

**BEFORE THE ADJUDICATING OFFICER**  
**SECURITIES AND EXCHANGE BOARD OF INDIA**  
**[ADJUDICATION ORDER NO. EAD/KS/MKG/AO/128/2018-19]**

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

In respect of

**Kumkum Stock Broker Private Limited**  
**(PAN: AACCK6784E)**

In the matter of In the matter of Riba Textiles Ltd., Supertex Industries Ltd.,  
Aarey Drugs and Pharmaceuticals Ltd. and Winsome Textiles Ltd.

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**BACKGROUND OF THE CASE**

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an investigation in five scrips viz. Riba Textiles Ltd. (hereinafter referred to as '**RTL**'), Supertex Industries Ltd. (hereinafter referred to as '**SIL**'), Bridge Securities Ltd. (hereinafter referred to as '**BSL**'), Aarey Drugs and Pharmaceuticals Ltd. (hereinafter referred to as '**ADPL**') and Winsome Textile Industries Ltd. (hereinafter referred to as '**WTIL**') for the period January 1, 2009 to August 31, 2009 (hereinafter referred to as '**Investigation Period or IP**'). The above mentioned stocks are listed on the Bombay Stock Exchange (hereinafter referred to as '**BSE**').

2. As per investigation report (hereinafter referred to as 'IR') price and Volume movement in aforesaid five scrips is given in Table – 1-

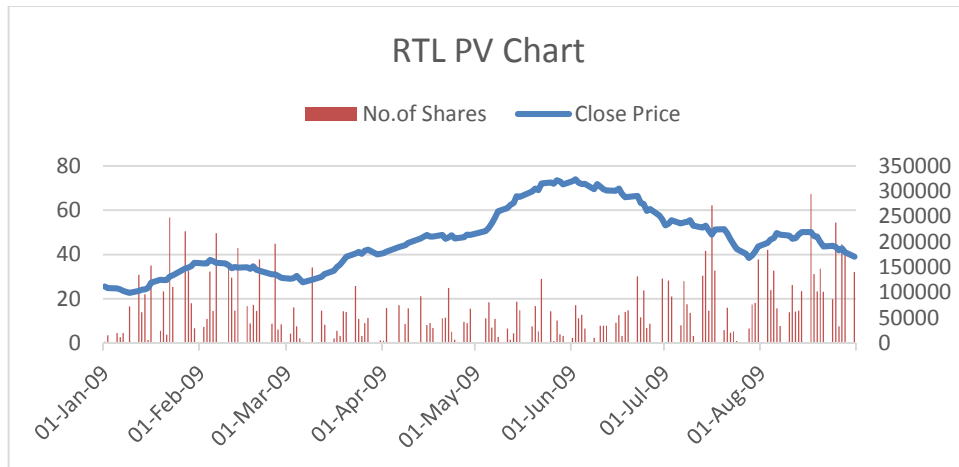
**Table – 1**

		<b>Riba Textiles Ltd.</b>	<b>Supertex Industries Ltd.*</b>	<b>Bridge Securities Ltd.</b>	<b>Aarey Drugs and Pharmaceuticals Ltd.</b>	<b>Winsome Textile Industries Ltd.</b>
<b>Pre Investigation Period (1.10.2008 – 31.12.2008)</b>	<b>Open (1.10.2008)</b>	46.65	0.72	3.1	44.7	23
	<b>High</b>	46.8 (1.10.2008)	35 (15.12.2008)	3.1 (6.10.2008)	44.7 (1.10.2008)	23.6 (3.10.2012)
	<b>Low</b>	20.5 (25.11.2008)	0.45 (23,24,27 Oct)	1.91 (21.11.2008)	15.15 (5.12.2008)	10.65 (13.10.2008)
	<b>Close (31.12.2008)</b>	<b>25.4</b>	<b>25.83</b>	<b>2.1</b>	<b>17.6</b>	<b>21.02</b>
	<b>Average Volume</b>	<b>8,858</b>	<b>63,035</b>	<b>458</b>	<b>7392</b>	<b>23,111</b>
<b>Investigation Period (1.1.2009 – 31.8.2009)</b>	<b>Open (1.1.2009)</b>	25.75	26.5	2	18.35	23.8
	<b>High</b>	<b>77.15</b> (28.5.2009)	<b>64</b> (5.8.2009)	<b>18.94</b> (31.8.2009)	<b>52.3</b> (18.8.2009)	<b>60</b> (11.8.2009)
	<b>Low</b>	20.45 (12.1.2009)	12.5 (5.2.2009)	1.82 (6.1.2009)	15 (22.1.2009)	17.7 (1.1.2009)
	<b>Close (31.8.2009)</b>	39	54.6	18	45.1	55.8
	<b>Average Volume</b>	<b>69,934</b>	<b>120,633</b>	<b>3974</b>	<b>55174</b>	<b>42,249</b>
<b>Post Investigation Period (1.9.2009 – 30.11.2009)</b>	<b>Open (1.9.2009)</b>	38.15	54.15	18.4	46.75	55.9
	<b>High</b>	38.5 (1.1.2009)	64 (4.9.2009)	23.9 (30.9.2009)	52 (21.10.2009)	66 (23.9.2009)
	<b>Low</b>	13.59 (1.10.2009)	3.25 (27, 30 Nov)	15.1 (15.10.2009)	40.25 (30.10.2009)	3.06 (27.11.2009)
	<b>Close (30.11.2009)</b>	14.3	3.4	19.1	47	3.34
	<b>Average Volume</b>	56,824	5,53,659	6603	63654	94,753

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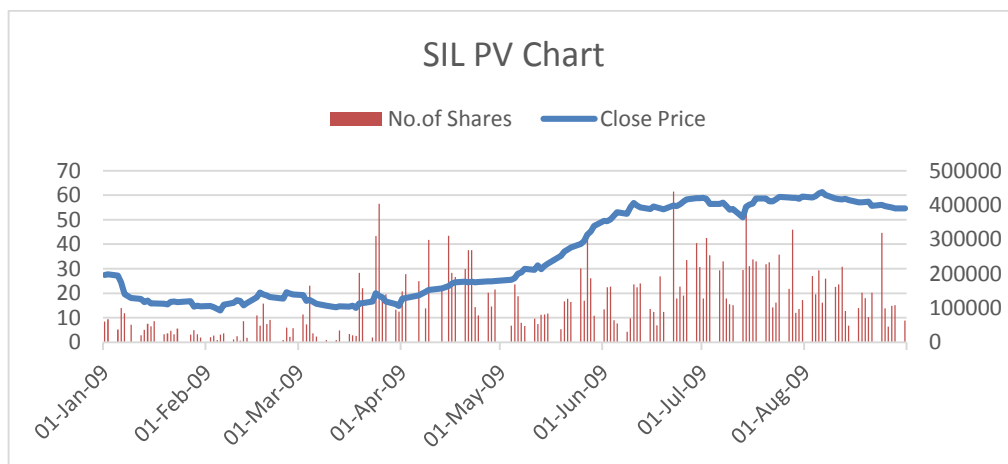
3. It was observed during investigation that a group of 25 connected entities were engaged in were involved in trading among themselves in aforesaid 5 scrips:

- a) In case of RTL, the average volume during the IP increased to 69,934 shares from 8,858 shares in the immediate quarter before the start of IP as below:



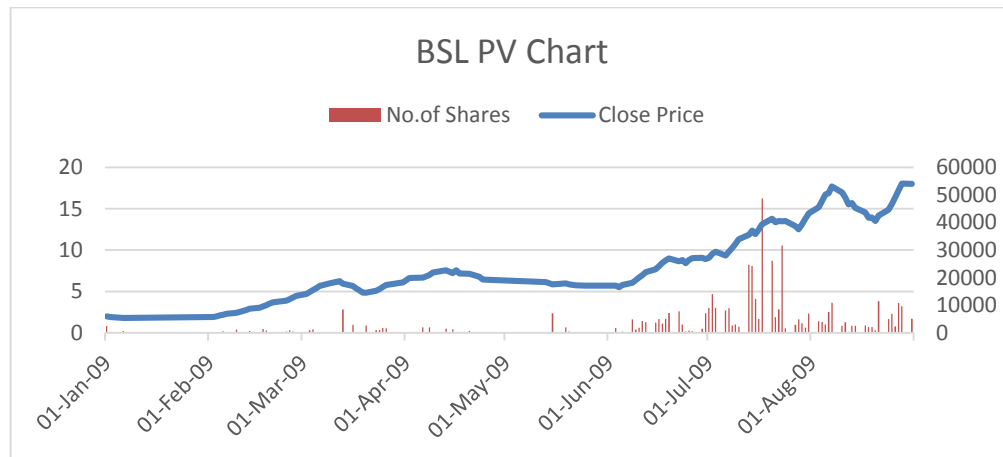
Further, the share price of RTL reached a high of Rs. 77.15 and a low of Rs. 20.45 during the IP. The stock closed at Rs. 39.00 at the end of IP compared to opening price of Rs. 25.75 at the beginning of the IP. The scrip of RTL was traded on 161 days during the IP and it was observed that the trades among the group were made on 119 days. It was observed that the group contributed a significant proportion in volume and price of the scrip of RTL during the IP.

- b) In the scrip of SIL, the average volume during the IP increased to 1,20,633 shares from 63,035 shares in the immediate quarter before the start of IP as below:



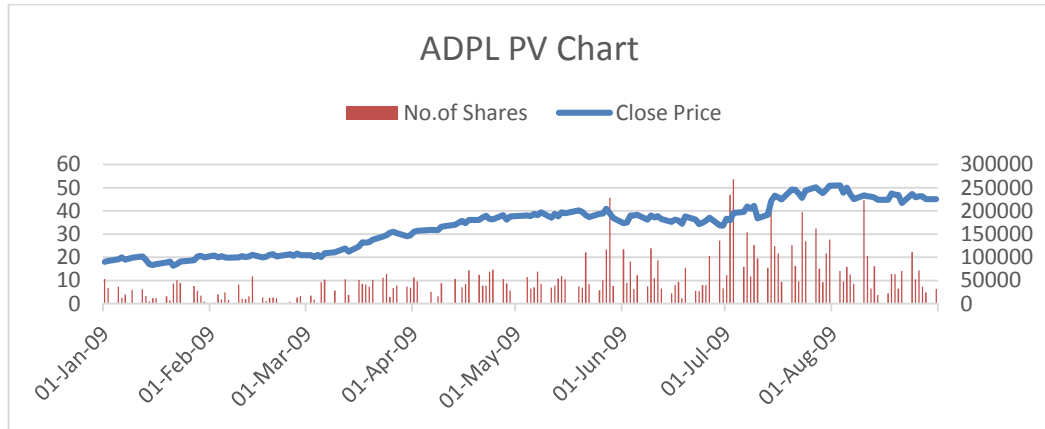
Further, the share price of SIL reached a high of Rs. 64.00 and a low of Rs. 12.50 during the IP. The stock closed at Rs. 54.60 at the end of IP compared to opening price of Rs. 26.50 at the beginning of the IP. The scrip of SIL was traded on 161 days during the IP and it was observed that the trades among the group were made on 100 days. It was observed that the group contributed a significant proportion in volume and price of the scrip of SIL during the IP. I note that the face value of the shares of SIL increased to Rs. 10 from Re. 1 with effect from December 08, 2008.

- c) In the scrip of BSL, the average volume during the IP increased to 3,974 shares from 458 shares in the immediate quarter before the start of IP as below:



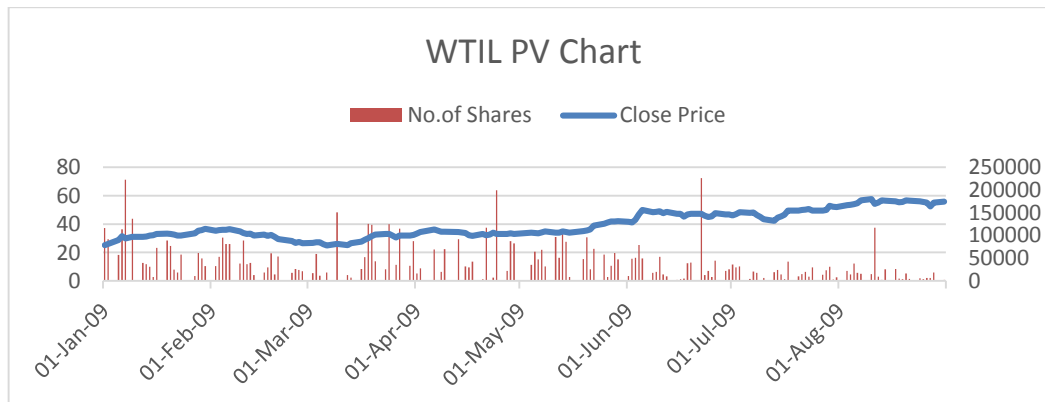
Further, the share price of BSL reached a high of Rs. 23.90 and a low of Rs. 15.10 during the IP. The stock closed at Rs. 18 at the end of IP compared to opening price of Rs. 2.00 at the beginning of the IP. The scrip of BSL was traded on 122 days during the IP and it was observed that the trades among the group were made on 8 days. It was observed that the group contributed a significant proportion in volume and price of the scrip of BSL during the IP.

- d) In the scrip of ADPL, the average volume during the IP increased to 55,714 shares from 7,392 shares in the immediate quarter before the start of IP as below:



Further, the share price of ADPL reached a high of Rs. 52.30 and a low of Rs. 15.00 during the IP. The stock closed at Rs. 45.10 at the end of IP compared to opening price of Rs. 18.35 at the beginning of the IP. The scrip of ADPL was traded on 161 days during the IP and it was observed that the trades among the group were made on 145 days. It was observed that the group contributed a significant proportion in volume and price of the scrip of ADPL during the IP.

- e) In the scrip of WTIL, the average volume during the IP increased to 42,249 shares from 23,111 shares in the immediate quarter before the start of IP as below:



Further, the share price of WTIL reached a high of Rs. 60.00 and a low of Rs. 17.70 during the IP. The stock closed at Rs. 55.80 at the end of IP compared to opening price of Rs. 23.80 at the beginning of the IP. The scrip of WTIL was traded on 161 days during the IP and it was observed that the trades among the group were made on 77 days. It was observed that the group contributed a significant proportion in volume and price of the scrip of WTIL during the IP.

4. SEBI observed from investigation that the trades by the group created artificial volume in the above 5 scrips leading to false and misleading appearance of trading in the said scrips and also contributed to artificial price rise in the said scrip, which were deemed to be fraudulent. In view of the same, SEBI initiated adjudication proceedings against the members of the group under Section 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') for the violation of Regulations 3 (a), (b), (c), (d), 4 (1), 4 (2) (a), (b), (e) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**'). Kumkum Stock Brokers Private Limited (hereinafter referred to as '**the Noticee**') was observed to be part of the group and hence, the above adjudication proceedings were also initiated against him.

#### **APPOINTMENT OF ADJUDICATING OFFICER**

5. SEBI appointed Shri D. Ravikumar as Adjudicating Officer vide communication order dated April 12, 2013 under Section 15-I of the SEBI Act, read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to inquire into and adjudge under Section 15 HA of the SEBI Act, the alleged violation of Regulations 3 (a), (b), (c), (d), 4 (1), 4 (2) (a), (b), (e) and (g) of the PFUTP Regulations by the Noticee. Pursuant to transfer of Shri D.

Ravikumar, Shri Suresh B. Menon was appointed as Adjudicating Officer by the Competent Authority vide appointment order dated June 22, 2015. Thereafter, the current proceedings have been transferred to the undersigned which was intimated vide communique dated November 27, 2017.

### **SHOW CAUSE NOTICE, REPLY AND HEARING**

6. A Show Cause Notice No. A&E/EAD3/DRK-AKS/20305/2013 dated August 14, 2013 (herein after referred to as '**SCN**') was issued to the Noticee by the erstwhile AO under Rule 4 (1) of the AO Rules to show-cause as to why an inquiry should not be initiated against the Noticee and penalty not be imposed upon her under section 15HA of SEBI Act for the alleged violation of PFUTP Regulations.

7. The details in respect of violation/ non-compliance by the Noticee as observed from the SCN are as given below:

- a) *The IR observed that during the investigation period at the BSE, a group of 25 entities including the Noticee connected to each other by common address, common introducer or introduced by other group members, transferred shares in off market to each other etc. were noted to be engaged in synchronized / reversal / circular / self-trades in the aforesaid scrip. Basis of connection was provided to the Noticee as Annexure – 2 to the SCN. The details of trading activity of the group clients in the scrip during the investigation period is given below:*

**Table – 2**

<b>Scrip</b>	<b>A Traded Quantity (Market)</b>	<b>B Total Buy of Group</b>	<b>C % of total buy of Group to total traded quantity (Market)</b>	<b>D Total Sale of Group</b>	<b>E % of total sale of group to total traded quantity (Market)</b>	<b>F Trade Amongst Group</b>	<b>G % of trade amongst Group to total traded quantity (Market)</b>	<b>H Synchroni zed Trades among Group*</b>	<b>I % of synchr onized trades to trade among Group</b>	<b>J % of synchro nized trades among Group to total traded quantity (Market)</b>
Riba Textiles Ltd.	1,12,59,446	62,94,644	55.91	60,32,877	53.58	38,61,914	34.30	22,42,477	58.07	19.92
Supertex Industries Ltd.	1,94,21,886	1,03,76,495	53.42	1,01,61,354	52.32	56,64,204	29.16	30,12,803	53.19	15.51

Bridge Securities Ltd.	4,84,790	2,12,984	43.93	79,899	16.48	34,931	7.21	5,970	17.09	1.23
Aarey Drugs and Pharmaceuticals Ltd.	88,83,052	45,89,697	51.67	44,39,211	49.97	24,86,523	27.99	8,46,184	34.03	9.53
Winsome Textile Industries Ltd.	68,02,131	31,66,851	46.56	30,05,482	44.18	15,13,285	22.25	4,19,856	27.74	6.17
<b>Total</b>	<b>4,68,51,305</b>	<b>2,46,40,671</b>	<b>52.59</b>	<b>2,37,18,823</b>	<b>50.63</b>	<b>1,35,60,857</b>	<b>28.94</b>	<b>65,27,290</b>	<b>48.13</b>	<b>13.93</b>

It is noted from the above that synchronized trades of the group were in the range of 17.09% to 58.07% of the trades amongst group.

### **RTL**

- b) The group entered into circular / synchronized / reversal of trades / self trades in the scrip of Riba Textiles Ltd. It is observed from IR that out of 161 days during which the scrip was traded during the investigation period, the trades amongst group were executed for 119 days.

**Table – 3**

Sr. No.	Client Name	Total Buy (Market)	Buy amongst Group	Total Sell (Market)	Sell amongst Group	Synchronized Trades amongst Group (Buy)	Synchronized Trades amongst Group (Sell)	Self Trades
1.	Nikhilbhai Shah	4,72,194	3,86,607	4,35,136	3,39,299	2,76,110	2,24,150	32,259
2.	Shailesh Somabhai Patel	14,41,673	8,45,739	11,18,544	7,34,356	4,57,331	3,47,138	29,067
3.	Bela T Jhaveri	1,27,100	66,923	62,981	47,749	50,000	47,749	
4.	Daxaben Vasantkumar Shah	2,500	2,000	2,500	2,000	0	1,999	
5.	Jagdish Bhagat	15,000	0	15,000	0	0	0	
6.	Jipal Pineshkumar Shah	5,000	5,000	5,000	5000	0	4,999	
7.	Kapilaben Somabhai Patel	1,36,130	92,504	95,683	93,180	65,191	17,400	
8.	<b>Kumkum Stock Broker Pvt. Ltd.</b>	16,03,320	7,60,989	17,24,773	7,98,644	4,04,211	5,55,064	294
9.	Manish Ratilal Shah	4,89,763	3,49,914	5,51,521	4,59,290	2,64,946	3,13,726	
10.	Nita B Bhavsar	9,001	9,000	9,001	9,000	0	8,999	
11.	Nitaben Shaileshbhai Patel	10,48,915	7,81,966	8,26,339	6,44,896	4,26,129	3,87,500	
12.	Ronak Ashwin Choksi (Parshavnath Investment Sevicees)	1,50,834	24,500	1,58,332	47,820	13,000	222	11,500
13.	Shaishil T Jhaveri	7,93,214	5,36,772	10,28,067	6,80,680	2,85,559	3,33,531	28,800
	<b>Total</b>	<b>62,94,644</b>	<b>38,61,914</b>	<b>60,32,877</b>	<b>38,61,914</b>	<b>22,42,477</b>	<b>22,42,477</b>	<b>1,01,920</b>



**SIL**

- c) The group entered into circular / synchronized / reversal of trades / self trades in the scrip of Supertex Industries Ltd. It is observed from IR that out of 161 days during which the scrip was traded during the investigation period, the trades amongst group were executed for 100 days.

**Table – 4**

Sr. No.	Client Name	Total Buy (Market)	Buy amongst Group	Total Sell (Market)	Sell amongst Group	Synchronized Trades amongst Group (Buy)	Synchronized Trades amongst Group (Sell)	Self Trades
1.	Shailesh Somabhai Patel	16,54,186	10,59,781	16,09,353	1170919	5,48,481	6,29,470	30,794
2.	Amrita Agrawala	6,000	1,000	9,920	4,573	0	79	
3.	Amrit L Gandhi	3,28,299	72,260	34,055	0	19,012	0	
4.	Apexa Jagdishbhai Patel	5,000	0	5,000	5,000	0	0	
5.	Bela T Jhaveri	1,37,573	1,19,778	1,16,040	1,12,030	77,054	74,350	
6.	Chase Marketing Pvt. Ltd.	6,730	0	71,294	0	0	0	
7.	Danish Merchant	0	0	1,95,000	436	0	0	
8.	Daxaben Vasantkumar Shah	14,300	10,587	14,300	14,300	4,825	6,975	
9.	Jagdish Bhagat	1,67,526	46,770	3,57,026	1,75,879	33,000	3,752	2,129
10.	Jigish Vasa	3,000	500	3,000	0	0	0	
11.	Jipal Pineshkumar Shah	35,000	21,000	35,000	35,000	15,000	9,200	
12.	Kapilaben Somabhai Patel	2,73,665	2,23,286	3,22,139	238139	142,931	1,55,086	
13.	<b>Kumkum Stock Broker Pvt. Ltd.</b>	34,60,933	15,14,887	34,78,806	15,61,370	8,11,469	10,26,753	3,329
14.	Manish Ratilal Shah	11,00,928	6,59,944	10,95,955	4,74,016	3,84,586	2,51,440	1,000
15.	<b>Nikhilbhai Shah</b>	<b>8,05,765</b>	<b>6,48,825</b>	<b>10,18,524</b>	<b>6,29,016</b>	<b>3,84,412</b>	<b>3,13,808</b>	
16.	Nita B Bhavsar	38,200	29,200	38,200	38,200	10,000	16,475	
17.	Nitaben Shaileshbhai Patel	7,57,767	5,10,017	7,13,569	5,41,408	1,92,367	2,58,551	990
18.	Parameshwar Exports Private Limited	3,83,750	44,860	3,120	0	749	0	
19.	Ronak Ashwin Choksi(Parshavnath Investment Seviles)	2,17,500	1,52,715	71,571	32,576	22,000	450	
20.	Shaishil T Jhaveri	9,80,373	5,48,794	9,69,482	6,31,342	3,66,917	2,66,414	894
	<b>Total</b>	<b>1,03,76,495</b>	<b>56,64,204</b>	<b>1,01,61,354</b>	<b>56,64,204</b>	<b>30,12,803</b>	<b>30,12,803</b>	<b>39,136</b>

**BSL**

- d) The group entered into circular / synchronized / reversal of trades / self trades in the scrip of Bridge Securities Ltd. It is observed from IR that out of 122 days during which the scrip was traded during the investigation period, the trades amongst group were executed on 8 days.

**Table – 5**

Sr. No.	Client Name	Total Buy (Market)	Buy amongst Group	Total Sell (Market)	Sell amongst Group	Synchronized Trades amongst Group (Buy)	Synchronized Trades amongst Group (Sell)	Self Trades
1	Apexa Jagdishbhai Patel	16,783	4,972	11,617	11,592	0	4,490	
2	Daxaben Vasantkumar Shah	28,494	5,207	13,793	1,522	1,200	0	
3	Dhaval Kumar Hastimal	5,155	500	0	0	0	0	
4	Hastimal Gulabchand Soni	7,725	0	0	0	0	0	
5	Jipal Pineshkumar Shah	36,897	6,945	23,139	7,000	280	0	
6	Nita B Bhavsar	99,430	13,807	22,004	5,521	4,490	0	2,071
7	Sonal Kiritbhai Patel	18,500	3,500	9,346	9,296	0	1,480	
	<b>Total</b>	<b>2,12,984</b>	<b>34,931</b>	<b>79,899</b>	<b>34,931</b>	<b>5,970</b>	<b>5,970</b>	<b>2,071</b>

**ADPL**

- e) The group entered into circular / synchronized / reversal of trades / self trades in the scrip of Aarey Drugs and Pharmaceuticals Ltd. It is observed from IR that out of 161 days during which the scrip was traded during the investigation period, the trades amongst group were executed for 145 days.

**Table – 6**

Sr. No.	Client Name	Total Buy (Market)	Buy amongst Group	Total Sell (Market)	Sell amongst Group	Synchronized Trades amongst Group (Buy)	Synchronized Trades amongst Group (Sell)	Self Trades
1.	Nikhilbhai Shah	1,73,500	1,39,236	1,73,500	1,62,553	1,05,000	88,395	
2.	Shailesh Somabhai Patel	20,000	19,991	27,000	7,000	0	0	
3.	Apexa Jagdishbhai Patel	2,05,760	1,02,757	1,31,413	87,256	16,303	32,357	
4.	Bela T Jhaveri	9,500	9,500	9,500	0	9,500	0	
5.	C Shah Champaklal	3,47,228	2,29,128	3,47,228	2,43,027	88,145	63,114	
6.	Daxaben Vasantkumar Shah	10,60,704	3,91,010	9,95,277	4,14,989	1,15,733	1,16,360	33,025
7.	Dhaval Kumar Hastimal	1,27,374	71,225	1,23,719	1,03,699	14,838	26,360	
8.	Hastimal Gulabchand Soni	1,000	0	1,000	0	0	0	
9.	Jagdish Ramanlal Patel	69,550	44,495	36,700	22,000	15,640	8,950	
10.	Jipal Pineshkumar Shah	7,47,656	4,36,600	7,21,614	4,03,839	1,24,369	1,19,862	3,215
11.	Kapilaben Somabhai Patel	27,600	27,600	20,000	10,000	27,600	10,000	
12.	<b>Kumkum Stock Broker Pvt. Ltd.</b>	1,39,680	1,08,182	1,51,240	1,24,209	97,400	82,450	
13.	Manish Ratilal Shah	85,419	33,419	85,419	76,270	5,000	42,600	
14.	Nita B Bhavsar	10,53,691	5,40,787	11,47,652	4,99,561	1,58,541	1,33,186	25,278
15.	Nitaben Shaileshbhai Patel	2,03,540	1,48,239	1,93,534	1,30,588	10,000	45,170	10,894
16.	Ronak Ashwin Choksi (Parshavnath Investment Services)	96,750	85,935	92,210	70,527	58,115	0	

17	Shaishil T Jhaveri	87,107	50,961	85,010	85,010	0	73,000	
18	Sonal Kiritbhai Patel	1,33,638	47,458	97,195	45,995	0	4380	1,828
	<b>Total</b>	<b>45,89,697</b>	<b>24,86,523</b>	<b>44,39,211</b>	<b>24,86,523</b>	<b>8,46,184</b>	<b>8,46,184</b>	<b>74,240</b>

### **WTIL**

- f) The group entered into circular / synchronized / reversal of trades / self trades in the scrip of Winsome Textiles Industries Ltd. It is observed from IR that out of 161 days during which the scrip was traded during the investigation period, the trades amongst group were executed for 77 days.

**Table – 7**

Sr. No.	Client Name	Total Buy (Market)	Buy amongst Group	Total Sell (Market)	Sell amongst Group	Synchronized Trades amongst Group (Buy)	Synchronized Trades amongst Group (Sell)	Self Trades
1	Kapilaben Somabhai Patel	92256	79853	51125	46489	25000	8989	
2	<b>Kumkum Stock Broker Pvt. Ltd.</b>	1049984	298314	1092408	425612	118592	77917	647
3	Manish Ratilal Shah	111326	42151	109878	90103	4251	22319	
4	Nikhilbhai Shah	20785	20200	27785	2585	17700	0	
5	Nitaben Shaileshbhai Patel	565826	414753	430543	274973	77072	65989	5000
6	Ronak Ashwin Choksi(Parshavnath Investment Sevice)	277049	54259	308049	82404	6800	9800	28700
7	Shailesh Somabhai Patel	762510	459036	701663	401967	142876	167328	38221
8	Shaishil T Jhaveri	287115	144719	284031	189152	27565	67514	
	<b>Total</b>	<b>3166851</b>	<b>1513285</b>	<b>3005482</b>	<b>1513285</b>	<b>419856</b>	<b>419856</b>	<b>72568</b>

- g) The consolidated contribution of each client of the group in five scrips taken together is as follows:

**Table – 8**

Sr. No.	Client Name	Total Buy (Market)	Buy amongst Group	Total Sell (Market)	Sell amongst Group	Synchroniz ed Trades amongst Group (Buy)	Synchroniz ed Trades amongst Group (Sell)	Self Trades
1.	Nikhilbhai Shah	14,72,244	11,94,868	16,54,945	11,33,453	7,83,222	6,26,353	32,259
2.	Shailesh Somabhai Patel	38,78,369	23,84,547	34,56,560	23,14,242	11,48,688	11,43,936	98,082
3.	Amrita Agrawala	6,000	1,000	9,920	4,573	0	79	0
4.	Amrit L Gandhi	3,28,299	72,260	34,055	0	19,012	0	
5.	Apexa Jagdishbhai Patel	2,27,543	1,07,729	1,48,030	1,03,848	16,303	36,847	0
6.	Bela T Jhaveri	2,74,173	1,96,201	1,88,521	1,59,779	1,36,554	1,22,099	0

Sr. No.	Client Name	Total Buy (Market)	Buy amongst Group	Total Sell (Market)	Sell amongst Group	Synchroniz ed Trades amongst Group (Buy)	Synchroniz ed Trades amongst Group (Sell)	Self Trades
7.	C Shah Champaklal	3,47,228	2,29,128	3,47,228	2,43,027	88,145	63,114	0
8.	Chase Marketing Pvt. Ltd.	6,730	0	71,294	0	0	0	0
9.	Danish Merchant	0	0	1,95,000	436	0	0	0
10.	Daxaben Vasantkumar Shah	11,05,998	4,08,804	10,25,870	4,32,811	1,21,758	1,25,334	33,025
11.	Dhaval Kumar Hastimal	1,32,529	71,725	1,23,719	1,03,699	14,838	26,360	0
12.	Hastimal Gulabchand Soni	8,725	0	1,000	0	0	0	0
13.	Jagdish Bhagat	1,82,526	46,770	3,72,026	1,75,879	33,000	3,752	2,129
14.	Jagdish Ramanlal Patel	69,550	44,495	36,700	22,000	15,640	8,950	0
15.	Jigish Vasa	3,000	500	3,000	0	0	0	0
16.	Jipal Pineshkumar Shah	8,24,553	4,69,545	7,84,753	4,50,839	1,39,649	1,34,061	3,215
17.	Kapilaben Somabhai Patel	5,29,651	4,23,243	4,88,947	3,87,808	2,60,722	1,91,475	0
18.	<b>Kumkum Stock Broker Pvt. Ltd.</b>	62,53,917	26,82,372	64,47,227	29,09,835	14,31,672	17,42,184	4,270
19.	Manish Ratilal Shah	17,87,436	10,85,428	18,42,773	10,99,679	6,58,783	6,30,085	1,000
20.	Nita B Bhavsar	12,00,322	5,92,794	12,16,857	5,52,282	1,73,031	1,58,660	27,349
21.	Nitaben Shaileshbhai Patel	25,76,048	18,54,975	21,63,985	15,91,865	7,05,568	7,57,210	16,884
22.	Parameshwar Exports Private Limited	3,83,750	44,860	3,120	0	749	0	0
23.	Ronak Ashwin Choksi (Parshavnath Investment Sevice)	7,42,133	3,17,409	6,30,162	2,33,327	99,915	10,472	40,200
24.	Shaishil T Jhaveri	21,47,809	12,81,246	23,66,590	15,86,184	6,80,041	7,40,459	29,694
25.	Sonal Kiritbhai Patel	1,52,138	50,958	1,06,541	55,291	0	5,860	1,828
	<b>Total</b>	<b>2,46,40,671</b>	<b>1,35,60,857</b>	<b>2,37,18,823</b>	<b>1,35,60,857</b>	<b>65,27,290</b>	<b>65,27,290</b>	<b>2,89,935</b>

h) Further analysis of the aforesaid trades amongst group of the remaining clients is as follows:

**Table – 9**

Sr. No.	Client Name	No. of Days traded amongst group	No. of Trades amongst group	LTP Difference (%)
1.	Nikhilbhai Shah	50	669	-3.25 to 7.35
2.	Shailesh Somabhai Patel	125	2,271	-4.88 to 8.82
3.	Amrit L Gandhi	15	95	-0.52 to 2.32
4.	Apexa Jagdishbhai Patel	40	170	-6.7 to 3.35
5.	Bela T Jhaveri	16	97	-0.79 to 3.28
6.	C Shah Champaklal	49	424	-2.26 to 7.14
7.	Daxaben Vasantkumar Shah	132	779	-7.14 to 9.8

8.	Dhaval Kumar Hastimal	29	156	-1.64 to 2.57
9.	Jagdish Bhagat	27	450	-2.37 to 2.32
10	Jagdish Ramanlal Patel	13	33	-1.36 to 1.5
11	Jipal Pineshkumar Shah	94	938	-6.53 to 7.35
12	Kapilaben Somabhai Patel	33	178	-1.01 to 3.97
13	<b>Kumkum Stock Broker Pvt. Ltd.</b>	141	2,882	-4.41 to 14.73
14	Manish Ratilal Shah	60	604	-3.25 to 10.22
15	Nita B Bhavsar	129	1,120	-8.71 to 10.76
16	Nitaben Shaileshbhai Patel	97	1,706	-4.88 to 14.73
17	Parameshwar Exports Private Limited	17	94	-3.84 to 1.7
18	Ronak Ashwin Choksi (Parshavnath Investment Services)	43	736	-3.04 to 4.51
19	Shaishil T Jhaveri	106	1,363	-3.65 to 10.22
20	Sonal Kiritbhai Patel	27	105	-6.93 to 7.06

i) Price impact of trades of the group is as follows:

**Table – 10**

Scrip	No. of trades with + LTP	% of trades with + LTP	Impact of trades with + LTP (Rs.)	No. of trades with - LTP	% of trades with - LTP	Impact of trades with - LTP (Rs.)	Net LTP impact (Rs.)	Sum of NHP Diff (Market) (Rs.)	Sum of NHP Diff (Group) (Rs.)
Riba Textiles Ltd.	1,992	57.71%	1,064.4	1,773	46.60%	-441.45	622.95	51.4	38.55
Supertex Industries Ltd.	3,479	43.69%	856.17	4,998	52.29%	-715.13	141.04	37.5	10.35
Bridge Securities Ltd.	90	25.64%	30.58	86	28.67%	-22.54	8.04	16.94	3.49
Aarey Drugs and Pharmaceuticals Ltd.	1,870	46.18%	780.9	1,557	37.02%	-360.35	420.55	33.95	20.6
Winsome Textile Industries Ltd.	1,375	44.96%	520.55	1,059	38.38%	-235	285.55	36.2	6

It is noted from the above that the trades of the group resulted in increase in price of the scrip.

j) Some of the instances of synchronized trades, reversal trades and self trades of the noticee are given below

**Synchronized trades:**

**Table – 11**

Scrip Name	Trade Date	Trade Time	Buy Client Name	Buy Order Time	Sell Client Name	Sell Order Time
Riba Textile	09/01/09	13:11:32	Kumkum Stock Broker Pvt. Ltd.	13:11:31	Shailesh Somabhai Patel	13:11:13
Riba Textile	12/01/09	12:58:42	Shailesh Somabhai Patel	12:58:42	Kumkum Stock Broker Pvt. Ltd.	12:58:07

Supertex Industries	25/03/09	10:36:39	Kumkum Stock Broker Pvt. Ltd	10:36:39	Nikhil Shah	10:36:32
Supertex Industries	08/05/09	11:48:39	Shaishil Jhaveri	11:48:39	Kumkum Stock Broker Pvt. Ltd.	11:48:28
Winsome Textile	13/07/09	14:58:41	Shaishil Jhaveri	14:58:41	Kumkum Stock Broker Pvt. Ltd.	14:58:29

**Reversal trades:**

**Table – 12**

<b>Seller</b>	<b>Date</b>	<b>Scrip</b>	<b>No. of shares</b>	<b>No. of Trades</b>	<b>Average Rate (')</b>	<b>Buyer</b>
Shailesh Somabhai Patel	1/9/2009	Riba Textile	1,839	1	24.3	Kumkum Stock Broker Private Limited
Kumkum Stock Broker Private Limited	1/12/2009	Riba Textile	2,107	2	23.8	Shailesh Somabhai Patel
Kumkum Stock Broker Private Limited	8/25/2009	Riba Textile	25,000	4	44.64	Shailesh Somabhai Patel, Nitaben Shaileshbhai Patel
Nitaben Shaileshbhai Patel	8/28/2009	Riba Textile	70,000	Off Market	Off Market	Kumkum Stock Broker Private Limited

**Self Trades:**

**Table – 13**

<b>Scrip Name</b>	<b>Trade Date</b>	<b>Trade Quantity</b>	<b>Buy Client Name</b>	<b>Sell Client Name</b>
Riba Textile	24/07/09	175	Kumkum Stock Broker Private Limited	Kumkum Stock Broker Private Limited
Riba Textile	31/07/09	100	Kumkum Stock Broker Private Limited	Kumkum Stock Broker Private Limited
Supertex Industries	03/08/09	225	Kumkum Stock Broker Private Limited	Kumkum Stock Broker Private Limited
Supertex Industries	10/08/09	317	Kumkum Stock Broker Private Limited	Kumkum Stock Broker Private Limited
Winsome Textile	01/01/09	500	Kumkum Stock Broker Private Limited	Kumkum Stock Broker Private Limited

8. The SCN, which was sent via Speed Post Acknowledgement Due ( 'SPAD'), returned undelivered with remark that office is closed permanently. The SCN was, hence, affixed at the last known address of the Noticee namely, *Kumkum Stock Brokers Private Limited, 309, Dhiraj Avenue, Opp. Chhadwad Police Station, Ambawadi, Ahmedabad-6* in terms of Rule 7(c) of the Adjudication Rules. Delivery of SCN by the way

of affixture was also acknowledged by erstwhile Adjudicating Officer in hearing notice dated March 10, 2014. The Noticee was advised to file its reply within 15 days of receipt of the SCN. However, no reply was received from the Noticee. In the interest of natural justice, it was decided by the erstwhile Adjudicating officer to provide an opportunity of personal hearing to the Noticee and hence vide hearing notice dated March 10, 2014, an opportunity of hearing was provided to the Noticee on April 28, 2014. The aforesaid hearing notice was sent via SPAD but returned undelivered. Further, the broker of the Noticee M/s SPFL Securities Ltd. was advised by letter dated March 11, 2014 to serve the letter on the Noticee and provide acknowledgement for the same. However, the broker could not trace the Noticee and was hence not able to serve the hearing notice. Subsequently, the Adjudication proceedings were transferred to the undersigned. The Noticee was intimated about the change in Adjudicating Officer vide hearing notice dated January 02, 2018 and granted a final opportunity of hearing on January 16, 2018. Further, copy of SCN was also enclosed as annexure of the aforesaid hearing notice. The Noticee was also advised to submit additional documents, if any, in the matter by January 10, 2018. The said hearing notice was sent through SPAD and Hand Delivery but returned undelivered. Delivery of aforesaid hearing notice was attempted through affixture however same could not be affixed as the current occupant refused permission to affix the notice. Therefore in terms of Rule 7 of the Adjudication Rules, a Public Notice was given in Times of India and Dainik Jagran, Ahmedabad Edition, which was published on March 26, 2018 advising the noticee to appear for a Personal Hearing on April 02, 2018. However, the Noticee failed to avail the final opportunity of hearing.

9. In view of the above, I now proceed further in the matter based on available records in the matter.

## **CONSIDERATION OF EVIDENCE AND FINDINGS**

10. I have perused the documents available on record. The issues that arise for consideration in the present case are :

(a) Whether the Noticee has violated Regulations 3 (a), (b), (c), (d), 4 (1), 4 (2) (a), (b), (e) and (g) of PFUTP Regulations by indulging in manipulative trades.

(b) If yes, then do the violations, if any, on the part of the Noticee attract any monetary penalty under Section 15HA of the SEBI Act?

(c) If yes, then what would be the monetary penalty that can be imposed upon the Noticee, taking into consideration the factors mentioned in Section 15J of the SEBI Act read with Rule 5(2) of the AO Rules?

11. Before moving forward, it is pertinent to refer to the relevant provisions of the Regulations 3 (a), (b), (c), (d), 4 (1), 4 (2) (a), (b), (e) and (g) of PFUTP Regulations:

### ***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;*

*(b) dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss;*

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

*(g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security;*

12. Before proceeding further, it would be appropriate to recapitulate the relevant facts of the case. It is observed from the IR that a group of 25 entities including the Noticee were connected to each other by common address, common introducer or introduced by other group members, transferred shares in off market to each other. The name and linkages among various entities is given below:

**Table – 14**

<b>S. No.</b>	<b>Name of the group entity</b>	<b>Basis of Connections</b>
1	Shailesh Somabhai Patel	Shailesh Patel, Nitaben Patel & Kapilaben Patel have common address viz. A 14 Snehadri Apts, Ambawadi Shreyas Tekra, Ahmedabad, Gujarat, 380051.  Ronak Choksi introduced Nitaben Patel and Shailesh Patel (KYC by Guinness Sec Ltd.)  Ronak Chokasi signed as witness to Shailesh Patel & Nitaben Patel (KYC by Networth Stock Broking Ltd.)
2	Nitaben Shaileshbhai Patel	
3	Kapilaben Somabhai Patel	

S. No.	Name of the group entity	Basis of Connections
4	Ronak Ashwin Choksi	<p>Shailesh Somabhai Patel and Nitaben Shaileshbhai Patel received shares in preferential allotment in Winsome in the year 2008.</p> <p>Common Introducer - The following set of entities had a common introducer:</p> <p>Shailesh Patel, Nitaben Patel, Nikhilbhai Shah and Shaishil Jhaveri by one Premal Shah (KYC by <i>Brics Securities Ltd.</i>)</p> <p>Kapilaben Patel and Nitaben Patel by one Samir Shah (KYC by <i>Comfort Securities Pvt. Ltd.</i>)</p> <p>Shailesh Patel and Shaishil Jhaveri by one Macwan Joel J (KYC by <i>Mangal Keshav Securities Ltd.</i>)</p> <p>Shailesh Patel and Kapilaben Patel by one Prakash Kadiya (KYC by <i>MTL Share and Stock Brokers Ltd.</i>)</p> <p>Nitaben Patel and Shailesh Patel by one Narayan Equity Broking and Advisory Ser Ltd. (KYC by <i>SMC Global Sec Ltd.</i>)</p> <p>Nitaben Patel and Shailesh Patel by one Nitin Patil (KYC by <i>SSJ Finance and Sec Pvt. Ltd.</i>)</p> <p>Manish Shah, Nikhilbhai Shah and Shailesh Patel by one Ashish Dapki (KYC by <i>Nirmal Bang Sec Ltd.</i>)</p> <p>Kumkum Stock Brokers Pvt. Ltd. and Nitaben Patel by one Ripple K Shah (KYC by <i>Nirmal Bang Sec Ltd.</i>)</p> <p>Nitaben Patel and Shailesh Patel by one A.R. Patel (KYC by <i>Anand Rathi Share &amp; Stock Brokers Ltd.</i>)</p>
5	Nikhilbhai Shah	Nikhilbhai Shah, Shaishil T. Jhaveri and Bela T Jhaveri are Directors of Kumkum Stock Brokers Pvt. Ltd. (KYC by <i>Nirmal Bang Sec Pvt. Ltd.</i> )
6	Shaishil T. Jhaveri	Manish Ratilal Shah & Nikhilbhai Shah have common Address - B-81, Pariseema Complex, C.G. Road, Ellisbridge Ahmedabad.
7	Bela T Jhaveri	Bela Jhaveri introduced to Nikhil Shah (KYC by <i>SSJ Finance &amp; Securities Pvt. Ltd.</i> )
8	<b>Kumkum Stock Broker Pvt. Ltd.</b>	Shaishil Jhaveri introduced Manish Shah and Nikhil Shah (KYC by <i>SPFL Sec Ltd.; Siddhi Shares Pvt. Ltd.</i> )

S. No.	Name of the group entity	Basis of Connections
9	Manish Ratilal Shah	<p>Common introducer:</p> <p>Shailesh Patel, Nitaben Patel, Nikhilbhai Shah and Shaishil Jhaveri by one Premal Shah <i>(KYC by Brics Securities Ltd.)</i></p> <p>Bela Jhaveri and Nikhil Shah by one Hardik Shah <i>(KYC by Religare Securities Ltd)</i></p> <p>Shailesh Patel and Shaishil Jhaveri by one Macwan Joel J <i>(KYC by Mangal Keshav Securities Ltd.)</i></p> <p>Manish Shah, Nikhilbhai Shah and Shailesh Patel by one Ashish Dapki <i>(KYC by Nirmal Bang Sec Ltd.)</i></p> <p>Kumkum Stock Brokers Pvt. Ltd. and Nitaben Patel by one Ripple K Shah <i>(KYC by Nirmal Bang Sec Ltd.)</i></p>
10	Daxaben Vasantkumar Shah	<p>Nita B Bhavsar, Jipal Shah, Dhavalkumar Soni , C Shah Champaklal and Shailesh Somabhai Patel, have common contact number i.e. 9825011486 and email ID <i>(KYCs by Emkay Share and Stock Brokers Ltd.)</i></p> <p>Dhavalkumar Hastimal Soni &amp; Hastimal Gulabchand Soni have common address viz. Mota Nagar Wada, At Kapadwanj, Nadiad, Gujarat 387620.</p> <p>Jipal Shah introduced Kapilaben Patel and Nita Bhavsar <i>(KYC by Arcadia Share &amp; Stock Brokers Ltd.)</i></p> <p>Daxaben Shah introduced Apexa Patel <i>(KYC by Arcadia Share &amp; Stock Brokers Pvt. Ltd.)</i></p>
11	Nita B Bhavsar	
12	Jipal Pineshkumar Shah	
13	Dhavalkumar Hastimal Soni	
14	Hastimal Gulabchand Soni	
15	C Shah Champaklal	<p>Common Introducer:</p> <p>Daxaben Shah, Jipal Shah and Nita Bhavsar by one Pranav Vora <i>(KYC by ANS Pvt. Ltd.)</i></p>
16	Apexa Jagdishbhai Patel	<p>Apexa Jagdishbhai Patel &amp; Jagdish Ramanlal Patel have common address viz. C/44, Greenwood Society, Opp: Sarvoday-2, Sola Road, Ahmedabad, 380061.</p> <p>Daxaben Shah introduced Apexa Patel <i>(KYC by Arcadia Share &amp; Stock Brokers Pvt. Ltd.)</i></p> <p>Jagdishbhai Patel introduced Sonal Kiritbhai Patel <i>(KYC by Arcadia Share &amp; Stock Brokers Pvt. Ltd.)</i></p> <p>Common Introducer:</p> <p>Apexa Patel and Jagdish Patel by one Tejas Shah <i>(KYC by SSJ Finance and Securities Pvt. Ltd.)</i></p>
17	Jagdish Ramanlal Patel	
18	Sonal Kiritbhai Patel	

S. No.	Name of the group entity	Basis of Connections
19	Chase Marketing Pvt. Ltd	The email id is given as supertex@vsnl.com. Further, it received shares in preferential allotment from Supertex Industries Ltd. It transferred 350,000 shares of Supertex to Manish Ratilal Shah and 500,000 shares of Supertex to Nikhil V Shah in off market.
20	Amrita Agrawala	She received shares in preferential allotment from Supertex Industries Ltd. She transferred 300,000 shares of Supertex to Kapilaben Somabhai Patel in off market. As stated in her reply dated 15.1.2013, she had transaction with Kapilaben Somabhai Patel. It was a friendly loan.
21	Danish Merchant	He received shares in preferential allotment from Supertex Industries Ltd. He transferred 150,000 shares of Supertex to Kapilaben Somabhai Patel in off market. Letters dated 14.1.2013 from Amrit L Gandhi and Danish Merchant requesting for one month time are identical letters and signed by common person, indicates connection between the two entities
22	Jagdish Bhagat	He received shares in preferential allotment from Supertex Industries Ltd. Further, he received 10,000 shares of Supertex from Kumkum Stock Broker Pvt. Ltd in off market.
23	Jigish Vasa	He transferred 55,000 shares of Supertex to Bela Tushar Zaveri in off market. Further, he received 30,000 shares of Supertex and 59,200 shares of Winsome from Shaishil Jhaveri in off market.
24	Parameshwar Exports Pvt Ltd	It received shares in preferential allotment from Supertex Industries Ltd. It transferred 300,000 shares to Manish Ratilal Shah in off market.
25	Amrit L Gandhi	He received shares in preferential allotment from Supertex Industries Ltd. Letters dated 14.1.2013 from Amrit L Gandhi and Danish Merchant requesting for one month time are identical letters and signed by common person, indicates connection between the two entities

13. I note from the above table that Jipal Pineshkumar Shah, Shri Nikhilbhai Shah and Shri Shaishil T. Jhaveri are directors of **the noticee**. Further, Shri Shailesh Patel, Ms. Nitaben Patel, Shri Nikhilbhai Shah and Shri Shaishil Jhaveri had a common introducer in their KYC. I also note that Shri Shailesh Patel, Ms. Nitaben Patel and Ms. Kapilaben Patel are connected through a common address while Ronak Choksi is introducer of Nitaben Patel and Shailesh Patel (KYC by Guinness Securities Ltd.) and he has also signed as witness in the KYC forms of Nitaben Patel and Shailesh Patel filed with another broker Network Stock Broking Ltd. I observe that Shri Manish Shah, Shri Nikhilbhai Shah and Shri Shailesh Patel had a common introducer in KYC. I also note that Ms.

Amrita Agrawala, Shri Danish Merchant, Shri Jagdish Bhagat, Shri Jigish Vasa, M/s Chase Marketing Private Limited and M/s Parameshwar Exports Pvt Ltd. had off market transactions with other members of the group. Apart from above, there are other connections between the group members that have been brought out in above table. Sonal Kiritbhai Patel is connected to the other entities of the group on the basis of introducer Shri Jagdishbhai Patel. The introducer Shri Jagdishbhai Patel is connected to Ms. Apexa Jagdishbhai Patel on the basis of common address. The introducer of Apexa Jagdishbhai Patel in KYC documents is Ms. Daxaben Shah, who in turn is connected to Jipal Pineshkumar Shah and Ms. Nita Bhavsar on the basis of a common introducer. Ms. Nita Bhavsar, Shri Jipal Shah, Shri Dhavalkumar Soni, Shri C Shah Champaklal and Shri Shailesh Patel have common contact number and email ID in their KYC documents. In view of the same, I am satisfied that the various members of the group were either directly or indirectly connected with the group.

14. I note from the SCN that the Noticee in collusion with the group was alleged to have executed circular trades, synchronized trades, reversal trades and self trades in four scrips viz. RTL, SIL, ADPL and WTIL. Such trades had allegedly resulted in creation of artificial volume in the said three scrips leading to false and misleading appearance of trading in the said scrips. Further, this had allegedly artificially increased the price in the said three scrips and hence is fraudulent in nature. I observe from the IR that the price impact of trades of the group is as follows:

**Table – 15**

Scrip	No. of Group's trades with + LTP	% of Total trades with + LTP	Impact of Group's trades with + LTP (Rs.)	No. of Group's trades with - LTP	% of Total trades with - LTP	Impact of Group's trades with - LTP (Rs.)	Net LTP impact of the Group (Rs.)	Sum of NHP Diff (Market) (Rs.)	Sum of NHP Diff (Group) (Rs.)
RTL	1,992	57.71%	1,064.4	1,773	46.60%	-441.45	622.95	51.4	38.55
SIL	3,479	43.69%	856.17	4,998	52.29%	-715.13	141.04	37.5	10.35
ADPL	1,870	46.18%	780.9	1,557	37.02%	-360.35	420.55	33.95	20.6
WTIL	1,375	44.96%	520.55	1,059	38.38%	-235	285.55	36.2	6

## Riba Textiles Limited

15. I note from the IR that the total traded quantity in scrip of RTL during the investigation period was 1,12,59,446 and that out of 161 days during which the scrip was traded during period of investigation, the trades amongst group were made on 119 days. I also note that the members of the group bought RTL shares on 154 days during the IP and sold RTL shares on 145 days during the IP. I observe that the total market buy of the group was 62,94,644 shares out of total market trades of 1,12,59,446 shares, thereby, contributing 55.91% of the total market buy trades in the scrip during IP. I also observe that the total sell quantity of the group was 60,32,877 shares out of the total market trades of 1,12,59,446 shares, thereby, contributing 53.59% of the total market sell trades in the scrip during IP. Thus, I find that the group was responsible for a significant proportion of the total trades executed in the scrip of RTL during the IP. Further, the group members traded amongst themselves for a total quantity of 38,61,914 shares, which is 34.30% of the total market trades in the scrip during the IP. Moreover, trading of 22,42,477 shares was synchronized among the group entities amounting to 58.07% of the trades amongst the group and 19.92% of the total market trades. From the above, I conclude that the trading by the group in the scrip of RTL has resulted in increase in volume of trades in RTL during the IP.

16. I also note that the group had a significant contribution towards price impact of the trades in the scrip as below:

**Table – 16**

Scrip	No. of Group's trades with + LTP	% of Total trades with + LTP	Impact of Group's trades with + LTP (Rs.)	No. of Group's trades with - LTP	% of Total trades with - LTP	Impact of Group's trades with - LTP (Rs.)	Net LTP impact (Rs.)	Sum of NHP Diff (Market) (Rs.)	Sum of NHP Diff (Group) (Rs.)
RTL	1992	57.71%	1064.4	1773	46.60%	-441.45	622.95	51.4	38.55

I note from above that the trades of the group contributed to a net LTP impact of Rs. 622.95. Further, I observe from the IR / trade log that the group had

executed 1992 trades with (+)LTP out of total 3452 (+)LTP trades during the IP, thereby, contributing 57.71% of the total trades with (+) LTP during the IP. I note that contribution of the group in rupees terms during IP towards (+) LTP was Rs. 1064.40 out of the total cumulative (+) LTP of Rs. 1616.20, thereby, contributing 65.86% of total (+) LTP during the IP. In view of the same, I conclude that the group was responsible for a significant proportion of trades which had a price impact on the scrip of RTL.

17. I observe from the IR and the trade log, the following was volume of trade of the Noticee in the scrip:

**Table – 17**

Client Name	Total Buy (Market)	Buy amongst Group	Total Sell (Market)	Sell amongst Group	Synchronized Trades amongst Group (Buy)	Synchronized Trades amongst Group (Sell)	Self Trades
Kumkum Stock Broker Pvt. Ltd.	16,03,320	7,60,989	17,24,773	7,98,644	4,04,211	5,55,064	294
Rest of the group	46,91,324	31,00,925	43,08,104	30,63,270	18,38,266	16,87,413	1,01,626
Total	62,94,644	38,61,914	60,32,877	38,61,914	22,42,477	22,42,477	1,01,920

18. I note from the trade log/ IR that the Noticee's buy quantity were 14.24% of the total market volume in the scrip of RTL. The Noticee's buy quantity in RTL within the group was 7,60,989 shares, which was 19.70% of buy among the group. The Noticee's sell quantity was 15.31% of the total market quantity in the scrip during the IP. The Noticee's sell quantity amongst the group in the scrip was 7,98,644 shares, which was 20.68% of the sell amongst the group. I note that the Noticee had synchronized buy trades within the group for a quantity of 4,04,211 shares which was 18.03% of the total synchronized buy trades of the group. I note that the Noticee had synchronized sell trades within the group for a quantity of 5,55,064 shares which was 24.75% of the total synchronized sell trades of the group. From the above, I find that the Noticee has contributed significantly in the volume created by the group in the scrip of RTL. I also note from the IR that noticee has entered into self trades for a

quantity of 294 shares which was 0.0026% of total market volume in the scrip during IP.

19. From the trade log, I observe that the LTP contribution of the Noticee in the scrip is as below:

**Table – 18**

Scrip Name	All Trades		LTP diff > 0		LTP diff < 0		LTP diff = 0	Total Market Positive LTP	% of Pos LTP to Tot Mkt Pos LTP
	LTP impact in Rs.	No of trades	LTP impact in Rs.	No of trades	LTP impact in Rs.	No of trades	No of trades		
RTL	275.15	4752.00	510.10	890.00	-234.95	932.00	2930.00	1997.80	25.53

From the above table, I observe that the trades of the Noticee had a net LTP impact of Rs. 275.15 in the scrip. Further, the Noticee entered into 890 trades which resulted in (+) LTP. The (+) LTP impact of such trades was Rs. 510.10, which was 25.53% of the total market (+) LTP. As noted earlier, the group had a total (+) LTP impact of Rs. 1064.40 during the IP and the contribution of the Noticee in (+) LTP was 47.92% of the (+) LTP impact of the group. I also note from the trade log that the noticee has contributed to Rs. 14.45 towards NHP in the scrip during IP which is 28.11% of total NHP contribution by the market during IP.

20. It was also alleged in the SCN that the Noticee had indulged in reversal trades in the scrip with the group. The following instances were alleged to be reversal trades in the SCN:

**Table – 19**

Sr. No.	Seller	Date	Scrip	No. of shares	No. of Trades	Average Rate (₹)	Buyer
1	Shailesh Somabhai Patel	09/01/2009	RTL	1,839	1	24.3	Kumkum Stock Broker Private Limited
	Kumkum Stock Broker Private Limited	12/01/2009	RTL	2,107	2	23.8	Shailesh Somabhai Patel
2	Kumkum Stock Broker Private Limited	2508/2009	RTL	25,000	4	44.64	Shailesh Somabhai Patel, Nitaben Shaileshbhai Patel



	Nitaben Shaileshbhai Patel	28/08/2009	RTL	70,000	Off Market	Off Market	Kumkum Stock Broker Private Limited
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a) I note from the above table that in first set of transactions Group entity viz. Shailesh Somabhai Patel sold 1,839 shares of RTL to the noticee on January 09, 2009 and the noticee sold 2,107 shares of RTL to Shailesh Somabhai Patel after three days of initial transaction, i.e., on January 12, 2009. Therefore, I find that the Noticee's above referred trades with M/s Kumkum Stock Broker Private Limited were reversal trades.

b) I also note from the second set of transaction in the above table that the Noticee sold 25,000 shares of RTL to two group entities viz. Shailesh Somabhai Patel, Nitaben Shaileshbhai Patel on August 25, 2009. Further, on August 28, 2009, Nitaben Shaileshbhai Patel transferred 70,000 shares of RTL in off market to the Noticee. I am of the opinion that in order to term a set of trades as reversal trades, both the buy and sell transactions should take place on market. In view of the same, I do not find the said instances of trade to be reversal trades.

21. In view of the above, I conclude that the group has indulged in trades in the scrip of RTL that has resulted in creation of artificial volume in the scrip of RTL leading to false and misleading appearance of trading in the scrip. Further, this has also artificially increased the price in the scrip substantially and hence is fraudulent in nature. The Noticee as a part of group has contributed to volume creation and price manipulation in the scrip of RTL.

#### **Supertex Industries Limited:**

22. I note from the IR that the total traded quantity in scrip of SIL during the investigation period was 1,94,21,886 and that out of 161 days during which the scrip was traded during period of investigation, the trades amongst group were

made on 100 days. I also note that the members of the group bought SIL shares on 121 days during the IP and sold SIL shares on 132 days during the IP. I observe that the total market buy of the group was 1,03,76,495 shares out of total market trades of 1,94,21,886 shares, thereby, contributing 53.42% of the total market buy trades in the scrip during IP. I also observe that the total sell quantity of the group was 1,01,61,354 shares out of the total market trades of 1,94,21,886 shares, thereby, contributing 52.32% of the total market sell trades in the scrip during IP. Thus, I find that the group was responsible for a significant proportion of the total trades executed in the scrip of SIL during the IP. Further, the group members traded amongst themselves for a total quantity of 56,64,204 shares, which is 29.16% of the total market trades in the scrip during the IP. Moreover, trading of 30,12,803 shares was synchronized among the group entities amounting to 53.19% of the trades amongst the group and 15.51% of the total market trades. From the above, I conclude that the trading by the group in the scrip of SIL has resulted in increase in volume of trades in SIL during the IP.

23. I also note that the group had a significant contribution towards price impact of the trades in the scrip as below:

**Table – 20**

Scrip	No. of Group's trades with + LTP	% of Total trades with + LTP	Impact of Group's trades with + LTP (Rs.)	No. of Group's trades with - LTP	% of Total trades with - LTP	Impact of Group's trades with - LTP (Rs.)	Net LTP impact (Rs.)	Sum of NHP Diff (Market) (Rs.)	Sum of NHP Diff (Group) (Rs.)
SIL	3479	43.69%	856.17	4998	52.29%	-715.13	141.04	37.5	10.35

I note from above that the trades of the group contributed to a net LTP impact of Rs. 141.04. Further, I observe from the IR / trade log that the group had 3479 trades with (+)LTP out of total 7963 (+)LTP trades during the IP, thereby, contributing 43.69% of the total trades with (+) LTP during the IP. I note that contribution of the group in rupees terms during IP towards (+) LTP was Rs. 856.17 out of the total cumulative (+) LTP of Rs. 2060.74, thereby, contributing

41.55% of total (+) LTP during the IP. In view of the same, I conclude that the group was responsible for a significant proportion of trades which had a price impact on the scrip of SIL.

24. I observe from the IR and the trade log, the following was volume of trade of the Noticee in the scrip:

**Table – 21**

Client Name	Total Buy (Market)	Buy amongst Group	Total Sell (Market)	Sell amongst Group	Synchronized Trades amongst Group (Buy)	Synchronized Trades amongst Group (Sell)	Self Trades
Kumkum Stock Broker Pvt. Ltd.	34,60,933	15,14,887	34,78,806	15,61,370	8,11,469	10,26,753	3,329
Rest of the group	69,15,562	41,49,317	66,82,548	41,02,834	22,01,334	19,86,050	35,807
Total Group	1,03,76,495	56,64,204	1,01,61,354	56,64,204	30,12,803	30,12,803	39,136

25. I note from the trade log/ IR that the Noticee's buy quantity were 17.82% of the total market trades in the scrip of SIL. The Noticee's buy quantity in SIL within the group was 15,14,887 shares, which was 26.74% of buy among the group. The Noticee's sell quantity was 17.91% of the total market quantity in the scrip during the IP. The Noticee's sell quantity amongst the group in the scrip was 15,61,370 shares, which was 27.57% of the sell amongst the group. I note that the Noticee entered into synchronized buy trades within the group for a quantity of 8,11,469 shares which was 26.93% of the total synchronized buy trades of the group. I also note that the Noticee had synchronized sell trades within the group for a quantity of 10,26,753 shares which was 34.08% of the total synchronized sell trades of the group. From the above, I find that the Noticee had contributed significantly in the volume created by the group in the scrip of SIL. I also note from the IR that noticee has entered into self trades for a quantity of 3,329 shares which was 0.017% of total market volume in the scrip during IP.

26. From the trade log, I observe that the LTP contribution of the Noticee in the scrip is as below:

**Table – 22**

Scrip Name	All Trades		LTP diff > 0		LTP diff < 0		LTP diff = 0	Total Market Positive LTP	% of Pos LTP to Tot Mkt Pos LTP
	LTP impact in Rs.	No of trades	LTP impact in Rs.	No of trades	LTP impact in Rs.	No of trades	No of trades		
SIL	31.92	10556.00	492.03	1607.00	-460.11	2841.00	6108.00	2060.74	23.88

From the above table, I observe that the trades of the Noticee had a net LTP impact of Rs. 31.92 in the scrip. Further, the Noticee entered into 1607 trades which resulted in (+) LTP. The (+) LTP impact of such trades was Rs. 492.03, which was 23.88% of the total market (+) LTP. As noted earlier, the group had a total (+) LTP impact of Rs. 856.17 during the IP and the contribution of the Noticee in (+) LTP was 57.47% of the (+) LTP impact of the group. I also note from the trade log that the noticee has contributed to Rs. 5.85 towards NHP in the scrip during IP which is 15.60% of total NHP contribution by the market.

27. In view of the above, I conclude that the group has indulged in trades in the scrip of SIL that has resulted in creation of artificial volume in the scrip of SIL leading to false and misleading appearance of trading in the scrip. Further, this has also artificially increased the price substantially in the scrip and hence is fraudulent in nature. The Noticee as a part of group has contributed to volume creation and price manipulation in the scrip of SIL.

#### **Aarey Drugs and Pharmaceuticals Ltd.**

28. I note from the IR that the total traded quantity in scrip of ADPL during the investigation period was 88,83,052 and that out of 161 days during which the scrip was traded during period of investigation, the trades amongst group were made on 145 days. I also note that the members of the group bought ADPL shares on 157 days during the IP and sold ADPL shares on 159 days during the IP. I observe that the total market buy of the group was 45,89,697 shares

out of total market trades of 88,83,052 shares, thereby, contributing 51.67% of the total market buy trades in the scrip during IP. I also observe that the total sell quantity of the group was 44,39,211 shares out of the total market trades of 88,83,052 shares, thereby, contributing 49.97% of the total market sell trades in the scrip during IP. Thus, I find that the group was responsible for nearly half of the total trades executed in the scrip of ADPL during the IP. Further, the group members traded amongst themselves and were responsible for 24,86,523 trades, which is 27.99% of the total market trades in the scrip during the IP. Moreover, 8,46,184 trades were synchronized among the group entities amounting to 34.03% of the group trades and 9.52% of the total market trades. From the above, I conclude that the trading by the group in the scrip of ADPL has resulted in increase in volume of trades in ADPL during the IP.

29. I also note that the group had a significant contribution towards price impact of the trades in the scrip as below:

**Table – 23**

Scrip	No. of trades with + LTP	% of trades with + LTP	Impact of trades with + LTP (Rs.)	No. of trades with - LTP	% of trades with - LTP	Impact of trades with - LTP (Rs.)	Net LTP impact (Rs.)	Sum of NHP Diff (Market) (Rs.)	Sum of NHP Diff (Group) (Rs.)
ADPL	1870	46.18%	780.9	1557	37.02%	-360.35	420.55	33.95	20.6

I note from above that the trades of the group contributed to a net LTP impact of Rs. 420.55. Further, I observe from the IR / trade log that the group had 1870 trades with (+) LTP out of total 4049 (+) LTP trades during the IP, thereby, contributing 46.18% of the total trades with (+) LTP during the IP. I note that contribution of the group in rupees terms during IP towards (+) LTP was Rs. 780.90 out of the total cumulative (+) LTP of Rs. 1616.20, thereby, contributing 48.32% of total (+) LTP during the IP. In view of the same, I conclude that the group was responsible for a significant proportion of trades which had a price impact on the scrip of ADPL.

30. I observe from the IR and the trade log, the following was volume of trade of the Noticee in the scrip:

**Table – 24**

Client Name	Total Buy (Market)	Buy amongst Group	Total Sell (Market)	Sell amongst Group	Synchronized Trades amongst Group (Buy)	Synchronized Trades amongst Group (Sell)	Self Trades
Kumkum Stock Broker Pvt. Ltd.	1,39,680	1,08,182	1,51,240	1,24,209	97,400	82,450	
Rest of the group	44,50,017	23,78,341	42,87,971	23,62,314	7,48,784	7,63,734	74,240
Total	<b>45,89,697</b>	<b>24,86,523</b>	<b>44,39,211</b>	<b>24,86,523</b>	<b>8,46,184</b>	<b>8,46,184</b>	<b>74,240</b>

31. I note from the trade log/ IR that the Noticee's buy quantity were 1.57% of the total market trades in the scrip of ADPL. The Noticee's buy quantity in ADPL within the group was 1,08,182 shares, which was 4.35% of buy among the group. The Noticee's sell quantity was 1.70% of the total market quantity in the scrip during the IP. The Noticee's sell quantity amongst the group in the scrip was 1,24,209 shares, which was 5.00% of the sell amongst the group. I note that the Noticee entered into synchronized buy trades within the group for a quantity of 97,400 shares which was 11.51% of the total synchronized buy trades of the group. I also note that the Noticee entered into synchronized sell trades within the group for a quantity of 82,450 shares which was 9.74% of the total synchronized sell trades of the group. From the above, I find that the Noticee has contributed in the volume created by the group in the scrip of ADPL.

32. From the trade log, I observe that the LTP contribution of the Noticee in the scrip is as below:

**Table – 25**

Scrip Name	All Trades		LTP diff > 0		LTP diff < 0		LTP diff = 0	Total Market Positive LTP	% of Pos LTP to Tot Mkt Pos LTP
	LTP impact in Rs.	No of trades	LTP impact in Rs.	No of trades	LTP impact in Rs.	No of trades	No of trades		

ADPL	10.05	86.00	12.30	38.00	-2.25	12.00	36.00	1616.2	0.76
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33. From the above table, I observe that the trades of the Noticee had a net LTP impact of Rs. 10.05 in the scrip. Further, the Noticee entered into 38 trades which resulted in (+) LTP. The (+) LTP impact of such trades was Rs. 12.30, which was 0.76% of the total market (+) LTP. As noted earlier, the group had a total (+) LTP impact of Rs. 780.90 during the IP and the contribution of the Noticee in (+) LTP was 1.58% of the (+) LTP impact of the group.

34. In view of the above, I conclude that the group has indulged in trades in the scrip of ADPL that has resulted in creation of artificial volume in the scrip of ADPL leading to false and misleading appearance of trading in the scrip. Further, this has also artificially increased the price in the scrip and hence is fraudulent in nature. The Noticee as a part of group has contributed to volume creation and price manipulation in the scrip of ADPL.

#### **Winsome Textile Industries Ltd.**

35. I note from the IR that the total traded quantity in scrip of WTIL during the investigation period was 68,02,131 and that out of 161 days during which the scrip was traded during period of investigation, the trades amongst group were made on 77 days. I also note that the members of the group bought WTIL shares on 142 days during the IP and sold WTIL shares on 127 days during the IP. I observe that the total market buy of the group was 31,66,851 shares out of total market trades of 68,02,131 shares, thereby, contributing 46.56% of the total market buy trades in the scrip during IP. I also observe that the total sell quantity of the group was 30,05,482 shares out of the total market trades of 68,02,131 shares, thereby, contributing 44.18% of the total market sell trades in the scrip during IP. Thus, I find that the group was responsible for a significant proportion of the total trades executed in the scrip of WTIL during the IP. Further, the group members traded amongst themselves for a total quantity of 15,13,285 shares, which is 22.25% of the total market trades in the scrip during

the IP. Moreover, trading of 4,19,856 shares was synchronized among the group entities amounting to 27.74% of the trades amongst the group and 6.17% of the total market trades. From the above, I conclude that the trading by the group in the scrip of WTIL has resulted in increase in volume of trades in WTIL during the IP.

36. I also note that the group had a significant contribution towards price impact of the trades in the scrip as below:

**Table – 26**

Scrip	No. of trades with + LTP	% of trades with + LTP	Impact of trades with + LTP (Rs.)	No. of trades with - LTP	% of trades with - LTP	Impact of trades with - LTP (Rs.)	Net LTP impact (Rs.)	Sum of NHP Diff (Market) (Rs.)	Sum of NHP Diff (Group) (Rs.)
WTIL	1375	44.96%	520.55	1059	38.38%	-235	285.55	36.2	6

I note from above that the trades of the group contributed to a net LTP impact of Rs. 285.55. Further, I observe from the IR / trade log that the group had 1375 trades with (+) LTP out of total 3058 (+) LTP trades during the IP, thereby, contributing 44.96% of the total trades with (+) LTP during the IP. I note that contribution of the group in rupees terms during IP towards (+) LTP was Rs. 520.55 out of the total cumulative (+) LTP of Rs. 1131.45, thereby, contributing 46.01% of total (+) LTP during the IP. In view of the same, I conclude that the group was responsible for a significant proportion of trades which had a price impact on the scrip of WTIL.

37. I observe from the IR and the trade log, the following was volume of trade of the Noticee in the scrip:

**Table – 27**

Client Name	Total Buy (Market)	Buy amongst Group	Total Sell (Market)	Sell amongst Group	Synchronized Trades amongst Group (Buy)	Synchronized Trades amongst Group (Sell)	Self Trades
Kumkum Stock Broker Pvt. Ltd.	10,49,984	2,98,314	10,92,408	4,25,612	1,18,592	77,917	647
Rest of the group	21,16,867	12,14,971	19,13,074	10,87,673	3,01,264	3,41,939	71,921



Total	31,66,851	15,13,285	30,05,482	15,13,285	4,19,856	4,19,856	72568
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38. I note from the trade log/ IR that the Noticee's buy quantity were 15.43% of the total market trades in the scrip of WTIL. The Noticee's buy quantity in WTIL within the group was 2,98,314 shares, which was 19.71% of buy among the group. The Noticee's sell quantity was 16.06% of the total market quantity in the scrip during the IP. The Noticee's sell quantity amongst the group in the scrip was 4,25,612 shares, which was 28.12% of the sell amongst the group. I note that the Noticee entered into synchronized buy trades within the group for a quantity of 1,18,592 shares which was 28.24% of the total synchronized buy trades of the group. I note that the Noticee entered into synchronized sell trades within the group for a quantity of 77,917 shares which was 18.55% of the total synchronized buy trades of the group. From the above, I find that the Noticee was a significant contributor in the volume created by the group in the scrip of WTIL. I also note from the IR that noticee has entered into self trades for a quantity of 647 shares which was 0.010% of total market volume in the scrip during IP.

39. From the trade log, I observe that the LTP contribution of the Noticee in the scrip is as below:

**Table – 28**

Scrip Name	All Trades		LTP diff > 0		LTP diff < 0		LTP diff = 0	Total Market Positive LTP	% of Pos LTP to Tot Mkt Pos LTP
	LTP impact in Rs.	No of trades	LTP impact in Rs.	No of trades	LTP impact in Rs.	No of trades	No of trades		
WTIL	151.40	2681.00	285.55	609.00	-134.15	603.00	1469.00	1131.45	25.24

From the above table, I observe that the trades of the Noticee had a net LTP impact of Rs. 151.40 in the scrip. Further, the Noticee entered into 609 trades which resulted in (+) LTP. The (+) LTP impact of such trades was Rs. 285.55, which was 25.24% of the total market (+) LTP. As noted earlier, the group had a total (+) LTP impact of Rs. 285.55 during the IP and the contribution of the Noticee in (+) LTP was 54.85% of the (+) LTP impact of the group. I also note

from the trade log that the noticee has contributed to Rs. 1.70 towards NHP in the scrip during IP which is 4.70% of total NHP contribution by the market.

40. In view of the above, I conclude that the group has indulged in trades in the scrip of WTIL that has resulted in creation of artificial volume in the scrip of WTIL leading to false and misleading appearance of trading in the scrip. Further, this has also artificially increased the price in the scrip and hence is fraudulent in nature. The Noticee as a part of group has contributed to volume creation and price manipulation in the scrip of WTIL.

41. It was also alleged in the SCN that a group of connected/ related entities viz. Shailesh Somabhai Patel group [Shailesh Somabhai Patel, Nitaben Shaileshbhai Patel, Kapilaben Somabhai Patel, Ronak Ashwin Choksi (Parshvanath Investment Services), Shaishil T. Jhaveri, the Noticee, and Manish Ratilal Shah] were found to be dealing through various trading members of the Exchange in the scrip of WTIL during the period December 31, 2008 to January 7, 2009 and these entities altogether purchased 16,75,069 shares @ Rs.30.09 and sold 14,50,501 shares @ Rs.30.89, accounting for 36.14% and 31.29% of the total market volume respectively, thereby earning a profit of Rs.11,60,400 on purchase and sale of 14,50,510 shares. It was also alleged the said entities had entered into trades with each other mainly during the period December 31, 2008 to March 20, 2009 and accounted for around 24% of the total traded volumes during the said period. They entered into trades with each other mainly during the period January 12, 2009 to February 27, 2009, when the scrip was in trade-to-trade segment. Also, out of 53 trading days during the period December 31, 2008 to March 20, 2009, they entered into trades among themselves on 39 trading days, out of which on 23 trading days their trades accounted for more than 20% of the total market volume during the respective day. It was observed that during the sharp price rise patch i.e. during the period December 31, 2008 to January 7, 2009 when the price of

the scrip moved from Rs.14.02 to Rs.34.40 in first trades as well as through intra-day movement in 6 trading days, the said entities appeared in maximum number of instances and appeared to have contributed to the price rise as well as supported the price of the scrip. Therefore it appeared that the said entities may have traded in the scrip to support the price/ volume of the scrip.

42. In this respect, I note that the IP covers the period January 01, 2009 to August 31, 2009 and the above referred trades have been alleged to have taken place during December 31, 2008 to March 20, 2009. Thus, I observe that the majority of the above referred transactions are covered under the IP, with only the transactions executed on December 31, 2008 falling outside the IP. I note from the trade log that on December 31, 2008 the Noticee bought and sold 17,731 shares of WTIL at an average buy price of Rs. 19.77 and average selling price of Rs. 20.98. I also note that the Noticee had bought 10,49,984 shares of WTIL during the period January 01, 2009 to August 31, 2009 at an average price of Rs. 35.085. The Noticee also sold 10,92,408 shares of WTIL during the period January 01, 2009 to August 31, 2009 for an average price of Rs. 35.09. I also note that the IR states that the members of the above referred Shailesh Somabhai Patel group earned a profit of Rs. 11,60,400/- on purchase and sale of 14,50,510 shares of WTIL.

43. It was alleged in the SCN that the Noticee had indulged in circular trades in the scrips. However, I am of the view that it is difficult to establish circular trades by the Noticee from the material available on record.

44. At this juncture, I would like to quote the order of the Hon'ble Securities Appellate Tribunal (herein after referred to as 'SAT') in *Sparkline Mercantile Co. Pvt. Ltd. Vs SEBI dated 16.01.2012* wherein it was held as follows:

*"..It is an admitted position that it is difficult to get direct evidence with regard to synchronization of trades for the purpose of upsetting the market equilibrium or to*

*manipulate the market. It is only on the basis of circumstantial evidence that such a connection can be proved.....*

*A large number of trades were executed among the group entities within a minute of placing the order. This cannot happen without prior meeting of minds among the connected entities. From the details of the trades executed and having regard to the trading system, we do not think that such large number of trades could match between the same parties unless the trading system was being abused..”*

45. I also note that sufficient opportunities were granted to the Noticee to submit his reply to the SCN and to appear for personal hearing. However, despite service of the SCN and hearing notices, none of the given opportunities were availed of by the Noticee. The Hon’ble SAT in the matter of Classic Credit Ltd. vs. SEBI [2007] 76 SCL 51 (SAT - MUM) inter alia held that – *“the appellants did not file any reply to the second show-cause notice. This being so, it has to be presumed that the charges alleged against them in the show-cause notice were admitted by them”*. The Hon'ble SAT also made such proposition in case of Sanjay Kumar Tayal & Ors. vs. SEBI (in appeal No. 68/2013) decided on February 11, 2014 viz. *“.....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”*.

46. In view of the above facts and circumstances, it can be concluded that the Noticee had violated Regulations 3 (a), (b), (c), (d), 4 (1), (2), (a), (b), (e) and (g) of PFUTP Regulations in the scrip of RTL, SIL, ADPL and WTL as discussed above. The said violations attract penalty under Section 15HA of the SEBI Act which provides that:

***SEBI Act, 1992***

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

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

***“Factors to be taken into account by the adjudicating officer.***

*Section 15J - While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely:-*

*(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*

*(b) the amount of loss caused to an investor or group of investors as a result of the default;*

*(c) the repetitive nature of the default.*

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

48. The IR has not quantified any gain or unfair advantage accrued to the Noticee as a result of notice's trading in the scrip of RTL, SIL, ADPL and WTIL. Further, there is no material made available on record to assess the disproportionate gain or unfair advantage and amount of loss caused to an investor or group of investors as a result of notice's violation.

**ORDER**

49. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by the Noticee and also the factors mentioned in Section 15J of the SEBI Act and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose a penalty of Rs.20,00,000 (Rupees Twenty Lakh only) on the Noticee viz. Kumkum Stock Brokers Private Limited under

the provisions of Section 15HA of the SEBI Act. I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticee.

50. The amount of penalty shall be paid either by way of demand draft in favour 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.

51. The said demand draft or forwarding details and confirmations of e-payments made (in the format as given in table below) should be forwarded to “The Division Chief, Enforcement Department (EFD1-DRA II), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C –4 A, “G” Block, Bandra Kurla Complex, Bandra (E), Mumbai –400 051”:

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)	

52. In terms of the provisions of Rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticee viz. Kumkum Stock Brokers Private Limited and also to the Securities and Exchange Board of India.

**Date: May 03, 2018**

**Place: Mumbai**

**K SARAVANAN**  
**GENERAL MANAGER &**  
**ADJUDICATING OFFICER**