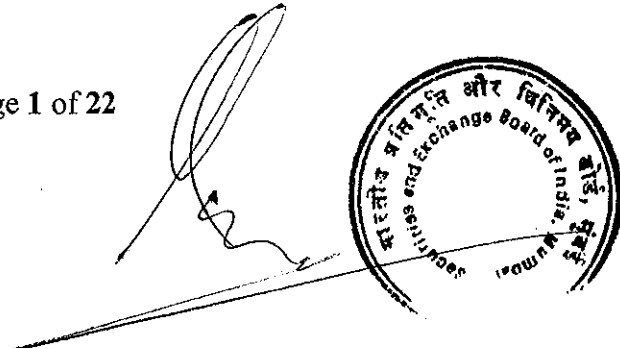


**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: S RAMAN, WHOLE TIME MEMBER**

ORDER

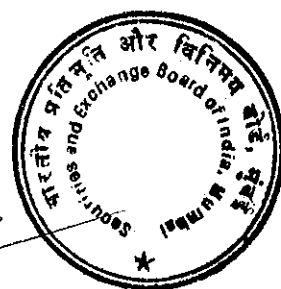
Proceedings Under Sections 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 read with Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003 in respect of Mr. Dhirenkumar Dharamdas Agarwal (PAN: AAZPA8189K) - in the matter of Trading activity in the scrip of Rotam Commercials Limited (presently known as Sword-Edge Commercials Limited).

1. Securities and Exchange Board of India (hereinafter referred to as "SEBI") conducted investigation in respect of the trading in the scrip of Rotam Commercials Limited (hereinafter referred to as "RCL") for the period January 20, 2010 to May 17, 2010. During the period under investigation, the price of the scrip increased from ₹.82.15 (opening price) on January 20, 2010 to ₹153/- on April 12, 2010 and then decreased to ₹69.90 (closing price) on May 17, 2010.
2. Investigation *inter alia* revealed that the promoters and promoter group entities of RCL and their connected entities namely Shamanjwali Metals Pvt. Ltd. (**Shamanjwali**) and S. B. Malani & Sons (**SBMS**) (collectively referred to as 'Malani group') wanted to liquidate their holdings and exit from RCL. However, the scrip of RCL was an illiquid scrip. On most of the days prior to February 25, 2010, there was no trading while on other days the trading volumes were very low. The modus operandi adopted by the Malani group to exit RCL is stated below.
3. The former Directors of RCL diverted the funds of RCL to another connected /related group commonly referred to as the 'Krupa Soni group' in this order. The investigation conducted by SEBI revealed that Krupa Soni group purchased 2,49,966 shares (26.04% of the total capital) and sold 2,10,343 shares (21.91% of the total capital) during the period under investigation. The trading details of Krupa Soni group in the scrip of RCL during the period January 20, 2010 to May 17, 2010 are as under:



S. No.	Name of client	Buy Qty	Percentage of total traded Qty	Sell Qty	Percentage of total traded Qty
1	Krupa Soni	82,576	8.82	64,855	6.93
2	Sanjay Soni	56,466	6.03	51,358	5.49
3	J M Soni Consultancy	52,833	5.64	42,693	4.56
4	Krunal Gopal Das Rana	30,954	3.31	28,605	3.06
5	Dhirenkumar Dharamdas Agarwal	19,437	2.08	15,412	1.65
6	Ashlesh Shah	7,700	0.82	7,420	0.79
Total		2,49,966	26.70	2,10,34	22.48

4. Out of the total shares traded by the group as stated in the table above, 46,901 shares were traded amongst Krupa Soni group of entities. It was also observed that trades for 17,607 shares were in the nature of self trades, mostly by two Krupa Soni group entities viz., Krupa Soni and Sanjay Soni. Krupa Soni group of entities purchased and sold in the scrip thereby created momentum and volume of trading in the scrip of RCL. Further, Sanjay Soni and Krupa Soni also indulged in price manipulation in the scrip of RCL. On account of the above trading conducted by the Krupa Soni group, the scrip of RCL attained momentum and at this juncture, other investors also started trading in the said scrip. It is alleged that in the wake of the artificial interest created in the scrip, the promoter group (Malani group) could make an exit by selling their stake in the company. Malani group sold a total of 2,47,125 shares (25.74% of the total share capital) during the period under investigation. Out of 2.47 lakh shares sold by Malani group, 69,661 shares (approx. 28.19% of all the sales by the Malani group) were purchased by Krupa Soni group and the remaining shares were purchased by other entities. In this regard, Krupa Soni group were the counter-parties for more than 50% of the sales by Malani group of entities on two days (February 25, 2010 and April 06, 2010).



5. Investigation revealed that the entities in the Krupa Soni group as mentioned in the below table are connected/ related to each other :

Sl. No.	Name of entity	PAN	Basis of connection
1	Sanjay Soni	BVSPS9741N	Self
2	Krupa Soni	BVSPS9740P	Krupa Soni is wife of Sanjay Soni. Krupa Soni and Sanjay Soni have same address and contact number as per details at Unique Client Code (UCC) database. From the bank account transaction statements, it has been observed that there have been regular movement of funds between Sanjay Soni and Krupa Soni.
3	J M Soni Consultancy	AAGFJ2939P	Sanjay Soni is the proprietor of J M Soni Consultancy. J M Soni Consultancy and Sanjay Soni share common address and contact number as per details uploaded at UCC database. From the bank account transaction statements, it has been observed that there have been regular movements of funds between J M Soni Consultancy and Sanjay Soni as well as Krupa Soni.
4	Krunal Gopaldas Rana	AKMPR9961M	Krunal G Rana shares the same phone number 9727548290 as that of Sanjay Soni as per details at UCC database. It is further noted that Krunal G Rana's e-mail ID with the broker Globe Capital Market Ltd. was sanjaysoni97@yahoo.com As per KYC submitted by the broker MTL Share & Stock Brokers Ltd., Krunal G Rana was introduced by Ashlesh Shah. From the bank account transaction statements, it has been observed that there have been fund movements between Sanjay Soni and Krunal G Rana.
5	Ashlesh Shah	AEOPS0718P	From the bank account transaction statements, it has been observed that there have been fund movements between Sanjay Soni and Ashlesh Shah.
6	Dhirenkumar Dharamdas Agarwal	AAZPA8189K	Dhirenkumar Agarwal and Sanjay Soni share the same phone numbers 9727548290 as well as 9879430033 as per details at UCC database.

6. Investigation revealed that a total of 46,901 shares were traded amongst the Krupa Soni group of entities. Further, trades for 17,607 shares were self trades, mostly by two Krupa Soni group entities, Sanjay Soni and Krupa Soni. The group of entities purchased and sold in the scrip and created momentum to the scrip. Further, Sanjay Soni and Krupa Soni also indulged in price manipulation in the scrip of RCL. Once the scrip got its momentum, other investors also started

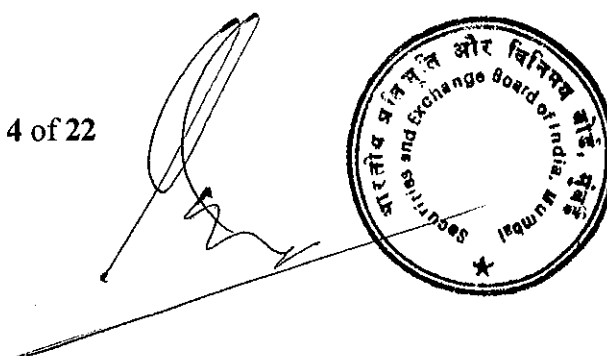


trading in the scrip and the promoters/promoter group of RCL and connected entities could easily make an exit by selling their stake in the company. Out of 2.47 lakh shares sold by Malani group, 69,661 shares (approx. 28.19% of all the sales by the Malani group) were purchased by Krupa Soni group and the remaining shares were purchased by other entities. Further, Krupa Soni group were the counter-parties for more than 50% of the sales by Malani group of entities on 2 days.

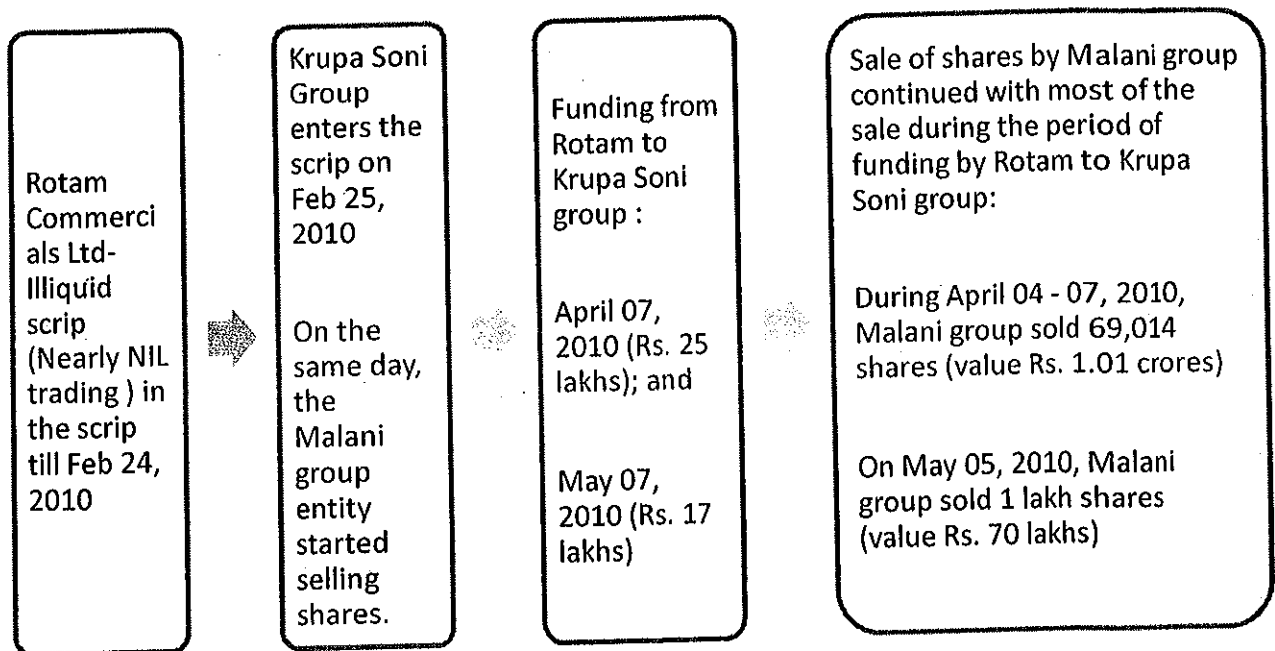
7. The date-wise trading details of Malani group of entities and the counter-party details for the sales by Malani group are as below:

Trade Date	No. of shares sold by Malani group (A)	Total Purchase by Krupa Soni Group (B)	No. of shares wherein Krupa Soni group was counter-party to the sale by Malani Group (C)	C as a % of A	C as a % of B	Day's Traded Qty (D)	C as a % of D
Feb 25, 2010	11111	6601	6401	57.61	96.97	11311	56.59
Feb 26, 2010	10000	81	81	0.81	100.00	10765	0.75
March 8, 2010	15000	5200	5100	34.00	98.08	28510	17.89
March 19, 2010	10000	3327	100	1.00	3.01	22207	0.45
March 23, 2010	2500	2245	1	0.04	0.04	17323	0.01
March 25, 2010	24111	3947	2443	10.13	61.90	37510	6.51
March 26, 2010	5389	14079	23	0.43	0.16	27623	0.08
April 5, 2010	14500	2188	0	0.00	0.00	50423	0.00
April 6, 2010	29513	28033	23526	79.71	83.92	40177	58.56
April 7, 2010	25001	9912	8200	32.80	82.73	29022	28.25
May 5, 2010	100000	25014	23786	23.79	95.09	134322	17.71
Total	247,125	1,00,627	69,661	28.19	69.23	4,09,193	17.02

8. Investigation further revealed that one of the Krupa Soni group entities, J M Soni Consultancy received ₹42 lakh from RCL during April - May 2010 (₹25 lakh on April 7, 2010 and ₹17 lakh on May 7, 2010). Further, some of the entities of Krupa Soni group provided funds to other entities of their group at various points of time for trading in the market. The directors of RCL during April - May, 2010 sold their entire stake in RCL and all the promoter group entities and their connected entities had subsequently made an exit from RCL. Hence, it is alleged that the said directors had used the funds of RCL for financing Krupa Soni group for creating volumes in the scrip and thereby facilitating an exit to the promoters from the company.



9. A pictorial depiction of the *modus operandi* is as under:



10. The total buy and sale value of Krupa Soni group during the period was ₹3.09 crores and ₹2.66 crores respectively. Therefore the net payment obligation by Krupa Soni group to its brokers (excluding brokerage charges and taxes) was approximately ₹43 lakh. Considering these facts as well as the transfer of ₹42 lakh to the Krupa Soni group by RCL led to the conclusion that the said transfer of ₹42 lakh could be in respect of the fund requirement of approximately ₹43 lakh by Krupa Soni group in respect of their trading in the scrip.

11. The promoter entities viz., Mr. Chandrakant S. Malani, Mr. Jagdish S. Malani, Mr. Hasmukh S. Malani and Mr. Mukesh N. Malani also resigned as Directors of RCL and moved away from the management and RCL came in control of new management on March 24, 2011. Thus, it emerged that Krupa Soni group acted fraudulently and their purpose for trading was only creation of momentum so as to facilitate an exit to the promoters and promoter group of RCL.

12. Based on the above findings of investigation, a Show Cause Notice (SCN) dated December 18, 2012 was issued to Mr. Dhirenkumar Dharamdas Agarwal ("Noticee") along with other Noticees under Section 11(4) and 11B of Securities and Exchange Board of India Act, 1992 alleging that the Noticee had violated the provisions of Section 12 A (a), (b) and (c) of SEBI Act, 1992 read with Regulations 3(a), (b), (c), (d), 4(1) and 4 (2) (a), (d) and (e) of the PFUTP Regulations, 2003.

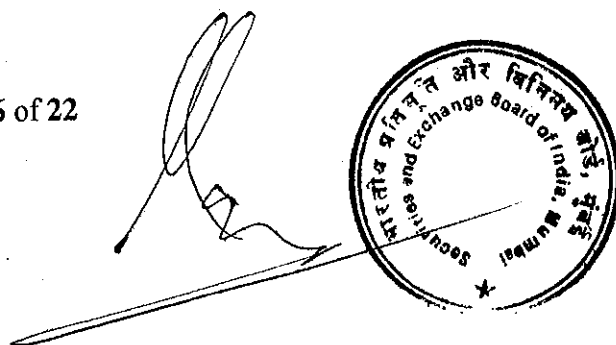


13. In view of the above, the Noticee was called upon to show cause as to why suitable directions under Section 11 (4) and 11B of the SEBI Act, 1992 including a direction to debar them from accessing the securities market and prohibit them from buying, selling or dealing in securities for a particular duration should not be passed against them.

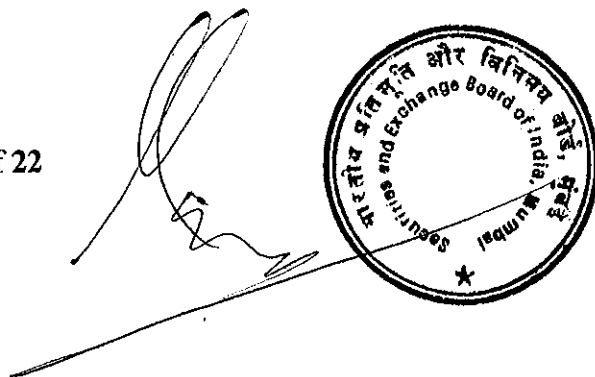
Replies and personal hearing

14. The Noticee vide letter dated January 28, 2013, sought additional time of 10 days to file reply to the SCN. A reminder letter dated March 12, 2013 was sent to the Noticee. The Noticee submitted his reply vide his letter dated February 08, 2013 (received by SEBI on March 18, 2013), and made the following submissions:

- *He was neither aware about any fund transfer from company to Sanjay Soni, use of funds by him nor was he concerned with it.*
- *The investigating authority has not even established his connection with other alleged Krupa Soni group entities viz., Krupa Sanjay Soni, Ashlesh Shah and Krunal G Rana.*
- *He had bought 19,437 shares and sold 15,412 shares, resulting into net delivery of 4,025 shares. Hence it is incorrect to infer that he along with Krupa Soni group acted as buyer for a large part of sales trades of Malani group.*
- *Not a single financial transaction/ fund transfer can be attributed to him as per bank account statement of JM Soni Consultancy (Annexure V of SCN), details of funds transfer by Sanjay Soni, Krupa Soni and JM Soni Consultancy (Annexure VI of SCN) and joint bank statement of Krupa Soni and Sanjay Soni (Annexure VII of SCN). Hence it is incorrect to say that he got the alleged finance from the promoters of RCL for creating volumes in the scrip and providing exit to the promoters.*
- *On deleting/ removing the intra-day transactions, the group was counterparty for only about 19%, and not 28.19%, of sales by Malani group.*
- *For funding the group, the money would have been a huge amount (and not ₹42 lakh) and were required to be brought upfront, and not toward the fag end. Further, certain shares remained with the Krupa Soni group, which have not been factored in.*



15. The Noticee had also sought trade log/ order log in the matter and clarification regarding differences in 'beneficiary position statement' and 'order log and trade log' statement. The Noticee was accordingly provided the relevant extracts of trade log and order log and the said clarification, vide letter dated May 08, 2013.
16. The Noticee was given an opportunity of personal hearing on June 11, 2013, vide hearing notice dated May 06, 2013. The personal hearing was attended by the authorized representatives of the Noticee who made additional written submissions during the hearing.
17. Thereafter, in exercise of powers under Section 19 read with Section 11(4) and 11B of the SEBI Act read with Regulation 11(1) of PFUTP Regulations, vide Order dated October 01, 2014, the Noticee was prohibited from buying, selling or dealing in the securities market, in any manner whatsoever for a period of five years.
18. Being aggrieved by the above Order, the Noticee approached the Hon'ble SAT in appeal in light of inordinate delay in passing order after the personal hearing. Hon'ble SAT had quashed the Order dated October 01, 2014 qua appellant only and the matter was remanded to SEBI for passing fresh order on merit and in accordance with law after giving personal hearing to the appellant.
19. Accordingly, an opportunity of fresh hearing was granted to the Noticee on December 12, 2014 vide hearing notice dated December 03, 2014. The Noticee attended the hearing through its Authorised Representative Mr. Pratham V. Masurekar and made the following submissions-
- a) *I am unaware as to how the alleged phone no. of Mr. Sanjay Soni appears in my UCC database. I hereby request you to provide me inspection of documents in this regard as the same have not been brought on record by SEBI in order to enable me to place on record proper facts.*
- b) *That there is no fund transaction/fund transfer with promoters or the alleged Krupa Soni Group entities and the bank statement for the investigation period clearly sets out the same.*

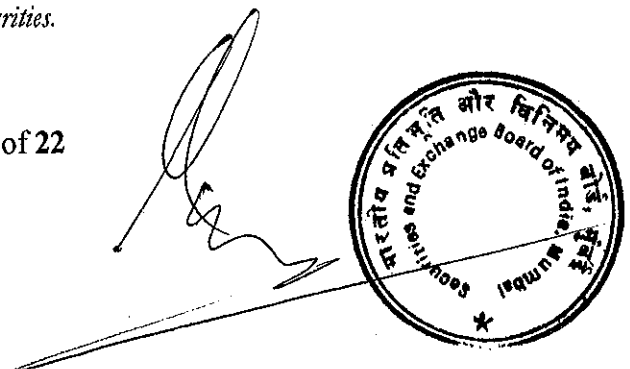


- c) That as per SCN the Noticee had purchased 19,437 shares and sold 15,142 shares of the RCL during the investigation period. It is pertinent to mention that as per SCN my buy volume is 19,437 shares while as per the trade log my buy volume is 16,027 shares.
- d) That on most of the days, when Malani group has sold shares, then I have not traded/purchased any shares.
- e) That on 25/02/2010, my buy volume was only 200 shares and on 05/05/2010 my buy volume was only 2500 shares (when Krupa Soni group of entities were the counter parties for more than 50% of sale by Malani/promoter group of entities)
- f) Hence it cannot be said that my buy transactions were towards giving exit to the alleged promoter group entities.
- g) No connection of mine is established with independent material with each and every group entity separately.

20. The Authorized Representative also requested for inspection of documents referred to and relied upon by SEBI in the captioned matter. Accordingly opportunity of inspection was granted on December 15, 2014 and the Noticee inspected the relied upon documents.

21. Thereafter, pursuant to the personal hearing on December 12, 2014 and inspection on December 15, 2015, the Noticee made the following additional submissions on 07/01/2015-

- That out of the total 16 accounts with 13 brokers my own mobile number appears, with 2 brokers invalid mobile number appears and only with one broker the mobile number of Mr. Sanjay Soni appears. Hence the allegation levied in this regard is farfetched, high handed and perverse.
- That my account UCCNLR134 was opened in 2010 with K&A Securities Ltd. wherein my mobile appears as that of Sanjay Soni. I further submit that Mr. Sanjay Soni has also opened an account with K&A Securities Ltd. during the same time and it seems that the common introducer at the broker's Ahmadabad branch may have filled in mobile no. of Mr. Sanjay Soni in my KYC. I say that I was not aware about this fact until the inspection was taken by my Authorised Representative on 15/12/2014 and not even at the relevant time. It is pertinent to mention that I did not receive KYC etc. documents at the relevant time or thereafter from K&A Securities.



22. Thereafter, the Noticee vide communication dated April 22, 2015 sought another opportunity of personal hearing in the matter. The same was granted on May 28, 2015. During the said hearing, the following queries were asked to the Noticee:

- Reasons for dealings in the scrip of Rotam Commercials Ltd and
- Whether the Noticee dealt in the scrip prior to and post investigation period.

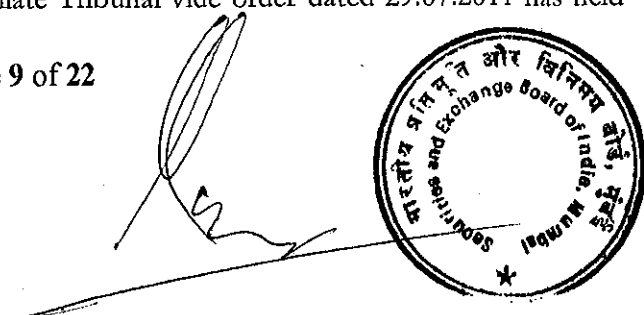
23. In reply thereto, the Noticee vide email dated May 31, 2015 submitted as under:

1. At the outset it is submitted that the Noticee has never been alleged or acquainted for any violation of any Rules and Regulations as laid down by SEBI and that the present proceedings is the first of its kind to have been initiated against him.

2. The Noticee though has not traded in RCL scrip apart from the investigation period considered by SEBI the following facts are to be appreciated:

- During the said investigation period (i.e. from 20.01.2010 to 17.05.2010) the Noticee has traded in other scrips also.
- Trades of the Noticee are miniscule in nature and on most of the days when the Malani group has traded the Noticee has not traded / purchased any shares in RCL.
- On 25.02.2010 and 05.05.2010 when the alleged Krupa Soni group entities were the counter parties for more than 50% of the sale of Malani / Promoter group entities the trade volume of the Noticee was only 200 shares and 2500 shares respectively.
- There is not a single fund transfer between the Noticee and Sanjay Soni or J.M. Consultancy or any of the other Krupa Soni group entities though the same is wrongly attributed in the SCN. The Noticee has arranged funds for all his transactions and that the same were executed by his own funds.

3. The Noticee traded in the RCL scrip based on the volatility and market tips observed in the scrip and hence most of his transactions were of BTST nature i.e. Buy Today Sell Tomorrow. All the trades of the Noticee are based on his separate, individual and independent assessment of the market. **In re: Narendra Ganatra Vs SEBI Appeal No. 47 of 2011** the Hon'ble Securities Appellate Tribunal vide order dated 29.07.2011 has held



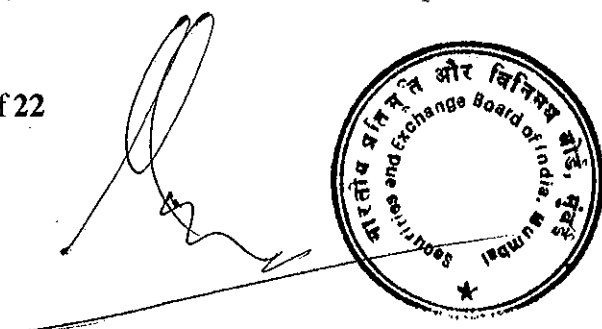
that "The fact that the appellant shares common address with his brother Nimesh Ganatra or has introduced Bhavesh Pabari to broker is not sufficient evidence to prove the charge of connivance in executing circular trades."

Consideration of issues and findings

24. The main issue for consideration in the matter is whether the Noticee violated the provisions of Section 12 A (a), (b) and (c) of SEBI Act, 1992 read with Regulations 3(a), (b), (c), (d), 4(1) and 4 (2) (a), (d) and (e) of the PFUTP Regulations, 2003?
25. I shall now deal with main issue in the matter which is based on the allegation that the artificial trading interest created by the Krupa Soni group (including the Noticee) in collusion with the promoters of RCL (Malani Group) in the illiquid scrip of RCL enabled the promoters/ promoter group of the company to exit the company. In this context it is pertinent to analyse the price in the scrip of RCL during the relevant period. This is done by making reference to three periods ie, prior to investigation period (October 01, 2009 - January 19, 2010), during investigation period (January 20 - May 17, 2010) and post investigation period (May 18 - September 30, 2010).

Before investigation period (October 01, 2009 - January 19, 2010):

- It was found that there were no trades on October 01, 2009. The market was closed during October 02 - 04, 2009. During the month of October 2009 there were only 3 trades in the scrip. The details are as follows.
 - On October 05, 2009, there was 1 trade for 1 share at ₹59.9 per share.
 - On October 20, 2009 there was 1 trade for 300 shares at ₹59.9 per share.
 - On Oct 22, 2009, there was 1 trade for 300 shares at ₹57.05 per share.
- During the month of November 2009, there were a total of 48 trades for 1,375 shares and the price of the scrip increased to ₹111.95 (closing price on November 30, 2009). During the month of December 2009, there were 51 trades for 705 shares and the price of the

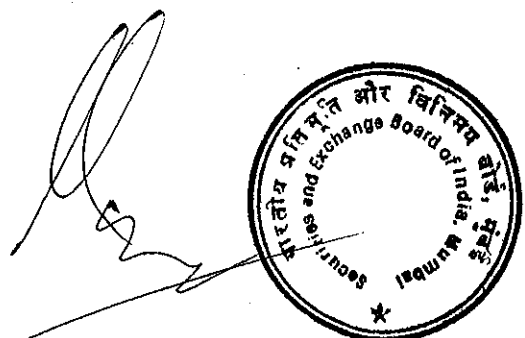


scrip decreased to ₹71/-per share (closing price on December 31, 2009). During January 01 - 19, 2010, there were 13 trades for 428 shares and the price of the scrip was at ₹78.25 on Jan 19, 2010. During the relevant time, the Bombay Stock Exchange stock indice Sensex had moved from 17,186.2 on Oct 01, 2009 to 17,486.06 on Jan 19, 2010 i.e. an increase of 1.74% in 73 trading days.

- From the above, it was noted that the liquidity in the scrip was very low and on most of the days there was no trading in the scrip prior to the investigation period.

During investigation period (January 20 – May 17, 2010):

- From January 20, 2010 till February 24, 2010, there were only 7 trades for 214 shares and the price of the scrip was ₹77.75 per share. From February 25, 2010 onwards, there was a sudden increase in volumes in the scrip. On February 25, 2010 alone, there were 55 trades for 11,311 shares.
- The price of the scrip also increased from ₹75.1 (opening price) on February 25, 2010 to ₹140.75 (closing price) on March 23, 2010 i.e. an increase of 87.42% in 18 trading days. This phase of price rise has been referred to as phase I. The average daily traded quantity during the said period was for 11,913 shares.
- The price of the scrip decreased from April 12, 2010 onwards and it decreased from ₹147/- (opening price) on April 12, 2010 to Rs. 69.9 (closing price) on May 17, 2010 i.e. decrease of 52.45% in 25 trading days. This phase of price fall has been referred to as phase II. The average daily traded quantity during the said period was for 15,392 shares.
- The total traded quantity during the period of investigation (January 20 - May 17, 2010) was for 9,36,115 shares in 79 trading days with average daily traded quantity being 11,850 shares. The Sensex had moved from 17,486.69 on January 20, 2010 to 16,835.56 on May 17, 2010 i.e. decrease of 3.72% in 79 trading days.



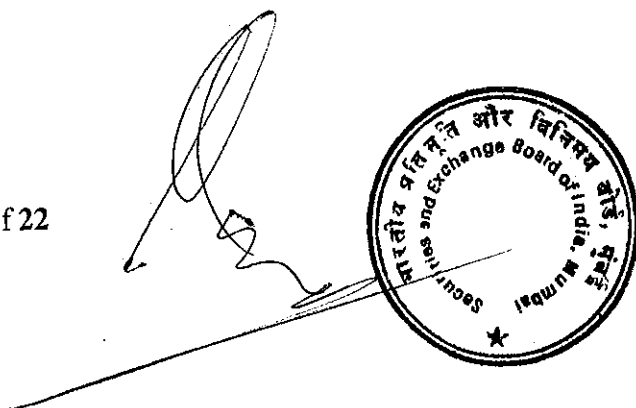
Post investigation period (May 18 – September 30, 2010):

- The scrip opened at ₹71.5 on May 18, 2010 and closed at ₹29.65 on September 30, 2010 i.e. a decrease of 58.53% in 97 trading days. The average daily traded quantity during May 18 - September 30, 2010 was for 18,921 shares.
- The major price fall was observed during June 14, 2010 till July 13, 2010 wherein the price of the scrip decreased from ₹92.9 (opening price) on June 14, 2010 to ₹34.65 (closing price) on July 13, 2010 i.e. decrease of 62.70% in 22 trading days. The average daily traded quantity during this period was for 41,628 shares. The Sensex had moved from 16,840.59 on May 18, 2010 to 20,069.12 on September 30, 2010 i.e. an increase of 19.17% in 97 trading days. The scrip closed at ₹18.95 on September 13, 2011.

26. Analysis of the trading pattern in the scrip revealed the top 10 clients by gross volume, net buy and net sell in the scrip of RCL during the period of investigation (Jan 20, 2010 - May 17, 2010), as mentioned below:

(Top 10 clients by Gross Volume)

Client Name	Buy Qty	% of Market Volume	Sell Qty	% of Market Volume	Gross Traded Qty. (BUY+SELL)	% of Market GROSS
KRUPA SANJAY SONI	82576	8.82	64855	6.93	147431	7.87
SHAMANJWALI METALS PVT LTD	0	0.00	127001	13.57	127001	6.78
SANJAY JETHALAL SONI	56466	6.03	51358	5.49	107824	5.76
J M SONI CONSULTANCY	52833	5.64	42693	4.56	95526	5.10
NIMAI AGENCIES PRIVATE LIMITED	38500	4.11	38500	4.11	77000	4.11
KRUNAL GOPALDAS RANA	30954	3.31	28605	3.06	59559	3.18
S B MALANI SONS	0	0.00	57000	6.09	57000	3.04
DARSHAN PRAFULCHANDRA TREVEDI	25000	2.67	17400	1.86	42400	2.26
SHYAM CONSTRUCTION	20500	2.19	20500	2.19	41000	2.19
PRADIPBHAI RAMBHAI PATEL	20000	2.14	19900	2.13	39900	2.13



(Top 10 clients by Net Buy Qty)

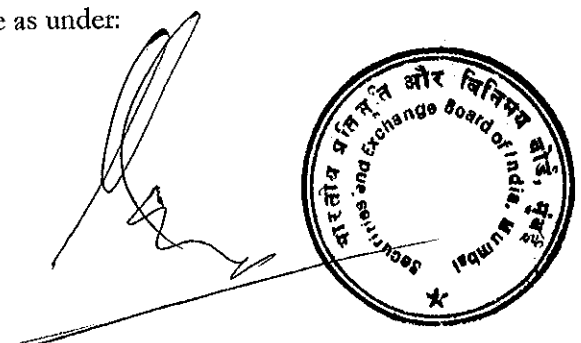
Client Name	Buy Qty	% of Market Volume	Sell Qty	% of Market Volume	NET BUY
1. KRUPA SANJAY SONI	82576	8.82	64855	6.93	17721
2. J M SONI CONSULTANCY	52833	5.64	42693	4.56	10140
3. KAPILABEN RASIKLAL PANDYA	9022	0.96	57	0.01	8965
4. DARSHAN PRAFULCHANDRA TREVEDI	25000	2.67	17400	1.86	7600
5. PRAKASH KRISHANCHAND VIRWANI	7050	0.75	0	0	7050
6. DILIPBHAI KISHANCHAND VIRWANI	7050	0.75	0	0	7050
7. KISHANCHAND CHANOMAL VIRWANI	7050	0.75	0	0	7050
8. BHARAT AMBALAL PANCHAL	7000	0.75	0	0	7000
9. SANJAY JETHALAL SONI	56466	6.03	51358	5.49	5108
10. DHIRENKUMAR DHARAMDAS AGARWAL	19437	2.08	15412	1.65	4025

(Top 10 clients by Net Sell Qty)

Client Name	Buy Qty	% of Market Volume	Sell Qty	% of Market Volume	NET SELL
SHAMANJWALI METALS PVT LTD	0	0	127001	13.57	127001
S B MALANI SONS	0	0	57000	6.09	57000
JAGDISH SHAMLALI MALANI	0	0	22302	2.38	22302
HASMUKH MALANI	0	0	17419	1.86	17419
CHANDRAKANT MALANI	0	0	14292	1.53	14292
MEHUL MALANI	0	0	3711	0.40	3711
LAHERCHAND SHAMJIBHAI LAKHANI	0	0	2296	0.25	2296
JIGNESH RAJNIKANT MEHTA	0	0	1000	0.11	1000
USHA MALANI	0	0	600	0.06	600
S VINAYAGAMOORTHY	500	0.05	1000	0.11	500

From the above table, it was found that Krupa Soni and Sanjay Soni were the top 2 buyers in the scrip whereas the entities Shamanjwali Metals Pvt. Ltd. and S B Malani & Sons were the top 2 sellers in the scrip during the period of investigation. It was observed that Krupa Soni group had purchased 2,49,966 shares (approx. 26.70% of the total traded quantity) and had sold 2,10,343 shares (approx. 22.47% of the total traded quantity) with the gross quantity of the group being approx. 24.59% of the market gross.

27. The following persons/entities in the Krupa Soni group had traded in the scrip of RCL during the period Jan 20, 2010 - May 17, 2010 and the details are as under:

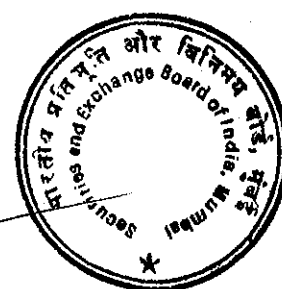


S. No.	Name of client	Buy Qty	% of total traded Qty	Sell Qty	% of total traded Qty
1	Krupa Soni	82,576	8.82	64,855	6.93
2	Sanjay Soni	56,466	6.03	51,358	5.49
3	J M Soni Consultancy	52,833	5.64	42,693	4.56
4	Krunal Gopaldas Rana	30,954	3.31	28,605	3.06
5	Dhirenkumar Agarwal	19,437	2.08	15,412	1.65
6	Ashlesh Shah	7,700	0.82	7,420	0.79
Total		2,49,966	26.70	2,10,343	22.47

28. The shareholding pattern of RCL for the quarters ending September 2009, December 2009, March 2010 and June 2010 which is as under:

Quarter Ending	Sep-09	Dec-09	Mar-10	Jun-10
Promoter and Promoter Group	16.98%	16.98%	8.84%	0.43%
Public	83.02%	83.02%	91.16%	99.57%
Total	9,60,000	9,60,000	9,60,000	9,60,000

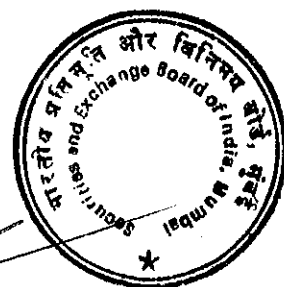
29. It is evident from the above table that the promoter and promoter group had sold their stake in RCL and their shareholding reduced from 16.98% (1,62,961 shares) as on December 31, 2009 to 0.43% (4,100 shares) as on June 30, 2010. It is further evident that the promoter and promoter group entities had sold a net quantity of 1,58,861 shares during the period January 01 - June 30, 2010. On further examination, it was found that the shareholding of promoters and promoter group decreased to 0.03% (300 shares) as on September 30, 2010 and to nil as on March 31, 2011. The promoters had thus made an exit from the company during the period Jan 01, 2010 till March 31, 2011. The details of sale of promoters/promoter group entities who were part of Malani Group and who sold the shares during the period of investigation are as under :



S. No.	Name of entity	No. of shares sold during investigation period
1	SBMS (Partner: Shashikant Malani)	57000
2	Jagdish S Malani	22302
3	Hasmukh S Malani	17419
4	Chandrakant S Malani	14292
5	Mehul J Malani	3711
6	Ranjan P Malani	600
7	Usha H Malani	600
8	Hetal S Malani	300
9	Jigna Malani	300
10	Ketan C Malani	300
11	Mitul P Malani	300
12	Mukesh N Malani	300
13	Nayana C Malani	300
14	Neha R Malani	300
15	Nita S Malani	300
16	Puja M Malani	300
17	Pushpagauri N Malani	300
18	Rohan H Malani	300
19	Samir C Malani	300
20	Shashikant S Malani	300
21	Vipa K Malani	300
Total		1,20,124

30. The abovementioned promoters/promoter group entities had sold a total of 1,20,124 shares (12.51% of the share capital) during the period of investigation (the shares were sold on the following dates - 25/02/2010, 26/02/2010, 08/03/2010, 19/03/2010, 23/03/2010, 25/03/2010, 26/03/2010, 05/04/2010 and 06/04/2010). Further, Shamanjwali had sold 1,27,001 shares (13.23% of the share capital). It was also found that Shamanjwali had sold the shares on 06/04/2010, 07/04/2010 and 05/05/2010. Therefore, Malani group (the promoter group entities and Shamanjwali) together had sold 2,47,125 shares (25.74% of the total share capital) during the period of investigation.

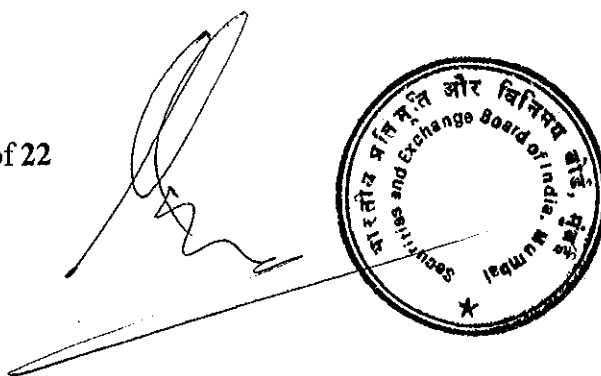
31. From the date-wise trading details of Malani group of entities, the counter-party details for the sales by Malani group were analyzed and the details are as below:



Trade Date	No. of shares sold by Malani group (A)	Total Purchase by Krupa Soni Group (B)	No. of shares wherein Krupa Soni group was counter-party to the sale by Malani Group (C)	C as a % of A	C as a % of B	Day's Traded Qty (D)	C as a % of D
Feb 25, 2010	11111	6601	6401	57.61	96.97	11311	56.59
Feb 26, 2010	10000	81	81	0.81	100.00	10765	0.75
March 8, 2010	15000	5200	5100	34.00	98.08	28510	17.89
March 19, 2010	10000	3327	100	1.00	3.01	22207	0.45
March 23, 2010	2500	2245	1	0.04	0.04	17323	0.01
March 25, 2010	24111	3947	2443	10.13	61.90	37510	6.51
March 26, 2010	5389	14079	23	0.43	0.16	27623	0.08
April 5, 2010	14500	2188	0	0.00	0.00	50423	0.00
April 6, 2010	29513	28033	23526	79.71	83.92	40177	58.56
April 7, 2010	25001	9912	8200	32.80	82.73	29022	28.25
May 5, 2010	100000	25014	23786	23.79	95.09	134322	17.71
Total	247,125	1,00,627	69,661	28.19	69.23	4,09,193	17.02

32. From the above table, it was observed that Krupa Soni group of entities were the counter-parties for approximately 28.19% of all the sales by Malani group of entities during the period January 20 - May 17, 2010. It was further noted that Krupa Soni group of entities were the counter-parties for more than 50% of the sales by Malani group of entities on 2 days viz. February 25, 2010 and April 06, 2010. Of the 1,00,627 shares purchased by Krupa Soni group on the above days, 69,661 shares (i.e. 69.23%) were as counter-parties to the Malani group.

1. As regards February 25, 2010, it was noted that except for 1 trade for 200 shares, Malani group of entities were the sellers for all the trades. Malani group of entities had sold 11,111 shares out of total trades of 11,311 on the day. Krupa Soni group had total purchase of 6601 shares (6401 as counter-party to Malani group) on that day.
2. As regards April 06, 2010, it was noted that Malani group of entities had sold 29,513 shares out of 40,177 shares traded on the day which constituted approx. 73.46% of the day's volume. On the same day, Krupa Soni group of entities had purchased total of 28,033 shares, out of which 23,526 shares were as counter-parties to Malani group of entities.



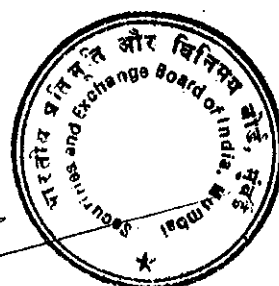
3. The above findings clearly show that Krupa Group entities had acted as buyers for a large part of the trades for sale executed by Malani Group entities.

33. Investigation further revealed that RCL had funded the Krupa Soni Group. It was found from the bank account statement of the bank account No. 029505001426 of J M Soni Consultancy (Proprietor: Sanjay Soni) with ICICI Bank that it received ₹25 lakh from RCL on April 07, 2010 and ₹17 lakh on May 07, 2010. Thus RCL had transferred ₹42 lakh to J M Soni Consultancy (Prop. Sanjay Soni) during the period April - May, 2010. It is pertinent to note that RCL had a net profit of ₹8 lakh in the financial year 2009-10. Considering this, the amount transferred to J M Soni Consultancy is a high amount. During the course of investigation, RCL provided a copy of its ledger (period April 01, 2010 - May 31, 2010) showing debit of ₹42 lakh standing in the name of J M Soni Consultancy.

34. It was noted that the directors of RCL during April - May, 2010 were Chandrakant Malani, Jagdish Malani, Hasmukh Malani and Mukesh Malani. The said four directors of RCL sold their entire stake from RCL and all the promoters and promoter group entities (part of Malani Group) and their connected entities viz., SBMS and Shamanjwali had subsequently made an exit from RCL. The said 4 directors had used the funds of RCL for financing Krupa Soni group for creating volumes in the scrip and providing themselves an exit from the company.

35. Further, the following has been noted:

- i. The Malani group had sold a total of 2,47,125 shares during the period of investigation and the total sale value was ₹2.58 crores.
- ii. The Krupa Soni group had purchased a total of 2,49,966 shares during the period of investigation and the total buy value was ₹3.09 crores. Further, Krupa Soni group had sold 2,10,343 shares during the period of investigation and the total sale value was ₹2.66 crores. Therefore, the net payment obligation by Krupa Soni group to its brokers (excluding brokerage charges and taxes) would be approx. ₹43 lakh for the trades during the investigation period.



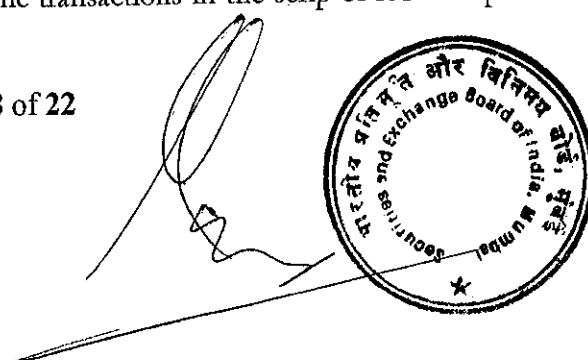
iii. It therefore, appears that RCL had made payments of ₹42 lakh to the Krupa Soni group against the fund requirement of approx. ₹43 lakh by Krupa Soni group for their trading in the scrip of RCL.

36. The bank account statements of Sanjay Soni, Krupa Soni (wife of Sanjay Soni) and J M Soni Consultancy (proprietor: Sanjay Soni) were analyzed for the period March 2009 till May 2010 and it was found that the entities Sanjay Soni, Krupa Soni and J M Soni Consultancy had funded other entities of their group at various points of time for trading in the market. The details of funding by Sanjay Soni/ Krupa Soni/ J M Soni Consultancy to the entities Krunal G. Rana and Ashlesh Shah during the investigation period are as under:

- i. J M Soni Consultancy had made payments of ₹2.75 lakh on February 24, 2010 to Ashlesh Shah from its ICICI Bank Account No. 029505001426.
- ii. J M Soni Consultancy had made payments of ₹50,000 on March 02, 2010, ₹1 lakh on March 10, 2010, ₹52,000 on April 02, 2010, ₹1 lakh on April 05, 2010, ₹1.4 lakh on April 06, 2010, ₹5 lakh on April 22, 2010 and ₹2.5 lakh on May 17, 2010 to Krunal G Rana (K G Rana) from its ICICI Bank Account No. 029505001426.
- iii. Further, Sanjay Soni had also made payments of ₹10,000/- on February 13, 2010 to Shri. K G Rana from his bank account no. 029501505187.

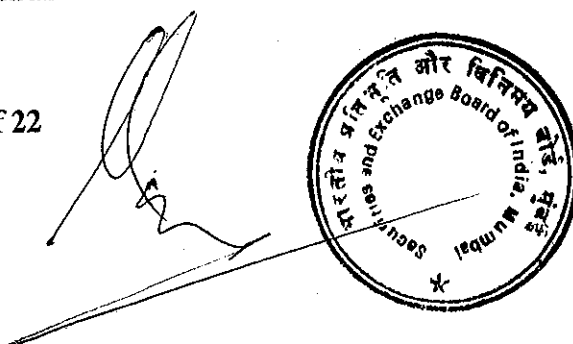
37. It is noted that the net obligation on the part of the Krupa Soni Group is approximately ₹43 lakhs. In view of the *modus operandi* mentioned before, this amount approximately corresponds to the amount of ₹ 42 lakhs received by J M Soni Consultancy. Though, the said amount may not have been paid upfront to J M Soni Consultancy by the Malani group, nevertheless, as the amount corresponds to the net obligation resulting from the trading activity of the Krupa Soni Group, it is evident that the transfer of ₹ 42 lakhs by Malani group was indeed for the trading activity of the Krupa Soni Group.

38. As mentioned earlier, the net obligation for the trades executed by Krupa Soni group at the relevant period (approximately ₹43 lakh) corresponds to the funding from RCL. Considering the manner in which Krupa Soni group executed the transactions in the scrip of RCL coupled with



factors such as funding received from RCL , etc., clearly indicate that the modus operandi was to pave way for the exit of the Malani group (promoter group) to sell their stake and exit the company. This was achieved by the trading interest created by the Krupa Soni group in the scrip of RCL. Once the scrip got its momentum, other investors also started trading in the scrip and the promoters and connected entities could easily make an exit by selling their stake in the company. It is noted that out of 2.47 lakh shares sold by Malani group on the above mentioned dates 69,661 shares were purchased by Krupa Soni group and the remaining shares were purchased by other entities. Subsequently, the promoters/ promoter group made a complete exit from the company and currently 100% of the company is held by public. Thus, the Malani group and Krupa soni group acted fraudulently and created volume and price rise in the scrip of RCL.

39. The facts and circumstances of the instant case clearly establish various manipulative and fraudulent activities as narrated above, I find that the contentions raised by Noticee such as appearance of mobile number of Mr. Sanjay Soni in the KYC and UCC of Noticee was inadvertently made by the common introducer, etc. are not tenable. It is noted that the Noticee had purchased 19,437 shares and sold 15,142 shares of the RCL during the investigation period. There was a slight discrepancy in the number of the shares sold in the SCN and as contended by the Noticee. The Noticee stated that the as per SCN buy volume is 19,437 shares while as per the trade log buy volume is 16,027 shares. The Noticee also contended that there was no fund transfer between the Noticee and Sanjay Soni or J.M. Consultancy or any of the other Krupa Soni group entities though the same was attributed in the SCN. It is noted from the Bank statements furnished by the Noticee that there was no fund transfer to Krupa Soni group. However, the important fact is that the Noticee had traded in the scrip during the investigation period and not prior to or after the investigation period and was also instrumental in creating momentum in the said scrip. It is observed that the Noticee was top 10 clients by net buy quantity as detailed para 26 at page 13 above. In this regard, the Noticee was required to explain the reasons for showing sudden interest in the scrip, the only reason stated by the Noticee was that it traded in the RCL scrip based on the volatility and market tips observed in the scrip and hence most of his transactions were of BTST nature i.e. Buy Today Sell Tomorrow. The said reply is not acceptable considering facts and circumstances of the case .



40. It is further noted that the Noticee had relied upon the judgment of the Hon'ble Securities Appellate Tribunal in the matter *Narendra Ganatra Vs SEBI (Appeal No. 47 of 2011)* which states "*The fact that the appellant shares common address with his brother Nimesh Ganatra or has introduced Bhavesh Pabari to broker is not sufficient evidence to prove the charge of connivance in executing circular trades.*" Considering the facts and circumstances of the case the sudden interest in the scrip during the period Malani Group exited from the company, prior acquaintance with Mr. Sanjay Soni, appearance of Mr. Sanjay Soni's mobile number in Noticee's KYC and UC database, etc. cannot be considered as mere coincidence as contended by the Noticee. Thus I find that the said judgment cannot be applied in the present matter. These facts clearly indicate the clear understanding in the Krupa Soni group including the Noticee to provide for the exit of Malani Group through an illegal *modus operandi* as stated above. In view of these, I find that the Noticee have violated the provisions of Section 12 A (a), (b) and (c) of SEBI Act, 1992 read with Regulations 3(a), (b), (c), (d), 4(1) and 4 (2) (a), (d) and (e) of the PFUTP Regulations, 2003.

41. The relevant provisions are reproduced hereunder for the purpose of reference:-

Section 12A (a), (b) and (c) of Securities & Exchange Board of India Act, 1992 (SEBI Act, 1992) provides as follows:

"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 recognised 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;

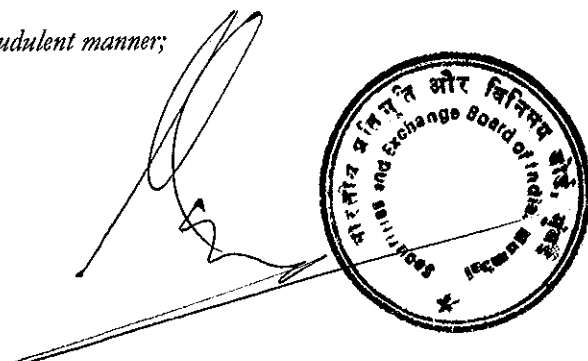
(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules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

Regulations 3(a), (b), (c), (d), 4(1) and 4 (2) (a), (d) and (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market), Regulations, 2003 (PFUTP Regulations, 2003) provide as follows:

"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 thereunder;

(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 thereunder.

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)... ..

(c)... ..

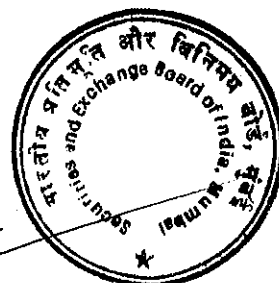
(d) paying, offering or agreeing to pay or offer, directly or indirectly, to any person any money or money's worth for inducing such person for dealing in any security with the object of inflating, depressing, maintaining or causing fluctuation in the price of such security;

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

42. As stated in the preceding paragraphs, the following violations alleged against the Noticee have been clearly established in the facts and circumstances of the case.

- The Noticee violated the provisions of Section 12 A (a), (b) and (c) of SEBI Act, 1992 read with Regulations 3(a), (b), (c), (d), 4(1) and 4 (2) (a), (d) and (e) of the PFUTP Regulations, 2003.

43. It may be pertinent to mention the following observations made by the Hon'ble Supreme Court in its judgment dated April 26, 2013 in N. Narayanan v. Adjudicating Officer SEBI (Civil Appeal Nos.4112-4113 of 2013) held that "SEBI, the market regulator, has to deal sternly with companies and their Directors indulging in manipulative and deceptive devices, insider trading etc. or else they will be failing in their duty to promote orderly and healthy growth of the Securities market. Economic offence, people of this country should know, is a serious crime which, if not properly dealt with, as it should be, will affect not only country's economic growth, but also slow the inflow of foreign investment by genuine investors and also casts a slur on India's



securities market. Message should go that our country will not tolerate "market abuse" and that we are governed by the "Rule of Law". Fraud, deceit, artificiality, SEBI should ensure, have no place in the securities market of this country and 'market security' is our motto."

Order

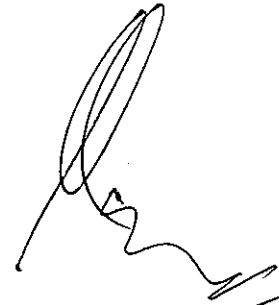
44. In view of the foregoing, I, therefore, in exercise of the powers conferred upon me by virtue of Section 19 read with Sections 11(4) and 11B of the SEBI Act read with Regulation 11(1) of the PFUTP Regulations hereby direct that :

- The Noticee viz., Mr. Dhirenkumar Dharamdas Agarwal (PAN: AAZPA8189K) is prohibited from buying, selling or dealing in the securities market, in any manner whatsoever for a period of five years. The period of prohibition already undergone by the Noticee in terms of Order dated October 01, 2014 shall be set-off from the period of prohibition imposed in this Order.

45. This order shall come into force with immediate effect.

Place: Mumbai

Date: June 11, 2015



S. RAMAN

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA

