

**BEFORE THE ADJUDICATING OFFICER  
SECURITIES AND EXCHANGE BOARD OF INDIA  
ADJUDICATION ORDER NO. PM/NR/2020-21/9404**

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

In respect of

**Amit Chouhan**  
(PAN: AGHPC1982E)

In the matter of Hasti Finance Ltd.,

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**BACKGROUND**

1. Securities and Exchange Board of India (*hereinafter referred to as "SEBI"*) conducted an investigation in the scrip of Hasti Finance Ltd., (*hereinafter referred to as "HFL" / "Company"*) based on a reference received from the Principal Director of Income Tax (Investigation), Kolkata. The focus of the investigation was to ascertain whether there was any violation of the provisions of Securities and Exchange Board of India Act, 1992 (*hereinafter referred to as "SEBI Act, 1992"*) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (*hereinafter referred to as "SEBI (PFUTP) Regulations"*) by certain entities in scrip of HFL during the period August 27, 2010 and August 31, 2015 (*hereinafter referred to as "Investigation Period" / "IP"*).
2. Based on the variance in the quantum of trading volumes, the price movement of the scrip during the IP, the investigation period was split into six patches. The price & volume details of the scrip HFL during the six patches of the investigation period are tabulated hereunder:

Period	Date		Opening Price /volume on first day of the period (₹)	Closing price /volume on last day of the period (₹)	Low price/volume during the period (₹)	High Price/volume during the period (₹)	Avg. no. of (shares) traded daily during the period
			Opening Price /volume on first day of the period(₹)	Closing price /volume on last day of the period(₹)	Low price/volume during the period (₹)	High Price/volume during the period (₹)	Avg. no. of (shares) traded daily during the period
Patch 1	27/08/2010 to 06/06/2011 (price rise)	Price	23	84.2	18.35 (30/09/2010)	84.75 (06/06/2011)	44.75
		Volume	991	10271	1(31/07/2010)	76445 (07/04/2011)	6719
Patch 2	07/06/2011 to 08/10/2012 (price fall)	Price	86.5	52.5	48.5 (17/09/2012)	88.8 (09/06/2011)	70.17
		Volume	5607	2307	1(05/09/2011)	73460 (05/07/2011)	4653
Patch 3	09/10/2012 to 03/12/2012 (price rise)	Price	52.5	84.9	48.1 (10/10/2012)	89.65 (30/11/2012)	71.94
		Volume	1653	14195	10 (29/11/2012)	77982 (26/10/2012)	9249
Patch 4	04/12/2012 to 05/04/2013 (price fall)	Price	84.65	43.2	43.20 (05/04/2013)	84.75 (05/12/2012)	71.70
		Volume	5289	1	1 (28/03/2013)	21742 (22/01/2013)	2628
Patch 5	*11/04/2013 to 31/03/2014 (price rise)	Price	45.35	76.8	45.35 (11/04/2013)	80.9 (14/05/2013)	67.34
		Volume	1	1	1 (11/04/2013)	7500 (13/09/2013)	11797
Patch 6	**09/04/2014 to 31/08/2015 (price fall)	Price	76.8	12.05	10.8 (29/07/2015)	76.8 (09/04/2014)	25.10
		Volume	3	2	1 (05/05/2014)	24580 (13/08/2014)	746

\* no trading between April 6, 2013 to April 10, 2013

\*\* no trading between the period April 1, 2014 to April 8, 2014

3. Pursuant to carrying out Last Traded Price (LTP) analysis for the investigation period, the investigation inter-alia found that during Patch-3 of the investigation period i.e., price rise, the market net LTP in the scrip was ₹32.40 with a market volume of 3,42,244 shares and the positive LTP was ₹701.20 with a market volume of 92,556 shares. During the Patch-3 of the investigation period the price of HFL opened at ₹52.50 and closed at ₹84.90 i.e., contributing to net positive LTP of ₹32.40. The investigation revealed that during Patch-3 of the investigation period, Amit Chouhan (hereinafter referred to as "Noticee") by placing small quantity buy orders and by executing self-trades, contributed significantly to positive LTP. Accordingly, the investigation concluded that the Noticee had manipulated the price of HFL scrip and created a misleading appearance of trading in the scrip, which is in violation of the provisions of Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) and (e) of SEBI (PFUTP) Regulations.

## **APPOINTMENT OF ADJUDICATING OFFICER**

4. Pursuant to investigation, SEBI initiated Adjudication Proceedings against the Noticee and appointed the undersigned as the Adjudicating Officer, vide order dated July 31, 2017, under Section 19 of the SEBI Act read with Section 15-I of the SEBI Act 1992 and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as “*SEBI Adjudication Rules*”) to inquire into and adjudge under Section 15HA of the SEBI Act 1992, for the violation alleged to have been committed by the Noticee.

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

5. A Show Cause Notice (hereinafter referred to as “SCN”) bearing ref. no. EAD/ADJ/PM/AA/OW/29767/2017 dated November 29, 2017 was served upon the Noticee under Rule 4 of SEBI Adjudication Rules to show cause as to why an inquiry be not held against him in terms of Rule 4 of the SEBI Adjudication Rules and penalty be not imposed under Section 15HA of the SEBI Act, 1992 for the violation alleged to have been committed by him. I note that the Noticee did not submit his reply to the charges alleged in the SCN.
6. In the interest of natural justice and in terms of Rule 4 (3) of SEBI Adjudication Rules, an opportunity of personal hearing was granted to the Noticee on October 14, 2020, which was communicated vide notice dated September 18, 2020. In view of the prevailing circumstances owing to Covid-19 pandemic, the hearing was scheduled through videoconferencing on Webex platform on October 14, 2020. The Noticee vide email dated October 12, 2020 submitted that he executed trades in HFL in small quantities with a view to make genuine profit and had no intention to manipulate the price of the scrip. The Noticee further submitted that in the course of investigation, he was unable to make any submission to SEBI due to which SEBI passed an Order in freezing his demat account and restrained him from accessing securities market. On the scheduled date of hearing i.e., October 14, 2020 the Noticee appeared before me through

videoconference and requested to take into account the submissions made by him vide email dated October 12, 202 and stated that he has no additional submissions to make.

## CONSIDERATION OF ISSUES

7. After perusal of the material available on record, I have the following issues for consideration viz.,

- I. *Whether the Noticee has violated the provisions of Regulations 3 (a), (b), (c), (d), 4 (1), 4 (2) (a) and (e) of SEBI (PFUTP) Regulations, 2003?*
- II. *Whether the Noticee is liable for monetary penalty under Section 15HA of the SEBI Act?*
- III. *If so, what quantum of monetary penalty should be imposed on the Noticee?*

## FINDINGS

8. On perusal of the material available on record and giving regard to the facts and circumstances of the case and submissions of the Noticee, I record my findings hereunder.

***ISSUE I: Whether the Noticee has violated the provisions of Regulations 3 (a), (b), (c), (d), 4 (1), 4 (2) (a) and (e) of SEBI (PFUTP) Regulations, 2003?***

9. Before moving forward, it is pertinent to refer to the relevant provisions of SEBI (PFUTP Regulations), 2003 which reads as under:

***Regulation 3 of SEBI (PFUTP) Regulations: - Prohibition of certain dealings in securities***

3. *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 thereunder;*
- (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 thereunder.*

***Regulation 4 of SEBI (PFUTP) Regulations: - 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;*

10. It has been alleged that the Noticee had manipulated the price of HFL scrip and created a misleading appearance of trading in the scrip. The method and the manner in which the trades were executed are the most important factors to be considered in these circumstances.

11. I note from the SCN that during Patch 3 of the investigation period, the price of the scrip, HFL had increased. I note that during this period the price of HFL opened at ₹52.50 and closed at ₹84.90 i.e., contributing to net positive LTP of 32.40 which is an increase of 61.71%. I note that on an average around 9,249 shares were traded daily during Patch 3. Further, it is observed from the Investigation Report that the company showed a rise in profit during the year ended March 2011 from ₹0.06 crore to ₹0.68 crore and thereafter showed a

continuous fall between years ended March 2012 to March 2016. The company made a loss of ₹0.05 crore during year ended March 2016. I note that the unusual rise in the price of the scrip from ₹45.35 to ₹76.80 during Patch 3 of the investigation period happened without any underlying fundamental reasons or without any significant corporate announcements.

12. The LTP contribution by the top 10 net positive LTP contributors from buy side was analyzed and the details of the same are furnished hereunder:

Sr. No.	Entity	All trades			LTP Diff. >0			LTP Diff. < 0			LTP Diff. =0		% of +ve LTP to Total Mkt +ve LTP
		LTP impact	Sum of Quantity	No of trades	LTP impact	Sum of Quantity	No of trades	LTP impact	Sum of Quantity	No of trades	Sum of Quantity	No of trades	
1	CHETAN MUKUNDRAI PAREKH	98.25	27718	412	140.85	8159	140	-42.60	7940	120	11619	152	20.09
2	<b>AMIT CHOUHAN</b>	<b>83.55</b>	<b>393</b>	<b>57</b>	<b>95.35</b>	<b>166</b>	<b>39</b>	<b>-11.80</b>	<b>64</b>	<b>8</b>	<b>163</b>	<b>10</b>	<b>13.60</b>
3	ASHOK KUMAR SAMANTRAY	24.30	11351	154	50.8	927	40	-26.5	7395	71	3029	43	7.25
4	DILIP VANVIR SHAH	21.15	51673	187	38.40	17772	58	-17.25	12733	55	21168	74	5.48
5	NEETA M SANKHE	16.65	2000	37	16.8	839	23	-0.15	486	2	675	12	2.40
6	SHRAVAN KESHUJI CHAVADA	13.85	11220	116	25.5	1989	37	-11.65	3182	48	6049	31	3.64
7	BHAVANA JITENDRA MAYEKAR	13	418	13	13.3	43	7	-0.30	375	6	0	0	1.90
8	PADMANABHA JAGANNATH KOTIAN	10.90	3547	28	10.90	1153	11	0	0	0	2394	17	1.55
9	VIJAY GENBHAU GULVE	7.65	5491	39	14.75	1654	12	-7.10	77	5	3760	22	2.10
10	SURENDRA KUMAR TOWRANI	7.55	645	32	16.10	38	9	-8.15	32	4	575	19	2.30
	<b>Total LTP of Top 10 entities</b>	<b>296.85</b>	<b>114456</b>	<b>1075</b>	<b>422.75</b>	<b>32740</b>	<b>376</b>	<b>-125.50</b>	<b>32284</b>	<b>319</b>	<b>49432</b>	<b>380</b>	<b>60.30</b>
	<b>Remaining entities</b>	<b>-264.45</b>	<b>227788</b>	<b>1580</b>	<b>278.45</b>	<b>59816</b>	<b>327</b>	<b>-543.30</b>	<b>71372</b>	<b>644</b>	<b>96600</b>	<b>609</b>	<b>39.71</b>
	<b>Market LTP</b>	<b>32.40</b>	<b>342244</b>	<b>2655</b>	<b>701.20</b>	<b>92556</b>	<b>703</b>	<b>-668.80</b>	<b>103656</b>	<b>963</b>	<b>146032</b>	<b>989</b>	<b>100.00</b>

13. From the above table, it is noted that top 10 buy entities have contributed

₹422.75 to positive LTP (60.30% of total market positive LTP) out of ₹701.20 total market positive LTP in the price rise period. The net positive LTP contribution of above-mentioned entities is ₹296.85. Out of the total purchase through 57 trades, Noticee contributed ₹95.35 to positive LTP (13.60% of total market positive LTP) through 39 trades (89.74% of his total positive trades). On analysis of these 39 positive LTP contributing trades, it was noted that in respect of 38 trades, the buy orders were placed after respective sell orders. While for the remaining 1 trade, the buy order was placed before the sell order. However on further analysis of the positive LTP contributing trades of Noticee the following was noted:

Sl. No.	Description	No. of trades	LTP Contribution ₹	% of total market positive LTP
1	Trades where buy order quantity is 1 share	27	79.55	11.34
2	Trades where buy order quantity is 2 - 10 shares	8	10.9	1.55
3	Trades where buy order quantity is more than 10 shares	4	4.9	0.70
4	All buy trades which contributed to positive LTP	<b>39</b>	<b>95.35</b>	<b>13.60</b>

14. It is noted from the above table that out of the 39 buy trades of the Noticee contributing positive LTP of ₹95.35, for 35 trades (89.74% of his total positive trades) the buy order quantity was in the range of 1-10 shares, which contributed to positive LTP of ₹90.45 during Patch 3. It is also noted that 14 out of the 39 positive LTP contributing trades of the Noticee were self-trades where positive LTP contribution was ₹54 (7.70% of the total market positive LTP). It is also noted that these 14 trades included the top five positive LTP contributing trades. An illustration of these top 5 positive LTP contributing trades is given below:

Batch Date	Buyer Name	Seller Name	Trade Time	Buy Order Time	Sell Order Time	Trade Price	LTP Difference	Buy Order Price	Sell Order Price	Trade Qty	Sell Order Disclose Vol	Buy Order Qty
10.10.2012	AMIT CHOUHAN	AMIT CHOUHAN	09:08:28.1682480	09:06:57.6394830	09:06:55.4365350	65.2	10.2	0	65.2	1	1	1

10.10.2012	AMIT CHOUHAN	AMIT CHOUHAN	09:22:23.3 123180	09:22:23.2 442100	09:22:22.0 257480	55.95	7.85	56	55.95	1	1	1
11.10.2012	AMIT CHOUHAN	AMIT CHOUHAN	09:08:27.2 564370	09:06:59.2 389050	09:06:57.8 480510	62.4	7.05	62.45	62.4	1	1	1
09.10.2012	AMIT CHOUHAN	AMIT CHOUHAN	10:05:30.3 290930	10:05:30.3 064400	10:05:29.1 807960	55.95	5.95	56	56.9	1	3	1
25.10.2012	AMIT CHOUHAN	AMIT CHOUHAN	09:32:44.6 521370	09:32:44.5 504380	09:32:43.2 237820	68.95	4.9	69	68.95	5	5	5

15. Self-trades are in common parlance known as trades executed in the stock market wherein, both the buyer and the seller remain the same entity, meaning thereby, the entity in such trades is same on both the sides i.e. buy and sell side. As a result of self-trade, there is no change in beneficial ownership of the security. I note from the above table that the Noticee has placed buy orders in minuscule quantity and at the same time he has taken counter party position to his own buy orders by placing sell orders in a manner that his own buy orders and sell orders matched and got executed only to contribute to positive LTP of the price of the scrip of HFL. I have noted above the frequency and number of self-trades executed by the Noticee. It is noted from the records that the Noticee has executed 14 self-trades in the scrip which had a significant positive LTP contribution of ₹ 54 representing 7.70% of the total market positive LTP. Further, I note from the order log & trade log that the said 14 self-trades were executed at frequent intervals between the periods October 8, 2012 to October 25, 2012. In other words, in 12 trading days, the self-trades were executed on 6 trading days. Further, in 10 of such self-trades, the counter party buy order was placed within seconds of placing of the sell order. In this regard, Hon'ble SAT in the matter of Chirag Tanna Vs The Adjudicating Officer dated June 16, 2011 observed as follows:

*“... we have on record the trade and order logs from which it has been pointed out by the learned counsel for the respondent Board that the appellant had executed self-trades i.e. trades in which he was both the buyer and the seller. Such trades are, admittedly, fictitious and create artificial volumes in the traded scrip...”*

16. Taking support of the aforesaid Hon'ble SAT observations and findings arrived



at above paragraph, I have no hesitation in holding that the aforesaid 14 trades are fictitious in nature as there was no change in the beneficial ownership of the shares traded. Such trades are only meant to create artificial volumes and price and they disturb the market equilibrium. It is also not the case of the Noticee that these trades were accidental in any way.

17. I note that trades at higher than LTP, undoubtedly have a potential of raising the price of the scrip and the same gives a wrong impression about the price of the scrip in the market based on miniscule quantities traded. It must not be forgotten that every trade establishes the price of the scrip and trades executed at higher than LTP results in the price of the scrip going up which may influence the innocent/gullible investors. 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. 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...”*

18. In the instant matter the Noticee has executed 68.42% of his total trades in the

scrip over the LTP and 61.40% of his total trades in the scrip is for miniscule quantity (less than or equal to 5 shares). Further, the Noticee has repeatedly placed buy orders for miniscule quantity of shares over the LTP at frequent intervals, i.e., on 35 instances on 24 trading days between the period, October 9, 2012 to November 12, 2012. Even if for a moment, it is assumed that the Noticee had a great desire to buy the shares, it is noted that on 13 instances when the trade for single share got executed, the sell order disclosed volume was for more than 1 share. Thus, sell orders for higher quantities were existing in the system when the Noticee had placed order for single share. If the Noticee was a genuine buyer, then he had the opportunity to buy more than one share of the company on multiple occasions but still he chose not to buy shares more than one at a time and continued to execute buy trades over the LTP by buying just one share at a time. It is not the case of the Noticee that on multiple occasions he had placed buy orders for more than 5 shares at LTP or lower than LTP and his order was not executed during the Patch. Further, the fundamentals of the company also do not support the persistent interest shown by the Noticee in buying the scrip at prices higher than LTP.

19. At this juncture, I would like to quote the order of Hon'ble Securities Appellate in the matter of Shri Lakhi Prasad Kheradi Vs. SEBI decided on June 21, 2018 wherein the Hon'ble Tribunal was addressing the issue wherein the entity had contributed to 9.17% of the market New High Price in 9 trades for 1 share each for the total value of 9 shares within a span of two weeks. The Hon'ble Tribunal observed as follows:

*"...Very fact that the appellant had indulged in self-trades/ LTP/ NHP without giving any justifiable reason, clearly justifies the inference drawn by the AO that the trades executed by the appellant were manipulative trades..."*

20. During the period, October 9, 2012 to December 3, 2012, the average trading volume in the scrip was 9,249 shares, which was a jump of 49.69% from the previous period of June 7, 2011 to October 8, 2012. From the IR, it is noted that

there were other buyers in the scrip who have executed large number of trades for significant volume at LTP or lower than LTP. Considering the Noticee was active in the scrip, instead of executing 68.42% of his trades over LTP, he had the opportunity to buy shares at LTP or lower than LTP which is evident from his trade details, confirming that he had also bought shares at LTP or lower than LTP.

21. Here, it is noteworthy to quote the observations of Hon'ble Securities Appellate Tribunal in the matter of Saumil Bhavnagari Vs. SEBI decided on March 21, 2014 wherein it was observed as follows:

*“...It is relevant to note that out of 85 trades, most of the trades placed are above the LTP and some of the trades placed by appellant were below the LTP. This was done evidently with ulterior motives, because, if shares were available for a lesser price, there was no reason to place orders at a price higher than the LTP and if orders at prices higher than LTP were placed on account of the financial status of the company then there was no reason to place some orders below the LTP...”*

22. It is evident from the trading pattern of the Noticee that the intention of the Noticee was to create a misleading appearance of trading in the scrip by marking the price higher and was not merely entering into the buy transactions. The trades executed by the Noticee were not done in normal course of dealing in securities and are devoid of any bonafide intentions. In this regard, I note that the Hon'ble Supreme Court in *Kanaiyalal Baldev Bhai Patel v. SEBI* [supra] have explained that: *“...The definition of 'fraud', which is an inclusive definition and, therefore, has to be understood to be broad and expansive, contemplates even an action or omission, as may be committed, even without any deceit if such act or omission has the effect of inducing another person to deal in securities. Certainly, the definition expands beyond what can be normally understood to be a 'fraudulent act' or a conduct amounting to 'fraud'. The emphasis is on the act of inducement and the scrutiny must, therefore, be on the meaning that must be attributed to the word “induce”.*

23. In view of the above, the findings that have been gathered from various circumstances for instance miniscule volume of the trade effected, the period of persistence in trading in the scrip and the particulars of the buy and sell orders including the self-trades, the totality of the picture that emerges, indicates that the Noticee is not a genuine investor in the scrip of HFL. By placing buy orders for miniscule quantity on 35 instances, the Noticee has contributed to market positive LTP creation of ₹90.45. Further, by executing self-trades in the scrip, the Noticee's positive LTP contribution is ₹54. Therefore, I conclude that the Noticee had no bonafide intention to buy the shares but to mark the price higher than the last traded price and manipulate the price of the scrip of HFL during the period October 9, 2012 to December 3, 2012, which has also created a misleading appearance of trading in the scrip. Accordingly, I hold that the Noticee has violated the provisions of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) and (e) of SEBI (PFUTP) Regulations.

***ISSUE -II: Does the violation, if any, attract monetary penalty under Section 15HA of SEBI Act?***

24. Pursuant to detailed analysis as brought out above, it is established that the Noticee manipulated the price of the scrip and created a misleading appearance of trading in the scrip by placing buy orders in small quantity and executing self-trades thereby contributing significantly to positive LTP, which are not trades executed in normal course of trading and investment in securities market. The Noticee has deliberately manipulated the price of the scrip and created a misleading appearance of trading in the scrip to induce innocent investors in the securities market thereby contravening the provisions of Regulations 3 (a), (b), (c), (d), 4 (1), 4 (2) (a), and 4 (2) (e) of SEBI (PFUTP) Regulations, 2003. Therefore, the Noticee is liable for monetary penalty under Section 15HA of SEBI Act, the provisions of which are reproduced hereunder:

**Section 15HA of SEBI Act - Penalty for fraudulent and unfair trade practices**

*“If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher”.*

**ISSUE – III: If so, what would be the monetary penalty that can be imposed taking into consideration the factors mentioned in Section 15J of SEBI Act?**

25. While determining the quantum of monetary penalty under Section 15HA of SEBI Act, I have considered the factors stipulated in Section 15-J of SEBI Act, which reads as under:

*Section 15J - Factors to be taken into account by the Adjudicating Officer*

*While adjudging quantum of penalty under Section 15 - I, the Adjudicating Officer shall have due regard to the following factors, namely:*

- (a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
- (b) the amount of loss caused to an investor or group of investors as a result of the default;*
- (c) the repetitive nature of the default.*

26. The material made available on record has not quantified the amount of disproportionate gain or unfair advantage made by the Noticee and the loss suffered by the investors as a result of the Noticee’s default. There is also no material made available on record to assess the amount of loss caused to investors or the amount of disproportionate gain or unfair advantage made by the Noticee as a result of default.

27. It is difficult, in cases of such nature, to quantify the disproportionate gains or unfair advantage enjoyed by an entity and the consequent loss suffered by the investors. General public and normal prudent investors could have been easily

carried away by such unusual change in the prices in the scrip of HFL and were bound to get induced into investing in the said scrip looking at the steep rise in its price without realizing that the price rise was been artificially introduced by manipulative trades executed by the Noticee. This kind of trading behavior seriously affects the normal price discovery mechanism in the securities market. Therefore, I am of the view that people who indulge in manipulative, fraudulent and deceptive transactions, or abet in carrying out such transactions, which are fraudulent and deceptive in nature, should be suitably penalized for such acts of omissions and commissions.

28. Further, Hon'ble SAT, in its order dated August 02, 2019 in the matter of P G Electroplast vs SEBI, has held that the Order passed in corresponding proceedings before the Whole Time Member should be factored in while fixing the quantum of penalty.
29. In this regard, I note that, a separate and parallel proceeding was initiated against the Noticee under the provisions of Sections 11(1), 11(4) and 11B of SEBI Act under the same facts. In the said proceedings, vide Order dated December 28, 2018, Hon'ble Whole Time Member of SEBI has restrained the Noticee from accessing the securities market and further prohibited 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 four (4) years.

### **ORDER**

30. After taking into consideration the nature and gravity of the violations established in the preceding paragraphs and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act, 1992 read with Rule 5 of the SEBI Adjudication Rules, 1995, I hereby impose a penalty of ₹5,00,000/- (Rupees Five lakhs only) on the Noticee i.e., Amit Chouhan under Section 15HA of the SEBI Act, 1992 for violation of the provisions of Regulations 3 (a), (b), (c),

(d), 4 (1), (2) (a) and (e) of SEBI (PFUTP) Regulations, 2003.

31. The said penalty imposed on the Noticee, as mentioned above, shall commensurate with the violation committed by the Noticee and acts as a deterrent factor for the Noticee and others in protecting the interest of investors.
32. The Noticee shall remit / pay the said amount of penalty within 45 days from the date of receipt of this Order, either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through online payment facility available on the SEBI website [www.sebi.gov.in](http://www.sebi.gov.in) on the following path by clicking on the payment link.

**ENFORCEMENT → Orders → Orders of AO → PAY NOW**

33. The Noticee shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-IV, SEBI, in the format as given in table below:

Case Name	
Name of Payee	
Date of payment	
Amount Paid	
Transaction No	
Bank Details in which payment is made	
Payment is made for	Penalty

34. In terms of Rule 6 of the SEBI Adjudication Rules, copies of this order are sent to the Noticee and to SEBI.

**Date: October 16, 2020**  
**Place: Mumbai**

**PRASANTA MAHAPATRA**  
**ADJUDICATING OFFICER**