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

***AD INTERIM EX PARTE* ORDER**

Under sections 11 and 11B of the Securities and Exchange Board of India Act, 1992 in the matter of Kalpa Commercial Limited in respect of:

S. No.	PAN	Name
1.	AEBPA9685A	ABHISHEK ASHOKA
2.	ALQPN3520M	TEJAS ABHIRAMBHAI NATHWANI
3.	ADSPN7560P	ABHIRAMBHAI NATHWANI
4.	ANGPK2900A	SUNIL KUMAR
5.	AALFD7725N	DHRUVI TRADING COMPANY
6.	AACCN6386M	NATURE INFOSOFT PRIVATE LIMITED
7.	AAACO7265J	TOPLINE FABRICS PRIVATE LIMITED
8.	AACCT2372F	TUSHAR COMMODITIES PRIVATE LIMITED
9.	BFKPB8172A	BORISHA VISHALKUMAR K
10.	CGMPD0771M	DHARMENDRA
11.	ALHPG4498G	GITIKA GUPTA
12.	AXOPD4957E	HETALBEN CHANDRAKANT DHRUV
13.	AKQPK9894C	KRISHAN KUMAR
14.	AJDPY2050J	KUNAL YADAV
15.	GLWPS8277L	MAHENDRA VADILAL SHAH
16.	BCTPM3492C	MINAKSHI MAKKAR
17.	AFHPN8413N	NIKHLESH KUMAR
18.	AAKHP3116L	PRAKESH VALECHA HUF
19.	BRKPD7946J	RADHIKA CHANDRAKANTBHAI DHRUV

S. No.	PAN	Name
20.	AFIPJ3488G	RAMAN JINDAL
21.	AAMHR6192L	RAMESH KUMAR VALECHA (HUF)
22.	AWQPJ6634B	RASHMI S JAIN
23.	CXPPM6045P	ROSHAN KUMAR ARUN MANDAL
24.	BPRPG6608F	SANCHIT GOYAL
25.	GKCPS4278A	SHAH SUBHADRABEN RAMESHCHANDRA
26.	ATRPJ4399P	SHILPA JINDAL
27.	AKVPJ3453D	SIVA BALAN JAIPAL
28.	ABYPV7813M	SONIYA VALECHA

1. Kalpa Commercial Limited ("KCL") is a public company incorporated on December 12, 1985 and its shares got listed on Bombay Stock Exchange Limited ("BSE") on March 18, 2015.

2. Securities and Exchange Board of India ("**SEBI**") received complaints from intermediaries alleging *inter alia* that some unknown entities are sending guaranteed return SMSes by using their names as IDs thereby mis-guiding the investors with unauthenticated SMSes. In view of the same, SEBI conducted a preliminary examination into the trading in the scrip of KCL during the period from October 10, 2017 to October 18, 2017 ("**the examination period/SMS period**") specifically in relation to bulk Short Message Services ("**SMSes**") circulated with questionable recommendations with respect to trading in the scrip of KCL.

3. As part of the examination, the financial statements of KCL during the period 2015 to 2017 were analysed , which are summarized as under:

Table 1 - Summary of Financial Statements

Category	2015	2016	2017
Revenue (In Rs Cr.)	7.71	5.27	5.80
Net Profit (In Rs Cr.)	0.08	0.12	0.11
Equity Capital (In Rs Cr.)	10.25	10.25	10.25

Category	2015	2016	2017
EPS (Rs./Share)	0.08	0.11	0.10
Operating Profit Margin%	1.65	3.19	2.66
Net Profit Margin%	1.04	2.20	1.85

Source: BSE website

4. The Promoter and Public shareholding in KCL since June 2017 is as under :

Table 2 – Shareholding Pattern of KCL

	June 2017			Sept 2017			Dec 2017		
Category	**No of share-holders**	**No of shares**	**%**	**No of share-holders**	**No of shares**	**%**	**No of share-holders**	**No of shares**	**%**
Promoter & Promoter Group	5	21,04,000	20.53	5	21,04,000	20.53	5	21,04,000	20.53
Public Shareholders	1357	81,46,000	79.47	1504	81,46,000	79.47	3,866	81,46,000	79.47
Total	**1,362**	**1,02,50,000**	**100.00**	**1,509**	**1,02,50,000**	**100.00**	**3,871**	**1,02,50,000**	**100.00**

Source: BSE website

It is observed that while there is no change in promoter and public shareholding in the three quarters, the number of public shareholders have almost tripled over three quarters, indicating significant change in holdings within the "Public Shareholders".

5. A preliminary examination in the scrip of KCL revealed that there was a major spike in the price and volume in the scrip during the period commencing from October 10, 2017 to October 18, 2017. During the period, the average daily volume on BSE was 5,06,460 shares compared to only 1,793 shares during Pre-SMS period and 1,537 shares during Post SMS period. Further, the scrip price on BSE ranged from a low of Rs. 26.60 to a high of Rs. 33.45 during the examination period. In February 2018, the price of the scrip declined to Rs. 12.6 i.e. approximately by 62% within a span of four months.

6. It was observed that during the examination period, many SMSes with respect to trading recommendations in the scrip of KCL were circulated through the Telecom Service Provider Bharti Airtel Limited ("**Airtel**").

7. In view of the same, SEBI obtained SMS data records relating to KCL from Airtel through whom SMSes were circulated.

8. As per the data provided by Airtel, around 3.42 crore bulk SMSes were circulated through aggregator/telemarketer which recommended 'buy' for the scrip of KCL. Further examination by SEBI brought out that some persons/entities acting as a group have employed misleading SMSes as a tool for creating investor interest and offloading their shares in a manipulative manner through layering of off market transactions or directly taking advantage of the volumes created through misleading SMS.

9. The preliminary examination by SEBI revealed that 28 entities were connected as a Group **(hereinafter referred to as "Group"/ "Connected Entities"** on the basis of KYC documents, off market transfers, fund transfers etc., The entities in the said Group are tabulated as under–

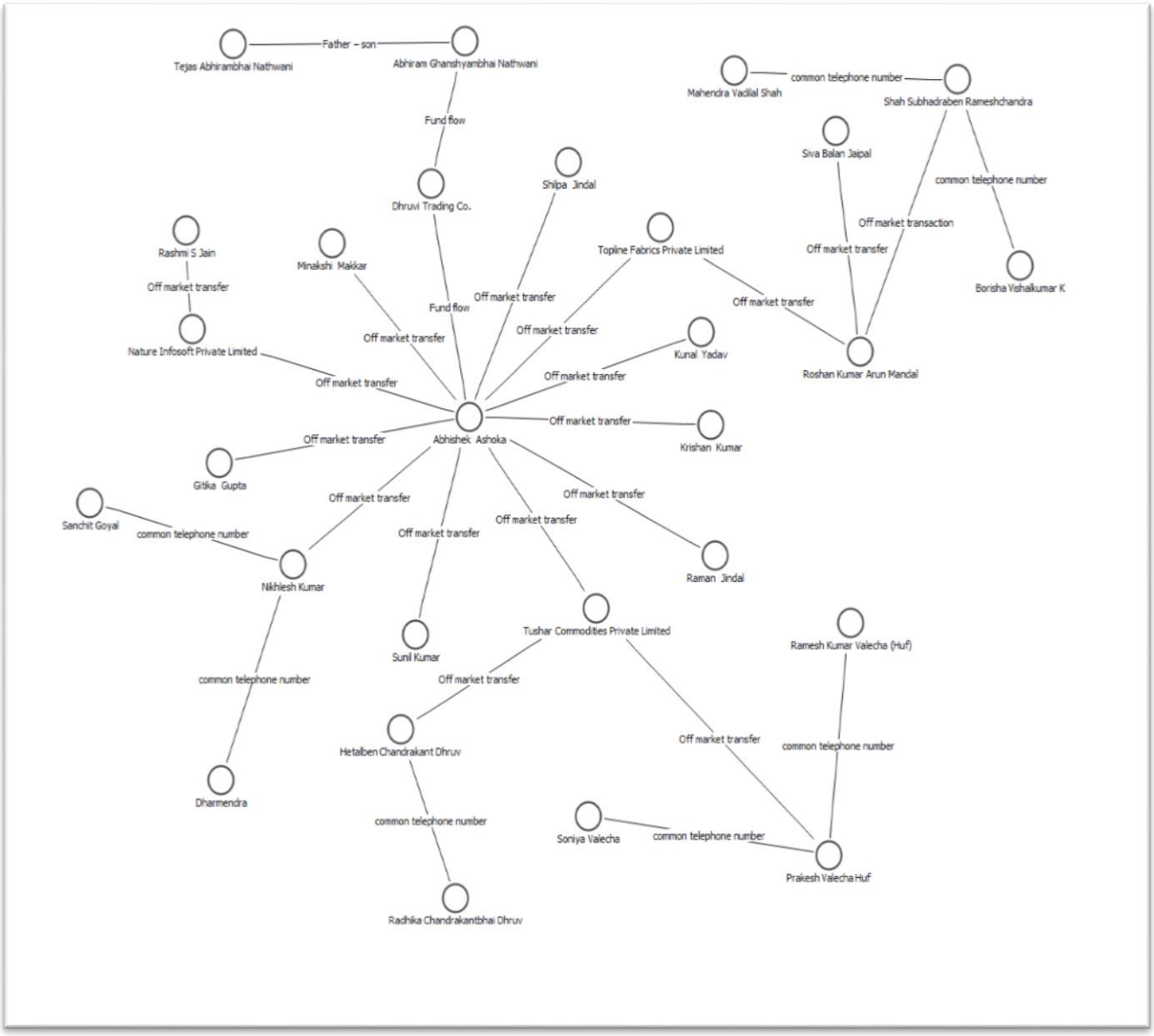
TABLE 3: CONNECTED ENTITIES

Serial No.	Entities		Connected with		Basis of connection
	PAN	Name	PAN	Name	
1	ANGPK2900A	Sunil Kumar	AEBPA9685A	Abhishek Ashoka	Off market transfer in the scrip KCL on 18/09/2017
2	AEBPA9685A	Abhishek Ashoka	AACCN6386M	Nature Infosoft Private Limited	Off market transfer in the scrip KCL on 10/10/2017
3	AEBPA9685A	Abhishek Ashoka	AAACO7265J	Topline Fabrics Private Limited	Off market transfer in the scrip KCL on 17/10/2017
4	AEBPA9685A	Abhishek Ashoka	AACCT2372F	Tushar Commodities Private Limited	Off market transfer in the scrip KCL on 13/10/2017
5	AEBPA9685A	Abhishek Ashoka	AFHPN8413N	Nikhlesh Kumar	Off market transfer in the scrip KCL on 16/10/2017
6	AEBPA9685A	Abhishek Ashoka	AJDPY2050J	Kunal Yadav	Off market transfer in the scrip KCL on 10/10/2017
7	AEBPA9685A	Abhishek Ashoka	ALHPG4498G	Gitika Gupta	Off market transfer in the scrip KCL on 12/10/2017
8	AEBPA9685A	Abhishek Ashoka	AKQPK9894C	Krishan Kumar	Off market transfer in the scrip KCL on 12/10/2017
9	AEBPA9685A	Abhishek Ashoka	ATRPJ4399P	Shilpa Jindal	Off market transfer in the scrip KCL on 12/10/2017
10	AEBPA9685A	Abhishek Ashoka	AFIPJ3488G	Raman Jindal	Off market transfer in the scrip KCL on 12/10/2017

Serial No.	Entities		Connected with		Basis of connection
	PAN	Name	PAN	Name	
11	AEBPA9685A	Abhishek Ashoka	BCTPM3492C	Minakshi Makkar	Off market transfer in the scrip KCL on 17/10/2017
12	AACCN6386M	Nature Infosoft Private Limited	AWQPJ6634B	Rashmi S Jain	Off market transfer in the scrip KCL on 10/10/2017
13	AAACO7265J	Topline Fabrics Private Limited	CXPPM6045P	Roshan Kumar Arun Mandal	Off market transfer in the scrip KCL on 17/10/2017
14	AACCT2372F	Tushar Commodities Private Limited	AAKHP3116L	Prakesh Valecha Huf	Off market transfer in the scrip KCL on 16/06/2015
15	AACCT2372F	Tushar Commodities Private Limited	AXOPD4957E	Hetalben Chandrakant Dhruv	Off market transfer in the scrip KCL on 10/04/2017
16	CXPPM6045P	Roshan Kumar Arun Mandal	AKVPJ3453D	Siva Balan Jaipal	Off market transfer in the scrip Comfort Commotrade Ltd on 17/08/2017
17	CXPPM6045P	Roshan Kumar Arun Mandal	GKCPS4278A	Shah Subhadraben Rameshchandra	Off market transaction in the scrip Birdhi Chand Pannalal Agencies Ltd on 30/05/2017
18	AAKHP3116L	Prakesh Valecha Huf	AAMHR6192L	Ramesh Kumar Valecha (Huf)	Both the entities have common telephone number viz, , 9229227750
19	AAKHP3116L	Prakesh Valecha Huf	ABYPV7813M	Soniya Valecha	Both the entities have common telephone number viz, , 9229227750
20	AXOPD4957E	Hetalben Chandrakant Dhruv	BRKPD7946J	Radhika Chandrakantbhai Dhruv	Both the entities have common telephone number viz, , 8980888887
21	GKCPS4278A	Shah Subhadraben Rameshchandra	BFKPB8172A	Borisha Vishalkumar K	Both the entities have common telephone number viz, , 9512112428
22	GKCPS4278A	Shah Subhadraben Rameshchandra	GLWPS8277L	Mahendra Vadilal Shah	Both the entities have common telephone number viz, , 7778049781
23	AFHPN8413N	Nikhlesh Kumar	CGMPD0771M	Dharmendra	Both the entities have common telephone number viz, 9958880567
24	AFHPN8413N	Nikhlesh Kumar	BPRPG6608F	Sanchit Goyal	Both the entities have common telephone number viz, 9958880567
25	AEBPA9685A	Abhishek Ashoka	AALFD7725N	Dhruvi Trading Company	Fund transfer to Dhruvi Trading Company
26	AALFD7725N	Dhruvi Trading Company	ADSPN7560P	Abhirambhai Nathwani	Fund transfer to Abhirambhai Nathwani

Serial No.	Entities		Connected with		Basis of connection
	PAN	Name	PAN	Name	
27	ADSPN7560P	Abhirambhai Nathwani	ALQPN3520M	Tejas Abhirambhai Nathwani	Father of Tejas Abhirambhai Nathwani. Also same address as per KYC

Pictorial representation of connection is given as under:



10. Preliminary examination further revealed that some of the participants of the group have transferred shares through off market transactions to the transferees mentioned below during the period mentioned in the following table

TABLE 4: OFF MARKET TRANSFERS TO TOP NET SELLERS

Date	Transferor		Transferee		No of shares
	PAN	Name	PAN	Name	
10/04/2017	AACCT2372F	Tushar Commodities Private Limited	AXOPD4957E	Hetalben Chandrakant Dhruv	25,000
18/09/2017	ANGPK2900A	Sunil Kumar	AEBPA9685A	Abhishek Ashoka	17,847
10/10/2017	AACCN6386M	Nature Infosoft Private Limited	AEBPA9685A	Abhishek Ashoka	1,05,778
10/10/2017	AACCN6386M	Nature Infosoft Private Limited	AWQPJ6634B	Rashmi S Jain	2,00,000
13/10/2017	AACCT2372F	Tushar Commodities Private Limited.	AEBPA9685A	Abhishek Ashoka	1,66,144
16/10/2017	AFHPN8413N	Nikhlesh Kumar	AEBPA9685A	Abhishek Ashoka	3,42,419
17/10/2017	AAACO7265J	Topline Fabrics Private Limited	CXPPM6045P	Roshan Kumar Arun Mandal	1,25,000
17/10/2017	AAACO7265J	Topline Fabrics Private Limited	AKVPJ3453D	Siva Balan Jaipal	1,25,000
17/10/2017	AAACO7265J	Topline Fabrics Private Limited	AEBPA9685A	Abhishek Ashoka	1,42,500
10/10/2017	AJDPY2050J	Kunal Yadav	AEBPA9685A	Abhishek Ashoka	4,318
12/10/2017	ALHPG4498G	Gitika Gupta	AEBPA9685A	Abhishek Ashoka	6,100
12/10/2017	AKQPK9894C	Krishan Kumar	AEBPA9685A	Abhishek Ashoka	6,100
12/10/2017	ATRPJ4399P	Shilpa Jindal	AEBPA9685A	Abhishek Ashoka	6,100
12/10/2017	AFIPJ3488G	Raman Jindal	AEBPA9685A	Abhishek Ashoka	6,500
17/10/2017	BCTPM3492C	Minakshi Makkar	AEBPA9685A	Abhishek Ashoka	7,815
				Total	**12,86,621**

11. The following facts have been observed from the above table:

i. Out of 12,86,621 shares transferred through off market, 12,43,774 shares i.e. 96.67% shares were transferred during SMS period.

ii. Mr. Abhishek Ashoka (hereinafter referred to as "***Abhishek***") has received maximum number of shares i.e. 8,11,621 shares through off market transfers from the eleven entities *viz*., Sunil Kumar, Nature Infosoft Private Limited, Tushar Commodities Private Limited, Nikhlesh Kumar, Topline Fabrics Private Limited, Kunal Yadav, Gitika Gupta, Krishan Kumar, Shilpa Jindal, Raman Jindal and Minakshi Makkar.

iii. Abhishek received 17,847 shares from one Mr. Sunil Kumar on September 18, 2017. It was noted that Mr. Sunil Kumar was subsequently appointed as Additional (Non-Executive Independent) Director of KCL on December 05,2017.

12. The analysis of the bank statements of Abhishek and others showed the following fund transfers:-

Fund transfers between Smart Technology and Abhishek

During the SMS period, it was observed that Abhishek had sold shares prior to October 13,2017 and transferred part of the sale consideration which was received as advance pay out from the broker, from his ICICI Bank Account No.169401500962 to SMS Aggregator/Telemarketer-Smart Technology's Bank account (ICICI Bank Account No. 000305018180). It is noted that Abhishek transferred funds to the tune of Rs.9.94 lacs and Rs.45 lacs on October 12, 2017 and October 13,2017 respectively. It is pertinent to mention here that Smart Technology is the SMS Aggregator/ Telemarketer who circulated the Bulk SMSes using various SENDER IDs. Further, Abhishek who funded Smart Technology was found to be the top net seller in the scrip of KCL shares during SMS period.

13. SEBI perused the documents/information furnished by Smart Technology vide e-mail dated March 15, 2018 with respect to its reseller Rohit Solutions (*hereinafter referred to as "**Rohit Solutions**").* Further, SEBI vide e-mail dated March 19, 2018 sought information from Rohit Solutions with respect to its clients who availed services for circulating SMSes in the scrip of KCL. However, no response was received from Rohit Solutions. Subsequently, attempts were also made to contact Rohit Solutions over telephone and the same also failed.

The details of the Registered Aggregator and SMSes circulated are as follows:-

Table 5

Registered Aggregator Name	Registration No.	Aggregator Name	Sender ID	Number of SMSes Sent
Smart Technology	R22138073	Digi_smart	AD-ANGBRK	19,49,591

Registered Aggregator Name	Registration No.	Aggregator Name	Sender ID	Number of SMSes Sent
Smart Technology	R22138073	Digi_smart	AM-ANGBRK	9,68,481
Smart Technology	R22138073	Digi_smart	AD-EDELWS	1,01,24,287
Smart Technology	R22138073	Digi_smart	AM-EDELWS	48,97,628
Solutions Infini Technologies Pvt Ltd	R22113727	infini	AD-EDELWS	28
Smart Technology	R22138073	Digi_smart	AD-ARATHI	1,08,47,992
Smart Technology	R22138073	Digi_smart	AM-ARATHI	54,08,456
Instacamp Marketing	R22113605	Vfirst	AM-ARATHI	6
Instacamp Marketing	R22113605	Vfirst	AD-ARATHI	6
Velti India Private Limited	R22113558	Velti	AM-ARATHI	1

(Source Airtel)

The abovementioned data shows that more than 99% of the aforesaid bulk SMSes were circulated through a SMS Aggregator/ Telemarketer, M/s Smart Technology, (*hereinafter referred to as "**Smart Technology**"*)

14. The content of some of the messages circulated during the period October 10 – 18, 2017 is given as under :

Table 6: Sample Details of SMS Content

SENDER ID	Content of SMS
AM-ANGBRK	ANGEL PREMIUM BTST CALL:- BUY 15000 SHARE OF KALPACOMME" @ 29.25 FOR THE TARGET OF 35 SL 29
AM-ANGBRK	FUNDAMENT PICK OF THE MONTH BUY 15000 SHARES OF KALPACOMME" IN BSE (539014) @ 32.20 AND SELL AFTER DIWALI TARGET REVISED 49/54 SL 31 ANGELBROKING"
AD-ANGBRK	FUNDAMENT PICK OF THE MONTH BUY 15000 SHARES OF KALPACOMME" IN BSE (539014) @ 32.20 AND SELL AFTER DIWALI TARGET REVISED 49/54 SL 31 ANGELBROKING"
AD-ANGBRK	FUNDAMENT PICK OF THE MONTH BUY 4000 SHARES OF KALPACOMME" IN BSE (539014) @ 32.20 AND SELL AFTER DIWALI TARGET REVISED 49/54 SL 31 ANGELBROKING"

AM-ARATHI	BASED ON MOTILAL OSWAL RESEARCH REPORT ON KALPACOMME" BUY 4000 SHARES IN BSE (CODE 539014) @ 33.45 FOR SURE TGT 38/42 IN 9 DAYS. SL 32 WWW.ANANDRATHI.COM"
AM-ARATHI	BASED ON SHAREKHAN RESEARCH REPORT ON KALPACOMME" BUY 7500 SHARES IN BSE (CODE 539014) @ 33.45 FOR SURE TGT 38/42 IN 8 DAYS. SL 32 WWW.ANANDRATHI.COM"
AD-ARATHI	BSE FUNDAMENTAL PICK BUY 7500 OF KALPACOMME" IN BSE (CODE 539014) @ 33.45 FOR TGT 49/52. SL 32 FUTURE RETAIL TO BUY 32% STAKE @ 52 WWW.ANANDRATHI.COM."
AM-EDELWS	FUNDAMENT PICK OF THE MONTH BUY 4000 SHARES OF KALPACOMME" IN BSE (539014) @ 30.70 AND SELL AFTER DIWALI TARGET REVISED 49/54 SL REVISED 31 EDELWEISS"
AD-EDELWS	FUNDAMENT PICK OF THE MONTH BUY 9000 SHARES OF KALPACOMME" IN BSE (539014) @ 32.20 AND SELL AFTER DIWALI TARGET REVISED 49/54 SL REVISED 31 EDELWEISS"

It can be seen from the abovementioned contents of SMSes that they mentioned specific target price, target dates and name of the specific sender.

15. The SMSes were observed to be circulated from SENDER IDs - **AD-ANGBRK, AM-ANGBRK, AD-EDELWS, AM-EDELWS, AD-ARATHI and AM-ARATHI**, which were found to be registered with Telecom Service Provider -Bharti Airtel. On further enquiry, it was observed that *Smart Technology* had circulated the Bulk SMSes using these SENDER IDs. *Smart Technology* has indicated that M/s Rohit Solutions was its reseller for circulating these Bulk SMSes. Sender IDs were designed to mislead unsuspecting investors pretending to be sent by large broking houses viz., Angel Broking, Edelweiss, Anand Rathi etc.

IMPACT OF SMSes ON TRADING VOLUMES:

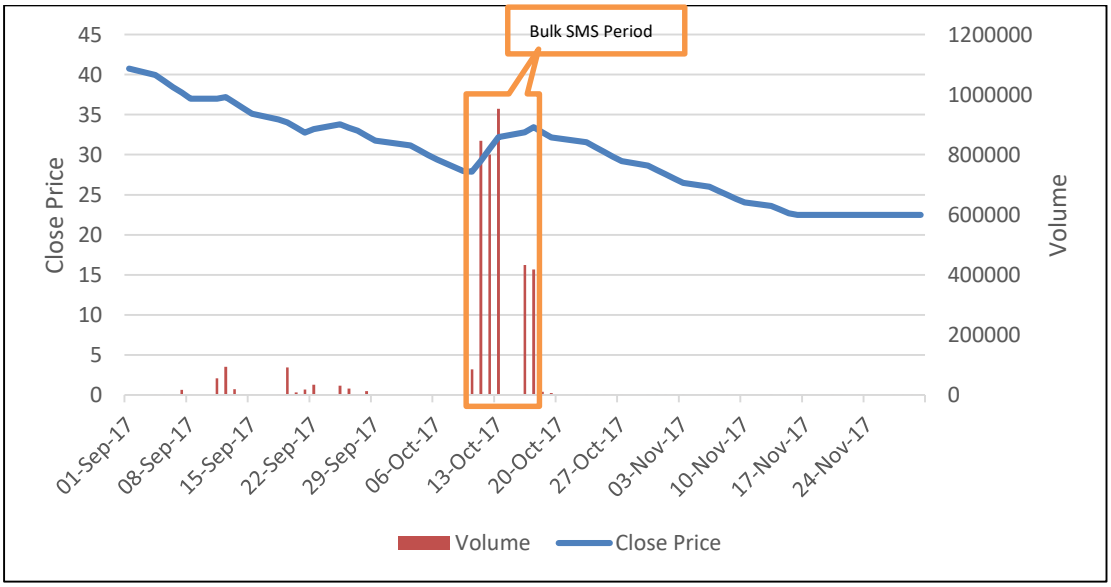
16. A comparative analysis of the volume in the scrip of KCL before, during and after the SMS period (i.e. October 10 – 18, 2017) is tabulated below:

Table 7 - Impact of SMSes on the trading volumes in the scrip

Category	Time period	No. of trading days	Total traded volume	Average traded volume (approx.)	No. of PANs trading
Pre-SMS period	September 28, 2017 – October 9, 2017	7	12,551	1,793	35
SMS period	**October 10, 2017 – October 18, 2017**	**7**	**35,45,224**	**5,06,460**	**3,123**
Post SMS period	October 19, 2017 – October 30, 2017	7	10,757	1,537	78

17. As seen from the above table, the average daily volume in the scrip of KCL during SMS period increased by 281 times compared to *Pre-SMS* period. Subsequently, the average daily volume declined significantly and almost reached *Pre-SMS* levels during *Post SMS* period. The number of Permanent Account Numbers("PAN") used for trading, which indicate trading by unique entities, also increased 88 times in SMS period compared to *Pre-SMS* period.

18. A pictorial representation of the closing price/traded volume in the scrip of KCL around the examination period is as under:



19. Further, high/low analysis of the price of scrip shows the following:

	Open	High	Low	Close
Price (Rs)	26.60	33.45	26.60	32.80
Date	October 10,2017	October 17,2017	October 10,2017	October 18,2017

Impact of SMSes on SMS recipients in the scrip of KCL

20. As noted above, during the SMS period, around 3.42 crore bulk SMSes were circulated giving buy recommendation for the scrip of KCL and the impact of these SMSes on the trading of SMS recipients is shown below:

Table 8 - Impact of SMSes on the trading volumes in the scrip

Telecom Service provider	SMS period	Total Volume during SMS period	No of SMS recipients purchasing KCL shares	Buy volume by SMS recipient	Volume by SMS recipients as % of total volume
Airtel	October 10-18 2017	35,45,224	2100*	18,50,037	52.18%

****2100 SMS recipients not forming part of the connected entities brought out in paragraph 9.***

21. The quantity of shares purchased by recipients of SMSes formed 52.18% of market volume during the examination period. This indicates that many unsuspecting investors have been lured by the recommendation ('buy') circulated through SMSes and eventually traded in the scrip of KCL.

22. The period when SMSs were sent has witnessed rise in volume in the scrip of KCL. Based on tables 7 and 8 above, it is noted that the first SMS recipients contributed significantly to aforesaid increased volume in the scrip. It is possible that the first SMS recipients would have forwarded the SMSes received by them which could have induced onward recipients into buying the shares of KCL. Further, it is observed that the initial impact of the SMSes,

which were sent, was building of initial momentum in the trading in the scrip of KCL as a result of which many unsuspecting investors would have been induced into trading in the scrip of KCL. Therefore, the actual percentage of buy volume by innocent investors could be much higher than what has been shown in table 8.

23. While the SMS has created investor interest, some members of the group who received the shares from the off market transfer sold the shares through stock exchange and some of the members of the Group sold directly, their shares at the cost of innocent investors.

OFF MARKET TRANSFERS BEFORE AND DURING SMS PERIOD.

24. SEBI analysed the off market transfers to other members of the group who also happens to be the top net sellers in the scrip of KCL during SMS period/examination period. It was observed that top net sellers viz., Abhishek Ashoka, Rashmi Sanjay Jain, Roshan Kumar Arun Mandal, Siva Balan Jaipal and Hetalben Chandrakant Dhruv received large quantity of shares through off market transfers during the period April 10, 2017 to October 17, 2017. Majority of the shares they received through off market transfers were from Tushar Commodities Pvt. Ltd., Nature Infosoft Pvt. Ltd., Nikhlesh Kumar and Topline Fabrics Pvt. Ltd. The details of off market transfers to top net sellers during SMS period/examination period is detailed above at Table 4 and the same is not repeated here for the sake of brevity.

25. Further, SEBI analysed the sell volume of net sellers who are mentioned as connected entities at paragraph 9 above in the scrip of KCL during SMS period/examination period. The same is tabulated and placed below:

Table 9

Sl. No.	Client Name	Net Sell Volume
1.	Abhishek Ashoka	5,96,800
2.	Rashmi Sanjay Jain	2,00,000
3.	Sanchit Goyal	1,89,241
4.	Dharmendra	1,64,003
5.	Siva Balan Jaipal	1,25,000
6.	Roshan Kumar Arun Mandal	1,25,000
7.	Ramesh Kumar Valecha (Huf)	20,500
8.	Prakash Valecha (Huf)	18,000
9.	Soniya Valecha	12,500
10.	Hetalben Chandrakant Dhruv	10,700
11.	Radhika Chandrakantbhai Dhruv	3,650
12.	Sunil Kumar	750
	Total	**14,66,144**

i. Abhishek was found to be the top net seller during SMS period wherein he net sold 5,96,800 shares.

ii. Rashmi Sanjay Jain, Sanchit Goyal, Mr.Dharmendra, Mr.Siva Balan Jaipal and Mr.Roshan Kumar Arun Mandal were also found to be in the list of top sellers during the SMS period. Out of these entities, Ms.Rashmi Sanjay Jain, Mr.Siva Balan Jaipal and Mr.Roshan Kumar Arun Mandal received shares through off market transfers from public shareholders who held more than 1% of shares of the Company.

26. The analysis of off market transfers and their subsequent sell in the scrip of KCL during the SMS period lead to the conclusion that Abhishek who received maximum number of shares through off market transfers was also the top net seller during the SMS period.

27. The preliminary examination also brought out that after majority of sale of shares by Abhishek, he has transferred funds as shown below.

Fund transfers between Abhishek, Dhruvi Trading Company and Abhiram Nathwani:

Abhishek transferred funds to the tune of Rs.15 lacs and Rs.10 Lacs on October 18, 2017 and October 23, 2017 respectively to Dhruvi Trading Company from the funds received on sale of shares of KCL during the SMS period. Dhruvi Trading Company, in turn,

transferred the same (Rs. 15 lacs and Rs. 10 Lacs) to one Abhiram Nathwani on the same day of receipt of funds *i.e.* October 18, 2017 and October 23, 2017 respectively.

In this regard, KYC documents and bank statements (Bank of India A/c no 310210110009303) of Abhiram Nathwani and Tejas Abhiram Nathwani (Bank of India A/c no 3102101110004296) were perused. It is seen from KYC details, bank statement (Bank of India A/c no 310210110009303) etc, that Abhiram Nathwani was connected to Tejas Abhiram Nathwani by way of common address and Mr. Abhiram Nathwani was shown as father of Mr. Tejas Abhiram Nathwani. It is noted from the Annual Report of KCL for the financial year 2016-17 (as downloaded from the website of BSE) that Mr. Tejas Abhiram Nathwani is appointed as the Managing Director of KCL with effect from August 11, 2017.

Further, from the above facts, it is noted that Dhruvi Trading Company acted as a conduit for transferring funds from Abhishek to Mr. Abhiram Nathwani, who is father of Mr. Tejas Abhiram Nathwani, Managing Director of KCL.

28. Out of 28 entities, 25 entities of connected group have either traded or have made off market transfers in the scrip of KCL during the SMS period. The details of same are given as under–

TABLE 10: DETAILS OF TRANSACTIONS BYCONNECTED ENTTIES

Serial No.	**PAN**	**Name**	**Whether entity did On market trades /off market transfers in KCL Scrip**
1	AEBPA9685A	Abhishek Ashoka	On market trades. (Net seller)
2	ANGPK2900A	Sunil Kumar	Off market transfer. (Net seller)
3	AACCN6386M	Nature Infosoft Private Limited	Off market transfer
4	AWQPJ6634B	Rashmi S Jain	On market trades. (Net seller)
5	AAACO7265J	Topline Fabrics Private Limited	Off market transfer
6	CXPPM6045P	Roshan Kumar Arun Mandal	On market trades. (Net seller)
7	GKCPS4278A	Shah Subhadraben Rameshchandra	On market trades. (Bought and sold equal quantity of shares)
8	BFKPB8172A	Borisha Vishalkumar K	On market trades. (Bought and sold equal quantity of shares)
9	AACCT2372F	Tushar Commodities Private Limited	Off market transfer
10	AAKHP3116L	Prakesh Valecha Huf	On market trades. (Net seller)
11	AXOPD4957E	Hetalben Chandrakant Dhruv	On market trades. (Net seller)
12	BRKPD7946J	Radhika Chandrakantbhai Dhruv	On market trades. (Net seller)
13	BPRPG6608F	Sanchit Goyal	On market trades. (Net seller)
14	CGMPD0771M	Dharmendra	On market trades. (Net seller)

Serial No.	PAN	Name	Whether entity did On market trades /off market transfers in KCL Scrip
15	AKVPJ3453D	Siva Balan Jaipal	On market trades. (Net seller)
16	GLWPS8277L	Mahendra Vadilal Shah	On market trades. (Bought and sold equal quantity of shares)
17	AAMHR6192L	Ramesh Kumar Valecha (Huf)	On market trades. (Net seller)
18	ABYPV7813M	Soniya Valecha	On market trades. (Net seller)
19	AFHPN8413N	Nikhlesh Kumar	Off market transfer
20	AJDPY2050J	Kunal Yadav	Off market transfer
21	ALHPG4498G	Gitika Gupta	Off market transfer
22	AKQPK9894C	Krishan Kumar	Off market transfer
23	ATRPJ4399P	Shilpa Jindal	Off market transfer
24	AFIPJ3488G	Raman Jindal	Off market transfer
25	BCTPM3492C	Minakshi Makkar	Off market transfer

29. SEBI's analysis of the dealings in the scrip of KCL revealed the following:

i. The abovementioned entities have either transferred shares of KCL through off market transfers or traded in the shares through Stock Exchange. In other words, the abovementioned entities have either directly or indirectly dealt in the scrip of KCL during the examination period.

ii. Most of the off market transferors viz., Nature Infosoft Pvt. Ltd., Topline Fabrics Pvt. Ltd., Tushar Commodities Pvt. Ltd. and Nikhlesh Kumar were found to be public shareholders who held more than 1% of the shares in KCL.

iii. Most of the net sellers belonging to connected group, sold their shares in the market within a very short period of acquiring shares through off market when the SMSes were circulated. Further, Sanchit Goyal and Dharmendra who sold the shares during the SMS period was found to be public shareholders holding more than 1% shares of the Company.

iv. The connected entities gross sold 22,72,571 shares and net sold 14,66,144 shares during the span of seven trading days when SMSes were in circulation.

v. It is noted that out of the 3.42 crore SMSes circulated with a recommendation to buy the scrip of KCL, 2100 recipients of the said SMSes had purchased 18,50,037 shares which accounted for 52.18% of the market volume during the SMS period. The connected entities had acted as counterparties to the above mentioned purchase made by SMS recipients to the extent of 14,87,751 shares accounting for 80.41% of the total purchases by the SMS recipients.

30. Considering the sequence of events and facts and circumstances mentioned above, I *further observe* the following:

a) The SMSes recommending purchase of scrip of KCL were circulated during the period October 10, 2017 to October 18, 2017

b) Around 3.42 crore bulk SMSes recommending purchase of KCL scrip were circulated through Telecom Service Provider -Airtel, of which more than 99% were sent through Smart Technology (SMS Aggregator/ Telemarketer).

c) During the SMS period, the per day trading volume increased from 1,793 shares to 5,06,460 shares, witnessing a rise by 281 times.

d) During this period, number of investors (based on PANs)who traded in the scrip increased from 35 to 3,123 i.e. increased by 88 times.

e) There was no significant corporate announcements or change in the fundamentals of the company to warrant such increased trading volume and participation.

f) During the SMS period connected entities detailed in paragraph 9 *supra*, gross sold 22, 72,571 shares and net sold 14,66,144 shares.

g) 2100 SMS recipients (not forming part of connected group) purchased 18,50,037 shares during the SMS period.

h) The connected entities had acted as counterparties to the above mentioned purchases of SMS recipients to the extent of 14,87,751 shares accounting for 80.41% of the total purchases by the SMS recipients.

i) Prior and during the SMS period, large quantity of KCL shares were transferred through off market to five entities viz., Abhishek, Rashmi S.Jain, Roshan Kumar Arun Mandal, Siva Balan Jaipal and Hetalben Chandrakant Dhruv.

j) Abhishek funded total amount of Rs 54.94 lakhs on October 12 &13, 2017 to Smart Technology -Telemarketer/SMS Aggregator who circulated the bulk SMSes during the examination period.

k) From the funds received on sale of KCL shares during the SMS period, Abhishek transferred a total amount of Rs. 25 Lakhs to Dhruvi Trading Company on October 18& 23, 2017.

l) Dhruvi Trading Company in turn transferred the amount received to Abhiram

Nathwani (father of Managing Director of KCL viz., Tejas Abhiram Nathwani) on the same day of receipt of funds.

m) Sunil Kumar who did off market transfer of shares to Abhishek just prior to SMS period was found to be appointed as Additional (Non – Executive Independent) Director of the company shortly after SMS period i.e. on December 5, 2017.

n) Eventually, Abhishek, who received maximum number of shares in the off market transfers from the majority of public shareholders who held more than 1% shares in the Company, was found to be the top net seller during the SMS period.

Based on the facts and conclusions stated above, it can, *prima facie*, be reasonably inferred that Abhishek is responsible for circulation of SMSes in the scrip of KCL with an intention to mislead the investors and influence them to invest in the scrip. By virtue of the same, Abhishek and other connected entities could off load their significant holdings in the scrip of KCL.

31. I note that the entities forming a group, by virtue of different connections discussed earlier, had employed a scheme for offloading a large number of shares of KCL in a manipulative manner. The group participated in the larger scheme of sending misleading 'buy' recommendations through over 3.42 crore bulk SMSes designed to create investor interest to buy those shares. Once the investor interest was created, the shares were sold by the participants of the group either directly or through a layer of off market transfers. In pursuance of the scheme, some of the participants in the group in the preparatory phase started transferring the shares through off market transaction to other participants of the group even before the SMSes were circulated and some participants of the group as discussed earlier were continuously transferring shares during the SMS period too. Abhishek is one of the major recipients of this shares through off market transactions. Abhishek on receipt of the shares through off market transactions has sold significant number of shares and used the consideration received from his brokers for the purpose of causing the SMS to be sent through Smart Technology. He also transferred a part of the sale consideration to father of one of the Managing Directors of KCL viz., Abhirambhai Nathwani through Dhruvi Trading Company which acted as a conduit for such transfer. The off market transferors of the group was continuously transferring shares through off market transactions to other recipients of the group who later offloaded the shares on the

market at the cost of investors who became prey to the misleading SMSes. Some of the members of the group instead of transferring their shares through off market transactions to the "off market transferees" (who in other cases sold later on market), directly sold the shares in the market when the investor interest was created during the misleading SMS period. In my view the *modus operandi* of connected entities including Abhishek indicates a scheme, plan, device, artifice or contrivance that is, *prima facie* 'fraudulent' as defined in regulation 2(1)(c) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ("PFUTP Regulations") which reads as under:-

Regulation 2(1)(c).

"fraud" includes any act, expression, omission or concealment committed whether in a deceitful manner or not by a person or by any other person with his connivance or by his agent while dealing in securities in order to induce another person or his agent to deal in securities, whether or not there is any wrongful gain or avoidance of any loss, and shall also include—

(1) a knowing misrepresentation of the truth or concealment of material fact in order that another person may act to his detriment;

(2) a suggestion as to a fact which is not true by one who does not believe it to be true;

(3) an active concealment of a fact by a person having knowledge or belief of the fact;

(4) a promise made without any intention of performing it;

(5) a representation made in a reckless and careless manner whether it be true or false;

(6) any such act or omission as any other law specifically declares to be fraudulent;

(7) deceptive behaviour by a person depriving another of informed consent or full participation;

(8) a false statement made without reasonable ground for believing it to be true;

(9) the act of an issuer of securities giving out misinformation that affects the market price of the security, resulting in investors being effectively misled even though they did not rely on the statement itself or anything derived from it other than the market price. And "fraudulent" shall be construed accordingly;

……."

32. In light of the aforesaid observations, I *prima facie* find that by virtue of their dealings in the scrip of KCL, the *connected entities* along with Abhishek have acted in a fraudulent and deceitful manner wherein they devised a scheme to defraud unsuspecting investors through circulation of SMSes as detailed in this order. This attracts prohibitions enshrined in section 12A (a) (b) and (c) of the SEBI Act and regulation 3 (a), (b), (c) and (d) and regulation 4(1) and 4(2) (f) and (r) of the PFUTP Regulations.

Section 12A of the SEBI Act- "Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

"12A. No person shall directly or indirectly—

(a) 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 this Act or the rules or the regulations made there under;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;"

Regulations 3 and 4 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:—

……

(f) publishing or causing to publish or reporting or causing to report by a person dealing in securities any information which is not true or which he does not believe to be true prior to or in the course of dealing in securities;

……

(r) planting false or misleading news which may induce sale or purchase of securities."

33. The *prima facie* findings on the scheme are based on the *prima facie* evidences available as on the date of this order. It is noted that the entire extent of the scheme would be unearthed only on the completion of the investigation. In view of the same, I am of the view that a detailed investigation of the entire scheme employed in this case is necessary to determine the detailed role of named entities and any other entity therein, detailed connection amongst the concerned entities and fund trails etc., in respect of the scrip of KCL.

34. SEBI has been entrusted with the duty to protect the interests of investors and the integrity of the securities market. Section 11 of the SEBI Act has empowers SEBI to take such measures as it thinks fit for fulfilling its legislative mandate. The acts of the connected entities along with Abhishek in circulating SMSes with a recommendation to purchase the scrip of KCL is highly detrimental to the interests of the genuine investors in the securities market. Therefore, I find that allowing such entities who are *prima facie* found to be involved in such fraudulent, unfair and manipulative practices to continue to operate in the market may lead to loss of investors' trust in the securities market. In light of the same, I am convinced that this is a fit case where, pending

investigation/detailed inquiry, effective and expeditious action is required to be taken to prevent any further harm to investors and to prevent any person from indulging in such acts of omissions and commissions as observed in this case. Many of the members of the Group are still holding shares making it imperative for taking urgent actions by way of passing interim order. It is a fit case, where pending the final determination on merits, the subject-matter should be maintained in status quo and the relative positions of the parties should be preserved, through an ex-parte order. The balance of convenience in this case is in favour of taking interim measures and if the same is not taken it will lead to irreparable injury to the investors and to the confidence of the investors which is the pillar stone of development of capital market.

35. In view of the foregoing, I, in exercise of the powers conferred upon me by virtue of Sections 11(1), 11(4), 11B and 11D read with section 19 of the SEBI Act, 1992, by way of this *ad-interim ex-parte order*, the following entities are

S. No.	**PAN**	**Name**
1.	AEBPA9685A	ABHISHEK ASHOKA
2.	ALQPN3520M	TEJAS ABHIRAMBHAI NATHWANI
3.	ADSPN7560P	ABHIRAMBHAI NATHWANI
4.	ANGPK2900A	SUNIL KUMAR
5.	AALFD7725N	DHRUVI TRADING COMPANY
6.	AACCN6386M	NATURE INFOSOFT PRIVATE LIMITED
7.	AAACO7265J	TOPLINE FABRICS PRIVATE LIMITED
8.	AACCT2372F	TUSHAR COMMODITIES PRIVATE LIMITED
9.	BFKPB8172A	BORISHA VISHALKUMAR K
10.	CGMPD0771M	DHARMENDRA
11.	ALHPG4498G	GITIKA GUPTA
12.	AXOPD4957E	HETALBEN CHANDRAKANT DHRUV
13.	AKQPK9894C	KRISHAN KUMAR
14.	AJDPY2050J	KUNAL YADAV
15.	GLWPS8277L	MAHENDRA VADILAL SHAH
16.	BCTPM3492C	MINAKSHI MAKKAR
17.	AFHPN8413N	NIKHLESH KUMAR
18.	AAKHP3116L	PRAKESH VALECHA HUF
19.	BRKPD7946J	RADHIKA CHANDRAKANTBHAI DHRUV
20.	AFIPJ3488G	RAMAN JINDAL

S. No.	PAN	Name
21.	AAMHR6192L	RAMESH KUMAR VALECHA (HUF)
22.	AWQPJ6634B	RASHMI S JAIN
23.	CXPPM6045P	ROSHAN KUMAR ARUN MANDAL
24.	BPRPG6608F	SANCHIT GOYAL
25.	GKCPS4278A	SHAH SUBHADRABEN RAMESHCHANDRA
26.	ATRPJ4399P	SHILPA JINDAL
27.	AKVPJ3453D	SIVA BALAN JAIPAL
28.	ABYPV7813M	SONIYA VALECHA

a) prohibited from buying, selling or dealing in securities, directly or indirectly, in any manner whatsoever, till further directions;

b) directed to cease and desist from directly or indirectly disseminating messages or news in any form related to the securities market, by any means whatsoever.

36. This interim order shall come into force with immediate effect and shall be in force until further orders.

37. The findings in this order have been rendered on the basis of the prima facie material available at this stage. However, detailed examination needs to be undertaken to unearth the entire extent of violations.

38. The entities against whom this order is being passed, may file their objections/replies, if any, within thirty (30) days from the date of this Order and, if they so desire, avail themselves or through their authorised representatives an opportunity of personal hearing before the Securities and Exchange Board of India, on a date and time to be fixed on a specific request, received from them in writing. In the event the said entities fail to file their objections/ replies or to request for an opportunity of personal hearing within the said 30 days, the preliminary findings of this Order and ad-interim directions shall stand confirmed against them automatically, without any further orders.

39. This order is without prejudice to any enforcement action that SEBI may deem necessary against the entities in the matter.

40. The Stock Exchanges, Depositories and Registrars and Share Transfer Agents are directed to ensure that all the above directions are strictly enforced.

Sd/-

DATE: APRIL 27, 2018 **MADHABI PURI BUCH**

PLACE: MUMBAI **WHOLE TIME MEMBER**

SECURITIES AND EXCHANGE BOARD OF INDIA