BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO: Order/PM/PA/2022-23/18104-18110

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	Suresh Laxman Patil	AEDPP7297K
2	Kamleshgiri Mansukhgiri Goshwami	AHKPG4343B
3	Prem Kumar	BUPPP9468M
4	Mahendra Sagarmal Fagania	AAAPF8571D
5	Ganesh Anant Ghadge	ALUPG7940G
6	Dharmendra Bhojak	AFAPB7100D
7	Surendra Moolchand Fagania-HUF	AAAHF0518A

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., (hereinafter referred to as “**Kanchan**”/“**Company**”) during the period October 04, 2011 to 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 Suresh Laxman Patil (hereinafter referred to as “**Noticee 1**”), Kamleshgiri Mansukhgiri Goshwami (hereinafter referred to as “**Noticee 2**”), Prem Kumar (hereinafter referred to as “**Noticee 3**”), Mahendra Sagarmal Fagania (hereinafter referred to as “**Noticee 4**”), Ganesh Anant Ghadge (hereinafter referred to as “**Noticee 5**”), Dharmendra Bhojak (hereinafter referred to as “**Noticee 6**”) and Surendra Moolchand Fagania-HUF (“**Noticee 7”**) (Noticees 1 to 7 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 the 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 "**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. It is pertinent to note that the common SCN was also issued to Yogesh Pratapsinh Jadhav. While the adjudication proceedings were in progress, Yogesh Pratapsinh Jadhav submitted an application on March 13, 2020, for settlement of the adjudication proceedings, in terms of SEBI (Settlement Proceedings) Regulations, 2018. *Vide* settlement order dated September 25, 2020, the proceedings against the Yogesh Pratapsinh Jadhav were disposed-off consequent upon him settling the matter by paying an amount towards settlement terms. However, since the cause of action pertaining to the charges against the rest of the Noticees involves the alleged acts of Yogesh

Pratapsinh Jadhav as well, the actions of Yogesh Pratapsinh Jadhav are also referred in the instant order, while dealing with the charges against the rest of the Noticees.

4. I note that the SCN sent by speed post to the Noticees 1, 2, 4, 5, 7 was delivered to them. In respect of the Noticees 3 and 6, since the SCN sent to them by speed post returned undelivered, 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 Noticee 3 and Noticee 6 to submit their reply, if any by December 31, 2020. I note that the emails sent to the Noticees 3 and 6 did not bounce.

Name of the Noticee	**Email ID**
Prem Kumar (Noticee 3)	SURESHKUMARMUTHA29@GMAIL.COM
Dharmendra Bhojak (Noticee 6)	dharmendra.bhojak@gmail.com dhbhojak@rediffmail.com

5. Further, *vide* digitally signed email dated December 17, 2020, all the Noticees were given an opportunity of hearing on January 08, 2021, which was sent to the Noticees' email IDs, as under. 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.

Name of the Noticee	**Email ID**
Suresh Laxman Patil (Noticee 1)	Patilvs428@gmail.com
Kamleshgiri Mansukhgiri Goshwami (Noticee 2)	kamlehgiri9929@gmail.com;kamleshgiri251@yahoo.co.in,
Prem Kumar (Noticee 3)	SURESHKUMARMUTHA29@GMAIL.COM
Mahendra Sagarmal Fagania (Noticee 4)	sfagania@yahoo.in,
Ganesh Anant Ghadge (Noticee 5)	ganeshghadge1111@gmail.com
Dharmendra Bhojak (Noticee 6)	dharmendra.bhojak@gmail.com dhbhojak@rediffmail.com
Surendra Moolchand Fagania HUF (Noticee 7)	sfagania@yahoo.in

6. The details of replies and hearings in respect of all the Noticees are furnished hereunder:

<u>Noticee-1</u>

a) Noticee 1 *vide* letter dated February 03, 2020 sought a copy of the investigation report, which was not acceded to.

b) Thereafter, neither did Noticee 1 furnished his reply nor did he attend the hearing.

<u>Noticee-2</u>

a) Noticee 2 *vide* letter dated January 30, 2020 furnished his reply.

b) In response to the notice of hearing, Noticee 2 through his authorized representative (hereinafter referred to as "**AR**"), *vide* email dated December 29, 2020, requested for inspection of documents, which was acceded to, and accordingly, Noticee 2 was advised to carry out inspection of documents and to submit his reply, if any, thereafter by January 25, 2021. I note that Noticee 2 carried out inspection through his AR on February 18, 2021.

c) Thereafter, since no reply was furnished by Noticee 2, *vide* email dated April 19, 2021, Noticee 2 was given final opportunity to furnish his reply by May 03, 2021.

d) In reply to a request made by Noticee 2, Noticee 2 was provided with price volume data on April 19, 2021.

e) *Vide* email dated April 19, 2021, the AR again requested for complete trade logs and order logs. *Vide* email dated April 23, 2021, Noticee 2 was informed that extracted trade logs that have been relied upon for issuing the SCN have been provided. Further, the off-market data received from depositories was also sent with the aforementioned email dated April 23, 2021.

f) I note that *vide* email dated May 17, 2021, Noticee 2 submitted his reply. The Noticee was given an opportunity of hearing through videoconferencing on July 01, 2021, which was communicated *vide* email dated June 21, 2021. The Noticee appeared before me through his AR on July 01, 2021 and reiterated his submissions made *vide* letter dated January 30, 2020 and letter dated May 17, 2021. The AR sought time of 5 days to make fresh submissions which was acceded to, however no additional submissions were made by Noticee 2 thereafter.

<u>Noticee 3</u>

a) *Vide* email dated December 30, 2020, the AR of Noticee 3 requested for inspection of relevant documents and sought adjournment of hearing scheduled on January 08, 2021. *Vide* email dated February 11, 2021, the Noticee was provided with an opportunity of inspection of documents and thereafter was advised to furnish his reply by March 09, 2021. I note that the AR of the Noticee carried out inspection of documents on February 22, 2021.

b) *Vide* email dated February 25, 2021, the AR requested for copies of certain documents. *Vide* email dated March 05, 2021, the AR requested extension of 2 weeks to submit reply to the SCN and said that they have not received a response yet with respect to the additional documents sought. *Vide* email dated March 09, 2021, Noticee 3 submitted a preliminary reply.

c) Thereafter, the Noticee was given an opportunity of hearing on May 04, 2021. *Vide* email sent on May 01, 2021, the AR requested for adjournment of hearing scheduled on May 04, 2021 by 4 weeks and requested certain documents. *Vide* email sent on May 03, 2021, Noticee 3 was provided with additional documents and was also granted 3 weeks extension to furnish his reply. I note that Noticee 3 filed his reply *vide* email dated May 25, 2021.

d) *Vide* email dated June 21, 2021, the Noticee was provided with an opportunity of hearing on June 30, 2021. *Vide* email dated June 28, 2021, requested for adjournment of 1 week for the hearing, which was acceded to, and accordingly, the hearing was rescheduled to July 06, 2021. Noticee 3 through his AR appeared before me on July 06, 2021 through videoconferencing and reiterated the submissions made *vide* email dated March 09, 2021 and May 25, 2021. Post hearing, Noticee 3 *vide* email dated July 12, 2021 furnished his additional submissions.

<u>Noticee 4</u>

a) *Vide* an undated letter, received on January 31, 2020, Noticee 4 requested 2 weeks' time to furnish his reply to the charges alleged in the SCN, however, till date, no reply has been filed by Noticee 4.

b) I also note that Noticee 4 did not avail the opportunity of hearing scheduled on January 08, 2021.

<u>Noticee 5</u>

a) *Vide* letter dated January 21, 2020, Noticee 5 furnished his reply, however, Noticee 5 did not attend the hearing scheduled on January 08, 2021.

<u>Noticee 6</u>

a) In respect of Noticee 6, consequent upon receipt of a request from the AR of Noticee 6, the AR was provided with soft copies of SCN and the annexures mentioned therein *vide* email dated March 25, 2021.

b) *Vide* email dated April 15, 2021 and May 12, 2021, the AR of Noticee 6 sought additional time to furnish his reply, which was acceded to. Despite providing extension of time to Noticee 6 to furnish his reply, since Noticee 6 did not furnish his reply, *vide* email dated June 21, 2021, Noticee 6 was given an opportunity of hearing on June 30, 2021. Noticee 6 *vide* email dated June 30, 2021 sought adjournment of hearing to July 06, 2021, which was acceded to.

c) I note that Noticee 6 through his AR furnished his reply *vide* email dated July 06, 2021. On the scheduled date of hearing *i.e.,* July 06, 2021, Noticee 6 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.

d) I note from the records that Noticee 6 carried out inspection of documents on July 20, 2021. Pursuant to inspection of documents, the AR of Noticee 6 *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 6 was provided with the annexures to the SCN and the rejection of request made for cross examination of certain persons was communicated. I note that Noticee 6 furnished his reply on August 26, 2021.

e) Further, Noticee 6 was given one more opportunity of hearing on September 06, 2021, wherein the AR of Noticee 6 reiterated the contents of the submissions made *vide* email dated August 26, 2021 and once again sought documents mentioned therein.

<u>Noticee 7</u>

a) *Vide* an undated letter, received on January 31, 2020, Noticee 7 requested 2 weeks' time to furnish his reply to the charges alleged in the SCN, however, no reply has been filed by Noticee 7.

b) I also note that Noticee 7 did not avail the opportunity of hearing scheduled on January 08, 2021.

7. The replies furnished by Noticee 2 (Kamleshgiri Manshukhgiri Goshwami), Noticee 3 (Prem Kumar), Noticee 5 (Ganesh Anant Ghadge) and Noticee 6 (Dharmendra Bhojak) are reproduced hereunder:

<u>Reply of Noticee 2:</u>

(a) *I say and submit that the alleged trades are belongs to the year 2011-2012 and SEBI is issuing SCN at the last day of 2019 i.e. 2828 days later from the last date of the Investigation Period. It highly prejudice me as how I will defend my case where documents belongs to the year 2011-2012. There are catena of cases in which Hon'ble Tribunal set aside the Orders of the SEBI on the issue of inordinate delay and latches. Even, the Hon'ble Supreme Court of India, also acknowledged the decision of the Hon'ble Tribunal on delay and latches. I, humbly request your goodself to let me know the reasons behind delay in initiation of the captioned Proceeding. I further request your goodself to allow me inspection of those documents which directly related with the delay in initiation of the captioned proceedings.*

(b) *Before I file my detailed submissions to the captioned SCN, I hereby request your goodself to allow me inspection of the documents which have been relied while issuing the captioned Show Cause Notice. Please also provide me copy of the Investigation Report, Price Volume Data, Demat statement, KYC Documents, and original Trade and Order Log.*

(c) *In this regard, the Noticee places on the two Orders of the Hon'ble SAT in Appeal No. 281 of 2009 filed by Mr. Vikas Gourihar Narnavar and Order dated 19-02-2020 passed by the Hon'ble Tribunal in Appeal No. 414 of 2018 and Ors filed by Dhirajbhai V. Sanghvi HUF and Ors.*

(d) *I further say and submit that the alleged trades belongs to December, 2011 and March, 2012 whereas the SCN has been issued on 31-12-2019 i.e. 8 years later from the execution of the alleged trades. Further, during the course of inspection of the investigation report, it is revealed that the investigation in the captioned matter has been completed on 18-03-2016 whereas the SCN has been issued on 31-122019 i.e. 1383 days later. There is a considerable gap in between the execution of trade / completion of the investigation and issue of the SCN. In this context,* *the Noticee place reliance on the Orders of the Hon'ble SAT dated January 31, 2020 in the matter of Ashlesh Gunvantbhai Shah Vs SEBI (SAT Appeal no 169 of 2019), Rakesh Kathotia & Ors. vs. SEBI (Appeal No. 07 of 2016 decided by Hon'ble SAT on May 27, 2019) and August 22, 2019 by the Hon'ble Securities Appellate Tribunal in the matter of Ashok Shivlal Rupani and anr. Vs SEBI (SAT Appeal no 417 of 2018).*

(e) I further confirm that my all on market trades in the scrip of KIL were delivery based trades and none of the trades were settled intra-day. Thus, the beneficial ownership had changed in each and every sell trades executed by me in the scrip of KIL.

(f) It is further submitted that in a reversal trade A sells to B and B sells to A. The said transaction is executed in a single day and no beneficial ownership is transferred from one hand to another. However, in my case, the alleged trades had been marked delivery and change of beneficial ownership have taken place. It is further submitted that one of the leg of my transaction was off market and another leg was on market. Thus, the question of reversal does not arise at all.

(g) It is further submitted that quantum of trades executed by me and volume arises due to execution of my trades were too miniscule to influence the market equilibrium. According to the price and volume data provided by your goodself, total 23,570 trades had been executed for 81 shares in the scrip of the Company during the period of investigation. In the comparison, I had executed 2 trades for 20,000 shares i.e. 0.24% of the market volume. It is my humble submission that 0.24% of the market volume and too insignificant to influence the market equilibrium. Further, it is not alleged in the entire SCN that I had effected price of the scrip by executing these 2 trades or my trades were in anyway synchronized. Under these circumstances, no adverse inference should be drawn against me.

(h) *I further place reliance on the Order dated 24-12-2019 passed by the another Adjudicating Officer in the matter of M/S Richa Industries Ltd (RIL), wherein the Ld. AO exonerated 6 entities from various charges like manipulation in the price of the scrip and creation of artificial volume by means of circular, reversal, structured and synchronized trades in the scrip of RIL. I respectfully submits that the trades of mine are comparably much lesser than the quantum of trades executed by the 6 Noticees who were exonerated by the lad. AO in the Order dated 24-12-2019. I further place reliance on the Order dated 21-01-2021 (Appeal No. 276 of 2020 Ms. Dhvani Darshan Kothari and Anr. v/s SEBI) passed by the Hon'ble SAT.*

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

(a) *That, sometime in 2010, my stockbroker advised me to invest in the Equity Shares of Kanchan International Limited (in short referred to as "KIL") indicating its potential to grow and therefore acting on the advice, I had bought 38,000 equity shares of KIL through my broker on 10/06/2010.*

(b) *With further regard to the investigation conducted, I state that the documents relating to the Investigation Period includes the Investigation Report dated 18/03/2016 (in short referred to as "IR") and Suspicious Transaction Report (in short referred to as "STR") based on which SEBI has levied allegations upon me. IR and STR form the basis and/or the foundation of the SCN and these material documents have not been provided to me on the pretext that SEBI/ the Board are not relying on IR and STR.*

(c) *I deny in totality having any relations directly or indirectly with the other Noticee's and that I have not taken any legal or illegal benefits from them. The allegation in the SCN about alleged relations between me and other Noticee's are nothing but a figment of imagination and nothing can be further from the truth that the Board has made such allegations without even providing an iota of evidence. I confirm that I am not a party in any manner whatsoever responsible for the events leading up to the facts and contents mentioned in Para 4.5 of the SCN, Further, the said* *allegations are purportedly based upon the investigation conducted during the Investigation Period and the Investigation Report prepared pursuant to the said Investigation has not been provided to me*

(d) *I state given the fact that the contract for purchase and sale are executed with a time gap of two years and quantity traded are also different, therefore, the question of having any alleged intention to manipulate the price of share and cause artificial increase in volume of shares does not arise and on this count the very initiation of proceeding against this Noticee vide SCN dated 31/12/2019 is arbitrary, misconceived, baseless, and bad in law. It is worthwhile to note that, the issuance of SCN is after considerable delay of almost 9 years and 6 months from the date of contract to purchase the shares till the alleged issuance of SCN on 31/12/2019 which provides an additional ground for withdrawing the SCN and forthwith terminating the proceedings initiated pursuant to the SCN as gross and unexplained delay is in itself prejudicial to the Noticee, unless proved to the contrary by the Board.*

(e) *In this context, the Noticee place reliance on the Orders of the Hon'ble SAT dated January 31, 2020 in the matter of Ashlesh Gunvantbhai Shah Vs SEBI (SAT Appeal no 169 of 2019), Rakesh Kathotia & Ors. vs. SEBI (Appeal No. 07 of 2016 decided by Hon'ble SAT on May 27, 2019) and August 22, 2019 by the Hon'ble Securities Appellate Tribunal in the matter of Ashok Shivlal Rupani and anr. Vs SEBI (SAT Appeal no 417 of 2018), Ashok Chaudhary v. SEBI (SAT Order dated November 5. 2008), ICICI Bank limited Vs Securities And Exchange Board Of India (Appeal No. 583 of 2019), Saniay lethalal Soni & Ors. vs SEBI in Appeal No. 102 of 2019, Morepen Laboratories Limited v/s Securities and Exchange Board of India Misc. Application No. 12 of 2021 And Misc. Application No. 66 of 2020 And Appeal No. 62 of 2020 dated 15.04.2021.*

(f) *I outrightly and in totality deny the allegations levelled against me with* *regard to the reversal trades and creation of an artificial volume in the scrip of KIL thereby creating a false or misleading appearance of trading in the market. I reiterate that I have nothing to do with the other Noticees, I do not know them personally or otherwise, have no financial dealings with them in respect of said trades or even otherwise, there is no collusion qua Noticee no.4 with other Noticees, and purchase and sale of shares that I did / were done on my behalf through my broker were done in normal course on advice so obtained from time to time. I have not entered into any speculative/ manipulative trading which is borne out from the fact that I have purchased and sold the shares with a gap of two years and the difference in volume.*

Reply of Noticee 5:

(a) That through one of my friends, I met one Mr. Satish Mandovara, who requested for usage of his accounts, for which he will give some money every month. Accordingly, I had given the details of my accounts to Mr. Satish Mandovara and he took all my cheques and delivery instruction slips.

(b) It is submitted that all the impugned trades in the scrip of Kanchan were executed by Mr. Satish Mandovara. I will not able to answer all the questions raised in the SCN.

(c) It is further submitted that because of this, Income Tax Department is also questioning.

(d) Therefore, I humbly request you to stop the proceedings in view of the above submissions.

Reply of Noticee 6:

(a) I state and submit that I am a High School dropout and I have completed my education till 9th 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.

8. I note that Noticees 1, 4 and 7 have neither furnished their reply nor they have appeared before me for the hearing. I also note that Noticee 5 while he had furnished his reply, however, he did not avail the opportunity of hearing. In this context, I would like to rely upon the observations 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".

9. The 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……………..".*

10. In view of the above, I am of the opinion that the SCN and notice of hearing have been duly served on Noticees 1, 4 and 7, yet the Noticees 1, 4 and 7 failed to furnish their reply to the charges alleged in the SCN and also failed to avail the opportunity of hearing. Noticee 5 even though furnished his reply, however, failed to appear before me for the hearing. Therefore, I am convinced that the principles of natural justice have been duly followed in the matter, as enough opportunities were provided to Noticees 1, 4 and 7 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, 4 and 7 taking into account the evidence/material available on record.

D. CONSIDERATION OF ISSUES

11. 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 the 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 the Noticees taking into consideration the factors mentioned in section 15J of SEBI Act?

E. FINDINGS

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

13. 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;

14. 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.

15. Before going into the merits of the case, I would like to deal with the primary contention raised by Noticees 2, 3 and 6 with regard to supply of documents including investigation report.

16. The Noticees 2, 3 and 6 have stated that a copy of the investigation report and complete trade log & order log have not been provided to them, and hence, it is a gross violation of natural justice as it has restricted their defence to the investigation carried out by SEBI. I note that the allegations against the Noticees are clearly delineated in the SCN and all the relevant documents that have been relied upon in the SCN have been provided to the Noticees and it is the Noticee’s responsibility to defend their case by referring to the documents on which SEBI has relied upon in the SCN.

17. I find that the SCN issued by SEBI to the Noticees contains the findings of investigation in respect of the Noticees. I note that the Noticees have been provided with the details of reversal trades and extracts of off-market data received from depositories. As regards the Noticees contention that they have 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 the Noticees.

18. Since all the documents which were relevant and relied upon in the instant proceedings have been provided to the Noticees, 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 the Noticees have been prejudiced in any manner, and the Noticees have not explained as to how their interest is getting prejudiced by not having a copy of the investigation report when the charges/allegations along with documents in support of the SCN 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 furthermore documents have been provided subsequently through emails.

19. Noticees 2, 3 and 6 further submitted that there has been an extraordinary inordinate delay in the issuance of SCN, which has prejudiced them and, on this ground, the SCN ought to be dropped. I note that SEBI conducted an investigation in the year 2016 into the price manipulation in the scrip of the Company for the period October 04, 2011 to April 03, 2012. I note that soon after conclusion of investigation and approval of proposed action, adjudicating officer was appointed in in July 2018 and SCN was issued to the Noticees in December, 2019. Accordingly, I find that there is no delay in issuance of SCN.

20. In this context, I find it relevant to refer to the order passed by Hon’ble SAT in the case of Metex Marketing Pvt., Ltd., vs.SEBI (order dated June 04, 2019), wherein Hon’ble SAT held that: *“This Tribunal has consistently held that in the absence of any specific provision in the SEBI Act or in the*

Takeover Regulations, the fact that there was a delay on the part of SEBI in initiating proceedings for violation of any provision of the Act cannot be a ground to quash the penalty imposed for such violation."

21. Further, I deem it appropriate to refer to the findings made by Hon'ble SAT in the matter of Vaman Madhav Apte & Ors. Vs. SEBI vide order dated March 04, 2016, which reads as follows:

    "Argument of the appellants that the proceedings initiated against the appellants suffer from gross delay and laches and, therefore, the impugned order is liable to be quashed and set aside is without any merit, because firstly, neither the SEBI Act nor the regulations framed thereunder prescribe any time limit for initiating proceedings against the persons who have violated the securities laws. Secondly, neither the SEBI Act nor the regulations framed thereunder provide that if there is delay in initiating proceedings, no action can be taken against the person who has committed violations of the securities laws."

22. It is no doubt true that no period of limitation is prescribed in the SEBI Act or the regulations for issuance of a show cause notice or for completion of the adjudication proceedings. The Hon'ble Supreme Court in Government of India vs, Citedal Fine Pharmaceuticals, Madras and Others, [AIR (1989) SC 1771] held that in the absence of any period of limitation, the authority is required to exercise its powers within a reasonable period. What would be the reasonable period would depend on the facts of each case and that no hard and fast rule can be laid down in this regard as the determination of this question would depend on the facts of each case. This proposition of law has been consistently reiterated by the Hon'ble Supreme Court in Bhavnagar University v.Palitana Sugar Mill (2004) Vol.12 SCC 670, State of Punjab vs. Bhatinda District Coop. Milk P. Union Ltd., (2007) Vol.11 SCC 363 and Joint Collector Ranga Reddy Dist. & Anr. vs. D. Narsing Rao & Ors. (2015) Vol. 3 SCC 695. The Hon'ble Supreme Court recently in the case of Adjudicating Officer, SEBI vs. Bhavesh Pabari (2019) SCC Online SC 294 held:

"There are judgments which hold that when the period of limitation is not prescribed, such power must be exercised within a reasonable time. What would be reasonable time would depend upon the facts and circumstances of the case, nature of the default/statute, prejudice caused, whether the third-party rights had been created etc."

23. In Pooja Vinay Jain vs. SEBI (Appeal No. 152 of 2019) decided on March 17, 2020, the Hon'ble SAT held the following: *"On the issue of delay, in the case of Ashok Rupani (supra), this Tribunal, inter-alia, noted the ratio in the case of Mr. Rakesh Kathotia and Ors. vs. SEBI [Appeal No 7 of 2016 decided on May 27, 2019]. Paragraph No. 7 of the case of Ashok Rupani Judgment is as under…. <u>The decision would show that the power to initiate the proceedings must be exercised by the authorities within a reasonable time.</u> This would depend upon the facts and circumstances of the case, nature of the default / statute and prejudice caused to the noticee. In the present case, the appellant neither put a plea of prejudice before the AO nor before us. It was simply stated that since the proceedings were launched by respondent SEBI after a period seven years, the same should be quashed on the ground of delay. <u>The record would show that all the documents concerning the defense of the appellant were filed by her before the AO. Therefore, for want of any prejudice the proceedings cannot be quashed simply on the ground of delay in launching the same</u>." (emphasis supplied).* Similarly, in M/s. Adamina Traders Private Limited vs. SEBI (Appeal No. 331 and 366 of 2020) dated December 15, 2021, the trades concerned in the appeal took place in 2013, and the show cause notice was issued by the adjudicating officer in 2018. The appellants raised an argument of inordinate delay in issuance of the show cause notice. Dismissing the aforesaid contention, the Hon'ble SAT held the following: '*We do not find any evidence to hold that there was an inordinate delay in the issuance of the show cause notice. This contention is accordingly rejected. <u>Further, nothing has been shown as to how this delay has prejudiced the appellant. In the absence of any prejudice the delay, if any, cannot be set aside</u>." (emphasis supplied)*

24. I note that the Noticees have placed reliance on the decisions of the Hon'ble SAT in the cases of Ashok Shivlal Rupani Vs SEBI and Ashlesh Gunvantbhai Shah Vs SEBI, which are misplaced as the facts in both these cases are not comparable. I note that in the case of Ashok Shivlal Rupani, the violation adjudicated therein pertained to failure to file necessary disclosures under regulation 13(4) and 13(5) of the SEBI (Prohibition of Insider Trading Regulations, 1992 and regulation 30(4) of SEBI (Listing and Disclosures Requirements) Regulations, 2015 read with clause 36 of the Listing Agreement. The instant proceedings however, involve adjudication of alleged violations of SEBI (PFUTP) Regulations, wherein the Noticee has been show-caused for serious charge of creating artificial volume in the scrip of the Company by reversing their trades, from which the Noticees cannot try to wriggle out by citing the said legal position. I note that in the case of Ashlesh Gunvantbhai Shah, Hon'ble SAT has held that "*it is no doubt true that no period of limitation is prescribed in the Act or the Regulations for issuance of a show cause notice or for completion of the adjudication proceedings but in the absence of any period of limitation, the authority is required to exercise its powers within a reasonable period"*. In this regard, I note that Hon'ble SAT has qualified the said ruling by saying that the reasonable period would depend on the facts of each case and that no hard and fast rule can be laid down in this regard as the determination of this question would depend on the facts of each case. As regards application of the said ruling in this matter, I am of the view that present proceedings do not suffer from any infirmity on the ground of delay for the reasons recorded in the paragraph 19 above.

25. In the light of the aforesaid findings of the Hon'ble Supreme Court and Hon'ble SAT and from the above facts and circumstances of the case, it cannot be said that there was inordinate and unnecessary delay in the matter as contended by the Noticees. Therefore, in the absence of any prejudice, the proceedings cannot be quashed simply on the ground of delay in launching the same, which is not found in this case.

26. 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)		

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

a) Noticees 5 and 6 had off-market transactions.

b) Noticees 1, and 2 had off-market transactions with Noticee 5.

c) Noticees 2, 3, 4 and 7 had off-market transactions with Noticee 6.

28. I note from the SCN that it has been alleged that Noticees have carried out reversal trades and thus it has been alleged that they have created artificial volume in the scrip. I note that Noticee 1-5 and 7 reversed their trades with Noticee 5 and 6. In this reversal, the shares were firstly transferred in off-

market transactions from Noticee 5 and 6 to other Noticees and then reversed on-market. In one transaction, Yogesh Pratapsinh Jadhav sold 11,000 shares through exchange mechanism to Noticee 5 and then subsequently Yogesh Pratapsinh received 29,000 shares in off-market from Noticee 5. The details of off-market and on-market transactions carried out by the Noticees are furnished hereunder:

Off-market

Date	Source Client Name	Target Client Name	Transferred Qty.	No. of Transactions
03.02.2012	GANESH ANANT GHADGE	SURESH LAXMAN PATIL	23500	1
02.02.2012	GANESH ANANT GHADGE	SURESH LAXMAN PATIL	10000	1

On-market

Date	Seller Client Name	Buyer Client Name	Traded Qty.	Traded Value	Total No. of Trades
03.02.2012	SURESH LAXMAN PATIL	GANESH ANANT GHADGE	10000	859500	91

Off-market

Date	Source Client Name	Target Client Name	Transferred Qty.	No. of Transactions
15.11.2011	DHARMENDRA HARILAL BHOJAK	GANESH ANANT GHADGE	100000	1
30.11.2011	DHARMENDRA HARILAL BHOJAK	GANESH ANANT GHADGE	7500	1
10.02.2012	GANESH ANANT GHADGE	GANESH ANANT GHADGE	600	1

On-market

DATE	Seller Client Name	Buyer Client Name	Traded Qty.	Traded Value	Total No. of Trades
21.03.2012	DHARMENDRA HARILAL BHOJAK	GANESH ANANT GHADGE	224	18550.15	5

Off-market

Date	Source Client Name	Target Client Name	Transferred Qty.	No. of Transactions
01.02.2012	DHARMENDRA HARILAL BHOJAK	PREM KUMAR	30000	1
07.02.2012	DHARMENDRA HARILAL BHOJAK	PREM KUMAR	8000	1

On-market

DATE	Seller Client Name	Buyer Client Name	Traded Qty.	Traded Value	Total No. of Trades
09.02.2012	PREM KUMAR	DHARMENDRA HARILAL BHOJAK	8000	774000	1
02.02.2012	PREM KUMAR	DHARMENDRA HARILAL BHOJAK	23421	1979075	1

Off-market

Date	Source Client Name	Target Client Name	Transferred Qty.	No. of Transactions
08.02.2012	GANESH ANANT GHADGE	YOGESH PRATAPSINH JADHAV	29000	1
24.02.2012	GANESH ANANT GHADGE	YOGESH PRATAPSINH JADHAV	19000	1
10.02.2012	GANESH ANANT GHADGE	GANESH ANANT GHADGE	600	1

On-market

DATE	Seller Client Name	Buyer Client Name	Traded Qty.	Traded Value	Total No. of Trades
07.02.2012	YOGESH PRATAPSINH JADHAV	GANESH ANANT GHADGE	11000	1021350	1
27.02.2012	YOGESH PRATAPSINH JADHAV	GANESH ANANT GHADGE	19000	1689100	2
22.02.2012	YOGESH PRATAPSINH JADHAV	GANESH ANANT GHADGE	22973	1887232	3

Off-market

Date	Source Client Name	Target Client Name	Transferred Qty.	No. of Transactions
15.02.2012	DHARMENDRA HARILAL BHOJAK	MAHENDRA SAGARMAL FAGANIA	33000	1
15.02.2012	DHARMENDRA HARILAL BHOJAK	SURENDRA MOOLCHAND FAGANIA-HUF .	32500	1
24.02.2012	DHARMENDRA HARILAL BHOJAK	SURENDRA MOOLCHAND FAGANIA-HUF .	11000	1

On-market

DATE	Seller Client Name	Buyer Client Name	Traded Qty.	Traded Value	Total No. of Trades
29.02.2012	MAHENDRA SAGARMAL FAGANIA	DHARMENDRA HARILAL BHOJAK	3600	318600	2
29.02.2012	FAGANIA SURENDRA MOOLCHAND	DHARMENDRA HARILAL BHOJAK	11000	973500	1
24.02.2012	FAGANIA SURENDRA MOOLCHAND	DHARMENDRA HARILAL BHOJAK	15000	1317750	2
24.02.2012	MAHENDRA SAGARMAL FAGANIA	DHARMENDRA HARILAL BHOJAK	25000	2195000	2

29. I note that the modus-operandi of artificial volume creation by Ganesh Anant Ghadge (Noticee 5) and Dharmendra Harilal Bhojak (Noticee 6) is by initially transferring shares in off-market to other Noticees and subsequently buying back shares on-market from these Noticees. Transactions of other entities with Ganesh Anant Ghadge are given below:

Name of the Noticees	PAN	No. of shares received in offmarket from Ganesh Anant Ghadge	No. of shares sold on-market to Ganesh Anant Ghadge	Reversed Qty	% to Market volume (8162767)	No. of instances of reversal trades	Artificial volume creation by entity as % of total artificial volume (1063693)
		10000	10000	10000	0.12	2	2.63

Name of the Noticees	PAN	No. of shares received in offmarket from Ganesh Anant Ghadge	No. of shares sold on-market to Ganesh Anant Ghadge	Reversed Qty	% to Market volume (8162767)	No. of instances of reversal trades	Artificial volume creation by entity as % of total artificial volume (1063693)
SURESH LAXMAN PATIL	AEDPP7297K	23500	18000	18000	0.22		
YOGESH PRATAPSINH JADHAV	AAZPJ0542K	19000	19000	19000	0.23	1	1.79
KAMLESHGIRI MANSUKHGIRI GOSHWAMI	AHKPG4343B	10000	10000	10000	0.12	1	0.94

Name of the Noticees	PAN	No. of shares received in off-market from Dharmendra Harilal Bhojak	No. of shares sold on-market to Dharmendra Harilal Bhojak	Reversed Qty	% to Market volume (8162767)	No. of instances of Reversal trades	Artificial volume creation by entity as % of total artificial volume (1063693)
PREM KUMAR	BUPPP9468M	30000	23421	23421	0.29	2	2.95
		8000	8000	8000	0.10		
MAHENDRA SAGARMAL FAGANIA	AAAPF8571D	33000	25000	25000	0.31	2	2.69
		11000	3600	3600	0.04		
SURENDRA MOOLCHAND FAGANIA-HUF	AAAHF0518A	32500	15000	15000	0.18	2	2.44
		11000	11000	11000	0.13		
KAMLESHGIRI MANSUKHGIRI GOSHWAMI	AHKPG4343B	10000	10000	10000	0.12	1	0.94

30. A summary of reversal trades by the Noticees are as under:

Entity 1	Entity 2	No. of shares received in off-market from Entity 2	No. of shares sold on-market to Entity 2	Reversal Qty	No. of Reversal trades
Suresh Laxman Patil	Ganesh Anant Ghadge	33,500	28,000	28,000	2
Yogesh Pratapsinh Jadhav	Ganesh Anant Ghadge	19,000	19,000	19,000	1
Kamleshgiri Mansukhgiri Goshwami	Ganesh Anant Ghadge	10,000	10,000	10,000	1
Kamleshgiri Mansukhgiri Goshwami	Dharmendra Harilal Bhojak	10,000	10,000	10,000	1
Prem Kumar	Dharmendra Harilal Bhojak	38,000	31,421	31,421	2
Mahendra Sagarmal Fagania	Dharmendra Harilal Bhojak	44,000	28,600	28,600	2
Surendra Moolchand Fagania-HUF	Dharmendra Harilal Bhojak	43,500	26,000	26,000	2
Total		**1,98,000**	**1,53,021**	**1,53,021**	**11**

31. The aforesaid trading is explained by an illustration as follows:

Date	Particulars
03/02/2012	Ganesh Anant Ghadge (Noticee 5) transferred 23,500 shares in off-market to Suresh Laxman Patil (Noticee 1)
06/02/2012	Ganesh (Noticee 5) bought back 18,000 shares on-market from Suresh Laxman Patil (Noticee 1)
	Reversal Quantity: 18,000 shares

32. It is noted that similar trading pattern was observed in the remaining 4 instances, where the Noticees reversed their trades. Further, I note from the above table that the Noticees by reversing their trades in 11 instances have created artificial volume in respect of 1,53,021 shares in the scrip of Kanchan.

33. 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.

34. 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.

35. Further, I note from the reply of Noticee 6, wherein he has stated that all his trades were executed by Arvind Babulal Goyal and that he was not aware of anything and he worked as an office boy with Arvind Babulal Goyal. Noticee 6 has also stated that all his accounts were operated by Arvind Babulal Goyal. It is an admitted fact that Noticee 6 had knowingly lent his name and documents to Arvind Babulal Goyal to operate. It is evident and established that the dealings of Noticee 6 in the scrip of Kanchal were substantial. I am of the view that Noticee 6 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 6 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 Hon'ble Securities Appellate Tribunal in Rahul H. Shah Vs. SEBI (Appeal No. 83 of 2012 decided on May 11, 2012) wherein 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".*

36. In view of the above, since Noticee 6 had himself provided his trading and demat accounts to Arvind Goyal for trading purpose, Noticee 6 is responsible for the trades executed in his account.

37. Noticee 2 in his submissions has contended that the contribution of trades executed by him were miniscule, which does not warrant any action. However, I note that Noticee 2 was a party to a group of entities connected to each other, who had contributed significantly to the artificial volume. In this connection, I would like to rely on the observations of Hon’ble SAT in the matter of Giriraj Kumar Gupta HUF v. SEBI (DoD: February 25, 2020), wherein the Hon’ble SAT had *inter alia*, held that *“Having heard the learned counsel for the parties, we are of the considered view that the impugned transactions, in the facts and circumstances of the matter, would fall in the realm of violations of PFUTP Regulations. Individual argument that each entity’s trade is miniscule and only on a few days alone etc., is not sufficient to rebut the findings in the impugned order”.* In view of the above, since the contribution of Noticee 2 to the total artificial volume created in the scrip along with the connected group of entities is substantial, I am not inclined to accept the contention of the Noticee 2.

38. 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 has 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 SEBI (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.”*

39. 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?

40. Pursuant to 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".

41. It was brought to the notice of the undersigned that Noticee 6 has passed away on May 11, 2022. On further inquiry, the AR of Noticee 6 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 6 do not survive and are liable to be abated.

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

42. 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.

43. 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. There is also no material made available on record to assess the amount of loss caused to investors.

44. 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

45. 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) each on the Noticees *i.e.,* Suresh Laxman Patil (Noticee 1), Kamleshgiri Mansukhgiri Goshwami (Noticee 2), Prem Kumar (Noticee 3), Mahendra Sagarmal Fagania (Noticee 4), Ganesh Anant Ghadge (Noticee 5), and Surendra Moolchand Fagania HUF (Noticee 7), 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 6) has passed away, the SCN issued against him stands disposed of.

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

47. The Noticees 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

48. 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-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

49. 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 **PRASANTA MAHAPATRA**
Place: Mumbai **ADJUDICATING OFFICER**