<u>BEFORE THE ADJUDICATING OFFICER</u>

<u>SECURITIES AND EXCHANGE BOARD OF INDIA</u>

[ADJUDICATION ORDER NO. Order/VV/AA/2021-22/13628-13629]

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.

In respect of

1. **Rajnikant Maganlal Mehta (PAN: BJVPM5064P)**
2. **Pravin Mahendra Pagare (PAN: BMZPP3412P)**

In the matter of Surabhi Chemicals & Investments Limited (Now known as Superspace Infrastructure Ltd.)

<u>BACKGROUND OF THE CASE</u>

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') conducted an investigation into the trading activities in the scrip of Surabhi Chemicals & Investments Ltd. (Now known as Superspace Infrastructure Ltd. and hereinafter referred to as "**Surabhi / the Company**") for the period of August 01, 2012 to January 06, 2015 for possible violation, if any, of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") and rules and regulations made thereunder.

2. The company is listed on Bombay Stock Exchange Limited (BSE). During the investigation period, the price of the scrip opened at Rs.2.52 on August 10, 2012 and reached a price of Rs.59.35 on April 09, 2013. After stock split in 10:1 ratio, price of the scrip opened at Rs.6.00 on April 10, 2013, reached a high of Rs.123.00 on December 02, 2014 and closed at Rs.99.40 on January 06, 2015.

Base on price volume movements, 3 patches, patch-1 (August 10, 2012 to April 09, 2013) and patch-2 (April 10, 2013 to September 04, 2013) and patch-3 (September 05, 2013 to January 06, 2015) were observed during the investigation period.

3. SEBI observed that neither the financials nor the corporate announcements made by the Company supported such a significant price rise of scrip during Patch-1 and Patch-2 of the Investigation Period. It was noted that the Rajnikant Maganlal Mehta (hereinafter referred to as '**Noticee no. 1**"), Pravin Mahendra Pagare (hereinafter referred to as "**Noticee no. 2**") and Heena Kaushik Mehta were connected with each other and these three entities through their 73 sell trades during Patch-1 of the Investigation Period have together contributed Rs. 33.18 to the positive Last Traded Price ("**LTP**") which was 58.38% of the total market positive LTP in the scrip of Surabhi during the Patch-1. Noticee no. 1 and Noticee no. 2 are hereinafter collectively referred to as "**Noticees**". It was further observed from the trading pattern of the Noticees and Heena Kaushik Mehta that they were repeatedly placing sell orders for small order quantities across different trading days in the scrip of Surabhi when buy orders at prices higher than LTP and for large quantities were pending in the stock exchange's system, which resulted into execution of trades at price higher than the LTP thereby contributing positive LTP in the scrip of the Company.

4. On the basis of the above trading pattern of the Noticees and connected entities, it was alleged that the Noticees along with connected entities was instrumental in establishing a price higher than the LTP and had contributed to increase in scrip price through unfair, manipulative and fraudulent trades. Based on the findings of the investigation, SEBI initiated Adjudication Proceedings against the Noticee for violation of the provisions of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) & (e) of SEBI (Prohibition of

Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as **'PFUTP Regulations**').

APPOINTMENT OF ADJUDICATING OFFICER

5. SEBI appointed Shri Jeevan Sonparote as Adjudicating Officer, vide order dated September 28, 2017, under Section 15-I of the SEBI Act read with Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**Adjudication Rules**') to inquire into and adjudge under Section 15HA of the SEBI Act, the violations alleged to have been committed by the Noticee. Pursuant to the transfer of Shri Jeevan Sonparote, the undersigned was appointed as the Adjudicating Officer vide communique dated August 13, 2019.

SHOW CAUSE NOTICE, REPLY AND HEARING

6. A Show Cause Notice dated May 21, 2018 (hereinafter referred to as '**SCN**') was issued to the Noticees under Rule 4(1) of the Adjudication Rules to show-cause as to why an inquiry should not be initiated against the Noticees and why penalty should not be imposed upon the Noticees under Section 15HA of the SEBI Act for the alleged violation of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a) & (e) of PFUTP Regulations.

7. I note that Noticee no. 1, vide letter dated July 11, 2018, submitted his reply to the SCN. Noticee no. 1 *inter alia* made the following submissions in the said letter:
   - *(i)* *I am an individual investor. I trade in the securities market through in the ordinary course. I have been dealing in the stock market since a considerable period of time and I have never defaulted in meeting my payment or delivery obligations on any occasion.*
   - *(ii)* *It is submitted that I have absolutely clean track record. Till date, no Order/ Notice have been issued by SEBI to me, save and except the present proceedings.*

*(iii) During August 2012 to April 2013, I had in the ordinary course of business, based on my commercial wisdom, traded in the scrip of Superspace Infrastructure Limited (*SIL") through my broker viz. BMA Wealth Creators Limited.*

(iv) All the transactions in SIL were in the normal course of trading and there was nothing unusual about trading in shares of SIL. While trading in the scrip of SIL, I was trading independently without acting in concert with anybody. I was not aware of the counter parties to my trades. All the shares were bought or sold by me at the then prevalent market prices through my stock broker viz. BMA Wealth Creators Limited, wherein I was not aware of the counter parties to my trades. At no point of time, stock exchanges or SEBI, had ever advised the investing public to be cautious in the scrip and therefore, there was no reason for me to doubt any alleged abnormality in the trading pattern.

(v) In the said SCN adverse inferences qua me have been drawn based on the alleged trading by others i.e. Rajnikant Manganlal Mehta and Heena Kaushik Mehta. Normal relationships have been unduly stretched in order to somehow bunch me with their trading in the scrip of SIL, which is legally untenable and unsustainable. Based on the alleged connections, acts of other persons cannot be fastened on to me or any adverse inference drawn against me. Further, there is nothing in the SCN to demonstrate that Rajnikant Manganlal Mehta and Heena Kaushik Mehta traded on my behalf or at my behest. In the absence of the same no adverse inference drawn against me.

(vi) In the SCN it is alleged that I had contributed to positive LTP and increased scrip price. It is denied that I had contributed to positive LTP and increased scrip price as alleged. It is submitted that all my trades in the scrip of SIL were bonafide and in the ordinary course of business, dehors sinister intent or design.

(vii) It is denied that I have executed any trades with positive LTP as alleged. It is submitted that during the relevant time I had sold 197 shares in the ordinary course without being aware of counter parties. Significantly, all my trades were delivery based wherein I had delivered the shares and received the payouts. At the relevant time, I was not aware of the entities who are buying the shares in the market.

(viii) It is submitted that the quantity of my alleged trades (197shares) vis a vis the total volume in the scrip of SIL (88683) during the investigation period was exceedingly

insignificant (i.e. 0.22 %) to have any kind of impact on either the price or volume of the scrip. The allegation of creating positive LTP cannot sustain in view of the miniscule quantum of my alleged trades (197 shares) during the Investigation Period. Such miniscule quantum of trades cannot result in prise raise. Thus, effectively the alleged trades of 197 shares had no impact either on the price or the volume of the scrip.

(ix) With regard to the allegation that despite holding sizable quantity of shares, I had sold limited number of shares it is submitted that nothing turns on the same and no adverse inference can be drawn against me. Nothing prohibits me from selling the shares in limited quantity. Here it may be appreciated that a prudent Broker/lnvestor would never sell all of his entire holding on one shot, especially if the price of the scrip is on a bullish trend.

(x) It is denied that I was repeatedly placing sell orders for small order quantity across different days when buy order at prices higher than last traded price. The said allegation is totally absurd. Admittedly, I was a seller and was placing my sell order based on the best available price pending in the system.

(xi) It is submitted that as per the table in para 4.3 of the SCN it is evident that my sell orders were based on the buy order which were already pending in the system. For instance, on November 30, 2012 there was a buy order placed at 09:00:00 at Rs. 11.09/- thereafter, at 12:51:48,1 had sold my shares at the said buy order rate i.e. 11.09/-. As stated hereinbefore, as a seller I would sell the shares at the highest buy order rate pending in the system. Same is a common market practice and based on my legitimate transaction no adverse can be drawn against me.

(xii) It is denied that I was not acting as genuine sellers and had no bonafide intention to sell shares as alleged. It is submitted that my sales, irrespective of quantity cannot result in positive LTP. It is submitted that the allegation of contribution to positive LTP can be alleged only against a buyer who has placed order at a price higher than LTP. Strangely, no allegation has been made against the buyers/counter parties to my sale in the SCN. In fact it appears that no proceeding has been initiated against any of the buyers /counterparties by SEBI.

(xiii) (viii) As per the extracts of trades placed at Annexure 3, there are around 26 buyers/ counter parties who had allegedly placed buy order above LTP. However,

no action has been taken against them by SEBI and proceedings are initiated only against sellers in the scrip of SIL which are self-contradicting. On this basis alone the SCN is ought to be setaside.

(xiv) It is submitted that the allegation against sellers for contribution to positive LTP collapses when it is evident that (i) no connection/relationship is established between the counter parties (ii) no action has been taken against the buyers who placed the buy order above LTP and contributed to positive LTP. Further, the allegation against the sellers for contribution of positive LTP further reinforces the preconceived mind set of the Investigating Officer wherein somehow the Investigating Officer wants to hold me guilty ignoring the obvious.

(xv) In view of the aforesaid it is denied that I have created a misleading appearance of trading and price rise in the scrip by such trades. Therefore, it cannot be alleged that I have violated Regulation 3(a),(b),(c),(d), 4(1), 4(2) (a) & (e) of PFUTP Regulation, 2003 as alleged.

8. I also note that Noticee no. 2, vide letter dated July 11, 2018, submitted his reply to the SCN. Noticee no. 2 *inter alia* made the following submissions in the said letter:

(i) I am an individual investor. I trade in the securities market through in the ordinary course. I have been dealing in the stock market since a considerable period of time and I have never defaulted in meeting my payment or delivery obligations on any occasion.

(ii) It is submitted that I have absolutely clean track record. Till date, no Order/ Notice have been issued by SEBI to me, save and except the present proceedings.

(iii) During August 2012 to April 2013, I had in the ordinary course of business, based on my commercial wisdom, traded in the scrip of Superspace Infrastructure Limited ("SIL") through my broker viz. Nirman Share Brokers Private Limited.

(iv) All the transactions in SIL were in the normal course of trading and there was nothing unusual about trading in shares of SIL. While trading in the scrip of SIL, I was trading independently without acting in concert with anybody. I was not aware of the counter parties to my trades. All the shares were bought or sold by me at the then prevalent market prices through my stock broker vizNirman Share Brokers Private Limited., wherein I was not aware of the counter parties to my

trades. At no point of time, stock exchanges or SEBI, had ever advised the investing public to be cautious in the scrip and therefore, there was no reason for me to doubt any alleged abnormality in the trading pattern.

(v) In the said SCN adverse inferences qua me have been drawn based on the alleged trading by others i.e. Heena Kaushik Mehta and Pravin Mahendra Pagare. Normal relationships have been unduly stretched in order to somehow bunch me with their trading in the scrip of SIL, which is legally untenable and unsustainable. Based on the alleged connections, acts of other persons cannot be fastened on to me or any adverse inference drawn against me. Further, there is nothing in the SCN to demonstrate that Heena Kaushik Mehta and Pravin Mahendra Pagare traded on my behalf or at my behest. In the absence of the same no adverse inference drawn against me.

(vi) In the SCN it is alleged that I had contributed to positive LTP and increased scrip price. It is denied that I had contributed to positive LTP and increased scrip price as alleged. It is submitted that all my trades in the scrip of SIL were bonafide and in the ordinary course of business, dehors sinister intent or design.

(vii) It is denied that I have executed any trades with positive LTP as alleged. It is submitted that during the relevant time I had sold 359 shares in the ordinary course without being aware of counter parties. Significantly, all my trades were delivery based wherein I had delivered the shares and received the payouts. At the relevant time, I was not aware of the entities who are buying the shares in the market.

(viii) As stated herein before, adverse inferences qua me have been drawn based on the alleged trading by others i.e. Heena Kaushik Mehta and Pravin Mahendra Pagare. Admittedly, there is nothing in the SCN to demonstrate that Heena Kaushik Mehta and Pravin Mahendra Pagare traded on my behalf or at my behest. In the absence of the same no adverse inference can be drawn against me.

(ix) It is submitted that the quantity of my alleged trades (359 shares) vis a vis the total volume in the scrip of SIL (88683) during the investigation period was exceedingly insignificant (i.e. 0.4 %) to have any kind of impact on either the price or volume of the scrip. The allegation of creating positive LTP cannot sustain in view of the miniscule quantum of my alleged trades (359 shares) during the

Investigation Period. Such miniscule quantum of trades cannot result in prise raise. Thus, effectively the alleged trades of shares trades had no impact either on the price or the volume of the scrip.

(x) With regard to the allegation that despite holding sizable quantity of shares, I had sold limited number of shares it is submitted that nothing turns on the same and no adverse inference can be drawn against me. Nothing prohibits me from selling the shares in limited quantity. Here it may be appreciated that a prudent Broker/Investor would never sell all of his entire holding on one shot, especially if the price of the scrip is on a bullish trend.

(xi) It is denied that I was repeatedly placing sell orders for small order quantity across different days when buy order at prices higher than last traded price. The said allegation is totally absurd. Admittedly, I was a seller and was placing my sell order based on the best available price pending in the system.

(xii) It is submitted that as per the table in para 4.3 of the SCN it is evident that my sell orders were based on the buy order which were already pending in the system. For instance, on November 27, 2012 there was a buy order placed at 09:00:01 at Rs. 10.67/- thereafter, at 11:31:54,1 had sold my shares at the said buy order rate i.e. 10.67/-. As stated hereinbefore, as a seller I would sell the shares at the highest buy order rate pending in the system. Same is a common market practice and based on my legitimate transaction no adverse can be drawn against me.

(xiii) It is denied that I was not acting as genuine sellers and had no bonafide intention to sell shares as alleged. It is submitted that my sales, irrespective of quantity cannot result in positive LTP. It is submitted that the allegation of contribution to positive LTP can be alleged only against a buyer who has placed order at a price higher than LTP. Strangely, no allegation has been made against the buyers/counter parties to my sale in the SCN. In fact, it appears that no proceeding has been initiated against any of the buyers /counterparties by SEBI.

(xiv) As per the extracts of trades placed at Annexure 5, there are around 30 buyers/ counter parties who had allegedly placed buy order above LTP. However, no action has been taken against them by SEBI and proceedings are initiated only against sellers in the scrip of SIL which is self-contradicting. On this basis alone the SCN is ought to be set aside.

(xv) It is submitted that the allegation against sellers for contribution to positive LTP collapses when it is evident that (i) no connection/relationship is established between the counter parties (ii) no action has been taken against the buyers who placed the buy order above LTP and contributed to positive LTP. Further, the allegation against the sellers for contribution of positive LTP further reinforces the preconceived mind set of the Investigating Officer wherein somehow the Investigating Officer wants to hold me guilty ignoring the obvious.

(xvi) In view of the aforesaid it is denied that I have created a misleading appearance of trading and price rise in the scrip by such trades. Therefore, it cannot be alleged that I have violated Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a) & (e) of PFUTP Regulations, 2003 as alleged.

9. The Noticees were granted opportunities of hearing on April 16, 2021 by the undersigned, vide hearing notice dated March 26, 2021. However, the Noticees failed to respond to the said hearing notice and did not avail the hearing opportunity granted to them. Thereafter, another opportunity of hearing was granted to the Noticees on July 8, 2021, vide hearing notice dated June 15, 2021. However, the Noticees did not respond to the said hearing notice and failed to avail the said hearing opportunity.

10. In view of the above, I now proceed further in the matter. I note that the Noticees have submitted their reply to the SCN and they have been granted sufficient opportunities of hearing in the matter, which they have not availed. I am of the view that principles of natural justice have been complied with in the present matter. Therefore, the present proceedings against the Noticees are undertaken on the basis of available documents and their submissions.

CONSIDERATION OF ISSUES

11. I have carefully perused the charges levelled against the Noticees, their reply and the documents / material available on record. The issues that arise for consideration in the present case are :

(a) Whether the Noticees have violated regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) and 4(2)(e) of PFUTP Regulations?

(b) Does the violation, if any, attract monetary penalty under Section 15HA of the SEBI Act?

(c) If so, what would be the quantum of monetary penalty that can be imposed on the Noticee after taking into consideration the factors mentioned in section 15J of the SEBI Act?

12. Before proceeding further, I would like to refer to the relevant provisions of the PFUTP Regulations as below:

PFUTP Regulations, 2003

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

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

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a 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;

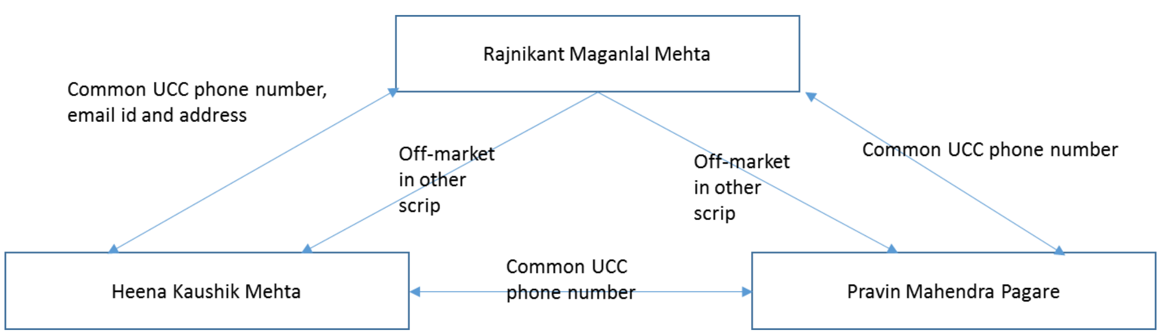
…….

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

……

13. I note from the SCN that it has been alleged that the Noticees along with Heena Kaushik Mehta created a misleading appearance of trading and price rise in the scrip of Surabhi by their trades, wherein they took turns and placed 73 orders on 73 trading days with volume in small quantities or single digits and price above LTP and with each trade manipulated the scrip price of Surabhi. In this regard, I note that the proceedings against Heena Kaushik Mehta were abated on account her demise, vide Adjudication Order dated February 24, 2021. Therefore, I proceed further in this Order against the Noticees and wherever required, reference to Heena Kaushik Mehta has been made in this Order.

14. I note from the SCN that the Noticees and Heena Kaushik Mehta were connected with each other as below:



15. I note from the above pictorial representation that the Noticees and Heena Kaushik Mehta were sharing common UCC phone number, email id and address. Noticee no.1 shared common UCC, phone number, email id and address with Heena Kaushik Mehta and common UCC, common phone number with Noticee no. 2. Similarly, Noticee no. 2 and Heena Kaushik Mehta

are connected to each other on the basis of common UCC and common phone number. I note that the Noticees have not produced any evidence or counter argument to refute the allegations of inter-connectedness amongst them. Therefore, in the absence of any materials contrary to the allegations, I find that the materials on record are sufficient to reasonably conclude that the Noticees and Heena Kaushik Mehta were connected amongst themselves.

16. I note that, during Patch-1 of the Investigation Period, price of scrip of the Company opened at Rs. 2.52 on August 10, 2012, then reached a high of Rs. 59.35 on April 09, 2013 and then closed at price of Rs. 59.35 creating a market positive LTP of Rs. 56.83 with a total traded volume of 36156 shares. The trading by the Noticees along with Heena Kaushik Mehta during Patch-1 are as below:

S. No.	Name	Total No. of trades	Total No. of trades (LTP >0)	Total no. of orders	Sell order qty range	Trade Quantity	Positive LTP contribution (Rs.)	% of positive LTP to Total Market positive LTP	No. of shares held before these trades	Balance no. of shares held after LTP trades in Patch-1
1	Rajnikant Mehta	72	29	71	1-7	359	13.65	24.02%	400	41
2	Heena Mehta	23	17	23	3-14	163	10.76	18.93%	200	37
3	Pravin Pagare	39	27	39	1-6	197	8.77	15.43%	200	3
	Total of S. No. 1 to 3	134	73				33.18	58.38%		
	Market Total						56.83			

17. As noted above, the Noticees and Heena Kaushik Mehta are connected with each other and therefore, it will be apt to examine their trades together. I note that the Noticees along with Heena Kaushik Mehta have cumulatively executed 134 trades and out of these 134 trades, the SCN alleges that through 73 trades they had contributed a total positive LTP of Rs. 33.18 which constituted 58.38% of the total market positive LTP of Rs. 56.83 in the scrip during Patch-1. I also note that the said positive LTP of Rs. 33.18 was contributed by the Noticees along with Heena Kaushik Mehta from their trading in only 423 shares which is

only 1.17% of the total shares traded (36,156 shares) in the scrip of Surabhi during the Patch-1 of the Investigation Period. The aforesaid trading behaviour wherein a group of 3 entities have contributed to more than 58% of total positive market LTP by executing approximately 1% of the total trades in the scrip of Surabhi during the said period, is indicative of the intent and the trading pattern adopted by the Noticees along with Heena Kaushik Mehta.

18. I also note that the SCN provides details of the positive LTP trades by the Noticees along with Heena Kaushik Mehta during Patch – 1 as below:

TRADE DATE	Seller Name	Buy Order Time	Sell Order Time	Buy Order Rate	Sell Order Rate	Trade Rate	LTP Diff	%LTP	Buy Order QTY	Sell Order QTY	Trade QTY
27-Nov-12	Rajnikant Maganlal Mehta	09:00:01	11:31:54	10.67	10.67	10.67	0.20	0.35%	200	4	4
29-Nov-12	Heena Kaushik Mehta	09:00:00	12:45:07	10.88	10.88	10.88	0.21	0.37%	1600	5	5
30-Nov-12	Pravin Mahendra Pagare	09:00:00	12:51:48	11.09	11.09	11.09	0.21	0.37%	1000	5	5
3-Dec-12	Rajnikant Maganlal Mehta	09:00:00	12:04:18	11.31	11.31	11.31	0.22	0.39%	2000	6	6
4-Dec-12	Rajnikant Maganlal Mehta	09:00:01	11:43:13	11.53	11.53	11.53	0.22	0.39%	500	5	5
5-Dec-12	Rajnikant Maganlal Mehta	09:00:00	10:14:52	11.76	11.76	11.76	0.23	0.40%	1000	6	6
6-Dec-12	Pravin Mahendra Pagare	09:00:00	12:55:25	11.99	11.99	11.99	0.23	0.40%	1000	5	5
7-Dec-12	Pravin Mahendra Pagare	09:00:00	15:27:46	12.22	12.22	12.22	0.23	0.40%	3000	5	5
10-Dec-12	Rajnikant Maganlal Mehta	09:00:00	11:56:56	12.46	12.46	12.46	0.24	0.42%	2990	5	5
11-Dec-12	Pravin Mahendra Pagare	09:00:00	12:37:39	12.70	12.70	12.70	0.24	0.42%	200	5	5
12-Dec-12	Pravin Mahendra Pagare	09:00:00	12:50:08	12.95	12.95	12.95	0.25	0.44%	1000	6	6
13-Dec-12	Pravin Mahendra Pagare	09:00:00	12:43:28	13.20	13.20	13.20	0.25	0.44%	100	6	6
14-Dec-12	Pravin Mahendra Pagare	09:00:00	12:44:16	13.46	13.46	13.46	0.26	0.46%	1000	6	6
17-Dec-12	Rajnikant Maganlal Mehta	09:00:00	12:11:20	13.72	13.72	13.72	0.26	0.46%	500	5	5
18-Dec-12	Pravin Mahendra Pagare	09:00:00	13:07:26	13.99	13.99	13.99	0.27	0.48%	1000	5	5
19-Dec-12	Pravin Mahendra Pagare	09:00:00	11:49:29	14.26	14.26	14.26	0.27	0.48%	12	6	6
20-Dec-12	Rajnikant Maganlal Mehta	09:00:00	12:37:39	14.54	14.54	14.54	0.28	0.49%	1000	5	5
21-Dec-12	Pravin Mahendra Pagare	09:00:00	12:25:51	14.83	14.83	14.83	0.29	0.51%	1000	6	6
24-Dec-12	Rajnikant Maganlal Mehta	09:00:00	12:51:16	15.12	15.12	15.12	0.29	0.51%	1000	5	5
26-Dec-12	Pravin Mahendra Pagare	09:00:00	11:04:52	15.42	15.42	15.42	0.30	0.53%	5000	5	5
27-Dec-12	Pravin Mahendra Pagare	09:00:00	12:35:35	15.72	15.72	15.72	0.30	0.53%	2000	5	5
28-Dec-12	Rajnikant Maganlal Mehta	09:00:01	12:26:05	16.03	16.03	16.03	0.31	0.55%	5000	6	6

1-Jan-13	Pravin Mahendra Pagare	09:00:00	12:03:35	16.35	16.35	16.35	0.32	0.56%	2000	5	5
2-Jan-13	Pravin Mahendra Pagare	09:00:00	13:04:36	16.65	16.65	16.65	0.30	0.53%	1000	5	5
3-Jan-13	Pravin Mahendra Pagare	09:00:00	10:33:16	16.95	16.95	16.95	0.30	0.53%	100	6	6
4-Jan-13	Rajnikant Maganlal Mehta	09:00:01	12:52:49	17.25	17.25	17.25	0.30	0.53%	100	6	6
7-Jan-13	Rajnikant Maganlal Mehta	09:00:00	11:11:10	17.55	17.55	17.55	0.30	0.53%	500	5	5
8-Jan-13	Pravin Mahendra Pagare	09:00:00	11:47:14	17.90	17.90	17.90	0.35	0.62%	2000	4	4
9-Jan-13	Pravin Mahendra Pagare	09:00:00	12:55:22	18.25	18.25	18.25	0.35	0.62%	1000	5	5
10-Jan-13	Rajnikant Maganlal Mehta	09:00:00	11:27:29	18.60	18.60	18.60	0.35	0.62%	500	6	6
11-Jan-13	Pravin Mahendra Pagare	09:00:00	12:48:04	18.95	18.95	18.95	0.35	0.62%	2000	6	6
14-Jan-13	Rajnikant Maganlal Mehta	09:00:01	11:57:35	19.30	19.30	19.30	0.35	0.62%	5000	5	5
15-Jan-13	Pravin Mahendra Pagare	09:00:00	12:32:57	19.65	19.65	19.65	0.35	0.62%	400	5	5
16-Jan-13	Rajnikant Maganlal Mehta	09:00:00	11:22:20	20.00	20.00	20.00	0.35	0.62%	1000	6	6
17-Jan-13	Pravin Mahendra Pagare	09:00:00	12:16:13	20.40	20.40	20.40	0.40	0.70%	5000	6	6
18-Jan-13	Pravin Mahendra Pagare	09:00:00	11:43:31	20.80	20.80	20.80	0.40	0.70%	5000	6	6
21-Jan-13	Pravin Mahendra Pagare	09:00:00	13:23:26	21.20	21.20	21.20	0.40	0.70%	1000	6	6
22-Jan-13	Rajnikant Maganlal Mehta	09:00:00	12:14:43	21.60	21.60	21.60	0.40	0.70%	1000	5	5
23-Jan-13	Pravin Mahendra Pagare	09:00:00	10:54:23	22.00	22.00	22.00	0.40	0.70%	100	4	4
24-Jan-13	Pravin Mahendra Pagare	09:00:00	12:09:13	22.40	22.40	22.40	0.40	0.70%	1000	5	5
25-Jan-13	Pravin Mahendra Pagare	09:00:00	11:32:01	22.80	22.80	22.80	0.40	0.70%	1000	5	5
28-Jan-13	Pravin Mahendra Pagare	09:00:00	11:37:51	23.25	23.25	23.25	0.45	0.79%	500	5	5
29-Jan-13	Rajnikant Maganlal Mehta	09:00:00	11:36:15	23.70	23.70	23.70	0.45	0.79%	500	5	5
30-Jan-13	Heena Kaushik Mehta	09:00:00	13:13:30	24.15	24.15	24.15	0.45	0.79%	5000	10	10
31-Jan-13	Rajnikant Maganlal Mehta	09:00:00	11:22:17	24.60	24.60	24.60	0.45	0.79%	1000	6	6
1-Feb-13	Rajnikant Maganlal Mehta	09:00:01	12:36:48	25.05	25.05	25.05	0.45	0.79%	5000	5	5
4-Feb-13	Heena Kaushik Mehta	09:00:00	12:00:06	25.55	25.55	25.55	0.50	0.88%	5000	9	9
5-Feb-13	Pravin Mahendra Pagare	09:00:00	11:05:18	26.05	26.05	26.05	0.50	0.88%	500	5	5
6-Feb-13	Rajnikant Maganlal Mehta	09:00:00	13:59:13	26.55	26.55	26.55	0.50	0.88%	1000	5	5
7-Feb-13	Rajnikant Maganlal Mehta	09:00:00	12:56:39	27.05	27.05	27.05	0.50	0.88%	900	4	4
8-Feb-13	Heena Kaushik Mehta	09:00:00	14:40:53	27.55	27.55	27.55	0.50	0.88%	500	8	8
11-Feb-13	Heena Kaushik Mehta	09:00:00	13:46:15	28.10	28.10	28.10	0.55	0.97%	5000	11	11
12-Feb-13	Heena Kaushik Mehta	09:00:00	11:40:37	28.65	28.65	28.65	0.55	0.97%	5000	12	12
13-Feb-13	Heena Kaushik Mehta	09:00:00	11:10:44	29.20	29.20	29.20	0.55	0.97%	500	13	13
14-Feb-13	Heena Kaushik Mehta	09:00:00	11:50:06	29.75	29.75	29.75	0.55	0.97%	500	14	14
21-Feb-13	Heena Kaushik Mehta	09:00:00	12:13:33	32.70	32.70	32.70	0.60	1.06%	500	9	9
26-Feb-13	Heena Kaushik Mehta	09:00:00	11:43:53	34.65	34.65	34.65	0.65	1.14%	500	5	5
27-Feb-13	Heena Kaushik Mehta	09:00:00	11:08:34	35.30	35.30	35.30	0.65	1.14%	200	5	5
28-Feb-13	Heena Kaushik Mehta	09:00:00	10:49:14	36.00	36.00	36.00	0.70	1.23%	100	3	3

1-Mar-13	Rajnikant Maganlal Mehta	09:00:00	12:56:42	36.70	36.70	36.70	0.70	1.23%	100	4	4
5-Mar-13	Rajnikant Maganlal Mehta	09:00:00	11:48:41	38.10	38.10	38.10	0.70	1.23%	500	5	5
6-Mar-13	Rajnikant Maganlal Mehta	09:00:00	15:19:44	38.85	38.85	38.85	0.75	1.32%	15	4	4
7-Mar-13	Heena Kaushik Mehta	09:00:00	11:12:39	39.60	39.60	39.60	0.75	1.32%	250	4	4
8-Mar-13	Rajnikant Maganlal Mehta	09:00:01	11:35:17	40.35	40.35	40.35	0.75	1.32%	250	4	4
11-Mar-13	Rajnikant Maganlal Mehta	09:00:01	11:22:30	41.15	41.15	41.15	0.80	1.41%	15	7	7
12-Mar-13	Rajnikant Maganlal Mehta	09:00:01	11:06:40	41.95	41.95	41.95	0.80	1.41%	200	4	4
13-Mar-13	Rajnikant Maganlal Mehta	09:00:01	10:54:56	42.75	42.75	42.75	0.80	1.41%	5000	3	3
14-Mar-13	Rajnikant Maganlal Mehta	09:00:01	11:12:32	43.60	43.60	43.60	0.85	1.50%	300	7	7
15-Mar-13	Rajnikant Maganlal Mehta	09:00:00	11:38:00	44.45	44.45	44.45	0.85	1.50%	200	6	6
18-Mar-13	Heena Kaushik Mehta	09:00:01	15:16:34	45.30	45.30	45.30	0.85	1.50%	200	7	7
19-Mar-13	Heena Kaushik Mehta	09:00:01	14:51:11	46.20	46.20	46.20	0.90	1.58%	100	5	5
20-Mar-13	Heena Kaushik Mehta	09:00:01	11:42:10	47.10	47.10	47.10	0.90	1.58%	200	6	6
21-Mar-13	Heena Kaushik Mehta	09:00:00	11:46:48	48.00	48.00	48.00	0.90	1.58%	200	5	5
	Total						**33.18**	**58.38%**			**423**

19. I note from the above table that all of the 73 trades of the Noticees and Heena Kaushik Mehta which contributed to positive LTP in the scrip of Surabhi during Patch- 1 of the Investigation Period, were placed by them after the buy orders of the day remained pending on the system for hours together and finally got matched with the sell orders after hours, as soon as one of the Noticees or Heena Kaushik Mehta placed their sell order. It clearly shows that those corresponding pending buy orders on their own, would not have been able to make any positive contribution to the LTP of the scrip in absence of the said sell orders placed by the Noticees and Heena Kaushik Mehta.

20. As already mentioned above that all the 73 trades executed by the Noticees and Heena Kaushik Mehta that are alleged to have contributed to positive LTP in the scrip of Surabhi were first trades of their respective trading days. I also note that none of the trades of the Noticees and Heena Kaushik Mehta were executed on the same trading day. Though the Noticees have denied alleged connections among each other. However, they have not explained the common and unique trading pattern followed by them in executing sell orders in the scrip

in miniscule quantities. I also note that the Noticees and Heena Kaushik Mehta have placed their sell orders long after the buy orders were placed, in a manner apparently to match those pending buy orders. There were only a few instances when these Noticees have offered to sell shares in double digit. I further note that none of the Noticees bought the said shares as a prudent investor would think of doing in the case of a scrip that witnesses consistent price rise. I am of the view that the identical pattern of trading adopted by the Noticees along with Heena Kaushik Shah on different days by taking turns on different trading days to only sell the shares in miniscule quantities suggests that there was malafide intention amongst the Noticees to increase the price of the scrip of Surabhi through their manipulative trades during Patch-1.

21. I am of the view that the trades of the Noticees had no element of being categorised as trades executed in the normal course of trading. It cannot be a mere co-incidence that the Noticees along with Heena Kaushik Shah, who were related through common UCC, common mobile number and off market transactions, have adopted identical trading pattern in the scrip and were never found to have traded together on the same day. The above trading pattern and the connection among them coupled with the facts that the Noticees, who had only limited number of shares, indulged in only sell trades signifies sufficiently that their intent was only to distort the market mechanism by contributing to the price rise in the scrip. I find that the trades in small quantities executed by the Noticees were aimed at fraudulently creating misleading appearances of trading in the scrip and to contribute positive LTP to the scrip, which led to a significant 58.38% contribution by them in the rise to the price of the scrip during the period.

22. The Noticees have also contended that the quantity of their sell trades are very miniscule as compared to the total number of shares traded in the scrip of Company and therefore, with such small quantities, Noticees could not have

manipulated the price of the scrip of Surabhi. I note that though the individual contribution to positive LTP in the scrip of Surabhi may be small but the cumulative impact of all such small individual contributions together, has resulted in large amount of contribution to total market positive LTP in the scrip during the respective patches. For instance, the Noticees along with Heena Kaushik Mehta through their alleged trades have contributed to 58.38% of total market positive in the scrip of Surabhi in Patch-1 of the investigation Period. In this regard, I would like rely on the observations of the Hon'ble SAT in the matter of Giriraj Kumar Gupta HUF Vs. SEBI (DoD: February 25, 2020), wherein it was, *inter alia*, held that - *"Having heard the learned counsel for the parties, we are of the considered view that the impugned transactions, in the facts and circumstances of the matter, would fall in the realm of violations of PFUTP Regulations. Individual argument that each entity's trade is miniscule and only on a few days alone etc. is not sufficient to rebut the findings in the impugned order."* The observations of the Hon'ble SAT are squarely applicable in the instant proceedings wherein, each of the Noticees has contributed to the positive LTP of the scrip but has not been able to provide any strong rationale for such unconventional trades of miniscule quantities. Therefore, the said contention of the Noticees cannot be accepted.

23. I note that Regulation 3 of PFUTP Regulations, 2003 prevents any person from buying, selling or dealing in securities in fraudulent manner, use or employ any manipulative or deceptive device in contravention to the provisions of the Act, employ any device, scheme or artifice to defraud in connection with dealing in securities or engage in any act, practice, course of business which operates as fraud or deceit upon any person in connection with any dealing in or issue of securities. Regulation 4(1) of PFUTP Regulations, 2003 provides that no person shall indulge in a fraudulent or an unfair trade practice in securities. Regulation 4(2)(a) of PFUTP Regulations, 2003, prohibits a person from indulging in an act which creates false or misleading appearance of trading in the securities market. Regulation 4(2)(e) of PFUTP Regulations, 2003,

prohibits any act or omission amounting to manipulation of the price of a security.

24. In this regard, I would also like to refer to the observations of the Hon'ble Securities Appellate Tribunal (SAT) in its order dated July 14, 2006 in Ketan Parekh Vs. SEBI, wherein it was held that: "*When a person takes part in or enters into transactions in securities with the intention to artificially raise or depress the price he thereby automatically induces the innocent investors in the market to buy /sell their stocks. The buyer or the seller is invariably influenced by the price of the stocks and if that is being manipulated the person doing so is necessarily influencing the decision of the buyer / seller thereby inducing him to buy or sell depending upon how the market has been manipulated. We are therefore of the view that inducement to any person to buy or sell securities is the necessary consequence of manipulation and flows therefrom. In other words, if the factum of manipulation is established it will necessarily follow that the investors in the market had been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so wide spread that it may not be humanly possible for the Board to track the persons who were actually induced to buy or sell securities as a result of manipulation and law can never impose on the Board a burden which is impossible to be discharged. This, in our view, clearly flows from the plain language of Regulation 4(a) of the Regulations*."

25. Hon'ble SAT further observed that, - *"…. 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."

26. Further, Hon'ble Supreme Court of India in the matter of SEBI v Kishore Ajmera (order dated February 23, 2016), had observed that: *"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 a reasonable / prudent man would adopt to arrive at a conclusion..."*

27. Keeping in mind the dicta of the Hon'ble SAT and Hon'ble Supreme Court as reproduced above, I am of the considered view that this scheme, plan, device and artifice exhibited in the said pattern of trading tantamount to fraud in the securities market in as much as it involves manipulative transactions in securities and misuse of the securities market. The manipulative / deceptive transactions of the Noticees are, *prima-facie*, covered under the definition of 'fraud' and the dealings of the Noticees as discussed herein above were "fraudulent", as defined under regulation 2(1)(c) of the PFUTP Regulations, 2003 and prohibited under the provisions of regulations 3(a), (b), (c), (d), 4(1), 4(2)(a) and (e) of PFUTP Regulations, 2003. Therefore, I conclude that Rajnikant Maganlal Mehta and Pravin Mahendra Pagare have done manipulative trading in the scrip of Surabhi and, therefore, have violated the provisions of regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a) and 4(2)(e) of PFUTP Regulations, 2003.

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

29. In view of the same, I am convinced that it is a fit case for imposition of monetary penalty on the Noticees under the provisions of Section 15HA of the SEBI Act, which reads as under:

    SEBI Act

    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 practices, whichever is higher.

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

    SEBI Act

    Factors to be taken into account by the adjudicating officer.

    15J. 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 the removal of doubts, it is clarified that the power 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.

31. I note that the Whole Time Member of SEBI in Order dated January 27, 2021 had restrained the Noticees from dealing in securities market for a period of 1 year. In view of the same, I find it appropriate to consider the direction in the nature of debarment that has already been passed against the Noticees herein as a relevant factor while deciding the quantum of penalty. I note that on the basis of data available on record, it is difficult, in cases of such nature, to quantify exactly the disproportionate gain or unfair advantage enjoyed by the Noticees and the consequent losses suffered by the investors. Further the amount of loss to an investor or group of investors also cannot be quantified on the basis of available facts and data. Even though the monetary loss to the investors cannot be computed, any manipulation in the volume or price of the stocks caused by vested interest always erodes investor confidence in the market so that investors find themselves at the receiving end of market manipulators. The PFUTP Regulations aim to preserve and protect the market integrity in order to boost investor confidence in the securities market. By executing manipulative trades, as has been executed by the Noticees in the instant matter, the price discovery system itself is affected. It also has an adverse impact on the fairness, integrity and transparency of the stock market.

ORDER

32. Having considered all the facts and circumstances of the case, the material available on record, the factors mentioned in Section 15J of the SEBI Act and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the SEBI Adjudication Rules, I hereby impose the following penalty on the Noticees under Section 15HA of the SEBI Act:

S. No.	Name of the Noticee	Penalty
1.	Rajnikant Maganlal Mehta	Rs. 2,00,000 (Rupees Two Lakh Only)
2.	Pravin Mahendra Pagare	Rs. 2,00,000 (Rupees Two Lakh Only)

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

33. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR through online payment facility available on the website of SEBI, i.e., www.sebi.gov.in on the following path, by clicking on the payment link: ENFORCEMENT -> Orders -> Orders of AO -> PAY NOW. In case of any difficulties in payment of penalties, the Noticees may contact the support at portalhelp@sebi.gov.in.

34. The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid to the "The Division Chief, EFD-1, DRA-II, SEBI, SEBI Bhavan 2, Plot No. C –7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai –400 051". The Noticee shall provide the following details while forwarding DD/ payment information:
    a) Name and PAN of the entity
    b) Name of the case / matter
    c) Purpose of Payment – Payment of penalty under AO proceedings
    d) Bank Name and Account Number
    e) Transaction Number

35. 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 for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

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

Date: September 30, 2021	**VIJAYANT KUMAR VERMA**
Place: Mumbai	**ADJUDICATING OFFICER**