BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OFINDIA

ADJUDICATION ORDER NO. Order/BM/JR/2024-25/ 30341 – 30347

UNDER SECTION15-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:

S. No.	Name	PAN
1.	**Nishil Surendra Marfatia**	**ADWPM9452H**
2.	**Ajay Natavarlal Commodities**	**AAFCA6607F**
3.	**Suyog Securities**	**ACGFS1355Q**
4.	**Jinalben Bhavikbhai Vora**	**AGJPV0338H**
5.	**Pranav Prafulchandra Vora**	**ACYPV7581R**
6.	**Marfatia Stock Broking Private Limited**	**AADCM6730B**
7.	**ANS Pvt. Ltd**	**AACCA4841J**

In the matter of Alankit Limited

Facts of the Case:

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") had conducted investigation in the scrip of Alankit Limited (hereinafter referred to as "Alankit"/ "Company") during the period March 01, 2017 to March 31, 2017 (hereinafter also referred to as the "**Investigation Period/ IP**".) Pursuant to the investigation, it was observed that Nishil Surendra Marfatia (hereinafter referred to as '**Noticee 1'**), Ajay Natavarlal Commodities Pvt Ltd (hereinafter referred to as '**Noticee 2'**), Suyog Securities (hereinafter referred to as '**Noticee 3'**), Jinalben Bhavikbhai Vora (hereinafter referred to as '**Noticee 4'**), Pranav Prafulchandra Vora (hereinafter referred to as '**Noticee 5'**), have allegedly violated sections 12A(a)(b)(c) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "SEBI Act") read with regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities

Market) Regulations, 2003 (hereinafter referred to as **'PFUTP Regulations'**) and Marfatia Stock Broking Private Limited (hereinafter referred to as '**Noticee 6'**) and ANS Pvt. Ltd. (hereinafter referred to as '**Noticee 7'**) have allegedly violated section 12 A (a), (b), (c) of SEBI Act read with regulations 3 (a), (b), (c), (d), regulation 4(1) and 4 (2)(a) of PFUTP Regulations and clause A (1), (2) (3) (4) and (5) of Code of Conduct as specified in Schedule II under regulation 9(f) of SEBI (Stock Brokers and Sub-brokers) Regulations, 1992 (hereinafter also referred as **'Brokers Regulations'**) (collectively also known as "**Noticees**").

Appointment of Adjudicating Officer:

2. SEBI appointed Shri Amar Navlani as Adjudicating Officer (**AO**) vide communique dated April 18, 2023 under section 19 read with section 15-I of the SEBI Act, read with rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties Rules, 1995 (hereinafter referred to as "**Adjudication Rules**") to enquire into and adjudge under the provisions of sections 15HA and 15HB of the SEBI Act the aforesaid alleged violations committed by the Noticees. On transfer of the case, the undersigned was appointed as the Adjudicating Officer in the matter vide communique dated March 14, 2024.

Show Cause Notice, Reply and Personal Hearing:

3. Show Cause Notice dated August 17, 2023 (hereinafter referred to as 'SCN') was issued in terms of Rule 4(1) of the Rules read with section 15-I of the SEBI Act to the Noticees alleging the following:
   a) At NSE, the average volume of the scrip was observed to be 29,72,507.68 shares during the investigation period. It was found that due to spike in volumes on March 20, 2017, the average volume at NSE had increased to 29,72,507.68 shares. On further analysis, it was observed that the average volume in the scrip for twelve trading days prior to March 20, 2017 (i.e. from March 1, 2017 to March 19, 2017) was 19.65 lac shares. On March 20, 2017 alone, the number of shares traded in the scrip went up to 199.09 lacs shares. Further, for twelve trading days' post March 20, 2017, the average volume in the scrip was found to be 19.19 lac shares. No major news or price sensitive announcements from the company were observed during March 2017. The volume of shares traded

on March 20, 2017 was 10 times the normal volume of the scrip. In view of the same, the trading in the scrip on NSE on March 20, 2017 was taken up for further analysis.

b) The details of top 10 gross buyers/ sellers on March 20, 2017 at NSE is as under:

Buyers	**Traded Qty**	**%**	**Sellers**	**Traded Qty**	**%**
Marfatia Nishil Surendra	6492916	32.61%	Marfatia Nishil Surendra	6613475	33.22%
Suyog Securities	2500000	12.56%	Suyog Securities	2500000	12.56%
Ashok Kumar Gupta	2399980	12.05%	Ashok Kumar Gupta	2399980	12.05%
Ajay Natavarlal Commodities Pvt Ltd	1500000	7.53%	Ajay Natavarlal Commodities Pvt Ltd	1500000	7.53%
Patel Manav Nareshbhai	1165287	5.85%	Patel Manav Nareshbhai	1165287	5.85%
Dinesh Shah	800000	4.02%	Dinesh Shah	800000	4.02%
Chirag Dipakbhai Pujara	500730	2.52%	Rakshit Buildcon Private Limited	574395	2.89%
Pranav Prafulchandra Vora	500000	2.51%	Chirag Dipakbhai Pujara	500730	2.52%
Vora Jinalben Bhavikbhai	500000	2.51%	Pranav Prafulchandra Vora	500000	2.51%
Dharini Prijesh Kurani	300000	1.51%	Vora Jinalben Bhavikbhai	500000	2.51%
Total	**16658913**	**83.68%**	**Total**	**17053867**	**85.66%**
Market Total	**19908620**	**100.00%**	**Market Total**	**19908620**	**100.00%**

c) From the above table, it is seen that on March 20, 2017, Noticee 1 had contributed to 32.61% towards buy quantity and 33.22% towards sell quantity in the scrip of Alankit. Noticee 1 sold 66,13,475 shares and bought back 64,92,916 shares in the scrip on the same day. The major counterparties to Noticee 1 were 4 entities, Noticee 2, Noticee 3, Noticee 4 and Noticee 5 who bought 49,95,409 shares. These entities were counterparty to 75.53% of the total shares sold by Nishil Surendra Marfatia.

d) During the investigation period, these four entities, Noticee 2, Noticee 3, Noticee 4 and Noticee 5 had traded only on March 20, 2017.

e) These four entities, Noticee 2, Noticee 3, Noticee 4 and Noticee 5 had common stock broker, i.e. Noticee 7. Noticee 2 is a subsidiary company of Noticee 7.

f) Noticee 1 submitted vide email dated January 24, 2023 that he is connected to Noticee 4 and Noticee 5 and has received unsecured loan from Noticee 4 and Noticee 5 during F.Y. 2016-17

g) The profit/ loss booked by Noticee 1 and his major counterparties across NSE and BSE in the scrip of Alankit Ltd on March 20, 2017 is given below:

Clnt Name	**Gr Buy Vol**	**Gr Sell Vol**	**Net Trd Vol**	**Gr Trd Vol**	**Gr Buy Value**	**Gr Sell Value**	**Profit/ Loss**
NISHIL SURENDRA MARFATIA	6700004	6851331	-151327	13551335	159922033	152871086	-7050947.30
PRANAV PRAFULCHANDRA VORA	500000	500000	0	1000000	11000000.00	12000000.00	1000000.00
VORA JINALBEN BHAVIKBHAI	500000	500000	0	1000000	11000000.00	12000000.00	1000000.00

AJAY NATAVARLAL COMMODITIES PRIVATE LIMITED	1500000	1500000	0	3000000	33000000.00	36000000.00	3000000.00
SUYOG SECURITIES	2500000	2500000	0	5000000	55656253.30	60000000.00	4343746.70

h) It is seen that Noticee 1 had booked a loss of Rs. 70,50,947.30 and four of his major counterparties viz. Noticee 5, Noticee 4, Noticee 2 and Noticee 3 had booked a profit of Rs. 10,00,000.00, Rs 10,00,000.00, Rs. 30,00,000.00 and Rs. 43,43,746.70 respectively i.e. total profit of Rs.93,43,746.70.

i) The buy concentration of aforementioned four entities with Noticee 1 is given below:

BUYER NAME	SELLER NAME	Total	%
SUYOG SECURITIES	EVERMORE ENTERPRISES	4492	0.18%
	MARFATIA NISHIL SURENDRA	2495508	99.82%
Sub Total		**2500000**	
AJAY NATAVARLAL COMMODITIES PVT LTD	MARFATIA NISHIL SURENDRA	1500000	100.00%
Sub Total		**1500000**	
PRANAV PRAFULCHANDRA VORA	MARFATIA NISHIL SURENDRA	500000	100.00%
Sub Total		**500000**	
VORA JINALBEN BHAVIKBHAI	GKN SECURITIES	99	0.02%
	MARFATIA NISHIL SURENDRA	499901	99.98%
Sub Total		**500000**	

j) It is observed that 99.91% of the shares bought by four entities Noticee 2, Noticee 3, Noticee 4 and Noticee 5 were from Noticee 1.

k) All the shares bought by these four entities were sold back on the same day. The details of buy counterparties to the entities, Noticee 2, Noticee 3, Noticee 4 and Noticee 5 are as under:

BUYER NAME	Total	%
ASHOK KUMAR GUPTA	1915248	38.30%
MARFATIA NISHIL SURENDRA	1414007	28.28%
DINESH SHAH	759642	15.19%
CHIRAG DIPAKBHAI PUJARA	488999	9.78%
PATEL MANAV NARESHBHAI	388469	7.77%
GRAVITON RESEARCH CAPITAL LLP	33503	0.67%
HARISH CHAND SAWHNEY HUF	100	0.00%
MANORANJAN ARORA	30	0.00%
BHAVIN Y MEHTA	1	0.00%
PUSHPA J.VORA	1	0.00%
Grand Total	**5000000**	**100.00%**

l) It is seen from the above table that Noticee 1, was the second largest buyer from the aforementioned group of four entities with 28.28% of shares purchase. Thus, these four entities bought 99.91% of shares sold by Noticee 1, and when sold, Notice 1 bought back 28.28% of shares from these four entities on March 20, 2017.

m) The buy and sell between the aforementioned entities resulted in reversal trades which contributed 14.20% to market volume. The details are as under:

Name	Name	Gross Buy	Gross Sell	Reversal Qty	% of Market volume
Ajay Natavarlal Commodities Pvt Ltd	Marfatia Nishil Surendra	1500000	450000	900000	4.52%
Suyog Securities	Marfatia Nishil Surendra	2495508	750000	1500000	7.53%
Pranav Prafulchandra Vora	Marfatia Nishil Surendra	500000	100000	200000	1.00%
Marfatia Nishil Surendra	Vora Jinalben Bhavikbhai	114007	499901	228014	1.15%
		4609515	**1799901**	**2828014**	**14.20%**

n) It is observed that Noticee 1 as a buyer had contributed to 16.43% of Positive LTP, as observed in table below. Noticee 1 contributed highest LTP among top 10 LTP Contributors Buyers. Further, Noticee 1 had placed his first sell order at 10:05:37 hrs., and first buy order with positive LTP at 10:10:22 hrs. Further, he continued his sell orders from 10:05:37 hrs., to 15:29:11 hrs., while buying simultaneously from 10:10:22 hrs., to 15:20:51 hrs. Thus, his claim that he was forced to buy at prices higher than the prices at which he sold, does not hold true as Noticee 1 himself significantly contributed to rise in price.

o) The top 10 LTP contributors as buyers are as under:

Panno	Clientname	All Ltp Rate	All Traded Qty.	All No Trades	Pos Ltp Rate	Pos Traded Qty.	Pos No Trades	Neg Ltp Rate	Neg Traded Qty	Neg No Trades	Zero Traded Qty	Zero No Trades	%Ltp
ADWPM9452H	Marfatia Nishil Surendra	5.30	6492916	1475	10.60	250594	163	-5.30	126769	93	6115553	1219	16.43%
AACFE2359N	Essar Trading Company	2.80	14682	82	2.95	5659	29	-0.15	232	3	8791	50	4.57%
AAHFG6629C	Gkn Securities	2.20	35596	98	2.35	6552	21	-0.15	1843	3	27201	74	3.64%
AAOFA4854E	Aashya Fincom	1.70	14116	81	2.10	2934	27	-0.40	427	5	10755	49	3.26%
AKXPP6661M	Patel Manav Nareshbhai	0.80	1165287	237	2.05	86124	28	-1.25	11692	22	1067471	187	3.18%
AANFG4967B	Graviton Research Capital Llp	0.70	152438	197	1.25	18256	21	-0.55	1210	6	132972	170	1.94%
AAGHR9911K	Rishit Dinesh Maniar Huf	0.50	270	16	0.55	111	7	-0.05	20	1	139	8	0.85%
AFRPA1178D	Agarwal Deepak Kumar	0.40	90	5	0.45	65	4	-0.05	25	1	0	0	0.70%
ABSPK5476F	Vijay Laxmi Kataria	0.40	2900	33	0.65	1268	13	-0.25	333	4	1299	16	1.01%
AABHL9882L	Lal Chand	0.40	21100	39	0.70	5175	9	-0.30	366	4	15559	26	1.09%
Total		**15.20**	**7899395**	**2263**	**23.65**	**376738**	**322**	**-8.45**	**142917**	**142**	**7379740**	**1799**	**36.67%**
Market Total		**-0.20**	**19908620**	**8179**	**64.50**	**1033845**	**969**	**-64.70**	**691018**	**945**	**18183757**	**6265**	**100.00%**

p) The four counterparties of Noticee 1 had bought 50,00,000 shares in a short span of time i.e. 28,12,489 shares during the time from 10:05:39 hrs., to 10:05:53 hrs., 87,511 shares at 10:10:05 hrs., and 21,00,000 from 10:21:33 hrs., to 10:21:56 hrs., at an average price of Rs. 22.21. Subsequent to purchase of shares by these four entities, Noticee 1 through 91 buy trades between 10:22:10 hrs., and 13:18:48 hrs., had contributed to Rs. 5.60 LTP. After the increase of price by Noticee 1, these four entities had sold 50,00,000 shares from 13:22:07 hrs., to 13:23:42 hrs., at an average price of Rs 24. The trading pattern clearly illustrates a scheme of pre-determined trades, wherein one party booked loss and the other party booked profit.

q) On March 20, 2017, 1,99,08,620 shares were traded in the scrip of Alankit on NSE. The average volume in the scrip for twelve trading days prior to March 20, 2017 (i.e. from March 1, 2017 to March 19, 2017) was 19.65 lac shares. On March 20, 2017 alone, the number of shares traded in the scrip went up to 199.09 lacs shares. Further, for twelve trading days, post March 20, 2017, the average volume in the scrip was observed to be 19.19 lac shares. No major news or price sensitive announcements, from the company, were observed during March 2017. The volume of shares traded on March 20, 2017 was 10 times the normal volume in the scrip.

r) Noticee 1, (through stock broker, Noticee 6) and 4 entities viz. Noticee 2, Noticee 3, Noticee 4 and Noticee 5 (through a common stock broker, Noticee 7), contributed to major trading volume on March 20, 2017. From the trading pattern of the entities, it was observed that the trades were carried out in a structured manner, in which, one party (Noticee 1) booked loss and four entities (Noticee 2, Noticee 3, Noticee 4 and Noticee 5) booked profit. Noticee 1 is connected to Noticee 4 and Noticee 5 and has also received unsecured loan from them during F.Y. 2016-17. Noticee 2 is a subsidiary company of Noticee 7.

s) These entities also executed reversal trades which contributed 14.20% to market volume on March 20, 2017.

t) Thus, the trades executed by these entities were non-genuine and had created false and misleading appearance of trading and hence the trades are manipulative in nature.

u) All the trades by Noticee 1 in the scrip of Alankit Ltd., had been executed through stock broker, Noticee 6. Noticee 1 is the Managing Director of Noticee 6 since October 03, 2002.

v) Noticee 6 executed trades of its Managing Director wherein sell orders were placed at lower price and buy orders at a higher price. These sell and buy orders were placed within a few minutes of each other. These were unusually high volume trades where the sell trades of the Managing Director were closely followed by order entry for buy trades at prices successively higher than LTP, thus allowing the Managing Director to square off his trades at a deliberate loss, which no reasonable investor would do. Evidence on record strongly indicates the knowledge and involvement of Noticee 6, in these trades of its Managing Director.

w) All the trades by Noticee 2, Noticee 3, Noticee 4 and Noticee 5 had been executed through stock broker, Noticee 7.

x) On March 20, 2017, Noticee 7, was buy and sell broker for 50,50,565 shares. The above four entities contributed to 99% of the Alankit shares traded through Noticee 7. Out of the four entities, Noticee 2 is a group company of Noticee 7. Further, the other three clients had followed same trading pattern as Noticee 2.

y) These four entities had bought 50,00,000 shares in a short span of time i.e. 28,12,489 shares during the time from 10:10:39 hrs., to 10:05:53 hrs., 87,511 shares at 10:10:05 hrs., and 21,00,000 from 10:21:33 hrs., to 10:21:56 hrs., at an average price of Rs. 22.21. These four entities had sold 50,00,000 shares from 13:22:07 hrs., to 13:23:42 hrs., at an average price of Rs. 24. It cannot be a coincidence that all four clients had same trading pattern. Further, the trades which were executed within very short period of time, show meeting of minds of the four entities.

z) Noticee 7 executed the orders of the four entities and Noticee 2 being group company of Noticee 7, shows that Noticee 7 was aware of the fraudulent trading of Noticee 2. Since, Noticee 7, was aware of fraudulent trading activitiy by Noticee 2, by extension it was aware of fraudulent trading activity by other three entities also.

4. The SCN was delivered to the Noticees. Inspection was sought by the Noticees in the following manner:

Sl. No.	Noticee	Inspection sought by letter/ email dated	Date of providing inspection
1	Noticee 1 – Nishil Surendra Marfatia	September 4, 2023	January 12, 2024
2	Noticee 2 – Ajay Natwarlal Commodities Pvt. Ltd.	August 28, 2023	January 12, 2024
3	Noticee 4 – Jinalben Bhavikbhai Vora	August 25, 2023	January 12, 2024
4	Noticee 5 – Pranav Prafulchandra Vora	August 25, 2023	January 12, 2024
5	Noticee 7 – ANS Pvt. Ltd.	August 29, 2023	January 12, 2024

5. Vide letter dated February 28, 2024, Noticee 1 replied to the SCN stating, inter alia, the following:

   - *Except carrying out transactions in shares of Alankit Ltd, I have no connection, relation or dealing with Alankit Ltd or any of their directors, promoters or any other connected entities including Ajay Natvarlal Commodities Pvt. Ltd. & Suyog Securities. The same is also not stated in the SCN or otherwise.*
   - *Further, I state that my sell and buy transaction in Alankit Ltd had been executed "on market"; through SEBI registered Broker, with whom I am maintaining share trading account for carrying out trading activities in capital market.*
   - *Thus, in my humble submission, my both sell and buy transactions have been carried out in total compliance of all Securities market laws as applicable to me as an investor ·of capital market. Hence, I fail to understand factors considered by SEBI for making bald and sweeping allegation against me since as I understand, Stock Brokers and Stock Exchanges are first level regulators who are duty bound to guide me and also prevent me from getting associated in any wrong doing, if any, happening in the transaction carried out through them.*
   - *The present SCN is issued after a gap of more than 6 years from the date of sell and purchase of shares of Alankit Ltd. However, no reasons have been mentioned in the SCN for belatedly initiating present proceedings after an unexplained delay of more than 6 years. Hence, there is an inordinate delay in initiation of present proceedings by SEBI and the SCN should be disposed of at the threshold itself.*
   - *It is pertinent to note that the unsecured loan was not taken during the Investigation Period therefore no linkage can be drawn w .r. t. my trades in Alankit Ltd and the loan taken. It is pertinent to note that the said loan was paid back to Mr. Pranav*

Prafulchandra Vora & Jinalben Bhavikbhai Vora along with interest. Further, I have also deducted TDS on the interest paid by me to them.

- *It is pertinent to note that I knew Mr. Pranav Prafulchandra Vora & Jinalben Bhavikbhai Vora as Pranav Vora's wife is Authorized person of Marfatia Stock Broking Pvt Ltd.*
- *In view thereof, no linkage ought to be established between me and the trades executed by me in Alankit Ltd on the basis of fund transactions with Mr. Pranav Prafulchandra Vora & Jinalben Bhavikbhai Vora as mentioned in the SCN or otherwise.*
- *Additionally, I have no connections with other entities except Marfatia Stock Broking Pvt Ltd who are part of the present SCN. It is wrongly alleged in SCN that I had traded in shares of Alankit Ltd with some sinister motive.*
- *I submit that I deal in the stock market in compliance with all the relevant provisions of securities law as applicable to me from time to time.*
- *It is pertinent to note that my trades in Alankit Ltd were· not only concentrated on 20.03.2017. I had traded in the scrip of Alankit Ltd during the investigation period as well as prior to investigation period beginning from 04.05.2016.*
- *My transaction in the scrip of Alankit Ltd (during Investigation Period) is as under:*

Particulars	Turnover (No. of Shares)	
	Buy Qty.	Sell Qty.
Intraday (Square Up)	1,31,93,839	1,31,93,839
Delivery Based	5,61,783	7,17,949

- *My total transaction in the scrip of Alankit Ltd (including Investigation Period) is as under:*

Particulars	Turnover (No. of Shares)	
	Buy Qty.	Sell Qty.
Intraday (Square Up)	2,58,27,071	2,58,27,071
Delivery Based	27,58,539	28,09,153

- *From the aforesaid table, it can be seen that my trades in Alankit Ltd were not concentrated only on 20.03.2017 as alleged in the SCN as I have traded in far more quantity during the investigation period and also my overall trading in the scrip of Alankit Ltd. Therefore, my trades in the scrip of Alankit Ltd on 20.03.2017 cannot be looked into in isolation but has to be viewed in totality w.r.t. to my overall trades in the scrip of Alankit Ltd.*
- *My trades in Alankit Ltd on 20.03.2017 were in normal course of business and as per the usual trading pattern. As I was very hopeful of the future prospects of*

Alankit Ltd considering the public announcement made by them, I had requested the research team of my broker viz. Marfatia Stock Broking Pvt Ltd to carry out research and analyze Alankit Ltd.

- *I was informed that on the basis of technical chart that it is not fruitful for investment for short term and looks weak on technical chart.*
- *Based on the information received, on 20.03.2017, I was expecting the price of Alankit Ltd to fall during the day, hence I had taken short position in the market. However, contrary to my perception, the price kept rising and I was forced to buy at prices which were higher than my selling price. Since, I am mainly an intraday trader, I did not have quantity to fulfil my delivery obligation as I had taken short delivery. Therefore, in order to fulfil my sell delivery obligation and prevent myself from penalty for failure to deliver, I purchased as much as quantity I could.*
- *It is pertinent to note that I continuously modified my orders as per the requirements of the market. I have also cancelled some of my orders. Further, I would like to state that I have not continuously put sell orders and I have placed orders as per the market condition prevalent at that point in time. Additionally, my trades were equally spread throughout the day. The same is also mentioned in the SCN wherein "it is mentioned that my sell trades started at 10:05:37 to 15:29: 11 and my buy trades started at 10:10:22 to 15:20:51. This shows that my trades were placed keeping in mind the market behavior at that particular time and no fixed pattern or pre-determined trades were placed as alleged or otherwise.*
- *I would like to submit that the total sell orders placed by me in Alan.kit Ltd were for 1,21,41,643 shares out of which I could sell only 66,13,475 shares in 925 trades. Same way, during the day, I entered into intra-day squaring off of 64,92,916 shares (300 orders for 1,58,69,188 shares resulting into 1,475 trades). Further, there was delivery transaction of 1,20,559 shares of Alan.kit Ltd.*
- *W.r.t. allegation that I made a deliberate loss or booked a loss, I would like to say that making a profit or loss is part and parcel of trading in securities market. Further, the loss as suffered by me while dealing in the scrip of Alankit Ltd is not· only restricted to trades on 20.03.2017, but I have suffered overall loss while trading in scrip of Alankit Ltd during the Investigation Period as well as w.r.t. my overall trading in the scrip of Alankit Ltd. Therefore, no adverse inference be drawn w.r.t. loss suffered by me w.r.t. trading in the scrip of Alankit Ltd on 20.03.2017.*

- *I further submit that I had no idea who purchased my shares of Alankit Ltd or from whom I purchased the shares of Alankit Ltd since all the transactions were executed through normal screen based trading system of Stock Exchange. I understand that matching in stock market is extremely advanced computer software driven algorithm process and buy/sell orders in scrip is done by on-line trading module.*
- *I would like to mention that there is a time gap between my buy & sell orders and counter parties buy and sell orders. Hence, it can be concluded that as the scrip was liquid, other traders had an opportunity to enter into trades in Alankit Ltd. So it cannot be said that I traded in scrip of Alankit Ltd with particular set of entities.*
- *It is pertinent to mention that when the said scrip was traded on market, no alert was generated by any regulatory authority including SEBI and Stock Exchanges and it is only in hindsight that SEBI has established on 'prima facie' findings that .some entities may have been involved in alleged manipulation in the scrip of Alankit Ltd.*
- *Further, even in the SCN except for 2 entities i.e. Pranav Prafulchandra Vora and Jinalben Bhavikbhai Vora, no connection is alleged with any other persons/entities as alleged in the SCN or otherwise.*
- *W.r.t. to my sell transaction of 66,13,475 shares of Alankit Ltd during the investigation period, only 9,99,901 shares sold are matched with counter parties with whom there is allegation of connection and 56,13,574 shares are matched with counter parties with whom there is no allegation of any connection or who are not part of present SCN. Therefore, it cannot be said that I sold shares of Alankit Ltd to only certain group of entities/persons.*
- *W.r.t. to my buy transaction of 64,92,916 shares of Alankit Ltd during the investigation period, only 2,14,007 shares bought are matched with counter parties with whom there is allegation of connection and 62,78,909 shares are matched with counter parties with whom there is no allegation of any connection or who are not part of present SCN. Therefore, it cannot be said that I bought shares of Alankit Ltd from only certain group of entities/persons.*
- *Further, it is pertinent to note that I have cancelled and modified my sell and buy orders during my trades in Alankit Ltd on 20.03.2017 keeping in mind the scenario prevalent at that point in time. In view of the aforesaid; I submit that if my trades were part of some manipulation or structured trades, there would have been no requirement to modify or cancel my order as there would have been some*

predetermined counter party who would be ready to trade. Therefore, no adverse inference be drawn against me in this regard.

- *Without prejudice to what is stated aforesaid, it is respectfully submitted that on I had done intraday trading activity on 20.03.2017 i.e. buying and selling of shares on the same day. The alleged reversal·trades are necessarily by co-incidence and on perusal of stray transactions and volume of trades, the same are exceptional instances and apparently unintentional and therefore no adverse inferences be drawn against us in this regard.*
- *In the SCN it is alleged that out of my total buy of 64,92,916 shares of Alankit Ltd, 2,50,594 shares are alleged to have contributed positively to Last Traded Price (LTP) and out of my total no. of trades in Alankit Ltd i.e. 1,475, 163 trades are alleged to have contributed positively to LTP. In this regard, I submit that out of my total buy of 64,92,916 shares only 2,50,594 shares are alleged to have violated PFUTP Regulations i.e. to say that 62,42,322 shares bought did not violate PFUTP Regulations.· Thus, out of total shares bought by me, only 3.86% of shares are alleged to above LTP and around 96% shares bought are at LTP or below LTP. This shows that the shares bought by me did not lead to only positive LTP.*
- *Further, out of my total no. of trades in Alankit Ltd i.e. 1,475, only 163 trades are alleged to have violated PFUTP Regulations i.e. to say 1,312 trades did not violate PFUTP Regulations.*
- *Further, none of my trades which are alleged to have contributed to positive LTP, have contributed to New High Price (NHP). Therefore, no adverse inference be drawn against me in this regard.*

6. Vide letter dated March 11, 2024, Noticee 2 replied to the SCN stating, inter alia, the following:

- *We are therefore really· shocked, surprised and disturbed to undergo present proceeding initiated by Apex regulator of stock market viz. SEBI. In our humble submission, we state that we have carried out transaction in Alankit in a bona fide manner and had no knowledge, information or awareness of any wrongdoing happening in the scrip of Alankit at the relevant time. It is only on receipt of communication from SEBI, we came to know about alleged wrong doings of other entities/persons in scrip of Alankit.*

- *Our transactions in Alankit are independent and totally in isolation to the transactions carried out by other entities/person in the scrip of Alankit. We are therefore at great loss since unwarranted prejudice is caused to us by issuance of a common SCN since our role, involvement and participation in Alankit is totally different, distinct and separate in comparison to other entity /person to whom common SCN is issued along with us or who are the alleged suspected entities as mentioned in the SCN.*
- *We humbly submit that there is a considerable delay of more than 6 years and 5 months in the issuance of the SCN. The trades pertain to month of March 2017 and the SCN has been issued on 18.08.2023.*
- *At the outset, in respect of the alleged observation we humbly submit that we are not connected to any of the Co- Noticee (Noticee No. 1 and 3 to 6) except Noticee No. 7 (ANS), since ANS is the holding company of Ajay Natavarlal. Pertinently, ANS being our holding company has nothing to do with the transactions executed by us in the scrip of Alankit. In fact, we humbly submit that the management of both the companies are different.*
- *Hence, on perusal of the aforesaid, it is humbly submitted that even the directors of the companies presently and at the relevant point of time are different. In fact, even the offices are at different places. Hence, nothing in this regard ought to be alleged against us. In fact, we humbly submit that in respect of the present transaction of Alankit shares there was factually a client broker relationship between ANS and Ajay Natavarlal.*
- *Pertinently, the basis of allegations is itself incorrect since we do not have any connection with any of the 4 Noticees (Noticee. 1 and 3 to 5). Pertinently, SEBI while alleging that we and 4 others carried out trades in a structured manner has failed to take into account the fact that we have no connection with those entities/persons. Hence, the allegation as alleged against us is apparently untenable on the basis of the facts of the case.*
- *We and the Counter Party are not in collusion with each other. We are neither financially connected, nor do they have any common promoters or directors. It is further stated that this establishes that there was not any motive on our part to do fraudulent trading, as alleged.*
- *We crave to mention the nature of transactions that we use to carry in our arbitrage/ jobbing transactions as per our business model:*

(i) *During the investigation period, we have engaged arbitrageur/ jobbers to trade on our behalf.*

(ii) An arbitrage/Jobbing transaction is normally carried out to take benefit of the intraday price fluctuations that happen in the scrips in the same Exchange or price difference in the same script across Exchanges.

(iii) This is carried out only in the scrip which are reasonably liquid and have got a reasonable volume to enable the dealer to square off the position by end of the day.

(iv) We have been carrying on the jobbing and arbitrage activity since long with due diligence, fairness and in accordance with the provisions of the law and have never defaulted in meeting our payment or delivery obligations to the Exchange.

- *Pertinently, the Open, high, low and close of Alankit on 20.03.2017 at NSE is as under:*

Particulars	**Price in Rs.**
Open	22.65
High	24.80
Low	21.45
Close	22.40

It is pertinent to mention here that our Buying price is Rs. 22/= per share and Selling price is Rs. 24/= Hence, we humbly submit that the trades executed by us in the scrip of Alankit were within the price range prevailing at the relevant point of time. Further to note that our trade has neither happened at Highest/ Lowest price nor changed any major LTP price.

- *As per the trade data analysis of the Order placement and the Trade execution:*
  (i) We respectfully submit that initially we placed the buy order between the time frame of 10:02:15 to 10:02:37, and the trade in respect of the same got executed between the time range of 10:05:42 to 10:05:53 at a buy traded price of Rs 22/-. It is humbly submitted that the price at which the shares were bought was prevailing at the relevant point of time.

(ii) Pertinently, at around 13:18 when we felt that the price has increased and accordingly decided to book the profits, we placed Orders between 13:18:29 to 13:18:45 and the sell trades got executed between 13:22:07 to 13:23:42. The sale trades were executed for price of Rs 24/-. It is humbly submitted that the price at which the shares were sold was prevailing at the relevant point of time.

(iii) We humbly submit that the price of Alankit went to as high as Rs 24.80/- on 20.03.2017, however when we felt that price has raised as per our analysis, we sold the shares. Hence, the aforesaid clearly indicates that there was no manipulative intent on our part, and we have traded in the Alankit shares as per our normal settled business practice.

- *We further submit that we had no idea who purchased our shares of Alankit or from whom we purchased the shares of Alankit since all the transactions were executed through normal screen-based trading system of Stock Exchange.*
- *We have no relationship of whatsoever nature with any of the counterparties to impugned trades. In fact, out of the total 15 lakhs shares sold, 4.50 lakh shares have matched with Mr. Nishil and 10.50 lakhs have matched with parties that are not even a part of the present SCN. Hence, it is humbly submitted that a majority of our sale trades have matched with parties that are not even a part of the SCN. In fact, there is no inter se matching with any of the Noticees except Noticee No. 1. In fact, as mentioned in detail herein above there is no connection with any of the Co -- Noticees.*
- *Further, we state that we have traded in around 110 scnps during the Investigation Period with a total volume of around Rs 122.56 crores. Hence, the alleged trades in the Alankit scrip were not in isolation and the same is in the normal and regular course of trading done by us.*
- *It is pertinent to mention that the volume of shares traded in the scrip of Alankit was huge. From the volume, it can be seen that there were other entities also who traded in the scrip of Alankit and our buy & sell trades matching with Mr. Nishil as mentioned in the SCN out of all the entities who traded in the scrip of Alankit was only coincidental and unintentional.*
- *Without prejudice to what is stated aforesaid, it is respectfully submitted that on we had done intraday trading activity on 20.03.2017 i.e. buying and selling of shares on the same day which is regularly done by us. In fact, we generally do not take the delivery of a trade on any given day (Due to High cost of delivery like SIT, Stamp Duty charges etc.) and the same is squared off on the same day itself as general practice followed by various jobber/ arbitrageurs. The alleged reversal trades are*

necessarily by co-incidence and on perusal of stray transactions and volume of trades, the same are exceptional instances and apparently unintentional and therefore no adverse inferences be drawn against us in this regard.

- *We have no relationship of whatsoever nature with any of the counterparties to impugned trades. In fact, out of the total 15 lakhs shares sold, 4.50 lakh shares have matched with Mr. Nishil and 10.50 lak:hs have matched with parties that are not even a part of the present SCN. Hence, a majority of our sale trades have matched with parties that are not even a part of the SCN. In fact, there is no inter - se matching with any of the Noticees except Noticee No. I.*
- *In summary, we would like to submit as under: -*

1. *We have dealt in Alankit shares in normal course of our share trading activity and the same was within our financial and risk bearing capacity.*
2. *We have met with all our obligation of margins in the form of funds and securities with our broker & Exchanges, as the same being done as our regular course of dealings.*
3. *All the pre-trade, trade and post trade activities were all carried out on the trading cum clearing & settlement mechanism of the Exchange.*
4. *There is no Connection with the Counter party i.e. Mr. Nishil and also No connection with any other Co - Noticee except Noticee No. 7. In fact, in context of the alleged trades in the Alankit shares, we merely had client broker relationship with ANS.*
5. *We humbly submit that while dealing in shares of Alankit, we had followed and complied with all the procedure requirements as statutorily required.*

7. Vide letter dated September 8, 2023, Noticee 3 replied to the SCN stating, inter alia, the following:

- *The Investigation period pertains to a period from March 01, 2017 to March 31, 2017 and the first Show Cause notice is issued on 18" August 2023 i.e almost 5 years from the investigation period/ There has been an inordinate delay in issuance of SCN and the said delay is causing prejudice to us as it is difficult for us to collate the exact circumstance of 5 years back period.*
- *Since a huge time has been elapsed since the date of the alleged transactions, we are in a disadvantageous position as we cannot collate the exact circumstances of the 6 years back transactions, and hence the delay in issuance of SCN is causing great prejudice to us.*

- *We respectfully state that matching of merely few trades (includes buy and sell position of one same trade) may not be considered as artificial and fraudulent in any manner. It could be just a matter of chance that few trades get matched on either side of buy and sell with same party. Therefore no adverse inference be drawn for the same qua us.*
- *We further submit all the trades executed by us are well recognised, legal and permitted by NSE and carried out on the floor of exchange. There were no wrongful gains made by us out of the alleged trades even for sake of assumptions. Therefore no motive is established qua us for the presumptions of non-genuine trades by us. We are not connected to any of the counter parties of sale and purchase by us in the said scrip. Neither the SCN alleges any connection between us and the counter parties except that some connected parties and we are dealing through the same stock broker. This is too farfetched to determine any connection between us and the counter parties to the trade.*
- *We submit that the impugned trades were executed on the floor of exchange through a requisite software as approved by the Exchange. The entire trading process is like blind mechanism as far as buying and/or selling of stocks is concerned. Our payin payout obligations have been regular without any defaults. We submit that the said trading system prevents a member who places any orders from identifying the counter-party member or client and thus ensures anonymity of trades. The system does not even display details of all pending orders: rather it only displays the 5 best pending orders. Therefore, at any given point of time, it is impossible for us to even verify the party & counter party of these transactions. We further state that there was no alert from the broker or the Exchange which would prompt us to take any caution or create an alarm in me to estop trading. Under these circumstances, it is erroneous to come to a conclusion that we had executed non-genuine trades which resulted in artificial volume.*
- *We submit that the impugned trades were executed on the floor of exchange through a registered stock broker who has the requisite software as approved by the Exchange. The entire trading process is like blind mechanism as far as buying and/ or selling of stocks by a client through a broker is concerned. It is impossible for us to know who is/are the counter parties to our trades. Our pay-in, pay-out obligations have been regular without any defaults. We submit that the said trading system prevents a member who places any orders from identifying the counter-party member or client and thus ensures anonymity of trades. The system does not even display*

details of all pending orders; rather it only displays the 5 best pending orders. Therefore, at any given point of time, it is impossible for us to even verify the party & counter party of these transactions. We are not connected to any of the counter parties of sale and purchase by us in the said scrip. Neither the SCN alleges any connection between us and the counter parties except that some connected parties and we are dealing through the same stock broker. This is too farfetched to determine any connection between us and the counter parties to the trade.

- *We further submit all the trades executed by us are well recognised, legal and permitted by NSE and carried out on the floor of exchange. There were no wrongful gains made by us out of the alleged trades even for sake of assumptions. Therefore no motive is established qua us for the presumptions of non-genuine trades by us.*
- *We repeat and reiterate that we have always acted well within the boundaries of law by maintaining high standards of integrity, promptitude and fairness in the conduct of our business dealings. The SCN has miserably failed to consider the fact that in no manner would we indulge into any transactions or activities which would involve violations of the law and incur loss of reputation to us.*
- *We further submit that the mode and mechanism of Stock market is such that loss and profit cannot be definitely determined. The prices of any shares/stocks vary due to various components including sentiments, market conditions, economic and political development etc. Therefore only for reasons of huge price variations, our trades cannot be classified as non-genuine. Hence any matching of trades by a particular counter party could be a matter of chance and not a pre• determined activity for any purpose.*

8. Vide letter dated April 26, 2024, Noticee 4 replied to the SCN stating, inter alia, the following:

- *The following are the various heads of submissions, all of which are without prejudice to each other and set out in details below:*
  - *(i) SEBI has failed to provide me with the material relevant to the present proceedings and therefore there is an abject breach of natural justice and due process;*
  - *(ii) there is an inordinate delay of over 6 (six) years in initiating the present proceedings and the Show Cause Notice ought to be disposed of or this ground alone;*
  - *(iii) the trades were executed on the floor of the Exchange with due compliance with all the rules and regulations of tie exchange:*

(iv) for the transaction to be termed as fraudulent, as per the definition of "fraud there has to be an "inducement" and SEBI has not even alleged inducement in the Show Cause Notice;
(v) there is no nexus, directly, or indirectly with the other noticees; and
(vi) the Impugned Trades were in the normal course of business and there was totting amiss in the trades.

- *The impugned Trades occurred on March 20, 207, whereas the Show Cause Notice has been issued on.August !8, 2023. There is an inordinate deiay of more ti»an6 ii) years in initiating the proceedings. I submit tiat S[BI ought to have approached me earlier to redress such an issae. In fat, had inforr:ation bee sougit from me earlier, prior to issuance of the Show Cause Nerice, I would have been abie to explain my trades, and the need to issue the Show Cause wold not have arisen. Fhe de:ay in the issuance or the Show Cause Notice also greatly hampers my ability to previde at effective response to the allegations in the Show Cause Notice. Initiation ef proceedings at such a belated stage defeats the principles of natural justice and causes undue hardship to the Noticee. As an individual trader, I do not possess such old records which relate to the Impugned Trades, and therefore the delay in issuance of the Show Cause Notice causes undue prejudice to my defence.*
- *In view of the above, it is humbly submitted that the present proceedings are vitiated on the ground of inordinate delay and the Show Cause Notice ought to be disposed of without imposing any penalty upon the Noticee. It is further submitted that the facts in the matter of Ashlesh_Shah (supra), were identical to the present matter, where SEBI had issued a Show Cause Notice for violation of Regulation 3 and 4 of the PFUTP Regulations and Section 12A of the SEBI Aet, after seven years of occurrence of the alleged offence. The Hon 'ble SAT, without going into the merits, allowed the appeal, and quashed the penalty order on account of inordinate delay.*
- *It is submitted that the Impugned Trades have occurred on the Exchange (NSE) platform, wherein the identity of the buyer' seller is not disclosed. Thus, the allegation of "pr:or meeting of minas cannot be sustained. Due to the sate-of-the• art system utilized by the Exchange, it is not viable to have access to the identity of the counterparty. Thus, in an instance where there was any "prior meeting of minds", the possibility of the same being executed is nearly impossible. Further. if there were apprehensions regarding whether Impugned Trades were fraudulent or non-genuine in nature, the Exchange had the option to annul the trades. As this option has not been exercised by the Exchange, tie Impugned Trades were genuine and fair.*

- *Further, from a perusal of the Show Cause Notice, it is noted that the allegation is that out of 5,00,000 shares of Alankit which [purchased and sold on the Impugned Day. 1,14,007 quantity matched with the same counterparty -Mr. Marfatia. Therefore, the allegation of reversal trade in the Show Cause Notice is limited to 1,14,007 units of the scrip, vis-~-vis the total 5,00,000 purchased and sold by me on the Impugned Day. This itself shows that there was no intention of matching trades/ reversal of trades, and the trades were genuine and undertaken in the regular course. As the trading has occurred on the floor of the Exchange, I am not aware of the counterparty of the Impugned Trades. The Show Cause Notice alleges that buy and sell leg of 1, 14,007 quantity of shares of Alankit (out of total traded quantity of 5,00.000) matched with one Mr. Nishi I Marfatia (arraigned as Noticee No I). Upon a perusal of the Show Cause Notice, it is seen that Mr. Marfatia was the largest buyer and seller in the scrip on the Impugned Day, contributing 32.61% of the total buy and 33.22% of the total sell quantity of shares of Alankit on the floor of NSE. Therefore, if that is the case, there does not appear to be anything amiss that my purchase leg and some of my sell leg may have matched with Mr. Marfatia, since he was the predominant trader in the market on the Impugned Day.*
- *In fact, it is further submitted that for the Impugned Trades to be categorised as a reversal trade, it is necessary for the trades to be executed between a pre-arranged set of parties. However. a perusal of the Show Cause Notice shows that the Noticee had purchased 4,99,901 shares out of the total purchase of 5,00.000 shares, from the Noticee No. I, whereas the remaining 99 shares matched with another party. Further, out of 5,00,000 shares sold. only 1,14,007 matched with Noticee No. I. This fortifies the fact that my trading was on the floor of the Exchange, in the normal course. And I had no control over who the counterparty would be. Neither does my total purchase nor sale in the scrip of Alankit match with Noticee No, I, despite him being the largest trader on the Impugned Day.*
- *It is submitted that the Show Cause Notice does not even allege that the buy order and sell order were placed in synchronization/ at the same time, to ensure that the orders would match with a pre-determined counterparty and the trades would be executed. From a perusal of the Trade Log for the Impugned Day, it is noted that my Buy Order Time and the counter party Sell Order time is almost 3 minutes apart. Similarly, when I was selling the shares of Alankit, the buy order time of the*

1,14,007 shares purchased by the Noticee No. I and the sell order time when I put up the shares for sale was almost 5 minutes apart. This goes to show that there could not have been any intention of synchronization. f there was any intention of synchronization, I would have placed my orders at the same time as the counterparty orders, to ensure matching of the trades with the "pre• determined counterparty.

- *Further to note that when trades are taking place on the anonymous platform of the exchanges and where identity of the buyer/ seller is not disclosed to anyone. the contention of Investigating Authority that the person acting in cahoots would not be established. From the Trade Log it is seen that the Sell Leg of the Impugned Trades matched with 5 different counterparties, one of whom was Noticee No. I. It is submitted that if there was an intention of reversal/ synchronization, then the Noticee and Mr. Marfatia would have placed orders in such a manner, to ensure that all their orders are matched. Instead, in the present case. almost 80% of the Noticee's sell leg orders have matched with other parties, and only nearly 22% have matched with Noticee No. I. It defies logic as to why the Noticee would enter into a scheme or reversal/ synchronization and then not ensure that the entire quantity of trades is synchronized. This further establishes that the Noticee was simply placing orders at the prices available in the market at the given point of time, and the Noticee had no control over the who the orders will match with, neither any knowledge of who the counterparty trader was.*
- *It is submitted that the only basis on which the Show Cause Notice has alleged a connection between me, and Noticee No, I is that I advanced an unsecured loan to Noticee No.1. In this regard, it is submitted that the advancement of a loan to an individual does not establish connection, nexus, or meeting of minds with respect to the Impugned Trades. The loan that was advanced by the Noticee to Mr. Marfatia, was at an interest rate of 12% per annum, for a term of 12 months, and the loan, along with the interest accrued was duly repaid on time. The loan was given on December 15, 2016, at an interest rate of 12% per annum, and was repaid in full, along with the interest accrued, by December 20, 2017.*
- *It is reiterated that the loan arrangement was much prior to the Impugned Trades, yet SEBI has drawn a reference to the same to showcase a connection between me and Mr. Martafia. However, other than this isolated instance, the Show Cause Notice does not allege any other instance that establishes connection with Noticee No. I. Further, the Show*

Cause Notice singularly fails to establish or even allege any prior meeting of minds for undertaking the Impugned Trades. The Show Cause Notice has not even alleged that the amount advanced by me to Mr. Martafia was utilized by him for Impugned Trades, which is not even plausible on account of the time difference between the loan and the Impugned Trades. Thus, there is no financial connection between the parties with respect to the Impugned Trades. This justifies that there is lack of motive on my part to indulge in fraudulent trading.

- *The Show Cause Notice and the Investigation Report has relied on the proximity of trades between the entities to state that there is prior meeting of minds. However, it is submitted that certain other factors such as volume of trades effected, period of persistent trading, particulars of buy and sell, along with proximity of trades need to be considered to showcase prior meeting of minds. Further, it is submitted that based on the above, SEBI ought not to focus on one factor to conclude that there is prior meeting of minds/ nexus. It is submitted that the Show Cause Notice does not delve into these aspects to ascertain whether there is a direct connection between the entities. In the absence of having a common link, it is baseless to observe that there was prior meeting of minds with respect to the Impugned Trades.*
- *It is further submitted that the Show Cause Notice has not shown any motive of the Noticee in undertaking the Impugned Trades in a fraudulent manner. For instance. in the case of Noticee No. I, the Show Cause Notice makes an allegation that Noticee No. l incurred losses in his trading, and therefore the trading did not seem to be logical/ rational. It is reiterated that the pattern/ logic of trading by Noticee No. I cannot be commented upon by me for lack of knowledge. However, my Impugned Trades have resulted in regular profits, and there was nothing amiss in my trading pattern.*
- *In addition to trading in the scrip of Alankit, I have also traded in other scrips. There is therefore no reason for me to indulge in fraudulent trading, wherein there is no rationale or motive to undertake the same.*

9. Vide letter dated April 26, 2024, Noticee 5 replied to the SCN stating, inter alia, the following:

- *The following are the various heads of submissions, all of which are without prejudice to each other and set out in details below:*

(i) *SEBI has failed to provide me with the material relevant to the present proceedings and therefore there is an abject breach of natural justice and due process;*

(ii) *there is an inordinate delay of over 6 (six) years in initiating the present proceedings and the Show Cause Notice ought to be disposed of or this ground alone;*

(iii) *the trades were executed on the floor of the Exchange with due compliance with all the rules and regulations of tie exchange:*

(iv) *for the transaction to be termed as fraudulent, as per the definition of "fraud there has to be an "inducement" and SEBI has not even alleged inducement in the Show Cause Notice;*

(v) *there is no nexus, directly, or indirectly with the other noticees; and*

(vi) *the Impugned Trades were in the normal course of business and there was totting amiss in the trades.*

- *It is submitted that where a serious allegation of violation of the PFUTP Regulations has been levied, SEBI ought to have adjudicated expeditiously. It is astonishing to note that SEBI has failed to provide any reason or justification explaining the delay in issuing the Show Cause Notice.*
- *It is submitted that the Impugned Trades have occurred on the Exchange (NSE) platform, wherein the identity of the buyer' seller is not disclosed. Thus, the allegation of "pr:or meeting of minas cannot be sustained. Due to the sate-of-the• art system utilized by the Exchange, it is not viable to have access to the identity of the counterparty. Thus, in an instance where there was any "prior meeting of minds", the possibility of the same being executed is nearly impossible. Further. if there were apprehensions regarding whether Impugned Trades were fraudulent or non-genuine in nature, the Exchange had the option to annul the trades. As this option has not been exercised by the Exchange, tie Impugned Trades were genuine and fair.*
- *Further, from a perusal of the Show Cause Notice, it is noted that the allegation is that out of 5,00,000 shares of Alankit which [purchased and sold on the Impugned Day. 1,00,000 quantity matched with the same counterparty -Mr. Marfatia. Therefore, the allegation of reversal trade in the Show Cause Notice is limited to 1,00,000 units of the scrip, vis-~-vis the total 5,00,000 purchased and sold by me on the Impugned Day. This itself shows that there was no intention of matching trades/ reversal of trades, and the trades were genuine and undertaken in the regular course.*
- *It is submitted that the Show Cause Notice does not even allege that the buy order and sell order were placed in synchronization/ at the same time, to ensure that the orders would match with a pre-determined counterparty and the trades would be executed.*

From a perusal of the Trade Log for the Impugned Day (Annexure 2, Show Cause Notice), it is noted that my Buy Order Time and the counter party sell Order time was more than 5 minutes apart. This further goes to show that there could not have been any intention of synchronization.

- *I is submitted that the only basis on which the Show Cause Notice has alleged a connection between me, and Noticee No. I is that I advanced an unsecured loan to Noticee No. I. In this regard, it is submitted that the advancement of a loan to an individual does not establish connection, nexus or meeting of minds with respect to the Impugned Trades. The loan that was advanced by the Noticee to Mr. Marfatia. was at an interest rate of 12% per annum, for a term of 12 months, and the loan, along with the interest accrued, by December 29, 2017.*
- *It is reiterated that the loan arrangement was much prior to the Impugned Trades, yet SEBI has drawn a reference to the same to showcase a connection between me and Mr. Marfatia. However, other than this isolated instance, the Show Cause Notice does not allege any other instance that establishes connection with Noticee No. I. Further, the Show Cause Notice singularly fails to establish or even allege any prior meeting of minds for undertaking the Impugned Trades. The Show Cause Notice has not even alleged that the amount advanced by me to Mr. Marfatia was utilized by him for Impugned Trades, which is not even plausible on account of the time difference between the loan and the Impugned Trades. Thus, there is no financial connection between the parties with respect to the Impugned Trades. This justifies that there is lack of motive on my part to indulge in fraudulent trading.*
- *The Show Cause Notice and the Investigation Report has relied on the proximity of trades between the entities to state that there is prior meeting of minds. However. it is submitted that certain other factors such as volume of trades effected, period of persistent trading, particulars of buy and sell, along with proximity of trades need to be considered to showcase prior meeting of minds. Further, it is submitted that based on the above, SEBI ought not to focus on one factor to conclude that there is prior meeting of minds/ nexus. It is submitted that the Show Cause Notice does not delve into these aspects to ascertain whether there is a direct connection between the entities. In the absence of having a common link. it is baseless to observe that there was prior meeting of minds with respect to the Impugned Trades.*

- *Without prejudice to the above, the alleged reversal trades comprise a miniscule percentage (I%) of the total market volume traded in the scrip on the Impugned Day. For a scrip which is infrequently traded, I% of the market volume is not a large amount to indicate any collusion or manipulation.*
- *It is further submitted that the Show Cause Notice has not shown any motive of the Noticee in undertaking the Impugned Trades in a fraudulent manner. For instance. in the case ofNoticee No. I, the Show Cause Notice makes an allegation that Noticee No. I incurred losses in his trading, and therefore the trading did not seem to be logical/ rational. It is reiterated that the pattern/ logic of trading by Noticee No. I cannot be commented upon by me for lack of knowledge. However, my Impugned Trades have resulted in regular profits, and there was nothing amiss in my trading pattern.*
- *In addition to trading in the scrip of Alankit, the Noticee is also a seasoned trader in the market, and trades in various scrips on a regular basis. There is no reason for me to indulge in fraudulent trading, which forms such a miniscule percentage of my overall trading in the market.*

10. Vide letter dated February 14, 2024, Noticee 6 replied to the SCN stating, inter alia, the following:

- *The present matter of the captioned SCN pertains to a period which is more than 6 years from the date on which the alleged transactions were executed on the floor of the Stock Exchange. Hence, there is an inordinate delay in present proceedings by SEBI. It is pertinent to note that no reasons have been mentioned in the SCN for initiating the present proceedings after an inordinate delay of more than 6 years.*
- *We submit that we have exercised due skill, care and diligence at all points of time while executing orders on behalf of Mr. Nishil Marfatia in the scrip of Alankit Ltd. In this regard, we would like to submit as under:*
  - (i) *At the time of registering Mr. Nishil Marfatia as our client, we have complied with all KYC norms i.e. we obtained duly filled "Client Registration Form" (KYC) a/w all the necessary documents as statutorily required. It is only thereafter; Mr. Nishil Marfatia was ~llowed to place orders with us as per our routine practice uniformly followed for all the clients.*
  - (ii) *Even though Mr. Nishil Marfatia was the Managing Director of our Company at the time when the trades were executed in the scrip of Alankit Ltd, we had taken allreasonable steps to assess Mr. Nishil Marfatia's background, genuineness, financial soundness and trading-cum-investment*

objectives. as per SEBI prescribed guidelines. As required, we had obtained the bank & financial details, identity/address proofs, copy of PAN cards and executed Broker-Client Agreement as per guidelines prescribed by regulator. The said procedure was followed for all the clients and no exception was made for Mr. Nishil Marfatia even though he was the Managing Director of our Company.

(iii) *We submit that Mr. Nishil Marfatia was our regular client who dealt in the stock market on regular basis not just in the scrip of Alankit Ltd but also dealt in number of other scrips during the investigation period. He has been carrying out trading activities since many years and he has definite view on market as well as in specific scrip also. It is natural for him to take huge positions for intraday trading. His average daily turnover in F&O and cash segment is about Rs. 25,00,00,000/-. Therefore, the turnover of Nishi! Marfatia in the scrip of Alankit Ltd was neither abnormal nor unusual and was within the parameter of his normal· business.*

(iv) *It is pertinent to note that even in the scrip of Alankit Ltd, Mr. Nishil Marfatia has traded in the said scrip even prior to and post investigation period. He has been trading in the scrip of Alankit Ltd since May 2016 till June 2017. That is to say that his trades in Alankit Ltd were not only concentrated during the investigation period or on 20.03.2017.*

(v) *The value of trades in Alankit Ltd by Mr. Nishi! Marfatia was very miniscule and negligible as compared to our overall volume during the investigation period.*

(vi) *Mr. Nishil Marfatia has always placed his orders/trades in compliance with all the relevant Rules and Regulations. Since, Mr. Nishi! Marfatia has always honored his transaction; we assumed that he did not pose any risk to us or to the Exchange/Clearing Corporation.*

(vii) *Further, Mr. Nishil Marfatia was not on the watch list of any regulatory authority for any kind of speculative or manipulative practices at that point of time. Thus, we allowed Mr. Nishi! Marfatia to trade freely within the parameters & Regulations prescribed by regulators from time to time.*

(viii) *We hope that your Honor will appreciate the fact that a stock-broker is required to employ reasonable skill and care but is not required to begin with suspicion and to proceed in a manner of trying to detect a fraud or manipulation unless the information with them is sufficient to excite suspicion of a businessman of reasonable competence. It is submitted with humility that at the relevant time, there was nothing amiss in the conduct of the said client to excite our suspicion.*

(ix) *We would like to put on record that we do not have any relationship, direct or indirect, with the Alankit Ltd, its Promoters and Directors.*

(x) *There is no corroborative evidence at all to substantiate lapses on our side and we submit that we were acting purely as a stock broker who is expected to execute order promptly and efficiently of the client on the trading terminal of the exchange.*

- *During the investigation period, there were 2630 clients who traded with us.*
- *Additionally, there are 18 clients who traded in the scrip of Alankit Ltd during the investigation period.*
- *Further, the total volume of Mr. Nishil Marfatia in the· scrip of Alankit Ltd during investigation period is Rs. 63.40 Crores (Approx.). Hence, when Mr. Nishil Marfatia's volume in Alankit Ltd is compared with our total volume and the no. of our clients traded during the investigation period, it becomes even more negligible arid miniscule. Hence, no adverse inferences can be drawn against us.*
- *W.r.t. trades of Mr. Nishil Marfatia in Alankit Ltd on 20.03.2017, we would like to submit that the total sell orders placed by Mr. Nishil Marfatia in Alankit Ltd were 1,21,41,643 shares out of which he could sell only 66,13,475 shares in 925 trades. Same way, during the day, Mr. Nishi! Marfatia entered into intra day squaring off of 64,92,916 shares (300 orders for 1,58,69,188 shares resulting into 1,475 trades). Further, there was delivery transaction 1,20,559 shares of Alankit Ltd. Further, on 20.03.2017, Nishil Marfatia's total volume in the scrip of Alankit Ltd was 1,32,26,950. Details of all trades of Nishil Marfatia in the scrip of Alankit Ltd on 20.03.2017 is as under:*

Sell Order placed	Sell Order Qty.	No. of sell trades executed	Qty. Sell in the market	Buy Order placed	Buy Order Qty.	No. of buy trades executed	Qty. Buy in the market	Net Sell Delivery tendered
121	1,21,41,643	925	66,13,475	300	1,58,69,188	1475	64,92,916	1,20,559

- *Mr. Nishil Marfatia desired to deal in the scrip of Alankit Ltd at relevant time and placed orders as per the existent Rules/Regulations. All the orders in Nishil Marfatia's trading account were placed as per his instructions & authority and all the transactions were in compliance with the applicable Rules/ Regulations. Mr. Nishil Marfatia honored all his obligations in his account and there has not been any default of any nature whatsoever in this regard.*
- *Further, it is pertinent to note that Mr. Nishil Marfatia had traded in other scrips as well during the investigation period and his trading was not concentrated only in the scrip of Alankit Ltd. The number of scrips traded by Mr. Nishil Marfatia during the investigation period is 58. The total turnover of Mr. Nishi! Marfatia*

during the Investigation Period is Rs. 593.82 Crores. Additionally, Nishil Marfatia's trading in Alankit Ltd on 20.03.2017 is only a small part when compared to his total turnover in different scrips during the investigation period.

- *In our case there is no purchase/sale and/or dealing of securities nor is there any allegation of fraudulent practice against us. We have not traded in the scrip of Alankit Ltd. There are no adverse findings against us in the entire SCN w.r.t. fraudulent practices. The only allegation is that Mr. Nishil Marfatia has traded in the scrip of Alankit Ltd. which are alleged to be manipulative and fraudulent. Hence, provision of section I5 HA cannot be made applicable to our case and penalty cannot be imposed on us.*
- *Summarily, we would like to submit as under:*

(i) We do not have any relationship, direct or indirect, with Alankit Ltd., its promoters/ directors and any of its allegedly connected entities.

(ii) Even though Mr. Nishil Marfatia is Managing Director of our Company, while opening trading account of Mr. Nishi! Marfatia, we have adopted KYC philosophy in letter and spirit. All Rules, Regulation etc. as applicable to other clients for executing trades on our tradin g terminal were applicable to Mr. Nishil Marfatia.

(iii) We submit that except brokerage; we did not derive any benefit on execution of alleged transaction of Mr. Nishil Marfatia in the scrip of Alankit Ltd.

(iv) All the trades executed by Mr. Nishil Marfatia were within his financial and risk bearin g capabilities.

(v) Further, the trades executed by Mr. Nishil Marfatia in the scrip of Alankit Ltd were in normal course of trading activity carried out by him .

(vi) Mr. Nishil Marfatia regularly met with his obligations of funds and securities qua us/ market.

(vii) Mr. Nishil Marfatia had traded in other scrips as well other than Alankit Ltd during the investigation period and on 20.03.2017.

(viii) The volume of trades of alleged transactions is not a very significant volume as compared to our total volume during the investigation period, which made it possible for the trades to slip under the radar despite all the precautionary measures. Therefore, the same shows that the trades were happening without our knowledge, consent or participation.

(ix) We had no knowledge and involvement w.r.t. alleged trades carried out by Nishil Marfatia in the scrip of Alankit Ltd. We have only executed trades.

(x) We have not aided and facilitated Mr. Nishil Marfatia to allegedly manipulate the market by using Exchange platform as alleged or otherwise.

(xi) We have not acted as a facilitator of alleged fraudulent trades of Mr. Nishil Marfatia and we have not aided & abetted the alleged fraudulent and manipulative activity of Mr. Nishil Marfatia as· alleged or otherwise.

(xii) Further, we would like to mention that we are not part of any scheme as alleged in the SCN or otherwise.

11. Vide letter dated April 12, 2024, Noticee 7 replied to the SCN stating, inter alia, the following:

- *The present matter of the captioned SCN pertains to a period which is around 6 years from the date on which the alleged transactions were executed on the floor of the Stock Exchange. Hence, there is an inordinate delay in present proceedings by SEBI. It is pertinent to note that no reasons have been mentioned in the SCN for initiating the present. proceedings after an inordinate delay of around 6 years.*
- *In respect to the alleged connection with Ajay Natavarlal we humbly submit that us being the holding company of Ajay Natavarlal at the relevant time, has nothing to do with the transactions executed by them in the scrip of Alankit. In fact, we humbly submit that the management of both the companies are totally different. Pertinently, there is a Chinese wall between these companies.*
- *It is humbly submitted that even the directors of the companies presently and at the relevant point of time are different. In fact, even the offices are at different places and the KMPs are different. Hence, nothing in this regard ought to be alleged against us. In fact, we humbly submit that in respect of the present transaction of Alankit shares there was factually a client broker relationship between ANS and Ajay Natavarlal.*
- *Further, the transactions as executed by us for Pranav, Jinalben and Suyog was totally in respect of client broker relationship with them and nothing adverse can be alleged against us in this regard. We do not have any family relationship with any ofthem of any of our Directors and promoters.*
- *Pertinently, we do not have any relation/connection with Noticee No. 1 i.e. Mr. Nishil Marfatia (Nishil") and Noticee No. 6 i.e. Marfatia Stock Broking Private Limited (Marfatia") and nothing in this regard is also alleged in the SCN. Further, we humbly*

submit that we do not have any relationship, direct or indirect, with Alan.kit, its Promoters and Directors.

- *At the time of registering of Ajay Natavarlal, Pranav, Jinalben and Suyog as our client, we have complied with all KYC norms i.e. we obtained duly filled "Client Registration Form" (KYC) a/w all the necessary documents as statutorily required. It is only thereafter; they were allowed to place orders with us as per our routine practice uniformly followed for all the clients. In fact, we have by our Email dated 09.03.2023 provided the details of the 4 Noticees a/w KYC, ledger account and fund transaction details. (Ref. Annexure -- 3 of the SCN). Hence, we humbly submit that we have thoroughly maintained all the records and no discrepancy is observed in respect of the same.*
- *We had taken all reasonable steps to assess background, genuineness, financial soundness and trading-cum-investment objectives as per SEBI prescribed guidelines of the 4 Noticees including that of Ajay Natvarlal even though it was our subsidiary company at the relevant point. As required, we had obtained the bank & financial details, identity/address proofs, copy of PAN cards and executed Broker• Client Agreement as per guidelines prescribed by regulator. The said procedure was followed for all the clients and no exception was made for anyone in this regard. Hence, we humbly submit that doing all the background checks, we had executed the trades in the accounts of the 4 Noticees including the alleged trades of Alankit.*
- *We. submit that the 4 Noticees are our regular client who dealt in the stock market on regular basis not just in the scrip of Alankit but also dealt in number of other scrips during the investigation period. They have been carrying out trading activities since many years and have a definite view on market as well as in specific scrip also. We humbly submit that the turnover of 4 Noticees in the scrip of Alankit was neither abnormal nor unusual and was within the parameter of their normal business.*
- *The value of trades in Alankit by the 4 Noticees was very miniscule and negligible as compared to our overall trading volume during the investigation period.*
- *The 4 Noticees have always placed their orders/trades in compliance with all the relevant Rules and Regulations. Further all of them have always honoured their transaction. Further we had assumed that they did not pose any risk to us or to the Exchange/Clearing Corporation.*
- *We submit that the minuscule volume of alleged trades by 4 Noticees in comparison to our total volume during the investigation period is a clear indicator of the fact that the*

alleged transactions did not arose any suspicion· in the mind of our dealer and therefore we submit that the same were carried out without our knowledge, consent or role w.r.t alleged transactions by the 4 Noticees.

- *Pertinently, the volume of the 4 Noticees in respect ofthe alleged trades in Alankit is around Rs 23.07 crores (Ref. Gross Buy and Sell value in Para No. 4.1.6 on Page No. 8 of the SCN). The same is minuscule ie below 1 % of our Total combined Turnover during the Investigation Period.*
- *During the investigation period, there were around 4824 clients who traded with us in all segments. Additionally, there are total 9 clients who traded in the scrip of Alankit during the investigation period.*
- *On 20.03.2017, there were 488 clients who traded with us. Further, apart from 4 Noticees, there were 2 other clients who traded in the scrip of Alankit on 20.03.2017.*
- *The summary of trades by the 4 Noticees during the Investigation Period is as under:*

Name	**Volume of Trades executed from 01.03.2017 to 31.03.2017**	**No. of shares traded from 01.03.2017 to 31.03.2017**
Ajay Natavarlal	89,54,81,255	52,60,340
Suyog	56,27,48,577	52,67,816
Jinalben	4,04,75,000	20,00,000
Pranav	2,96,00,101	11,20,000

- *Further, we humbly submit that the Ajay Natavarlal and Suyog has have various other trades/transactions in their account maintained with us on 20.03.2017, as being done in any other trading day. We humbly submit that Ajay Natavarlal has dealt/traded in around 30.86 lakh shares with a volume of Rs. 9.47 crores (Approx.) and Suyog has dealt/traded in around 52.54 lakh shares with a volume of Rs 53.51 crores (Approx.) on 20.03.2017. Hence, it is submitted that they have also dealt in various other scrips apart from Alankit in 20.03.2017, as being done by them on any other trading day.*
- *In this regard, we state that, we have executed the trades with utmost integrity and adhered to soundness, moral principles and character as expected to be shown by one person dealing with another in making and performing of such contracts.*
- *We have not employed any manipulative or deceptive device with respect executing trades for 4 Noticees in the scrip of Alankit or neither have we acted in contravention of the provisions of SEBI Act or the Rules or the Regulations made thereunder.*

- *To summarise:*

i) *We do not have any relationship, direct or indirect, with Alankit, its Promoters/ Directors and any of its allegedly connected entities.*

ii) *We do not have any relationship, direct or indirect with Noticee No. 1 i.e. Mr. Nishil Marfatia and Noticee No. 6 i.e. Marfatia Stock Broking Private Limited, the alleged counter party of trades.*

iii) *The trades executed in the Alankit shares by us for Ajay Natavarlal, Pranav, Jinalben and Suyog (4 Noticees) were as· per their own instructions and on the basis of client broker relation shares with them.*

iv) *We submit that except brokerage; we did not derive any benefit on execution of alleged transaction of Ajay Natavarlal, Pranav, Jinalben and Suyog (4 Noticees) in the scrip of Alankit.*

v) *All the trades executed by Ajay Natavarlal, Pranav, Jinalben and Suyog (4 Noticees) were within their financial and risk bearing capabilities.*

vi) *Further, the trades executed by Ajay Natavarlal, Pranav, Jinalben and Suyog (4 Noticees) in the scrip of Alankit were in normal course of trading activity carried out by them.*

vii) *Ajay Natavarlal, Pranav, Jinalben and Suyog (4 Noticees) regularly met with his obligations of funds and securities qua us/ market.*

viii) *Ajay Natavarlal, Pranav, Jinalben and Suyog (4 Noticees) had traded in other scrips as well other than Alankit during the investigation period and on 20.03.2017.*

ix) *The volum e of trades of alleged transactions is not a very signi ficant volume as compared to our total volume during the investigation period, which made it possible for the trades to slip under the radar despite all the precautionary measures. Therefore, the same shows that the trades were happening without our knowledge, consent or participation.*

x) *We had no knowledge and involvement w.r.t. alleged trad es carri ed out by Ajay Natavarlal, Pranav, Jinalben and Suyog (4 Noticees) in the scrip of Alank it. We have only executed trades.*

xi) *We have not aided and facilitated Ajay Natavarlal, Pran av, Jinalben and Suyog (4 Noticees) to allegedly manipulate the. market by using Exchange platform as alleged or otherwise. There was no fun ding provided by us to the said entities and nothing in this regard is alleged against us in the SCN.*

xii) *We have not acted as a facilitator of alleged fraudulent trades of Ajay Natavarlal, Pranav, Jinalben and Suyog (4 Noticees) and we have not aided & abetted the alleged fraudulent and manipulative activity of 4 Noticees as alleged or otherwise.*

xiii) *Further, we would like to mention that we are not part of any scheme as alleged in the SCN or otherwise.*

12. Noticees 1, 2, 3, 6 and 7 was given opportunity of personal hearing on April 23, 2024 vide notice dated April 16, 2024. The said Noticees appeared on scheduled date and reiterated the submissions made earlier. They undertook to make further

submissions in the matter and accordingly vide letter dated April 25, 2024 Noticee 1 submitted, inter alia, the following:

- *It is pertinent to note that my trades in Alankit Ltd were not concentrated only on 20.03.2017. I had traded in the scrip of Alankit Ltd during the investigation period as well as prior to investigation period beginning from 04.05.2016.*
- *My trades in Alankit Ltd were not concentrated only on 20.03.2017 as alleged in the SCN as I have traded in far more quantity during the investigation period and also my overall trading in the scrip of Alankit Ltd. Therefore, my trades in the scrip of Alankit Ltd on 20.03.2017 cannot be looked into in isolation but has to be viewed in totality w.r.t. to my overall trades in the scrip of Alankit Ltd.*
- *As I was very hopeful of the future prospects of Alankit Ltd considering the public announcement made by them, I had requested the research team of my broker viz. Marfatia Stock Broking Pvt Ltd to carry out research and analyze the scrip of Alankit Ltd.*
- *However, I did not get any positive response on the prospects of Alankit Ltd at that point in time.*
- *Based on the feedback so received, on 20.03.2017, I was expecting the price of Alankit Ltd to fall during the day, hence I had taken short position in the market. However, contrary to my perception, the price kept rising and I was forced to buy at prices which were higher than my selling price. Since, I am mainly an intraday trader, I did not have quantity to ful:fi.l my delivery obligation as I had taken short delivery. Therefore, in order to fulfil my sell delivery obligation and prevent myself from penalty for failure to deliver, I purchased as much as quantity I could.*
- *W.r.t. allegation that I made a deliberate loss or booked a loss, I would like to say that making a profit or loss is part and parcel of trading in securities market. Further, the loss as suffered by me while dealing in the scrip of Alankit Ltd is not only restricted to trades on 20.03.2017, but I have suffered overall loss while trading in scrip of Alankit Ltd during the Investigation Period as well as w.r.t. my overall trading in the scrip of Alankit Ltd. Therefore, no adverse inference be drawn w.r.t. loss suffered by me w.r.t. trading in the scrip of Alankit Ltd on 20.03.2017.*

- *W.r.t. to my sell transaction of 66,13,475 shares of Alankit Ltd during the investigation period, only 9,99,901 shares sold are matched with counter parties with whom there is allegation of connection and 56, 13,574 shares are matched with counter parties with whom there is no allegation of any connection or who are not part of present SCN. Therefore, it cannot be said that I sold shares of Alankit Ltd to only certain group of entities/persons.*
- *W.r.t. to my buy transaction of 64,92,916 shares of Alankit Ltd during the investigation period, only 2,14,007 shares bought are matched with counter parties with whom there is allegation of connection and 62,78,909 shares are matched with counter parties with whom there is no allegation of any connection or who are not part of present SCN. Therefore, it cannot be said that I bought shares of Alankit Ltd from only certain group of entities/persons.*
- *In the SCN it is alleged that out of my total buy of 64,92,916 shares of Alankit Ltd, 2,50,594 shares are alleged to have contributed positively to LTP and out of my total no. of trades in Alankit Ltd i.e. 1,475,163 trades are alleged to have contributed positively to LTP.*
- *In this regard, I submit that out of my total buy of 64,92,916 shares only 2,50,594 shares are alleged to have violated PFUTP Regulations i.e. to say that 62,42,322 shares bought did not violate PFUTP Regulations. Thus, out of total shares bought by me, only 3.86% of shares are alleged to above LTP and around 96% shares bought are at LTP or below LTP. This shows that the shares bought by me did not lead to only positive LTP.*
- *Further, none of my trades which are alleged to have contributed to positive LTP, have contributed to New High Price (NHP). Therefore, no adverse inference be drawn against me in this regard.*

13. Vide letter dated April 27, 2024, Noticee 2 further submitted, inter alia, the following:
    - *We have dealt in Alankit shares in normal course of our share trading activity and the same was within our financial and risk bearing capacity and have met with all our obligation of margins in the form of funds and securities with our broker & Exchanges. Our Audited net worth as on 31March 2017 is Rs. 13.65 Crores.*

- *All the pre-trade, trade and post trade activities were all carried out on the trading cum clearing & settlement mechanism of the Exchange.*
- *There is no Connection with the Counter party i.e. Mr. Nishil and also No connection with any other Co - Noticee except Noticee No. 7. In fact, in context of the alleged trades in the Alankit shares, we merely had client broker relationship with ANS.*
- *We humbly submit that while dealing in shares of Alankit, we had followed and complied with all the procedure requirements as statutorily required in letter and in spirit.*

14. Vide email dated April 30, 2024, Noticee 3 further submitted, inter alia, the following:
    - *We respectfully state that matching of merely few trades (includes buy and sell position of one same trade) may not be considered as artificial and fraudulent in any manner. It could be just a matter of chance that few trades get matched on either side of buy and sell with same party. Therefore no adverse inference be drawn for the same qua us.*
    - *We submit that the impugned trades were executed on the floor of exchange through a requisite software as approved by the Exchange. The entire trading process is like blind mechanism as far as buying and/or selling of stocks is concerned. Our payin payout obligations have been regular without any defaults. We submit that the said trading system prevents a member who places any orders from identifying the counter-party member or client and thus ensures anonymity of trades. The system does not even display details of all the pending orders; rather it only displays the 5 best pending orders. Therefore, at any given point of time, it is impossible to even verify the party & counter party of these transactions. We further state that there was no alert from the broker or the Exchange which would prompt them to take any caution or create an alarm to stop trading. Under these circumstances, it is erroneous to come to a conclusion that the we had executed non-genuine trades which resulted in artificial volume.*
    - *We submit that we have acted well within the boundaries of law by maintaining high standards of integrity, promptitude and fairness in the conduct of our business dealings. We had not caused any loss to any investors or clients as*

the trades were carried out on the platform of NSE and as per its guidelines, rules and regulations. The said SCN has miserably failed to consider the fact that in no manner would we indulge itself into any transactions or activities which would involve violations of the law and incur loss of reputation to us. Hence, the allegations in the said SCN as against us is harsh, excessive and disproportionate to the allegations made against us.

15. Vide letter dated April 25, 2024, Noticee 6 further submitted, inter alia, the following:
    - *There are no adverse findings against us in the entire SCN w.r.t. fraudulent practices. The only allegation is that Mr. Nishil Marfatia has traded in the scrip of Alankit Ltd which is alleged to be fraudulent. Hence, provision of section 1 SHA cannot be made applicable to our case and penalty cannot be imposed on us.*
    - *We hope that your Honor will appreciate the fact that a stock• broker is required to employ reasonable skill and care but is not required to begin with suspicion and to proceed in a manner of trying to detect a fraud or manipulation unless the information with them is sufficient to excite suspicion of a businessman of reasonable competence. It is submitted with humility that at the relevant time, there was nothing amiss in the conduct of Mr. Nishil Marfatia to excite our suspicion. Further, in order to strengthen our internal control system, we have installed TSS Trackwizz software in December, 2019 for alert monitoring.*
    - *Further, without prejudice to what is stated aforesaid, we submit that NSE vide letter dated 28.06.2017 had sought explanation from us w.r.t. trades executed by Mr. Nishi! Marfatia in the scrip of Alankit Ltd on 20.03.2017. Thereafter, we filed our replies and also attended personal hearing on 25.07.2017. Thereafter, NSE vide letter dated 14.11.2017 bearing reference no. NSE/INVG/2017/25980, imposed fine of Rs. 1,00,000/- on us. In order to bring an amicable end to the proceedings before NSE, we under protest paid fine of Rs. 1,00,000/- as levied by NSE.*

16. Vide letter dated April 27, 2024, Noticee 6 further submitted, inter alia, the following:

- *We do not have any relationship, direct or indirect, with Alankit, its Promoters/Directors and any of its allegedly connected entities. We do not have any relationship, direct or indirect with Noticee No. 1 i.e. Mr. Nishil and Noticee No. 6 i.e. Marfatia, the alleged counter party of trades.*
- *The trades executed in the Alankit shares by us for Mis. Ajay Natavarlal, Pranav, Jinalben and Suyog (4 Noticees) were as per their own instructions and on the basis of client - broker relationship with them. All the trades executed by Ajay Natavarlal, Pranav, Jinalben and Suyog (4 Noticees) were within their financial & risk bearing capabilities and within our RMS Limits.*
- *Except brokerage; we did not derive any benefit on execution of alleged transaction of Ajay Natavarlal, Pranav, Jinalben and Suyog (4 Noticees) in the scrip ofAlankit.*
- *Ajay Natavarlal, Pranav, Jinalben and Suyog (4 Noticees) had traded in other scrips with huge volumes as well other than Alankit, prior to the investigation period, within the Investigation period and post the investigation period.*
- *The volume of trades of alleged transactions is not a very significant volume as compared to our total volume during the investigation period, due to which, it might be possible for the trades to slip under the radar despite all the precautionary measures. Therefore, the same shows that the trades were happening without our knowledge, consent or participation. Hence request you that we should not be penalized by just applying pick and choose methodology for the alleged trades.*
- *We had no knowledge and involvement w.r.t. alleged trades carried out by Mis. Ajay Natavarlal, Pranav, Jinalben and Suyog (4 Noticees) in the scrip ofAlankit. We have only executed trades.*

17. Vide notice dated April 29, 2024, Noticee 4 and 5 were given an opportunity of personal hearing on May 7, 2024. Vide email dated May 4, 2024, the Noticees sought an alternative date for personal hearing. Acceding to their request another opportunity of personal hearing was given to the Noticees on May 9, 2024. The Authorised Representative of the Noticees appeared on the scheduled date and

reiterated the submissions made vide letter/s dated April 26, 2024. They also made further submissions stating inter alia, the following:

- *During the course of the personal hearing, it was highlighted that a perusal of the data regarding the Impugned Trades as mentioned in the Show Cause Notice itself makes it clear that there could not have been "prior meeting of minds" between the Noticee Nos. 4 and 5 and the other noticees i.e., the counterparties. This is because firstly, out of the 5,00,000 shares that were purchased by the Noticee Nos. 4 and 5 on the day of the Impugned Trades, only a fraction of the SELL LEG trades has matched with the alleged counter party i.e., the Noticee No. 1.80% of the sell trades of the Noticee Nos. 4 and 5 have matched with other parties, who are unconnected and have not been arraigned as noticees in the Show Cause Notice. Furthermore, a perusal of the trade logs of Alankit for the day further make it clear that there was a difference of nearly 3 – 5 minutes between the order placement of the Noticee Nos. 4/ 5 and the order placement of the counterparty (Noticee No. 1). Had the Noticee Nos. 4 and 5 on one hand and the Noticee No. 1 on the other hand intended to execute "reversal trades"/ "synchronized trades", the time difference would not have been so large, considering the volume of trades that occur on the floor of the Exchange within a duration of seconds.*
- *In furtherance of the above submission, it is stated that even if the matching trades between the Noticee Nos. 4 and 5 and the Noticee No. 1 are considered, those trades comprise a miniscule percentage (approximately 1% in each account) of the total market volume traded in the scrip of Alankit Limited on the day the Impugned Trades were executed. With the Impugned Trades accounting for such an insignificant proportion, they could not by any stretch of imagination be construed to have any impact on the price or volume of the scrip. Furthermore, Reversal Trades are executed on the Exchange to cause abnormal rise in the prices of the shares. However, a perusal of the Trade Data for Alankit Limited makes it abundantly clear that there was no abnormal increase in the price of Alankit's shares and therefore, the Noticee Nos. 4 and 5 cannot be implicated with the allegations levelled in the Show Cause Notice. Furthermore, even a perusal of the high price and low price of the shares of Alankit on any given day would show that the difference in the price is between the range of 2-3 rupees for each day, which was also the case on the day when the Impugned Trades were carried out. This further shows that the Impugned Trades did not cause any abnormal price fluctuations. The trade data will show that*

the price of the scrip remained unchanged before and after the Impugned Trades, and therefore the allegation of artificial increase/ depression of the price of the scrip, cannot be levied. It is therefore humbly submitted that the Impugned Trades have had no impact on the price or the volume of the scrip, and the Show Cause Notice singularly fails to provide any evidence or any statement in support of the allegation of manipulation of the scrip.

CONSIDERATION OF ISSUES AND FINDINGS

18. The issues that arise for consideration in the instant matter are:
    (a) Whether the Noticees 1 to 5 have violated provisions of section 12A (a), (b), (c) of SEBI Act read with regulation 3(a), (b), (c), (d) and 4(1) and 4(2)(a) of PFUTP Regulations and Noticees 6 and 7 violated provisions of section 12A (a), (b), (c) of SEBI Act read with regulation 3(a), (b), (c), (d) and 4(1) and 4(2)(a) of PFUTP Regulations and clause A (1), (2) (3) (4) and (5) of Code of Conduct as specified in Schedule II under regulation 9(f) of Brokers Regulations.
    (b) Do the violations, if any, on the part of the Noticees attract monetary penalty under Section 15HA of SEBI Act on Noticees 1 to 5 and penalty under sections 15HA and 15HB on Noticees 6 and 7?; and,
    (c) If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in Section 15J of the SEBI Act?

19. The relevant provisions of section 12 A(a),(b),(c) of SEBI Act read with regulation 3(a),(b),(c),(d) & 4(1) of PFUTP Regulations, allegedly violated by the Noticees is mentioned hereunder:

    SEBI Act

    PROHIBITION OF MANIPULATIVE AND DECEPTIVE DEVICES, INSIDER TRADING AND SUBSTANTIAL ACQUISITION OF SECURITIES OR CONTROL

    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 the issue, purchase or sale of any securities listed or proposed to be listed on 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 thereunder;*

(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;*

SEBI (PFUTP) Regulations, 2003

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 manipulative, fraudulent or an unfair trade practice in securities markets.

(2) Dealing in securities shall be deemed to be a manipulative fraudulent or an unfair trade practice if it involves 8[any of the following]:—

(a) knowingly indulging in an act which creates false or misleading appearance of trading in the securities market;

Brokers Regulations

9. Any registration granted by the Board under regulation 6 shall be subject to the following conditions, namely,-
(f) he shall at all times abide by the Code of Conduct as specified in Schedule II;

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.
(3) Manipulation : A stock-broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains.
(4) Malpractices: A stock-broker shall not create false market either singly or in concert with others or indulge in any act detrimental to the investors interest or which leads to interference with the fair and smooth functioning of the market. A stockbroker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness.
(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.

FINDINGS

20. I have gone through the submissions made by the Noticee and the other material on record and I now proceed to deal with the same. Before going into the merits, I would like to first deal with the preliminary objection raised by the Noticees with regard to delay in initiation of proceedings. It is observed that the Noticees have submitted that there was inordinate delay in initiation of proceedings wherein the impugned trades were executed in March 20, 2017 and the SCN was issued in August 18, 2023. From the documents available on record I find that the Investigating Authority in the matter was appointed in April 24, 2019 and subsequently due to internal transfers this matter was transferred to 5 other Investigating Authorities and finally the investigation was completed in March, 2023. The matter involved analysis of trades of various entities and information was required to be gathered from various quarters. After completion of investigation Shri Amar Navlani was appointed as the Adjudicating Officer in the matter vide order dated April 18, 2023 and finally the SCN was issued in August

18, 2023. Therefore, I do not find that there is unjustifiable delay in the issuance of the SCN.

21. Noticees 1, 2, 4 and 5 have also contended they were not given an opportunity of inspection of complete documents. From the documents available on record, I find that during inspection of documents, relevant portion of the Investigation Report along with annexures were given to the Noticees. In T. Takano vs. SEBI (2022 SCC Online SC 210), it is clearly stated that "*Therefore, as a default rule, all relevant material must be disclosed*." I find that the investigation report that was provided to the Noticees for inspection had all the relevant material necessary for adjudication of the matter. There was no such document that was relevant and relied upon but was not provided to the said Noticees. Further, the details of the trades including reversal trades were extracted from the trade log which was already provided to the Noticees. Therefore, I do not find merit in the submission of the Noticees that they were not provided with inspection of complete documents. Now I proceed to deal with the case on merits.

ISSUE I. Whether the Noticees 1 to 5 have violated provisions of section 12A (a), (b), (c) of SEBI Act read with regulation 3(a), (b), (c), (d) and 4(1) and 4(2)(a) of PFUTP Regulations and Noticees 6 and 7 violated provisions of section 12A (a), (b), (c) of SEBI Act read with regulation 3(a), (b), (c), (d) and 4(1) and 4(2)(a) of PFUTP Regulations and clause A (1), (2) (3) (4) and (5) of Code of Conduct as specified in Schedule II under regulation 9(f) of Brokers Regulations?

22. The details of top 10 gross buyers/ sellers on March 20, 2017 at NSE is as under:

Table A

Buyers	Traded Qty	%	Sellers	Traded Qty	%
Marfatia Nishil Surendra	6492916	32.61%	Marfatia Nishil Surendra	6613475	33.22%
Suyog Securities	2500000	12.56%	Suyog Securities	2500000	12.56%
Ashok Kumar Gupta	2399980	12.05%	Ashok Kumar Gupta	2399980	12.05%
Ajay Natavarlal Commodities Pvt Ltd	1500000	7.53%	Ajay Natavarlal Commodities Pvt Ltd	1500000	7.53%
Patel Manav Nareshbhai	1165287	5.85%	Patel Manav Nareshbhai	1165287	5.85%
Dinesh Shah	800000	4.02%	Dinesh Shah	800000	4.02%
Chirag Dipakbhai Pujara	500730	2.52%	Rakshit Buildcon Private Limited	574395	2.89%
Pranav Prafulchandra Vora	500000	2.51%	Chirag Dipakbhai Pujara	500730	2.52%
Vora Jinalben Bhavikbhai	500000	2.51%	Pranav Prafulchandra Vora	500000	2.51%
Dharini Prijesh Kurani	300000	1.51%	Vora Jinalben Bhavikbhai	500000	2.51%
Total	**16658913**	**83.68%**	**Total**	**17053867**	**85.66%**
Market Total	**19908620**	**100.00%**	**Market Total**	**19908620**	**100.00%**

23. From the above table, it is seen that on March 20, 2017, Nishil Surendra Marfatia (Noticee 1) had contributed to 32.61% towards buy quantity and 33.22% towards sell quantity in the scrip of Alankit. Noticee 1 sold 66,13,475 shares and bought back 64,92,916 shares in the scrip on the same day. The major counterparties to Noticee 1 were 4 entities, Pranav Prafulchandra Vora (Noticee 5), Jinalben Bhavikbhai Vora (Noticee 4), Ajay Natavarlal Commodities Private Limited (Noticee 2), and Suyog Securities (Noticee 3) who bought 49,95,409 shares. These entities were counterparty to 75.53% of the total shares sold by Noticee 1.

24. During the investigation period, these four entities, Noticees 2 to 5, had traded only on March 20, 2017 through ANS Pvt. Ltd. (Noticee 7). Further, Noticee 2 is a subsidiary company of Noticee 7 i.e. ANS Pvt. Ltd.

25. It is an admitted fact that Noticee 1 had received unsecured loan from Noticee 4 and 5 during FY 2016-17. Further, Noticee 4 is an Authorised Person of Noticee 6 wherein Noticee 1 is the Managing Director (hereinafter referred to as "**MD**"). Further Noticee 4 and Noticee 5 are husband and wife. This establishes that Noticee 4 and 5 were known to Noticee 1. Hence, there was a connection between them.

26. The profit/ loss booked by Noticee 1 and his major counterparties across NSE and BSE in the scrip of Alankit Ltd on March 20, 2017 is given below:

Table B

Clnt Name	**Gr Buy Vol**	**Gr Sell Vol**	**Net Trd Vol**	**Gr Trd Vol**	**Gr Buy Value**	**Gr Sell Value**	**Profit/ Loss**
NISHIL SURENDRA MARFATIA	6700004	6851331	-151327	13551335	159922033	152871086	-7050947.30
PRANAV PRAFULCHANDRA VORA	500000	500000	0	1000000	11000000.00	12000000.00	1000000.00
VORA JINALBEN BHAVIKBHAI	500000	500000	0	1000000	11000000.00	12000000.00	1000000.00
AJAY NATAVARLAL COMMODITIES PRIVATE LIMITED	1500000	1500000	0	3000000	33000000.00	36000000.00	3000000.00
SUYOG SECURITIES	2500000	2500000	0	5000000	55656253.30	60000000.00	4343746.70

27. It is seen that Noticee 1 had booked a loss of Rs. 70,50,947.30 and four of his major counterparties viz. Noticee 5, Noticee 4, Noticee 2, Noticee 3 had booked a profit of Rs. 10,00,000.00, Rs 10,00,000.00, Rs. 30,00,000.00 and Rs. 43,43,746.70 respectively i.e. total profit of Rs.93,43,746.70.

28. The buy concentration of aforementioned four entities with Noticee 1 is given below:

Table C

BUYER NAME	SELLER NAME	Total	%
SUYOG SECURITIES	EVERMORE ENTERPRISES	4492	0.18%
	MARFATIA NISHIL SURENDRA	2495508	99.82%
Sub Total		**2500000**	
AJAY NATAVARLAL COMMODITIES PVT LTD	MARFATIA NISHIL SURENDRA	1500000	100.00%
Sub Total		**1500000**	
PRANAV PRAFULCHANDRA VORA	MARFATIA NISHIL SURENDRA	500000	100.00%
Sub Total		**500000**	
VORA JINALBEN BHAVIKBHAI	GKN SECURITIES	99	0.02%
	MARFATIA NISHIL SURENDRA	499901	99.98%
Sub Total		**500000**	

29. It is observed that 99.91% of the shares bought by four entities Pranav Prafulchandra Vora, Vora Jinalben Bhavikbhai, Ajay Natavarlal Commodities Private Limited, Suyog Securities were from Nishil Surendra Marfatia.

30. All the shares bought by these four entities were sold back on the same day. The details of buy counterparties to the entities, Noticees 2 to 5 are as under:

Table D

BUYER NAME	Total	%
ASHOK KUMAR GUPTA	1915248	38.30%
MARFATIA NISHIL SURENDRA	1414007	28.28%
DINESH SHAH	759642	15.19%
CHIRAG DIPAKBHAI PUJARA	488999	9.78%
PATEL MANAV NARESHBHAI	388469	7.77%
GRAVITON RESEARCH CAPITAL LLP	33503	0.67%
HARISH CHAND SAWHNEY HUF	100	0.00%
MANORANJAN ARORA	30	0.00%
BHAVIN Y MEHTA	1	0.00%
PUSHPA J.VORA	1	0.00%
Grand Total	**5000000**	**100.00%**

31. It is seen from the above table that Noticee 1, was the second largest buyer from the aforementioned group of four entities with 28.28% of shares purchase. Thus, these four entities bought 99.91% of shares sold by Noticee 1, and when sold, Noticee 1 bought back 28.28% of shares from these four entities on March 20, 2017. Further out of the total buy and sell of Noticee 1 the concentration with the counterparties i.e. 2,3,4 and 5 are as under:

Table E

	Nishil (Noticee 1) sell to (total sell **66,13,475)**			Nishil (Noticee 1) buy from (total buy **64,92,916)**		
	No. of shares	No. of trade	%	No. of shares	No. of trade	%
Ajay (Noticee2)	450000	6	6.8	1500000	4	23.10
Suyog (Noticee 3)	750000	9	11.34	2495508	27	38.43
Jinal (Noticee 4)	114007	5	1.72	499901	2	7.7
Pranav (Noticee 5)	100000	2	1.51	500000	1	7.7

32. The buy and sell between the aforementioned entities resulted in reversal trades which contributed 14.20% to market volume. The details are as under:

Table F

Name	**Name**	**Gross Buy**	**Gross Sell**	**Reversal Qty**	**% of Market volume**
Ajay Natavarlal Commodities Pvt Ltd	Marfatia Nishil Surendra	1500000	450000	900000	4.52%
Suyog Securities	Marfatia Nishil Surendra	2495508	750000	1500000	7.53%
Pranav Prafulchandra Vora	Marfatia Nishil Surendra	500000	100000	200000	1.00%
Marfatia Nishil Surendra	Vora Jinalben Bhavikbhai	114007	499901	228014	1.15%
		4609515	**1799901**	**2828014**	**14.20%**

33. It is observed from table E that Noticee 1 had significant contribution with the counterparties Noticee 2 and 3. However as per records available there is no connection established between Noticee 1 and the above counterparties. Further while Noticee 1 has connection with the counterparty Noticees 4 and 5 the volume of trading of Noticee 1 with the counterparty Noticees 4 and 5 are not material. There is no material to demonstrate that the trades by the Noticees 2 and 3 with Noticee 1 were predetermined trades. Given the above, it does not lead to a conclusion of any scheme of predetermined trades which may lead to manipulation.

LTP Analysis

34. It is observed that Noticee 1 as a buyer had contributed to 16.43% of Positive LTP, as observed in table below. Noticee 1 contributed highest LTP among top 10 LTP Contributors Buyers.

35. **Top 10 LTP contributors as buyers-**

Table G

Pan no	**Client name**	**All Ltp Rate**	**All Traded Qty.**	**All No Trades**	**Pos Ltp Rate**	**Pos Traded Qty.**	**Pos No Trades**	**Neg Ltp Rate**	**Neg Traded Qty**	**Neg No Trades**	**Zero Traded Qty**	**Zero No Trades**	**%Ltp**
ADWPM9452H	Marfatia Nishil Surendra	5.30	6492916	1475	10.60	250594	163	-5.30	126769	93	6115553	1219	16.43%
AACFE2359N	Essar Trading Company	2.80	14682	82	2.95	5659	29	-0.15	232	3	8791	50	4.57%
AAHFG6629C	Gkn Securities	2.20	35596	98	2.35	6552	21	-0.15	1843	3	27201	74	3.64%
AAOFA4854E	Aashya Fincom	1.70	14116	81	2.10	2934	27	-0.40	427	5	10755	49	3.26%
AKXPP6661M	Patel Manav Nareshbhai	0.80	1165287	237	2.05	86124	28	-1.25	11692	22	1067471	187	3.18%
AANFG4967B	Graviton Research Capital Llp	0.70	152438	197	1.25	18256	21	-0.55	1210	6	132972	170	1.94%
AAGHR9911K	Rishit Dinesh Maniar Huf	0.50	270	16	0.55	111	7	-0.05	20	1	139	8	0.85%
AFRPA1178D	Agarwal Deepak Kumar	0.40	90	5	0.45	65	4	-0.05	25	1	0	0	0.70%
ABSPK5476F	Vijay Laxmi Kataria	0.40	2900	33	0.65	1268	13	-0.25	333	4	1299	16	1.01%
AABHL9882L	Lal Chand	0.40	21100	39	0.70	5175	9	-0.30	366	4	15559	26	1.09%
Total		**15.20**	**7899395**	**2263**	**23.65**	**376738**	**322**	**-8.45**	**142917**	**142**	**7379740**	**1799**	**36.67%**
Market Total		**-0.20**	**19908620**	**8179**	**64.50**	**1033845**	**969**	**-64.70**	**691018**	**945**	**18183757**	**6265**	**100.00%**

36. The four counterparties of Noticee 1 had bought 50,00,000 shares in a short span of time i.e. 28,12,489 shares during the time from 10:05:39 hrs., to 10:05:53 hrs., 87,511 shares at 10:10:05 hrs., and 21,00,000 from 10:21:33 hrs., to 10:21:56 hrs., at an average price of Rs. 22.21. Subsequent to purchase of shares by these four entities, Noticee 1 through 91 buy trades between 10:22:10 hrs., and 13:18:48 hrs., had contributed to Rs. 5.60 LTP. After the increase of price by Noticee 1, these four entities had sold 50,00,000 shares from 13:22:07 hrs., to 13:23:42 hrs., at an average price of Rs 24.

37. It is prudent for any entity trading in securities market to try to sell his shares at higher price and buy them at lower price to book profit. Noticee could not provide

any cogent reason for his peculiar trading where he sold shares of Alankit at a lower price and himself placed buy orders at a price higher than LTP to increase the price of shares. In fact the explanation provided by Noticee 1 during the investigations was far away from the truth. He mentioned that he was expecting fall in price and thus shorted the scrips in the morning to cover up in the evening. However, the trading pattern was exactly the opposite. He was major contributor to the price rise in the morning and price fall near the close. He was the single largest contributor for price rise.

38. Noticee 1 had placed his first sell order at 10:05:37 hrs., and first buy order with positive LTP at 10:10:22 hrs. He continued his sell orders from 10:05:37 hrs., to 15:29:11 hrs., while buying simultaneously from 10:10:22 hrs., to 15:20:51 hrs. Thus, his claim that he was forced to buy at prices higher than the prices at which he sold to fulfil his delivery obligation as a intra day trader, does not hold true as Noticee 1 himself significantly contributed to rise in price thus executing manipulative trades.

39. In this regard, I place reliance on order of Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT**") dated June 21, 2018 in Shri Lakhi Prasad Kheradi v.SEBI wherein it was held that:

"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."

40. Further in Hon'ble SAT in Rajani Dusad v SEBI (order dated November 24, 2023) stated that , "*When the buyer is placing the buy order above LTP, the buyer is inducing the seller to sell at a higher price. The buyer is thus manipulating the price and is playing a fraud on the system*."

41. In view of the above it is established that Noticee 1 violated section 12A (a), (b), (c) of SEBI Act read with regulations 3 (a), (b), (c), (d), 4(1), 4(2)(a) of PFUTP Regulations.

42. Noticee 1 is the MD of Noticee 6 and had executed all his trades through it. Thus the connection of Noticee 6 with Noticee 1 is established. Noticee 1 had used the

broking mechanism of Noticee 6 to execute his trades. Noticee 6 let his system be used by Noticee 1 to execute his fraudulent trades.

43. Noticee 6 executed trades of its MD i.e. Noticee 1 wherein sell orders were placed at lower price and buy orders at a higher price. These sell and buy orders were placed within a few minutes of each other. These were high volume trades where sell trades of the MD were closely followed by order entry for buy trades at prices successively higher than LTP, thus allowing Noticee 1 to influence the price of the scrip and execute manipulative trades. This indicates Noticee 6's knowledge and involvement in these trades of its MD Noticee 1. Thus Noticee 6 facilitated Noticee 1 for executing such manipulative trades.

44. Further as a stock broker, Noticee 6 should have been more diligent in executing trades and not let its platform be used for such manipulative trades. In view of the above, I find that Noticee 6 has violated section 12A (a), (b), (c) of SEBI Act read with regulations 3 (a), (b), (c), (d), 4(1), 4(2)(a) of PFUTP Regulations and clause A (1), (2) (3) (4) and (5) of Code of Conduct as specified in Schedule II under regulation 9(f) of Brokers Regulations.

45. Further, it is also noted that the Internal Committee for Minor Actions of NSE concluded that the activities of Noticee 1 did not appear to be in accordance with regulation 4(2) of PFUTP Regulations. The committee therefore, levied a penalty of Rs.1,00,000/- on Noticee 6 which was paid by it.

46. It was observed that Noticee 2, 3, 4 and 5 had traded through the Noticee 7 i.e. broker ANS Pvt. Ltd. As discussed above the trades of the Noticee 2, 3, 4 and 5 have not brought out any conclusive evidence which may lead to any manipulation. Hence the charges of manipulation against Noticee 7 through whom Noticee 2 to 5 have traded does not stand established. Consequently, the charges of violation of Code of Conduct of stock brokers by Noticee 7 also does not stand established.

ISSUE II. Do the violations, if any, on the part of the Noticee 1and 6 attract monetary penalty under Section 15HA of SEBI Act?

47. As established Noticee 1 and Noticee 7 have violated section 12A (a), (b), (c) of SEBI Act read with regulations 3 (a), (b), (c), (d), 4(1), 4(2)(a) of PFUTP Regulations and Noticee 6 also violated clause A (1), (2) (3) (4) and (5) of Code of Conduct as specified in Schedule II under regulation 9(f) of Brokers Regulations.

48. In view of the violation as established above, I refer to the order of the Hon'ble Supreme Court of India in the matter of SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216(SC) which held that - *"In our considered opinion, penalty is attracted as soon as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant…".*

49. In view of the above, I am convinced that it is a fit case for imposition of monetary penalty on Noticee 1 and Noticee 6 under the provisions of section 15HA of the SEBI Act and on Noticee 6 under provisions of section 15HB of the SEBI Act, which reads as under:

<u>SEBI Act</u>

Penalty for fraudulent and unfair trade practices.
15HA.*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.*

Penalty for contravention where no separate penalty has been provided.
15HB. *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.*

ISSUE III. If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in Section 15J of the SEBI Act?

50. While determining the quantum of penalty under section 15HA and section 15HB of the SEBI Act, it is important to consider the relevant factors as stipulated in the Section 15J of the SEBI Act which reads as under:-

Factors to be taken into account while adjudging quantum of penalty.

15J.While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or 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.

51. I note that the available records do not quantify the amount of losses suffered by the investors due to violation of PFUTP Regulations by Noticee 1 and PFUTP Regulations and Brokers Regulations by Noticee 6. However, I note that the Noticee 1 entered into fraudulent trade and Noticee 6 facilitated such transactions which has the effect of disrupting the securities market and has the potential to mislead and induce genuine investors to trade in the scrip. This violation of the Noticees, if dealt with lightly could seriously undermine investors' confidence in the securities market and has to be viewed seriously and calls for appropriate penalty. With respect to the repetitive nature of default, I find that there is 1 adjudication order against Noticee 1 imposing penalty for violation of provisions of SEBI Act and PFUTP Regulations and there are 2 adjudication orders against Noticee 6 imposing penalty for violation of provisions of Brokers Regulations and SEBI circulars.

<u>ORDER</u>

52. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by the Noticees and also the factors mentioned in Section 15J of the SEBI Act and also taking into account judgment of the Hon'ble Supreme Court in SEBI vs. Bhavesh Pabari (2019) 5 SCC 90 and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the AO Rules, I hereby impose the following penalty:

Noticee 1 Noticee 6	Section 15HA	Rs.6,00,000/- (Rupees Six Lakh only) jointly and severally
Noticee 6	Section 15HB	Rs.2,00,000/- (Rupees Two Lakh only)

I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticees.

53. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order through online payment facility available on the website of SEBI, i.e. www.sebi.gov.in on the following path, by clicking on the payment link:

    ENFORCEMENT → Orders → Orders of AO → PAY NOW

    In case of any difficulties in payment of penalties, Noticee 1 and Noticee 6 may contact the support at portalhelp@sebi.gov.in.

54. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

55. In terms of the provisions of rule 6 of the Adjudication Rules, a copy of this order is being sent to the Noticees and also to the Securities and Exchange Board of India.

Date: May 22, 2024 **BARNALI MUKHERJEE**

Place: Mumbai **ADJUDICATING OFFICER**