BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/AA/MG/2019-20/7063]

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 BY ADJUDICATING OFFICER) RULES, 1995.

In respect of

Mr. Santosh Maruti Patil (PAN: AMAPP2722N)

In the matter of Spectacle Industries Limited (now known as Spectacle ventures Limited)

BACKGROUND OF THE CASE

1. The Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') observed huge rise in the traded volumes and/or price of the shares of the Spectacle Industries Limited (Subsequently, name changed to Spectacle Infotek Limited and now known as Spectacle Ventures Limited) (herein after referred to as '**Spectacle/Company**'). In view of the same, SEBI conducted an investigation in the scrip of Spectacle which is listed on the Bombay Stock Exchange (hereinafter referred to as '**BSE'**) and the National Stock Exchange (hereinafter referred to as '**NSE'**) for the period May 01, 2010 to January 31, 2011 (hereinafter referred to as '**Investigation Period /IP'**). It is noted that during the investigation period, the share price of Spectacle increased from Rs. 21.75 to Rs. 162.80.

2. The Adjudicating Officer (hereinafter referred to as '**AO**') of SEBI in its order dated December 22, 2014 (hereinafter referred to as '**AO order**') concluded that certain entities including Shri Santosh Maruti Patil (hereinafter referred to as '**Noticee/ by name'**) has created artificial volume in the scrip of Spectacle and imposed penalties accordingly. The aforesaid AO order was challenged by the Noticee in the Hon'ble Securities Appellate Tribunal (hereinafter referred as '**SAT**') in Appeal No. 361 of 2015 and SAT vide order dated July 27, 2015, (herein after referred to as '**SAT Order**') set aside the AO order with respect to the Noticee and restored the matter to the file of AO.

APPOINTMENT OF ADJUDICATING OFFICER

3. In view of the directions from SAT, the Competent Authority of SEBI, vide order dated August 09, 2017 appointed Shri Suresh B. Menon as AO to conduct the adjudication proceedings in the manner specified under Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as '**AO Rules**') and if satisfied that penalty is liable, impose such penalty deemed fit in terms of Rule 5 of the Adjudication Rules and Section 15HA of the SEBI Act. Pursuant to the posting of Shri Suresh B. Menon to another department of SEBI, the undersigned was appointed as the Adjudicating Officer vide order dated March 18, 2019.

SHOW CAUSE NOTICE, REPLY AND HEARING

4. A Show Cause Notice No. EAD-2/RG/31281/2013 dated December 04, 2013 (herein after referred to as **'SCN'**) issued to the Noticee by the erstwhile AO under Rule 4(1) of the AO Rules is being relied upon in the instant proceedings. Vide the SCN, the Noticee was asked to show-cause as to why an inquiry should not be initiated against the Noticee and penalty be not imposed upon it under section 15HA of the SEBI Act for the alleged violation of the Regulation 3(a), (b), (c), (d), 4(1) and 4(2)(a), (b), (e) & (g) of the SEBI (Prohibition of Fraudulent

and Unfair Trade Practices relation to Securities market), 2003 (hereinafter referred to as the '**PFUTP Regulations'**).

5. The details in respect of violation/ non-compliance by the Noticee as observed from the SCN are as given below:

a. *On analysis of the trading activity in the scrip of SIL on NSE, the investigation, prima facie, revealed that 18 Pabari-Parikh Group entities dealing through multiple brokers purchased 4,59,92,205 shares accounting for 56.77% of the total traded volume and sold 5,17,40,181 shares accounting for 63.86% of the total traded volume during the period under investigation. From the analysis it was observed that Arcadia dealing for Bharat G Vaghela contributed 9.21% of the total market volume on buy side transaction and 9.20% of the market volume on sale side of the transactions.*

b. *The list of 18 Pabari-Parikh Group entities along with connection within the group is as under:*

Table - 1

Client Name	KYC Relation	Fund Movement	Share movement through off market	Client Name	KYC Relation	Fund Movement	Share movement through off market
1.Labh Share and Stock Private Limited	Sl. no. 1 traded with sl. No. 1, 4, 5, 6, 7, 8, 10, 11, 13, 14, 17 & 18, who all have connection with Bhavesh Pabari through, KYC relation, fund movement or off market share transfer			**10.Bhavesh Pabari**	Sl. no. 3 is his uncle & sl. no. 18 is his brother in law. Sl. no. 11 is cousin of sl. no.10 Sl. no. 10 & 13 both directors of Rajnandi Yarns Pvt. Ltd.(sl.no.2) Share common Tel. no. with sl. no. 17, 18, 4. BR* with sl. no. 4, 7, 8, 11, 13, 15, 17.		With sl. no. 11, 13, 2, 3, 4, 17, 18, 9.
2.Rajnandi Yarns Private Limited	Sl. no. 10 & 13 both directors of Rajnandi Yarns Pvt. Ltd.		With sl. no. 3, 4, 7, 8, 10, 11, 13, 14, 17, 18.	**11.Prem Mohanlal Parikh**	Sl. no. 11 is cousin of sl. no.10. Common email with sl. 17, 11 & 18. Sl. no. 13 is nominee of sl. no.11. BR* with sl. no. 3, 4, 7, 8, 10, 13, 17, 18.	With sl. no. 10, 13, 8.	With sl. no. 10, 13, 8, 2, 3, 4, 13, 14, 17, 18.
3.Bharat Shantilal Thakkar	Sl. no. 10 is his nephew. Same address with sl. no.10. Sl. no. 10 is his nominee. Joint a/c with sl. no. 10. BR* with sl. no. 4, 7, 8, 11, 13, 17, 18.	With sl. no. 10, 11, 17.	With sl. no. 10, 5, 2.	**12.Santosh Maruti Patil**	Sl. no. 12 traded with sl. No. 6, 17 & 18, who all have connection with Bhavesh Pabari through, KYC relation, fund movement or off market share transfer		
4.Bipin Jayant Thaker	Same Tel. no. with sl. no. 10. BR* with sl. no. 3, 7, 8, 10, 11, 13, 17, 18.	With sl. no. 2, 10.	With sl. no. 2, 14, 7, 10, 11, 13.	**13.Hemant Madhusudan Sheth**	Sl. no. 10 & 13 both directors of Rajnandi Yarns Pvt. Ltd. Same email with sl. no. 17.	With sl. no. 10, 11, 8.	With sl. no. 10, 11, 8, 2, 15, 17, 18, 14, 4.

Client Name	KYC Relation	Fund Movement	Share movement through off market	Client Name	KYC Relation	Fund Movement	Share movement through off market
					BR* with 3, 11, 17, 18, 4, 7, 8, & sl. no. 15 is his wife & sl. no. 16 is his nephew.		
5.Vasudev Ramchandra Kamat	Sl. no. 3 share the same address with sl. no.10.		With sl. no.3.	**14.Jigar Praful Ghoghari**			With sl. no. 2, 4, 11, 13, 17.
6.Bharat G Vaghela	Same address & Tel.no. as sl. no. 9 who has share movement with sl.no. 10. Sl. No. 7 is nephew of sl. no. 10 and shares same Tel. no. with sl. no. 10.	With sl. no. 7.		**15.Mala Hemant Sheth**	Sl. no. 15 is the wife of sl. no. 13 and sl. no. 16 is the nephew.	With sl. no. 10, 11.	With sl. no. 13.
7.Chirag Rajnikant Jariwala	Same Tel. no. with sl.no.10. Sl. no. 10 is his uncle. BR* with sl. no. 3, 4, 8, 10, 13, 17, 18.	With sl. no. 10, 13, 6, 2.	With sl. no. 2, 4.	**16.Gaurang Ajit Seth**	Has common address & Tel. no. with sl. no. 13. & sl. no. 13 and 10 both directors of Rajnandi Yarns Pvt. Ltd.(sl.no.2)		
8.Kishore Chauhan	Join a/c with sl. no. 10 Sl. no. 10 & 13 are witness for demat a/c. BR* with sl. no. 3, 4, 7, 10, 11, 13, 17.	With sl. no. 10, 11, 13.	With sl. no. 2, 10, 11, 13, 18.	**17.Ankit Sanchaniya**	Same Tel. no. with sl. no. 11 and also shares Tel. no. with sl. no. 10 who is the nominee for his a/c. BR* with sl. no.3, 4, 7, 8, 10, 11, 13, 17.	With sl. no. 10, 11.	With sl. no. 2, 10, 11, 13, 7, 14, 18.
9.Bipinkumar Gandhi			With sl. no. 10.	**18.Vivek Kishanpal Samant**	Sl. no. 10 is the brother in law & shares common Tel. no. & sl.no. 10 is the nominee of sl. no. 18 for trading a/c & bank a/c. Shares email with sl. no. 13. Shares email with sl. no. 11.	With sl. no. 13.	With sl. no. 2, 10, 13, 7, 8, 11, 17.

c. *It was observed that the 18 entities, out of their total purchase and sale of 4,59,92,205 shares and 5,17,40,181 shares respectively, traded for 3,92,39,127 shares (48.43% of the market volume) accounting for 85.32% of the total purchase by the group and 75.84% of the total sale of the group within Pabari-Parikh Group entities and 48.43% of the market volume from within the group entities.*

d. *Further, out of the total trading of 3,92,39,127 shares within the group entities, for 1,48,53,157 shares accounting for 18.33% of the market volume the buy and sale orders were placed within one minute time difference. It was noted that 1,48,53,157 shares constituted 32.29% of the total purchase of Pabari-Parikh Group entities and 28.71% of the total sale of the Pabari-Parikh Group entities. Out of 1,48,53,157 shares, for 35,94,922 shares accounting for 4.44% of the total market volume, the buy and sale orders were placed in synchronised manner (i.e. difference between placement of order by buyer and seller within one minute and order rate as well as order quantity of buy side and sale side being same). It was noted that 35,94,922 shares constituted for 7.82% of the total purchase of Pabari-Parikh Group entities and 6.95% of the total sale of the Pabari-Parikh Group entities. The summary of the synchronised trades by various clients is given below:*

Table - 2

Client Name	*synchronised buy trades*	*% of Market Volume*	*% of sync to total buy by client*	*synchronised sale trades*	*% of Market Volume*	*% of sync to total sale by client*
Labh Share and Stock Private Limited	*163281*	*0.20*	*30.90*	*46500*	*0.06*	*95.95*
Bharat Shantilal Thakkar	*25750*	*0.03*	*3.01*	*71120*	*0.09*	*8.59*
Bipin Jayant Thaker	*276949*	*0.34*	*5.82*	*322577*	*0.40*	*6.00*
Vasudev Ramchandra Kamat	*0*	*0.00*	*0.00*	*2500*	*0.00*	*27.93*
Bharat G Vaghela	*1277904*	*1.58*	*17.13*	*599693*	*0.74*	*8.05*
Chirag Rajnikant Jariwala	*339022*	*0.42*	*6.71*	*367990*	*0.45*	*6.23*
Kishore Chauhan	*37149*	*0.05*	*1.63*	*143119*	*0.18*	*3.78*
Bhavesh Pabari	*126200*	*0.16*	*4.03*	*301140*	*0.37*	*7.69*
Prem Mohanlal Parikh	*252719*	*0.31*	*7.33*	*249652*	*0.31*	*6.88*
Santosh Maruti Patil	*1000*	*0.00*	*6.65*	*0*	*0.00*	*0.00*
Hemant Madhusudan Sheth	*320262*	*0.40*	*5.69*	*544491*	*0.67*	*9.47*
Jigar Praful Ghoghari	*51820*	*0.06*	*3.20*	*116796*	*0.14*	*8.86*
Mala Hemant Sheth	*12500*	*0.02*	*98.43*	*25000*	*0.03*	*93.46*
Ankit Sanchaniya	*250945*	*0.31*	*4.76*	*361351*	*0.45*	*5.23*
Vivek Kishanpal Samant	*459421*	*0.57*	*7.87*	*442993*	*0.55*	*6.70*
Total	***3594922***	***4.44***	***7.82***	***3594922***	***4.44***	***6.95***

e. *It was observed from the Price volume data that the scrip was traded on 192 trading days. Out of 192 trading days the group entities traded among themselves on 159 days, i.e. 83% of the total number of days the scrip was traded during the relevant period. The Pabari-Parikh Group entities contribution to daily market volume ranged from 79.12% on May 03, 2010 to 1.06% on January 17, 2011. Out of 159 trading days the Pabari-Parikh Group entities traded among themselves, on 127 trading days Pabari-Parikh Group entities and thereby for contributed more than 50% to the total market volume.*

f. *Out of 159 Pabari-Parikh Group trading days, on 149 trading days both buy and sell orders were placed within time difference of one minute. The Pabari-Parikh Group entities contribution to daily market volume ranged from 20.23% on May 03, 2010 to 1.93% on December 08, 2010. It is alleged that out of 149 trading days, on 19 trading days Pabari-Parikh Group entities contributed for more than 50% of the total market volume by placing both buy and sale order within one minute time difference. Out of 149 trading days, on 100 trading days the trades executed by the Pabari-Parikh Group entities were synchronised in nature. By executing synchronised trades among the group entities, Pabari-Parikh Group entities contributed to the total market volume ranged from 0.84% on May 10, 2010 to 1.93% on December 08, 2010. It is also alleged that on 3 trading days by entering into synchronised trading the group entities contributed more than 50% of the market volume.*

g. *In view of the above, it is alleged that the Pabari-Parikh Group entities including the Noticee indulged in trading among themselves on NSE by way of executing synchronised trades resulting in no change of beneficial ownership and thereby,* *created artificial volume in the scrip of SIL which gave a false and misleading appearance of trading in the scrip on both the exchanges on which the scrip is listed. Therefore, it is alleged that the group entities have violated provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a) (b) (e) & (g) of the PFUTP Regulations.*

6. It is noted that Hon'ble SAT vide order dated July 27, 2015 set aside the AO order and restored the matter to the file of AO citing reasons of deficiency in the service of SCN and hearing notices to the Noticee. The Noticee vide letter dated September 19, 2015 submitted that he had not executed any trade in the securities market and someone has misused his name. The Noticee vide aforesaid letter requested for inspection of documents in the matter. The request of the Noticee was acceded to and the inspection of documents was conducted on October 09, 2015. The Noticee vide letter dated November 27, 2015, *inter alia* made the following submissions:

    - *The Noticee submitted that he is an innocent person and has never traded in the securities market.*
    - *That he has never opened a trading account with any of the brokers and HDFC bank account as mentioned in the SCN.*
    - *That his signature in the KYC and other documents are forged.*

    The Noticee also submitted a copy of *expert opinion on the verification of the questioned signature,* from one private agency viz. Square Advisors, dated July 20, 2015, vide the aforesaid letter and again requested for inspection of documents. The request of further inspection of documents was acceded to and inspection of documents was completed on December 15, 2015.

7. The Noticee vide letter dated February 19, 2016, replied to the SCN and *inter alia* made following submissions:

    - *The Noticee denied each and every allegation alleges in the SCNs.*

- *The Noticee submitted that he has not executed a single trade in the securities market till date.*
- *That he was not provided copies of all the relevant documents in the matter.*
- *That he has not opened a trading account with any broker including the brokers allegedly shown to be my broker i.e. Comfort Securities Limited and Shriram Insight Share Brokers Ltd.*
- *That he has never opened any demat account with any depository participant except HDFC Bank Limited. The said account was opened in the year 2013.*
- *That his name was misused by the alleged Broker's and/or some unknown person(s) without my consent and knowledge. He is in service from last couple of years and have not indulged in any shares trading activities in the securities market due to nature of his work. He is not allowed to make any phone calls from my work place except emergency/necessary calls.*
- *That his name, his identity/address proof documents with photographs have been misused by some unknown person(s) with the help of the Brokers and the said person(s) had forged his signature in opening fake/bogus bank, demat and trading accounts.*
- *That the unknown person(s) has also created his fake email account patil_santosh9@yahoo.com and given fake mobile number which never belongs to the Noticee.*
- *That one qualified forensic expert had compared original signatures of the Noticee with the signatures used in account opening form of the broker Comfort Securities Limited and certified that signature on account opening form of the broker are not of the Noticee.*
- *That he has never used the address given in the Form i.e. S-13 Basment, Hazari Baug, Station Road, Vikroli (West) Maharashtra-400 079.*
- *That unknown person(s) also opened fake bank account in my name with HDFC Bank Limited, Ghatkopar West Branch.*

- *The Noticee denied that he was interviewed by the employee (Sri Navin Thakur, R.M. of the said Broker) of Comfort Securities Pvt. Limited while opening of alleged account as stated in the alleged Form.*
- *It is alleged in the SCN that Mr. Narendra Prabodh Ganatra had introduced the Noticee for opening account with Comfort Securities Limited. However, In KYC form name of some other person is appearing as introducer.*
- *That he never had any fund movement with Mr. Narendra Prabodh Ganatra. If there is any fund movement, it is bogus transaction executed by unknown person and not by the Noticee.*
- *I have never opened any account(s) with HDFC Bank Limited except Bank Account Number 50100028070120 which was opened in the year 2013 much after the completion of the Investigation Period.*
- *That there are discrepancies in trade data.*
- *That the Noticee is from a middle class background.*

The Noticee submitted following documents along with aforesaid letter:

Table - 4

Sr. No.	***Name of Document***
1	*ICICI Bank account (A/c No. 054601503522) statement of the Noticee for the period April 01, 2008 to June 09, 2015*
2	*ICICI Bank account (A/c No. 124901502004) statement of the Noticee for the period March 01, 2015 to June 09, 2015*
3	*SBI Loan Account statement from February 17, 2014 to June 13, 2015*
4	*Bank of India Account (A/c No. 002010110004456) statement from June 01, 2007 to May 28, 2015*
5	*HDFC Bank Account (A/c No. 50100028070120) statement from June 01, 2007 to May 28, 2015*
6	*Copy of Complaint against Broker Comfort Securities Limited dated July 01, 2015, filed to SEBI Chairman*
7	*Copy of Passport of the Noticee*
8	*Copy of Ration Card in the name of Mrs. Ranjana Maruti Patil*
9	*Copy of Voter ID of the Noticee*
10	*copy of expert opinion on the verification of the questioned signature dated July 20, 2015*
11	*Letter of appointment of the Noticee from Capgemini*
12	*Employment related documents*

8. The Noticee vide letter dated February 17, 2016 submitted additional reply wherein he informed that he has received a notice from department of income

tax in respect of the share trading from his trading account. The Noticee also submitted copies of complaints filed with the Police department of Mumbai. The Noticee was granted an opportunity of hearing on June 30, 2017 vide hearing notice dated June 13, 2017. The Noticee vide letter dated June 24, 2017 requested for adjournment of the hearing scheduled on June 30, 2017. Vide email dated June 29, 2017, the Authorized Representative (Herein after referred to as '**AR**') of the Noticee was informed that his request for adjournment was acceded to.

9. Thereafter, the Noticee was granted another opportunity of hearing on September 26, 2018 vide hearing notice dated September 03, 2018. The Noticee vide letter dated September 11, 2018 requested for adjournment of the hearing scheduled on September 26, 2018.

10. In view of the change in AO, the Noticee was granted a fresh opportunity of hearing before the new AO on August 09, 2019, vide hearing notice dated July 18, 2019. The AR attended the hearing on the scheduled date and reiterated the submissions made by the Noticee vide letter dated February 19, 2016. The AR also submitted copies of complaints made to the police department of Mumbai and on PG Portal (Portal of Centralized Public Grievance Redress and Monitoring System), in respect of his name being used for trading on the basis of forged documents/signature. In its reply dated February 19, 2016 and also during the personal hearing, the Noticee has submitted that documents substantiating his alleged connections with the group entities are not provided to him. In view of the same, vide email dated August 28, 2019, the AR, was provided a copy of the HDFC bank account statement (A/c. Number - 04061000007837) of the Noticee and the Client Registration Application Form (herein after referred to as '**CAF**') obtained from the broker Comfort Securities Private Limited (herein after referred to as '**Comfort**').

11. The AR vide email dated September 03, 2019 requested for copy of the CAF of the Noticee from the broker Shriram Insight Share Brokers Limited (herein after referred to as '**Shriram**') and also requested for another opportunity of personal hearing in the matter. Vide email dated September 18, 2019, the Noticee was granted a final opportunity of hearing on September 20, 2019. A copy of CAF, of the Noticee, from the broker Shriram was also sent to the Noticee along with the aforesaid email. The AR attended the hearing on the scheduled date and reiterated the submissions made by the Noticee vide letter dated November 27, 2015 and February 19, 2016. The AR requested during the hearing that the verification of the signatures of the Noticee, on account opening forms of aforesaid trading and bank accounts of the Noticee, may be carried out by Indian Forensic Science laboratories.

12. The AR vide email dated October 05, 2019, again requested for signature verification through an Authorized Laboratory. The Noticee, vide email dated October 09, 2019, was granted a time of one month to submit the appropriate documents/orders from the competent authority to the effect that the trading and bank accounts were opened on the basis of forged documents and fake signatures. Vide letter dated November 06, 2019, the Noticee requested for additional time for submitting the aforementioned documents. Vide email dated November 14, 2019, the Noticee was advised to submit final submissions within 3 months i.e. latest by January 30, 2019. Vide email dated January 16, 2020, the Noticee submitted a copy of the First Information Report (herein after referred to as '**FIR**') dated January 14, 2020. The Noticee has lodged the FIR stating that his name /identity has been misused by some unknown persons to open a share trading account using his forged signature and the aforesaid trading account has been misused.

CONSIDERATION OF EVIDENCE AND FINDINGS

13. I have perused the written submissions of the Noticee and the documents available on record. The issues that arise for consideration in the present case are:
    a) Whether the Noticee has violated Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a), (b), (e) & (g) of PFUTP Regulations by indulging in manipulative trades.
    b) Does the violation, if any, attract monetary penalty under Section 15HA of the SEBI Act?
    c) If yes, what should be the quantum of penalty?

14. I note that the Noticee, in his various replies, has submitted that he has opened neither a trading account with any of the brokers nor the HDFC bank account as mentioned in the SCN. He has also submitted that his signature in the KYC and other documents of the aforesaid bank and trading accounts were forged. The Noticee has submitted a copy of an expert opinion from one private agency viz. Square Advisors, dated July 20, 2015, which has verified the questioned signature and opined that the signature of the Noticee is different from the signatures on the documents used for opening of trading and HDFC bank account. The Noticee also stated that the unknown person(s) has also created his fake email account patil_santosh9@yahoo.com and given fake mobile number which never belonged to the Noticee.

15. In this regard, I place my reliance on the Order of the SAT in SEBI vs. Kalidas Dutta; Appeal No. 262 of 2016 (dated January 23, 2018), wherein the following directions were issued in respect of fraudulent appointment of one as a director without his knowledge/consent:

"…this appeal can be disposed of with a direction to the appellant to obtain appropriate documents/orders from the competent authority to the effect that he was fraudulently appointed as director of the company in question on 10th February, 2015. For this purpose, the appellant is granted time up to one year to do the needful and submit the same to SEBI. …"

Accordingly, vide email dated October 09, 2019, the Noticee was granted time of one month to obtain and submit the appropriate documents/ order from the competent authority to the effect that the signature on the documents used for opening aforesaid trading and bank accounts were forged. Vide letter dated November 06, 2019, the Noticee had requested for grant of further time. The request was acceded to and vide letter dated November 14, 2019, the Noticee, was granted time till January 30, 2020, to furnish aforesaid documents. The Noticee, vide email dated January 16, 2020, has submitted a copy of the FIR dated January 14, 2020 filed with Parksite Police Station, Vikhroli West, Mumbai. The FIR is filed against unknown persons. I note that an FIR is only an information regarding cognizable offence which is registered/ lodged at a police station and it cannot be construed as an order from the competent authority. The copy of FIR, submitted by the Noticee, does not prove the claim of the Noticee that the signature on documents used to open his trading and bank accounts was forged. I note that the SAT order was passed in the matter on July 27, 2015. Thus, the Noticee had ample time of more than four years to submit the appropriate documents in this matter. However, he has failed to do so. In view of the above, I find that the submission of the Noticee is not tenable and I proceed on the basis of the material available on record. I find that lodging of an FIR cannot be a mitigating factor in the instant case.

16. Before moving forward, it is pertinent to refer to the relevant provisions of the PFUTP Regulations read as under:

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**) dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss;*
(c)............
(d)............
*(**e**) any act or omission amounting to manipulation of the price of a scrip*
*(**g**) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security;*

17. The first issue for consideration is whether the Noticee has violated provisions of Regulation 3(a), (b), (c), (d) and Regulation 4(1) & 4(2)(a), (b), (e) and (g) of PFUTP Regulations. On consideration of the SCN, its annexures and other material available on record, I observe that a Group of eighteen (18) entities (hereinafter collectively referred to as the '**Pabari-Parikh Group / PPG entities**') including the Noticee were connected to each other and had traded heavily in the scrip of Spectacle.

18. I note from the SCN that the Noticee is alleged to be connected to the PPG entities on the basis of its trades with PPG entities viz. Shri Bharat G Vaghela, Shri Ankit Sanchahiya and Shri Vivek Kishanpal Samant who in turn have

connection with PPG Entity viz. Shri Bhavesh Pabari through KYC Relations, share and fund movement with other PPG entities.

19. The Noticee, in collusion with the other PPG entities, is alleged to have contributed to the creation of artificial volume in the scrip of Spectacle, during the Investigation period, on NSE. I observe that out of 192 days, on which the scrip of Spectacle was traded during the period of investigation, the trades amongst Pabari-Parikh Group were executed on 159 days, i.e., 83% of the total no of days the scrip was traded during the period of investigation. Further, the PPG entities purchased 4,59,92,205 shares accounting for 56.77% of the total volume traded during the period under investigation and sold 5,17,40,181 shares accounting for 63.86% of the total volume traded during the period under investigation. Further, 18 PPG entities traded 3,92,39,127 shares (48.43% of the market volume) within the group entities, accounting for 85.32% of the total purchase of the group and 75.84% of the total sale of the group. Thus, I find that the significant trading by Pabari-Parikh Group contributed to the volume in the scrip of Spectacle during the IP.

20. I observe from the available records and the trade log that the Noticee and other PPG entities have executed the following trades, in the scrip:

<u>Table – 5</u>

Client Name	Total Buy (Market)	Percentage of Market Volume	Buy amongst Group	Total Sell (Market)	Percentage of Market Volume	Sell amongst Group
Labh Share And Stock Private Ltd	528486	0.65	364127	48465	0.06	46927
Raj Nandi Yarns Private Limited	73900	0.09	73850	0	0.00	0
Bharat Shantilal Thakkar	856100	1.06	814278	828413	1.02	741918
Bipin Jayant Thaker	4757443	5.87	4325890	5374442	6.63	2960350
Vasudev Ramchandra Kamat	0	0.00	0	8950	0.01	8835
Bharat G Vaghela	7459507	9.21	5440123	7453490	9.20	5247870
Jariwala Chirag Rajnikant	5055146	6.24	4208056	5910781	7.30	4778527
Kishorbhai Balubhai Chauhan	2278639	2.81	2111358	3790421	4.68	2028273

Client Name	Total Buy (Market)	Percentage of Market Volume	Buy amongst Group	Total Sell (Market)	Percentage of Market Volume	Sell amongst Group
Bipinkumar Gandhi	1640	0.00	0	157442	0.19	148000
Bhavesh Prakash Pabari	3134691	3.87	2658494	3913748	4.83	3054064
Parikh Prem Mohanlal	3446372	4.25	3148448	3631238	4.48	3224792
Santosh Maruti Patil	**15037**	**0.02**	**11986**	**15037**	**0.02**	**10341**
Sheth Hemant Madhusudan	5633024	6.95	5041635	5748297	7.10	4614254
Jigar Praful Ghoghari	1618670	2.00	1435864	1318905	1.63	1088389
Mala Hemant Sheth	12699	0.02	12500	26750	0.03	25000
Gaurang A Sheth	20235	0.02	18800	2039	0.00	0
Ankit Rajendra Sanchaniya	5266567	6.50	4380357	6903099	8.52	5325116
Vivek Kishanpal Samant	5834049	7.20	5193361	6608664	8.16	5936471
Total	**45992205**	**56.77**	**39239127**	**51740181**	**63.86**	**39239127**

21. I note from the available records that the Noticee's buy and sell quantity was 15,037 shares which contributed to 0.02% of the total market volume in the scrip of Spectacle. The Noticee's buy & sell quantity within the Pabari-Parikh Group, in the scrip, was 11,986 & 10,341 shares, respectively, which was 0.014% & 0.012% of the total market volume.

22. The PPG entities including the Noticee have executed following synchronized trades in the scrip. The trade and order details of the synchronized trades of the PPG entities including the Noticee were provided to the Noticee as **Annexure F** to the SCN:

Table – 6: Synchronized Trades by PPG Entities:

Client Name	Synchronized buy trade	% of Market Volume	% of sync to total buy by client	Synchronized sale trade	% of Market Volume	% of sync to total sale by client
Labh Share and Stock Private Limited	163281	0.20	30.90	46500	0.06	95.95
Bharat Shantilal Thakkar	25750	0.03	3.01	71120	0.09	8.59
Bipin Jayant Thaker	276949	0.34	5.82	322577	0.40	6.00
Vasudev Ramchandra Kamat	0	0.00	0.00	2500	0.00	27.93
Bharat G Vaghela	1277904	1.58	17.13	599693	0.74	8.05
Chirag Rajnikant Jariwala	339022	0.42	6.71	367990	0.45	6.23

Client Name	Synchronized buy trade	% of Market Volume	% of sync to total buy by client	Synchronized sale trade	% of Market Volume	% of sync to total sale by client
Kishore Chauhan	37149	0.05	1.63	143119	0.18	3.78
Bhavesh Pabari	126200	0.16	4.03	301140	0.37	7.69
Prem Mohanlal Parikh	252719	0.31	7.33	249652	0.31	6.88
Santosh Maruti Patil	**1000**	**0.00**	**6.65**	**0**	**0.00**	**0.00**
Hemant Madhusudan Sheth	320262	0.40	5.69	544491	0.67	9.47
Jigar Praful Ghoghari	51820	0.06	3.20	116796	0.14	8.86
Mala Hemant Sheth	12500	0.02	98.43	25000	0.03	93.46
Ankit Sanchaniya	250945	0.31	4.76	361351	0.45	5.23
Vivek Kishanpal Samant	459421	0.57	7.87	442993	0.55	6.70
Total	**35,94,922**	**4.44**	**7.82**	**35,94,922**	**4.44**	**6.95**

23. I note that the PPG Entities including the Noticee have bought and sold 35,94,922 shares which is 4.44% of the total market volume, in a synchronized manner. The Noticee has bought 1,000 shares in a synchronized manner. It is observed from the Annexure F to the SCN that the Noticee has executed only one trade in synchronized manner on June 18, 2010 with a quantity of 1000 shares and the counterparty to the aforesaid trade was another PPG entity viz. Bharat G Vaghela.

24. However, I note that it is difficult to establish a connection between the two entities merely on the basis of trading between them on the platform provided by stock exchange. While establishing the charge as serious as fraud under PFUTP Regulations, the connection must be evident through documentary evidences like KYC based connections, Off-market transfers, fund movement or common directorships etc., which show/confirm that such entities were known to each other. In the case of Kapil Chaturabhuj Bhuptani vide Appeal no.95/2013 and order dated 10/10/2013, SAT in its order has stated that

"*Therefore in our considered opinion simple trading by the appellant in a particular scrip without any proved nexus between trades with the other so called group of brokers and clients is not per se punishable.*"

In view of the above, in the absence of any cogent evidence showing the connection of the Noticee with other PPG entities, I conclude that the Noticee is not connected to PPG entities. Having observed that the Noticee is not connected to the PPG entities, I find that the charges alleged against the Noticee in the SCN with respect to the violation mentioned therein are not established. Based on the above facts and circumstances of the case, I hereby dispose off the SCN dated December 04, 2013, in respect of the Noticee, without imposing penalty.

ORDER

25. In view of the above, considering the facts and circumstances of the case and the material available on record, I hereby dispose of the Adjudication Proceedings initiated against the Noticee viz. Shri Santosh Maruti Patil vide SCN dated December 04, 2013 without imposing any penalty.

26. In terms of the provisions of Rule 6 of the Adjudication Rules, copies of this order are being sent to Shri Santosh Maruti Patil and also to the Securities and Exchange Board of India, Mumbai.

Place: Mumbai
Date: February 28, 2020

Dr. ANITHA ANOOP
ADJUDICATING OFFICER