BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/GR/HK/2022-23/21668-21682]

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

In respect of:

Noticee		**Noticee**	
No	**Name (PAN No.)**	**No**	**Name (PAN No.)**
1	Ms. Krupa Sanjay Soni (PAN: BVSPS9740P)	9	Ms. Shantiben Gangaram Desai (PAN: ARLPD2375B)
2	Mr. Sanjay Jethalal Soni (PAN: BVSPS9741N)	10	Mr.Janakray Vithaldas Soni (PAN: AFNPS8401H)
3	M/s. J M Soni Consultancy (Prop. Mr. Sanjay Jethalal Soni) (PAN: AAGFJ2939P)	11	Mr. Dhaval Satishkumar Agrawal (PAN: AJYPA0481G)
4	Mr. Dhirenkumar Dharamdas Agarwal (PAN: AAZPA8189K)	12	Mr. Amitkumar Rameshchandra Rana (PAN: ASPPR5709L)
5	Ms. Shweta Dhiren Agrawal (PAN: AIZPA2160J)	13	Ms. Nehaben Janakray Soni (PAN: AWOPS1717J)
6	Mr. Krunal Gopaldas Rana (PAN: AKMPR9961M)	14	Ms. Vaishali Jimish Soni (PAN: AQHPS2680R)

7	Mr. Amul Gagabhai Desai (PAN: AHDPD3526G)	15	Mr. Ajaykumar Jayantilal Pala (PAN: AFHPP7032D)
8	Mr. Mahesh Somabhai Desai (PAN: AMGPD0183P)		

-In the matter of trading in the scrip of M/s. Parichay Investments Ltd.

(The aforesaid entities are hereinafter individually referred to by their respective names/ Noticee numbers and collectively as "Noticees", unless the context specifies otherwise)

Background:

1. The Hon'ble Securities Appellate Tribunal vide its order dated August 29, 2022, in Appeal No. 36/37/38/39/52 of 2022 filed by the aforementioned Noticees contending that the principles of natural justice has not been followed, set aside the earlier order in the instant matter dated July 31, 2020 and remanded the matter back stating *"The matters are remitted to the AO (Adjudicating Officer) to decide the matter afresh after giving an opportunity to the appellants to file replies and to contest the matters. In this regard, the appellants will appear before the AO on September 15, 2022 and AO will proceed from there onwards. We also direct the AO to conclude the proceedings within six months."* Hence present proceeding was initiated.

2. In this regard, as directed by the Hon'ble SAT, the appellants were to appear before the AO on September 15, 2022 through online mode. Sanjay Jethalal Soni appeared before the AO on the said date. Subsequent to which Show Cause Notice was served on the Noticees whereby 14 days' time period was provided to submit replies, if any, to the said Show Cause Notice.

Facts of the case:

3. Securities and Exchange Board of India (hereinafter referred as “SEBI”) had conducted investigation in the trading in the scrip of Parichay Investments Ltd (hereinafter referred as “PIL”) during July 21, 2010 to August 30, 2011 which was listed on Bombay Stock Exchange (“BSE”), to look into the possible violation of the provisions of the Securities and Exchange Board of India Act, 1992 (“the Act”) and various Rules and Regulations made there under. The period mentioned above hereinafter referred to as **“Investigation period” or “IP”**.

4. Pursuant to the investigation, it was alleged that a group of 63 connected / related entities referred to as **'Soni Group'** were dealing in the scrips of several companies and had contributed to the price and volume. Their trading pattern was analysed across the market during the period July 1, 2010 to October 15, 2010 and it was observed that ‘Soni Group’ had traded in 266 scrips and out of them in five scrips (including PIL) their trades accounted for 20% or more during the said period. Out of the said 63 entities constituting the ‘Soni Group’, the following 18 entities (collectively referred as **“Entities”**) were observed to have *inter alia* traded in the scrip of PIL and *prima facie* found to have violated the legal provisions as detailed herein after.

5. Sanjay Jethalal Soni (“Sanjay”), Krupa Sanjay Soni (“Krupa”), J M Soni Consultancy (“JM Soni”), Krunal Gopaldas Rana (“Krunal”), Dhirenkumar Dharamdas Agarwal (“Dhirenkumar”), Mahesh Somabhai Desai (“Mahesh”), Amul Gagabhai Desai (“Amul”), Shweta Dhiren Agrawal (“Shweta”), Shantiben Gangaram Desai (“Shantiben) and Arif Gulam Mustufa Shaikh (“Arif) had violated Section 12A(a), (b) and (c) of the Act and Regulations 3(a),(b),(c),(d), 4(1), 4(2) (a),(b),(e) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred as **“PFUTP Regulations”**) while trading in the scrip of PIL and ;

6. Vaishali Jimish Soni ("Vaishali"), Ajaykumar Jayantilal Pala ("Ajay") and Nehaben Janakray Soni ("Neha") had violated Section 12A(a),(b) and (c) of the Act and Regulations 3(a),(b),(c),(d), 4(1), 4(2) (b) and (e) of ("PPFUTP Regulations while trading in the scrip of PIL and;

7. Dhaval Satishkumar Agrawal ("Dhaval"), Janakray Vithasdas Soni ("Janak"), Vipul Virendrakumar Patel ("Vipul"), Miteshgiri Chandangiri Goswami and Amitkumar Rameshchandra Rana ("Amit") had violated Section 12A(a), (b) and (c) of the Act and Regulations 3(a), (b), (c), (d), 4(1), 4(2) (a) and (g) of PFUTP Regulations while trading in the scrip of PIL.

8. The present adjudication proceedings have been initiated with respect to 15 entities out of the aforesaid 18 entities named in the preceding paragraphs.

APPOINTMENT OF ADJUDICATING OFFICER

9. Subsequent to the Order passed by Hon'ble SAT dated August 29, 2022 and in furtherance to the direction given in the said order, vide order dated September 08, 2022, the undersigned was appointed as Adjudicating Officer in terms of Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "Rules") read with Section 15-I of the Act to inquire and adjudge the aforesaid violations under Section 15 HA of the Act. Pursuant to the appointment, the Adjudicating Officer ("**AO**") served Show Cause Notice ("**SCN**") dated December 10, 2019 and June 01, 2020, *inter alia*, to the Noticees for alleged violation of Section 12A(a), (b) and (c) of SEBI Act, 1992 read with Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a), (b), (d), (e) and (g) of PFUTP Regulations, as applicable. It was alleged that the Noticees were connected to each other and had acted together to artificially increase the price of the scrip on account of

trading among themselves (through matched trades) and by placing orders above the Last Traded Price ("LTP").

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

10. Based on the observations in the investigation report, common Show Cause Notice ("SCN") dated December 10, 2019 was issued to 14 Noticees and one separate SCN dated June 1, 2020 was issued to Amit. The SCN was duly served upon all the Noticees via email or SPAD. Subsequent to the service of SCN all the entities made a request to provide a copy of Investigation Report of PIL, in order to enable them to submit appropriate response for the allegations made against them in the SCN. Copies of Investigation Report of PIL were provided to all the Noticees except Amit Rameshchandra Rana, the letter through which the Investigation Report was forwarded to the Noticee returned undelivered with the remarks 'Addressee left without instructions' however on the same address earlier the SCN dated June 1, 2020 was successfully delivered and the same address was mentioned in the reply submitted by Amit as well. In his reply of SCN Amit mentioned to have the copy of Investigation Report.

11. All the Noticees thereafter submitted their replies to the SCN. Thereafter an opportunity of personal hearing was provided to all the Noticees on November 09, 2022 vide email/letter dated October 31, 2022 which was attended by Amit Rameshchandra Rana through his Authorised Representative (AR). Rest 14 Noticees sought adjournment vide email dated November 08, 2022 as they all could not engage a lawyer/ AR to represent them. During the hearing the ARs of all the Noticees reiterated the submissions already made in the written submission and sought one-weeks' time to submit additional reply, which was acceded to. Thereafter, the Noticees submitted their additional replies on November 24, 2022 through their ARs. Thus, I hold that the principles of

natural justice have been complied with respect to all the Noticees through valid service of SCN in compliance with the AO Rules and opportunities of personal hearing been provided to the Noticees.

12. Following common submission was made by the Noticees:

<u>*On Connection between Noticees*</u>

1. *Denied the connection, the so called Soni Group is a misnomer and the Noticee has no co-relation with any of the entities involved. The entities allegedly forming Soni Group held trading accounts with different stock brokers which are completely unrelated to Noticee. Only on the basis of KYC documents on which Sanjay Soni's cell no. and/or emailed is specified, the SCN coined the term "SONI GROUP".*

2. *In addition, Amit and Krunal denied the basis on which the connection was alleged between the entities of Soni Group whereby Amit stated that the off market transaction with Sanjay Jethalal Soni was for the shares of some other scrip and not that of PIL hence the said basis of connection cannot be used in the present proceedings as this proceeding pertains to PIL scrip and Krunal in his reply stated that "The Noticee had opened trading and Demat account with Sanjay Soni. It is admitted position that, Sanjay Soni is the proprietor of JM Soni Consultancy. The fund relation was in respect of transfer of money for sale of securities. The common contact number is of Sanjay Soni and not of the Noticee".*

3. *There is no abnormal trading volume recorded in trading of shares of Parichay during the Patch-I and Patch-II of the Investigation Period.*

4. *There was higher deviation in price and volume of the shares of Parichay in pre and post investigation period than in the investigation period. Also the period covered under pre and post investigation period is only 3 months whereas for investigation period 9 months are taken.*

5. *The Learned AO has failed to take into consideration that, during the IP, the scrip of Parichay was traded in Z Group under which it is compulsory to make delivery settlement. N view of the above, the Noticee has contended that all pay in and pay out obligations were made during the IP.*

6. *Sanjay Soni and Noticees had only Client and Broker Relationship. None of the Noticees know each other personally. The trades during the Investigation Period were executed on the screen based trading and it is simply impossible to make out the name of the individuals who are executing counter trades.*

<u>*For allegations of Matched Trades*</u>

7. *Noticees had several trading accounts with various brokers and they could not be connected with all brokers with whom they were holding trading accounts.*

8. *The SCN has exceeded into investigative adventurism by concluding that minimal fraction of total traded volume, like 1.18% and 1.04%, would translate into commission of fraud upon market and would tantamount into unfair practice. It is inconceivable to enter into deliberate trades matching with the counter party where in the alleged group forms more than 20 members and the trading is conducted through screen based trading.*

<u>For allegations of Self Trades</u>

9. *By entering into the Self Trades, there is no contribution to positive LTP of scrip of Parichay. The need for entering into Self trades aroused due to genuine requirement of clearing debit balance of genuine trades existing with the Broker. Some stock brokers provide larger credit period for margin funding at lower interest rates. They transfer the positions in the scrip from one stock broker to another stock broker by executing self-trades for taking benefit of extended credit period to hold the positions.*

10. *Since, there is no intent and LTP contribution and lesser volume attributed as self-trades cannot be held to be manipulative under Regulation 3 and 4 of SEBI (PFUTP) Regulations.*

<u>For allegation of Price Manipulation by LTP Contribution</u>

11. *The Investigation Period considered by the SCN in arriving at the spread in 13 months 10 days, therefore, the very basis of ascertaining the increase in LTP is sans basis and erroneous. Trading done by other individuals, during the Investigation Period apart from the Noticees also needs to be considered.*

12. *While entering trades into screen based trading system, the Spread of Buy Quote and Sell Quote is important factor in determining the buy/ sell decision which ultimately results into positive LTP or negative LTP.*

<u>For allegation of New High Price</u>

13. *The New High Price (NHP) cannot be adjudged in isolation without referring to public float available. Due to lesser float available in the market for trading, the spread of buy and sell price differs with almost 3-4 rupees, which itself was more than 1% of the LTP.*

<u>For allegation of Price Contribution by First Trade</u>

14. *The First Trades are such trades, which the trader or investor executed by placing market order by higher price. The basis of first trades allegation with miniscule quantity vis a vis total shares*

traded 1,23,89,500 during the IP spread out into 13 months is misnomer and erroneous in the eyes of law.

<u>Inordinate Delay</u>

15. *Proceeding is barred by inordinate delay in issuance of SCN and prejudice due to delay of seven years in initiating the proceedings and twelve years in conduct of proceedings. Because of delay prejudice is caused to the Noticee and they are unable to defend themselves properly. Few judgments were quoted in support of this submission. They are:*

    a) Shriram Insight Share Brokers Ltd. v. SEBI [2022 SCC Online SAT 127]

    b) SEBI v. Bhavesh Pabari [2019 5 SCC 90]

    c) Govt. of India v. Citadel Fine Pharmaceuticals [(1989) 3 SCC 483]

    d) H.B. Stockholdings Ltd. v. SEBI [2013 SCC Online SAT 56]

    e) Khandwala Securities Ltd. v. SEBI [2012 SCC Online SAT 152]

    f) Rakesh Kathotia vs. SEBI (Appeal No. 6 of 2016, DoD May 27, 2019)

16. *Alongwith the scrip of Parichay, SEBI initiated the investigation in the scrip of Oregon Commercial Ltd and Shree Global Trade Fin Ltd. The orders passed by SEBI in those two scrips were set aside by SAT on the ground of delay and in the appeal preferred by SEBI before Supreme Court no stay is granted against the SAT order.*

17. *No profit was made by Noticee and nothing is shown to have caused loss to the investors.*

18. *Sanjay Soni has stated that JM Soni Consultancy is the tradename and has no legal existence, therefore SCN cannot be enforced upon the Noticee No. 3. Sanjay Soni is the proprietor of JM Soni Consultancy.*

19. *In the common additional submission made by all the Noticees together urged that factors in addition to those mentioned under Section 15J of SEBI Act, 1992 be also considered, if the AO decides to levy penalty. Factors like:*

    a. The trading account, demat account and bank account of Noticees has been freezed and they have no access to any of these. This has restricted their ability to generate funds and to do any business activity.

    b. In the cases of Cupid Trades and Finance Limited, Shree Global Trade Fin Limited and Link House Industries Limited where lessor penalties have been levied as compared to previous adjudication orders passed in the present investigation/ enquiry.

CONSIDERATION OF ISSUES, EVIDENCE AND FINDINGS:

13. I have carefully perused the charges levelled against the Noticees in the SCN and all the documents available on record. In the instant matter, the following issues arise for consideration and determination in respect of:

    I. Whether the Noticees were Connected to each other?

    II. Whether the Noticees had violated Section 12A(a), (b) and (c) of the Act and Regulations 3(a),(b),(c),(d), 4(1), 4(2) (a) (b),(e) and (g) of PFUTP Regulations as applicable?;

    III. Does the violation, if any, on the part of Noticees attract monetary penalty under Section 15 HA of the Act**?**

    IV. If so, what would be the quantum of monetary penalty that can be imposed on Noticees taking into consideration the factors mentioned in Section 15J of the Act?

14. Before proceeding further, I would like to refer to the relevant provisions of SEBI Act and PFUTP Regulations.

SEBI Act, 1992

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 recognized stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

SEBI (PFUTP) Regulations:

3. **Prohibition of certain dealings in securities under SEBI (PFUTP) Regulations 2003**

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) *mploy 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) *ngage 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 fraudulent or an unfair trade practice in securities.*

(2) *Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely: —*

(a) *Indulging in an act which creates false or misleading appearance of trading in the securities market*

(g) *Entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security.*

FINDINGS

Preliminary issues raised by Noticees

15. Before proceeding with the merits of the matter, it would be appropriate to first deal with the preliminary contention raised by the Noticees. At the outset, the said Noticees have contended that the instant proceedings deserve to be dropped on account of delay as the instant proceedings have been initiated after a lapse of more than twelve (12) years in conducting the adjudication proceedings and seven years in issuance of SCN, hence have caused prejudices against them as they cannot defend themselves effectively.

16. Supreme Court of India has in various orders condoned the delay, provided sufficient and proper grounds of delay are shown. In the present matter, initially, vide order dated June 02, 2016, Shri S V Krishnamohan was appointed as Adjudication Officer pursuant to transfer of the case, Shri Sahil Malik was appointed as the AO. An SCN dated August 24, 2017 and supplementary SCN dated October 24, 2018 were issued inter alia to the Noticees. Subsequently, order dated November 16, 2018, was passed by the Adjudicating Officer. For the contention that it took seven years to issue SCN since the alleged violation occurred, it is understood that the present matter consists of various allegations against the Noticees like matched trading, self-trading etc. Further, to arrive at the conclusion that certain entities were connected and acting in tandem to influence the price of the scrip, various documents and data was examined for all the entities who invested in the scrip during

the IP. Considering the complexity of the present matter, I am inclined to reject the aforesaid contention.

17. Sanjay Soni has contended that since JM Soni has no legal existence, therefore the SCN cannot be enforced upon JM Soni. In this regard, I note that Sanjay Jethalal Soni is the proprietor of JM Soni Consultancy who is also one of the Noticees, hence the present proceeding shall be conducted against JM Soni through its proprietor Sanjay Jethalal Soni.

I. Whether the Noticees were Connected to each other?

18. In order to establish the fact that Noticees were connected to each other and to other entities of "Soni Group", it needs to be established that the Noticees were related to each other and acted in coordination with each other. The following connections between the Noticees were observed on the basis of details of KYC documents and off-market transfers.

(Table 1)

Sl. No.	**Name of the entities of Soni Group**	**PAN**	**Basis of connection**
1.	Sanjay Jethalal Soni	BVSPS9741N	Self.
2.	Krupa Sanjay Soni	BVSPS9740P	(1) Krupa Sanjay Soni is wife of Sanjay Jethalal Soni. (2) Krupa Sanjay Soni and Sanjay Jethalal Soni share common email id shreejisecurities14@yahoo.co.in. (3) From the bank account transaction statements, it was observed that were regular fund movements between Sanjay Soni and Krupa Soni.

3.	M/s. J.M. Soni Consultancy	AAGFJ2939P	(1) Sanjay Soni is the proprietor of M/s. J.M. Soni Consultancy. (2) M/s. J.M. Soni Consultancy and Krupa Sanjay Soni share common address D-19, Karnavati Apts., Near Shradda Petrol Pump Hotel, Ahmedabad and contact no. 9727548290. (3) From the bank account transaction statements, it was observed that there were regular fund movements between M/s. J M Soni Consultancy and Sanjay Soni as well as Krupa Soni.
4.	Krunal Gopaldas Rana	AKMPR9961M	(1) Krunal Gopaldas Rana and M/s. J.M. Soni Consultancy share common contact no. 9727548290. (2) From the bank account statement, there were transfer of funds between Krunal Gopaldas Rana and M/s. J.M. Soni Consultancy on September 3, 2009. (3) On perusal of trades of Krunal Gopaldas Rana with BMA Wealth Creators P. Ltd., it was observed that orders were placed through Sanjay Jethalal Soni.

5.	Dhiren Dharamdas Agarwal	AAZPA8189K	(1) Dhiren Dharamdas Agarwal and Sanjay Jethalal Soni share common contact no. 9879430033. (2) From the bank account statement, there were transfer of funds between Dhiren Dharamdas Agarwal and M/s. J.M. Soni Consultancy on July 21, 2010. (3) On perusal of trades of Dhiren Dharamdas Agarwal with BMA Wealth Creators P. Ltd., it was observed that orders were placed through Sanjay Jethalal Soni.
6.	Shweta Dhiren Agrawal	AIZPA2160J	Shweta Dhiren Agarwal is wife of Dhiren Dharamdas Agarwal.
7.	Amul Gagabhai Desai	AHDPD3526G	On perusal of trades of Amul Gagabhai Desai with BMA Wealth Creators P. Ltd., it was observed that orders were placed through Sanjay Jethalal Soni.
8.	Mahesh Somabhai Desai	AMGPD0183P	Mahesh Somabhai Desai and M/s. JM Soni Consultancy shares common contact no. 9727548290. On perusal of trades of Mahesh Somabhai Desai with Prabhudas Lilladher P. Ltd., it was observed that orders were placed through Sanjay Jethalal Soni.
9.	Vaishali Jimish Soni	AQHPS2680R	Vaishali Jimish Soni and Jimish Jitendrabhai Soni share common address i.e. 2/8, Akshat Apartment,

			Nr. B. D. Rav Hall, Bhuyandev, Char Rasta, Mem Nagar, Ahmedabad. There has been transfer of funds between Jimish Jitendrabhai Soni and Sanjay Jethalal Soni on May 14, 2010. Therefore Vaishali Jimish Soni and Sanjay Jethalal Soni are connected to each other.
10.	Ajaykumar Pala	AFHPP7032D	Ajaykumar Pala and Hetalben Rajeshkumar Pala share common address i.e. Maruti Agr. Opp Ankur Protin, Sarkhej Bavla Road, Changodar Taluka, Sanand Ahmedabad and Sanjay Jethalal Soni was the introducer and Krupa Sanjay Soni had verified the identification of Hetalben Rajeshkumar Pala.
11.	Shantiben Gangaram Desai	ARLPD2375B	Shantiben Gangaram Desai and Krupa Sanjay Soni / Sanjay Jethalal Soni share common email id shreejisecurities14@yahoo.co.in.
12.	Janakray Vithaldas Soni	AFNPS8401H	Sanjay Soni is the introducer of Janakray Vithaldas Soni.

13.	Amitkumar Rameshchandra Rana	ASPPR5709L	Amitkumar Rameshchandra Rana and Miteshgiri Goswami shares common contact no. 9879013113. He had also received shares in off market from Miteshgiri Chandangiri Goswami in the scrip Oregon Commercial Ltd. on July 28, 2010. Miteshgiri, in turn was introduced by Pravinbhai Dadoji Thakur, who in turn was introduced by Krupa Sanjay Soni. Krunal Gopaldas Rana and Amul Gagabhai Desai were the witnesses to the introduction of Pravinbhai Dadoji Thakur.
14.	Dhaval Satishkumar Agrawal	AJYPA0481G	Dhaval Satishkumar Agrawal and Amitkumar Rana shares common contact no. 9879013113.
15.	Nehaben Janakray Soni	AWOPS1717J	Nehaben Janakray Soni is wife of Janakray Vithaldas Soni

19. Connection among Noticees as shown above demonstrates how they are connected to each other. The basis of connection was refuted by the Noticees. The question first sought to be addressed is whether the Noticees were connected to each other i.e., whether they were known to each other sufficiently enough to impute a possible financial relationship or trading relationship between them. The factum of the aforesaid Noticees having common contact details and having placed orders through the Sonis is indicative of a possible connection between the said Noticees and the Sonis. This indication gets further strengthened especially in the cases of Dhiren Dharmdas Agarwal, Krunal Gopaldas Rana and Mahesh Somabhai Desai in whose cases there are records of fund transfer from Sanjay Soni. As can be seen from the records, several of the impugned trades were also entered into with other Noticees. Thus, I note that all the Noticees were either directly or

indirectly related to Sanjay Soni and Krupa Soni through family relation (spouse), common residential/official address, email id and phone number, common introducer, bank transactions within a year or during the investigation period or through a combination of these relations. These relations or a combination thereof squarely establishes the relationship between the Noticees and establishes them as a ‘group’ as held by the Hon’ble SAT in various cases such as *Sparkline Mercantile Company Pvt Limited Vs SEBI* (Appeal no. 171 of 2011) and *Sunil Mehta Vs SEBI* (Appeal No. 220/2012).

20. Amit Rameshchandra Rana contended that the off market transfer he undertook with one of the connected entities was in some other scrip and not that of PIL and hence the basis of connection is wrong. Krunal Gopaldas Rana has also contended that the basis of connection is not correct as the alleged fund transfers between him and JM Soni was for the fulfilment of his obligations as he had trading and demat account with JM Soni. In order to address these contentions appropriately, it is important to not look at these basis of connections in isolation. These connections among entities are examined only for the purpose to establish that the entities were known to each other and there may be a possibility that they were acting in concert to influence/ manipulate the securities market. In order to arrive at the conclusion whether violation has been done or not, data regarding trading is also examined.

21. Therefore, I cannot accept the contention of Noticees that they were not connected to ‘Soni Group’. The pattern of trading undertaken by the Noticees would further demonstrate that all the Noticees had acted in coordination with each other for executing the alleged trades. In this regard, I note that in *Master Finlease Ltd vs. SEBI* (Appeal no. 334 of 2014), the Hon’ble SAT had held that:

> *“Argument advanced by the counsel for the appellant that having common address and having shares of Vishvas Securities Ltd. could not be a ground to infer that the appellant*

was connected with the Vishvas Group is without any merit. In the present case, the Adjudicating Officer has not only established the connection of the appellant with the Vishvas Group but also demonstrated that the trading pattern among themselves resulted in synchronized trades and circular trades which were in violation of the PFUTP Regulations. In these circumstances, the finding recorded by the Adjudicating Officer that the pattern of synchronized order placement and circular trading clearly establish that the transactions were carried out with the intension that the orders of participating Noticees should match and that there was prior arrangement with respect to those of transactions cannot be faulted. The Adjudicating Officer is justified in holding that the very fact that the Vishvas group Noticees were trading continuously among themselves by placing orders in such pattern thereby contributing significantly to the total volume in the market cannot be faulted."

22. Based on the connection shown, the pattern of trading to be described herein after and above-mentioned observations of SAT, I am convinced with the allegations that Noticees were connected to each other and all have acted in tandem to create artificial volume in the scrip, as shall be demonstrated in the succeeding paragraphs in this order.

II. Whether the Noticees had violated Section 12A(a), (b) and (c) of the Act and Regulations 3(a),(b),(c),(d), 4(1), 4(2) (a) (b),(e) and (g) of PFUTP Regulations, as applicable?

Price-Volume Analysis:

23. It was observed that price of the scrip had increased from Rs.36.00 to Rs.399.65 (i.e. an increase of Rs.363.65) thereafter the price of the scrip fell to Rs.19.25 (i.e. a decrease of Rs.380.40). The period of investigation has been divided into two patches, the details are as under: -

(**Table 2**)

Period	**Dates**		**Opening Price (volume) on first day of the period (Rs.)**	**Closing price (volume) on last day of the period (Rs.)**	**Low Price (volume) during the period (Rs.)**	**High price (volume) during the period (Rs.)**
Pre Investigation period	(01-Apr-10 – 20-Jul-10)	Price	There was no trading in the scrip till July 20, 2010			
		Vol.				
Investigation Patch-I	(21-Jul10 – 23-Feb-11)	Price	Rs.36.00 (21-Jul-10)	Rs.399.65 (23-Feb-11)	Rs.36.00 (21-Jul-10)	Rs.407.75 (23-Feb-11)
		Vol.	45,000	28,450	45,000	28,450
Investigation Patch-II	(24-Feb11 – 30-Aug-11)	Price	Rs.386.05 (24-Feb-11)	Rs.19.25 (30-Aug-11)	Rs.18.45 (30-Aug-11)	Rs.398.00 (25-Feb-11)
		Vol.	9,750	9,800	9,800	44,550
Post investigation period	(01-Sep11 – 31-Dec-11)	Price	Rs.18.30 (02-Sep-11)	Rs.34.35 (30-Dec-11)	Rs.16.25 (27-Sep-11)	Rs.37.05 (28-Dec-11)
		Vol.	11,350	14,101	17,100	21,666

<u>Matched Trades</u>

24. On the basis of the connection mentioned at preceding paragraphs, it was alleged that the following 12 Noticees who had entered into substantial volume of matched trades (more than 10,000 shares) and executed matched trades repeatedly by trading within the Soni Group during Patch I of the IP and thereby created artificial volumes in the scrip, which are summarized below.

(Table 3)

S. No.	**Name of the Soni Group entities**	**Buy Qty matched with Other Entities**	**Sell Qty matched with other Entities**
1	Krunal Gopaldas Rana	2,51,200	2,18,000

2	Amul Gagabhai Desai	2,28,650	2,07,800
3	Dhirenkumar Dharamdas Agarwal	1,03,750	1,50,750
4	Krupa Sanjay Soni	1,33,550	2,53,650
5	Sanjay Jethalal Soni	1,41,050	1,47,850
6	Mahesh Somabhai Desai	95,800	1,40,900
7	Shweta Dhiren Agrawal	77,700	44,350
8	Janakray Vithaldas Soni	42,350	13,950
9	Amitkumar Rameshchandra Rana	10,350	26,050
10	J M Soni Consultancy	39,900	18,800
11	Shantiben Gangaram Desai	0	23,650
12	Dhaval Satishkumar Agrawal	12,150	12,000
	Grand Total	13,17,150	13,17,150

25. It can be seen from the above that sell trades were placed in such a fashion that trades to the tune of nearly 100% of bought quantity were matched within the Soni Group which is quite unlikely in case of trading behaviour of any unrelated entities.

26. During Patch-II of the investigation, it was observed that the following entities were observed to be top 10 buy clients and sell clients: **(Table 3A)**

Buy Client Name	**Qty**	**% of Total Mkt Volume**	**Sell Client Name**	**Qty**	**% of Total Mkt Volume**

Mr. Krunal Gopaldas Rana	2,57,700	6.49	Mr. Krunal Gopaldas Rana	3,40,500	8.57
Mr. Dhirenkumar Dharamdas Agarwal	1,39,450	3.51	Mr. Amul Gagabhai Desai	2,56,200	6.45
Mr. Amul Gagabhai Desai	1,30,450	3.28	Mr. Dhirenkumar Dharamdas Agarwal	2,19,250	5.52
Mr. Ashlesh Gunvantbhai Shah	1,28,650	3.24	Ms. Shweta Dhiren Agrawal	1,96,150	4.94
Ms. Shweta Dhiren Agrawal	1,20,800	3.04	M/s. Shyam Construction	1,79,050	4.51
Mr. Mahesh Somabhai Desai	96,950	2.44	Mr. Mahesh Somabhai Desai	1,49,750	3.77
Ms. Krinaben Ranjitbhai Gajjar	96,500	2.43	Ms. Krupa Sanjay Soni	1,05,550	2.66
Mr. Mayur Narayandas Darji	79,500	2.00	Mr. Ashlesh Gunvantbhai Shah	86,500	2.18
Ms. Krupa Sanjay Soni	70,050	1.76	Ms. Krinaben Ranjitbhai Gajjar	81,400	2.05
M/s. Chimanlal Maneklal Securities P. Ltd.	68,350	1.72	Mr. Jitendra Hasmukhlal Vyas	79,250	2.00
Top 10 Buy Clients	**11,88,400**	**29.92**	**Top 10 Sell Clients**	**16,93,600**	**42.64**
Remaining Clients	**27,83,400**	**70.08**	**Remaining Clients**	**22,78,200**	**57.36**
Total Market Vol.	**39,71,800**	**100.00**	**Total Market Vol.**	**39,71,800**	**100.00**

27. From the above table, it is observed that the top 10 buy and sell clients have contributed 29.92% and 42.64% respectively to the total market volume. On further analysis of trades, it was observed that 50 entities of 'Soni Group' have executed matched trades for 9,40,850 shares in 3,754 match

trades accounting for 23.71% to the total market volume, 55.83% and 42.97% of 'Soni group' entities buy and sell volume respectively during Patch-II of the investigation period. However, considering a threshold limit of more than 10,000 shares it is observed that 12 entities have traded among themselves for more than 10,000 shares. The list of these entities, including 8 Noticees are as under: - **(Table 3B)**

Client Name	**Buy Qty matched with entire Soni group**	**Sell Qty matched with entire Soni group**
Mr. Dhirenkumar Dharamdas Agarwal	98,000	99,150
Mr. Ashlesh Gunvantbhai Shah	98,550	32,750
Mr. Jitendra Hasmukhlal Vyas	47,050	30,450
Mr. Amul Gagabhai Desai	79,750	1,19,600
Ms. Krinaben Ranjitbhai Gajjar	52,350	20,350
Ms. Shweta Dhiren Agrawal	87,350	75,200
Mr. Krunal Gopaldas Rana	1,13,550	1,66,900
Mr. Miteshgiri Chandangiri Goswami	48,750	42,000
Mr. Amitkumar Rameshchandra Rana	34,750	5,800
Mr. Mahesh Somabhai Desai	49,400	62,200
Mr. Janakray Vithaldas Soni	13,200	24,700
Ms. Shantiben Gangaram Desai	14,950	34,100
Total	**7,37,650**	**7,13,200**

28. In the instant case, Noticees had allegedly traded among themselves and with other entities of Soni Group and thereby created artificial volume in a scrip, hence the trades of these Noticees were termed as Match trades. Hon'ble Supreme Court in the matter of *Ketan Parekh vs. SEBI* had observed that:

"*A synchronised transaction will, however, be illegal or violative of the Regulations if it is executed with a view to manipulate the market or <u>if it results in circular trading or is dubious in nature and is executed with a view to avoid regulatory detection or does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting the market equilibrium</u>.*".

29. In the instant case also, it is alleged that matched trades were executed to escape from the regulatory surveillance. Considering the substantial trades by the Soni Group (including the Noticees) in the scrip and number of trades matched among themselves, it was alleged that there was meeting of mind elsewhere and it was a deliberate attempt by the Noticees belonging to the group to create artificial volume in the scrip.

30. The match trades executed by 12 Noticees along with 2 other entities of Soni Group as a whole is given below:

<u>(Table 4)</u>

<table>
<tr><td></td><td>Qty</td><td>% to market volume of 84,17,700 (during Patch I of the investigation)</td></tr>
<tr><td>Total match Trade buy qty.</td><td>1317150</td><td rowspan="2">15.64</td></tr>
<tr><td>Total match Trade sell qty.</td><td>1317150</td></tr>
</table>

31. On an examination of the trade details, it is observed that the aforesaid 14 entities had traded among themselves for more than 10,000 shares. The details of the match trades by the said 14 entities are as under: - **<u>(Table 4A)</u>**

Client Name	Buy Qty matched with entire Soni group	Buy Qty matched with sub group	Sell Qty matched with entire Soni group	Sell Qty matched with sub group
Krunal Gopaldas Rana	4,68,700	2,51,200	4,56,400	2,18,000
Amul Gagabhai Desai	4,11,200	2,28,650	3,81,850	2,07,800
Dhirenkumar Dharamdas Agarwal	2,91,550	1,03,750	3,12,400	1,50,750
Krupa Sanjay Soni	2,54,450	1,33,550	3,57,050	2,53,650
Sanjay Jethalal Soni	2,46,950	1,41,050	2,31,150	1,47,850
Mahesh Somabhai Desai	2,12,500	95,800	2,53,850	1,40,900
Shweta Dhiren Agrawal	2,00,750	77,700	1,70,100	44,350
Miteshgiri Chandangiri Goswami	1,36,350	52,650	1,00,750	11,900
Arif Gulammustufa Shaikh	1,22,950	78,350	95,550	33,850
Janakray Vithaldas Soni	93,100	42,350	81,300	13,950
Amitkumar Rameshchandra Rana	87,500	10,350	79,400	26,050
J M Soni Consultancy	70,550	39,900	62,950	18,800

Shantiben Gangaram Desai	47,850	0	80,400	23,650
Dhaval Satishkumar Agrawal	47,050	12,150	48,300	12,000
Grand Total	**26,91,450**	**12,67,450**	**27,11,450**	**13,03,500**

32. It is pertinent to note from the Table above that the net volume of buy trades among the Noticees along with 2 other entities of Soni Group is same as the volume of sale quantity amongst themselves. Even if they would have taken delivery and made payments for such trades, it does not disprove that they had matched significant number of trades amongst themselves. It is also seen that whatever has been bought has been sold during the investigation period itself without any intention of holding the shares.

33. As per the submissions made by the Noticees that these matched trades were carried out through a screen-based trading platform on a segment with numerous different scrips, such high percentage of matching of these orders within the group, appear to be practically impossible unless there is a prior understanding or a pre-meditated plan between the Noticees executing them. Further, it has already been established in the preceding paragraphs that the Noticees were connected to each other and to Sanjay and Krupa Soni, directly or indirectly. This further substantiates that the matching of the trades could not have been a mere coincidence. Such matched trades among the 12 Noticees and 2 other entities of Soni Group mentioned in the Table above, have contributed towards 15.64% of the total number of trades in the scrip. This is a significant portion of the total trades and cannot be overlooked.

34. In this regard, I would like to refer to Hon'ble SAT's observation in the matter of *Anita Dalal vs.*

SEBI (Appeal no.211 of 2012) that:

> *"… trades have taken place in the impugned scrips through a group of connected Noticees like Maruti Group and Maniar Group through reversal, self-trades and off market transactions and the trades of the appellant also substantially fell in the same category and hence the theory of mere coincidence cannot be accepted. It is the case of the Board that reversal, self-trades and matching trades have taken place in the dealings of the appellant and the percentage of transactions highlighted by the appellant cannot be considered to be relevant. <u>There cannot</u> <u>be cases of perfect synchronization of time, quantity and volume. The appellant has contributed in the creation</u> <u>of artificial volumes in the scrips when the connected group traded in a manipulative manner…</u>"* [emphasis suuplied]

35. Further, I would also like to refer to Hon'ble Supreme court's order in the matter of *Rakhi Trading vs SEBI* wherein it is observed

> "*41 .... The stock market is not a platform for any fraudulent or unfair trade practice. The field is open to all the investors. By synchronization and rapid reverse trade, as has been carried out by the traders in the instant case, the price discovery system itself is affected. Except the parties who have pre-fixed the price nobody is in the position to participate in the trade. It also has an adverse impact on the fairness, integrity and transparency of the stock market.*
>
> *42. We are fortified in our conclusion by the judgment of this Court in Securities and Exchange Board of India v. Kishore R. Ajmera, though it is a case pertaining to brokers, wherein it has been held at paragraph 25:*
>
> > *"25. The SEBI Act and the Regulations framed thereunder are intended to protect the interests of investors in the Securities Market which has seen substantial growth in tune with the parallel developments in the economy. Investors' confidence in the*

capital/securities market is a reflection of the effectiveness of the regulatory mechanism in force. All such measures are intended to pre-empt manipulative trading and check all kinds of impermissible conduct in order to boost the investors' confidence in the capital market. The primary purpose of the statutory enactments is to provide an environment conducive to increased participation and investment in the securities market which is vital to the growth and development of the economy. The provisions of the SEBI Act and the Regulations will, therefore, have to be understood and interpreted in the above light."

In this case it was also held that in the absence of direct proof of meeting of minds elsewhere in synchronized transactions, the test should be one of preponderance of probabilities as far as adjudication of civil liability arising out of the violation of the Act or the provision of the Regulations is concerned. To quote:

"31. The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors…" We do not think that those illustrations are exhaustive. There can be several such situations, some of which we have discussed hereinabove.

36. Further, I would like to refer to the observations of Hon'ble Supreme Court in the matter of *Rakhi Trading Vs SEBI*, as detailed below, to conclude that the trades executed by the Noticees were not genuine.

"35. Having regard to the fact that the dealings in the stock exchange are governed by the principles of fair play and transparency, one does not have to labour much on the meaning of

unfair trade practices in securities. Contextually and in simple words, it means a practice which does not conform to the fair and transparent principles of trades in the stock market.

The SEBI Act, 1992 was enacted to protect the interest of the investors in securities. Protection of interest of investors should necessarily include prevention of misuse of the market. Orchestrated trades are a misuse of the market mechanism. It is playing the market and it affects the market integrity.

36. *Ordinarily, the trading would have taken place between anonymous parties and the price would have been determined by the market forces of demand and supply.*

37. *"20. ...As already observed 'synchronisation' or a negotiated deal ipso facto is not illegal. A synchronised transaction will, however, be illegal or violative of the Regulations if it is executed with a view to manipulate the market or if it results in circular trading or is dubious in nature and is executed with a view to avoid regulatory detection or does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting the market equilibrium. Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal. Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be*

exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn." (Emphasis Supplied)

37. While dealing with the submissions of Noticees pertaining to the matched trades, that their contribution to the same was miniscule and therefore could not have created artificial volume, I hold that he had not traded individually, but in coordination with the Noticees and other members of 'Soni Group' and therefore his contribution cannot be viewed in isolation.

38. With regard to their claim that transactions were executed at the prevailing market price and on the floor of the exchange and there was transfer of beneficial ownership, I hold that their trading as a part of the Soni Group is facilitative of the overall scheme of matching trades within the group which has already been detailed above.

39. The quantum of matched trades noted in the Tables 8 and 8A above must be read along with the fact that the Noticees had contributed to 41.86% / 34.43% of the buy /sell volume in Patch I and contributed to 23.76%/31.91% of the buy/sell volume in Patch II, which is a sizeable proportion of the trades executed in the company's scrip. On the basis of what has been stated above, I hold that the Noticees had intentionally matched trades among themselves that was not due to normal matching of price and time driven by the system. I note that the matching of these trades was not noted in a solitary incident and in fact a large number of trades got matched regularly. The frequency of such trades ensured consistent matching of the orders for the purpose of creating volume among the Noticees in the scrip to induce other persons to invest in the said scrip. The significantly high percentage of matching of these orders among the 12 Noticees with 2 other entities of Soni Group as elaborated in Table 8A above, which constituted 15.64% of the total trading volume in the scrip, could not be achieved unless there was a prior understanding between

the Noticees, who have already been established to be related/ connected to each other. I further note that the execution of these trades has not been denied or disputed by any of the Noticees.

40. Therefore, I hold that the matching of trades between the Noticees was intentional and had created artificial volume in the scrip which could have induced other gullible investors to take interest in the scrip. Thus, the allegation of executing match trades and thereby creating artificial volume stands concluded.

Self- Trades

41. Self-trades are fictitious trades without intention of change in ownership of shares and thereby creating artificial volumes. It was alleged that some of the Noticess such as Krunal, Krupa, Sanjay and Amul by executing self- trades repeatedly (criteria: quantity of more than 10,000 shares, more than 10 count of trades executed for two or more days) had created artificial volumes without intention of change in ownership of shares. The details of their trades are summarized as under: -

(Table 5)

Client Name	Self-Trade Qty.	No. of Self Trades	No. of trading days	Sum of LTP diff. (Rs.)	% of Self Traded Qty. to Market Vol.	% of Self Traded Qty. to Clients Buy Vol.	% of Self Traded Qty. to Clients Sell Vol.
Krunal	34,850	240	36	1.00	0.41	5.14	6.57
Sanjay	29,750	224	22	1.00	0.35	6.29	6.53
Krupa	29,550	146	34	-17.05	0.35	5.62	5.96
Amul	21,150	230	33	0.85	0.25	3.43	4.96
Total	**115,300**	**840**	**-**	**-14.2**	**1.36**	**20.48**	**24.02**

42. It was observed from the trading details that such self-trades were done by Krunal, Krupa, Sanjay and Amul on several days and in certain instances the time difference between buy and sale order was negligible indicating synchronization.

43. In *SPFL Securities Limited Vs SEBI* (Appeal No. 362/2017, decided on October 11, 2019), it was *inter alia* held that self-trades coupled with LTP contribution can be violative of PFUTP Regulations irrespective of the percentage contribution to the total trade volume.

> "*Similarly, the impugned order also highlights how the LTP was affected by the manipulation indulged by the appellant. The prices increased from Rs. 24.85 to Rs. 64.60 and the appellant JV's contribution to the LTP was Rs. 6.80. It is also evident from the impugned order that on <u>12 trading days</u> the appellant executed self-trade to the tune of 7323 shares which is <u>4.91% of the total trade</u>. Given these facts, the finding in the impugned order that the appellant JV has violated provisions of the PPPFUTP Regulations cannot be faulted."* [emphasis supplied]

44. In the present case, self-trades were executed by each of the four Noticees named in Table 5 for a period of <u>22 to 36 trading days</u> for 1,15,300 shares over 840 self-trades comprising <u>not less than 3.43% of buy volume and around 6.57% of sale volume</u> for each of the said Noticees, contributing around Rs. 14.20/- to the LTP.

45. During Patch I, some of the Noticees, namely Sanjay Jethalal Soni Krupa Soni, Krunal Gopaldas Rana and Amul Gagabhai Desai were found to have executed 224, 146, 240 and 230 self-trades, respectively, over a period ranging from 22 to 36 trading days. Cumulatively 1,15,300 shares were traded by way of placing self-trades by the said Noticees, the quantum of each Noticee's trades ranging from 21,150 to 34,850 shares. These figures are clearly not insignificant. It can also not be

construed as being technical errors. It is true that all self-trades need not necessarily be construed as being fraudulent or illegal in nature. The recent decision of the Hon'ble Securities Appellate Tribunal ("SAT") in the matter of *Crosseas Capital Services Ltd. v. SEBI* is instructive in this regard. Extracts of observations made by SAT in this case are as follows:

> *"In case of self- trades, both the buyer and the seller are the same entity and, therefore, execution of self-trade does not result in change of beneficial ownership. Nonetheless, it may create a false or misleading appearance of trading in the securities market and may entice other investors to trade in that particular scrip or entities may enter into such trades with the intention of manipulating the price or volume of the scrip. As such, the execution of selftrades falls within the purview of Regulation 4(2)(a) and (g) of PFUTP Regulations, 2003. However, orders placed through algo trading software using different terminals through the same broker, may get matched accidentally without any manipulative intention. As such, mere occurrence of self-trades may be accidental but still would attract the provisions of Regulation 4(a) and (g) of the PFUTP Regulations, 2003 if any additional material, evidence or circumstances are available to indicate manipulation of the price or volume of the scrip or creation of false or misleading appearance of trading in securities market resulting from such self-trades.... Various decisions have also been passed by the Tribunal on the issue of self-trades wherein this Tribunal has taken a consistent view that a few instances of self-trades in themselves would not amount to an objectionable trade if there was no manipulative intent. In the light of the various decisions taken by this Tribunal, SEBI reviewed its stand and came out with the circular dated May 16, 2017 dealing in self-trades.... The circular indicates that in order to find someone guilty of self-trades under the PFUTP Regulations, 2003, it is essential to find out the intention or manipulation. The circular indicated that accidental / unintentional self-trades were not covered under the*

regulations and mere occurrence of self-trades would not be considered per se illegal in the absence of any other additional evidence to prove manipulation or intention to defraud. The circular, thus, provided that in all matters of self-trades, an assessment has to be made as to whether the said trade was intentional or unintentional on the basis of supporting evidence. One such supporting evidence as per the circular to indicate the manipulative intent is, the volume transacted.... The algo softwares are designed to detect the most minute changes in stock prices and to respond accordingly and, therefore, it is quite possible that when certain orders are automatically generated without any human intervention for purchase of shares on a minute change in the stock prices, simultaneously in a fraction of seconds a similar order of the same quantity could be booked for sale. Consequently, such purchase and sale could happen automatically which may result in self-trades. Whether such self-trades generated automatically could lead to violation of PFUTP Regulations is a point which is required to be considered by the AO especially in the light of the policy declared by SEBI in its circular of 2017, namely, the intention/the manipulative intention. " (emphasis supplied)

46. In the instant case, trades placed were not as a result of algorithmic trading. The Noticees' group contribution to self-trade as a proportion of market volume was 1.36% which is not a small figure. In fact, in absolute numbers, the group was found to have executed 840 self-trades. To conclude that orders relating to 840 trades were accidentally reversed, is implausible and indefensible. The number of such trades executed, the quantum of shares transferred by way of self-trades and the repetitiveness with which self-trades were executed by connected persons lend credence to the allegation that such self-trades were neither genuine nor technical defaults. The volume of self-trades had the potential to give a false impression of actual or genuine volumes of trading in the company's scrip.

47. The aforesaid 4 Noticees have submitted common justification for the self-trades stating that by transferring the stock positions from one Stock Broker to another Stock Broker, they are able to clear the Debit balance at one stock broker and create Debit Balance to another Stock Broker where are more favourable terms of credit. With regard to this contention, I note that it cannot be mere coincidence that all the aforesaid 4 Noticees who were claiming to be not connected to each other decided to transfer the shares to different stock broker during the IP and while holding the shares of PIL. Further, no documentary evidence was brought forth to support the above contention.

48. None of the figures mentioned in the table above have been disputed by the Noticees. On the basis of material available, I conclude that Krunal, Krupa, Sanjay and Amul had violated the provisions of PFUTP Regulations by executing self-trade.

<u>Price Manipulation</u>

LTP Contribution

49. It was alleged that Krupa, Krunal, Amul, Sanjay, Mahesh, Dhiren, Vaishali, Shweta, Shantiben, Ajay, Neha and J M Soni had individually contributed 1.00% or more towards positive LTP (+ve) in PIL during IP. Further, it was alleged that for 173 trades the buy orders were placed in the system before the sell orders were placed thereby contributed Rs.196.65 to LTP. Further, for 296 trades which contributed Rs.173.45 to LTP, the counter party sellers were the aforementioned Noticees. Thus, by trading among themselves and by placing orders above LTP these Noticees have manipulated the price of the scrip. Details are tabulated in the following table – **(Table 6)**

Name	All trades			LTP Diff. > 0			LTP Diff. < 0			LTP Diff. =0		% of +ve LTP to total mkt. +ve LTP
	Sum of LTP diff.	**Sum of Qty**	**No of trades**	**Sum of LTP diff.**	**Qty traded**	**No of trades**	**Sum of LTP diff.**	**Qty traded**	**No of trades**	**Qty traded**	**No of trades**	
Ms. Krupa Sanjay Soni	62.45	5,25,700	3,892	294.10	42,600	264	-231.65	52,050	469	4,31,000	3,158	12.61
Mr. Amul Gagabhai Desai	67.15	6,16,150	4,109	154.55	63,400	221	-87.40	35,850	279	5,16,900	3,609	6.63
Mr. Krunal Gopaldas Rana	18.10	6,78,000	4,966	118.75	49,000	188	-100.65	61,500	328	5,67,500	4,450	5.09
Mr. Sanjay Jethalal Soni	47.00	4,73,000	2,504	100.70	53,100	178	-53.70	18,700	203	4,01,200	2,123	4.32
Mr. Dhirenkumar Agarwal	51.85	4,24,950	1,941	99.40	38,800	117	-47.55	23,850	152	3,62,300	1,672	4.26
Mr. Mahesh Somabhai Desai	31.10	2,85,350	3,155	68.80	22,050	157	-37.70	12,400	109	2,50,900	2,889	2.95
Ms. Vaishali Jimish Soni	51.10	86,300	555	62.55	10,600	91	-11.45	11,900	59	63,800	405	2.68
Ms. Shweta Dhiren Agrawal	36.80	2,15,300	1,260	40.90	14,650	43	-4.10	6,750	27	1,93,900	1,190	1.75
Ms. Shantiben Desai	20.50	90,600	664	35.30	5,400	56	-14.80	11,900	40	73,300	568	1.51
Mr. Ajaykumar Jayantilal Pala	15.70	37,750	415	29.30	3,500	30	-13.60	4,200	58	30,050	327	1.26

Ms. Nehaben Janakray Soni	19.35	68,700	458	24.80	4,950	26	-5.45	8,450	14	55,300	418	1.06
M/s. J M Soni Consultancy	3.05	1,29,550	709	24.65	17,900	48	-21.60	9,700	56	1,01,950	605	1.06
Total	**425**	**37,66,050**	**25,792**	**1,080.4**	**3,31,100**	**1,455**	**-655.40**	**2,67,350**	**1,841**	**31,67,550**	**22,495**	**46.33**
Total of the market	**378.70**	**84,17,700**	**52,583**	**2,331.84**	**8,88,050**	**3,414**	**-1968.19**	**6,60,700**	**3,954**	**68,68,900**	**45,215**	**100.00**

50. From above table , I note that Krupa, Amul, Krunal, Sanjay, Dhiren, Mahesh, Vaishali, Shweta, Shantiben, Ajay, Neha and JM Soni who are related/ connected, had, while acting in tandem, acted in manipulative manner to inflate the LTP of the scrip and manipulated the stock price and created misleading appearance of trading in the securities market, while executing match trades and self-trades and thereby contributed to gross positive LTP of Rs.1,130.55 which contributes to 48.13% of total market positive LTP. I also note that the alleged violation of LTP contribution is not noted in a solitary incident or two, instead, a large number of trades got matched regularly through 1840 trades for 460,250 shares. The frequency of such trades ensured consistent matching of the orders for the purpose of creating volume among the Noticees in the scrip to induce other persons to invest in the said scrip, create misleading appearance and price manipulation.

51. From the aforesaid Table, it is observed that the Noticees mentioned there at have contributed to net LTP and have also contributed more than 1.00% to positive LTP (gross) as compared to total market positive LTP (gross). On further analysis of the trades contributing to positive LTP (gross) by these Noticees, it is observed that for 173 trades the buy orders were placed in the system before the sell orders were placed thereby contributed Rs. 196.65 to LTP. Further, for 296 trades which contributed Rs. 173.45 to LTP the counter party sellers were among these 12 Noticees.

52. The upward push to the price of the scrip due to this mechanism of manipulation is obvious from the records. The sum of LTP Difference greater than zero, contributed by the Noticees, as per the Table 6 stated above, itself comes to Rs. 363.65, which is demonstrative of an overwhelming attempt by the group of Noticees to push the price upwards. The LTP Analysis measures the positive or negative move created by trades in comparison to the immediately previous trades. It is really not material if these prices had been established earlier as any manipulative trade further reinforces the price trends. Therefore, it is not relevant to contend that the alleged manipulative prices had already been established previously.

53. Here, it is important to refer to the observations made by the Hon'ble SAT in its order dated March 21, 2014 in ***Saumil Bhavnagari Vs. SEBI*** which are as under:

> *"… but by purchasing shares at the higher price in LTP in most of the trades, the Noticee had given a wrong impression about the liquidity of the scrip in the market. It must not be forgotten that every trade establishes the price of the scrip and the Noticees trading at higher than LTP resulted in the price of the scrip going up and were done with a view to set the price at a desired level and thereby influencing the innocent/gullible investors. By purchasing at a higher price in most of his trades, the Noticee had given the wrong impression about the price of the scrip in the market. It is an accepted state of affairs that in cases of manipulation of the volume and / or price of a particular scrip, it is usually an arduous task to obtain direct evidence. However, the analysis of the trade and order logs as undertaken hereinabove, establishes the malafide intention of the appellant."*

54. Thus, I hold that by trading among themselves and by placing orders above LTP these Noticees mentioned in Table 6 have manipulated the price of the scrip.

New High Price (NHP)

55. New high price is the price which is higher than the price already established in the scrip during the period under consideration. During Patch I of the investigation, the price of scrip increased from Rs.36.00 to a high of Rs.407.75 (an increase of Rs.371.75) through first trades as well as intra-day price movements. The details of the trades of following entities of Soni Group contributing towards NHP have been analysed and the same is as under:- (**Table 7)**

S. No.	**Client name**	**Sum of NHP Qty**	**No. of trades**	**% to total market NHP Trades**	**NHP (Rs.)**	**% to total market NHP**
1	Mr. Amul Gagabhai Desai	15,300	40	8.58	37.25	10.01
2	Ms. Krupa Sanjay Soni	5,900	36	7.73	21.55	5.77
3	Ms. Shweta Dhiren Agrawal	4,550	11	2.36	19.7	5.3
4	Ms. Vaishali Jimish Soni	3,050	27	5.79	15.85	4.25
5	Mr. Krunal Gopaldas Rana	4,700	25	5.36	14.65	3.93
6	Mr. Mahesh Somabhai Desai	4,700	33	7.08	11.4	3.05
7	Mr. Sanjay Jethalal Soni	2,500	18	3.86	11.35	3.07
8	Mr. Arif Gulammustufa Shaikh	2,150	14	3	8.15	2.18
9	Mr. Dhirenkumar Agarwal	750	9	1.93	5.6	1.51
10	Ms. Shantiben Gangaram Desai	750	7	1.5	4.1	1.09
11	M/s. JM Soni Consultancy	550	4	0.86	1.35	0.37
12	Ms. Nehaben Janakray Soni	800	6	1.29	0.5	0.12
	Total	**45,700**	**230**	**49.34**	**151.45**	**40.65**

56. Hence, it was alleged that 12 entities (including 11 Noticees) mentioned in the Table above have contributed Rs.151.45 (i.e. 40.65% to total market NHP) in 230 trades. The said Noticees have

made a common contention that due to less public float of shares of PIL, such incident occur. However, I note that no justification is provided to trade in a stock with less public float in absence of any major corporate announcement and continuously contributing to the NHP. Further, as seen from above the 12 Noticees contributed to half of the total market contribution to NHP and traded many times dealing in substantial quantities. Hence, these 12 Noticees have contributed to the price rise by establishing new high price and manipulated the price of the scrip.

57. This is also a strong indicator of the group attempting to increase the price in a coordinated and manipulative manner. As can be seen from table above, Amul, Krupa, Shweta, Vaishali, Krunal, Mahesh, Sanjay, Arif, Dhiren, Shantiben, JM Soni and Neha had traded extensively in the scrip which resulted in NHP of Rs.151.45 through 230 trades and 45700 shares. Their contribution 40.65% to total market NHP. This is also a strong indicator of the group attempting to increase the price in a coordinated and manipulative manner and further establishes the allegation against the Noticees among them that they had indulged in price manipulation.

<u>Price contribution by First Trade</u>

58. It was alleged that some of the Noticees viz. Amul, Krunal, Sanjay, Krupa, Dhiren, JM Soni and Shantiben had contributed majorly towards net LTP by participating in First Trades and had contributed Rs.57.85 towards net LTP in 57 first trades as detailed below. Hence, these Noticees had contributed to the price rise by increasing LTP through first trades and manipulated the price of the scrip. **(Table 8)**

S.No	Clients Name	Sum of First Trades LTP diff. (in Rs.)	No. of First Trades	First Trades Qty.	% to total No. of First Trades	% to total First Trades Qty.
1	Mr. Amul Gagabhai Desai	18.80	9	1,450	5.92	3.57
2	Mr. Krunal Gopaldas Rana	13.60	10	550	6.58	1.35

3	Mr. Sanjay Jethalal Soni	11.75	7	6,350	4.61	15.62
4	Ms. Krupa Sanjay Soni	9.95	21	1,050	13.82	2.58
5	Mr. Dhirenkumar Agarwal	2.60	8	3,900	5.26	9.59
6	M/s. JM Soni Consultancy	1.05	1	50	0.66	0.12
7	Ms. Shantiben Desai	0.10	1	50	0.66	0.12
	Total of the group	57.85	57	13,400	37.51	32.95

59. In view of the above, it was alleged that Noticees had created the misleading appearance of trading in the securities market by trading among themselves through matched trades and trading with self through self-trades. It was also alleged that there was manipulation in the price of the scrip by contributing significant percentage to the last traded price, New High price and first trade by the Noticees.

60. In view of the above considering that Amul, Krunal, Sanjay, Krupa, Dhiren, JM Soni and Shantiben had also contributed to price manipulation through first trade by contributing to first trade LTP of Rs.57.85 through 57 trades for 13400 shares. Thus, establishes the allegation that they had contributed to LTP through First Trade.

61. I find that all 15 Noticees had indulged extensively as a group while executing matched- trades and in addition some Noticees, as stated above, had also indulged in executing repetitive match trades, self-trades and price manipulation through LTP contribution, NHP and First trade.

62. I also observe from the shareholding details of the Noticees that some of them had sold substantial portion of their shareholding in PIL after the price was raised through such devices as already narrated in the preceding paragraphs. Details of the shareholding of the Noticees over the period of investigation is provided herein below:

a. The aggregate percentage shareholding in the scrip of Parichay Investments Ltd. of three Noticees viz. **Mr. Sanjay Jethalal Soni, Ms. Krupa Sanjay Soni and M/s. J M Soni Consultancy** during the investigation period is graphically presented as under:-

b. The aggregate percentage shareholding in the scrip of Parichay Investments Ltd. of these two Noticees viz. **Mr. DhirenDharamdas Agarwal and Ms. ShwetaDhiren Agarwal** during the investigation period is graphically presented as under:-

c. The percentage shareholding in the scrip of Parichay Investments Ltd. **of Mr. Amul Gagabhai Desai** during the investigation period is graphically presented as under:-

d. The percentage shareholding in the scrip of Parichay Investments Ltd. of **Mr. Krunal Gopaldas Rana** during the investigation period is graphically presented as under:-

63. It is therefore clear that the Noticees had intended to buy shares of PIL, artificially increase its price through such manipulative devices as already narrated in the preceding paragraphs and thereafter, sell their shares at inflated prices. It is therefore concluded that the entire scheme of the Noticees was manipulative and fraudulent in nature which had created false and misleading appearance of trading in the scrip.

64. I find that by indulging in the above mentioned manipulative trades, the Noticees had created artificial volume in the scrip and the manipulated price gave a misleading appearance of trading in the scrip. The said match trades and self-trades trades during the investigation period for such volumes and over a period of time further establishes that the Noticees were acting in concert and

such trades could not have been carried out without the meeting of minds for such manipulation in the market. It is also established that some of the Noticees had sold bulk of their shareholdings in PIL once the price of the scrip was artificially inflated. Thus I conclude that the Noticees being related/connected with one another, had traded in the scrip in a manipulative manner and thus violated provisions as mentioned in preceding paragraphs warranting imposition of monetary penalty under Section 15HA of the SEBI Act.

III. Does the violation, if any, on the part of Noticees attract monetary penalty under Section 15 HA of the Act?

65. Having established that Noticees had violated the provisions PFUTP Regulations as stated above, I find the Noticees are liable for penalty.

66. The contents of the penal provisions are stated below:

Section 15HA of the SEBI Act, 1992:

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 of twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher.*

67. Here, it is important to refer to the observation of the Hon'ble Supreme Court of India in the matter of ***SEBI Vs. Shri Ram Mutual Fund*** *[2006] 68 SCL 216(SC)* wherein it was observed 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…"*

IV. If so, what would be the quantum of monetary penalty that can be imposed on Noticees taking into consideration the factors mentioned in Section 15J of the Act?

68. While determining the quantum of penalty under Section 15HA of the Act, it is important to consider the factors stipulated in Section 15J of the SEBI Act, 1992 which reads as under: -

15J - Factors to be taken into account by the adjudicating officer

While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely: -

(a) *the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*

(b) *the amount of loss caused to an investor or group of investors as a result of the default;*

(c) *the repetitive nature of the default."*

Explanation: *For removal of doubts, it is clarified that the power to of an adjudicating officer to adjudge the quantum of penalty under Sections 15A to 15E, Clauses (b) and (c) of Section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.*

69. It is noted that available records do not specify the disproportionate gains or unfair advantage made by the Noticees or the specific loss suffered by the investors due to such manipulated trading.

70. Though, as observed above, no quantifiable unfair / disproportionate gain was shown to have been acquired by the Noticees in the above mentioned activities, I cannot ignore the gravity of violations involved in the matter. Having established that Noticees had executed trades which were manipulative and in my opinion, indulging in trades with manipulative intent to create misleading appearance of trading (as analysed in preceding paragraphs of this order), certainly is in the nature

of causing possible adverse impact in disturbing the equilibrium of fair market mechanism and inducing investors.

ORDER

71. In view of the above, after considering all the facts and circumstances of the case and exercising the powers conferred upon me under Section 15-I (2) of the SEBI Act, 1992 read with Rule 5 of the Adjudication Rules, I hereby impose the following monetary penalties on Noticees:

Sr. No.	**Name of the Noticee**	**Provisions of Law Violated**	**Penalty Provision** 15HA of SEBI Act	**Penalty Amount (In Rs.)**
1	Ms. Krupa Sanjay Soni (PAN: BVSPS9740P)	Section 12A (a), (b) and (c) of the SEBI Act read with Reg. 3(a),(b), (c), (d), 4(1), 4(2) (a),(b),(e) and (g) of PFUTP Regulation		**Rs.10,00,000/- (Rupees Ten Lakhs)**
2	Mr. Krunal Gopaldas Rana (PAN: AKMPR9961M)			**Rs.10,00,000/- (Rupees Ten Lakhs)**
3	Mr. Sanjay Jethalal Soni (PAN: BVSPS9741N)			**Rs.10,00,000/- (Rupees Ten Lakhs)**
4	Mr. Amul Gagabhai Desai (PAN: AHDPD3526G)			**Rs.10,00,000 /- (Rupees Ten Lakhs)**
5	Shantiben Gangaram Desai (ARLPD2375B)			**Rs.5,00,000/- (Rupees Five Lakhs)**

6	M/s. J M Soni Consultancy (Prop. Sanjay Jethalal Soni) (PAN: AAGFJ2939P)			**Rs.10,00,000/- (Rupees Ten Lakhs)**
7	Mr. Dhirenkumar Dharamdas Agarwal (PAN:AAZPA8189K)			**Rs.10,00,000/- (Rupees Ten Lakhs)**
8	Mr. Mahesh Somabhai Desai (PAN: AMGPD0183P)			**Rs.10,00,000/- (Rupees Ten Lakhs)**
9	Shweta Dhiren Agarwal (PAN: AIZPA2160J)			**Rs.10,00,000/- (Rupees Ten Lakhs)**
10	Ms. Vaishali Jimish Soni (PAN:AQHPS2680R)	Section 12 (a), (b) and (c) of the Act read with Reg.3(a), (b), (c), (d), 4(1), 4(2) (b) and (e) of PFUTP Regulations.		**Rs.5,00,000/- (Rupees Five Lakhs)**
11	Nehaben Janakray Soni (PAN: AWOPS1717J)			**Rs.5,00,000/- (Rupees Five Lakhs)**
12	Ajaykumar Jayantilal Pala (PAN: AFHPP7032D)			**Rs.5,00,000/- (Rupees Five Lakhs)**

13	Dhaval Satishkumar Agrawal (PAN:AJYPA0481G)	Section 12 (a), (b) and (c) of the Act read with Reg.3(a), (b), (c), (d), 4(1), 4(2) (a) and (g) of PFUTP Regulations		**Rs.5,00,000/- (Rupees Five Lakhs)**
14	Janakray Vithaldas Soni (PAN:AFNPS8401H)			**Rs.5,00,000/- (Rupees Five Lakhs)**
15	Mr. Amitkumar Rameshchandra Rana (PAN: ASPPR5709L)			**Rs.5,00,000/- (Rupees Five Lakhs)**

72. The amount of penalty shall be paid either by way of demand draft in favour of "SEBI -Penalties Remittable to Government of India", payable at Mumbai, or by online payment through following path at SEBI website www.sebi.gov.in. the path to make said payment is:

ENFORCEMENT → Orders → Orders of AO → Click on PAY NOW

73. The said demand draft and its details or details of online payments made in the format as given in table below) should be forwarded to "The Division Chief (Enforcement Department DRA-I), the Securities and Exchange Board of India, SEBI Bhavan, Plot No. C4 –A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai –400 051."

Case Name :	
Name of Payee :	
Date of Payment:	

Amount Paid :	
Transaction No. :	
Bank Details in which payment is made :	
Payment is made for : (like penalties/ disgorgement/ recovery/ settlement amount and legal charges along with order details)	

74. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, consequential proceedings, including but not limited to recovery proceedings may be initiated 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.

75. In terms of Rule 6 of the Adjudication Rules, 1995, copy of this Order is sent to the Noticees and also to the Securities and Exchange Board of India.

PLACE : MUMBAI **G.RAMAR**

DATE : November 30, 2022 **ADJUDICATING OFFICER**