**BEFORE THE ADJUDICATING OFFICER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

**[ADJUDICATION ORDER Ref No.: Order/AP/VS/2020-21/10576-10578]**

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

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In respect of:

1. **Ms. Rachita Shripalkumar Shah** (PAN No.: ALSPS6004P)
2. **Shripal Sheshmal Huf** (PAN No.: AAHHS7762L)
3. **Mr. Shripal Sheshmal** (PAN No.: AFBPS1760D)

In the matter of **Garware Polyester Limited**

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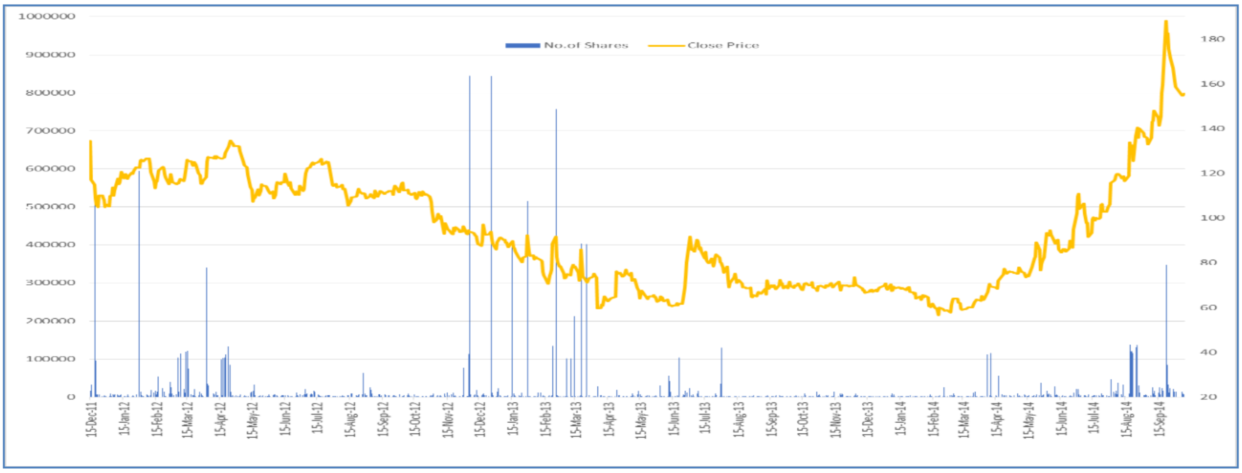
1. Garware Polyester Limited (hereinafter referred to as 'GPL') is a listed company having its shares listed on Bombay Stock Exchange Limited (BSE). Securities and Exchange Board of India ('SEBI') had conducted an investigation in the matter of trading in the scrip of the company by certain entities during the period December 15, 2011 to October 09, 2014 (hereinafter referred to as 'investigation period') to ascertain whether there was any violation of the provisions of SEBI Act and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities market) Regulations, 2003 (hereinafter referred to as 'PFUTP Regulations'). During the investigation, the price volume data of the scrip at BSE and NSE for the period before, during and after the investigation period was noted as mentioned in following graph and table graph:

**Chart-1: Price Volume movement at BSE**



<u>**Table No. 1: Price movement at BSE**</u>

| Period | Dates | | Open | High | Low | Close | Total Vol/(Avg. Vol.) |
|---|---|---|---|---|---|---|---|
| Pre Investigation Period | 15/09/2011-14/12/2011 | Price | 158.05 | 164.95 (15/09/2011) | 130 (02/11/2011) | 136.85 | 497555 (8293) |
| | | Vol | 20213 | 59017 (16/11/2011) | 637 (20/10/2011) | 15728 | |
| Patch 1 (Fall) | 15/12/2011-05/04/2013 | Price | 135.05 | 137.8 (15/12/2011) | 58.65 (03/04/2013) | 59.6 | 9433483 (28673) |
| | | Vol | 16934 | 845218 (06/12/2012) | 34 (13/11/2012) | 28618 | |
| Patch 2(Rise) | 08/04/2013-08/07/2013 | Price | 59.45 | 94 (02/07/2013) | 58.4 (08/04/2013) | 90.4 | 469376 (7450) |
| | | Vol | 3872 | 103622 (21/06/2013) | 215 (31/05/2013) | 8171 | |
| Patch 3 (Fall) | 09/07/2013-20/02/2014 | Price | 90.4 | 95.5 (09/07/2013) | 55.2 (20/02/2014) | 56.7 | 518430 (3323) |
| | | Vol | 15196 | 129494 (31/07/2013) | 66 (29/08/2013) | 746 | |
| Patch 4(Rise) | 21/02/2014-09/10/2014 | Price | 59.9 | 193.5 (23/09/2014) | 56.6 (21/02/2014) | 155.65 | 2528961 (16529) |
| | | Vol | 3965 | 347543 (22/09/2014) | 87 (22/03/2014) | 7243 | |
| Post Investigation period | 10/10/2014-08/01/2015 | Price | 151.15 | 165.7 (12/11/2014) | 121.05 (17/12/2014) | 131.4 | 391777 (6530) |
| | | Vol | 7581 | 44548 (13/11/2014) | 1279 (10/12/2014) | 5158 | |

2. It is noted that during the period April 08, 2013 to July 08, 2013 (Patch-2), a total of 4,69,376 shares were traded in 4,784 trades at BSE. The closing price of the scrip was ₹59.6 on April 05, 2013 and ₹90.4 on July 08, 2013 at BSE, i.e. price of the scrip increased by ₹30.8 during the said period. On the basis of net positive LTP contribution, trades of top 10 entities are analysed as under:

<u>**Table No. 2: Top 10 positive LTP Contribution**</u>

| Buyer Name | All Trade | | | Trades with LTP diff>0 | | | Trades with LTP diff<0 | | | Trades with LTP diff=0 | | % of Positive LTP to total Market Positive LTP |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net LTP in ₹ | Total Qty. | No. of trades | LTP impact in ₹ | Qty. traded | No. of trades | LTP impact in ₹ | Qty. traded | No. of trades | Qty. traded | No. of trades | |
| Rachita Shripalkumar Shah | 38.30 | 825 | 43 | 39.55 | 39 | 21 | -1.25 | 12 | 3 | 774 | 19 | 7.86 |
| Shirpal Sheshmal Huf | 32.75 | 1151 | 75 | 40.85 | 287 | 43 | -8.10 | 81 | 7 | 783 | 25 | 8.12 |
| Sanjay Venilal Suratwala | 10.90 | 4629 | 151 | 12.50 | 1167 | 29 | -1.60 | 135 | 3 | 3327 | 119 | 2.48 |
| Central Finance Securities Pvt. Ltd. | 8.60 | 8186 | 182 | 11.50 | 1793 | 23 | -2.90 | 1246 | 14 | 5147 | 145 | 2.29 |
| Manas Satish Kulkarni | 7.40 | 350 | 7 | 7.40 | 120 | 3 | 0.00 | 0 | 0 | 230 | 4 | 1.47 |
| Nandini Maliah | 7.05 | 2500 | 37 | 7.50 | 1411 | 24 | -0.45 | 116 | 2 | 973 | 11 | 1.49 |
| Gajanan Entrprises | 6.30 | 25 | 22 | 6.45 | 11 | 9 | -0.15 | 2 | 2 | 11 | 11 | 1.28 |
| Pashant Pankaj Patel | 6.15 | 10947 | 121 | 33.40 | 4865 | 64 | -27.25 | 2265 | 24 | 3817 | 33 | 6.64 |
| Panna Lal Bapna | 6.10 | 500 | 11 | 6.10 | 435 | 8 | 0.00 | 0 | 0 | 65 | 3 | 1.21 |
| Suresh Bansal | 4.85 | 278 | 11 | 4.85 | 25 | 6 | 0.00 | 0 | 0 | 253 | 5 | 0.96 |
| **Total Top 10** | **128.40** | **29390** | **660** | **170.10** | **10153** | **230** | **-41.70** | **3857** | **55** | **15380** | **375** | **33.80** |
| Others | -99.00 | 439986 | 4124 | 333.20 | 114726 | 774 | -432.20 | 71193 | 744 | 254067 | 2606 | 66203 |
| **Market** | **29.40** | **469376** | **4784** | **503.30** | **124879** | **1004** | **-473.90** | **75050** | **799** | **269447** | **2981** | **100** |

a) From the above table, it is noted that top 10 LTP contributors have contributed positive LTP of ₹170.1/- which is 33.80% of total market positive LTP contribution i. e ₹503.30. Among top 10 positive LTP contributing clients, two entities Rachita Shripalkumar Shah (Noticee No. 1) and Shripal Sheshmal HUF (Noticee No. 2) were found connected as they both share common address, Email and contact details**.**

b) It was observed that out of the 10 entities, trades of Noticees No. 1 and 2 have contributed total positive LTP of ₹80.40/- (15.98% of total market positive LTP) in 64 trades.

c) An illustration of highest positive LTP contributing trades of the Noticees No. 1 and 2 are given as below:

**Table No. 3: Positive LTP contributing trades of the Noticee No. 1 and 2**

| S.No. | Entities | Date | Order Type | Order No | Order Time (LM) | Order Qty (LM) | Order Price (LM) | Trade time | Trade Qty. | Trade Price | Diff in LTP (in ₹) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Rachita | | Buy | 20000086023866 | 9:25:27 | 1 | **74.8** | | | | |
| | Rachita | 13/05/2013 | Sell | 11000059012101 | 9:25:26 | 22 | **74.75** | 9:25:27 | 1 | 74.75 | 4.65 |
| 2 | Rachita | | Buy | 13000098240834 | 15:11:15 | 1 | 68.95 | | | | |
| | Rachita | 15/05/2013 | Sell | 23000090230262 | 15:11:06 | 101 | 68.95 | 15:11:15 | 1 | 68.95 | 4 |
| 3 | Rachita | | Buy | 11000086135750 | 11:30:01 | 1 | **67.65** | | | | |
| | Rachita | 21/05/2013 | Sell | 12000107091634 | 11:30:01 | 1 | **67.6** | 11:30:01 | 1 | 67.6 | 3.75 |
| 4 | Rachita | | Buy | 14000166225236 | 12:50:03 | 1 | 63.90 | | | | |
| | Arajanbhai Patel | 13/06/2013 | Sell | 14000169000937 | 12:12:03 | 19 | 63.90 | 12:50:03 | 1 | 63.90 | 3.75 |
| | Shripal Huf | | Buy | 17000131055048 | 10:16:24 | 1 | **74.9** | | | | |
| | Shripal Huf | 30/04/2013 | Sell | 11000090050301 | 10:16:24 | 1 | **74.85** | 10:16:24 | 1 | 74.85 | 3.3 |
| 5 | Shripal Huf | | Buy | 16000110028966 | 09:31:46 | 1 | **75.50** | | | | |
| | Vikram M Doshi | 26/04/2013 | Sell | 19000128027468 | 09:29:49 | 25 | **75.45** | 09:31:46 | 1 | 75.45 | 3.3 |

d) The order pattern is examined as under:

i. <u>Sr.no.1</u>: Vide order ID 20000086023866 at 9:25:27, the Noticee No. 1 placed buy order at ₹74.80/- for 1 share to match her own order ID 11000059012101 for 22 share placed at 9:25:26. The matching orders contributed to LTP of ₹4.65/-.

ii. <u>Sr.no.2</u>: Vide order ID13000098240834 at 15:11:15, the Noticee No. 1 placed buy order at ₹68.95/- for 1 share to match her own order ID 23000090230262 for 101 share placed at 15:11:15. The matching orders contributed to LTP of ₹4.00/-.

iii. <u>Sr.no.3</u>: Vide order ID 11000086135750 at 11:30:01, the Noticee No. 1 placed buy order at ₹67.65/- for 1 share to match her own order ID 12000107091634 for 1 share placed at 11:30:01. The matching orders contributed to LTP of ₹3.75/-.

iv. Sr.no.4: Vide order ID 14000166225236 at 10:16:24, the Noticee No. 1 placed buy order at ₹63.90/- for 1 share to match a sell order ID 14000169000937 for 19 share placed at 12:12:03. The matching orders contributed to LTP of ₹3.75/-.

v. Sr.no.5: Vide order ID 17000131055048 at 10:16:24, the Noticee No. 2 buy order at ₹74.90/- for 1 share to match his own order ID 11000090050301 for 1 share placed at 10:16:24. The matching orders contributed to LTP of ₹3.30/-.

vi. Sr.no.6: Vide order ID16000110028966 at 09:31:46, the Noticee No. 2 placed buy order at ₹75.50/- for 1 share to match a sell order ID 19000128027468 for 25 share placed at 09:29:49. The matching orders contributed to LTP of ₹. 3.30/-.

e) From the above analysis, it is observed that the Noticees No. 1 and 2 placed buy orders above prevailing sell order rates after the sell orders are available in the system with negligible buy quantity. On further analysis it is observed that out of 64 positive LTP trades, 34 trades for 123 shares were self-trades which have contributed positive LTP of ₹45.75/-.

3. It is also noted that during February 21, 2014 to October 09, 2014 (Patch-4) of the investigation period, a total of 25,28,961 shares were traded in 17,779 trades at BSE. The closing price of the scrip was ₹56.7/- on February 20, 2014 and ₹155.65 on October 09, 2014 i.e. price of the scrip increased by ₹98.95/- during the said period. On the basis of net positive LTP contribution, trades of top 10 entities are analysed as follows:

**Table No. 4: Top 10 positive LTP Contribution**

| Buyer Name | All Trade | | | Trades with LTP diff>0 | | | Trades with LTP diff<0 | | | Trades with LTP diff=0 | | % of Positive LTP to total Market Positive LTP |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net LTP in ₹ | Total Qty. | No. of trades | LTP impact in ₹ | Qty. traded | No. of trades | LTP impact in ₹ | Qty. traded | No. of trades | Qty. traded | No. of trades | |
| Rachita Shripalkumar Shah | 85.35 | 12437 | 454 | 194.50 | 2936 | 191 | -109.15 | 3781 | 117 | 5720 | 146 | 5.82 |
| Haresh Tikasmdas Kaswani | 82.25 | 47092 | 338 | 172.20 | 22047 | 147 | -89.95 | 16050 | 108 | 8995 | 83 | 5.15 |
| Gajanan Enterprises | 47.60 | 51718 | 344 | 115.5 | 26849 | 128 | -67.95 | 10552 | 102 | 14317 | 114 | 3.46 |
| Nidhi Umang Shah | 88.85 | 12833 | 321 | 107.50 | 5260 | 142 | -18.65 | 2118 | 43 | 5455 | 136 | 3.22 |
| Neeta Jaipdeep Jain | 44.50 | 6193 | 191 | 79.80 | 1411 | 76 | -35.30 | 2930 | 57 | 1852 | 58 | 2.39 |
| Manojkumar Ravjibhai Patel | 31.90 | 100 | 1 | 31.90 | 100 | 1 | 0.00 | 0 | 0 | 0 | 0 | 0.95 |
| Hridaynath Consultancy Pvt. Ltd. | 24.75 | 91811 | 446 | 68.40 | 21533 | 130 | -43.65 | 24641 | 113 | 45637 | 203 | 2.05 |
| Arvindbhai Dungarbhai Nathani | 16.50 | 1200 | 16 | 19.05 | 738 | 10 | -2.55 | 462 | 6 | 0 | 0 | 0.57 |
| Ideal Associates | 14.05 | 9955 | 72 | 19.30 | 5790 | 30 | -5.25 | 1018 | 16 | 3147 | 26 | 0.58 |
| Viren Harjivandas Thakkar | 12.45 | 5426 | 71 | 22.15 | 1787 | 22 | -9.70 | 1490 | 14 | 2149 | 35 | 0.66 |
| **Total Top 10** | **448.20** | **238765** | **2254** | **830.35** | **88451** | **877** | **-382.15** | **63042** | **576** | **87272** | **801** | **24.84** |
| Others | -349.20 | 2290196 | 15525 | 2512.35 | 506482 | 4295 | -2861.55 | 1219182 | 4560 | 564532 | 6670 | 75.16 |
| **Market** | **99.00** | **2528961** | **17779** | **3342.70** | **594933** | **5172** | **-3243.70** | **1282224** | **5136** | **651804** | **7471** | **100.00** |

a) From the above table, it is noted that top 10 LTP contributors have contributed positive LTP of ₹830.35/- which is 24.84% of total market positive LTP contribution i. e ₹3,342.70/-.

b) The trades of the Noticee No. 1 have contributed positive LTP of ₹194.50/- which is 5.82% of total positive LTP during the Patch-4. It is also noted that almost all the buy orders for positive LTP contributing trades were placed after the sell order.

c) Illustration of highest positive LTP contributing trades of the Noticee No. 1 are given as under:

**<u>Table No. 5: Positive LTP contributing trades of the Noticee No. 1 during Patch -4</u>**

| S.No. | Entities | Date | Order Type | Order No | Order Time (LM) | Order Qty (LM) | Order Price (LM) | Trade time | Trade Qty. | Trade Price | Diff in LTP (in ₹) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Rachita | 24/09/2014 | Buy | 1411529400004018498 | 11:16:17 | 1 | 181.75 | 11:16:17 | 1 | 181.75 | 5.90 |
| | Rachita | | Sell | 1411529400004018494 | 11:15:36 | 210 | 181.95 | | | | |
| 2 | Rachita | 25/06/2014 | Buy | 1403667000002216051 | 09:33:46 | 1 | 91.85 | 09:33:46 | 1 | 91.85 | 3.95 |
| | Gopal Gangrade | | Sell | 1403667000002216035 | 09:19:51 | 100 | 91.85 | | | | |
| 3 | Rachita | 24/09/2014 | Buy | 1411529400004018584 | 11:20:27 | 1 | **180.85** | 11:20:27 | 1 | 180.85 | 3.85 |
| | Rachita | | Sell | 1411529400004018537 | 11:18:08 | 189 | **177.00** | | | | |
| 4 | Rachita | 24/09/2014 | Buy | 1411529400004018587 | 11:20:34 | 1 | **180.75** | 11:20:34 | 1 | 180.75 | 3.75 |
| | Rachita | | Sell | 1411529400004018537 | 11:18:08 | 189 | **177.00** | | | | |
| 5 | Rachita | 01/10/2014 | Buy | 1412134200000020301 | 13:58:39 | 1 | 163.95 | 13:58:39 | 1 | 163.95 | 3.75 |
| | Jayshree N Ruparel | | Sell | 1412134200000020287 | 13:54:57 | 100 | 163.95 | | | | |

d) The order pattern is examined as under:

i. <u>Sr.no.1</u>: Vide order 1411529400004018498 at 11:16:17, the Noticee No. 1 placed buy order at ₹181.75/- for 1 share to match her own order ID 1411529400004018494 for 210 share placed at 11:15:36. The matching orders contributed to LTP of ₹5.90/-.

ii. <u>Sr.no.2</u>: Vide order ID1403667000002216051 at 09:33:46, the Noticee No. 1 placed buy order at ₹91.85/- for 1 share to match a sell order ID 1403667000002216035 for 100 share placed at 09:19:51. The matching orders contributed to LTP of ₹3.95/-.

iii. <u>Sr.no.3</u>: Vide order ID1411529400004018584 at 11:20:27, the Noticee No. 1 placed buy order at ₹180.85/- for 1 share to match her own order ID 1411529400004018537 for 189 share placed at 11:18:08. The matching orders contributed to LTP of ₹3.85/-.

iv. Sr.no.4: Vide order ID 1411529400004018587 at 11:20:34, the Noticee No. 1 placed buy order at ₹177.00/- for 1 share to match her own order ID 1411529400004018537 for 189 share placed at 11:18:08. The matching orders contributed to LTP of ₹3.75/-.

v. Sr.no.5: Vide order ID 1412134200000020301 at 13:58:39, the Noticee No. 1 placed buy order at ₹165.95/- for 1 share to match a sell order ID 1412134200000020287 for 100 share placed at 13:54:57. The matching orders contributed to LTP of ₹3.75/-.

e) From the above analysis, it is observed that the Noticee No. 1 repeatedly placed buy orders above prevailing sell order rates with negligible buy order quantity. Thus, Noticee No. 1 acted in a manner which led to a misleading appearance of trading in the scrip and manipulated the price of the scrip.

**SELF TRADES**

4. Further, during examination of LTP contributing trades of the Noticees No.1 and 2, it was observed that these two connected entities indulged in self-trades which had contributed net LTP of ₹274.80/- and ₹350.6/- respectively. Their self-trades are analysed as under:

**Table No. 6**

| Entity Name | Broker On Both Buy & Sell Side | Traded Volume | Total Self Trade Volume | Total Self trade count | % of self-traded qty with client's traded vol. %) | Net LTP contribution by self-trades (₹) |
|---|---|---|---|---|---|---|
| Rachita Shripalkumar Shah | RAJVI Stock Broking Pvt. Ltd.<br>ASE Capital Markets Ltd. | 41197 | 2363 | 932 | 5.73 | 274.80 |
| Shripal Sheshmal Huf | RAJVI Stock Broking Pvt. Ltd. | 33742 | 6528 | 885 | 19.34 | 350.6 |

a) It was observed that the trades of the Noticee No. 1 resulted into a self-trade on 148 days. Out of 932 self-trades, 922 trades were for single shares. Similarly, on 128 days, trading of the Noticee No. 2 resulted into a self-trade. Out of his 885 self-trades, 861 trades were for single shares.

b) Illustration of highest positive LTP contributing self-trades of The Noticees No. 1 and 2 are given as below:

**Table No. 7**

| S. No. | Entities | Date | Order Type | Order No | Terminal ID | Order Time (LM) | Order Qty (LM) | Order Price (LM) | Trade time | Trade Qty. | Trade Price | Diff in LTP (in₹) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | | | Buy | 18000256155069 | 206 | 13:39:35 | 1 | 124.95 | | | | |
| | Shripal | 10/29/2012 | Sell | 23000249083945 | 205 | 13:39:33 | 140 | 124.95 | 13:39:35 | 1 | 124.95 | 8.35 |
| 2 | Shripal | | Buy | 14000168014415 | 202 | 09:31:17 | 1 | **123.90** | | | | |
| | | 25/06/2014 | Sell | 12000136017076 | 203 | 09:30:42 | 300 | **123.85** | 09:31:17 | 1 | 123.85 | 8.10 |
| 3 | Shripal | | Buy | 13000125005732 | 208 | 09:18:00 | 1 | 122.00 | | | | |
| | | 24/09/2014 | Sell | 14000167006569 | 207 | 09:17:59 | 1 | 122.00 | 09:18:00 | 1 | 122.00 | 7.95 |
| 4 | Shripal | 24/09/2014 | Buy | 14000061008262 | 206 | 09:24:36 | 1 | **115.00** | 09:24:36 | 1 | 114.95 | 7.80 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Sell | 18000088010540 | 205 | 09:24:35 | 1 | **114.95** | | | | |
| 5 | Rachita | | Buy | 13000129015501 | 201 | 09:26:59 | 1 | **112.00** | | | | |
| | | 01/10/2014 | Sell | 22000142020936 | 208 | 09:26:58 | 1 | **111.95** | 09:26:59 | 1 | 111.95 | 6.95 |

c) The order pattern is examined as follows:

i. <u>Sr.no.1</u>: Vide order 18000256155069at 13:39:35, Noticee No. 2 placed buy order at₹124.95/- for 1 share to match his own order ID 23000249083945 for 140 share placed at 13:39:33. The matching orders contributed to LTP of ₹8.35/-.

ii. <u>Sr.no.2</u>: Vide order 14000168014415 at 09:31:17, Noticee No. 2 placed buy order at ₹123.90/- for 1 share to match his own order ID 12000136017076 for 300 share placed at 09:30:42. The matching orders contributed to LTP of ₹8.10/-.

iii. <u>Sr.no.3</u>: Vide order 13000125005732 at 09:18:00, Noticee No. 2 placed buy order at ₹122.00/- for 1 share to match his own order ID 14000167006569 for 1 share placed at 09:17:59. The matching orders contributed to LTP of ₹7.95/-.

iv. <u>Sr.no.4</u>: Vide order 14000061008262 at 09:24:36, Noticee No. 2 placed buy order at ₹115.00/- for 1 share to match his own order ID 18000088010540 for 1 share placed at 09:24:35. The matching orders contributed to LTP of ₹7.80/-.

v. <u>Sr.no.5</u>: Vide order ID13000129015501 at 09:26:59, Noticee No. 1 placed buy order at ₹112.00/- for 1 share to match a sell order ID22000142020936for 1 share placed at 09:26:58. The matching orders contributed to LTP of ₹6.95/-.

d) The above order pattern of self-trades by the Noticees No. 1 and 2 clearly demonstrate a manipulative intent to inflate the scrip price. They had executed a total of 1817 self-trades on 275 trading days during the investigation Period.

5. In view of the above, it is alleged that the Noticees No. 1 and 2

a) Repeatedly placed buy orders above prevailing sell orders rate with negligible buy order quantity;

b) Repeatedly matched sell orders that are placed above LTP with market orders, with negligible buy order quantity; and

c) Repeatedly executed self-trades in negligible quantity.

Thus, Noticees No. 1 and 2 have violated the provisions of regulations 3 (a), (b), (c) and (d), 4(1) and 4(2) (a) (e) and (g) of PFUTP Regulations.

6. It is also noted that all (except two) orders of the Noticees No. 1 and 2 were placed from the same terminal IDs and the terminals were assigned to Shripal Sheshmal (Noticee No. 3), a SEBI registered Sub-broker, the Karta of Shripal Sheshmal HUF (Noticee No. 2) and who has acted as

the buy and sell sub-broker in the fraudulent trades and self-trades as mentioned hereinabove. Thus, the Noticee No. 3 is connected to the Noticees No. 1 and 2 which has allegedly facilitated in executing fraudulent trades of the Noticees No. 1 and 2 and which created misleading appearance of trading in the scrip.

7. Therefore, in view the above, it was alleged that the Noticee No. 3 has violated the provisions of regulation 3 (a), (b), (c) and (d), regulations 4(1) and 4(2)(a) of PFUTP Regulations. Further, the Noticee being a SEBI registered broker was bound to maintain high standards of integrity, promptitude and fairness in the conduct of its business and it failed to exercise due skill, care and diligence laid down in the code of conduct for Brokers thereby violating clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with regulation 15 of SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred to as 'Brokers Regulations'). The relevant provisions of the PFUTP Regulations and Broker Regulations are reproduced hereunder:

***<u>PFUTP Regulations</u>***

***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 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;*

*(b) to (d) ….*

*(e) any act or omission amounting to manipulation of the price of a security;*

*(f)…*

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

***Broker Regulations***

*SCHEDULE II*

*Securities and Exchange Board of India (Stock Brokers) Regulations, 1992*

*CODE OF CONDUCT FOR STOCK BROKERS*

*[Regulation 15]*

***A. General.***

*(1) …*

*(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.*

8. SEBI felt satisfied that there are sufficient grounds to inquire and adjudicate upon the alleged violations of the provisions of the SEBI Act, the PFUTP Regulations and Broker Regulations, by the respective Noticees. By a *communication-order* dated July 31, 2019, Shri Santosh Shukla was appointed as Adjudicating Officer to inquire into and adjudge under section 15HA and 15HB of the SEBI Act for the alleged violations by the respective Noticees. Shri Santosh Shukla sought certain clarification from the concerned department. Meanwhile, pursuant to transfer of Shri Santosh Shukla, vide *communication-order* dated January 07, 2020, this case has been transferred to undersigned with advise that except for the change of the Adjudicating Officer the other terms and conditions of the original orders *'shall remain unchanged and shall be in full force and effect'* and that the *"Adjudicating Officer shall proceed in accordance with the terms of reference made in the original orders".*

9. After the receipt of records, the notice to show cause no. EAD-2/AP/VS/11767/1-3/2020 dated July 16, 2020 (SCN) was issued to the Noticees in terms of rule 4(1) of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudication Officer) Rules, 1995 (hereinafter referred to as 'Adjudication Rules') read with section 15I of the SEBI Act. By the SCN, the Noticees were called upon to show cause as to why an inquiry should not be held against him in terms of rule 4 of the Adjudication Rules and penalty be not imposed under section 15HA and 15HB of the SEBI Act for the following alleged violations by the Noticees:

**Table No. 8**

| Noticee No. | Name of Noticee | Violation | Penalty under SEBI Act |
|---|---|---|---|
| 1 | Rachita Shripalkumar Shah | Section 12A (a), (b) and (c) of the SEBI Act and regulation 3 (a), (b), (c), (d), 4(1), 4(2) (a) (e) and (g) of the PFUTP Regulations | Section 15HA of the SEBI Act, 1992 |
| 2 | Shripal Sheshmal Huf | | |

| | | | |
|---|---|---|---|
| 3 | Shripal Sheshma | Section 12A (a), (b) and (c) of the SEBI Act and regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) of PFUTP Regulations.<br><br>Clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 15 of Brokers Regulations | Section 15HA of the SEBI Act, 1992<br><br>Section 15HB of the SEBI Act, 1992 |

10. The Noticee No. 3, on behalf of all the Noticees, vide his emails dated July 28, 2020 and October 17, 2020 filed reply to SCN. Thereafter, in terms of rule 4(3) of the Adjudication Rules and in the interest of natural justice an opportunity of personal hearing was given to the Noticees on October 21, 2020, which was communicated to them well in advance, vide notice of hearing dated October 07, 2020. Further, vide the email dated October 08, 2020 an option of availing the opportunity of personal hearing through video-conferencing on Webex platform was also given to the Noticees.

11. On scheduled date of hearing, i.e. on October 21, 2020, the Noticee No. 3 and Mr. Rajiv Desai as Authorised Representative (AR) appeared before me on behalf of all the Noticees and reiterated the earlier submissions on the lines of written replies dated July 28, 2020 and October 17, 2020.

12. I now proceed to examine the charge based upon the trades of the Noticees, supporting material as provided in the SCN and the representations of the Noticees. The basis of charge is the connection/relation amongst the Noticees and pattern of trading of the respective Noticees in the scrip in Patch-2 and Patch-4 as part of alleged unfair, manipulative and fraudulent device or artifice or contrivance of the Noticees. None of the Noticees have disputed their inter-relationship/connection amongst them which are established on the basis of factors described hereinabove such as common address, relationship amongst them. Their trades as alleged in the SCN are also not disputed by either of the Noticees. Thus, from the factors as relied upon in this case, it is established in this case that the Noticees are connected/related to each other and they had traded during the Patch-2 and Patch-4.

13. Further, it is noted that the Noticee No. 3, as a Stock Broker has undertaken trades for aforementioned Noticees No. 1 and 2 at BSE, and they were closely associated with each other by way of the aforesaid undisputed connection as per para 2(a) and 6 of the instant order. Given the above facts and scenarios of the case, it is noted that while dealing in the scrip of GPL, activities of Noticees No. 1, 2 and 3 were aligned and it is clear that they acted in concert.

14. A genuine buyer would not repeatedly place buy orders at a price higher than the available sell order price and for a quantity lesser than the available sell order quantity. From the illustration and

analysis above as mentioned in para 2, 3 and 4, it is evident that the Noticees No. 1 and 2 have placed the aforesaid orders with a manipulative intent to increase the price of the scrip.

15. By their trades, the Noticees were instrumental in establishing a price higher than the LTP and thus contributed to increased scrip price with each of their trades. Such trades would lead to an artificial rise in the price of the scrip and the same would misguide the general public. The Noticees had generated the wrong impression about the liquidity of the scrip in the market. It is pertinent to mention that every trade establishes the price of the scrip and the trading of Noticees at higher than LTP resulted in the price of the scrip going up and were done with a view to set the price or benchmark the price at a desired level and thereby influencing the innocent / gullible investors. Therefore, it can be concluded that the Noticees had manipulated the price of the scrip of the GPL and created a misleading appearance of trading in the scrip in Patch-2 and Patch-4. Here, it is important to refer to the observations made by the Hon'ble Securities Appellate Tribunal (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 noticee's 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."*

16. I also note that in the instant proceedings the Noticees have also sold one share repeatedly inspite of sufficient orders for buy were available in the market. Further, the connection among them is indicative of a concerted effort to manipulate the price of scrip of the GPL. Further, it is also pertinent to mention the observations of the Hon'ble Securities Appellate Tribunal (SAT) in its order dated January 04, 2021 in Tanuj Khandelwal Vs. SEBI, wherein it was held that:

    *"…We find that except on three occasions the appellant only sold one share at a time on a daily basis. This trading pattern created misleading appearance with intention to manipulate the market if not the price. Thus, even if there is no connection with the buyer the trading pattern shows a concerted effort to manipulate the market and therefore we are of the opinion that the appellant was not acting as a genuine seller. We also find that the appellant had no bonafide intention to sell because inspite of sufficient buy orders being placed with abundant quantity being available in the market the appellant was only placing sell orders of one share at a time. This clearly shows his intention of manipulating the market for vested reasons…"*

17. I note that the Noticees have contended that the facts stated in SCN were not enough to establish that the transactions carried out by the Noticees are in violation of any provisions of the PFUTP

Regulations. Here I refer the judgement of Hon'ble Supreme Court in the matter of Kishore R. Ajmera case wherein it was held that *"In the quasi-judicial proceeding before SEBI, the standard of proof is preponderance of probability. It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that are as on able/prudent man would adopt to arrive at a conclusion."* Further, in the matter of SEBI v/s Rakhi Trading, Hon'ble Supreme Court has held that *"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."* Hon'ble Supreme Court, while dealing further with the scope of the prohibitions contained in the PFUTP Regulations, while reemphasized its above ruling, further held in the matter of *SEBI Vs Kanhaiyalal Baldevbhai Patel (CIVIL APPEAL NO. 2595 OF 2013)* decided on September 20, 2017 held that –*"… it can be inferred that as a matter of principle, while interpreting this regulation, the court must weigh against an interpretation which will protect unjust claims over just, fraud over legality and expediency over principle. Once this rule is clearly established, individual cases should not pose any problem."*

18. The prohibitions contained in the charging provisions in this case contemplate deployment of a fraudulent or unfair or manipulative '*device*', '*scheme*', '*artifice*' or '*contrivance*' with a design or purpose or plan or motive to '*defraud*', to '*deceive*', to '*manipulate*', to '*induce*', etc. *'in connection with dealing in securities'* and apply even in cases where the acts or omissions or concealments committed, whether in a deceitful manner or not, by any person while dealing in securities to induce any person to deal in securities would amount to *fraudulent* act. Hon'ble Supreme Court in the above referred *Kanhaiyalal Baldevbhai Patel* case also held that –*"The emphasis in the definition in Regulation 2(c) of the 2003 Regulations is not, therefore, of whether the act, expression, omission or concealment has been committed in a deceitful manner but whether such act, expression, omission or concealment has/had the effect of inducing another person to deal in securities."* Hon'ble Supreme Court further held that the definition of "*fraud*" expands

beyond what can normally be understood to be a '*fraudulent'* act. The emphasis is on act of inducement. It further held that for scrutinizing the cases under the PFUTP Regulations, mere inference, rather than proof, that the person induced would not have acted in the manner that he did but for the inducement is sufficient. Therefore, in view of the above, I reject the contention of the Noticees that the facts stated in SCN are not enough to establish violations under PFUTP Regulations.

19. I note that the Noticees have contended that due to the basic nature of their profession as a jobber in the securities market the cited trades in single shares at lower LTPs and also the self-trades executed by them have been purely executed in due course of their jobbing activities, and they had no specific interest in the scrip or any motive to influence the price of any particular scrip. In this regard I note that in order to find someone guilty of self-trades under the PFUTP Regulations, it is essential to find out that there is an intention of manipulation behind such self-trades. The accidental/unintentional self-trades should not be subjected to PFUTP Regulations, as mere occurrence of self-trades may not be considered *per se* illegal in the absence of any other additional evidence to support manipulation or intention to defraud. Therefore, in the matters of self-trades, first an assessment has to be made as to whether such trades were executed with any intention or executed in an unintentional manner on the basis of the supporting evidence, and the market manipulation if any, caused by indulging in such self-trades should be ascertained from the available facts and circumstance in which such trades were executed. I noted from para 4 of this instant order that the order pattern of self-trades by the Noticees No. 1 and 2 clearly demonstrate a manipulative intent to inflate the scrip price. They had executed a total of 1817 self-trades on 275 trading days during the investigation Period. Further, the instances of positive LTP as observed in patch 2 and 4 of the investigation period, there is a clear indication that the Noticees conspired together in manipulation of the scrip. Therefore, I reject the contention of the Noticees that these were jobbing transactions without any fraudulent intent.

20. The Noticees have also contended that hedging of profit and loss, jobbing of transactions are the strategies of the stock markets which are not at all banned in any provisions of the laws of SEBI. In this regard, I am of the view that the Noticees are free to adopt any trading strategy but they have to ensure that whatever trading strategy they adopt, the same is in conformity with the regulatory framework and also not to distort the market. In this regard it is pertinent to mention that in the matter of *SEBI vs Kishore R. Ajmera*, (Appeal No. 2818 of 2008) the Hon'ble Supreme Court observed that

> "…*the SEBI Act and the Regulations framed there under 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 conductive 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…"*

21. I, therefore, find that by indulging in fraudulent, unfair and manipulative acts as established in this case, the Noticees No. 1 and 2 have contravened the provisions of section 12A (a), (b) and (c) of the SEBI Act and regulation 3 (a), (b), (c), (d) read with regulation 4(1), 4 (2)(a), (e) and (g) of the PFUTP Regulations.

22. Further, the Noticee No. 3 was closely associated with the Noticees No. 1 and 2, and it is pertinent to note that the Noticee No. 3 was expected to follow due care and skill while undertaking trades on behalf of its clients *i.e.,* Noticee No. 1 and 2. However, it has been noted that the Noticee No. 3 has been instrumental in the above fraudulent acts, which has resulted in increase in LTP. Thus, the Noticee No. 3 being a stock broker of the Noticee No. 1 and 2 has facilitated in executing fraudulent trades of the Noticees No. 1 and 2 and which created misleading appearance of trading in the scrip and thus, Noticee No. 3 has violated the provisions of section 12A (a), (b) and (c) of the SEBI Act and regulation 3 (a), (b), (c), (d) read with regulation 4(1), 4 (2)(a) of the PFUTP Regulations. Further, the Noticee No. 3 failed to carry out its business with due diligence, skill, care etc. while dealing with its clients in violation of clauses A (2) of the code of conduct specified under Schedule II read with regulation 15 of the Brokers Regulations.

23. In view of the above findings, I am of the view that the acts and omissions of the Noticees as described above has adversely affected the interests of investors in the securities market. Considering the aforesaid facts and circumstances, I am of the opinion that this case deserves imposition of penalty under section 15HA of the SEBI Act on the Noticees No. 1, 2 & 3 and under section 15HB of the SEBI Act on the Noticees No. 3. The provisions of section 15HA and 15HB of the SEBI Act are as under:

***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.*

24. For the purpose of adjudication of penalty it is relevant to mention that under section 15I of the SEBI Act imposition of penalty is linked to the subjective satisfaction of the Adjudicating Officer. The words in the section that "*he may impose such penalty*" are of considerable significance, especially in view of the guidelines provided by the legislature in section 15J of the SEBI Act. Further, while adjudging the quantum of penalty the adjudicating officer has discretion and such discretion should be exercised having due regard to the factors specified in section 15J. The factors stipulated in Section 15J, which reads as follows:-

    ***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 investor/+s as a result of the default;*

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

25. Having regard to the factors listed in section 15J, it is noted that from the material available on record, any quantifiable gain or unfair advantage accrued to the Noticee or the extent of loss suffered by the investors as a result of the default in this case, cannot be computed. The acts of artificially increasing the price of scrip have potential to mislead and induce gullible and genuine investors to trade in the scrip and harm them and, thus, the fundamental tenets of market integrity get violated with impunity due to such fraudulent acts.

26. Considering the facts and circumstances of the case and above factors and exercising the powers conferred upon me under section 15I of the SEBI Act read with rule 5 of the Adjudication Rules, I hereby impose a consolidated monetary penalty of ₹25,00,000/- (Rupees Twenty Five Lakh only) upon Ms. Rachita Shripalkumar Shah (Noticee No. 1), Shripal Sheshmal HUF (Noticee No. 2) and Mr. Shripal Sheshmal (Noticee No. 3) under section 15HA of the SEBI Act, to be paid jointly and severally and a monetary penalty of ₹5,00,000/- (Rupees Five Lakh only) upon Mr. Shripal Sheshmal (Noticee No. 3) under section 15HB of the SEBI Act. In my view the said penalty is commensurate with the violation committed by the Noticees in this case.

27. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order in either of the way of demand draft in favour of "*SEBI - Penalties Remittable to Government of India*", payable at Mumbai, or by following the path at SEBI website www.sebi.gov.in, ENFORCEMENT > Orders > Orders of AO > PAY NOW; OR by using the web link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. In case of any difficulties in payment of penalties, the Noticees may contact the support at portalhelp@sebi.gov.in

28. The Demand Draft or details and confirmation of e-payment made in the format as given in table below shall be sent to *"The Division Chief, EFD-DRA-4, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C- 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051."* and also to e-mail id:- tad@sebi.gov.in

| | | |
|---|---|---|
| 1 | Case Name | |
| 2 | Name of the 'Payer/Noticee' | |
| 3 | Date of Payment | |
| 4 | Amount Paid | |
| 5 | Transaction No. | |
| 6 | Bank Details in which payment is made | |
| 7 | Payment is made for<br>(like penalties/disgorgement / recovery/ settlement amount and legal charges along with order details) | |

29. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia,* by attachment and sale of movable and immovable properties.

30. In terms of rule 6 of the Adjudication Rules, copies of this order are sent to the Noticees and also to SEBI.

**Date: February 24, 2021**
**Place: Mumbai**

**Amit Pradhan**
**Adjudicating Officer**