	1	1	50	1	100
18-Apr-13	51.05	51.05	51.05	51.05	1	1	51	1	100
22-Apr-13	51	52.05	51	52.05	2	2	103	2	100
23-Apr-13	**53.05**	**53.05**	**53.05**	**53.05**	**1**	**1**	**53**	**1**	**100**
25-Apr-13	54.1	54.1	54.1	54.1	1	1	54	1	100
30-Apr-13	55.15	55.15	55.15	55.15	1	1	55	1	100
02-May-13	56.25	56.25	56.25	56.25	1	1	56	1	100
03-May-13	**57.35**	**57.35**	**57.35**	**57.35**	**1**	**1**	**57**	**1**	**100**
06-May-13	58.45	58.45	58.45	58.45	1	1	58	1	100
07-May-13	59.6	59.6	59.6	59.6	1	1	59	1	100
08-May-13	60.75	60.75	60.75	60.75	1	1	60	1	100
09-May-13	61.95	61.95	61.95	61.95	1	1	61	1	100
10-May-13	**63.15**	**63.15**	**63.15**	**63.15**	**1**	**1**	**63**	**1**	**100**
13-May-13	64.4	64.4	64.4	64.4	1	1	64	1	100
14-May-13	65.65	65.65	65.65	65.65	1	1	65	1	100
15-May-13	**66.95**	**66.95**	**66.95**	**66.95**	**1**	**1**	**66**	**1**	**100**
16-May-13	**68.25**	**68.25**	**68.25**	**68.25**	**1**	**1**	**68**	**1**	**100**
17-May-13	69.6	69.6	69.6	69.6	1	1	69	1	100
20-May-13	70.95	70.95	70.95	70.95	1	1	70	1	100
21-May-13	**72.35**	**72.35**	**72.35**	**72.35**	**1**	**1**	**72**	**1**	**100**
22-May-13	73.75	73.75	73.75	73.75	1	1	73	1	100
24-May-13	**75.2**	**75.2**	**75.2**	**75.2**	**1**	**1**	**75**	**1**	**100**
27-May-13	76.7	76.7	76.7	76.7	1	1	76	1	100

Date	Open Price (₹)	High Price (₹)	Low Price (₹)	Close Price (₹)	No.of Shares	No. of Trades	Total Turnover (₹.)	Deliverable Quantity	% Delivery quantity to traded quantity
28-May-13	78.2	78.2	78.2	78.2	3	3	234	3	100
29-May-13	79.75	79.75	79.75	79.75	1	1	79	1	100
30-May-13	**81.3**	**81.3**	**81.3**	**81.3**	**1**	**1**	**81**	**1**	**100**
03-Jun-13	82.9	82.9	82.9	82.9	1	1	82	1	100
04-Jun-13	84.55	84.55	84.55	84.55	2	1	169	2	100
05-Jun-13	86.2	86.2	86.2	86.2	1	1	86	1	100
06-Jun-13	87.9	87.9	87.9	87.9	1	1	87	1	100
07-Jun-13	**89.65**	**89.65**	**89.65**	**89.65**	**1**	**1**	**89**	**1**	**100**
10-Jun-13	91.4	91.4	91.4	91.4	1	1	91	1	100
11-Jun-13	93.2	93.2	93.2	93.2	1	1	93	1	100
12-Jun-13	95.05	95.05	95.05	95.05	1	1	95	1	100
13-Jun-13	**96.95**	**96.95**	**96.95**	**96.95**	**1**	**1**	**96**	**1**	**100**
18-Jun-13	**98.85**	**98.85**	**98.85**	**98.85**	**1**	**1**	**98**	**1**	**100**
19-Jun-13	100.8	100.8	100.8	100.8	1	1	100	1	100
20-Jun-13	102.8	102.8	102.8	102.8	1	1	102	1	100
21-Jun-13	104.85	104.85	104.85	104.85	1	1	104	1	100
24-Jun-13	**106.9**	**106.9**	**106.9**	**106.9**	**1**	**1**	**106**	**1**	**100**
25-Jun-13	109	109	109	109	1	1	109	1	100
26-Jun-13	111.15	111.15	111.15	111.15	1	1	111	1	100
27-Jun-13	113.35	113.35	113.35	113.35	1	1	113	1	100
28-Jun-13	115.6	115.6	115.6	115.6	1	1	115	1	100
01-Jul-13	**117.9**	**117.9**	**117.9**	**117.9**	**1**	**1**	**117**	**1**	**100**
02-Jul-13	120.25	120.25	120.25	120.25	1	1	120	1	100
03-Jul-13	122.65	122.65	122.65	122.65	1	1	122	1	100
04-Jul-13	125.1	125.1	125.1	125.1	1	1	125	1	100
08-Jul-13	**127.6**	**127.6**	**127.6**	**127.6**	**1**	**1**	**127**	**1**	**100**
09-Jul-13	130.15	130.15	130.15	130.15	1	1	130	1	100
10-Jul-13	132.75	132.75	132.75	132.75	1	1	132	1	100
11-Jul-13	135.4	135.4	135.4	135.4	1	1	135	1	100
12-Jul-13	138.1	138.1	138.1	138.1	1	1	138	1	100
19-Jul-13	140.85	140.85	140.85	140.85	39	1	5493	39	100
26-Jul-13	143.65	143.65	143.65	143.65	1	1	143	1	100
31-Jul-13	146.5	146.5	146.5	146.5	7	2	1025	7	100
01-Aug-13	149.4	149.4	149.4	149.4	1	1	149	1	100
02-Aug-13	152.35	152.35	152.35	152.35	1	1	152	1	100
05-Aug-13	155.35	155.35	155.35	155.35	1	1	155	1	100
06-Aug-13	158.45	158.45	158.45	158.45	3	2	475	3	100
07-Aug-13	**161.6**	**161.6**	**161.6**	**161.6**	**1**	**1**	**161**	**1**	**100**
08-Aug-13	164.8	164.8	164.8	164.8	1	1	164	1	100

Date	Open Price (₹)	High Price (₹)	Low Price (₹)	Close Price (₹)	No.of Shares	No. of Trades	Total Turnover (₹.)	Deliverable Quantity	% Delivery quantity to traded quantity
12-Aug-13	168.05	168.05	168.05	168.05	1	1	168	1	100
13-Aug-13	171.4	171.4	171.4	171.4	1	1	171	1	100
14-Aug-13	174.8	174.8	174.8	174.8	1	1	174	1	100
16-Aug-13	178.25	178.25	178.25	178.25	1	1	178	1	100
19-Aug-13	**178.25**	**181.8**	**178.25**	**181.8**	**2**	**2**	**360**	**2**	**100**
20-Aug-13	185.4	185.4	185.4	185.4	1	1	185	1	100
21-Aug-13	189.1	189.1	189.1	189.1	1	1	189	1	100
22-Aug-13	192.85	192.85	192.85	192.85	1	1	192	1	100
23-Aug-13	196.7	196.7	196.7	196.7	1	1	196	1	100
26-Aug-13	200.55	200.55	200.55	200.55	1	1	200	1	100
27-Aug-13	204.55	204.55	204.55	204.55	1	1	204	1	100
28-Aug-13	208.6	208.6	208.6	208.6	1	1	208	1	100
29-Aug-13	**212.7**	**212.7**	**212.7**	**212.7**	**1**	**1**	**212**	**1**	**100**
30-Aug-13	**216.95**	**216.95**	**216.95**	**216.95**	**1**	**1**	**216**	**1**	**100**
04-Sep-13	221.25	221.25	221.25	221.25	1	1	221	1	100
05-Sep-13	**225.6**	**225.6**	**225.6**	**225.6**	**1**	**1**	**225**	**1**	**100**
06-Sep-13	230.1	236.85	230.1	236.85	2	2	466	2	100
10-Sep-13	**244**	**244**	**244**	**244**	**1**	**1**	**244**	**1**	**100**
11-Sep-13	253	253	253	253	1	1	253	1	100
12-Sep-13	263	263	263	263	1	1	263	1	100
13-Sep-13	276.15	276.15	276.15	276.15	2	1	552	2	100
16-Sep-13	285	285	285	285	1	1	285	1	100
17-Sep-13	295	295	295	295	1	1	295	1	100
18-Sep-13	309.75	309.75	309.75	309.75	1	1	309	1	100
19-Sep-13	321	321	321	321	1	1	321	1	100
23-Sep-13	333	333	333	333	1	1	333	1	100
01-Oct-13	443.35	443.35	443.35	443.35	3	2	1330	3	100
03-Oct-13	452.2	452.2	452.2	452.2	1	1	452	1	100
04-Oct-13	461.2	461.2	461.2	461.2	1	1	461	1	100
08-Oct-13	470.4	470.4	470.4	470.4	1	1	470	1	100
09-Oct-13	479.8	479.8	479.8	479.8	1	1	479	1	100
11-Oct-13	489.35	489.35	489.35	489.35	1	1	489	1	100
12-Nov-13	584.35	584.35	584.35	584.35	1	1	584	1	100
11-Nov-13	572.9	572.9	572.9	572.9	2	2	1145	2	100
08-Nov-13	561.7	561.7	561.7	561.7	1	1	561	1	100
07-Nov-13	550.7	550.7	550.7	550.7	1	1	550	1	100
24-Oct-13	**540.1**	**540.1**	**540.1**	**540.1**	**1**	**1**	**540**	**1**	**100**
22-Oct-13	529.55	529.55	529.55	529.55	1	1	529	1	100
21-Oct-13	519.2	519.2	519.2	519.2	2	2	1038	2	100

Date	Open Price (₹)	High Price (₹)	Low Price (₹)	Close Price (₹)	No.of Shares	No. of Trades	Total Turnover (₹.)	Deliverable Quantity	% Delivery quantity to traded quantity
18-Oct-13	509.05	509.05	509.05	509.05	1	1	509	1	100
17-Oct-13	499.1	499.1	499.1	499.1	4	1	1996	4	100
12-Nov-13	584.35	584.35	584.35	584.35	1	1	584	1	100

22. It can be seen from the above table that the price of the scrip has been increasing with minuscule quantity of shares being traded. I note from the above table that the unusual rise in the price of the scrip from 8.5 to ₹584.35 during Patch 1 of the investigation period is perplexing, as there was no significant change in economic fundamentals of the Company.

23. I note from the corporate announcements made by the company that the Company had major corporate announcements during the Patch 1 of the investigation period, which are furnished hereunder:

a) Preferential allotment of 7,38,000 shares at ₹60 (face value of ₹10 plus premium of ₹50) each to 43 non-promoter entities on February 5, 2013, which were under lock–in till February 4, 2014.
b) Preferential allotment of 5,50,000 shares at ₹143 (face value of ₹10 plus premium of ₹133) each to 48 non-promoter entities on September 3, 2013, which were under lock-in till September 2, 2014.
c) Informed BSE on October 29, 2013 that the Company has fixed November 15, 2013 as the Record Date for the purpose of stock split of ₹10 share of the Company into ₹1 each (i.e., in the ration of 10:1).

24. The LTP contribution by the top 10 net positive LTP contributors trading as buyers are as under:

Buyer name	All trades			LTP diff>0			LTP diff < 0			LTP Diff = 0		% of Positive LTP to total Market Positive LTP
	Net LTP	Qty., traded	No of trades	LTP impact	Qty., traded	No of trades	LTP impact	Qty., traded	No of trades	Qty., traded	No of trades	
Vikas Jagdishchandra Singhania	128.55	27	25	128.55	26	24	0	0	0	1	1	22.32
Chandrakanta Laddha	92.95	16	13	92.95	14	11	0	0	0	2	2	16.14
Kiritkumar Jayantilal Shah	69.45	11	8	69.45	10	7	0	0	0	1	1	12.06

Shyam Kanheyalal Vyas	41.89	41	36	41.94	39	34	-0.05	1	1	1	1	7.28
Natwar Modi	39.15	4	3	39.15	4	3	0	0	0	0	0	6.80
Hetal Nilesh Gor	24.25	4	4	24.25	4	4	0	0	0	0	0	4.21
N K Sethi Huf	15.00	1	1	15.00	1	1	0	0	0	0	0	2.61
Nellakkara Raghunath	11.90	46	8	11.90	45	7	0	0	0	1	1	2.07
Sumit Goyal	11.45	1	1	11.45	1	1	0	0	0	0	0	1.99
Shukuntaladevi Kishanlal Mahajan	11.20	1	1	11.20	1	1	0	0	0	0	0	1.95
Total of top 10	**445.79**	**152**	**100**	**445.84**	**145**	**93**	**-0.05**	**1**	**1**	**6**	**6**	**77.42**
Market Total	**575.85**	**226**	**161**	**575.9**	**207**	**149**	**-0.05**	**3**	**2**	**16**	**10**	**100**

25. I note from the above table that out of the 149 trades executed by the Top 10 LTP contributors on buy side which contributed to a positive LTP of ₹575.90, the Noticee was counterparty seller to the 24 trades, had contributed ₹67.35 to LTP constituting 11.70% of total market positive LTP.

26. The number of trades and quantity of shares traded by the Noticee acting as counterparty sellers which contributed to positive LTP are as under:

Sl. No.	Name of the Noticee	Trade date	Sell volume	Buy volume	LTP (₹)	LTP (%)	No of shares before trade	Balance no of shares after trade
1	Rajesh Jayantilal Savadia	25-03-2013	1	5000	1.45	0.25	25	24
2	Rajesh Jayantilal Savadia	26-03-2013	1	5000	1.55	0.27	24	23
3	Rajesh Jayantilal Savadia	04-04-2013	1	5000	1.95	0.34	23	22
4	Rajesh Jayantilal Savadia	16-04-2013	1	5000	0.95	0.16	22	21
5	Rajesh Jayantilal Savadia	23-04-2013	1	5000	1	0.17	21	20
6	Rajesh Jayantilal Savadia	03-05-2013	1	5000	1.1	0.19	20	19
7	Rajesh Jayantilal Savadia	10-05-2013	1	5000	1.2	0.21	19	18
8	Rajesh Jayantilal Savadia	15-05-2013	1	5000	1.3	0.23	18	17
9	Rajesh Jayantilal Savadia	16-05-2013	1	5000	1.3	0.23	17	16
10	Rajesh Jayantilal Savadia	21-05-2013	1	5000	1.4	0.24	16	15
11	Rajesh Jayantilal Savadia	24-05-2013	1	100	1.45	0.25	15	14
12	Rajesh Jayantilal Savadia	30-05-2013	1	10	1.55	0.27	14	13
13	Rajesh Jayantilal Savadia	05-06-2013	1	100	1.65	0.29	13	12
14	Rajesh Jayantilal Savadia	07-06-2013	1	500	1.75	0.3	12	11
15	Rajesh Jayantilal Savadia	13-06-2013	1	500	1.9	0.33	11	10
16	Rajesh Jayantilal Savadia	18-06-2013	1	100	1.9	0.33	10	9
17	Rajesh Jayantilal Savadia	24-06-2013	1	10	2.05	0.36	9	8
18	Rajesh Jayantilal Savadia	01-07-2013	1	9	2.3	0.4	8	7

19	Rajesh Jayantilal Savadia	08-07-2013	1	50	2.5	0.43	7	6
20	Rajesh Jayantilal Savadia	07-08-2013	1	50	3.15	0.55	6	5
21	Rajesh Jayantilal Savadia	19-08-2013	1	25	3.55	0.62	5	4
22	Rajesh Jayantilal Savadia	29-08-2013	1	25	4.1	0.71	4	3
23	Rajesh Jayantilal Savadia	30-08-2013	1	5	4.25	0.74	3	2
24	Rajesh Jayantilal Savadia	05-09-2013	1	25	4.35	0.76	2	1
25	Rajesh Jayantilal Savadia	10-09-2013	1	10	7.15	1.24	1	0
26	Rajesh Jayantilal Savadia	24-10-2013	1	10	10.55	1.83	Nil holding	Settled through auction
	Total		**26**	**51529**	**67.35**	**11.7**		

27. On perusal of the above trade data of the Noticee which contributed positive LTP vis-à-vis price volume details as provided in Paragraph 21 above, I note that the price of the scrip has been continuously hitting upper circuit on the days when trades executed by the Noticee contributed to positive LTP and it continued till the cut-off date for stock split.

28. The LTP contribution by the Noticee as seller individually is furnished hereunder:

Sl. No.	Name of Noticee	Total order quantity (LTP> 0)	No. of instances with sell order of 1 share	No. of instances with sell order of 2 shares	Positive LTP contributio n (₹)	% of positive LTP to Total Market positive LTP
1	Rajesh Jayantilal Savadia	26	26	0	67.35	11.7

I note from the above tables that the Noticee executed 26 trades on 26 different days and it is pertinent to note that the Noticee performed not more than 1 transaction on each day. I note that in the 26 trades as shown in the above table, the Noticee placed order only of 1 share whereas buy orders were in the range of 5 to 5000 shares (in most cases the buy orders were in the range of 100- 5000) with an average of 1981 share per trade. I note that by executing these trades, the Noticee contributed to a positive LTP of ₹67.35 (11.7% of total market positive LTP) and thus to the increased scrip price, with each of their trades. From this trading pattern, it is reasonably concluded that the Noticee had no bona fide intention to sell because when sufficient buy orders were available, the Noticee, despite having adequate holdings i.e. 25 shares in the scrip of LDPL, released only 1 share in each transaction and performed not more than one transaction a day, which resulted in creation of positive LTP and thus created false or misleading appearance of trading in the securities market and amounted to manipulation of the price of LDPL scrip. I note that by trading in one share, the Noticee has created a misleading appearance of trading in the scrip and thereby misled the investors.

29. From the above table at paragraph 21, I note that in all the trading days, only single trade had taken place in the scrip and that there was 100% delivery of such trades signifying that it was of trade-to-trade nature. In such instances, I am of the opinion that source of the shares becomes crucial for a sale transaction as those who hold shares only can carry out the trades. In this case, the Noticee and four other entities have acquired 25 shares each from the same seller on the same date in off-market. In this case, the Noticee acquired 25 shares from Welldone Commodities Private Limited. Further, it is difficult to find any rationale for acquiring the shares in off-market and it raises a significant scope of collusion among the buyers and the sellers in off market. I note that the stock exchange provides a platform for investors to buy and sell securities from each other in an organized and regulated manner. Normally, investors come to the stock exchange in order to get a competitive price and a liquid market in which transactions can be completed efficiently. The Noticee buying the shares in off market further corroborates the intent of carrying out manipulative trades to establish artificial price rise. Based on the pattern and timing of receipt of physical shares in off-market when the scrip was in Trade to Trade (100% delivery for each sale trade) and subsequent dematting and sale of shares in market, I have no hesitation to conclude that Noticee is well connected to Welldone Commodities Private Limited and have entered into off market transactions with fraudulent intent to manipulate the price of the scrip as there were severe constraint on the supply of shares in the market. The fact that the Noticee ignored the competitive price available for shares of LDPL through the Stock Exchange platform and proceeded to acquire shares in off market, increases their culpability in the scheme/ artifice to manipulate the price of LDPL scrip. This seen in the context of the Noticee selling a small fraction of his shareholding through single trade on various days on the price rise period. Therefore, there is no reason to disbelieve that the trades executed by the Noticee, which caused price rise in the scrip of LDPL, was rather for mala fide intent to increase the price artificially.

30. I am of the view that first leg in scheme of manipulation in an illiquid stock would be to increase price on low volumes and thereafter generate volumes and offload shares at subsequent legs. Depending on the stage of manipulation especially first leg, even if either party is manipulative, it is sufficient to manipulate, as unsuspecting gullible investors would be attracted to deal in the scrip who could be counterparties. Therefore, it is necessary to examine trading patterns of parties with respect to their strategy and rationale for such dealings.

31. I note that trades at higher than LTP, undoubtedly have a potential of raising the price of the scrip and the same gives a wrong impression about the price of the scrip in the market based on miniscule quantities traded. It must not be forgotten that every trade establishes the price of the scrip and trades executed at higher than LTP results in the price of the scrip going up which may influence the innocent/gullible investors. In cases of market manipulation, admittedly, no direct evidence would be forthcoming / available. Manipulative transactions are to be tested on the conduct of parties and abnormality of practices, which defy normal logic and laid down procedures. What is needed, is to prove that in a factual matrix, preponderance of probabilities indicates a fraud. In this regard, I note the observations of the Hon'ble Supreme Court in Securities and Exchange Board of India v. Kishore R. Ajmera (2016) 6 SCC 368 wherein the Hon'ble Supreme Court held that direct proof of such meeting of minds elsewhere would rarely be forthcoming and that the conclusion with respect to fraudulent trading has to be drawn from various circumstances such as volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders and such other relevant factors. Further, as observed in paragraphs 27 to 28 above, the manner in which trading by the Noticee has been undertaken in the scrip of LDPL, it is sufficient to conclude that it was done fraudulently.

32. The pattern of trading in the present case shows that there was a well thought

out plan behind placing of orders by the Noticee. Considering the trading pattern of the Noticee & four (4) other entities and the method and manner of placing the orders, I am of the view that Noticee had executed irregular trades to inflate the share price by trading in minuscule quantity above the last traded price consistently over a period of time. Therefore, I find that the trading rationale of the Noticee is inconsistent with the normal trading pattern, suggesting that the Noticee was part of the overall scheme of manipulating price of the scrip.

33. Considering the facts of the case as discussed above, I have no hesitation in concluding that the way the trades in LDPL have been executed by the Noticee was only with an intent to manipulate the price of the scrip and the said trades have been executed only to create misleading appearance to the trades in the scrip in a fraudulent manner. Hence, such trades cannot be considered as genuine trades executed in the normal course of trading in the securities market. Considering the trading pattern of the Noticee and the method and manner of placing the orders, I am of the view that Noticee had executed irregular trades to inflate the share price by trading in minuscule quantity above the last traded price consistently over a period of time.

34. It is evident from the trading pattern of the Noticee that the intention of the Noticee was to create a misleading appearance of trading in the scrip by marking the price higher and was not merely entering into the sell transactions. The trades executed by the Noticee were not done in normal course of dealing in securities and are devoid of any *bona fide* intentions. In this regard, I note that the Hon'ble Supreme Court in Kanaiyalal Baldev Bhai Patel v. SEBI [supra] have explained that: *"...The definition of 'fraud', which is an inclusive definition and, therefore, has to be understood to be broad and expansive, contemplates even an action or omission, as may be committed, even without any deceit if such act or omission has the effect of inducing another person to deal in securities. Certainly, the definition expands beyond what can be normally understood to be a 'fraudulent act' or a conduct amounting to 'fraud'. The emphasis is on the act of inducement and the*

scrutiny must, therefore, be on the meaning that must be attributed to the word "induce"

35. In view of the above, I find that the alleged trading behavior of the Noticee by way of selling shares in minuscule quantity at above LTP despite more number of share were available on the buy side, was with an inherent motive to manipulate the price of the scrip, can't by any means be held to be trades executed by a prudent trader in the normal course of trading. The trading behavior of the Noticee has certainly been very unusual and apparently lacks honesty of intent of a genuine investor of the securities market. Instead, the pattern of trades adopted by the Noticee to place sell orders above LTP in minimum lot, clearly establish that his trades were executed with only a manipulative design to raise the price of the said. Therefore, for the reasons recorded above, I conclude that the alleged trades of the Noticee as abnormal, deceptive, misleading, artificial and manipulative in nature and substance, which were executed with a malicious intent to fraudulently cause rapid rise in the price of the scrip of LDPL. Accordingly, I hold that the Noticee has violated the provisions of Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2)(a) and (e) of PFUTP Regulations.

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

36. Pursuant to detailed analysis as brought out above, it is established that the Noticee manipulated the price of the scrip and created a misleading appearance of trading in the scrip by trading in minimum lot above LTP, which are not trades executed in normal course of trading and investment in securities market. The Noticee has deliberately manipulated the price of the scrip and created a misleading appearance of trading in the scrip to induce innocent investors in the securities market thereby contravening the provisions of Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a), and 4(2)(e) of PFUTP Regulations. Therefore, the Noticee is 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 twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher".

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

37. 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.

Explanation.—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E,clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.

38. The material made available on record has not quantified the amount of disproportionate gain or unfair advantage made by the Noticee and the loss suffered by the investors as a result of the Noticee's default. There is also no material made available on record to assess the amount of loss caused to investors or the amount of disproportionate gain or unfair advantage made by the

Noticee as a result of default.

39. It is difficult, in cases of such nature, to quantify with mathematical precision 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 change in the prices in the scrip of LDPL and were bound to get induced into investing in the said scrip looking at the steep rise in its price without realizing that the price rise was been artificially introduced 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.

ORDER

40. 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 AO Rules, I hereby impose a penalty of ₹ 1,00,000/- (Rupees One Lakh only) each on the Noticee viz., Mr. Rajesh Jayantilal Savadia under Section 15HA of the SEBI Act for violation of the provisions of Regulations 3(a), (b), (c), (d), 4(1), (2)(a) and (e) of PFUTP Regulations.

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

42. 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

43. The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department - I, DRA - I, 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

44. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, inter alia, by attachment and sale of movable and immovable properties.

45. In terms of Rule 6 of the SEBI Adjudication Rules, copies of this order are being sent to the Noticee and to SEBI.

Date: October 23, 2020 **B J DILIP**
Place: Mumbai **Adjudicating Officer**