

## SECURITIES AND EXCHANGE BOARD OF INDIA

## ORDER

**UNDER SECTIONS 11(1), 11(4) AND 11B OF THE SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 IN THE MATTER OF SHREEKRISHNA BIOTECH LIMITED**

In respect of:

Sl. No.	Noticees /Name of the entities	PAN
1	Keval Chandrakant Shah	CDWPS5830H
2	Henal Hemantbhai Shah	EXHPS9436L
3	Chintan A Kapadia	AVLPK7128H
4	Vimal Brahmbhatt	ATYPB3828L
5	Pragnesh Vishnubhai Patel	BARPP2493N
6	Akshaykumar Anirudh Pandya	AQBPP1300R
7	Urvashiben Akshaykumar Pandaya	BOAPP1899D
8	Karan Rajeshkumar Shah	DXKPS6204L
9	Vipul Mohanlal Joshi	BKKPM5863Q

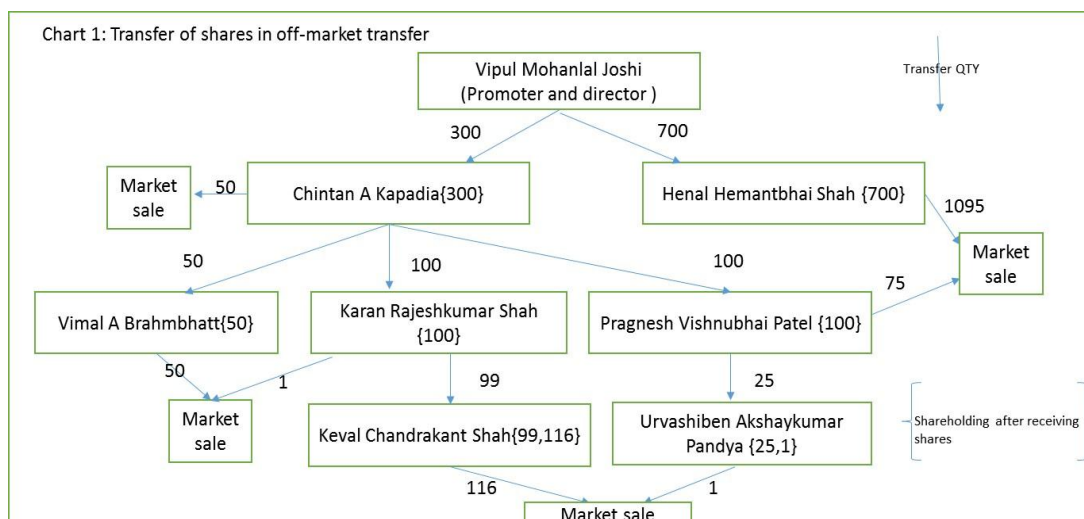
(These persons are collectively referred to as “Noticees”)

**Background in brief**

1. Securities and Exchange Board of India (hereinafter referred to as ‘SEBI’) conducted an investigation into the trading in the scrip of Shreekrishna Biotech Ltd. (hereinafter referred to as ‘SBL/the company’) for the period November 1, 2012 to July 31, 2015 (hereinafter referred to as ‘Investigation Period’). The investigation, inter-alia, revealed that the shares of SBL were suspended from trading on the Bombay Stock Exchange (BSE) since November 22, 1995. The suspension from trading was revoked on November 19, 2012. On November 20, 2012 the price of the scrip opened at Rs.10.83, thereafter, in only 201 trades the price of the scrip increased to Rs.337.15 on December 18, 2014. Thus, the price of the scrip had abnormally increased manifold on low trading volume during this period.

Subsequently, the price of the scrip declined to a low of Rs.156.6 (on July 21, 2015). During the period from November 20, 2012 to July 21, 2015 there were only 253 trades in the scrip for 11,361 shares. It was also observed that during the period of investigation, there was no major corporate announcement by the company and the financial performance of the company during this period did not support such steep increase in price of shares of the company.

2. Investigation also revealed that the company had allotted 80,00,000 equity shares to 48 entities on January 27, 2014 at the rate of Rs.20 per share against conversion of warrants on a preferential basis. These shares were under lock-in till January 26, 2015. As per the shareholding pattern submitted to BSE for quarter ending March 2014, after preferential allotment, the promoters and preferential allottees of the company owned 88.68% of shareholding of the company.
3. On May 23, 2014, Mr. Vipul Mohanlal Joshi (Noticee No. 9), one of the promoter and director of SBL, transferred 1000 shares of SBL in off-market deals to Ms. Henal Hemantbhai Shah (Noticee No. 2) and Mr Chintan A Kapadia (Noticee No. 3). Mr. Chintan Kapadia further transferred most of his shares in off-market deals to Mr. Vimal Brahmbhatt (Noticee No. 4), Mr. Karan Rajeshkumar Shah (Noticee No. 8) and Mr. Pragnesh Vishnubhai Patel (Noticee No. 5). Mr. Chintan Kapadia quickly transferred 50 shares to Noticee No 4, 100 shares each to Noticee No 5 & Noticee No 8 and sold the remaining 50 shares in the market from May 28, 2014 onwards. It is also observed in the course of investigation that Noticee No 5 & 8 have further transferred 25 shares and 99 shares respectively to Ms Urvashiben Akshayakumar Pandya (Noticee No. 7) and Mr. Keval Chandrakant Shah (Noticee No. 1) in off-market deals. These entities, i.e. Noticee No 1 & 7, used the shares to trade in the market. Mr. Akshaykumar Anirudh Pandaya (Noticee No. 6) who shares a common phone number and email address (as per information furnished in KYC application form) with Ms. Urvashiben A Pandaya (Noticee No. 7) bought 5 shares from the market and traded in the scrip. The details of off-market transfers and further trades by the respective Noticee as stated above, are depicted in following chart.



4. During the investigation it was observed that the Noticees are connected /related to each other and in all the aforesaid off-market transactions, consideration for transfer of shares were not paid through banking channels. Most of the transactions were claimed to be made by way of gift or repayment of borrowed money. Noticee No. 1 to 8 have also traded in the scrip in the market during the period of investigation. They have together purchased total of 1104 shares constituting 10.73% of the total traded quantity bought in the market and sold 1393 shares constituting 13.53% total traded quantity sold in the market during the period of investigation. The trading behaviour of these Noticees were similar. Noticee No 1 to 8 were repeatedly placing sell orders in very small quantities, one after another, at a price much higher than the Last Traded Price ( hereinafter referred to as 'LTP') while buy orders for large quantities were pending in the system. As a result, the trades of these entities contributed Rs.265.80 to the market positive LTP (81.44% of positive market LTP). It was also found that these entities were sellers in 113 out of the 131 positive LTP trades executed during the investigation period, thereby causing the price of the scrip to abnormally increase from Rs.10.83 to Rs.337.15.
5. On the basis of aforesaid findings, SEBI issued a common Show Cause Notice (hereinafter referred to as 'SCN') dated July 24, 2017 to the above named nine Noticees alleging that they are connected/related among themselves and by acting in concerted manner they have caused manipulation in the price of the shares of SBL by repeatedly placing sell orders in very small quantities above LTP. They were allegedly doing this even when they were holding

shares and there was substantial demand for buying the shares at the sell price quoted by them. The Noticees are therefore alleged to have indulged in creating and establishing a higher price from the LTP of the scrip and thereby contributing to artificial increase in price in the scrip of SBL. In view of the same, it has been alleged that the acts of the Noticee No 1 to 8 were in violation of regulation 3(a), (b), (c), (d), 4(1), 4(2)(a) and (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as PFUTP Regulations) and the acts of Noticee No. 9 were in violation of regulation 3(a), (b), (c), (d), 4(2)(d) and (e) of PFUTP Regulations. Hence, they were required to show cause as to why suitable directions under sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 (SEBI Act) should not be issued against them.

6. The SCNs were delivered to the Noticees. In response to the SCN, vide letter dated August 2, 2017, Mr. Vipul M Joshi (Noticee No. 9) requested for inspection of documents relied upon in the matter and authorised Mr. Vikas Bengani to represent him in the matter. Mr. Vikas Bengani (Authorised Representative) inspected the documents on September 29, 2017. Subsequently, Mr. Vipul M Joshi filed his reply in the matter vide letter dated February 9, 2018. The summary of his reply is as under:
  - i. There was not much trading in the shares of SBL during the period November 20, 2012 to May 22, 2014. The total traded volume generated during this period was only 2436 shares, however, the price of the scrip increased from Rs.10.83 to Rs. 26.90 (148%).
  - ii. On May 23, 2014, he sold shares of SBL in off-market deals to Ms. Henal Hemantbhai Shah (Noticee No. 2) and Mr. Chintal A Kapadia (Noticee No. 3). The consideration amount was in few thousand rupees, hence the same were received in cash.
  - iii. Despite poor financial performance of the company there were huge buying interest of investors in the scrip.
  - iv. It has been submitted that no connection/relation, either direct or indirect, has been established between Noticee No. 1 to 8 and major buyers in the scrip of SBL from the market during the period of investigation.

- v. The Noticee has denied that he is related/connected with Noticee No. 1 to 8. It is submitted that he entered into only two off-market transactions (one with Ms. Henal H Shah and other with Mr. Chintan A Kapadia) on May 23, 2014 and sold 1000 shares, which is not illegal. The Noticee submits that he should not be held responsible for what the purchasers of those shares ultimately did with the shares purchased by them, which have been alleged to be manipulative, based on their trades.
  - vi. He has not offloaded the shares of SBL in the market and is not a beneficiary of the alleged price manipulation.
7. Mr. Akshaykumar Anirudh Pandaya (Noticee No 6) and Ms. Urvashiben Akshaykumar Pandaya (Noticee No 7) filed their replies on August 16, 2017. It has been stated in their replies that they are husband and wife, and that Mr. Akshaykumar A Pandaya had given a loan of Rs. 10,000/- to Mr. Pragnesh Vishnubhai Patel (Noticee No. 5). After some time, Noticee No. 5 settled the loan amount by returning an amount of Rs. 5,000/- in cash and transferring 25 shares of SBL in the demat account of his wife, Ms. Urvashiben Akshaykumar Pandya, on November 10, 2014. It has been stated that Ms. Urvashiben Akshaykumar Pandya sold only one share and is still holding the remaining shares. It has further been stated that as the price of the shares of SBL was continuously going up so Mr. Akshaykumar Pandya also purchased 5 shares from the market and sold them at profit. He along with his wife Ms. Urvashiben Akshaykumar Pandya also have filed additional reply vide letters dated September 15, 2017 and September 20, 2017 respectively. Interestingly, the contents of long portion of two replies are almost identical to the contents of other replies dated September 20, 2017 received from Noticee No. 1, 3, 4, 5, & 8 in this case. The summary of these identically worded replies of the above mentioned Noticees are as under:
- i. Noticees have stated that they are friends or relatives.
  - ii. They started investing in shares from the earnings which they made from their small business or part time job etc. They are small investors and invest in securities by taking various expert advice from CNBC and other business news channel on television.
  - iii. They came in contact with one Mr. Ashok Hiralal Shah at the office of their stock

broker. Mr. Ashok Hiralal Shah offered them money in return for letting him use their demat accounts as per his wish. Noticees allowed him to use their demat accounts for a consideration. He utilised the demat account of Noticee no. 1 to 8 for trading in the shares of SBL. The money for purchase of shares was invested by him and the sale proceeds were given back to him in cash by these Noticees.

- iv. It has been submitted that they are not the ultimate beneficiary of the transactions and are not behind the price manipulation as alleged in the show cause notice. Hence, they have not violated the provisions of the PFUTP Regulations as alleged in the SCN.

8. Apart from offering the aforesaid identical submissions, Mr. Chintan A Kapadia (Noticee No. 3) in his reply dated September 20, 2017 has also stated that he purchased 300 shares of SBL from Mr. Vipul M Joshi. Out of these 300 shares, he transferred 100 shares to Mr. Karan Rajeshkumar Shah against old debt. He also transferred 100 shares to Mr. Pragnesh Vishnubhai Patel and 50 shares to Mr. Vimal Brahmabhatt. The remaining 50 shares were sold by him in the market in 13 trades.
9. Mr. Karan Rajeshkumar Shah (Noticee No. 8) and Mr. Keval Chandrakant Shah (Noticee No. 1) have stated in their replies that they are cousin brothers. Mr. Karan Rajeshkumar Shah gifted 99 shares of SBL to Mr. Keval Chandrakant Shah. Keval Chandrakant Shah also purchased 17 shares of SBL from the market on November 26, 2014. He sold in all 116 shares of the scrip in 60 trades.
10. Ms. Henal Hemantbhai Shah (Noticee No. 2) initially did not file her reply. SEBI sent a reminder letter dated January 18, 2018 asking her to submit her reply to SCN, if any, within 15 days. In response, an email dated January 22, 2018 was received wherein it is stated that she is a housewife, educated in home science and that her trading account was used by Mr. Vipul M Joshi (Noticee No 9) and Mr. Ashok Hiralal Shah for a consideration.
11. An opportunity of hearing was granted to all the Noticees on October 16, 2018. No one appeared for Noticee No. 1 to 8. Mr. Vikas Bengani appeared for hearing on behalf of Mr. Vipul M Joshi (Noticee No. 9) and presented his arguments mostly on the lines of written

reply filed on his behalf. On the question as to how Noticee No. 9 came in contact of Noticee No. 2 & 3, to whom he made off-market sale of SBL shares, Shri Bengani stated that his client knew these persons through a common friend. Shri Bengani was advised to furnish the details of the common friend who helped in transfer of SBL shares in off-market deals to Noticee no. 2 & 3 and to explain the circumstances under which the two persons who were living at different far off places became interested in purchasing the shares of SBL. He was also asked to furnish details of Ashok Hiralal Shah, about whom Noticee No. 1 to 8 had mentioned in their replies. Shri Vipul M Joshi replied vide letter dated October 22, 2018, stating that he came in contact with Noticee No. 3 through a common friend named Mr. Kishan Kumar Modi. However, no further details about Kishan Kumar Modi has been provided. With regard to Mr. Ashok Hiralal Shah, it has been stated that he has no connection/relation with Mr. Ashok Hiralal Shah and that there was no transaction between him and Mr. Ashok Hiralal Shah.

12. Since, none appeared on behalf of Noticee No 1 to 8 on October 16, 2018, either in person or through authorised representative, despite having been duly served with the notice of hearing, to meet the ends of natural justice it was thought fit to accord another opportunity of hearing to the Noticees and accordingly the next date of hearing was fixed on December 06, 2018. While intimating the grant of hearing vide letter dated October 30, 2018, Noticee No. 1 to 8 were also advised to furnish the following documents and information:

- i. Address, father's name and other related details of Ashok Hiralal Shah.
- ii. Copy of trading/ demat account for the period December 1, 2013 to June 30, 2015.
- iii. Extract of Bank account statement used for the purpose of trading.
- iv. Details of mode used for communicating with the stock broker to place orders.
- v. Copy of Income Tax Return for the financial years 2012-13 to 2015-16.
- vi. Details of the amount of consideration received for letting the other entity use the trading account.

13. In response, Ms. Henal Shah (email dated November 17, 2018), Mr. Keval Shah (email dated November 22, 2018), Mr. Akshay Pandya (email dated November 28, 2018) and Mr. Pragnesh Patel (email dated December 3, 2018) replied to the aforesaid letter dated October

30, 2018. The contents of the replies are similar. They have reiterated that their trading accounts were misused. It has been stated that they are not having any information or documents, including bank statements with them. No details or documents have been provided on amounts received as consideration for allowing the purported other entity (Shri Ashok Hiralal Shah) to use their trading accounts for the purpose of trading in the shares of SBL.

14. On the date of hearing, i.e. December 6, 2018, again none of the entities appeared for hearing. However, Mr Vikas Bengani (Authorised Representative of Mr. Vipul Mohanlal Joshi) appeared. During the hearing he was asked to furnish details of receipt of sale consideration pertaining to off-market transactions of Noticee No. 9 with Noticee No 2 & 3. Vide email dated December 12, 2018, Shri Bengani has furnished a statement of account of Mr. Vipul M Joshi maintained with IndusInd Bank showing a deposit of cash amount of Rs.40,000/- into the account on May 26, 2014. It has been submitted that it appears that his client i.e. Noticee No. 9, has deposited the sale consideration of Rs. 25,000/- received in cash from Noticee No. 2 & 3 into this bank account.
15. I find that while Shri Bengani (AR of Noticee No. 9) has availed the opportunities of hearing granted to him and has presented his case on behalf of his client, the other Noticees, despite being given repeated opportunities of hearing, have chosen not to appear before me and have only submitted written replies to the SCNs. I am of the view that sufficient opportunities have been given to the Noticees to submit their replies to the SCN and furnish evidence / documents in support of their claim. Offering further opportunity of hearing to the Noticees who did not appear on their own volition will only delay the proceedings. Therefore, I am proceeding to decide the matter on the basis of materials available on record.

**Consideration and findings:**

16. I have gone through the contents of the SCN, replies received in the matter, documents available on record and the submissions advanced during the hearing. The main allegations against the noticees is that they are connected to each other and shares of SBL were made available to them by a promoter of the company for using the same to manipulate the price



of the scrip by repeatedly placing sell orders in small quantities above LTP in a concerted manner, even when there were substantial demand for buying the shares at the sell price quoted by them. The SCN alleges that regulation 3(a), (b), (c), (d), 4(1), 4(2) (a), (d) and (e) of PFUTP Regulations have been violated. The provisions of these regulations are reproduced hereunder:

Regulation 3. Prohibition of certain dealings in securities

*“No person shall directly or indirectly –*

*(a) buy, sell or otherwise deal in the 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;*

*.....*

*(d) paying, offering or agreeing to pay or offer, directly or indirectly, to any person any money or money's worth for inducing such person for dealing in any security with the object of inflating, depressing, maintaining or causing fluctuation in the price of such security;*

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

*.....”*

17. I would now proceed to examine as to whether or not, in the facts of this matter, the Noticees are related/connected to each other and the mode and manner of transacting and trading in the shares of SBL by the Noticees amount to violation of the aforesaid provisions of PFUTP Regulations.
18. I note that Mr. Vipul Mohanlal Joshi (Noticee No. 9) is a promoter and director of the company. Mr. Vipul Mohanlal Joshi transferred 300 shares of SBL to Mr. Chintan Kapadia (Noticee No 3) and 700 shares to Ms. Henal Hemantbhai Shah (Noticee No. 2) in off-market deals on May 23, 2014. Ms. Henal Hemantbhai Shah has replied that she is a house wife having education in home science. She has not provided any document to claim to be regular trader in securities market. She stated that Mr. Vipul Mohanlal Joshi is a good friend of her husband Mr. Amish Dantara. Mr. Vipul M Joshi vide letter dated December 21, 2016 has also admitted that he knows Amish Danatra for last 5-6 years. In response to a query as to how he came to know about Noticee No 3 i.e. Mr. Chintan Kapadia, one of the off-market recipient of his shares, it has been stated that he came to know about Noticee No 3 (Mr. Chintan Kapadia) through a common friend named Mr. Kishan Kumar Modi. Contrary to this claim, Noticee No 3 has stated in his letter dated December 23, 2016 that Noticee No 9 (Shri Vipul M Joshi) was a client of his readymade garment business. I further note that the said letter dated December 23, 2016 of Noticee No. 3 was very much a part of the SCN served on Noticee No. 9. Thus, despite being aware of the statement made by Noticee No 3 regarding their association, the Noticee No 9 did not deny his association as being the customer of the Noticee No 3 and instead has stated about a common friend through whom he knew the Noticee No. 3. In this regard it is also noted that no further details about the common friend, Shri Kishan Kumar Modi, could be provided by the Noticee No. 9. If the Noticee No. 9 has a friend named Shri Kishan Kumar Modi he should have been able to give the details of that person's identity and whereabouts. However, Noticee No. 9 chose to evade my request and did not furnish the details. Therefore, the statements made by Noticee No 9 in this regard cannot be called reliable as it differs from the statement made by Noticee No. 3 about his association with Noticee No. 9. In any case it is clear that Mr. Vipul M Joshi is known to both the Noticee No 2 & 3, namely, Ms. Heanal H Shah and Mr. Chintan A Kapadia, to whom he has transferred shares in off-market deals.

19. It is also noted that as a promoter and director of the company, Noticee No 9 was aware about the reasons for suspension of the scrip of SBL from trading on exchange platform and the fact of subsequent revocation of suspension of the scrip. He was also aware of the financials of the company and the details of preferential allotment made by the SBL to non-promoter entities. In spite of being aware of these facts and the fact that suspension from trading in the shares of the company had already been revoked and trading in the shares had resumed on the stock exchange platform, Noticee No 9, preferred to transfer a small quantity of the shares of the company in an off-market deals to two known persons, who in turn transferred those shares in small quantities to other entities connected/related to them, who in turn used the shares in manipulating the price of the scrip.
20. Noticee No 9 has submitted that the off-market sale of securities are neither prohibited nor can be said to be bad in law. Rather, the law provides for such off-market sale/transfer of securities, subject to compliance with conditions prescribed under law. I have carefully perused the SCN and reply of the entities. It is nowhere alleged that transfer of shares in an off-market mode was against the law. The issue under scrutiny here is whether the alleged off-market transfers have been made as a normal sale/purchase transactions of securities between two individuals or the appending circumstances raise a doubt on the inherent intent behind the said off-market transfer of the shares.
21. From the reply of the Notice No 9 I find that no credible/convincing explanation has been adduced with any supporting document as to under what circumstances and with what object in mind he decided to effect the sale to Noticee No 2 & 3. The reply does not throw any light on the mode and manner of receipt of consideration against the sale of the securities to the Noticee No 2 & 3. There is nothing concrete in the reply to help me understand as to how the two individuals, one based in Mumbai and the other in Gujarat came in contact with each other and decided to enter into an off-market transaction in the securities. When asked about the receipt of payment of consideration by the Noticee No 9, a copy of bank statement has been furnished by the Noticee No 9 wherein an entry of cash deposit of Rs 40,000/- is shown on May 26, 2014 in his bank account. In the reply furnished by him vide letter dated December 11, 2018 he has stated that he is not sure as to whether he had deposited the amount of consideration in bank. As per his claim, 1000 shares were sold in off-market

transfer to Noticee No 2 & 3 @ Rs.25 per share (amounting to Rs.25,000/-), whereas the entry in the bank account is for Rs 40,000/-. The amount deposited is not matching with the amount claimed to have been received. Thus, no evidence has been furnished by the transferor or transferee to show that the off-market transaction was a genuine sale transactions executed in normal course of dealing in securities.

22. As mentioned earlier, Mr. Chintan Kapadia (Noticee No 3) had received 300 shares of SBL from Mr. Vipul Mohanlal Joshi (Noticee No 9) in off-market deal. Mr. Chintan Kapadia has submitted in his reply that he was of the view that the shares of SBL would give him good returns in the long run so he purchased these shares. However, he has not been able to explain as to how and based on what information he formed such an opinion that his investment in the shares of SBL would give him a good return. There is no evidence to suggest that he had attempted to buy shares of SBL on the exchange platform and having failed to buy to the same, he had to resort to off-market purchase from Noticee No 9. No explanation has been offered with regard to the mode of payment with supporting proof on the above share purchases. Although the Noticee No 3 bought shares of SBL believing that it would give him good returns in long run, strangely he transferred most of the shares (200 out of 300 shares) on June 6, 2014, i.e. within 15 days of his off-market purchase. He transferred 100 shares to Mr. Karan Rajeshkumar Shah and 100 shares to Mr. Pragnesh Vishnubhai Patel. Further, within next 13 days, i.e., on June 19, 2014, the Noticee transferred 50 shares to Mr. Vimal Brahmbhatt. Thus, within a very short time span, he was left with only 50 shares of SBL which he started selling in the market by placing sell orders of one share each on different trading days at prices higher than the LTP. Noticee No 3 in his reply has further stated that the transfer of shares from him to Mr. Karan Rajeshkumar Shah and Mr. Vimal Brahmbhatt were towards settlement of old debts. However no documentary evidence of the said debt have been submitted to support his contention. With regard to transfer of shares to Mr. Pragnesh V Patel, he could not produce evidence showing receipt of payment for sale of 100 shares to Mr. Patel. Thus, transfer to all the three persons by Noticee No. 3 was found to be without any consideration, hence, the submission of the noticee that these transactions were genuine off-market transfers does not get support from any supporting evidence. It rather establishes a connection between Noticee no. 3 and the persons to whom he has transferred his shares of SBL for free.

23. It is also found during the course of investigation that Mr. Karan Rajeshkumar Shah (Noticee No 8) who received 100 shares of SBL from Chintan A Kapadia (Noticee No. 3) transferred 99 shares to Mr. Keval Chandrakant Shah (Noticee No 1) on June 25, 2014. It has been stated by them that they are cousins and the transaction between them was one of gift. Mr. Pragnesh Vishnubhai Patel also transferred 25 shares (out of 100 shares he received from Mr. Chintan Kapadia) to Ms. Urvashiben Akshayakumar Pandya (Noticee No. 7). Ms. Urvashiben Akshaykumar Pandya has stated that she received 25 shares of SBL from Mr. Patel towards settlement of old debt of her husband (Noticee No. 6). No documentary evidence of the said debt has been produced and no explanation has been offered as to why the shares were credited in the demat account of the Noticee No 7, whereas the loan was claimed to have been advanced by Noticee No 6. Ms. Urvashiben Akshaykumar Pandya and Mr. Akshaykumar Anirudh Pandya being husband and wife are connected parties who were also trading in shares together. Apart from the the above transaction involving his wife, Mr. Akshaykumar Pandya (Noticee No. 6) also purchased 05 more shares of SBL from the market and traded in the scrip in the pattern which was similar to other Noticees with a view to increase the price of the scrip. Thus, it is observed that shares of SBL, originally received by Mr. Chintan Kapadia from Mr. Vipul Joshi in an off-market deal, were transferred to other Noticees who used them to trade in the market and also used for onward transfers to other Noticees. It is also noted from the submissions of these Noticees that such share transfers between them have taken place apparently without any consideration.
24. Adverting to Ms. Henal Hemantbhai Shah (Noticee No 2) who had received shares of SBL (700 shares) in an off-market deal on May 23, 2014 from Mr. Vipul Mohanlal Joshi, it is noted that Ms. Shah vide letter dated December 21, 2016 has admitted that Mr. Vipul Mohanlal Joshi is a friend of her husband Mr. Amish Dantara. As stated by her, she purchased shares from Mr. Vipul Joshi in an off-market deal as she was of the view that the shares of SBL would give very good return on a long term basis. However, no information has been furnished as to how she formed the view that the shares of SBL will give good return in long term. Further, with regard to submission of the Noticee that it was difficult to purchase shares on the exchange platform, I note that no details about any attempt made by her to purchase shares of SBL has been provided. It is also noted that she was able to

purchase 1082 shares of SBL (more than the shares she purchased in off-market deal) on the online trading platform of stock exchange, therefore, her submissions about her compulsion to buy off-market has no merit. Further, no documentary evidence has been furnished to show that payment for receipt of shares were made by her.

25. I note that Noticee No. 1 to 8 have filed their written replies to the show cause notice. In their replies they have reiterated their submissions made during the investigation which indicate that they are either close friends or related /connected with each other. In his submissions, Noticee No 9 has contended that he is not having any connection with other Noticees. However, on the contrary, in the earlier discussion, it has been already demonstrated that he was connected to the two Noticees, viz. Noticee No. 2 & 3 to whom he had transferred shares. I also note that no plausible explanation has been offered by Noticee No 9 to demonstrate as to how and why he preferred to effect the off-market transfer to Noticee No 2 & 3 when the shares were very much tradable on the exchange and buyers were available on the exchange platform. He could have easily sold those shares on the exchange platform instead of selling the shares of the company in off-market deals to known persons, who in turn transferred them to other connected persons who were allegedly involved in manipulation of price of the scrip. Moreover neither the Noticee No 9 nor any other Noticees could provide any evidence to show that the off-market transfer of shares were transacted for consideration. As per their claim it was either paid as cash or as gift/ repayment of borrowed amount. The argument furnished by the transferee Noticees that they acquired shares SBL to earn good return in long run is also not supported by their actual action as they disposed of the shares very quickly after acquisition. Thus, no tangible evidence has been furnished by the transferor or transferee to show that the off-market transactions were undertaken as normal and genuine transactions undertaken in due course of business and were done in a manner in which it is normally undertaken by a prudent person who deals in securities. Absence of the above indicates some other ulterior intent of the Noticees to deal with the shares which would not have been possible by transacting on an anonymous exchange platform. It was also seen earlier that Noticee No. 1 to 8 have claimed another common linkage, i.e. one Shri Ashok Hiralal Shah, who is supposed to have used their demat accounts in lieu of monetary consideration. Although no supporting evidence has been furnished to testify this claim, it shows that all these Noticees are

connected with each other and have tried to take a common stand on the role in the case. Keeping in view the discussions above and the mode, manner and timing of the off-market transactions in the shares of SBL it is evident that all the Noticees were connected with each other for the purpose of trading in the scrip.

26. Having observed that the Noticees are related/connected entities, I proceed to examine as to whether the trades carried out by the Noticees can be called having the ingredient of a fair trade, as if executed in the normal course of transaction, or these transactions attract the provisions of PFUTP Regulations as has been alleged in the SCN.
27. Most of the Noticees have submitted that they do not have good educational background, and that they are small investors and had purchased the shares of SBL under a believe that in long term it would fetch a good return for them. Some of them have also claimed that their investment decisions was guided by the expert advice from CNBC and other Business News channels in TV. Noticee No 1 to 8 have further contended that the alleged manipulative sale orders were not placed by them personally but by a person named Mr. Ashok Hiralal Shah to whom they had lent their trading accounts in return for money and it was Mr. Ashok Hiralal Shah who was placing the orders for the trades done in their names for the shares of SBL during the period of investigation. In order to ascertain the veracity of the claim advanced by the Noticees, more particularly Noticee No 1 to 8 were asked to furnish details of Mr. Ashok Hiralal Shah in support of their reply. They were also asked to furnish the details of consideration received from him for letting him use their demat accounts and also to substantiate their claim that money used for the transaction in securities was actually spent by Mr. Ashok Hiralal Shah. In this regard, I note that only four noticees, namely, Ms. Henal Shah, Mr. Keval Shah, Mr. Pragnesh Patel and Mr. Akshay Pandya responded to the aforesaid queries but their replies are evasive and do not provide the requisite information as called from them. It has been stated by them that they are not having any information or documents, including bank statements with them. They could not even provide the details on amount of consideration received from Shri Shah in lieu of use of their demat accounts for trading in the shares. Thus, the Noticees have failed to support their claim that their trading accounts and demat accounts were misused for the alleged manipulative trades by Mr. Ashok Hiralal Shah.

28. Now, coming to the alleged price manipulation of the scrip of SBL, the SCN mentions that there was large demand (buy order quantity) for shares of SBL on the exchange platform during the investigation period. However, Noticee No. 1 to 8 were found repeatedly placing sell orders for very small quantity at a price much higher than LTP. The order-wise details of sell quantity and pending buy order quantity for trades undertaken by Noticee No. 1 to 8 during the investigation period was provided to the Noticees along with the SCN. Noticee No. 1 to 8 have not denied about the execution of the trades, rather admitted with a rider that the trades were executed by some third person (Shri Ashok H Shah) under an understanding that profit made out of such transaction would be shared amongst themselves. As pointed out above, the Noticees have failed to produce any evidence to support their claim. As an illustration, first 10 sell orders of Mr. Chintan A Kapadia (Noticee No. 3) is analysed hereunder to know and understand the modus operandi devised and adopted by the Noticee for inflating the price by misusing the market mechanism. The details of the trade executed by Noticee No 3 are as under:

**Order Log Analysis of sell orders of Mr. Chintan A Kapadia**

Order Date	Order Time	Sell Order No	Sell Order Rate	Sell Order Qty.	Pending Buy Order Qty. at this Price	Last Traded Price (LTP)	Share Holding Before Sell Oder
28/05/2014	13:58:58	1401247800003046003	27.40	1	2300	26.9	300
29/05/2014	10:44:08	1401334200013047004	27.90	1	3000	27.4	299
30/05/2014	09:36:33	1401420600002043002	28.45	1	2000	27.9	298
02/06/2014	09:22:54	1401679800001062003	29.00	1	3000	28.45	297
03/06/2014	09:19:20	1401766200007044003	29.55	1	3400	29	296
04/06/2014	09:41:27	1401852600006074004	30.10	1	3450	29.55	295
05/06/2014	09:34:11	1401939000001079004	30.70	1	4990	30.1	294



06/06/2014	09:30:50	1402025400001073002	31.30	1	2500	30.7	94*
10/06/2014	09:29:36	1402371000002042002	32.50	1	1900	31.9	93
12/06/2014	09:25:34	1402543800001056003	33.80	1	2390	33.15	92

\* Transferred 100 shares to Karan Rajeshkumar Shah and 100 shares to Patel Pragnesh Vishnubhai

29. I find from the above that, **Mr. Chintan A Kapadia** had received 300 shares of SBL from Mr. Vipul M Joshi, promoter and director of SBL, on May 23, 2014. He started selling those shares from May 28, 2014. It is clear from the order log analysis of his first 10 sell orders given above that he was repeatedly placing sell orders for one share when buy orders were pending for large quantity. Further, the sell orders were being placed at a price higher than the Last Traded Price (LTP). I note that Noticee No 3 has claimed to have invested in the shares of SBL under the believe that it would give good returns to him in the long run, whereas, it can be seen above that he indulged himself in effecting sale within seven days of the investment and his trades were such that with each sale of one share, the prices of the scrip were rising. I also note that many of the trades were executed during early hours of the day. In the circumstances, it is observed that the noticee was supplying shares in such a controlled manner and releasing them above LTP so as to artificially inflate the price. It is trite law that pattern of trade can at times indicate the intent of the executor of those trades. It is also noted that contrary to his intention to buy the scrip for good long term returns, the Noticee had transferred most of the shares in off-market deals to other connected entities within a short time who again sold shares on the platform of the stock exchange. I note that the order log analysis of sell trades of other seven entities of the group reveal similar pattern of execution of trades. Thus, most of the sell orders were placed by these entities for very small quantities (1 to 3 shares) and the sell order price was higher than the last traded price.
30. **Shri Karan Rajeshkumar Shah** (Noticee No 8), who has received 100 shares in off-market from Noticee No 3 on June 06, 2014, sold one share on June 11, 2014 at a price higher than the LTP and transferred the remaining 99 shares to Noticee No 1 on June 25, 2014. Noticee No. 1 in turn sold these 99 shares in the open market through the mechanism of stock exchange. I note that the Noticee No 1 (**Shri Keval Chandrakant Shah**) made 55 trades between June 26, 2014 and October 17, 2014 to effect the sale of only 99 shares of SBL and

thereby contributed Rs.94.15 (28.84%) to positive LTP of the scrip through his trades. Further, the sell orders in each of these 55 trades were placed for 1-3 shares. The Noticee No 1 has sold 116 shares and his trades contributed Rs.106.15 (32.52%) to positive LTP through 56 sell trades. I find that on an average, the Noticee has not even sold 2 shares in each trade and the modus devised by the Noticee to effect the sale were such that it would raise the price of the scrip. Therefore, these trades cannot be said to fall under normal trades, more particularly, considering the financials and fundamentals attributable to the company.

31. As stated earlier, Noticee No 4 (**Shri Vimal Brahmbhatt**) had received 50 shares of SBL from Noticee No. 3 on June 19, 2014. He sold those 50 shares in 25 trades and contributed 5.97% to positive LTP. In each of his trades he had placed sell orders for 1-3 shares while there were large buy orders quantities pending at that price and most of these sell orders were above the LTP. The unusual manner in which the trades were executed by him cannot be said to have been executed in the normal course of trading in shares done by investors in the stock exchange.
32. Noticee No 2 (**Ms. Henal H Shah**) had received 700 shares of SBL from Noticee No 9 on May 23, 2014. Out of the said shares she sold only 13 shares in 11 trades during the period October 20, 2014 to November 07, 2014. Investigation reveals that her trades contributed 10.97% to market positive LTP. Additionally, she also purchased 1082 shares of SBL from the market on November 28, 2014 and again sold them in the market in 15 trades during the period December 05, 2014 to December 17, 2014 at a substantial profit. From the submissions made by Noticee No 2, it is known that she is a housewife and admittedly having no knowledge in securities market. In her reply she has stated that Mr. Ashok Hiralal Shah and Noticee No 9 were responsible for the trades executed from her trading account as they were the persons who were using her trading account. In this connection it has already been observed that Noticee No.2 and other Noticees have not been able to produce any evidence to substantiate their claim that Ashok Hiralal Shah was the person who was behind all their trades and they were merely name lenders.
33. In so far as the statement about involvement of **Shri Vipul M Joshi** (Noticee No. 9) in these manipulative trades is concerned, it is Noticee No. 9 who was directly or indirectly involved

in transferring shares of SBL in off-market deals to Noticee No. 2 & 3 and through them to other Noticees. Further, Noticee No 9, being the promoter and director of the company has not furnished any justification for transferring shares of SBL to Noticee No 2 & 3 in off-market, when the share were easily tradable on the exchange platform. Noticee No 9 has also admitted in his reply that there were huge buy orders in the scrip of SBL pending on the exchange platform during the period. Despite continuous increase in the volume in buying orders on the exchange, he preferred to transfer shares in off-market to entities with whom he claimed to have no connection. His contention that his off-market transactions with Noticee No. 2 & 3 are fair and transparent, does not find support from any evidences to suggest as to why being an insider and knowing well the financial condition of the company he decided to transfer such shares in off-market to the other Noticees. It is clear that by transferring 1000 shares of SBL to Noticee No. 2 & 3 set the process of manipulative trades by all the Noticees thereby artificially contributing to the LTP of the shares.

34. **Shri Pragnesh Vishnubhai Patel** (Noticee No 5) also received 100 shares of SBL from Notice No 3 on June 06, 2014. Investigation shows that he sold 75 of those shares between June 09, 2014 to December 02, 2014 in 5 trades and contributed 4.23% to market positive LTP. The sell order price placed by him in all these trades were above the last traded price. On November 10, 2014, he had transferred 25 shares of SBL (received from Noticee No 3) to Noticee No 7, who is wife of Noticee No 6. I also note that Noticee No 6 has stated that the said shares were transferred in lieu of the advance receipt by the Noticee No 5, however, no supporting detail have been furnished in support of the claim.
35. **Ms. Urvashiben Akshaykumar Pandya** (Noticee No 7) who received 25 shares in off-market from Noticee No 5, sold one share on December 10, 2014. Her one trade contributed 3.85% to market positive LTP. Her husband Mr. Akshaykumar Aniruddh Pandya (Noticee No 6) bought five shares from the market and then he also sold those five shares in four trades executed during November 25, 2014 to December 04, 2014. His trades constituted 5.10% to the market positive LTP.
36. Thus, 1000 shares of SBL, initially transferred by the promoter to two persons, soon changed several hands and got distributed, for apparent no consideration, in small quantities among

several people who utilised these shares only for contributing to LTP of the shares in a malafide manner.

37. On the issue of trades executed to contribute LTP, I note an important observations made by the Hon'ble SAT in its order dated March 21, 2014 in Saumil Bhavnagari Vs. SEBI which are as under;

*“...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.”*

38. I further note the observations of the Hon'ble Securities Appellate Tribunal (SAT) in its order dated July 14, 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.”*

39. From the show cause notice, I note that the trades of these connected persons (Notice No. 1 to 8) contributed Rs.265.80 to market positive LTP (81.43% of market positive LPT) in 113 trades. These entities have taken 113 trades to sell around 1400 shares. The 113 trades executed by these Noticees resulted in high contribution of LTP. It is further observed that out of a total 131 positive LTP trades found during the course of investigation, Noticee No 1 to 8 have contributed to positive LTP in 113 trades, which is around 90% of the total positive LTP trades during the period and is responsible for the price of scrip to increase from Rs.10.83 to Rs.337.15. Details of LTP contribution of the Noticee No 1 to 8 by placing sell orders are given below:

**LTP contribution of Noticee No. 1 to 8 as sellers**

S. No	Entity Name	All trades			LTP Diff. >0			LTP Diff. < 0			LTP Diff. =0		% of +LTP to Total Market +LTP
		Net LTP	Sum of Qty	No of trades	LTP	QTY traded	No of trades	LTP	QTY	No of trade	QTY	No of trades	
1	Keval Chandrakant Shah	106.15	116	60	106.15	102	56	0	0	0	14	4	32.52%
2	Henal Hemantbhai Shah	77	1,095	26	77	239	14	0	0	0	856	12	23.59%
3	Chintan A Kapadia	19.5	50	13	19.5	30	11	0	0	0	20	2	5.97%
4	Vimal Brahmbhatt	19.5	50	25	19.5	46	21	0	0	0	4	4	5.97%
5	Akshaykumar Aniruddh Pandya	16.65	5	4	16.65	5	4	0	0	0	0	0	5.10%
6	Pragnesh Vishnubhai Patel	13.8	75	5	13.8	75	5	0	0	0	0	0	4.23%
7	Urvashiben Akshaykumar Pandaya	12.55	1	1	12.55	1	1	0	0	0	0	0	3.85%
8	Karan Rajeshkumar Shah	0.65	1	1	0.65	1	1	0	0	0	0	0	0.20%
	<b>Group Total</b>	265.8	1,393	135	265.8	499	113	0	0	0	894	22	81.43%
	<b>Market Total</b>	326.32	10,291	231	326.37	1,264	131	-0.05	11	1	7,416	98	100.00%

40. Noticee No. 9 transferred 1000 shares of SBL in off-market deals to Noticee No. 2 & 3 and

these two persons further transferred those shares to another six connected noticees. Before me, no evidence has been produced by any of the Noticees to substantiate that the transfers were made for a fair consideration in due course of business. Further, the trading patterns of the eight entities were such that they were taking turns as a group, in placing the sale orders in a manner that their trades contributed to LTP significantly. In other words, when one of the eight noticees (Noticee No. 1 to 8) was placing a sell order, the other Noticees would not place sell order on that day. They would wait for the next day to place their sell order. The 113 positive LTP trades that were placed by them were spread across 113 different days during the period from May 28, 2014 to December 17, 2014. Interestingly, all of these eight Noticees who have traded in the scrip in similar manner (noticee No. 1 to 8) were not possessing any shares of the company in their demat account till May 22, 2014. Thus, most of the shares sold by these group entities were received by them directly or indirectly from Noticee No 9 (promoter and director of the company) in off-market transfers. The Noticees have not disputed these facts. The pattern and manner of trade shows that the Noticees were trading in unison in a premeditated manner so as to establish higher prices in the scrip by selling small quantities of shares in each trade.

41. The Noticees have contended that no connection/relation has been established between the Noticees and their counterparty buyers, with whom they have traded, hence, price manipulation cannot be attributed to them. To this it may be observed that it may not be always necessary that to manipulate the price of a scrip the buyers and sellers must be connected in order to prove that they were acting in premeditated manner. It is well known that price of a share or goods may also be controlled by controlling its supply. This is how black-marketers benefit at the cost of others. In the present case the Noticees devised a scheme to manipulate the price by squeezing the supply of the shares in the market. The scheme was such that the price of the scrip can be manipulated by a group of persons by putting sell orders for a controlled quantity in a concerted manner so as to create a perception of scarcity and thereby mislead the innocent investors into investing in the scrip at higher price and causing upward movement in the price of the scrip. The unfair mode resorted to by the Noticees has resulted in manipulation of price in the scrip of SBL. In this connection it is apt to quote an observations of Hon'ble Supreme Court in the case of SEBI v Kishore Ajmera (Civil Appeal No. 2818 of 2018; dated February 23, 2016) which is as under:

*“...According to us, knowledge of who the 2nd party/ client or the broker is, is not relevant at all. While the screen based trading system keeps the identity of the parties anonymous, it will be too naïve to rest the final conclusions on said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of Regulations framed thereunder are concerned.....”*

42. In the facts and circumstances of the present case it is extremely difficult to prove facts which were personally within the knowledge of parties concerned, therefore, pre-ponderance of circumstantial evidence has to be given serious attention. Hon’ble Supreme Court of India in SEBI v Kishore Ajmera; Civil Appeal No. 2818 of 2018 (dated February 23, 2016) has observed with respect to market manipulations that:

*“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...”*

43. As the SCN has pointed out, the company (SBL) did not have any noticeable business turnover and in fact was incurring losses. Therefore, the steep increase in the prices of shares of SBL during the investigation period was not supported by financial performance and financial fundamentals of the company. Substantial shares of the company were held by promoters and preferential allottees, to the extent of 88.68% with lock-in of one year, which left very less supplies of free float of shares for market trading. Admittedly there was buying interest in the scrip on the market which is also indicated by the pending buy orders in significant quantity during the period of investigation. In such circumstances, taking the

advantage of low float of the scrip, the promoter and director of the company, namely, Noticee No 9 along with other eight Noticees devised a scheme to manipulate the price of the scrip wherein, he transferred shares of SBL, directly or indirectly, to Noticee no. 1 to 8 who in turn, acting in close co-ordination and in connivance with each other, placed sell orders continuously for a long period of time with the small quantity of shares at a time in such a calculated manner that their trades contributed 81.44% to positive LTP in the market thereby resulting in steep increase in price of the scrip. The facts of the case, the apparent nexus observed amongst the Noticees and the manner in which the Noticees effected inter-se off-market transfer of shares of SBL without any consideration and the way the Noticees timed their sell orders in small quantities leave no doubt in my mind that the trades of the Noticees were not genuine and were executed as part of an artifice/ method used only to artificially manipulate the price upwards which was not in conformity with fundamentals of the company.

44. Based on the findings recorded above, I am of the view that Noticees No. 1 to 8 have violated regulations 3(a), (b), (c) and (d) and 4(1), (2) (a) and (e) of SEBI (PFUTP) Regulations, 2003 and Noticee No. 9 has violated regulations 3 (a), (b), (c) and (d) and regulation 4 (2) (d) and (e) of SEBI (PFUTP) Regulations, 2003.

### **Directions**

45. In view of the above, in exercise of powers conferred upon me under sections 11, 11B read with section 19 of the Securities and Exchange Board of India Act, 1992, in order to protect the interest of investors and the integrity of the securities market, I hereby restrain the Noticee No. 1 to 9 from accessing the securities market and further prohibit them 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 three years, from the date of this order. It is further clarified that these Noticees shall not sell their existing holding of securities, including the units of mutual funds, during the period of restraint.
46. The direction passed under the order shall come in force with immediate effect.



47. A copy of this order shall be served upon the Noticees, Stock Exchanges, Depositories and Registrar and Share Transfer Agents of all Mutual Funds for ensuring compliance with the above direction.

**Date: January 31, 2019**

**S. K. MOHANTY**

**Place: Mumbai**

**WHOLE TIME MEMBER**