BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. EAD-7/AO/BJD/ BKM/18-19/2556-2564]

UNDER SECTION 15 I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995

In respect of:

1. Chandrakant Tibrawalla (PAN : ABPPT9449) 34 Ballygunje Park, Kolkata 700019	2. Umang Kamlesh Vora,(PAN: ADUPV1119L) B/505 Kamla Vihar, Mahavir Nagar, Dahanukar Wadi Kandivali West, Mumbai 400067	3.Brahmbhatt Tarunkumar,(PAN:ADSPB2534 M) 1203/1303 Gourav Geet Co-Op SocBunder Pakhadi Road, Kandivali (West), Mumbai 400067
4. Arpita Kaur Arora,(PAN: AJOPA&988E), 324 A Parnasree Pally, A2 Sunview Apartment Kolkata 700060	5. Prakash Jitendrai Shah, (PAN: ASNPS3902L) B-308, Bageshree CHS Ltd., Geeta Nagar, Fatak Cross Road, Bhayander (West), Mumbai 401101	6.Krushnakumar Bhrahmbhatt, (PAN: ADSPB6848E),B 1203, Gaurav Geet Co Op Soc, Bunder Pakhadi Kandivali (West) Mumbai 400067
7.Kamala Kant Gupta, (PAN:ADNPG5441Q) 90, Parnasree Pally Ashta Aprt, 1st Floor Flat No. 11, Padapukur, Kolkata 700060	8.Sandip Shroff, (PAN: BJNPS4647C),122, M.G. Road, Kolkata 700007	9.Wealthsmith Share Broking Private Limited,(PAN:AABCW1180B) Flat No.8, A wing, Ramgaug Lane, Shiv Sagar Society, B Building, S. V. Road, Borivali West, Mumbai 400092

In the matter of Shree Hanuman Sugar & Industries Ltd

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI'), on a complaint received regarding SMSes circulation for recommendation of buying shares in the scrip of Shree Hanuman sugar & Industries Limited (hereinafter referred to as "SHIL/Company") conducted investigation into the possible violation of the provisions of the Securities and Exchange Board of India Act 1992

(hereinafter referred to as the 'SEBI Act') and various Rules and Regulations made there under for the period from March 12, 2014 to December 31, 2014(hereinafter referred to as 'investigation period'/IP) by Chandrakant Tibrawalla(Noticee 1), Umang Kamlesh Vora(Noticee 2), Brahmbhatt Tarunkumar(Noticee 3), Arpita Kaur Arora(Noticee 4), Prakash Jitendrai Shah(Noticee 5), Krishnakumar Bhrambhatt(Noticee 6), Kamala Kant Gupta(Noticee 7), Sandip Shroff(Noticee 8) and Wealthsmith Share Broking Private Limited(Noticee 9)(jointly referred to as Noticees). The scrip of SHIL was listed on CSE and BSE.

2. While examining the shareholding pattern of SHIL, it was observed that certain suspected entities, who had received shares from the promoter and promoter related entities through off-market, contributed for price rise in the scrip of SHIL during March 12-April 04, 2014 and during June 10-27, 2014. Noticees had placed buy orders at higher prices than the Last Traded Price (hereinafter referred to as LTP) and impacted the price of the scrip by contributing significantly to the price rise. It was, therefore, alleged in the SCN that the Noticees had violated the provisions of Regulations 3(a), (b), (c), & (d), 4(1), 4(2)(a) & (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as PFUTP Regulations 2003).

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI has, therefore, initiated adjudication proceedings and I have been appointed as Adjudicating Officer vide Order dated May 17, 2017 under Section 19 of the SEBI Act, 1992 read with Section15-I (1) of SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as "Adjudication Rules 1995") to inquire and adjudge under Section 15 HA of the SEBI Act, for the alleged violations committed by the Noticees.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A common Show Cause Notice (hereinafter referred to as "SCN") bearing ref. no. EAD/BJD/BKM/2018/6959/10-18 dated March 06, 2018 was issued to the Noticees under Rule 4 of SEBI Adjudication Rules to show cause as to why an inquiry be not held against them in terms of Rule 4 of the Adjudication Rules and penalty be not imposed under Section 15 HA of the SEBI Act for the violations alleged to have been committed by the Noticees. The SCN along with the copy of communique appointing Adjudicating Officer and other annexure was delivered to Noticees. The order log and trade log also were provided to the Noticees vide email dated June 04, 2018 in proper format.

5. In the interest of natural justice and in terms of Rule 4 (3) of the Adjudication Rules, vide notices dated September 06, 2018 Noticees were granted an opportunity of personal hearing on September 19, 2018 which was attended by Brahmbhatt Tarunkumar and Krushnakumar Bhrahmbhatt and .Prakash Jitendra Shah. However, all other Noticees failed to attend the hearing. Vide letter dated December 10, 2018 one more opportunity of personal hearing was granted to the Noticees on December 21, 2018 which was attended by Noticees Kamla Kant Gupta, Chandra Kant Tibrawalla and Umang Kamlesh Vora. Vide letters dated July 21, 2018, July 23, 2018, September 18, 2018 Brahmbhatt Tarunkumar, Krushnakumar Bhrahmbhatt and Prakash Jitendra Shah respectively submitted their reply to the SCN. Noticee Chandra Kant Tibrawalla and Sandip Shroff vide their letters dated December 18, 2018, Noticee Kamala Kant Gupta vide letter dated December 19, 2018 and Noticee Umang Kamlesh Vora vide letter dated September 19, 2018 submitted their replies to the SCN. However, Noticee Arpita Kaur Arora and Wealthsmith Share Broking Private Ltd have neither replied to the SCN nor did they appear in the personal hearing scheduled despite of service of the SCN and the hearing notices on them.

<u>Chandra Kant Tibrawalla (Noticee 1)</u>

6. Vide letter dated December 18, 2018 Noticee Chandra Kant Tibrawalla denies all the charges levelled against him for alleged violation of PFUTP Regulations 2003 and submitted as under:

- *He purchased shares of the company at the market price and never tried to manipulate the price of the scrip.*
- *He was only concerned with buying the shares and did not know anything about the seller party. After the purchase of shares by the notice, the price of the scrip went down and never increased and therefore as a rational investor the notice started to sell the shares to prevent from incurring any loss from investments.*
- *That no shareholder would ever wish to bring down the price of its investments or try to reduce the price to less than its investment value in absence of any desire to buy the shares at such reduced price.*
- *He has neither made any gain out of the same nor was any harm caused to anyone.*

<u>Umang K Vora (Noticee 2)</u>

7. Vide letter dated September 19, 2018 Noticee Umang Vora has denied all the allegations levelled against him in the SCN and the significant portions of the submission are reproduced as under:
   - *Neither I am in concerned/connected with any individual or any other body corporate named in these paras, nor do I have any knowledge about the allegations.*
   - *I was not holding shares of the company before the IP and received shares through promoters and promoter related entities via off- market transfer of shares.*
   - *I deny that I had executed any synchronized trade for share 80593 (1.51% of the market volume) with any one during the IP and that these synchronized trades have resulted in LTP contribution of Rs. 5.15.*
   - *I deny that I have received shares in off- market from promoter related entities. I deny that I have contributed to positive LTP by repeatedly trading at price higher than LTP among group entities and or by being counterparties to such trades by*

group entities and together contributed for 42% of the market positive LTP during patch -1 of the IP.

- *I deny that I have manipulated the price of scrip by putting and/or matching buy orders at NHP(contribution to more that 77% of Market NHP, and thereby violated PFUTP Regulations.*
- *I deny that I have had contributed for 100% of total positive market LTP due to first trades during Patch -1 of IP.*

Tarunkumar Brahmbhatt (Noticee 3)

8. Vide letter dated July 13, 2018 the Noticee Tarunkumar Brahmbhatt submitted as under:

- *That his trading was separate, independent and stand alone and cannot be linked / connected or related to the group's volume. Further, none of the abovementioned entities are counter party to any of the Noticee's trades which are considered objectionable towards +ve LTP contribution, NHP or First trade +ve LTP.*

- *The Noticee with respect to his trades with NNP Trading and Investments Pvt Ltd. states that the Noticee had put in an order for 1 share at Rs. 81.95 which was already put in by the counter party prior in time. Thus, attributing the alleged +LTP contribution to the trades of the Noticee is untenable and unjust. Further there is no connection of the Noticee shown with NNP Trading and Investments Pvt. Ltd.*

Prakash J Shah (Noticee 5)

9. *Vide letter dated September 18, 2018 Noticee Prakash Shah submitted his reply and the significant parts of the reply are reproduced as under:*
   - *His trades were mainly delivery based.*
   - *The quantity of such trades was miniscule, were stray / erratic trades and may have been carried out in line with dynamic market conditions on 'as is where is*

and what is there is' basis reflecting on the trading screen at the relevant time. The Noticee do not accept the inference that the intention was to increase the price of the scrip in case of trades involving small quantities of shares.

- *That group entities have contributed Rs. 17.8 to new high price (100% of total NHP) in 9 trades. As the group entities contributed for 100 % of NHP and as the entities Chandrakant Tibrawalla, Umang Kamlesh Vora, Tarunkumar Gurucharan Brahmbhatt and Krushnakumar Guruvachan Brahmbhatt contributed for more than 99% of NHP and these entities also contributed for +ve LTP".*

Sr. No.	**Entity (Buyer)**	**No. of trades**	**NHP (Rs.)**	**% of total mkt NHP**	**NHP contribution with group entities**			
					No. of trades	Name of group entity	NHP (Rs.)	Time diference buy and sell order (mm:ss)
1	Krushnakumar Guruvachan Brahmbhatt	1	0.8	4.49	1	Prakash Jitendra Shah	0.8	225:32

- *That out of 183 total trades of the Noticee only 1 trade is considered as objectionable for the purpose of NHP contribution. The Noticee has traded on the market for 15 days during and after the investigation period however except 1, all the trades carried out by the Noticee are considered to be normal and genuine. The Noticee further submits that had NHP been the Noticee's intention then the Noticee would have frequently carried out such trades and not one stray trade that to with NHP with 80 paise difference.*

- *The Noticee's only 1 day trade of 100 shares out of 183 trades have been considered towards NHP and 1 trade of 5 shares out of 183 trades have been considered towards +ve LTP contribution which is insignificant / irrelevant.*

Krushnakumar Brahmbhatt (Noticee 6)

10. Vide letter dated July 23, 2018 the Noticee, Krushnakumar Brahmbhatt replied as under:
    - *Noticee's trades were mainly delivery based and intra - day.*
    - *The Noticee states that there is no connection of the Noticee shown with Arpita Kaur Arora.*
    - *That the price of the scrip went up to Rs. 102 on 14th March, 2014. Thus, Noticee's 1 trade of 5 shares on 02.04.2014 with a trade rate of Rs. 78.85 cannot be said to have resulted into +LTP through first trade of Rs. 0.80. Thus this alleged +LTP through first trade can be of no meaning and significance as the price already prevailed in the market just one month prior to the Noticee's trades. Such trades could have been the outcome of some entry / exit strategy or the normal trading or value investing, bottom fishing, square-off trade etc. Buying first trade at higher than previous market price is not against any trading regulation.*
    - *The Noticee acted in good faith and was not aware of wrongdoings, if any, of others.*
    - *The Noticee has not carried out any synchronized / matched / circular / reversal / self-trade in SHIL scrip and hence artificial volume creation is no the change.*
    - *The Noticee has not taken regulatory proceedings in a nonchalant manner.*

Kamala Kant Gupta (Noticee 7)

11. Vide letter dated December 19, 2018 Noticee Kamala Kant Gupta denied all the charges levied against him and submitted as under:

- *The notice invested in the company with the belief of further growth of the company and therefore kept on buying the shares irrespective of the concerned price during the investigating period.*
- *The Noticee is not related to the promoters of the company and the purchase of shares by the Noticee, the price of the scrip went down and never increased and therefore as a rational investor the notice started to sell the shares to prevent from incurring any loss from investors.*
- *The Noticee has not taken any advantage and no price manipulation was made and hence neither made any gain out of the same nor was any harm caused to anyone.*

Sandip Shroff (Noticee 8)

12. Vide letter dated December 18, 2018 the Noticee Sandip Shroff submitted and significant parts of the submission are as under:
    - *That I am a petty small investor effected with intensive kidney problem.*
    - *I received 2,00,000 shares of SHIL from Bimal Kumar Nopany(Uncle) on August 14, 2014 for my treatment.*
    - *That the above shares have been received under natural love and affection, out of which 71,000 shares are lying with me in my Depository Account and rest I have sold time to time.*
    - *That I have no idea about the depository account from which he had transferred the above shares.*
    - *That since the above shares have been received for my treatment, but it was not known to me that it is a wrong way of taking help and feel guilty for the same.*
    - *That I promise not to attend any such type of activity in future.*

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS

13. I have carefully perused the charges levelled against the Noticees in the SCN, written submissions made and all the documents available on record. In the instant matter, the following issues arise for consideration and determination:

a. ***Whether Noticee 1 to 9 have violated Regulations 3 (a), (b), (c), (d), 4(1) & 4(2) (a) & (e) of PFUTP Regulations 2003?***

b. ***Does the violation, if any, on the part of the Noticees attract monetary penalty under Section 15 HA of the Act?***

c. ***If so, what would be the quantum of monetary penalty that can be imposed on the Noticees taking into consideration the factors mentioned in Section 15J of the Act?***

14. Before proceeding further, I would like to refer to the relevant provisions of the SEBI (PFUTP) Regulations 2003 which read as under:

> ***PFUTP Regulations 2003***
>
> *3. Prohibition of certain dealings in securities*
>
> *No person shall directly or indirectly –*
>
> *(a) buy, sell or otherwise deal in securities in a fraudulent manner;*
>
> *(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
>
> *(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
>
> *(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*
>
> *4. Prohibition of manipulative, fraudulent and unfair trade practices*

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.
(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely: –
(a) indulging in an act which creates false or misleading appearance of trading in the securities market;
(e) any act or omission amounting to manipulation of the price of a security.

FINDINGS:

15. As stated above, sufficient opportunities to submit reply and appear in personal hearing have been given to the Noticees, Arpita Kaur Arora and Wealthsmith Share Broking Private Ltd, none of which were availed by them. Therefore, I find it pertinent to refer to the judgment dated December 08, 2006 of Hon'ble Securities Appellate Tribunal in the matter of **Classic Credit Ltd. v SEBI (Appeal No. 68 of 2003)** wherein, it observed, "… 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". I also observe that the Hon'ble Securities Appellate Tribunal in the matter of **Sanjay Kumar Tayal & Ors. v SEBI** (Appeal 68 of 2013 dated February 11, 2014) had inter alia observed 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..." Thus, I am of the view that the allegations levelled in the SCN and the evidences enclosed therewith are not in dispute in absence of any reply from the Noticees Arpita Kaur Arora and Wealthsmith Share Broking Private Ltd.

16. It is observed that during the period of investigation, BSE Sensex moved from 21793.32 to 27499.42 registering an increase of 5706.1 points (26.18 %). During the same period price of the scrip in BSE moved from Rs. 92 to Rs.2.61 registering a decrease of Rs. 89.39 (97.16%). The price of the scrip increased from Rs 67.2 to Rs 81.25 during March 27-April 04, 2014 (patch-1) and increased from Rs 26.20 to Rs 29.65 during June 10- June 27, 2014 (Patch-2). The scrip closed at Rs. 1.38 in BSE on June 12, 2016.

17. In order to establish the charges of manipulation PFUTP 2003, it is essential to examine the basis of connections, Order placement time, volume of trades, LTP, NHP (New High Price), First Trade contribution and gains made by the Noticee out of their trades in SHIL during the IP.

CONNECTIONS

18. From the Annual Report of the company for the year 2013-14, the details of the management of the company during the investigation period are as under:-

Sl. No.	Name	Designation
1.	Bimal Kumar Nopany	Managing Director
2.	Raj Kumar More	Whole Time Director
3.	Lakshmikant Tibrawalla	Director
4.	Pratima Srivastava	Director
5.	Shabnam Agarwal	Director
6.	Ms. Ashok Kumar Sinha	Director
7.	R.K. Didwania	Company Secretary

19. NNP Trading & Investments Private Limited, Indian Die Casting Co Ltd, Indo Austro Corporation Private Limited, Daulatram Rawatmull Private Limited and Kolhapur Forge Pvt Ltd were appearing as entities holding more than 1%

at the beginning of IP and are observed to be related to promoter entities as below-

(i) Addresses of Bimal Kumar Nopany(Promoter), Nopany Investments and Pvt ltd (promoter), Indo Austro Corporation Private Limited , Nnp Trading & Investments Private Limited and Indian Die casting Co Ltd is same i.e. Chandra Kunj, 4th Floor, 3, Pretoria Street, Kolkata, West Bengal, India, 700071. The email addresses of NNP Trading & Investments Private Limited and Indian Die casting Co Ltd is/was same i.e. shri@nopany.co.in which was also the email id of promoters of the company viz. Shruti Ltd., and Mr. Bimal Kumar Nopany. Further NNP Trading & Investments Private Limited, Indian Die casting Co Ltd and Shruti Limited (promoter) have/had same telephone numbers viz 22821169.

(ii) The addresses of Daulatram Rawatmull Private Limited, Indo Austro Corporation Private Limited, Shruti Ltd (Promoter), Bimal Kumar Nopany(Promoter), and Nopany Investments and Pvt ltd (promoter) is same i.e 12 GOVT. PLACE EAST2ND FLOOR KOLKATA WB 700069 IN. Mr. Bimal Kumar Nopany is/was director in Shruti Ltd., and Indo Austro Corporation Private Limited.

(iii) One of the directors of Kolhapur Forge Pvt Ltd namely Madhu Tiwari is/was director in Shruti Ltd (Promoter) of whose Mr. Bimal Kumar Nopany is/was another director.

20. Based on above, the entities NNP Trading & Investments Private Limited, Indian Die Casting Co Ltd, Indo Austro Corporation Private Limited, Daulatram Rawatmull Private Limited and Kolhapur Forge Pvt Ltd are found to be connected to promoter entities viz. Bimal Kumar Nopany, Shruti Ltd, Nopany Investments and Pvt ltd., Nandini Nopany, Shruti Vora.

21. I note that the off-market trade took place from March 12, 2014 to December 26, 2014. Promoter related entity NNP Trading and Investments Pvt Ltd

transferred 50000 shares to C K Tibrawalla on March 12, 2014. Nowhere any detail regarding the payment for the shares transferred in off market has been reflected by any of the Noticees. It substantiates the charges of strong connection between the Noticees.

22. It is observed from Know Your Client (KYC) documents, MCA website (for common directors), Off market transfers/transactions that the entities were connected with one another as under :

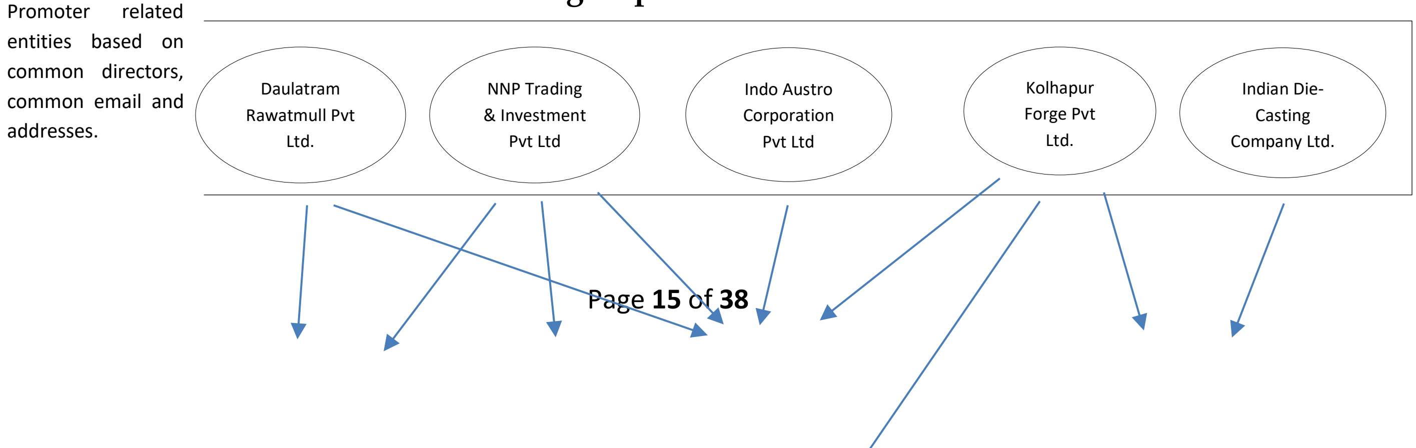
S. No.	PAN	Entity Name	Off-market transfer to entities at	Recd Off-market shares from entities at
1	AAACN9803B	Nnp Trading And Investments Private Limited	CK Tibrawalla, Wealthsmith Share Broking Pvt Ltd, Kamala Kant Gupta and Nopany Investments Pvt Ltd	
2	ADUPV1119L	Umang Kamlesh Vora	Wealthsmith Share Broking Pvt Ltd	
3	AAACI5268B	Indian Die-Casting Company Limited Indian	Kamala Kant Gupta, Tarunkumar Gurucharan Brahmbhatt	
4	ABPPT9449J	C K Tibrawalla	Arpita Kaur Arora, Sandip Shroff	Nnp Trading And Investments Private Limited
5	AABCK3253F	Kolhapur Forge Pvt Ltd	Tarunkumar Gurucharan Brahmbhatt, Sandip Shroff	Wealthsmith Share Broking Pvt Ltd
6	AABCW1180B	Wealthsmith Share Broking Pvt Ltd	Kolhapur Gorge Pvt Ltd	Daulatram Rawatmull Pvt Ltd, Nnp Trading And Investments

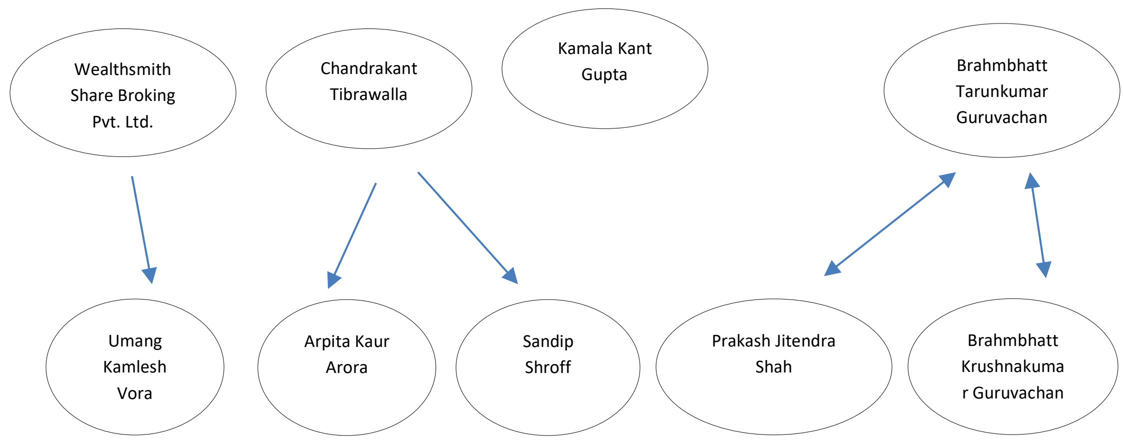
				Private Limited, Umang Kamlesh Vora
7	ADSPB2534M	Tarunkumar Gurucharan Brahmbhatt	Prarthana Tarunkumar Brahmbhatt,Krushnakumar Guruvachan Brahmbhatt, Prakash Jitendra Shah	Kolhapur Forge Pvt Ltd, Indian Die-Casting Company Limited Indian,Prarthana Tarunkumar Brahmbhatt, Krushnakumar Guruvachan Brahmbhatt, Prakash J Shah
8	ADSPB6848E	Krishnakumar Brahmbhatt	Tarunkumar Brahmbhatt	Tarunkumar Brahmbhatt
9	ASNPS3902L	Prakash Jitendrai Shah	Tarunkumar Brahmbhatt	Tarunkumar Brahmbhatt
10	ADNPG5442Q	Kamala Kanta Gupta		Daulatram Rawatmull Pvt Ltd, Nnp Trading And Investments Private Limited, Nopany Investment Ltd
11	BJNPS4647C	Sandip Shroff		C K Tibrawalla, Kolhapur Forge Ltd

23. It is noted from the above that Noticees, C.K. Tibrawala Wealthsmith Share Broking Pvt Ltd and Kamala Kant Gupta had received shares by off market transfer from NNP Trading And Investments Private Limited which is

promoter related entity by off market transfer. Noticee, Umang Kamlesh Vora transferred the share to Wealthsmith Share Broking Pvt Ltd. Kamala Kant Gupta, Tarunkumar Gurucharan Brahmbhatt received the shares from Indian Die-Casting Company Limited. C K Tibrawalla has transferred the shares by off market transfer to Arpita Kaur Arora, Sandip Shroff and taken the shares from NNP Trading And Investments Private Limited. Tarunkumar Gurucharan Brahmbhatt, Sandip Shroff had received shares by off market from Kolhapur Forge Pvt Ltd which is a promoter related entity. Wealthsmith Share Broking Pvt Ltd had transferred shares by off market to Kolhapur Forge Pvt Ltd. Wealthsmith Share Broking Pvt Ltd transferred the shares to Kolhapur Forge Pvt Ltd, the promoter related entity and also to Daulatram Rawatmull Pvt Ltd, NNP Trading And Investments Private Limited, Umang Kamlesh Vora. Brahmbhatt Tarunkumar had transferred shares by off market to Prarthana Tarunkumar Brahmbhatt, Krushnakumar Guruvachan Brahmbhatt and Prakash Jitendra Shah and received shares from Kolhapur Forge Pvt Ltd, Indian Die-Casting Company Limited, Prarthana Tarunkumar Brahmbhatt, Krushnakumar Guruvachan Brahmbhatt, Prakash J Shah. Krushnakumar Bhrahmbhatt and Prakash Jitendrai Shah had transacted shares by off market transfer to and from Tarunkumar Gurucharan Brahmbhatt. Kamala Kanta Gupta received shares by off market transfer from Daulatram Rawatmull Pvt Ltd, NNP Trading And Investments Private Limited, Nopany Investment. Sandip Shroff has received the shares from C K Tibrawalla and Kolhapur Forge Ltd. Connections based on Off market transfers are sketched in a diagram as under:

Connections based on Off-market Transfers between Promoter related entities with group entities





24. As seen from the table and diagram the entities Chandrakant Tibrawalla, Umang Kamlesh Vora, Brahmbhatt Tarunkumar Gurucharan, Arpita Kaur Arora, Prakash Jitendrai Shah, Brahmbhatt Krushnakumar Guruvachan, Kamala Kanta Gupta and Sandip Shroff are connected with one another by transferring shares in off market.

25. From MCA website I note that Bimal Kumar Nopany was the promoter director of SHIL and also the director of Indo Austro Corporation Pvt Ltd with which the trades by off market trades were executed by Noticee, kamala Kant Gupta.

26. Upon examination of the trade log I also note that there are large number trades where other noticees and promoter related connected group entities as per SCN are the counterparties (instances taken on random basis) as under:

Trade Date	Buy Client Names	Sell Client Names	Traded Quantities
02/04/2014	Brahmbhatt Tarunkumar Gurucharan	Umang Kamlesh Vora	551
03/04/2014	Brahmbhatt	Arpita Kaur Arora	2

	Tarunkumar Gurucharan	NNP Trading and Investment Pvt Ltd	11
		Kolhapur Forge Pvt Ltd	25
11/06/2014	Umang Kamlesh Vora	Brahmbhatt Tarunkumar Gurucharan	29000
	Chandrakant Tibrawala	Brahmbhatt Tarunkumar Gurucharan	13146
19/03/2014	Chandrakant Tibrawalla	Umesh Kamlesh Vora	5000
31/03/2014		Kamala Kant Gupta	11500
01/04/2014		Sandip Shroff	5250
01/04/2014		Umang Kamlesh Vora	949
03/04/2014		Brahmbhatt Krushnakumar Guruvachan	1191
14/03/2014	Brahmbhatt Krushnakumar Guruvachan a	Chandrakant Tibrawalla	500
18/03/2014	Umesh Kamlesh Vora		500
16/06/2014 to 07/07/2014	Wealthsmith Share Broking Private Ltd	Chandrakant Tibrawalla	22326
20/06/2014	Chandrakant Tibrawalla	Wealthsmith Share Broking Private Ltd	6300
02/04/2014	Chandrakant Tibrawalla	Prakash J hah	25
	Brahmbhatt Krushnakumar Guruvachan		5

27. From the above I note that Noticees have traded with the same counterparties repeatedly. It is not coincidence that the same counterparties appeared several times in trades by them. The frequent trades by the same counterparties

corroborate and substantiate the charges alleged in SCN Therefore, I don't find merit in the submission of the Noticees that they have no pre-arranged scheme of mind and they are not the counterparties among themselves.

28. Thus, the argument of Noticees, that they are not connected cannot be accepted in light of the fact that they have received shares by off market trades from themselves and from the promoter entities as noted above. In view of above the connections among the Noticees and between promoters and Noticees are established.

29. Further, Noticees together contributed for 42% of the market +LTP during Patch-1 of the Investigation period. These group entities contributed for +LTP by repeatedly trading at a price higher than LTP amongst group entities and/or by being counterparties to such trades by group entities.

LTP contribution by group entities- Patch -1 (March 27, 2014 and April 04, 2014)

30. On analysing trades executed at a price higher than the last traded price (LTP) it was observed that during patch-1 the market wide cumulative contribution to the positive and net LTP variation (LTPV) was Rs.103.70 and Rs.10.55 respectively of which Rs. 84.95 and Rs.15.70 respectively was contributed by the group entities as the buyer.

Buyer Name	All trades			LTP Diff. >0			LTP Diff. < 0			LTP Diff. =0		
	LTP impact (all trades) in Rs.	QTY traded (all trades)	No of trades (all trades)	LTP impact (trades with LTP diff > 0) in Rs.	QTY traded (trades with LTP diff > 0)	No of trades (trades with LTP diff > 0)	LTP impact(trades with LTP diff < 0) in Rs.	QTY traded (trades with LTP diff < 0)	No of trades (trades with LTP diff < 0)	QTY traded (trades with LTP diff = 0)	No of trades (trades with LTP diff = 0)	% of Positive LTP to Total Market Positive LTP

Chandrakant Tibrawalla	20.3	24963	123	24.9	1738	10	-4.6	175	10	23050	103	24.01
Umang Kamlesh Vora	6.65	5000	9	6.65	500	1	0	0	0	4500	8	6.41
Tarunkumar Gurucharan Brahmbhatt	4.85	1898	107	23.85	137	13	-19	306	34	1455	60	23.00
Prakash Jitendrai Shah	0.3	6610	63	0.55	198	2	-0.25	47	1	6365	60	0.53
Kamala Kanta Gupta	-2.4	19632	66	0.25	405	3	-2.65	1205	4	18022	59	0.24
Krushnakumar Guruvachan Brahmbhatt	-9.7	2542	111	27.2	958	18	-36.9	258	49	1326	44	26.23
Total of above entities	20	60645	479	83.4	3936	47	-63.4	1991	98	54718	334	80.42
Total of group (Ann-5a)	15.7	109719	629	84.95	4799	53	-69.25	4041	105	100879	471	81.92
Market Total	10.55	214471	1027	103.70	8785.00	72	-93.15	9173	122.	196513	833	100.00

31. The analysis revealed that out of total positive LTP contribution of Rs. 84.95, the group entities created a positive LTP of Rs. 16.10(i.e. 15.53% of market positive LTP) by entering buy order first in 5 trades where counterparties were non group entities. The LTP of Rs.20.35 (i.e. 19.62%) was created by group entities wherein sell orders were placed first in 15 trades by 6 non-group entities. Further, a positive LTP of Rs.48.50 i.e. 46.77% of market positive LTP was created in 33 trades by group entities when they traded among themselves. The details of LTP by individual entities along with respective contribution is brought out in table below.

Seller → Buyer ↓	Arpita Kaur Arora	Krushnakumar Brahmbhatt	Chandrakant Tibrawalla	Kamala Kanta Gupta	Nawshaba Nigar	Nnp Trading And Investments Pvt Ltd	Prakash Jitendrai Shah	Prem Shrikant Agrawal	Sandip Shroff	Shruti Limited	Umang Kamlesh Vora	Grand Total

Brahmbhatt Krushnakumar Guruvachan	15.3						4.35					19.65
Brahmbhatt Tarunkumar Gurucharan	0.5					0.45					5.4	6.35
Chandrakant Tibrawalla		3.8		3.1				0.45	3.5		3.85	14.7
Kamala Kanta Gupta			0.1		0.15							0.25
Nitesh Padmanabha Karmaran			0.65							0.05		0.7
Prakash Jitendrai Shah			0.05									0.05
Shah Ankit Upendrabhai				0.15								0.15
Umang Kamlesh Vora			6.65									6.65
Grand Total	15.8	3.8	7.45	3.25	0.15	0.45	4.35	0.45	3.5	0.05	9.25	48.5

32. The below entities contributing to the most of the group +LTP through buy order first trades and trades amongst group entities:

Sr. No.	Entity	+LTP contribution with non-group entities (buy order first)	+LTP contribution with group entities	
			As Buyer	As Seller
1	Chandrakant Tibrawalla	6.7	14.7	7.45
2	Umang Kamlesh Vora	-	6.65	9.25
3	Brahmbhatt Tarunkumar Gurucharan	7.3	6.35	
4	Arpita Kaur Arora	-	-	15.8
5	Prakash Jitendrai Shah	-	0.05	4.35
6	Brahmbhatt Krushnakumar Guruvachan	2.1	15.3 (net LTP is negative)	3.8
7	Kamala Kanta Gupta		0.25 (net LTP is negative)	3.25
8	Sandip Shroff	-		3.5
	Total	16.1 (19.85% of market +LTP)	43.55 (42% of market +LTP)	47.4

LTP contribution by group entities- Patch -2 (June 10, 2014 and June 27, 2014)

33. During Patch -2 (Refer Table below), the entities contributed for net positive LTP. On analysing trades executed at a price higher than the last traded price (LTP) it was observed that during patch-2 the market wide cumulative contribution to the positive and net LTP variation LTPV) was Rs.3.70 and Rs.47.55 respectively of which Rs. 11.10 and Rs.24.15 respectively was contributed by the group entities as the buyer. The entity-wise contribution to LTP is summarized in table above.

Buyer Name	All trades			LTP Diff. >0			LTP Diff. < 0			LTP Diff. =0		
	LTP impact (all trades) in Rs.	QTY traded (all trades)	No of trades (all trades)	LTP impact (trades with LTP diff > 0) in Rs.	QTY traded (trades with LTP diff > 0)	No of trades (trades with LTP diff > 0)	LTP impact(trades with LTP diff < 0) in Rs.	QTY traded (trades with LTP diff < 0)	No of trades (trades with LTP diff < 0)	QTY traded (trades with LTP diff = 0)	No of trades (trades with LTP diff = 0)	% of Positive LTP to Total Market Positive LTP
Wealthsmith Share Broking Private Limited	5.55	194273	331	10.9	34832	49	-5.35	14215	27	145226	255	22.92
Tarunkumar Gurucharan Brahmbhatt	1	9801	7	1.05	6769	3	-0.05	250	1	2782	3	2.21
Chandrakant Tibrawalla	0.6	39000	14	2.05	7506	3	-1.45	6349	4	25145	7	4.31
Umang Kamlesh Vora	0.45	152086	68	2.5	2736	9	-2.05	21175	11	128175	48	5.26
Nopany Investments Private Limited	0.4	3500	4	0.4	3350	3	0	0	0	150	1	0.84
Kamala Kanta Gupta	0.35	29001	10	0.35	13125	2	0	0	0	15876	8	0.74
Total of group	**8.35**	**427661**	**434**	**17.25**	**68318**	**69**	**-8.9**	**41989**	**43**	**317354**	**322**	**36.28**

(same as total of above entities) Annexure-5b												
Market Total	**3.70**	**1728706**	**1221**	**47.55**	**331844**	**198**	**-43.85**	**302081**	**179**	**1094781**	**844**	**100**

34. The analysis revealed that out of total positive LTP contribution of Rs. 47.55, the group entities created a positive LTP of Rs. 0.25(i.e. 0.52% of market positive LTP) by entering buy order first in 4 trades where counterparties were non group entities. The LTP of Rs.10.90 (i.e. 22.92%) was created by group entities wherein sell orders were placed first in 36 trades by 22 non-group entities. Further, a positive LTP of Rs.13.1 i.e. 27.54% of market positive LTP was created in 60 trades by group entities when they traded among themselves.

35. The entity contributing to the most of the group LTP was Noticee **Wealthsmith Share Broking Private Limited** who had received shares through off-market transfers from promoter related entities (diagram). Of Rs 10.9 +LTP, total Rs 5.70 (11.98% of market +LTP and 23.50% of group +LTP) of which Rs 0.25 of +LTP was through 4 buy order first trade with non-group entities and Rs 5.45 of +LTP was through 28 trades with 10 group entities.

<u>New High Price (NHP) Analysis</u>

36. Details of NHP contribution by group entities who have traded in the scrip and their contribution in the new price established during the investigation period is tabulated below:

<u>NHP Analysis (BSE)</u> - Patch -1 (March 27, 2014 and April 04, 2014) :

Entity Name	BSE			
	Qty	**No. of Trades**	**NHP (Rs.)**	**% of total mkt NHP**
Chandrakant Tibrawalla	1100	4	10.55	59.27
Umang Kamlesh Vora	500	1	3.3	18.54
Tarunkumar Gurucharan Brahmbhatt	1	1	3.05	17.13
Krushnakumar Guruvachan Brahmbhatt	5	1	0.8	4.49
Nitesh Padmanabha Karmaran	400	1	0.05	0.28
Prakash Jitendrai Shah	100	1	0.05	0.28
Total	2106	9	17.8	100%

37. It is observed that group entities have contributed Rs. 17.8 to new high price (100% of total market NHP) in 9 trades. As the group entities contributed for 100% of NHP and as the entities Chandrakant Tibrawalla, Umang Kamlesh Vora, Tarunkumar Gurucharan Brahmbhatt and Krushnakumar Guruvachan Brahmbhatt contributed for more than 99% of NHP and these entities also contributed for +LTP, their trades were analyzed further.

Sr. No.	Entity (Buyer)	No. of Trades	NHP (Rs.)	% of total mkt NHP	NHP contribution with group entities			
					No. of trades	Name of group entity (seller)	NHP (Rs.)	Time difference buy order and sell order (mm:ss)
1	Chandrakant Tibra walla	4	10.55	59.27	3	Krushnakumar Guruvachan Brahmbhatt	3.8	5.05
						Sandip Shroff	3.5	0:14
						Kamala Kanta Gupta	2.55	0:52
2	Umang Kamlesh Vora	1	3.3	18.54	1	Chandrakant Tibra walla	3.3	1:51
3	Tarunkumar Gurucharan Brahmbhatt	1	3.05	17.13	0	-	-	-
4	Krushnakumar Guruvachan Brahmbhatt	1	0.8	4.49	1	Prakash Jitendrai Shah	0.8	225:32

38. As seen from the above, the entities Chandrakant Tibrawalla and Umang Kamlesh Vora contributed to majority of the NHP around of Rs 9.85 and Rs 3.3

respectively (together contributing to Rs 13.15 i.e. 73% of group NHP) through trading amongst group entities viz. Krushnakumar Guruvachan Brahmbhatt, Sandip Shroff, Kamala Kanta Gupta and Prakash Jitendrai Shah by placing orders with time difference of not more than 2 minutes (5.05 minutes in one instance), indicating connivance in manipulating the scrip price. It is, therefore, observed that Chandrakant Tibrawalla, Umang Kamlesh Vora, Krushnakumar Guruvachan Brahmbhatt, Sandip Shroff, Kamala Kanta Gupta and Prakash Jitendrai Shah manipulated the price of scrip by putting and/or matching buy orders at NHP (contributing to more than 77% of market NHP) in violation of Reg.3(a),(b),(c),(d),4(1),& 4(2)(a)&(e) of SEBI (PFUTP) Reg. 2003.

<u>First trade</u>

39. The details of first trades during the investigation period along with LTP contribution as below:

Buy Client Analysis				**Sell Client Analysis**			
Entity	**No of first trades**	**Vol of Shares**	**+LTP through first trade (Rs.)**	**Entity**	**No of first trades**	**Vol of Shares**	**+LTP through first trade (Rs.)**
Patch -1 (March 27, 2014- April 04, 2014)							
Chandrakant Tibrawalla	1	525	3.5	Sandip Shroff	1	525	3.5
Tarunkumar Gurucharan Brahmbhatt	1	1	3.05	Anubhab Ranjan Majumdar	1	500	-
Krushnakumar Guruvachan Brahmbhatt	1	20	0.1				
Kamala Kanta Gupta	1	500					
Prem Shroff	1	500					
Total	5	1546	6.65		2	1025	3.5
Overall Market (First trade)	7	1548	6.65		7	1548	6.65
Entity	**No of first trades**	**Vol of Shares**	**+LTP through first trade (Rs.)**	**Entity**	**No of first trades**	**Vol of Shares**	**+LTP through first trade (Rs.)**
Patch -2 (June 10, 2014 and June 27, 2014)							
Wealthsmith Share Broking Private Limited	1	150	0.4	Chandrakant Tibrawalla	1	100	0.45
				Prem Shroff	1	100	0.15
				Arvind Moonka	1	1	0
				Shivani Kariwal	1	100	0

				Krushnakumar Guruvachan Brahmbhatt	1	100	0
				Prakash Jitendrai Shah	1	2000	0
				Umang Kamlesh Vora	2	10050	0
Total	1	150	0.4		8	12451	0.60
Overall Market (First trade)	14	13659	3.2		14	13659	3.2

40. It is noted from the above that the Noticees viz. Chandrakant Tibrawalla, Tarunkumar Gurucharan Brahmbhatt and Krushnakumar Guruvachan Brahmbhatt contributed for 100% of total +ve market LTP due to first trades during Patch-1. These entities viz. Chandrakant Tibrawalla, Tarunkumar Gurucharan Brahmbhatt and Krushnakumar Guruvachan Brahmbhatt also manipulated the scrip price through LTP and NHP contribution.

41. The argument of Noticees, that only because the price traded is higher than LTP, there is no manipulation and even the transactions of Noticees are minimal which can never influence the market nor can it be alleged as manipulation, cannot be accepted in light of the fact from Para 30 & 33 above that Noticees individually have contributed LTP majorly to the market positive LTP. During Patch 1 Noticee Chandrakant Tibrawalla trades have contributed 24.01% to total market positive LTP. Noticee Umang Kamlesh Vora, Tarunkumar Gurucharan Brahmbhatt, Prakash Jitendrai Shah, Kamala Kanta Gupta, Krushakumar Gurucharan Brahmbhatt contributed 6.41%, 23%,0.53%, 0.24%,26.23% respectively to total market positive LTP. Similarly during Patch -2 also Noticee Wealthsmith Share Broking Private Limited, Tarunkumar Gurucharan Brahmbhatt, Chandrakant Tibrawalla, Umang Kamlesh Vora, Kamala Kanta Gupta have contributed 22.92%, 2.21%, 4.31%, 5.26%, 0.74% respectively to total market positive LTP. Due to the LTP contribution by the Noticees the price of the scrip increased from Rs 67.2 to Rs 81.25 during March 27-April 04, 2014 (patch-1) and increased from Rs 26.20 to Rs 29.65 during June 10- June 27, 2014 (Patch-2). The closing price of the scrip moved from Rs. 95.80 as on March 12, 2014 to Rs. 6.63 as on October 17, 2014.

The price rise was observed during March 27, 2014 (Rs. 67.2) through April 04, 2014 (Rs. 81.25) i.e. around 20% and also during June 10, 2014 (Rs. 26.2) through June 27, 2014 (Rs. 29.65) i.e. around 13%.

42. It is noted from the reply of the Noticee 3 that he has admittedly submitted that one trade for 1 share of the Noticee on April 04, 2014 was executed at Rs. 85, which is Rs. 3.05 more than the last traded price of Rs. 81.95. However, Noticee submitted that since the price of the scrip already reached high of Rs. 102 on March 14, 2014, the aforesaid trade on April 04, 2014 cannot be considered to have contributed to positive LTP. I am not inclined to accept the submission of the noticee, as I am of the view that positive LTP is a good indicator of the intention of the Noticee, at any point of time, to increase the price of the scrip by placing an order and executing the same at a price higher than the last available price. In the instance case, I note that the alleged trade has contributed to +LTP of Rs. 3.05 which is substantial. In view of the above, I find that there is no merit in the submission of the Noticee that price already touched the high price Rs 102 one month back and therefore the alleged trades cannot be considered as having contributed to positive LTP.

43. In my opinion, it is normal in the securities market to sell the scrip when a higher price is offered. However, it must not be forgotten that every trade establishes the price of the scrip and the trading of noticees at higher than LTP resulted in the price of the scrip going up and were done with a view to set the price or benchmark the price at a desired level and thereby influencing the innocent / gullible investors.

44. Buyer seller relation and LTP instances taken on random basis are as under:

Date	**Buyer**	**Seller**	**Qty.**	**Buy Order Time**	**Sell Order Time**	**Trade Time**	**LTP**	**LTP%**
31/03/2014	Chandrakant	Kamala Kant	1500	9:40:32	9:39:29	9:40:32	2.55	3.7

	Tibrawalla	Gupta						
01/04/2014	Chandrakant Tibrawalla	Sandip Shroff	525	12:32:32	12:32:32	12:32.0	3.5	4.89
18/03/2014	Umang Kamlesh Vora	Chandrakant Tibrawalla	2000	15:03:50	15:04:47	15:06:38	6.65	10.42
03/04/2014	Brahmbhatt Tarunkumar Gurucharan	Umang Kamlesh Vora	50	14:00:03	11:06:48	14:00:03	1.8	2.31
03/04/2014	Brahmbhatt Krushnakumar Gurucharan	Arpita Kaur Arora	95	13:54:58	13:53:04	13:54:58	2.5	3.31
16/06/2014	Wealthsmith Share Broking Pvt Ltd	Chandrakant Tibrawala	10	15:18:13	11:21:26	15:18:13	0.9	3.4

45. From the order log and trade log I note that at 9:40:32 hrs on March 31, 2014 Chandrakant Tibrawala sold 500 shares to the counterparty Kamala Kanta Gupta at LTP rate of Rs. 2.55 contributing 3.7% LTP, further at 9:59:42 hrs sold to the same counterparty at LTP rate of Rs 0.55 contributing 3.7% LTP. On April 01, 2014 he sold 1000 shares to another counterparty from the group namely Sandip Shroff at 12:32:32 hrs at LTP rate of Rs 3.5 contributing 4.89% LTP. In light of the above facts the argument of the Noticee that they individually has not contributed to LTP cannot be accepted.

46. I note that Noticee Umang Kamlesh Vora on March 18, 2014 sold 2000 shares to Chandrakant Tibrawala at 13:03:50 hrs at LTP rate of Rs 6.65 contributing 10.42% LTP. Therefore, it can be concluded that the price of the scrip was manipulated by the Noticees with low trading volume in the scrip.

47. I am of the view that connections provide vital clues of possible linkages between entities who may come together to manipulate the market. The basis of connection is also relevant as they indicate the strength of connection. Any connection established based on off market transactions and bank transactions can be said to be direct as the counter party details should be available to the transferor before such transfers. Given that details of bank and demat accounts are privy only to such account holders, any transfers from such accounts to

other entities other than normal / genuine transaction are good enough indicators of their prior understanding and relationship. Therefore, onus lies on the entities to explain such alleged transaction with relevant documents in support of their transactions. I am also of the view that it is necessary to examine the transactions of all the connected entities in totality rather than seeing the in isolation as the role and activities of each individual connected person may be different in the scheme of manipulations. Certain connected entity may be involved in creation of artificial volumes through structured trades, reversal of trades, while others may be involved in either increasing price through trades above LTP or / and offloading of shares. Therefore, I consider it necessary to examine the trading of connected entities and their pattern of trading together rather than independently to get a clear picture of scheme of manipulations.

48. It is matter of admitted facts that Noticees received shares in off market from promoter related entities. However, Noticees submitted that they were not aware that transferors were promoter related entities. I am not inclined to accept their submission as they did not submit any rationale from such off market transactions especially when shares were listed and available for trading during said period. Further, they also did not submit any documentary evidence of payment made / received for such transaction. In the absence of same, I conclude that all are connected either directly or indirectly. When seen in the context of their pattern of trading, I note that there was an increase of price of scrip of SHIL Rs. 14.05 in Patch 1 and Rs 3.45 in Patch 2 whereas all connected entities together have contributed to Rs 20 constituting of 80.42% of total LTP contribution in Patch 1 and Rs 8.35 constituting of 36.28% of total LTP contribution in Patch 2 during period of investigations. Further, I also note that entire trading pattern of connected entities have net sold shares, which implies that shares were offloaded in the market to gullible investors.

49. Noticees submitted that the Orders placed by them were not synchronised whereby the quantity, price and timing were not matching and also submitted that Buy / Sell Orders already existed in the Order book for substantial time period. Therefore, matching of their Orders with such pre-existing Orders cannot be considered against them for price rise. I am not inclined to accept their submissions as the placement of buy / sell order have to be seen in circumstance of trading i.e. the liquidity available in the scrip and repetitive nature of such pattern of trading. From the facts on record, I note that scrip was relatively illiquid and the pattern of such trading was also repetitive. I am of the view that in illiquid scrip, for a manipulation to be successful, new investors should be deal in the scrip which will then enable manipulators to offload shares to such investors through scheme of manipulation. Therefore, it is not necessary that counter party for trades should always be a connected entity.

50. I also note that the basis of investigation was circulation of SMS in the market which would have attracted new investors to deal in the market and therefore, there could be a large number of buy orders at a higher price. And therefore, the matching sell order by the connected entities even though it is a gap of time, cannot be considered to be a normal contract.

51. In a scheme of manipulation a large number of entities, it is not necessary that all the entities should be connected directly because each person has a different role in manipulation. Further merely because the entities are not directly connected cannot be considered because the together notices impacted the market.

52. Here, it is important to refer to the observations made by the Hon"ble Securities Appellate Tribunal (SAT) in its order dated March 21, 2014 in **Saumil Bhavnagari Vs. SEBI** which are as under:

> *"… but by purchasing shares at the higher price in LTP in most of the trades, the notice had given a wrong impression about the liquidity of the scrip in the market. It must not be forgotten that every trade establishes the price of the scrip and the noticee's trading at higher than LTP resulted in the price of the scrip going up and were done with a view to set the price at a desired level and thereby influencing the innocent/gullible investors. By purchasing at a higher price in most of his trades, the noticee had given the wrong impression about the price of the scrip in the market. It is an accepted state of affairs that in cases of manipulation of the volume and / or price of a particular scrip, it is usually an arduous task to obtain direct evidence. However, the analysis of the trade and order logs as undertaken hereinabove, establishes the malafide intention of the appellant."*

53. It may be relevant to refer to the observations of the Hon"ble Securities Appellate Tribunal (SAT) in its order dated 14.7.2006 in **Ketan Parekh Vs. SEBI,** wherein it was held that:

> *"When a person takes part in or enters into transactions in securities with the intention to artificially raise or depress the price he thereby automatically induces the innocent investors in the market to buy /sell their stocks. The buyer or the seller is invariably influenced by the price of the stocks and if that is being manipulated the person doing so is necessarily influencing the decision of the buyer / seller thereby inducing him to buy or sell depending upon how the market has been manipulated. We are therefore of the view that inducement to any person to buy or sell securities is the necessary consequence of manipulation and flows therefrom. In other words, if the factum of manipulation is established it will necessarily follow that the investors in the market had been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so wide spread that it may not be humanly possible for the Board to track the persons who were actually induced to buy or sell securities as a result of manipulation and law can*

never impose on the Board a burden which is impossible to be discharged. This, in our view, clearly flows from the plain language of Regulation 4(a) of the Regulations."

54. *The manipulative / deceptive transactions of the Noticee is, prima-facie, covered under the definition of 'fraud' and the dealings of the Noticee as discussed herein above were "fraudulent", as defined under regulation 2(1)(c) of the PFUTP Regulations, 2003 and prohibited under the provisions of Regulations 3(a), (b), (c) and (d) and 4(1), 4(2)(a) and (g) of PFUTP Regulations, 2003 thereof.*

55. *I note that in the screen based trading, the manipulative or fraudulent intent can be inferred from various factors such as conduct of the party, pattern of transactions, etc., In this context, I deem it appropriate to refer to the Hon'ble SAT order dated July 14, 2006, in the case of* ***Ketan Parekh vs. SEBI*** *(Appeal no. 2/2004), wherein, Hon'ble SAT has observed that:*

"The nature of transactions executed, the frequency with which such transactions are undertaken, the value of the transactions, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn."

56. *Hon'ble Supreme Court in the matter of* ***SEBI v. Shri Kanhaiyalal Baldevbhai Patel and Ors*** *held that:*
"29. Although unfair trade practice has not been defined under the regulation, various other legislations in India have defined the concept of unfair trade practice in different contexts. A clear cut generalized definition of the 'unfair trade practice' may not be possible to be culled out from the aforesaid definitions. Broadly trade practice is unfair

if the conduct undermines the ethical standards and good faith dealings between parties engaged in business transactions.

57. *It is to be noted that unfair trade practices are not subject to a single definition; rather it requires adjudication on case to case basis. Whether an act or practice is unfair is to be determined by all the facts and circumstances surrounding the transaction. In the context of this regulation a trade practice may be unfair, if the conduct undermines the good faith dealings involved in the transaction. Moreover the concept of 'unfairness' appears to be broader than and includes the concept of 'deception' or fraud'..Having regard to the fact that the dealings in the stock exchange are governed by the principles of fair play and transparency, one does not have to labour much on the meaning of unfair trade practices in securities. Contextually and in simple words, it means a practice which does not conform to the fair and transparent principles of trades in the stock market."*

58. *Hon'ble Supreme Court, in the above case have appreciated that fairness, integrity and transparency are the hallmarks of the stock market in India and the stock market is not a platform for any fraudulent or unfair trade practice. Hon'ble Court has further observed that "The SEBI Act, 1992 was enacted to protect the interest of the investors in securities. Protection of interest of investors should necessarily include prevention of misuse of the market."*

59. *In* ***Sandeep Jain Vs Securities and Exchange Board of India*** *Appeal No. 225 of 2011, Hon'ble SAT has held that the adjudicating officer has given details of the transactions as well as the interconnection between the parties in the show cause notice as well as in the impugned order. In such transactions of manipulative trades, it is difficult, and impossible, to find direct evidence. Findings in such cases are based on circumstantial evidence. We are fully satisfied that the adjudicating officer has placed sufficient material on record to conclude that the transactions were manipulative in nature.*

60. I note from the Order log and trade log that the Noticees during the IP in all cases, placed orders at a higher price than LTP. Such trades would lead to an artificial rise in the price of the scrip and the same would misguide the general public.

61. In view of above facts and circumstances of the case, it is established that the price of the scrip increased because of placing of the orders by the said Noticees in a manipulative manner. Therefore, I conclude that the trades done by the Noticees are in violation of Regulations 3(a), (b), (c), & (d), 4(1), 4(2)(a) & (e) of PFUTP Regulations., thus, liable for monetary penalties as prescribed under Section 15HA of the Act (as existed during the period of violation) which reads as under:

<u>Penalty for fraudulent and unfair trade practices</u>

15HA. *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty of twenty five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

62. Here, it is important to refer to the observation of the Hon'ble Supreme Court of India in the matter of **SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216(SC)** wherein it was held that:

"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant…".

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

__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 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.

64. In the backdrop of above information the allegation against the Noticees are serious in nature and warrants exemplary penalties.

65. From the material available on record, it is not possible to quantify any gain or unfair advantage accrued to the Noticees or the extent of loss suffered by the investors as a result of the default of the Noticees. However, I find that the defaults were repetitive in nature. Further, the Noticees traded in the scrip in a manner meant to raise the price of the scrip and the net contribution of the Noticees to the total Net LTP and HTP is much higher which has resulted in the price rise of the scrip. This kind of activity seriously affects the normal price discovery mechanism of the securities market. People who indulge in manipulative, fraudulent and deceptive price rise should be suitably penalized for the said acts of omissions and commissions.

66. In order to adjudge the quantum of penalties, in light of the factors mentioned under 15 J of the SEBI Act 1992, I have analyzed the trade and order log to quantify the gains made by the Noticees, pursuant to the scheme of trading

executed by them with the intention to create artificial volume by attracting gullible investors and thereby offloading their shares to make substantial ill-gotten gains. The details of profit and loss made by Noticees have been arrived at by taking total buy and sell quantity along with average buy and sell rate which is mentioned as under. The details of the total buy and sell quantity and corresponding net sell quantity during IP is mentioned in the table below.

<u>Noticees' Cumulative Net sell share and value</u>

Name of the Noticee	Total Buy Qty	Total Sell Qty	Net buy/ sell qty
Chandrakant Tibrawalla	63963	225266	-161303
Umang Kamlesh Vora	142086	71580	70506
Brahmbhatt Tarunkumar Gurucharan	1898	160968	-159070
Arpita Kaur Arora	2999	24149	-21150
Prakash J Shah	6610	6881	-271
Krushnakumar Brahmbhatt	2542	13250	-10708
Kamala Kant Gupta	48633	79649	-31061
Sandip Shroff	5250	8779	-3529
Wealthsmith Share Broking Pvt Ltd	194273	286653	-92380
Total	**468254**	**877175**	**-408921**

67. I find it very pertinent to note that there has been a consistent pattern of trading among the Noticees where the Noticees are the counterparties for each other in their buy and sell transactions involving significant volume in the nature of transaction as illustrated in the paragraph above. While the connection between the Noticees have been reasonably forthcoming from the noting at para 18-28 above, the repeated and consistent trading pattern between the Noticees in the nature of trades as mentioned in the paragraph above further corroborates the connection between the entities.

68. In view of the aforesaid facts and circumstances and taking into consideration observation recorded at prepara 28, I am of the opinion that the connection

between the Noticees is conclusive. At this juncture, I also note the submission of the Noticees that their LTP trades were miniscule and therefore cannot be said to create artificial volume. In this regard, I note that, on a standalone basis the said submission may be accepted, however in the facts and circumstances as that of instant case, where the connection has been concluded to be evident, the said submission of the Noticees does not merit consideration as their overall contribution as a group cannot be ignored. (At this juncture it is pertinent to note that a significant sale of shares has been carried out by the group during the investigation period as noted in the paras above).The modus operandi adopted by the Noticees is detrimental to the smooth functioning of the securities market, and hence, deserve to be viewed seriously.

ORDER

69. In view of the above, after considering all the facts and circumstances of the case and exercising the powers conferred upon me under Section 15-I of the Act and Rule 5 of Rules, I hereby impose a monetary penalties on the Noticees as under:

Sr. No.	Name of the Noticee	Penal provisions as per the SEBI Act, 1992	Penalty Amount (in Rs)
1.	Chandrakant Tibrawalla	Section 15HA	5,00,000/-(Rupees Five Lakhs Only)
2.	Umang Kamlesh Vora	Section 15HA	4,00,000/-(Rupees Four Lakhs Only)
3.	Brahmbhatt Tarunkumar Gurucharan	Section 15HA	5,00,000/-(Rupees Five Lakhs Only)
4.	Arpita Kaur Arora	Section 15HA	4,00,000/-(Rupees Four Lakhs Only)

5.	Prakash Jitendrai Shah	Section 15HA	4,00,000/-(Rupees Four Lakhs Only)
6.	Krushnakumar Bhrambhatt	Section 15HA	5,00,000/-(Rupees Five Lakhs Only)
7.	Kamala Kant Gupta	Section 15HA	4,00,000/-(Rupees Four Lakhs Only)
8.	Sandip Shroff	Section 15HA	3,00,000/-(Rupees Three Lakhs Only)
9.	Wealthsmith Share Broking Private Limited	Section 15HA	10,00,000/-(Rupees Ten Lakhs Only)
TOTAL			**44,00,000/-(Forty Four Lakhs Only)**

70. In my view, the penalties imposed are commensurate with the defaults committed by the Noticees.

71. The amount of penalties shall be paid either by way of demand draft in favor of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or by e-payment in the account of "SEBI - Penalties Remittable to Government of India ", A/c No. 31465271959, State Bank of India, Bandra Kurla Complex Branch, RTGS Code SBIN0004380 within 45 days of receipt of this order. The said demand draft or forwarding details and confirmation of e-payment made in the format as given in table below should be forwarded to "The Division Chief (Enforcement Department - DRA-), Securities and Exchange Board of India, SEBI Bhavan, Plot no C-4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 052.

1	Case Name	
2	Name of Payee	
3	Date of payment	
4	Amount Paid	
5	Transaction No	

6	Bank Details in which payment is made:	
7	Payment is made for: (like penalties/disgorgement/recovery/Settlement amount and legal charges along with order details)	

72. In terms of Rule 6 of the Rules, copies of this order are sent to the noticees and also to the Securities and Exchange Board of India.

Date: March 29, 2019 **B J DILIP**

Place: Mumbai **ADJUDICATING OFFICER**