

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

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

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

In respect of:

Sr. No.	Entity Name	PAN
1	Varsha Dipakbhai Dobariya	AWMPD1706E
2	Nihal Siddharth Bhekare	BDXPB3142H
3	Narshibhai Lakhabhai Dobariya	AMEPD9444P
4	Arvind Babulalji Goyal	ACIPG0193J
5	Amitkumar Rameshbhai Sanghani	FNZPS4680B
6	Arrow Asia Stock Broking Limited	AAFCA7088J
7	Bhagwati Dalmia	ACMPD2599M
8	Vimal Narshibhai Dobariya	AMEPD0174G

In the matter of Kausambi Vanijya Limited

BACKGROUND

1. Kausambi Vanijya Ltd. (hereinafter referred to as “KVL / **Company**”) is in the business of buying, selling, supplying, investing, trading of consumer and household goods and it also invests in and acquires or otherwise deals in shares, debentures, bonds, obligations and securities issued/guaranteed by Government, State, Dominion in India or elsewhere. The company changed its name from Kausambi

Vanijya Ltd. to Golden Bull Research & Growth Ltd. on October 20, 2014. The company is listed only on BSE.

2. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted an investigation in the scrip of KVL based on a reference received from the Principal Director of Income Tax (Investigation), Kolkata. The focus of the investigation was to ascertain whether there were any violations of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”) by certain entities in the scrip of KVL during the period August 22, 2014 to July 31, 2015 (hereinafter referred to as “**Investigation Period**”).
3. During the investigation period, corporate announcements were in nature of announcements of financial results, meeting of the Board of Directors of the company etc. Further, it is observed from the Investigation Report (hereinafter referred to as “**IR**”) that it was observed that the company, for the financial years 2014 - 2015 and 2015 - 2016 registered a profit of ₹ 0.01 crore in each year.
4. Based on price rise/fall, 2 patches were identified. A brief summary of the said 2 patches is as follows:

Period	Duration		Opening Price/ vol on 1st day of period(Rs.)	Closing Price/ Vol on last day of period(Rs.)	Low Price/Vol during the Period(Rs.)	High Price/Vol during the Period(Rs.)	Avg no of shares traded daily during the period
Pre- Investigation	(22.05.2014 - 21.08.2014)	No trading during this period. The scrip was last traded on 15/05/2014.					
Investigation	Patch 1 (22.08.2014 - 31.12.2014)	Price	52.50	295	62.50 (22.08.2014)	305.70 (31.12.2014)	1432
		Vol	1	314	1 (22.08.2014) Multiple dates	31200 (11.09.2014)	
	Patch 2 (01.01.2015 - 31.07.2015)	Price	280.25	47.70	24.35 (09.06.2015)	280.25 (01.01.2015)	17747
		Vol	15	52297	1 (11.02.2015) Multiple dates	191622 (26.05.2015)	
Post- Investigation	(03.08.2015 - 30.10.2016)	Price	45.55	4.24	4.24 (30.10.2016)	69.60 (13.08.2015)	544523
		Vol	27905	3468	1174 (04.08.2015)	2888021 (28.08.2015)	

SHOW CAUSE NOTICE

5. Consequent to the investigation, a show cause notice dated October 31, 2017 (hereinafter referred to as “SCN”) was sent to Ms. Varsha Dipakbhai Dobariya, Shri Nihal Siddharth Bhekare, Shri Narshibhai Lakhabhai Dobariya, Shri Arvind Babulalji Goyal, Arrow Asia Stock Broking Limited, Ms. Bhagwati Dalmia, Ms. Vimal Narshibhai Dobariya (hereinafter collectively referred to as “Noticees”) in the extant matter. The SCN *inter alia* alleged as follows:

a) The Last Traded Price (hereinafter referred to as “LTP”) analysis of the 2 patches was done and the details of patch 1 is given below:

LTP Analysis: Patch 1 - Price Rise - August 22, 2014 to December 31, 2014:

- During this patch, the scrip price opened at ₹ 52.50 reached a high of ₹ 305.70 and closed at ₹ 295 i.e., a rise of 461.90%.
- At the time of investigation, based on KYC details, off-market transfers, bank statements and MCA details, a group of 24 entities connected to the company were identified. The basis of connection table is placed as follows:

Sr. No.	PAN	Entity Name	Basis of Connection
1	ACMPD2599M	Bhagwati Dalmia	1. Shares common address with Mahanya Commotrade Pvt. Ltd. viz. 2A, Ramanath Sadhu Lane, Kolkata 700007 with Mahanya Commotrade Pvt. Ltd. 2. Mahanya Commotrade Pvt. Ltd. is a subsidiary of Kausambi Vanijya Ltd. as per the annual report for FY 2014-15
2	AFMPD0026L	Megha Dalmia	1. Share common address with Deepesh Commotrade Pvt Ltd viz. 196/C, C.R. Avenue Kolkata 700007 2. Deepesh Commotrade Pvt Ltd. is a subsidiary of Kausambi Vanijya Ltd. as per the annual report for FY 2014-15
3	AAGCM5061Q	Mandhana Commtrade Pvt Ltd	
4	AABCW1180B	Wealthsmith Share Broking Private Limited	Off market transfer on 12/01/2015 with Mandhana Commtrade Pvt Ltd. (Sr. No. 3)
5	AXIPM6008R	Gajanan Shankar Mahadik	Off market transfer on 12/01/2015 with Wealthsmith Share Broking Pvt Ltd. (Sr. No. 4)
6	EHHPS7198F	Diwakar Sheshan Shetty	Off market transfer on 14/01/2015 with Wealthsmith Share Broking Pvt Ltd. (Sr. No. 4)
7	BDXPB3142H	Bhekare Nihal Siddharth	1. Fund transfer with Wealthsmith Share Broking Pvt Ltd. (Sr. No. 4)

			2. Wealthsmith Share Broking Private Limited is not a registered intermediary as per replies received from BSE and NSE.
8	DGOPS8751M	Jamnadas Sheth	1. Fund transfer with Wealthsmith Share Broking Pvt Ltd (Sr. No. 4) 2. Wealthsmith Share Broking Private Limited is not a registered intermediary as per replies received from BSE and NSE.
9	AFPPT2997B	Sandeep Mhalu Tadge	Fund transfer with Jamnadas Sheth (Sr. No. 8).
10	AJGPN1996D	Ajay Dhirajlal Nathwani	Off market transfer on 11/06/2014 with Sandeep Mhalu Tadge.
11	AMOPM1247R	Sumesh Ashok Mishra	Off market transfer on 26/11/2014 with Jamnadas Sheth (Sr. No. 8).
12	ACVPJ4679B	Abhay Dattatray Javlekar	Off market transfer on 07/11/2014 with Jamnadas Sheth (Sr. No. 8).
13	AAFCA7088J	Arrow Asia Stock Broking Limited	Off market transfer on 13/09/2014 with Jamnadas Sheth (Sr. No. 8).
14	BXMPP1272K	Vinay Bhushan Pendyala	Shares same e-mail with Arrow Asia Stock Broking Limited (Sr. No. 13) viz. agoyal143@yahoo.com.
15	AEHPG5959B	Pooja Arvind Goyal	Director of Arrow Asia Stock Broking Limited (Sr. No. 13) from 23/12/2006 till date.
16	ACIPG0193J	Arvind Babulalji Goyal	Shares common address with Pooja Arvind Goyal (Sr. No. 15) viz. 1704, Anmol Pride, S.V. Road, Goregaon West, Mumbai 400062.
17	AZWPK6632R	Gautam Sanjay Khandelwal	Off market transfer on 13/01/2015 with Ajay Dhirajlal Nathwani (Sr. No. 10).
18	AGDPP3333Q	Yogesh Pathak	Off market transfer on 13/01/2015 with Abhay Dattatray Javlekar (Sr. No. 12).
19	AAACU9656P	Umang Webtech Private Limited	Off market transfer on 08/09/2014 with Yogesh Pathak (Sr. No. 18).
20	ABRPP0265C	Rameshbhai Laljibhai Patel	Off market transfer on 08/09/2014 with Umang Webtech Private Limited (Sr. No. 19).
21	AMEPD0174G	Vimal Narshibhai Dobariya	Off market transfer on 22/09/2014 with Rameshbhai Laljibhai Patel (Sr. No. 20).
22	FNZPS4680B	Amitkumar Rameshbhai Sanghani	Off market transfer on 13/10/2014 with Vimal Narshibhai Dobariya (Sr. No. 21).
23	AWMPD1706E	Varsha Dipakbhai Dobariya	Share same no. with Vimal Narshibhai Dobariya (Sr. No. 21) viz. 9925235868.
24	AMEPD9444P	Narshibhai Lakhabhai Dobariya	

- It was found that 10 out of the 24 group / connected entities have traded as buyers during patch 1 and buy LTP analysis of these 10 entities for patch 1 is tabulated as follows –

Sr. No.	Buyers	All trades			LTP > 0 (positive LTP)			LTP < 0 (negative LTP)			LTP = 0		% of +ve LTP to Mkt +ve LTP
		Sum of LTP diff	No of trades	Qty	Sum of LTP diff	No of trades	Qty	Sum of LTP diff	No of trades	Qty	No of trades	Qty	
1	Varsha Dipakbhai Dobariya	42.85	5	106	42.85	5	106	0	0	0	0	0	9.81
2	Bhekare Nihal Siddharth	18.85	1	10	18.85	1	10	0	0	0	0	0	4.32
3	Bhagwati Dalmia	9.30	3	11	9.30	2	2	0	0	0	1	9	2.13
4	Narshibhai Lakhabhai Dobariya	8.35	1	6	8.35	1	6	0	0	0	0	0	1.91
5	Arvind Babulaji Goyal	5.15	2	211	5.15	2	211	0	0	0	0	0	1.18
6	Jamnadas Sheth	0	25	68265	0	0	0	0	0	0	25	68265	0
7	Abhay Dattatray Javlekar	-5.60	2	14	6	1	4	-11.60	1	10	0	0	1.37
8	Arrow Asia Stock Broking Limited	-8.25	16	616	29.65	4	58	-37.90	5	80	7	478	6.79
9	Vinay Bhushan Pendyala	-31.10	5	1070	0	0	0	-31.10	3	70	2	1000	0
10	Pooja Arvind Goyal	-43.10	18	1599	12.60	4	141	-55.70	7	659	7	799	2.89
Group Total		-3.55	78	71908	132.75	20	538	- 136.30	16	819	42	70551	30.40
Overall Market		245	221	78781	436.65	69	1772	- 191.65	30	965	122	76044	100

- As seen from the above table the entities from Sr. Nos. 1 to 5 contributed to net +ve LTP, entity listed at Sr. No. 6 contributed to net 0 LTP and entities from Sr. Nos. 7 to 10 contributed to net -ve LTP. The group entities contributed ₹ 132.75 (30.40% of the market +ve LTP) to the market +ve LTP.
- From trading analysis, it was observed that the group entities had traded among themselves and the details are as follows:

Sr. No	+LTP in Rs. (No. of trades)						Total +LTP in ₹ (No. of trades)
	Seller →	Amitkumar Rameshbhai Sanghani	Arrow Asia Stock Broking Limited	Varsha Dipakbhai Dobariya	Bhagwati Dalmia	Vimal Narshibhai Dobariya	
1	Buyer ↓ Varsha Dipakbhai Dobariya	25.20 (3)	-	-	-	-	25.20 (3)

2	Bhekare Nihal Siddharth	-	18.85 (1)	-	-	-	18.85 (1)
3	Narshibhai Lakhabhai Dobariya	-	-	8.35 (1)	-	-	8.35 (1)
4	Arvind Babulalji Goyal	-	-	-	2.75 (1)	2.40 (1)	5.15 (2)
							57.55 (7)

- From the above table, it is observed that by trading among themselves eight group entities contributed ₹ 57.55 (seven trades) to the market +ve LTP, which is 13.17% of the market +ve LTP. Five Entities namely Shri Amitkumar Rameshbhai Sanghani, Arrow Asia Stock Broking Limited, Ms. Varsha Dipakbhai Dobariya, Ms. Bhagwati Dalmia and Shri Vimal Narshibhai Dobariya had aided other connected entities (Sr. No. 1 to 4 in the aforesaid table) by selling shares to increase the price of the scrip. It was also observed that Ms. Varsha Dipakbhai Dobariya had five buy trades that contributed to +LTP, out of which three trades were with the connected entity during patch - 1. Shri Nihal Siddharth Bhekare and Shri Narshibhai Lakhabhai Dobariya had only one buy trade each that contributed to +LTP and each trade was with the connected entity during patch - 1. Shri Arvind Babulalji Goyal had only two buy trades that contributed to +LTP and both trades were with the connected entity during patch - 1.
- b) In view of the significant positive LTP contribution by the above Noticees who are group entities, by trading among themselves, it is alleged that they together have manipulated the price of the scrip by contributing to the price rise and have been alleged to have violated Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2) (a), (e) of PFUTP Regulations.
- c) The Noticees were advised to show cause as to why suitable actions/directions in terms of Sections 11(1), 11(4) and 11B of SEBI Act should not be initiated against them for the alleged violation of the provisions of PFUTP Regulations.
6. The SCN was served on all the Noticees via speed post / affixture except on Shri Amitkumar Ramenshbhai Sanghani.

REPLY & HEARING

7. In response to the SCN, Ms. Bhagwati Dalmia vide her letter dated December 26, 2017 *inter alia* submitted as follows:
- We consistently observed the trading pattern of the company and noticed that the trading price of the equity shares of the company every day in an incremental basis keep on moving in an upward direction.
 - At the outset we would like to inform you that the trading is screen based and who is the buyer or seller, is not known to the participants.
 - My volume and price to market is very negligible and hardly can affect the market equilibrium as alleged in the SCN. The total number of trades executed by me is hardly three (3).
 - We have absolutely no connection of any type, whether monetary, personal, business or otherwise with any of the persons as mentioned in the SCN.
8. Vide hearing notice dated October 16, 2018, Noticees were granted an opportunity of hearing on November 22, 2018 at SEBI Bhavan, Mumbai.
9. On the day of the scheduled hearing, Shri Geet Shikhar, Advocate (hereinafter referred to as “AR”) appeared on behalf of Ms. Bhagwati Dalmia and made *inter alia*, the following submissions:
- As regards the connection alleged in the SCN, the AR submitted that the Noticee is connected to the company as she is sharing a common address with Mahanya Commotrade Pvt. Ltd. viz. 2A, Ramanath Sadhu Lane, Kolkata 700007. The Noticee has an office in the said building and has no connection with Mahanya Commotrade Pvt. Ltd. as alleged.
 - In this regard, AR was advised to submit third party verifiable documents to prove the ownership of the said office/company which is stated to be in the name of the Noticee.
 - As regards, second allegation in the SCN that the Noticee is one of the top ten buyers who contributed to the positive LTP, it is stated that she bought only 11

shares on market and counter party is not known. Since the price of the scrip was going upward, she bought the shares with the assumption that price will increase further and this trading strategy is used normally.

- In this regard, the AR was advised to submit her trading history/dealings in other scrips along with third party verifiable documents such as demat statement and broking account statement during the relevant period i.e. one year preceding and one year after the Investigation period

AR sought time to file additional written submissions and the same was granted till December 07, 2018.

10. It is noted from the records that the other Noticees, namely Ms. Varsha Dipakbhai Dobariya, Shri Nihal Siddharth Bhekare, Shri Narshibhai Lakhabhai Dobariya, Shri Arvind Babulalji Goyal, Arrow Asia Stock Broking Limited, and Shri Vimal Narshibhai Dobariya failed to attend the hearing without providing any reason inspite of service of hearing notice and therefore the hearing with respect to the said Noticees was also concluded.
11. With respect to Shri Amitkumar Rameshbhai Sanghani, it was noted that, the hearing notice bearing reference to the SCN was published only in vernacular newspaper, therefore one more hearing opportunity was granted to him to appear on January 31, 2019. It is noted from records that hearing notice was again published only in the vernacular language newspaper and the same could not be done in English newspaper.
12. Pursuant to the hearing, Ms. Bhagwati Dalmia vide her letter dated December 3, 2018 made the following additional submissions:
 - The address viz. 2A, Ramanath Sadhu Lane, Kolkata-7 which has been used to indirectly connect me with KVL due to the presence of Mahanya Commotrade Private Limited, a subsidiary of KVL having its office at the same location, it is submitted that the building/ apartment located at this address contains more than 15 flats/rooms. It is merely a coincidence that Mahanya Commotrade Private Limited shares the same building for the purpose of its corporate address.

Hence, no adverse inference ought to be taken against me in this regard. Further, the original ownership of this residence lies with my father-in-law Shri Girdhari Lal Dalmia along with his five brothers. Copy of the e-receipt generated at the time of submission of property tax for the year 2018 is being hereby annexed to the reply. In this connection, it is further submitted that there are other companies also located at the same address such as Nayan Impex Pvt. Ltd., Chotanagpur Construction Co. Pvt. Ltd. etc. who share the common address as us. A copy/printout of the website which furnishes such data is being hereby annexed to the reply.

- I invest in shares regularly in normal course. Copies of my ledger maintained by my broker and demat transaction for the period 1/04/2013 to 31/3/2014, 1/4/2014 to 31/3/2015, 1/4/2015 to 31/3/2016 and 1/4/2016 to 30/9/2016 have been hereby annexed to the reply.

FINDINGS & CONSIDERATIONS

13. Before delving into the merits of the case, I note that except Ms. Bhagwati Dalmia, other 7 Noticees have neither replied to the SCN nor have attended the hearing. Proof of service of SCN and hearing notice are on record. In this regard, the observations of Hon'ble Securities Appellate Tribunal (hereinafter referred to as '**SAT**') in the matter of *Sanjay Kumar Tayal & Others vs. SEBI* decided on February 11, 2014 is pertinent here. The Hon'ble Tribunal observed as follows:

"...As rightly contended by Mr. Rustomjee, learned senior counsel for respondents, appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges leveled against them in the show cause notices..."

14. Without prejudice to the above observation, I proceed to examine the matter on merits. To that effect, I have perused the SCN and other materials available on record. On perusal of the same, the following issues arise for consideration:

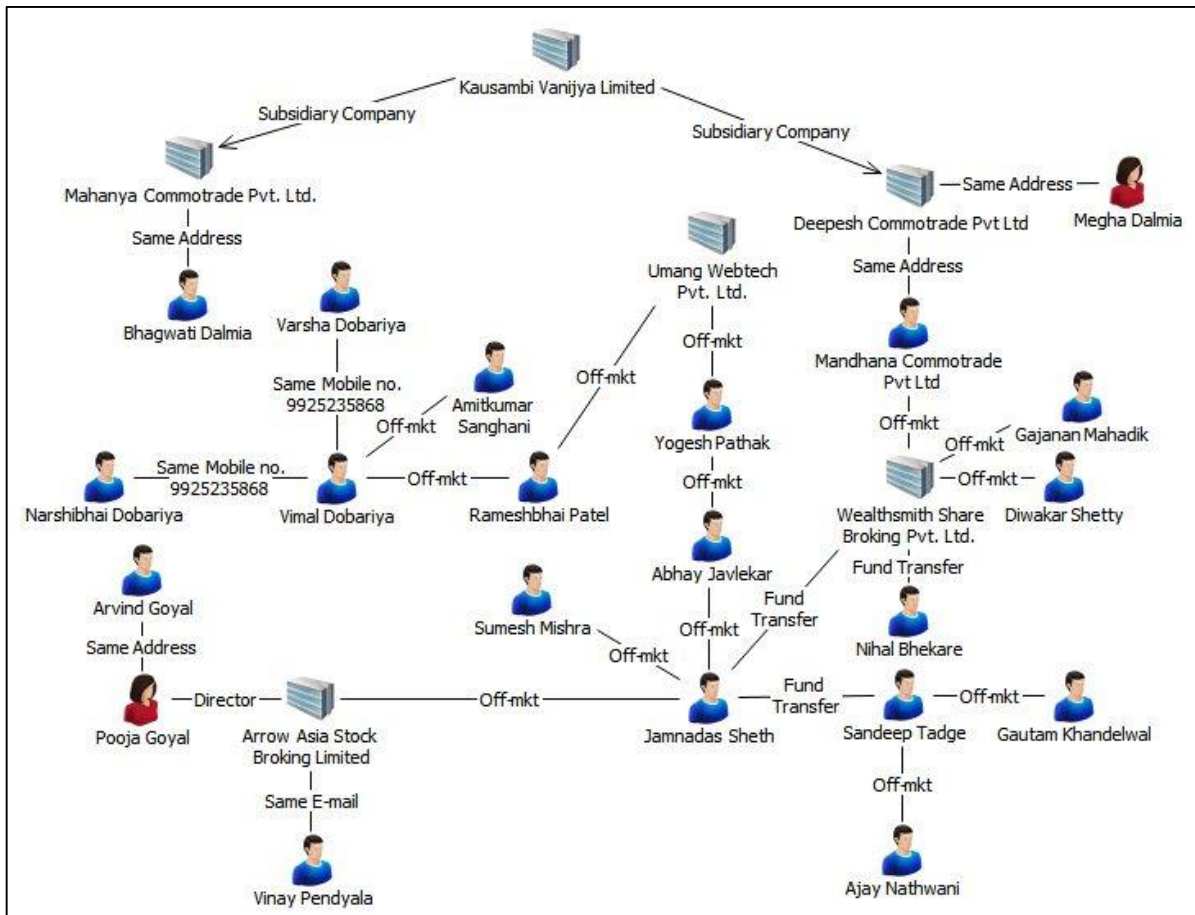
- (i) Whether the Noticees by trading amongst themselves have manipulated the

price in the scrip of KVL during the period August 22, 2014 to December 31, 2014?

- (ii) If answer to issue No. (i) is in affirmative, whether the Noticees have violated the provisions of PFUTP Regulations?
- (iii) If answer to issue Nos. (ii) is in affirmative, what directions, if any should be issued against the Noticees?

Issue No. 1 - *Whether the Noticees by trading amongst themselves have manipulated the price in the scrip of KVL during the period August 22, 2014 to December 31, 2014?*

15. It is observed from the IR that based on KYC, MCA documents, off-market details, annual reports of KVL and relevant bank account statements, a group of 24 entities connected to the company was identified. The graphical representation of basis of connection is as follows -



16. It is further noted from the IR that the group entities have traded amongst themselves

and the details are as follows -

Sr. No.	+LTP in Rs. (No. of trades)						Total +LTP in ₹ (No. of trades)
	Seller →	Amitkumar Rameshbhai Sanghani	Arrow Asia Stock Broking Limited	Varsha Dipakbhai Dobariya	Bhagwati Dal mia	Vimal Narshibhai Dobariya	
1	Varsha Dipakbhai Dobariya	25.20 (3)	-	-	-	-	25.20 (3)
2	Bhekare Nihal Siddharth	-	18.85 (1)	-	-	-	18.85 (1)
3	Narshibhai Lakhabhai Dobariya	-	-	8.35 (1)	-	-	8.35 (1)
4	Arvind Babulalji Goyal	-	-	-	2.75 (1)	2.40 (1)	5.15 (2)
							57.55 (7)

17. With respect to the trade of Ms Varsha Dipakbhai Dobariya with Shri Amitkumar Rameshbhai Sanghani, it is noted from the basis of connection that Ms Varsha Dipakbhai Dobariya shares the same mobile no. with Shri Vimal Narshibhai Dobariya who had on October 13, 2014 had transferred 200 shares of KVL in off-market to Shri Amitkumar Rameshbhai Sanghani. Shri Vimal Narshibhai Dobariya had on September 22, 2014 had received 1,000 shares of KVL from Shri Rameshbhai Laljibhai Patel in off-market who in turn had received 70,000 shares of KVL in off-market from Umang Webtech Private Limited on September 8, 2014, who in turn is connected to the company through various layers as brought out in the connection table and the pictorial representation.

18. From the order log trade log, it is noted that Ms Varsha Dipakbhai Dobariya would first place the buy order over the LTP (LTP percentage range is 4.97 - 5) and then within couple of minutes (time span range is 3 - 7 minutes), Shri Amitkumar Rameshbhai Sanghani would match the buy order. It happened on 3 instances during the period December 1, 2014 to December 9, 2014 resulting in a total LTP contribution of ₹ 25.20/- to the price of the scrip.

19. It is pertinent to mention here that off market transactions in securities takes place outside the price and order matching system of the Exchanges. These transactions

by their very nature can only be made if the parties are known to each other. In the extant matter, shares of KVL had traded on 36 days out of 63 trading days between the period August 22, 2014 to November 28, 2014 i.e. 3 months before the trades of Ms. Varsha Dipakbhai Dobariya with Shri Amitkumar Rameshbhai Sanghani and on an average 6 trades in a day were executed during the aforesaid period. Thus, the scrip was not being regularly traded. This when seen in the light that Shri Amitkumar Rameshbhai Sanghani had received in off market the shares of KVL from Shri Vimal Narshibhai Dobariya with whom Ms. Varsha Dipakbhai Dobariya shares a mobile number and subsequently Shri Amitkumar Rameshbhai Sanghani matched the buy trade of Ms. Varsha Dipakbhai Dobariya on the trading platform of the Exchange, indicates that the matching of the trades cannot be mere coincidence (3 instances within a period of 5 trading days). This leads to the conclusion that the matching of the trades was done by subverting the blind trading system of the Exchange and thus the price of the scrip was artificially manipulated.

20. At this juncture, it is noteworthy to reproduce the observations of Hon'ble SAT in the matter of *Ajmera Associates Pvt. Ltd. vs. SEBI*, decided on December 13, 2010:

"...the trading system does not permit the buyers and the sellers to have any interaction between them except through the trading system. A buy order placed on the system matches with a sell order and a trade comes to be executed and this matching is done by the system on a price time priority basis. Despite the anonymity of the system, we have seen market players and the intermediaries like the brokers executing manipulative trades by defeating the system and this is usually done by placing the buy and sell orders simultaneously for the same amount and at the same price. Such matching orders usually result in trades in comparatively less liquid scrips..."

21. The trade between the group entities, Ms Varsha Dipakbhai Dobariya and Shri Amitkumar Rameshbhai Sanghani happened on 3 instances within a short period of time and that too trade took place within a couple of minutes of placing of the order, in a scrip which was not actively traded during the relevant period. This coupled with the fact that no reason whatsoever has been provided by Ms Varsha Dipakbhai Dobariya for buying the scrip over the LTP at each instance which is opposite of the

behavior of a reasonable buyer to buy low along with other circumstances like the overall trades in the scrip, manner of acquisition of scrip by the seller, particulars of the buy order and sell order, connection amongst the Noticees, leads to the conclusion that the trade executed between Ms Varsha Dipakbhai Dobariya and Shri Amitkumar Rameshbhai Sanghani, is manipulative in nature.

22. With respect to the trade of Shri Narshibhai Lakhabhai Dobariya with Ms. Varsha Dipakbhai Dobariya, it is noted from the basis of connection that Shri Narshibhai Lakhabhai Dobariya and Ms. Varsha Dipakbhai Dobariya, share the same mobile no. with Shri Vimal Narshibhai Dobariya. It has already been brought out in preceding paragraph as to how Ms. Varsha Dipakbhai Dobariya had received shares of KVL and has played her part in manipulating the price of the scrip. In addition to that, it may be noted that Ms. Varsha Dipakbhai Dobariya had bought 25 shares of KVL from Shri Amitkumar Rameshbhai Sanghani, on December 1, 2014 (one of the three instances when she traded with Shri Amitkumar Rameshbhai Sanghani) and subsequently had sold 6 shares of KVL to Shri Narshibhai Lakhabhai Dobariya by matching the buy order of Shri Narshibhai Lakhabhai Dobariya within 7 minutes of placing it on December 5, 2014. The connection amongst the group entities, manner of acquisition of shares by the seller, overall trades in the scrip, particulars of the buy order and sell order along with the absence of any reason from Shri Narshibhai Lakhabhai Dobariya of executing only 1 trade in the scrip during the relevant period that too over the LTP by ₹ 8.35/-, leads to the conclusion that the trade executed between Shri Narshibhai Lakhabhai Dobariya and Ms. Varsha Dipakbhai Dobariya, is manipulative in nature.

23. With respect to the trade of Shri Arvind Babulalji Goyal with Shri Vimal Narshibhai Dobariya, it is noted from the connection table that Shri Arvind Babulalji Goyal is connected to the company. The connection is as follows: Shri Arvind Babulalji Goyal shares common address with Ms. Pooja Arvind Goyal who is a Director of Arrow Asia Stock Broking Limited from December 23, 2006. Arrow Asia Stock Broking Limited had an off market transfer in the scrip of Shree Hanuman Sugar Industries Limited on September 13, 2014 with Shri Jamnadas Sheth. Shri Jamnadas Sheth had 2 fund

transactions in the month of June, 2014 wherein he had received a total amount of ₹ 25 lakh from Wealthsmith Share Broking Private Limited. Wealthsmith Share Broking Private Limited had received 3 lakh shares of KVL from Mandhana Commtrade Private Limited on January 12, 2015 which shares the common address with Deepesh Commtrade Private Limited, a subsidiary of KVL.

24. Further, the role played by Shri Vimal Narshibhai Dobariya in manipulating the price of the scrip of KVL has been brought in preceding paragraphs. In addition to it, Shri Vimal Narshibhai Dobariya had received 1,000 shares of KVL in off market from Shri Rameshbhai Laljibhai Patel on September 22, 2014 and after a gap of 9 trading days i.e., on October 13, 2014, he traded with Shri Arvind Babulalji Goyal for 200 shares. Shri Arvind Babulalji Goyal matched the sell order of Shri Vimal Narshibhai Dobariya within 48 minutes of placing of it and the LTP increase was ₹ 2.40/-. Thus, on the basis of connection, overall trades in the scrip, proximity of events (manner of acquisition of shares by Shri Vimal Narshibhai Dobariya and his subsequent selling) and the absence of explanation from Shri Arvind Babulalji Goyal for buying shares over the LTP, leads to the conclusion that the trade executed between Shri Arvind Babulalji Goyal and Shri Vimal Narshibhai Dobariya, is manipulative in nature.
25. With respect to the trade of Arrow Asia Stock Broking Limited with Shri Bhekare Nihal Siddharth, it is noted from the connection table that, Shri Bhekare Nihal Siddharth had received ₹ 10 lakh from Wealthsmith Share Broking Private Limited on April 24, 2015. It has already been brought out in preceding paragraphs that Wealthsmith Share Broking Private Limited is connected to the KVL. Thus, Shri Bhekare Nihal Siddharth is also connected to KVL like Arrow Asia Stock Broking Limited and they are group entities. Furthermore, it is noted from the order log trade log that on December 12, 2014, Shri Bhekare Nihal Siddharth had placed a buy order over the LTP by ₹ 18.85/- for 10 shares which was exactly matched by Arrow Asia Stock Broking Limited within less than a minute of placing it. Thus, on the basis of connection, overall trades in the scrip, particulars of the buy order and sell order including its execution and the absence of explanation from Shri Bhekare Nihal Siddharth for buying shares over the LTP, leads to the conclusion that the trade

executed between Shri Bhekare Nihal Siddharth and Arrow Asia Stock Broking Limited, is manipulative in nature.

26. Thus, from the above (paragraphs 15 - 25), it can be seen that the group entities namely Ms. Varsha Dipakbhai Dobariya, Shri Bhekare Nihal Siddharth, Shri Narshibhai Lakhabhai Dobariya and Shri Arvind Babulalji Goyal as buyers and other group entities namely Shri Amitkumar Rameshbhai Sanghani, Arrow Asia Stock Broking Limited, Ms. Varsha Dipakbhai Dobariya and Shri Vimal Narshibhai Dobariya as sellers have traded amongst themselves in the scrip of KVL. A common thread in the said trades is as follows:

- a) Buyers and sellers are connected with each other either by way of off market transfer, fund transfer or common telephone number leading to the connection with the company.
- b) Scrip of KVL was not regularly being traded.
- c) 5 out of 6 trades took place within a short span of time i.e., 8 trading days when the scrip was traded between the period December 1, 2014 to December 12, 2014.
- d) Except 1 trade, the orders got matched within a short span of time of placing of them. The range was couple of seconds to 7 minutes.
- e) 5 trades took place after there was an off market transfer in the scrip of KVL between the group entities.
- f) In 5 out 6 trades, buy order was placed first and that too higher than the LTP.
- g) No explanation has been forthcoming from the buyers for behaving opposite of a reasonable buyer to buy the scrip at a low price.

27. In light of the aforesaid findings, it can be held that despite the anonymity of the trading system, the group entities mentioned at paragraph 26, have executed trades amongst themselves in the scrip of KVL which had an impact on the price of the scrip and are manipulative in nature.

28. With respect to the trade of Shri Arvind Babulalji Goyal with Ms. Bhagwati Dalmia, it

is noted from the connection table that Ms. Bhagwati Dalmia shares common address with Mahanya Commotrade Private Limited which is a subsidiary of KVL. In this regard, Ms. Bhagwati Dalmia has submitted that the building/ apartment located at the address contains more than 15 flats/rooms. It is merely a coincidence that Mahanya Commotrade Private Limited shares the same building for the purpose of its corporate address. Hence, no adverse inference ought to be taken against her. I note that it is an admitted fact that Ms. Bhagwati Dalmia shares a common address with Mahanya Commotrade Private Limited which is a subsidiary of KVL. Further, documents submitted by her also shows that there are other companies located at that address. However, whether the Noticee has played a role in manipulating the price of the scrip or not has to be determined based on attending circumstances including sharing of common address with the subsidiary of KVL because direct evidence in such cases may not be available. The list of factors to be taken note of, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of attending circumstances an inference will have to be drawn.

29. In this regard, the observations of Hon'ble Supreme Court of India in *SEBI vs. Kishore R Ajmera et.al.* decided on February 23, 2016 wherein the Hon'ble Court while deciding the matter under SEBI Act and PFUTP Regulations where there was no direct evidence forthcoming, observed as follows:

"It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion..."

30. Taking support of the observations of Hon'ble Apex Court in *Kishore R Ajmera* matter, I note that in cases of market manipulation, admittedly, no direct evidence would be forthcoming / available. Manipulative transactions are to be tested on the conduct of parties and abnormality of practices which defy normal logic and laid down procedures. What is needed, is to prove that in a factual matrix, preponderance of probabilities indicate a fraud.
31. In the instant matter, Ms. Bhagwati Dalmia had bought 11 shares of KVL through 3 buy trades during the period October 23, 2014 to November 11, 2014 and sold the said 11 shares on December 9, 2014 to one of the group entity namely Shri Arvind Babulalji Goyal. It is noted from the order log trade log that none of the counter parties to the buy trade of Ms. Bhagwati Dalmia, are group entities. Furthermore, from the IR it is noted that no adverse inference has been drawn on her buy trades executed in the scrip of KVL. Moreover, unlike 23 other group entities who have either fund transfer between them or off market transaction, Ms. Bhagwati Dalmia does not have any fund transaction or off market transaction with any of the other 23 group entities either directly or indirectly. In other words, Mahanya Commotrade Private Limited, subsidiary of KVL with whom Ms. Bhagwati Dalmia shares the common address, does not have any fund transaction or off market transaction with any of the other 23 group entities. Besides, to understand Ms. Bhagwati Dalmia's normal course of investing in securities market, her trading pattern / history was noted. It is observed that, Ms. Bhagwati Dalmia had traded in around 87 scrips excluding KVL during the financial year 2014-2015. On 432 instances in 38 scrips excluding KVL, Ms. Bhagwati Dalmia has bought shares in minuscule quantity (11 shares or less). Further, on 140 instances, Ms. Bhagwati Dalmia has bought shares in minuscule quantity over the LTP in 30 scrips excluding KVL. As a seller, Ms. Bhagwati Dalmia has traded in minuscule quantity on 787 instances in around 55 scrips, excluding KVL. Thus, the trading behavior of Ms. Bhagwati Dalmia in other scrips demonstrates the consistency in her trading behavior in the scrip of KVL.
32. In view of the above, the findings that have been gathered from various circumstances for instance the absence of any connection with the other 23 group

entities directly or indirectly, her overall trading in the scrip during the patch including absence of adverse inference on her buy trades, her trading behavior in other scrips, the totality of the picture that emerges warrants that the Ms. Bhagwati Dalmia be given a benefit of doubt with respect to her 1 sell trade with Shri Arvind Babulalji Goyal. Therefore, I am of the considered view that there is not adequate material available on record to hold the aforesaid sell trade of Ms. Bhagwati Dalmia in the scrip of KVL to be manipulative in nature.

33. In light of the aforesaid findings, it is held that the group entities namely Shri Amitkumar Rameshbhai Sanghani, Arrow Asia Stock Broking Limited, Ms. Varsha Dipakbhai Dobariya, Shri Nihal Siddharth Bhikare, Shri Arvind Babulalji Goyal, Shri Narshibhai Lakhabhai Dobariya and Shri Vimal Narshibhai Dobariya by trading amongst themselves have contributed ₹ 54.8/- (6 trades) to the market positive LTP in the scrip of KVL which is 12.54% of the market positive LTP. In view of the significant positive LTP contribution by the aforesaid 7 group entities by trading amongst themselves, it is concluded that the said connected entities have manipulated the price of the scrip by contributing to the price rise.

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

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

Regulation 3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or

issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

Regulation 4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:-

(a) indulging in an act which creates false or misleading appearance of trading in the securities market;

...

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

35. In view of the conclusion arrived at paragraph 33 wherein it has been held that the trades executed by the 7 group entities amongst themselves which has contributed significantly to the positive LTP in the scrip are manipulative in nature, it is also held that such trades are fraudulent in nature and would operate as deceit upon any person trading in the extant scrip. I therefore, find that Shri Amitkumar Rameshbhai Sanghani, Arrow Asia Stock Broking Limited, Ms. Varsha Dipakbhai Dobariya, Shri Nihal Siddharth Bhekare, Shri Arvind Babulalji Goyal, Shri Narshibhai Lakhabhai Dobariya and Shri Vimal Narshibhai Dobariya have violated Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2) (a) and (e) of PFUTP Regulations.

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

36. Section 11 of SEBI Act casts a duty on the Board to protect the interests of investors in securities and to promote the development of and to regulate the securities market. For achieving such object, it has been authorised to take such measures as it thinks fit. Thus, power to take all measures necessary to discharge its duty under the statute which is a reflection of the objective disclosed in the preamble has been conferred in widest amplitude. Pursuant to the said objective, PFUTP Regulations have been framed. The said Regulations apart from other things aims to preserve and protect the market integrity in order to boost investor confidence in the securities market. By executing manipulative trades, as has been executed by the aforesaid 7 group entities in the instant matter, the price discovery system itself is affected. It also has an adverse impact on the fairness, integrity and transparency of the stock market. In view of the same and considering the violations committed by the said 7 group entities, I find that it becomes necessary for SEBI to issue appropriate directions against them.

ORDER

37. In the facts and circumstances of the case, I, in exercise of the powers conferred upon me in terms of Section 19 of the Securities and Exchange Board of India Act, 1992, hereby dispose of the show cause notice dated October 31, 2017 served on Ms. Bhagwati Dalmia (PAN: ACMPD2599M) without any directions. Further, in the facts and circumstances of the case, I, in exercise of the powers conferred upon me in terms of Section 19 read with Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992, hereby restrain Shri Amitkumar Rameshbhai Sanghani (PAN: FNZPS4680B), Arrow Asia Stock Broking Limited (PAN: AAFCA7088J), Ms. Varsha Dipakbhai Dobariya (PAN: AWMPD1706E), Shri Nihal Siddharth Bhikare (PAN: BDXPB3142H), Shri Arvind Babulalji Goyal (PAN: ACIPG0193J), Shri Narshibhai Lakhabhai Dobariya (PAN: AMEPD9444P) and Shri Vimal Narshibhai Dobariya (PAN: AMEPD0174G) from accessing the securities market for a period of two years from the date of this order 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 two years, from the date of this order. Needless to say, in view of prohibition on sale of securities, it is clarified that during the period of restraint, the existing securities holding, including units of mutual funds, of the aforesaid entities shall remain frozen.

38. I find that the hearing notice with respect to Shri Amitkumar Ramenshbhai Singhania was served on him via newspaper publication only in vernacular language. In view of the same, this order will take effect as final order against Shri Amitkumar Ramenshbhai Singhania on the expiry of 30 days from the date of service of this order, unless Shri Amitkumar Ramenshbhai Singhania, within such period of 30 days from the date of service of this order files his objections. Till that time the directions against him will operate as interim directions. If no objections are filed, the findings in this order qua him will come into effect. If objections are filed, then the directions passed herein against him shall be made applicable subject to the determination on the objections. Till the determination of the objections, the directions against the Shri Amitkumar Ramenshbhai Singhania will operate as interim directions.

39. Subject to paragraph 36, this order shall come into force with immediate effect qua Ms. Bhagwati Dalmia, Arrow Asia Stock Broking Limited, Ms. Varsha Dipakbhai Dobariya, Shri Nihal Siddharth Bhekare, Shri Arvind Babulalji Goyal, Shri Narshibhai Lakhabhai Dobariya and Shri Vimal Narshibhai Dobariya.

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

DATE: March 26, 2019

PLACE: Mumbai

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