

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER
FINAL ORDER**

**Under Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of
India Act, 1992**

**In Re: Securities and Exchange Board of India (Prohibition of Fraudulent and
Unfair Trade Practices Relating to Securities Market) Regulations, 2003**

In respect of:

S. No.	Name of the Entity	PAN
1.	Mr. Parag Ramesh Kalwankar	ACDPK6238P

In the matter of Hasti Finance Ltd.

BACKGROUND

1. Hasti Finance Ltd. (hereinafter referred to as “**HFL / Company**”) is in the business of leasing, hire purchase and investment banking. The company is listed only on BSE.
2. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted an investigation in the scrip of HFL based on a reference received from the Principal Director of Income Tax (Investigation), Kolkata. The focus of the investigation was to ascertain whether there were any violations of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”) by certain entities in the scrip of HFL during the period August 27, 2010 to August 31, 2015 (hereinafter referred to as “**Investigation Period**”).

3. During the investigation period, corporate announcements were related to AGMs, declaration of financial results, consolidation of share capital, issuance of GDRs, preferential allotment, and other disclosures. No major impact of the corporate announcements on the scrip price was observed. Further, it is observed from the Investigation Report (hereinafter referred to as “IR”) that the company showed a rise in profit during the year ended March 2011 from ₹ 0.06 crore to ₹ 0.68 crore and thereafter showed a continuous fall between years ended March 2012 to March 2016. The company made a loss of ₹ 0.05 crore during year ended March 2016.
4. Based on price rise/fall, 6 patches were identified. A brief summary of the said 6 patches is as follows:

Period	Date		Opening Price (volume) on first day of the period(₹)	Closing price (volume) on last day of the period (₹)	Low price(volume) during the period (₹) / Date	High Price(volume) during the period (₹) / Date	Avg. Price / No. of (shares) traded daily during the period
Pre-Invsg.	27/05/2010 to 26/08/2010	Price	25.3	23.9	20.4 (27/05/2010)	36 (08/07/2010)	26.70
		Volume	1420	481	1 (14/06/2010)	15471(06/07/2010)	1738
Investigation – Patch 1	27/08/2010 to 06/06/2011 (price rise)	Price	23	84.2	18.35 (30/09/2010)	84.75 (06/06/2011)	44.75
		Volume	991	10271	1(31/07/2010)	76445 (07/04/2011)	6719
Investigation – Patch 2	07/06/2011 to 08/10/2012 (price fall)	Price	86.5	52.5	48.5 (17/09/2012)	88.8 (09/06/2011)	70.17
		Volume	5607	2307	1(05/09/2011)	73460 (05/07/2011)	4653
Investigation – Patch 3	09/10/2012 to 03/12/2012 (price rise)	Price	52.5	84.9	48.1 (10/10/2012)	89.65 (30/11/2012)	71.94
		Volume	1653	14195	10 (29/11/2012)	77982 (26/10/2012)	9249
Investigation – Patch 4	04/12/2012 to 05/04/2013 (price fall)	Price	84.65	43.2	43.20 (05/04/2013)	84.75 (05/12/2012)	71.70
		Volume	5289	1	1 (28/03/2013)	21742 (22/01/2013)	2628
Investigation – Patch 5	*11/04/2013 to 31/03/2014 (price rise)	Price	45.35	76.8	45.35 (11/04/2013)	80.9 (14/05/2013)	67.34
		Volume	1	1	1 (11/04/2013)	7500 (13/09/2013)	11797

Investigation - Patch 6	**09/04/2014 to 31/08/2015 (price fall)	Price	76.8	12.05	10.8 (29/07/2015)	76.8 (09/04/2014)	25.10
		Volume	3	2	1 (05/05/2014)	24580 (13/08/2014)	746
Post Investigation	01/09/2015 to 30/11/2015	Price	12.05	15.49	10.93 (09/10/2015)	15.49 (30/11/2015)	13
		Volume	20	18	1 (19/11/2015)	38838 (30/11/2015)	2229

* no trading between April 6, 2013 to April 10, 2013

** no trading between the period April 1, 2014 to April 8, 2014

SHOW CAUSE NOTICE

5. Consequent to the investigation, a show cause notice dated September 26, 2017 (hereinafter referred to as “SCN”) was served on Shri Parag Ramesh Kalwankar (hereinafter referred to as “Noticee”) in the extant matter. The SCN *inter alia* alleged as follows:

a) The Last Traded Price (hereinafter referred to as “LTP”) analysis of the 6 patches was done and the details of Patch 5 is given below:

LTP Analysis: Patch 5 - Price rise patch from April 11, 2013 to March 31, 2014:

- During this patch, the scrip price opened at ₹ 45.35 and reached high of ₹ 76.8. The net rise in the scrip price is ₹ 31.45. Since this was a price rise patch, buy side of the trades were analysed. On the basis of their net positive LTP contribution as buyers, the following top 10 entities were considered for further analysis:

Sr. No	Entity	All trades			LTP Diff. >0			LTP Diff. < 0			LTP Diff. =0		% of +ve LTP to Total Mkt +ve LTP
		LTP impact	Sum of Qty	No of trades	LTP impact	Sum of Qty	No of trades	LTP impact	Sum of Qty	No of trades	Sum of Qty	No of trades	
1	PARAG RAMESH KALWANKAR	23	26	26	26.8	14	14	-3.8	6	6	6	6	32.72
2	SAIRA AMANATALI SHAIKH	12	8	8	12	5	5	0	0	0	3	3	14.65
3	SAFIK KHAN	10.10	3	3	10.10	3	3	0	0	0	0	0	12.33
4	KISHOR DINKAR DESAI	9.70	13	13	11	7	7	-1.3	4	4	2	2	13.43

5	JEETENDRA NANJI MARU	3.65	10	1	3.65	10	1	0	0	0	0	0	4.46
6	MORBIA SHARAD CHIMANLAL	3.60	1	1	3.60	1	1	0	0	0	0	0	4.40
7	HASMUKHLAL SEVANTILAL DOSHI	3.50	1	1	3.50	1	1	0	0	0	0	0	4.27
8	UJWALA PRAMOD SHEJWADKAR	3.45	10	2	3.45	7	1	0	0	0	3	1	4.21
9	REKHABEN HASMUKHLAL DOSHI	3.30	1	1	3.30	1	1	0	0	0	0	0	4.03
10	RESHMA RAMACHANDRA RAO	2.85	7500	6	2.85	500	1	0	0	0	7000	5	3.48
	Total LTP of Top 10 entities	75.15	7573	62	80.25	549	35	-5.1	10	10	7014	17	97.99
	Remaining entities	-43.70	4224	20	1.65	274	1	-45.35	3911	15	39	4	2.01
	Market LTP	31.45	11797	82	81.90	823	36	-50.45	3921	25	7053	21	100.00

- From the above table, it is noted that top 10 buy entities have contributed ₹ 80.25 to positive LTP (97.99 % of total market positive LTP). Net positive LTP contribution of the above mentioned entities is ₹ 75.15.
- Out of the total purchase through 26 trades, Noticee contributed ₹ 26.8 to positive LTP (32.72% of total market positive LTP) through 14 trades. On analysis of these 14 positive LTP contributing trades, it was noted that in 7 trades, the buy orders were placed after the respective sell orders which already existed in the system at higher than LTP. While for the remaining 7 trades, the buy orders were placed before the sell orders. The counter parties to the above mentioned 14 trades were scattered and unconnected. However on further analysis of the positive LTP contributing trades of the Noticee, it was noted that out of the 14 positive LTP contributing trades, for 13 trades, the buy order placed by the Noticee was for 1 share. As stated above, in 7 of his trades, the buy orders were placed after the respective sell orders which already existed in the system at higher than LTP. In 5 out of these 7 trades, the sell order quantities were available in the range of 50 shares to 100 shares. In the 13 trades where he placed buy order for 1 share, the Noticee has contributed to ₹ 22.8 (27.84% to total market positive LTP) Details of the 14 positive LTP contributing trades are as under :

Sl. No.	Description	No. of trades	LTP Contribution (₹)	% of total market positive LTP
1	Trades where buy order qty is 1 share	13	22.8	27.84
2	Trades where buy order qty is more than 10 shares	1	4	4.88
3	All buy trades which contributed to positive LTP	14	26.8	32.72

- An illustration of top 5 positive LTP contributing trades is given below:

Batch Date	Buyer Name	Seller Name	Trade Time	Buy Order Time	Sell Order Time	Trade Price	LTP Difference	Buy Order Price	Sell Order Price	Trade Qty	Sell Order Disclose Vol	Buy Order Qty
02.05.2013	PARAG RAMESH KALWANKAR	JAYNEEL SECURITIES PRIVATE LIMITED	14:16:26.6250930	13:53:45.6843060	14:13:22.3243840	77.7	4	78.1	77.7	1	511	17
30.04.2013	PARAG RAMESH KALWANKAR	S RAMA MOHAN	11:15:58.2773360	10:42:40.4772270	10:55:27.6472160	74.6	3.55	74.6	74.6	1	110	1
29.04.2013	PARAG RAMESH KALWANKAR	KIRIT CHHAGANLAL SOLANKI	12:15:58.3932390	12:11:36.2762660	11:55:16.9993840	70.95	3.2	70.95	70.95	1	10	1
25.04.2013	PARAG RAMESH KALWANKAR	REKHABEN HASMUKHLAL DOSHI	11:16:22.6810510	11:08:27.3895690	10:46:00.8097400	64.55	3.05	64.55	64.55	1	50	1
22.04.2013	PARAG RAMESH KALWANKAR	KIRIT CHHAGANLAL SOLANKI	10:16:02.7456470	09:53:07.8624630	09:51:47.9558680	58.8	2.8	58.8	58.8	1	10	1

- As can be seen from the above, in respect of the 5 positive LTP contributing trades, the buy orders were placed for 1 share, for which quantity, the above trades were executed. These 5 trades for small quantity were executed on 4 days and contributed to significant positive LTP.
- Considering that Noticee had repeatedly entered into such trades (13 instances), it is alleged that Noticee was not acting as genuine buyer and had no bona fide intention to buy because in spite of most of the disclosed quantity of sell orders being much higher than his buy orders, he was placing small quantity buy orders by matching or placing slightly higher than sell order rates which were already above LTP at the time of buy order entry, or by

placing buy orders at prices above LTP which were subsequently matched by sell orders, thereby contributing to significant positive LTP. It is further alleged from the above trading pattern that the intention of Noticee was to mark the price higher.

- b) In view of the above it is alleged that the Noticee had manipulated the price of the scrip and created a misleading appearance of trading in the scrip by such trades. Hence, it is alleged that Noticee has violated Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2)(a) and (e) of PFUTP Regulations.
- c) The Noticee was advised to show cause as to why suitable actions/directions in terms of Sections 11(1), 11(4) and 11B of SEBI Act should not be initiated against her for the alleged violation of the provisions of PFUTP Regulations.

REPLY & HEARING

- 6. In response to the SCN, the Noticee vide an email dated October 11, 2017 *inter alia* submitted as follows:
 - He has done some trades in HFL but those are only meant for trading, His broker had suggested him the scrip. He did not know anything about the business of the company or any trading practices adopted by the broker.
 - He does not know any other investor or anybody related to the company.
 - He is still holding some shares of the company with good amount of notional loss.
- 7. Vide hearing notice dated November 12, 2018, Noticee was granted an opportunity of hearing on December 12, 2018 at SEBI Bhavan, Mumbai. However, due to administrative exigency, the scheduled hearing in the matter was postponed to December 13, 2018. The same was informed to the Noticee vide an email dated December 10, 2018.
- 8. On the day of the scheduled hearing, the Noticee attended the hearing in person. He submitted that he is an employee of Air India and has been trading in the market for the last 20 years. The entity for the first time during the course of the extant

proceedings submitted that he has not executed the trades for single shares in the scrip. Further, he submitted that he did not see / checked his demat statement during the relevant period. The entity was advised to submit additional written submissions along with broking statement and demat statement for the period April, 2013 to March, 2014 on or before December 20, 2018.

9. Pursuant to the hearing, the Noticee vide his email dated December 19, 2018 made the following additional submissions:

- The trades mentioned in the SCN were not initiated by him.
- He never gave any instruction to his broker verbal or written to carry out the trades.
- All the trades were carried out without his knowledge.

FINDINGS & CONSIDERATIONS

10. I have perused the SCN, written submissions, oral submissions and other materials available on record. On perusal of the same, the following issues arise for consideration:

- (i) Whether the Noticee has manipulated the price in the scrip of HFL and created a misleading appearance of trading in the scrip during the period April 11, 2013 to March 31, 2014?
- (ii) If answer to issue No. (i) is in affirmative, whether the Noticee has violated the provisions of PFUTP Regulations?
- (iii) If answer to issue Nos. (ii) is in affirmative, what directions, if any should be issued against the Noticee?

Issue No. 1 - *Whether the Noticee has manipulated the price in the scrip of HFL and created a misleading appearance of trading in the scrip during the period April 11, 2013 to March 31, 2014?*

11. It is noted from the material made available on record that the Noticee has executed 26 trades in the scrip for 26 shares. Out of the said 26 trades, 14 trades were over

the LTP for 14 shares. Out of the said 14 trades, for 13 trades, the buy order placed by the Noticee was for single share. In 11 out of 13 trades executed over the LTP, sell orders were in the range of 10 to 110 shares, yet the Noticee placed buy orders for one share at a time more or less at successfully higher prices. If the Noticee was a genuine buyer and had an interest in the scrip, he would have bought shares more than one at a time when they were available.

12. It is noted from the IR that when the Noticee was executing trades for single share, the daily average number of traded shares in the scrip was 11,797 shares compared to 2,628 shares during the previous period of December 4, 2012 to April 5, 2013, i.e. an increase of 77.72% in average number of shares traded daily. This shows that liquidity in the scrip had increase at the relevant time. It is also noted from the top 10 net LTP contributors as buyers that there were other buyers in the scrip who have executed trades for significant volume at LTP or lower than LTP. In light of the aforesaid, it can be said that the Noticee instead of executing 53.84% of his trades over the LTP, had the opportunity to buy shares at LTP or lower than LTP which is evident from his trade details also, confirming that he had also bought shares at LTP or lower than LTP. Further, Noticee being a buyer had on 7 instances, placed the buy order over the LTP before the sell orders. This shows that the Noticee was not behaving like a reasonable buyer who tries to buy shares at a low price. In Noticee's case he had himself bought shares in the scrip at LTP and lower than LTP.
13. Furthermore, it is noted from the IR that in 13 trades out of the 14 over the LTP trades, Noticee has placed buy order for single share. It is observed that the frequency of putting buy orders over the LTP in the said 13 instances, was high. The said buy trades were put immediately on the next trading day or maximum within an interval of 2 trading days, showing a consistency (both in terms of volume and price) in the way the Noticee was putting orders in the scrip. Further, the fundamentals of the company also does not justify Noticee's persistence of putting buy orders over the LTP.
14. At this juncture, I would like to quote the order of Hon'ble Securities Appellate

Tribunal in the matter of *Shri Lakhi Prasad Kheradi Vs. SEBI* decided on June 21, 2018 wherein the Hon'ble Tribunal was addressing the issue wherein the entity had contributed to 9.17% of the market New High Price in 9 trades for 1 share each for the total value of 9 shares within a span of two weeks. The Hon'ble Tribunal observed as follows:

"...Very fact that the appellant had indulged in self trades/ LTP/ NHP without giving any justifiable reason, clearly justifies the inference drawn by the AO that the trades executed by the appellant were manipulative trades..."

15. In the extant matter the Noticee by executing single trade on 13 instances, where his buy order quantity was also single share, has contributed to ₹ 22.8/- to the positive LTP which is 27.84% of total market positive LTP (highest contributor during the Patch). The justification given by the Noticee for executing such trades has changed over the course of the extant proceeding. In his reply to the SCN he had said that he had traded in the scrip based on the suggestion of his stock broker but at the time of hearing and in his additional submissions, he has stated that the said trades were executed without his knowledge. Thus, the Noticee is making contradictory / different submission which in itself is not acceptable. Even if it is accepted for a moment that someone else was trading in his account, I note that the Noticee has not demonstrated with documentary evidence, the steps taken by him subsequently i.e. after it came to his knowledge that someone else is operating his trading account, viz, correspondence with the stock broker, complaint filed w.r.t. to the said trading or against the dealer / stock broker etc. I also note that the Noticee would have received his contract notes / demat statements for the relevant period when the trading took place. On a perusal of the same, Noticee would have become aware of the trading but still in this case, Noticee kept quiet, which points towards his complicity in the extant matter.
16. Moreover, when the Noticee was executing single share trades in the scrip during the months of April- May, 2013, he had also traded in 8 other scrips. More so on April 30, 2013 and on May 2, 2013 when the trades in single share took place in the scrip of

HFL, Noticee has traded in 4 of the said 8 other scrips. Thus, the Noticee was taking / giving deliveries in other scrips, which indicates that he must be perusing / checking his demat account statement. Consequently, he must also be aware that the demat statement is also reflecting that he has taken deliveries in the scrip of HFL, as he was not doing intraday trading / jobbing in the scrip of HFL. So any suspicion that he had about the trading in the scrip of HFL, should have been raised at that point in time and not at this belated stage which leads to the conclusion that it is an afterthought. Therefore, the submission of the Noticee that the trades were carried out without his knowledge is not acceptable.

17. I note that trades at higher than LTP, undoubtedly have a potential of raising the price of the scrip and the same gives a wrong impression about the price of the scrip in the market based on miniscule quantities traded. It must not be forgotten that every trade establishes the price of the scrip and trades executed at higher than LTP results in the price of the scrip going up which may influence the innocent/gullible investors. In cases of market manipulation, admittedly, no direct evidence would be forthcoming / available. Manipulative transactions are to be tested on the conduct of parties and abnormality of practices which defy normal logic and laid down procedures. What is needed, is to prove that in a factual matrix, preponderance of probabilities indicate a fraud. In this regard, the observations of Hon'ble Supreme Court of India in *SEBI Vs. Kishore R Ajmera et.al.* decided on February 23, 2016 wherein the Hon'ble Court while deciding the matter under SEBI Act and PFUTP Regulations where there was no direct evidence forthcoming, observed as follows:

"It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which

the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion..."

18. In the instant matter Noticee has executed 53.84% of his total trades in the scrip over the LTP and all his trades in the scrip during the patch are for single share. Further the Noticee has repeatedly placed buy orders for miniscule quantity of shares over the LTP at frequent intervals, even though the sell order disclosed volume was for more than one share on multiple occasions. Thus, sell orders for higher quantities were existing in the system when the Noticee had placed order for single share. If the Noticee was a genuine buyer then he had the opportunity to buy more than one share of the company on multiple occasions but still he chose not to buy shares more than one at a time and continued to execute buy trades over the LTP by buying just one share at a time. Moreover, he was also placing buy orders over the LTP before the sell orders. Further, the fundamentals of the company also do not support the persistent interest shown by the Noticee in buying the scrip at prices higher than LTP.
19. Noticee has submitted that the Noticee does not know any investor in the scrip nor does he know anyone related to the company. In this regard, I note that the extant matter is not based on the connection between the Noticee and the company / investors in the scrip, rather on the manipulative transaction carried out in the scrip. As observed by Hon'ble Apex Court in the matter of *SEBI Vs. Kishore R Ajmera et.al*, in matters like the current one, totality of the attending facts and circumstances surrounding the allegations has to be seen to arrive at a conclusion.
20. In light of the aforesaid findings, it is held that the Noticee's trading in the scrip was manipulative in nature and had created a misleading appearance of trading in the scrip.

Issue No. 2 - *If answer to issue No. (i) is in affirmative, whether the Noticee has violated the provisions of PFUTP Regulations?*

21. Before embarking upon the necessary discussions, I would like to reproduce the relevant provisions of PFUTP Regulations:

Regulation 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.

Regulation 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;

22. In view of the conclusion arrived at paragraph 20 wherein it has been held that the trades for single share executed by the Noticee over the LTP in the scrip are manipulative and misleading in nature, it is also held that such trades are fraudulent in nature and would operate as deceit upon any person trading in the extant scrip. Further, as discussed in preceding paragraphs, the Noticee by executing manipulative trades in the scrip has also manipulated the price of the scrip. I therefore, find that the Noticee has violated Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2) (a) and (e) of PFUTP Regulations.

Issue No. 3 - *If answer to issue Nos. (ii) is in affirmative, what directions, if any should be issued against the Noticee?*

23. Section 11 of SEBI Act casts a duty on the Board to protect the interests of investors in securities and to promote the development of and to regulate the securities market. For achieving such object, it has been authorised to take such measures as it thinks fit. Thus, power to take all measures necessary to discharge its duty under the statute which is a reflection of the objective disclosed in the preamble has been conferred in widest amplitude. Pursuant to the said objective, PFUTP Regulations have been framed. The said Regulations apart from other things aims to preserve and protect the market integrity in order to boost investor confidence in the securities market. By executing manipulative trades, as has been executed by the Noticee in the instant matter, the price discovery system itself is affected. It also has an adverse impact on the fairness, integrity and transparency of the stock market. In view of the same and considering the violations committed by the Noticee, I find that it becomes necessary for SEBI to issue appropriate directions against the Noticee.

ORDER

24. In the facts and circumstances of the case, I, in exercise of the powers conferred upon me in terms of Section 19 read with Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992, hereby restrain Mr. Parag Ramesh Kalwankar (PAN: ACDPK6238P) from accessing the securities market for a period of four years from the date of this order and further prohibit him from buying, selling or otherwise

dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of four years, from the date of this order. Needless to say, in view of prohibition on sale of securities, it is clarified that during the period of restraint, the existing securities holding, including units of mutual funds, of the Noticee shall remain frozen.

25. The order shall come into force with immediate effect.

26. A copy of this order shall be served upon all recognised Stock Exchanges, Depositories and the Registrar and Share Transfer Agents to ensure compliance with the above directions.

-Sd-

DATE: January 21, 2019

PLACE: Mumbai

**MADHABI PURI BUCH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**