

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under section 12(3) of Securities and Exchange Board of India Act, 1992 read with regulations 28(2) of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

In respect of

S. No.	Name of the Noticee	SEBI Registration No.	PAN
1	Vishal Vijay Shah	INB011277614	BBJPS3622P

In the matter of Maharashtra Polybutenes Ltd.

1. In terms of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 (hereinafter referred to as '**Intermediaries Regulations**'), a proceeding was initiated by Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') against Vishal Vijay Shah (hereinafter referred to as '**Noticee**'), Member, Bombay Stock Exchange and a stock broker registered with SEBI. For the said purpose, SEBI, vide an Order dated July 13, 2015, appointed a Designated Authority (hereinafter referred to as '**DA**') under Regulation 24(1) of the Intermediaries Regulations to enquire into the violations alleged to have been committed by the *Noticee* and to submit a report in accordance with the provisions of the Intermediaries Regulations. Upon completion of the enquiry, an Enquiry Report dated March 28, 2019 was submitted by the DA to the Designated Member (hereinafter referred to as '**DM**').
2. Based on the findings of facts and after considering the explanations offered by the *Noticee*, the DA has noted in his Enquiry Report that the *Noticee*, being the stock broker, had repeatedly purchased shares of Maharashtra Polybutene Limited (hereinafter referred to as '**MPL**'/ '**Company**') from the market in the name of his three clients viz. Saurabh

Chandrakant Nagarsheth (**Saurabh**), Kamlesh Lalitkumar Nagarsheth (**Kamlesh**) and Viipul Bhagwandas Shah (**Vipul**) but transferred those shares to 13 other entities in off-market transactions, instead of transferring the shares to the demat accounts of the above stated clients' accounts. It was further noted that thereafter, the *Noticee* purchased back 83,547 share back from the said 13 entities into the demat accounts of Saurabh, Kamlesh and Vipul by way of market transactions. The above acts of indulging in selling shares on off-market to the 13 entities and then buying shares from those 13 entities by the *Noticee* into the accounts of his three clients through the market was viewed as an act of indulging in circular trading and thereby creating artificial volume in the scrip of Maharashtra Polybutene Limited (hereinafter referred to as '**MPL**'/'**Company**'). For the sake of convenience, Saurabh, Kamlesh and Vipul have been collectively referred to as '**Clients**' in the present order.

3. In view of the above, the DA has observed that the *Noticee's* acts of misutilization of his clients' securities or using the accounts of the clients so as to create volume in the scrip through circular trading was in violation of SEBI Circular ref. SEBI/MRD/SE/Cir-33/2003/27 dated August 27, 2003. The DA has further observed that failure on the part of the *Noticee* to adhere to the prescribed Code of Conduct especially to maintain a high standard of integrity, due skill, care and compliance with statutory requirements, etc. required from a stock broker, was also in violation of the provisions of Clauses A(1), (2) and (5) of the Code of Conduct for Stock Brokers as specified in Schedule II of Regulation 7 of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 (hereinafter referred to as '**Stock Brokers Regulations**').
4. In the light of the above and in accordance with regulation 27 of the Intermediaries Regulations, vide Enquiry Report dated March 28, 2019, the DA has recommended for suspension of the Certificate of Registration of the *Noticee* as a Stock Broker (INB011277614) for a period of 6 months.
5. Based on the recommendation made by the DA through his Enquiry Report,

a post-enquiry Show Cause Notice (“**SCN**”) dated May 15, 2019 was issued to the *Noticee* in terms of regulation 28(1) of Intermediaries Regulations enclosing therewith a copy of the Enquiry Report and calling upon him to show cause in terms of Regulations 28(1) and 28(2) of the Intermediaries Regulations as to why suitable action, including passing of appropriate direction, as the DM may considers appropriate, should not be issued against him.

6. I note that the SCN was delivered at the address of the *Noticee* on May 17, 2019. However, no reply to the said SCN was submitted by the *Noticee*. Therefore, vide letter dated October 22, 2019, the *Noticee* was provided with an opportunity of personal hearing on January 29, 2020. The *Noticee* appeared for personal hearing on the scheduled date and made submissions on the lines of his earlier submissions made before the DA. The *Noticee* had also sought additional time of 10 days to make further written submissions on the SCN dated May 15, 2019.
7. However, no written submission from the *Noticee* has been received till date. The *Noticee* was also granted another opportunity of personal hearing on September 29, 2020 to enable him to make further submissions on the matter, if any, in his defence. However, the *Noticee* failed to appear for personal hearing on the said scheduled date.
8. In view of the above, from the material on record, it is noted that the *Noticee* has not made any written submissions or offered any written explanation rebutting the observations recorded by DA while recommending the suspension of certificate of the *Noticee* as a stock broker for a period of 6 months. However, apart from making oral presentation during personal hearing, the *Noticee* had not offered any explanations on merit even before the DA. I find that, vide letter dated February 12, 2019, the *Noticee* had made certain submissions, which are summarised herein below :

(i) The Ld. Adjudicating Officer vide Order dated 28-03-2018 exonerated Mr. Kamlesh Lalitkumar Nagarsheth and Rahul R

Raghvan.

- (ii) *An appeal has been filed Mr. Vipul B Shah before the Hon'ble SAT challenging the Order of the Adjudicating Officer imposing a penalty of INR 15.00 Lakh and therefore, a request was made to please keep the aforesaid matter in abeyance till the final outcome of the appeal filed before the Tribunal.*
- (iii) *Transactions were executed in the scrip of Today's Writing Products Ltd, Denim enterprises Ltd., K Sera Sera Productions Limited and Kamna Cables Limited by Late Vijay Bhagwandas Shah and SEBI itself had exonerated Late Vijay Bhagwandas Shah in three matters i.e. Adani Export Limited, KRBL Limited and Vijay Textiles Limited and therefore no allegation should have been made against him for the transactions executed by Late Vijay Bhagwandas Shah.*

Consideration of issues:

9. I have gone through the Enquiry Report of the DA carefully, the SCN issued to the *Noticee*, submissions available on record made on behalf of the *Noticee* and having considered the above, I find the issues which arise for my consideration are as follows:
- a. Whether the alleged acts of misutilization of clients' securities/account by the *Noticee* was in violation of SEBI Circular No. SEBI/MRD/SE/Cir–33/2003/27 dated August 27, 2003?
 - b. Whether the alleged acts of indulging in circular trading to create artificial volume in the script of MPL by the *Noticee* was in violation of Clauses A(1), (2), (3), (4) and (5) of the Code of Conduct for Stock Brokers as specified in Schedule II of Regulation 7 of the Stock Brokers Regulations as being failure on his part to adhere to the prescribed Code of Conduct in respect of possessing high standard of integrity, due skill, care and compliance with statutory requirements, etc.?
 - c. If yes, what would be the appropriate measure that can be issued against him under Regulation 28 of Intermediaries Regulations?

10. Before I proceed to consider as to whether the allegations made against the *Noticee* would sustain on the basis of materials available on record, I find it appropriate to refer to the relevant provisions of the law allegedly violated by the *Noticee*. The said relevant legal provisions are reproduced below:

SEBI Circular No. SEBI/MRD/SE/Cir-33/2003/27 dated August 27, 2003

4. Similarly in the case of securities also giving / taking delivery of securities in “demat mode” should be directly to / from the “beneficiary accounts” of the clients except delivery of securities to a recognized entity under the approved scheme of the stock exchange and / or SEBI.

Stock Broker Regulations

Regulation 7

Code of Conduct for Stock Broker under Schedule –II of the Stock Broker Regulations

A. General.

1) Integrity: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.

2) Exercise of due skill and care: A stock-broker shall act with due skill, care and diligence in the conduct of all his business.

5) Compliance with statutory requirements: A stock-broker shall abide by all the provisions of the Act and the rules, regulations issued by the Government, the Board and the Stock Exchange from time to time as may be applicable to him.

11. Based on the aforesaid, I proceed to examine the findings recorded by DA so as to assess if the actions of the *Noticee*, as narrated at para 2 above, are in contravention of the provisions of SEBI Circular No. SEBI/MRD/SE/Cir-33/2003/27 dated August 27, 2003 as well as the provisions of Clauses A(1), A(2), and A(5) of the Code of Conduct for Stock Brokers as specified in Schedule II of Regulation 7 of the Stock Brokers

Regulations.

12. I note that the investigations conducted by SEBI into the scrip of MPL was primarily on account of the fact that the said scrip witnessed sudden spurt in the volume and the price, whereas the Company i.e. MPL had no positive past record so far as its financials are concerned, so as to support such a sudden rise in volume and price of its scrip. The investigation revealed that it was the manipulative trades indulged in by several entities which were responsible for the unexpected spurt in the price and volume of the scrip of MPL which also included the role of the *Noticee* in indulging in circular trading through the account of his clients. The Investigation, *prima facie*, noticed that the *Noticee* had transferred 85,500 shares of MPL which were purchased by way of market transactions for his three clients viz., Saurabh, Kamlesh and Vipul, to another set of 13 entities in off-market. Subsequently, the *Noticee* re-purchased 83,547 shares from these 13 entities into the accounts of his three clients by way of market transactions. The whole series of transactions had taken place in the following manner:

Table 1: Trades of the *Noticee* and his clients with 13 entities

S. No.	Circular Trades	Date	Transferred/seller Name	Received/ buyer Name	Transferred- BOID/seller broker	Received- BOID/buyer member	Qty	Market (M)/off market (O)
1	24,000	03-Sep-09	VISHAL	GANPAT RAJ JAIN	IN30107180063672	IN30214810971728	6000	O
		15-Sep-09	VISHAL	GANPAT RAJ JAIN	IN30107180063672	IN30214810971728	5000	O
		17-Sep-09	VISHAL	GANPAT RAJ JAIN	IN30107180063865	IN30214810971728	5000	O
		23-Oct-09	VISHAL	GANPAT RAJ JAIN	IN30107180063865	IN30214810971728	1500	O
		27-Oct-09	VISHAL	GANPAT RAJ JAIN	IN30107180063672	IN30214810971728	2000	O
		30-Oct--09	VISHAL	GANPAT RAJ JAIN	IN30107180063865	IN30214810971728	2000	O
		11-Nov-09	VISHAL	GANPAT RAJ JAIN	IN30107180063865	IN30214810971728	1500	O
		26-Nov--09	VISHAL	GANPAT RAJ JAIN	IN30107180063865	IN30214810971728	1500	O
		16-Oct-09	GANPAT RAJ JAIN	SAURABH	BGSE FINANCIALS LTD.	VISHAL	3000	M
		20-Oct-09	GANPAT RAJ JAIN	SAURABH	BGSE FINANCIALS LTD.	VISHAL	3000	M
		21-Oct-09	GANPAT RAJ JAIN	SAURABH	BGSE FINANCIALS LTD.	VISHAL	1500	M
		22-Oct-09	GANPAT RAJ JAIN	SAURABH	BGSE FINANCIALS LTD.	VISHAL	3000	M
		23-Oct-09	GANPAT RAJ JAIN	SAURABH	BGSE FINANCIALS LTD.	VISHAL	1500	M
		27-Oct-09	GANPAT RAJ JAIN	SAURABH	BGSE FINANCIALS LTD.	VISHAL	2000	M
		28-Oct-09	GANPAT RAJ JAIN	SAURABH	BGSE FINANCIALS LTD.	VISHAL	2000	M
		29-Oct-09	GANPAT RAJ JAIN	SAURABH	BGSE FINANCIALS LTD.	VISHAL	2000	M
		30-Oct-09	GANPAT RAJ JAIN	SAURABH	BGSE FINANCIALS LTD.	VISHAL	2000	M
		09-Nov-09	GANPAT RAJ JAIN	SAURABH	BGSE FINANCIALS LTD.	VISHAL	2000	M

		25-Nov-09	GANPAT RAJ JAIN	SAURABH	BGSE FINANCIALS LTD.	VISHAL	2000	M
2	8,500		SANTOSH SUWALAL CHANGEDIA	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	500	M
		06-Oct-09	SANTOSH SUWALAL CHANGEDIA	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	1000	M
		07-Oct-09	SANTOSH SUWALAL CHANGEDIA	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	1000	M
		09-Oct-09	SANTOSH SUWALAL CHANGEDIA	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	2000	M
		28-Oct-09	SANTOSH SUWALAL CHANGEDIA	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	1000	M
		03-Nov-09	SANTOSH SUWALAL CHANGEDIA	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	1000	M
		09-Nov-09	SANTOSH SUWALAL CHANGEDIA	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	1000	M
		09-Nov-09	SANTOSH SUWALAL CHANGEDIA	VIPUL	RELIGARE SECURITIES LTD.	VISHAL	1000	M
		09-Nov-09	SANTOSH SUWALAL CHANGEDIA	VIPUL	RELIGARE SECURITIES LTD.	VISHAL	1000	M
		05-Oct-09	VISHAL	SANTOSH SUWALAL CHANGEDIA	IN30107180063672	IN30177414912328	2500	O
		27-Oct-09	VISHAL	SANTOSH SUWALAL CHANGEDIA	IN30107180063672	IN30177414912328	2000	O
		30-Oct-09	VISHAL	SANTOSH SUWALAL CHANGEDIA	Direct Transfer	IN30177414912328	1000	O
		05-Nov-09	VISHAL	SANTOSH SUWALAL CHANGEDIA	Direct Transfer	IN30177414912328	3000	O
3	7,500	05-Oct-09	VISHAL	RAJASHREE SANTOSH CHANGEDIA	IN30107180063672	IN30177414912310	2500	O
		04-Nov-09	VISHAL	RAJASHREE SANTOSH CHANGEDIA	Direct Transfer	IN30177414912310	2000	O
		27-Oct-09	VISHAL	RAJASHREE SANTOSH CHANGEDIA	IN30107180063865	IN30177414912310	1500	O
		27-Oct-09	VISHAL	RAJASHREE SANTOSH CHANGEDIA	IN30107180063865	IN30177414912310	1500	O
		07-Oct-09	RAJASHREE SANTOSH CHANGEDIA	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	1000	M
		09-Oct-09	RAJASHREE SANTOSH CHANGEDIA	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	1500	M
		28-Oct-09	RAJASHREE SANTOSH CHANGEDIA	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	3000	M
		05-Nov-09	RAJASHREE SANTOSH CHANGEDIA	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	2000	M
		29-Sep-09	VISHAL	SURENDRA KHATRI	IN30107180063672	IN30214810971728	7500	O
4	7,497	01-Oct-09	SURENDRA KHATRI	KAMLESH	HEM SECURITIES LTD.	VISHAL	2497	M
		01-Oct-09	SURENDRA KHATRI	SAURABH	HEM SECURITIES LTD.	VISHAL	2500	M
		06-Oct-09	SURENDRA KHATRI	SAURABH	HEM SECURITIES LTD.	VISHAL	2500	M
		29-Sep-09	VISHAL	PUNITABEN SHARMA	IN654721	1205430000024423	6000	O
5	6,000	09-Oct-09	PUNITABEN MAHESHBHAI SHARMA	KAMLESH	ASE CAPITAL MARKETS LTD.	VISHAL	6000	M
		05-Oct-09	VISHAL	ANUJ SANJEEV	IN30107180063672	IN30177414139144	2500	O

6	5,500			GANDHI				
		30-Oct-09	VISHAL	ANUJ SANJEEV GANDHI	Direct Transfer	IN30177414139144	1000	O
		04-Nov-09	VISHAL	ANUJ SANJEEV GANDHI	Direct Transfer	IN30177414139144	2000	O
		06-Oct-09	ANUJ SANJEEV GANDHI	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	500	M
		07-Oct-09	ANUJ SANJEEV GANDHI	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	1000	M
		09-Oct-09	ANUJ SANJEEV GANDHI	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	1000	M
		03-Nov-09	ANUJ SANJEEV GANDHI	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	1000	M
		05-Nov-09	ANUJ SANJEEV GANDHI	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	2000	M
7	5,500	05-Oct-09		SANJEEV NIHALCHAND GANDHI				
			VISHAL		IN30107180063672	IN30177414044940	2500	O
		30-Oct-09		SANJEEV NIHALCHAND GANDHI	Direct Transfer	IN30177414044940	3000	O
		06-Oct-09	SANJEEV NIHALCHAN D GANDHI	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	600	M
		07-Oct-09	SANJEEV NIHALCHAN D GANDHI	VIPUL	RELIGARE SECURITIES LTD.	VISHAL	1000	M
		09-Oct-09	SANJEEV NIHALCHAN D GANDHI	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	900	M
		03-Nov-09	SANJEEV NIHALCHAN D GANDHI	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	1500	M
		04-Nov-09	SANJEEV NIHALCHAN D GANDHI	SAURABH	RELIGARE SECURITIES LTD.	VISHAL	1500	M
8	4,500	10-Nov-09	KANCHANBEN AMICHAND MADHANI	VIPUL	KIRTI R.SHAH SHARES & STOCK BROKERS PVT.LTD.	VISHAL	3000	M
		24-Nov-09	KANCHANBEN AMICHAND MADHANI	SAURABH	KIRTI R.SHAH SHARES & STOCK BROKERS PVT.LTD.	VISHAL	1500	M
		10-Nov-09	VISHAL	KANCHANBEN AMICHAND MADHANI	IN654721	1204130000004281	2675	O
		12-Nov-09	VISHAL	KANCHANBEN AMICHAND MADHANI	1205480000009837	1204130000004281	325	O
		25-Nov-09	VISHAL	KANCHANBEN AMICHAND MADHANI	IN654721	1204130000004281	1500	O
9	4,000	17-Nov-09	VISHAL	PARAG AMICHAND MADHANI HUF	IN654721	1204130000006654	2000	O
		20-Nov-09	VISHAL	PARAG AMICHAND MADHANI HUF	1205480000009837	1204130000006654	2000	O
		16-Nov-09	PARAG AMICHAND MADHANI HUF	SAURABH	KIRTI R.SHAH SHARES & STOCK BROKERS PVT.LTD.	VISHAL	2000	M
		20-Nov-09	PARAG AMICHAND MADHANI HUF	SAURABH	KIRTI R.SHAH SHARES & STOCK BROKERS PVT.LTD.	VISHAL	2000	M
10	3,500	13-Nov-09	VISHAL	INDIRA V TRIVEDI	IN654721	1203600000580723	3500	O
		17-Nov-09	INDIRA V TRIVEDI	SAURABH	SHAREKHAN LTD.	VISHAL	3500	M
11	3,000	09-Nov-09	VISHAL	PURVI KAMLESH CHANDE	IN654721	1203210000067318	3000	O
		10-Nov-09	PURVI KAMLESH CHANDE	SAURABH	MANUBHAI MANGALDAS SECURITIES PVT.LTD.	VISHAL	3000	M
		11-Nov-09	VISHAL	DEVEN TRIVEDI	IN654721	1203600000543459	3500	O

12	2,500	13-Nov-09	DEVEN TRIVEDI	SAURABH	SHAREKHAN LTD.	VISHAL	2050	M
13	2,000	15-Dec-09	VISHAL	SULOCHANA MAHADEO BOBADE	IN654721	1202570000111017	2000	O
		15-Dec-09	SULOCHANA MAHADEO BOBADE	VIPUL	SHILPA STOCK BROKER PVT.LTD.	VISHAL	2000	M
	83,547							

13. I note that the afore listed transactions have neither been disputed by the *Noticee* before the DA, nor has the *Noticee* offered any explanation with supporting documents disputing the execution of any of the trades detailed out in the above table. As per the records, the submissions made on behalf of the *Noticee* have been confined and limited to only seeking exoneration from the allegations on the grounds that in another proceedings involving the same scrip, one Mr. Kamlesh and Mr. Rahul R Raghavan (**Rahul**) (who were the clients of the *Noticee*) have been exonerated by the Adjudicating Officer (**AO**) vide his order dated March 28, 2018, hence, the present proceedings against the *Noticee* should also be dropped. It has also been submitted that an appeal has been filed against the above order of AO in which a penalty of Rs. 15,00,000/- was imposed on another client of the *Noticee* viz. Mr. Vipul. Thus, it is observed that Mr. Kamlesh and Mr. Vipul who were the *Noticees* in the aforesaid matter, are also the clients of the *Noticee*, alongside Mr. Saurabh, in the present proceedings whose accounts have allegedly been used by the *Noticee* to make the above noted circular trades. Therefore, it has been contended by the *Noticee* that pending the disposal of the appeal filed by Vipul before SAT against the said Adjudication Order, the instant proceedings should also be kept in abeyance.

14. It is observed that although the order passed by AO referred to above, is with respect to the trading in shares of MPL, involving 3 persons out of which two persons are involved in the trades which are subject matter of present proceedings, the facts pertaining to the proceedings in which the above-mentioned order of AO has been passed and the facts of present proceedings are factually distinguishable, as the said AO order was passed with respect to the allegation of price and volume manipulation in the scrip of MPL for a different investigation period leading to the violation of SEBI

(Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Markets) Regulations, 2003, whereas, the instant proceedings have been initiated for another investigation period and for different reasons i.e. the involvement of the *Noticee* in circular trading by misusing his clients' accounts.

It is also important to note that the three clients mentioned in the said AO order are close relatives of the *Noticee*. In that case, the main findings of AO were as below:

- *Vipul, Kamlesh and Rahul, being clients of the Vishal therein (also Noticee in the present proceedings), had entered into synchronized trades with 115 front entities.*
- *As per the submissions of Kamlesh, trades were placed and executed by Vishal and the records of Kamlesh were taken in possession by Vishal on the pretext of representing before SEBI.*
- *The AO has specifically noted in para 42 of the said Adjudication Order that Vishal had used the accounts of his clients to manipulate the securities market.*
- *The AO has further noted the contentions of Kamlesh and Rahul in para 43 that that they were not aware of the synchronized transactions involved in that proceedings, in respect of which the allegations were made against them. Further, the AO had ordered the Vishal to appear for cross-examination which he had not complied with to come clean of the charges.*

Thus, in the above order passed by the AO, two of the clients of the *Noticee* therein namely Mr. Kamlesh (*also a client in the present proceeding*) and Mr. Rahul were not found to be guilty and were discharged by the AO from the allegations of manipulative trades against them. However, another clients of the *Noticee*, Mr. Vipul (*also a client in the present proceeding*), was found to be guilty on whom AO imposed a penalty of Rs. 15,00,000. At the same time, it is also observed in the said adjudication order that Vishal

Vijay Shah (*the Noticee in the present proceedings*) has not only failed to provide documents sought during investigation but also failed to come clean before the AO by not appearing for the cross examination. It indicates that the AO's order being relied upon by the *Noticee* was not a favourable order for the *Noticee*. Moreover, I find that, on the basis of same set of facts, a separate enquiry proceeding was initiated against the *Noticee* by SEBI and based on the enquiry report, vide order dated July 08, 2020, SEBI has already ordered cancellation of certificate of registration of the *Noticee* as a stock broker after finding out that the *Noticee* was engaged in synchronized trades, circular trades and creation of artificial volume in the scrip of MPL by misutilizing clients' securities inter-alia in violation of the provisions of SEBI Circular No. SEBI/MRD/SE/Cir-33/2003/27 dated August 27, 2003. It may be noted that the *Noticee* has been once again charged for similar violations in the present proceeding for which he has already been held guilty vide the aforesaid order dated July 08, 2020.

Similarly, the reliance placed by the *Noticee* upon the abovementioned AO order making a request that the present proceeding be kept in abeyance is entirely devoid of merit, more so, when the present proceedings are factually distinguishable from the earlier proceedings and also the fact that the *Noticee* has already been found guilty by the earlier proceedings involving trades in the shares of MPL as discussed above.

15. The *Noticee* has further pleaded for exoneration from the present proceeding stating that in the past, proceedings against late Vijay Bhagwandas Shah (father of the *Noticee*) in the matters of Adani Export Limited, KRBL Limited and Vijay Textiles were dropped. In this respect, I note that the proceedings referred to by the *Noticee* pertain to the Adjudication proceedings, which were disposed of as abated on account of the demise of the said noticee therein i.e. Late Vijay Bhagwandas Shah and were not disposed of on merit. Therefore, the submissions of the *Noticee* is not tenable and it is not open to the *Noticee* to seek parity on that ground.

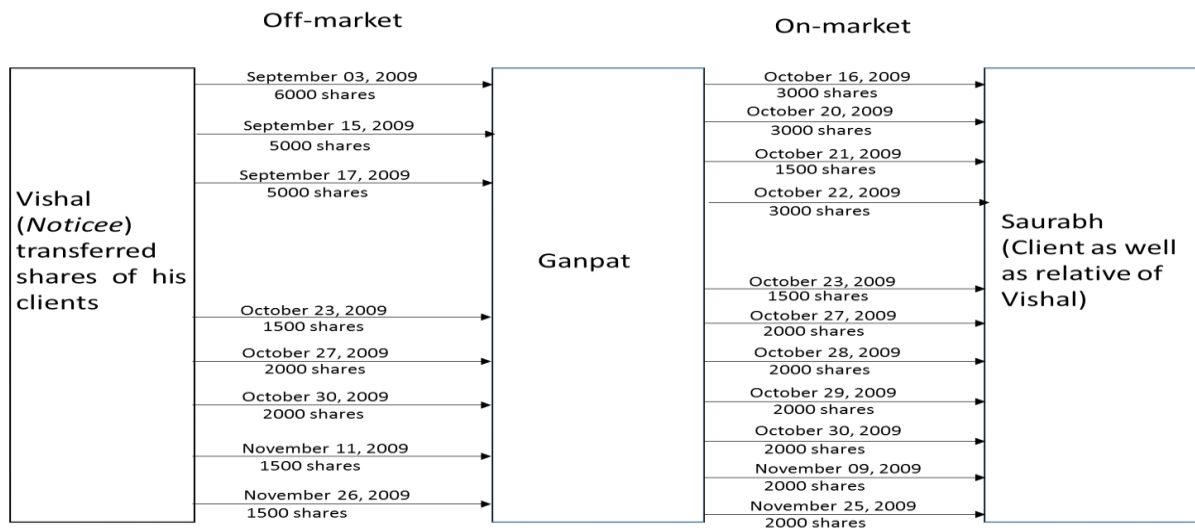
16. I also note that the *Noticee* is a repeated offender of securities law for which

proceedings were initiated against him in the past. For illustration, two Adjudication Orders dated September 14, 2015 and February 23, 2018 were passed against the *Noticee* vide which monetary penalty of Rupees 15,00,000 was levied on the *Noticee* in each of the Adjudication Orders.

17. Similarly, three separate orders dated December 12, 2018, July 01, 2020 and July 08, 2020 were issued by Whole Time Members of SEBI (**WTM**) against the *Noticee*, wherein also the charge of misutilization of clients' funds and securities was found established. In this respect, I further note that Vide order dated December 12, 2018, the certificate of registration of the *Noticee* was suspended for 6 months, whereas vide order dated July 01, 2020, the certificate of the *Noticee* was suspended for a period of one year and finally, vide order dated July 08, 2020, looking at the grievous charges against the *Noticee*, the registration of the *Noticee* as a stock broker was cancelled.
18. Moving on to the facts of the matter, I note that Late Vijay Bhagwandas Shah, the father of the *Noticee*, and Mr. Vipul Bhagwandas Shah were brothers. Saurabh, Kamlesh and Vipul were also related to the *Noticee* and the same facts have not been disputed by the *Noticee* either before the DA or before me. I further note that the *Noticee* has not offered any explanation disputing the execution of trades in the names of the above named three clients (also the relatives of the *Noticee*) as listed out in the Table 1 above, hence, I proceed to examine those trades which undisputedly were executed by the *Noticee*. In this regard for the purpose of understanding, analysis of a sample circular trade executed in the scrip of MPL by the *Noticee* is illustrated below:
19. **Trades of Ganpat Raj Jain (Ganpat):** From the above table, I observe that Ganpat had received a total number of 16,000 shares of MPL from Vishal on September 03, 15 and 17, 2009 in off-market transfers. Subsequently, Ganpat sold 10,500 shares of MPL in market on October 16, 20, 21 and 22, 2009 which were purportedly purchased by Saurabh (client as well as relative of the *Noticee*). Using the shares received by him from Vishal,

Ganpat fulfilled his pay-in obligation of the said 10,500 shares. At the same time, being the broker of Saurabh for the on-market transactions of Saurabh with Ganpat, the *Noticee* received back these shares through pay-out of the securities. Thus, a series of circular trades of a total number of 10,500 shares of MPL got executed.

20. Similarly, Ganpat received a total number of 8,500 shares of MPL in 5 off-market transactions dated October 23, 27, 30 and November 11 & 26, 2009. At the same time, Ganpat sold a total number of 13,500 shares to Saurabh by way of market transactions dated October 23, 27, 28, 29, 30 and November 09 & 25, 2009. Using the 8,500 shares received by him from Vishal and 5,500 shares left with him by virtue of transactions mentioned in previous paragraph, Ganpat fulfilled his pay-in obligation of the said 13,500 shares. At the same time, being the broker of Saurabh for the market transactions of Saurabh with Ganpat, the *Noticee* received back these shares through pay-out of the securities. Thus, another series of circular trades for 13,500 shares of MPL got executed. A graphical representation showing circular trades amongst the *Noticee*, Ganpat and Saurabh in both the aforesaid illustrations can be shown as below:



21. From the above, it is evident that circular trades for a total number of 24,000 shares in the scrip of MPL, which was an illiquid scrip, were executed. While Ganpat sold shares to Saurabh in market transactions, the *Noticee* was

making off-market transfer to the seller i.e. Ganpat, for fulfilling his pay-in obligations. Similarly, the *Noticee* also used the account of his clients for executing circular transactions with rest of the 12 entities, as mentioned in Table 1 above and thereby has indulged in series of circular trading which have resulted in generating artificial volume in the scrip of MPL.

22. I further observe that the *Noticee*, who is member of BSE, had transferred a total number of 85,000 shares to 13 entities as mentioned in the table above and purchased back a total number of 83,547 shares (3.33% of the market volume during the investigation period) from them in the trading accounts of his 3 clients viz. Saurabh, Kamlesh and Vipul. The *Noticee* has preferred to remain silent and has offered no explanations on the allegations of not adhering to the Code of Conduct prescribed for the Stock Brokers. There is no rebuttal by the *Noticee* justifying the execution of those trades on behalf of his buy clients and subsequent transfer of the said shares in off market transactions to 13 other entities. No explanation has been offered by the *Noticee* as to why the shares which were purchased in the name of Saurabh, Kamlesh and Vipul were not credited to their respective demat accounts, but transferred to 13 other entities through off market mode and as to how and under what circumstances, the same were again purchased on the market platform, from the same 13 entities. As I have already noted above, the *Noticee* had not denied the execution of trades. The *Noticee* has not submitted any justifiable reasons explaining the circumstances behind the execution of such trades as detailed out in the table above. I also find that the *Noticee* has not submitted any documents viz, demat statement of entities, contract notes issued against the trades, bank statement in support of the trades to justify that the trades were actually executed as per instruction of his clients. Rather, as I have pointed out earlier, the *Noticee* has in the past also indulged in misutilizing client demat and trading accounts, for which he was issued summons and called for the cross examination. As noted above, the *Noticee* has failed to appear before the Adjudicating Officer to counter/disprove the allegation

against him that trades executed in the account of Saurabh were trades of Saurabh and not executed by him.

23. I note that all the trades except for one trade mentioned in Table-1 above have taken place in the months of October and November 2009. At the same time, I note from the price-volume data available on the website of BSE that MPL was a thinly traded scrip with very less traded volume, however, out of those small volume of trades, the *Noticee* was consistently generating more than 5% of the total trading volume during the months of October and November 2009.
24. Considering the aforesaid, in the absence of any documents furnished by the *Noticee* rebutting the allegations, I am constrained to observe that the documents available on record are sufficient enough to bring home the charges levelled on the *Noticee*. The evidences on record coupled with the absolute silence on the part of the *Noticee*, ostensibly suggest the misuse of account of the clients and securities for creating artificial volume in the scrip of MPL during the investigation period. Accordingly, it is beyond doubt that the *Noticee* had indulged in circular trading in the scrip of MPL so as to create artificial volume in the scrip of MPL for which he used the accounts of his clients and securities therein, flagrantly in violation of the SEBI Circular No. SEBI/MRD/SE/Cir-33/2003/27 dated August 27, 2003 and Clauses A(1), (2), and (5) of the Code of Conduct of Stock Brokers as specified in Schedule II of Regulation 7 of the Stock Brokers Regulations.
25. As stated above, the violations committed by the *Noticee* in the present proceeding are neither the solitary ones nor are the violations committed by him for the first time in his career as a stock broker. The *Noticee* in fact has a history of misutilization of clients funds and securities for which he has been repeatedly found to have acted in violations of various provisions of securities law, for which penalties have been imposed on him from time to time and at the same time, his certificate of registration as a stock broker has also been suspended for different periods from time to time by SEBI. Further, as noted above, the certificate of registration of the *Noticee* has

already been cancelled vide WTM order dated July 08, 2020.

26. I note that the DA in his report has recommended for suspension of registration of the *Noticee* as a stock broker of BSE. However, meanwhile, vide order dated July 08, 2020 referred to above, passed by WTM, SEBI, the registration of the *Noticee* (Vishal Vijay Shah) as a stock broker of BSE has already been cancelled. The *Noticee* had obtained registration as a broker in his individual capacity which now stands cancelled in view of the aforesaid order passed by SEBI. It is pertinent to note that the violations for which the registration of the *Noticee* has been cancelled were committed by him in his individual capacity as a stock broker and his career as an individual stock broker is replete with various fraudulent activities such as circular trades, synchronized trades, misutilization of clients' funds and securities for which he has been penalised repeatedly from time to time. The *Noticee* has also had a history of non-cooperation with SEBI and has not complied with the Notices and summons and has not appeared for cross examination before SEBI. I am of the view that such conduct on the part of the *Noticee* clearly shows his utter disregard for market integrity, compliance requirements of SEBI or even directions given to him by SEBI, be it for submission of any information or appearance for the purpose of cross-examination. I am of the view that his continued association in his individual capacity with securities market in any manner may not be in the interest of the securities market and may pose serious risk to market and may also jeopardise the interest of general investors. Therefore, in light of the above, it becomes necessary that suitable firm measure be taken against the *Noticee* in the interest of securities market to protect the interest of the investors.

ORDER

27. Accordingly, I, in exercise of the powers conferred upon me under Section 19 read with Section 12(3) of the SEBI Act read with Regulation 28(2) of the Intermediaries Regulations, hereby debar Vishal Vijay Shah from being employed or associated with any registered intermediary or other registered

person dealing in securities market, directly or indirectly and in any other manner, for a period of 1 year.

28. This Order shall come into force on expiry of twenty-one days from the date of this Order. This Order disposes of the enquiry proceedings initiated against the *Noticee* following the investigation conducted by SEBI into the alleged irregularities in the trading in the scrip of Maharashtra Polybutenes Limited for the period September 29, 2009 to December 31, 2009.

Sd/-

Date: January 08, 2021

S. K. Mohanty

Place: Mumbai

Whole Time Member