BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/PM/PA/2021-22/15358

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

In respect of

Rajendrakumar Chhotamalji Mehta

PAN: AMVPM7318L

In the matter of Pine Animation Limited

A. BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to "**SEBI**") conducted an investigation into the dealings in the scrip of Pine Animation Limited *(formerly known as Four K Animation Limited)* (hereinafter referred to as "**PAL**"/"**Company**"), during the period from March 28, 2013 to January 30, 2015 (hereinafter referred to as the "**Investigation Period**"/"**IP**"), since huge rise in traded volume and price was observed on the BSE Ltd. (hereinafter referred to as "**BSE**") in PAL's scrip during the said period. The investigation was divided into seven patches.

2. The investigation revealed that the Company was incorporated in 1989 and its registered office is based in Chennai. The Company is engaged in the business of animation, information technology, computer services and trading in India. The scrip of the Company was listed on BSE on March 25, 1994 and was suspended from trading with effect from November 09, 1998. Before the suspension on August 03, 1994, the scrip was last traded at a price of Rs 12.

The aforesaid suspension was revoked with effect from June 22, 2012, however, trading in the scrip started only on March 28, 2013.

3. It is important to note that the Company had made two preferential issues, *first,* on December 13, 2012, and *second*, on March 15, 2013, immediately before trading resumed in PAL's scrip on the stock exchange on March 28, 2013. On March 28, 2013, a special pre-open session was conducted in the scrip. On the aforesaid date, PAL's scrip opened at a price of Rs 441. With effect from May 17, 2013, the face value of the equity shares of the Company was split in the ratio of 1:10. During the investigation period, the price of PAL's scrip rose from Rs 441 to Rs 1,006 (split adjusted price Rs 100.6) and eventually came down to Rs 38.85 per share on January 30, 2015. *Vide* interim order dated May 08, 2015 (hereinafter referred to as the "**Interim Order**"), PAL's scrip was suspended for trading on the ground of manipulation in the traded volume and price by group of connected entities. The investigation in the matter commenced after passing of the Interim Order.

4. During the investigation, on examination of the annual reports of the Company during the financial years 2010 to 2014, the following was noted regarding the financials of the Company:

    (i) The Company had meagre operating income and had incurred losses during the financial years 2009-2010 to 2011-2012. It had earned a profit of Rs 15,60,007 during the financial year 2012-2013 and a profit of Rs 61,20,423 during the financial year 2013-2014.

    (ii) PAL's revenue from operations increased from Rs 8,94,000 for the year ending March 31, 2012, to Rs 8,76,36,983 for the year ending March 31, 2013 *i.e,.* an exponential growth in the revenue by 9703%. Thereafter, its revenue from operations increased from Rs 8,76,36,983 for the year ending March 31, 2013, to Rs 86,13,67,052 for the year ending March 31, 2014 *i.e*, again there was an exponential increase of 883%.

5. The investigation *inter alia* concluded that the Company, its directors, certain entities associated with the Company/promoters, and other connected entities were part of a fraudulent scheme wherein the price of PAL's scrip was manipulated. It was observed that the scheme deployed by the aforesaid entities ran in the following manner, the promoters of the Company transferred their entire shareholding through off-market trades to certain entities who were allegedly connected with the Company, such entities in turn, transferred the physical shares through off-market deals to certain other entities who finally sold them on the stock exchange at artificially inflated prices. In relation to the above, it was observed that Rajendrakumar Chhotamalji Mehta (hereinafter referred to as "**Noticee**") had participated in the aforesaid scheme by manipulating the price of PAL's scrip by executing self-trades which created false or misleading appearance of trading in the scrip. Further, it was observed that self-trades executed by the Noticee had contributed 6.09% to market negative last traded price (hereinafter referred to as "**LTP**").

6. In view of the above, adjudication proceedings were initiated against the Noticee under section 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as the "**SEBI Act**") for the violation of section 12A(a), (b) and (c) of the SEBI Act and regulations 3(a), (b), (c) (d), 4(1), 4(2)(a), 4(2)(e) and 4(2)(g) of the SEBI (Prohibition of Fraudulent and Unfair Trading Practices relating to Securities Markets) Regulations, 2003 (hereinafter referred to as the "**PFUTP Regulations**").

B. APPOINTMENT OF ADJUDICATING OFFICER

7. Pursuant to the investigation, SEBI appointed the undersigned as the adjudicating officer *vide* order dated September 01, 2017, under section 19 of the SEBI Act *inter alia* read with section 15-I of the SEBI Act and rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the "**SEBI Adjudication Rules**") to inquire into and adjudge under section 15HA of the SEBI Act for the violations alleged to have been committed by the Noticee of the aforesaid provisions of the SEBI Act and

the PFUTP Regulations. The appointment of the adjudicating officer was communicated *vide* communiqué dated December 27, 2017.

C. SHOW CAUSE NOTICE, REPLY AND HEARING

8. A common show cause notice bearing reference no. EAD-6/ADJ/PM/AA/OW/19655/2018 dated July 11, 2018 (hereinafter referred to as "**SCN**") was served upon the Noticee and other entities involved in the aforesaid fraudulent scheme *inter alia* under rule 4 of the SEBI Adjudication Rules to show cause as to why an inquiry should not be held against them and penalty should not be imposed *inter alia* under section 15HA of the SEBI Act for the violations alleged to have been committed by them.

9. The allegations levelled against the Noticee in the SCN are summarized below as follows:

(i) During patch-7 of the Investigation Period, the price of the PAL scrip opened at Rs 94.00 on July 07, 2014, reached Rs 35 on January 16, 2015, and closed at Rs 38.85 on January 30, 2015.

(ii) It was observed that the Noticee had executed self-trades which had contributed to negative LTP in the PAL scrip. The details of the self-trades executed by the Noticee are provided below:

Number of self -trades	Net LTP contribution in self-trades	Negative LTP contribution in self-trades	Percentage negative LTP contribution through self-trades
10	(22.80)	(39.55)	6.09%

(iii) As evident from the table above, it was observed that by indulging in self-trades, the Noticee had contributed -Rs 22.80 to net LTP and -Rs 39.55 to negative LTP which amounted to 6.09% of market negative LTP. The aforesaid self-trades of the Noticee resulted in manipulation of price of PAL's scrip and created and false and misleading appearance in the scrip.

(iv) Considering the aforesaid, it was alleged that the Noticee had violated section 12A (a), (b) and (c) of the SEBI Act and regulations 3(a), (b), (c) (d), 4(1), 4(2)(a), 4(2)(e) and 4(2)(g) of the PFUTP Regulations.

10. The Noticee *vide* letter dated August 10, 2018 submitted his reply to the charges alleged in the SCN, relevant extracts of which are reproduced below verbatim:

"Sir, please note that I am a 72 year old citizen and spending a life which is not very healthy and whole my life I have worked in a private company and lived my life with full discipline and honesty. I am really failed to understand and or really could not explain to you vide my earlier submission that why for a gain of merely Rs. 20,000 spread across 5 months, I will do or carry anything wrong which is against the law. The quantity traded during this period in the scrip should also be minuscule against the total capital of the company or the average number of shares traded in the scrip.

I reiterate that I am a regular investor/trader in the stock market. I do investment/trading in securities as a regular investor or as a hobby but not to manipulate any stock. I can once again affirm that I am in no way related/ connected/associated with any of the promoters, directors, corporates and individual named in this case. I have merely traded in the scrip seeing opportunity/fluctuation/spurt in the price of the scrip ad hearsay that it may go up and in no ways had any intention to carry such trade (through conceptually still not very clear), rather I would like to call these trades which has been termed by you as Self trade as purely incidental or unintended.

Respected sir, I have taken note of your findings and the show cause notice and letter prepared by your team depicting the manipulations done by the company, its directors, few individual and corporates by violating the corporate *governance norms, disclosure norms, price manipulations etc. but the fact is that these were made knowns only after the securities of the companies were suspended by SEBI / Stock Exchange in May 2015 or letters / notices etc. were issued in the matter. Had this been known to me, I would have never transacted in such scrip. I am a law abiding citizen and would never indulge in any such malpractices.*

I would like to humbly submit that you will not find my name anywhere in the list of any default / fraud etc. It is my earnest request to please exonerate me from these charges on the facts that I am in on way connected to the person engaged in wrongful acts here and these trades may have resulted in stock market parlance as self trade and really incidental in nature and unintended whatsoever. I would like to put this on record that I take this as a new learning and shall be careful while carrying out trading activities"

11. After considering the facts and circumstances of the case, the undersigned granted an opportunity of personal hearing to the Noticee on September 30, 2021 *vide* notice of hearing sent on September 13, 2021. In view of the prevailing circumstances owing to COVID-19, the hearing was scheduled through video conferencing on the WebEx platform. However, I note that the Noticee did not avail the aforesaid hearing opportunity despite the fact that the hearing notice was delivered on the address of the Noticee on September 21, 2021. The Noticee responded to the aforesaid hearing notice *vide* email sent on October 06, 2021 wherein he stated that due to certain personal circumstances, he was not able to respond to the hearing notice. Considering the material available on record, I am of the view that the Noticee has been given sufficient opportunities to present his case, and therefore, principles of natural justice have been complied with in the present matter in line with rule 4 of the SEBI Adjudication Rules. Accordingly, I deem it fit to proceed on the basis of material available on record.

D. CONSIDERATION OF ISSUES AND FINDINGS

12. The issues that arise for consideration in the instant matter are:

    I. **Issue No. I**: Whether the Noticee has violated section 12A (a), (b) and (c) of the SEBI Act and regulations 3(a), (b), (c) (d), 4(1), 4(2)(a), 4(2)(e) and 4(2)(g) of the PFUTP Regulations?

    II. **Issue No. II**: If yes, whether the violation, on the part of the Noticee would attract monetary penalty under section 15HA of the SEBI Act?

    III. **Issue No. III**: If the answer to Issue No. II is in affirmative, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in section 15J of the SEBI Act read with rule 5(2) of the SEBI Adjudication Rules?

Issue No. I: Whether the Noticee has violated section 12A (a), (b) and (c) of the SEBI Act and regulations 3(a), (b), (c) (d), 4(1), 4(2)(a), 4(2)(e) and 4(2)(g) of the PFUTP Regulations?

13. Before moving forward, it is pertinent to refer to the relevant provisions of the SEBI Act and the PFUTP Regulations which are alleged to have been violated by the Noticee, which reads as under:

<u>**SEBI Act**</u>

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. No person shall directly or indirectly—

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any

manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

PFUTP Regulations

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 [1][manipulative], fraudulent or an unfair trade practice in [2][markets]

[3][Explanation–For the removal of doubts, it is clarified that any act of diversion, misutilisation or siphoning off of assets or earnings of a company whose securities are listed or any concealment of such act or any device, scheme or artifice to manipulate the books of accounts or financial statement of such a company that would directly or indirectly manipulate the price of securities of that company shall be and shall always be deemed to have been considered as manipulative, fraudulent and an unfair trade practice in the securities market]

(2) Dealing in securities shall be deemed to be a [4][manipulative] fraudulent or an unfair trade practice if it involves [5][any of the following]:—

(a) [6][knowingly] indulging in an act which creates false or misleading appearance of trading in the securities market;

(e) any act or omission amounting to manipulation of the price of a security [7][including, influencing or manipulating the reference price or bench mark price of any securities];

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

*[1] Inserted vide the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Amendment) Regulations, 2018 w.e.f. February 01, 2019 (hereinafter referred to as "**PFUTP 2018 Amendment Regulations**").*
[2] Ibid.

[3] *Inserted vide Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) (Second Amendment) Regulations, 2020 w.e.f. October 19, 2020.*

[4] *Ibid.*

[5] *Substituted vide the PFUTP 2018 Amendment Regulations. Before the substitution the words read as: "fraud and may include all or any of the following, namely".*

[6] *Inserted vide the PFUTP 2018 Amendment Regulations.*

[7] *Ibid.*

14. At this juncture, before dealing with the merits of the case, I find it appropriate to delve into the sequence of events which has led to the passing of the current adjudication order. As brought out earlier, after the suspension in PAL's scrip was revoked, a sharp rise in traded volume and price in PAL's scrip was observed during the period from March 28, 2013 to January 30, 2015. Upon preliminary inquiry, it was *prima facie* observed that Company and persons in charge of its affairs created a facade of preferential issue of equity shares in order to provide fictitious long term capital gains to PAL's preferential allottees and promoter related entities so as to legitimize their unaccounted income. In the aforesaid process, volume of the scrip was increased artificially and there was a misuse of the securities market system. Therefore, based on the *prima facie* findings, SEBI *vide* the Interim Order restrained 178 entities from accessing the securities market and also prohibited them from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever, till further directions. The said 178 entities included many of the persons/entities who are Noticees in the present proceedings. The detailed investigation in the matter commenced after passing of the Interim Order. Thereafter, *vide* confirmatory orders dated August 22, 2016 and June 02, 2017, directions against 2 entities were revoked and *vide* four separate orders dated June 02, 2016, July 05, 2016, August 22, 2016, and June 02, 2017 directions against the remaining 176 entities were confirmed.

15. During the investigation, information was requisitioned from various entities including but not limited to the stock exchanges, the depositories, the Company, the promoters, the entities related to the promoters, the directors and the entities which had allegedly manipulated the price in PAL's scrip. A forensic auditor was appointed to analyze the financials of the Company for the years 2011 to 2014. Thereafter, the investigation entailed examination of bank statements, unique client code (UCC) details, common addresses, replies of the entities, trade logs and trading connection between the different entities. Pursuant to the investigation, adverse findings were found against 80 entities including the Noticee. The investigation report was approved by the competent authority on September 01, 2017 wherein proceedings under section 11(4) and 11B read with 11(1) of the SEBI Act along with adjudication proceedings under section 15HA, 15A(b) of the SEBI Act and section 23E of the Securities Contracts (Regulation) Act, 1956 were approved against the aforesaid entities. *Vide* order dated September 01, 2017, the undersigned was appointed as the adjudicating officer, and this was communicated *vide* communiqué dated December 27, 2017. A common SCN was issued by the undersigned on July 11, 2018 informing the Noticees the charges levelled against them. Meanwhile, the whole time member passed directions against the 80 entities *vide* order dated November 18, 2019 (hereinafter referred to as "**2019 WTM Order**"). Since issuance of the SCN, the undersigned has been conducting hearings in the current matter. Particularly with respect to the Noticee, a hearing opportunity was given to him on September 30, 2021 *vide* hearing notice dated September 13, 2021, which I note was delivered, however, the Noticee did not turn up for the hearing. The Noticee responded to the aforesaid hearing notice *vide* email sent on October 06, 2021 wherein he stated that due to certain personal circumstances, he was not able to respond to the hearing notice.

16. In view of the above, I find that investigation is an exhaustive and time consuming process, which requires detailed analysis of facts and law especially considering that there are 79 other entities apart from the Noticee in the present matter. In this regard, I also find it relevant to rely on certain

orders passed by the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT**"):

(i) In ***Hemant Sheth and Ors. vs. SEBI***, (Appeal No. 521 of 2021), decided on January 07, 2022, it was argued by the appellants that the adjudicating officer was appointed on July 04, 2013 but the show cause notice was issued in 2016 and therefore there was an inordinate delay of 30 months for which no plausible explanation was given. The Hon'ble SAT while dismissing the aforesaid contention of the appellants held that:

"9. Insofar as the delay is concerned we find that after the observation made by the WTM in its order of May 10, 2013 SEBI took action and appointed the AO dated July 4, 2013. No doubt the show cause notice was issued in January 2016 but the delay in the issuance of the show cause notice in the instant case will not vitiate the proceedings initiated against the appellants in the peculiar facts and circumstances of the case. Consequently, we are not inclined to quash the proceedings only on the ground of inordinate delay as asserted by the learned counsel for the appellant."

(ii) In ***M/s. Adamina Traders Private Limited vs. SEBI*** (Appeal No. 331 and 366 of 2020) dated December 15, 2021, the trades concerned in the appeal took place in 2013, and the show cause notice was issued by the adjudicating officer in 2018. The appellants raised an argument of inordinate delay in issuance of the show cause notice. Dismissing the aforesaid contention, the Hon'ble SAT held the following:

'We do not find any evidence to hold that there was an inordinate delay in the issuance of the show cause notice. This contention is accordingly rejected. <u>Further, nothing has been shown as to how this delay has prejudiced the appellant. In the absence of any prejudice the delay, if any, cannot be set aside</u>." (emphasis supplied)

(iii) In ***Rajendra Aggarwal vs. SEBI*** (Misc. Application No. 426 of 2020 and Appeal No. 552 of 2019), dated September 17, 2021, an appeal was filed against an order of the adjudicating officer imposing penalties against the appellants for violation of regulation 3 and 4 of the PFUTP Regulations. The appellants contended that due to the inordinate delay, the aforesaid order should be quashed since the trades are of the year 2009, the notice was issued in 2013, the hearing took place in 2018, and after 18 months, an adjudication order was passed. In this regard, the Hon'ble SAT held:

"13. On issue of delay, we find that the show cause notice was issued in the year 2013 and the trades were executed in 2009. The investigation was against a large number of entities which apparently took time and ultimately notices were issued to 35 entities. Consequently, we do not find any inordinate delay in the issuance of the show cause notice nor do we find any merit in the contention that there was an inordinate delay in the delivery of the impugned order after the last date of hearing by the AO. We are of the opinion that after the conclusion of the arguments the data of 35 entities was required to be analysed and collated which took time and, therefore, we do not see any reason to vitiate the judgment only on the ground of delay in delivering the order. In any case, such delay in the delivery of the judgment does not cause any prejudice to the appellants."

(iv) In ***Girraj Kumar Gupta HUF vs. SEBI*** (Misc. Application No. 516 of 2019 and Appeal No. 424 of 2019), dated August 11, 2021, an appeal was filed against an order passed by an adjudicating officer imposing penalties against the appellants for violation of regulation 3 and 4 of the PFUTP Regulations. The appellants *inter alia* challenged the order on the ground that there was a delay in the issuance of the show cause notice. In this regard, the Hon'ble SAT held the following:

“13. The contention of the appellants that there was inordinate delay in the initiation of the proceedings is erroneous. We find that the investigation started in the year 2015 which involved examining several entities in the order logs, trade logs, off market transactions and gathering evidence from the Stock Exchange. The show cause notice was issued in the October, 2017 and accordingly we find that there is no inordinate delay in the initiation of the proceedings. The contention raised is, thus, erroneous and cannot be accepted.”

17. On perusal of the reply of the Noticee and the material available on record, it is not in dispute that the Noticee had executed 10 self-trades which allegedly contributed to the negative LTP in PAL’s scrip. To begin with, I find that it is worth mentioning that self-trades are trades wherein the same entity is both the buyer and the seller, and therefore, such trades do not represent a real change in the beneficial ownership of the security. It is an established position, that in order to find out manipulative intent for undertaking self-trades, direct evidence may not be forthcoming. In this regard, I find it relevant to refer to the decision of the Hon’ble Supreme Court in ***SEBI vs. Kishore R. Ajmera*** (Civil Appeal Nos. 2818 of 2008, 8769 of 2012, 6719 of 2013, 252 and 282 of 2014) decided on February 23, 2016, wherein with respect to synchronized trading it held that:

“22. 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. <u>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</u>

<u>that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion</u>.

26…… The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned……

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." (emphasis supplied)

It may be noted that synchronized trades are different from self- trades but are considered manipulative under the PFUTP Regulations similar to self-trades.

18. I note from the records that during patch-7 of the Investigation Period, the price of the Company's scrip opened at Rs 94.00 on July 07, 2014, reached Rs 35 on January 16, 2015, and closed at Rs 38.85 on January 30, 2015. The Noticee was one of the entities who had contributed to the LTP in the scrip of the Company. On detailed analysis of the trade log of the Noticee, it was observed that the Noticee had executed 10 self-trades which had contributed to negative LTP in PAL's scrip. The aforesaid trade-log was provided to the Noticee as Annexure 9 to the SCN. The relevant extract with respect to the self-trades of the Noticee from the trade log is reproduced below:

Column A	Column Y	Column M	Column N	Column U	Column V	Column P
TRADE DATE	**TRADED QTY**	**ORDER LM TIME**	**CP ORDER LM TIME**	**ORDER LM RATE (Rs)**	**CP ORDER LM RATE (Rs)**	**LTP RATE (Rs)**
04-12-2014	1	15:22:34	15:23:25	66.25	66.25	-12.7
04-12-2014	1	15:22:34	15:26:24	66.25	66.25	-11.7
04-12-2014	1	15:27:18	15:29:31	66.55	66.55	-7.45
05-12-2014	1	14:38:26	14:38:22	79.35	79.35	1.35
05-12-2014	1	15:10:16	15:02:20	79.1	79.1	8.55
05-12-2014	100	15:27:23	15:27:25	72.1	72.1	-6.75
12-01-2015	1	14:57:04	14:57:01	54.45	54.4	2.05
13-01-2015	1	09:21:58	09:21:57	55.9	55.9	3.9

Column A	Column Y	Column M	Column N	Column U	Column V	Column P
TRADE DATE	**TRADED QTY**	**ORDER LM TIME**	**CP ORDER LM TIME**	**ORDER LM RATE (Rs)**	**CP ORDER LM RATE (Rs)**	**LTP RATE (Rs)**
29-01-2015	1	15:15:07	15:13:58	38.05	38.05	0.9
29-01-2015	1	15:16:26	15:18:54	37.15	37.15	-0.95
Total						**(22.8)**

Further, certain important details regarding the self-trades executed by the Noticee are tabulated below:

Number of self -trades	Net LTP contribution in self-trades	Negative LTP contribution in self-trades	Percentage negative LTP contribution through self-trades
10	(22.80)	(39.55)	6.09%

19. As reproduced in paragraph 10 above, the Noticee in his reply has submitted that he is a regular investor/trader in the stock market. He has also submitted that he had traded in the PAL scrip based on *"seeing opportunity/fluctuation/spurt in the price of the scrip and hearsay that it may go up"* and that the self-trades executed by him are incidental and unintentional in nature. My findings with respect to this submission are provided below:

(i) I find that if the Noticee is a regular investor and the self-trades were inadvertent, it does not explain why the Noticee would repeatedly reverse the trades placed by him in the time frame ranging from 1 second to 8 minutes. For example, as evident from the table in paragraph 18 above, on January 13, 2015, a sell order was placed at the rate of Rs 55.9 by the Noticee at 9:21:57, subsequently in one second, a buy order was placed at the rate of Rs 55.9 by the Noticee at 9:21:58. Even if the aforesaid trade was to be considered as a one-off incident/accident, I find that for the other 9 self-trades as well, the Noticee has reversed all the aforesaid self-trades in less than 8 minutes alongwith entering the exact same price for the second order as the price placed by him with respect to the first order before *i.e,* in all the 10 self-trades, the Noticee has placed the buy order and the sell order for the exact same price.

(ii) I find that the trading behavior of the Noticee exhibits that the Noticee on certain days, for example, on December 04, 2014, has executed self-trades three times. The table provided in paragraph 18 above also shows that out of the 10 self-trades executed by the Noticee, all except one are for 1 share only. The Noticee has not furnished any explanation for executing such self-trades. In light of the above, I am unable to understand the rationale of the Noticee who claims to be a regular investor to go the through the trouble of placing orders for such minuscule shares only to reverse the trades, within seconds or minutes, sometimes multiple times during the day, after incurring various taxes and charges for executing the same.

(iii) It is pertinent to note here that the motive behind executing fraudulent self-trades can either be to artificially raise the volume in a scrip or to manipulate the price of a scrip by way of creating misleading appearance of trading so as to induce gullible investors to deal in the particular scrip. The table in paragraph 18 above, particularly column P (LTP rate), reflects that the self-trades executed by the Noticee contributed - Rs 39.55 negative LTP and - Rs 22.8 to net LTP, adjusted after share split, in the PAL's scrip. I find that the time gap between the orders placed by the Noticee, the quantity and the price at which such orders were placed and the repeated nature of such trades, defies prudent business sense. The aforesaid considerations also clearly establish that the self-trades executed by the Noticee were planned and were by no stretch of imagination unintentional as argued by the Noticee. If the Noticee was a genuine investor with no manipulative intent, then he would not have adopted the aforesaid mechanism for buying and selling shares of the same scrip repeatedly knowing that such scrip was suspended for over a decade, the Company had poor fundamentals and no material corporate announcements *etc* were made by the Company at the time the Noticee had executed the aforesaid trades. In view of the sub-paragraphs above, I find no difficulty in dismissing the aforesaid submission of the Noticee.

20. The Noticee has submitted that the quantity traded by him, during the Investigation Period in PAL's scrip is miniscule against the total capital of the Company or the average number of shares traded in the scrip. The Noticee has also submitted that he is not related or connected with any of the promoters, directors, corporates and individuals charged in the present matter. I find that while the aforesaid considerations are relevant in establishing intention and price manipulation, however by no means, they are the only considerations. As already explained in the paragraphs above, the trading pattern of the self-trades executed by the Noticee unambiguously displays that the Noticee's intention was to create a misleading appearance of trading in the market in PAL's scrip as otherwise it is inexplicable as to why the Noticee would enter into such trades. It is on record that the negative LTP contribution of the Noticee through self-trades amounted to 6.09% of market negative LTP.

21. The trading pattern of the Noticee by contributing - Rs 39.55 to negative LTP and - Rs 22.8 to net LTP (adjusted after share split) amounting to 6.09% of market negative LTP in PAL's scrip is substantial and is against any sound investment rationale. Therefore, I have no hesitation in concluding that the Noticee has violated section 12A (a), (b) and (c) of the SEBI Act and regulations 3(a), (b), (c) (d), 4(1), 4(2)(a), 4(2)(e) and 4(2)(g) of the PFUTP Regulations.

Issue No. II: If yes, whether the violation, on the part of the Noticee would attract monetary penalty under section 15HA of the SEBI Act?

Issue No. III: If the answer to Issue No. II is in affirmative, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in section 15J of the SEBI Act read with rule 5(2) of the SEBI Adjudication Rules?

22. Since violation of section 12A (a), (b) and (c) of the SEBI Act and regulations 3(a), (b), (c) (d), 4(1), 4(2)(a), 4(2)(e) and 4(2)(g) of the PFUTP Regulations

by the Noticee is established, I am of the view that the same warrants imposition of monetary penalty upon the Noticee under section 15HA of the SEBI Act, text of which is provided below:

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].*

**Substituted for the words "twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher" by the Securities Laws (Amendment) Act, 2014, w.e.f. 08-09-2014.*

23. While determining the quantum of penalty under section 15HA of the SEBI Act, the following factors stipulated in section 15J of the SEBI Act, have to be given due regard:

    (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; and

    (c) the repetitive nature of the default.

24. The material made available on record has not quantified the amount of disproportionate gain or unfair advantage made by the Noticee and the loss suffered by the investors as a result of the Noticee's default. With respect to the repetitive nature of the default, the Noticee has executed 10 self-trades on different days, thus, the default of the Noticee may be considered as repetitive. I am of the view that the people who indulge in fraudulent and manipulative

trades, which has an impact on the entire securities market should be suitably penalized for such acts.

25. The Hon'ble SAT in the matter of ***P.G Electroplast Ltd. vs. SEBI*** (Appeal No. 281 of 2017), dated August 02, 2019, has held that an order passed in corresponding proceedings before the whole time member should be factored in while fixing the quantum of penalty. In this regard, I note that, a separate and parallel proceeding was initiated against the Noticee under the provisions of sections 11(1), 11(4) and 11B of the SEBI Act under the same facts pursuant to which the 2019 WTM Order was passed. *Vide* the 2019 WTM Order, the whole time member debarred the Noticee from accessing the securities market and further prohibited him from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for 5 years from the date of the order.

E. ORDER

26. After taking into consideration all the facts and circumstances of the case, in exercise of powers conferred upon me under section 15-I (2) of the SEBI Act read with rule 5 of the Adjudication Rules, I hereby impose a penalty of Rs 5,00,000/- (Rupees Five Lakhs Only) upon the Noticee *i.e.,* Rajendrakumar Chhotamalji Mehta under section 15HA of the SEBI Act for violation of section 12A (a), (b) and (c) of the SEBI Act and regulations 3(a), (b), (c) (d), 4(1), 4(2)(a), 4(2)(e) and 4(2)(g) of the PFUTP Regulations.

27. The said penalty imposed on the Noticee, as mentioned above, is commensurate with the violation committed by the Noticee and acts as a deterrent factor for the Noticee and others in protecting the interest of investors.

28. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of demand draft in favor of "SEBI - Penalties

Remittable to Government of India", payable at Mumbai, or through online payment facility available on the SEBI website **www.sebi.gov.in** on the following path by clicking on the payment link.

ENFORCEMENT → ORDERS → ORDERS OF AO → PAY NOW

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

29. The Noticee shall forward the said demand draft or the details / confirmation of penalty so paid through e-payment to the Division Chief, Enforcement Department-I, DRA-III, SEBI, in the format given in table below:

1.	Case name	
2.	Name of payee	
3.	Date of payment	
4.	Amount paid	
5.	Transaction no	
6.	Bank details in which payment is made	
7.	Payment is made for	Penalty

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

Date: March 14, 2022
Place: Mumbai

PRASANTA MAHAPATRA
ADJUDICATING OFFICER