IN THE SECURITIES APPELLATE TRIBUNAL AT MUMBAI

DATED THIS THE 21ST DAY OF NOVEMBER, 2024

CORAM: Justice P. S. Dinesh Kumar, Presiding Officer
Ms. Meera Swarup, Technical Member
Dr. Dheeraj Bhatnagar, Technical Member

Appeal No. 287 of 2023

BETWEEN

Rishab Mahendra Shah
R-2 /102, Golden CHS,
Garodia Nagar, Next to Orbit Tower,
Ghatkopar East,
Mumbai- 400 0 77 …Appellant

Mr. Aditya Bhatt, Advocate with Mr. Karan Diya, Advocate i/b Bespoke Legal for the Appellant.

AND

Securities and Exchange Board of India
SEBI Bhavan, G Block,
Bandra Kurla Complex,
Mumbai- 400 051 …Respondent

Mr. Sumit Rai, Advocate with Mr. Manish Chhangani, Mr. Sumit Yadav, Mr. Abhay Chauhan and Mr. Atul Agrawal, Advocates i/b The Law Point for the Respondent-SEBI.

THIS APPEAL IS FILED UNDER SECTION 15T OF THE SEBI ACT, 1992 TO SET ASIDE THE ORDER DATED 29.12.2022 (EX-C) PASSED BY THE AO OF SEBI.

THIS APPEAL HAVING BEEN HEARD AND THE TRIBUNAL MADE THE FOLLOWING:

O R D E R

Per: Justice P. S. Dinesh Kumar, Presiding Officer (Oral)

This appeal is directed against the order dated December 29, 2022 passed by the AO[1] of the SEBI[2] imposing a penalty of Rs. 15 lakhs on the appellant.

2. We have heard Mr. Aditya Bhatt, learned Advocate for the appellant and Mr. Sumit Rai, learned Advocate for the Respondent.

3. Undisputed facts of the case are, appellant is an individual trader in buying and selling of shares. As per Exhibit-A dated May 21, 2021, the appellant has written a letter to the SEBI stating *inter alia* that the promoters of the Company, namely, Mangalam Industrial Finance Limited ('MIFL' for convenience), Mr. Pradeep Kumar Daga and Mr. Anjan Sirohia had requested him to purchase shares of MIFL promising to make available the required funds. It was agreed between the parties that appellant would be paid a commission of Rs. 3 Crores.

[1] Adjudicating Officer
[2] Securities and Exchange Board of India

4. The SEBI issued a show cause notice dated August 31, 2022. In response, the appellant has admitted the *modus operandi* of the transactions. Pradeep Kumar Daga, a promoter of MIFL had arranged the funds and transferred the money to appellant's account. Using that money, the appellant bought the shares of MIFL and then pledged them to raise funds from several brokers. The contents of the said reply have been extracted by the AO in page 30 of the impugned order.

5. Mr. Aditya Bhatt, learned Advocate for the Appellant mainly contended that the appellant has not been paid any compensation. The shares were not illiquid. The appellant has entered into valid transactions and purchased the shares and there is no illegality in such transactions.

6. Mr. Sumit Rai, learned Advocate for the Respondent adverting to Exhibit-A pointed out that the three Companies, namely, Northstar Dealcomm Pvt. Ltd., Nexcare Agency Pvt. Ltd. and Eversafe Highrise Pvt. Ltd. were the promoters of MIFL. They were related entities of the promoters of MIFL.

7. He further submitted that in response to the show cause notice dated August 31, 2022, the appellant has admitted the transactions and, therefore, there is no error in the impugned order.

8. We have carefully considered rival contentions and perused the records.

9. Undisputed facts are, appellant has received about Rs. 32 Crores and purchased the shares of MIFL. In Exhibit A (page 18 of the appeal paper book), he has stated thus:

> ***"(Somewhere around Jan 2016)****- Mean while the situation got worse amongst all of us and we had to sit and discuss ways and means to close the deal. Still the lower circuit continued, and* ***Promoters*** *and Vishal Dedhia could not control the situation which led to failures of commitments and disagreements. I have till date never received any commission / fees / advisory from the promoters as promised by Shri Pradeep Kumar Daga and others.*
>
> *As I had received remittance from three private limited companies as mentioned earlier with complete details of the company and Demat account details as per* ***(Annexure-7-Demat Client Master Copy)****. I had to settle the remittance in legal way to protect myself from any legal liabilities which was their (Promoters & Vishal Dedhia) concern too. I there after started asking for brokerages and my commission as agreed and decided by promoters and other agreed dues- to settle stockbroker client trading accounts. After*

> *several rounds of discussion and meetings, it was decided to pay Rs. 3,00,00,000 (Rupees Three crore only) in total to settle this issue by transferring the shares of MIFL particularly against remittance received."*
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> *...(Emphasis Supplied)*

10. Thus, the appellant has clearly admitted that as per the agreement between the promoters of the MIFL, namely, Mr. Pradeep Kumar Daga and Mr. Anjan Sirohia, funds were made available to him. The appellant is a trader in stocks and securities and not a novice. There is clear violation of provisions of Regulation 3(a),(b),(c),(d) and Regulation 4(1),4(2)(a) and 4(2)(g) of SEBI PFUTP[3] Regulations, 2003 read with Section 12A(a),(b) and (c) of the SEBI Act, 1992.

11. SEBI as the Regulator is duty bound to protect the interest of investors. The appellant has clearly admitted the transactions. Therefore, we find no error in the impugned order and the same is liable to be dismissed.

12 At this stage, learned Advocate for the appellant prayed for reduction in the quantum of penalty. Mr. Sumit Rai, opposing the said prayer submitted that the appellant being a trader has entered into illegal transactions with an open eyes

[3] SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market), 2003

which has adversely affected the securities market. He is right in his submission. In view of the facts recorded hereinabove we are not persuaded to accept this request and it is also liable to be rejected.

13. Resultantly, this appeal fails and it is dismissed.

No costs.

Justice P. S. Dinesh Kumar
Presiding Officer

Ms. Meera Swarup
Technical Member

Dr. Dheeraj Bhatnagar
Technical Member

21.11.2024
PK