

**IN THE SUPREME COURT OF INDIA  
CIVIL APPELLATE JURISDICTION**

**CIVIL APPEAL NO.4720/2017**

**KHANDWALA SECURITIES LTD**

**Appellant(s)**

**VERSUS**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**Respondent(s)**

**O R D E R**

The present proceedings have arisen out of an investigation by the respondent Securities and Exchange Board of India (SEBI) into the trading of shares by M/s Shree Rama Multi-Tech Ltd. with the alleged violations being attributed to one Khandwala Finance Ltd. This entity was specifically merged with the appellant.

Briefly stated, the investigation began relating to the trading of shares aforesaid between the period June-September, 2000. The merger happened and was approved by the Bombay High Court on 03.10.2001. The enquiry officer was appointed on 24.07.2003 by the respondent resulting in a show cause notice under the Regulation 6 of the Enquiry Regulations for the said violation dated 27.01.2004. This was responded to on 08.03.2004.

On examination of the matter, a show cause notice under Regulation 13(2) of the Enquiry Regulations was issued by the respondent to the

appellant in connection with the violation on 30.08.2006. The response of the appellant is dated 17.10.2006. However, for eight years, nothing happened and the personal hearing was given on 23.01.2014 and 18.02.2014. An order was passed on 29.01.2015, after one year of the hearing suspending the certificate of registration of the appellant for a period of one month. On coming to the operative portion of the order dated 13.05.2015 in para 35, the Whole Time Member of SEBI records the mitigating circumstances as under:

"35. Being a registered stock broker, Khandwala Finance was expected to observe high standards and fairness in its dealings and not to indulge in fraudulent and manipulative activities. The acts and omissions of Khandwala Finance as found in this case do not reflect high standards of integrity and fairness expected from it. In this case, consequent to the amalgamation as aforesaid, the noticee has undertaken the liabilities and obligations of Khandwal Finance. I, however, note that transaction of Khadwala Finance relate to the year 2000 and considerable time has elapsed since the trades in question were executed. Khandwala Finance got merged with the noticee in the year 2004. There is no finding of the Enquiry Officer that the alleged transactions were on behalf of management/promoters of SRTML or that any

promoter or promoter related entity was client of Khandwala Finance which dealt in the scrip during the investigation period. There is no material on record to quantify loss to the investors or gain to Khandwala Finance or the noticee. Further, the noticee itself has not indulged in the alleged activities but has derived the liability of Khandwala Finance consequent to aforesaid amalgamation. Considering the facts and circumstances of this case and taking into account these mitigating factors, the interest of the securities market, I am of the view that suspension of certificate of registration of the noticee i.e. M/s Khandwala Securities Ltd., for a period of one month will be commensurate with the violations as found above in the present matter."

The appellant preferred an appeal before the Securities Appellate Tribunal, Mumbai. The order of SEBI has been affirmed by the impugned order dated 08.03.2018 in Appeal No.283/2015.

The appellant has raised a number of issues in appeal but as it often happens, the passage of time requires us to deal with the matter in the manner we do hereinafter.

There is a hiatus period of time of eight years between the reply to the show cause notice dated 30.08.2006 responded to on 17.10.2006 as the personal

hearing was given on 23.01.2014 and 18.02.2014. The order reserved was also pronounced after one year of conclusion of such hearing, there being interim stay was throughout these proceedings including before this Court.

We put to learned counsel for the appellant that this is a Second Appeal and, therefore, the scope is limited in its contours. On hearing parties, a feasible solution to the problem, in our view, is that the course of action followed by the Securities Appellate Tribunal in Appeal No.19/2012 of the appellant itself decided on 07.09.2012 can be followed wherein it was observed that in such matters, delay defeats justice which is the very purpose of the proceedings initiated and, therefore, the suspension of certificate of registration after the period of 12 years from the commission of violation cannot be regarded as reasonable or justified.

This principle is also re-inforced in view of the observations in *Adjudicating Officer, SEBI v. Bhavesh Pabari* - (2019) 5 SCC 90 at para 35. The Appellate Tribunal, however, upheld the warning to the appellant to be careful in future and that was held to be reasonable to meet the ends of justice.

We are thus, inclined to substitute the impugned order requiring suspension of the appellant for one month with a warning to the appellant to be careful in future.

We are thus, not required to go into the findings recorded in the impugned order on account of the course adopted by us.

We accordingly allow the appeal limited to the above extent leaving parties to bear their own costs.

.....J.  
[SANJAY KISHAN KAUL]

.....J.  
[SUDHANSHU DHULIA]

NEW DELHI;  
SEPTEMBER 21, 2023.

ITEM NO.103

COURT NO.2

SECTION XVII

**S U P R E M E C O U R T O F I N D I A**  
**RECORD OF PROCEEDINGS**

Civil Appeal No(s). 4720/2017

KHANDWALA SECURITIES LTD

Appellant(s)

VERSUS

SECURITIES AND EXCHANGE BOARD OF INDIA  
IA No. 21771/2022 - EARLY HEARING APPLICATION

Respondent(s)

Date : 21-09-2023 This petition was called on for hearing today.

CORAM :

HON'BLE MR. JUSTICE SANJAY KISHAN KAUL  
HON'BLE MR. JUSTICE SUDHANSHU DHULIA

For Appellant(s) Ms. Anannya Ghosh, AOR  
Mr. Dushyant Manocha, Adv.  
Ms. Mrinalini Mishra, Adv.  
Ms. Chitra Vats, Adv.

For Respondent(s) Mr. Chander Uday Singh, Sr. Adv.  
Mr. Pratap Venugopal, Adv.  
Ms. Surekha Raman, Adv.  
Mr. Prashant Kumar Nair, Adv.  
Ms. Viddusshi, Adv.  
Mr. Abhishek Anand, Adv.  
Ms. Unnimaya S, Adv.  
Mr. Shreyash Kumar, Adv.  
M/S. K J John And Co, AOR

UPON hearing the counsel the Court made the following  
O R D E R

The appeal is allowed in terms of the signed order.

Pending application, if any, stands disposed of.

(ASHA SUNDRIYAL)  
ASTT. REGISTRAR-cum-PS

(POONAM VAID)  
COURT MASTER (NSH)

[Signed order is placed on the file]