BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. : ORDER/GR/AE/2019-20/5335-5350]

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

In respect of

Noticee No.	Noticee Name	PAN
1	Jigar Praful Ghogari	ASFPG8598L
2	Kiran Bhiku Bhanaes	AQUPB0853G
3	Jinal Apurval Rawal	ATHPR5041C
4	Janak Chimanlal Dave	AEPPD9110D
5	Animesh Kanjibhai Patel	AOYPP1866M
6	Kiran Madhusudan Sheth	ALJPS1874Q
7	Prem Mohanlal Parikh	ALHPP3489N
8	Shree Shagun Financial Services	ABTFS0353F
9	Bhavesh Prakash Pabari	AKGPP8679N
10	Ankit R Sanchaniya	BLNPS3316L
11	Chirag Rajnikant Jariwala	AFMPJ7543L
12	Rajnandi Yarns Pvt. Ltd.	AADCR0099J
13	H Bhavesh Securities and Commodities Pvt. Ltd.	AAACB1655R
14	Hemant Madhusudan Sheth	ANOPS8607E
15	Bharat Shantilal Thakkar	AAZPT9542R
16	Bipin Jayant Thakker	ABYPT4984H

In the matter of Polytex India Limited.

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as **'SEBI'**) conducted an investigation into the alleged irregularity in the trading and dealing

in the scrip of Polytex India Ltd (hereinafter referred to as '***Polytex / PIL***') for the period October 12, 2010 to December 30, 2011 (hereinafter referred to as **'Investigation Period'**). During the Investigation Period, there was spurt in volume and also the price of the said scrip in BSE increased from Rs. 5.85 to Rs. 265.10 on September 2, 2011 and then closed at Rs. 129.05.

2. Pursuant to the investigation, it was observed by SEBI that Noticee Nos. 1 to 4 (viz. Jigar Praful Ghoghari, Kiran Bhiku Bhanaes, Jinal Apurva Rawal, and Janak Chimanlal Dave) had entered into reversal trades and also the Noticee No. 1 & 2 (viz. Jigar Praful Ghoghari, and Kiran Bhiku Bhanaes) had entered into self-trades repeatedly which resulted in no change of beneficial ownership and it was thus alleged that the said Noticees created artificial volume in the scrip and gave false and misleading appearance of trading in the scrip in the securities market. Accordingly, adjudication proceedings was initiated against Noticee Nos. 1 to 4 under Section 15HA of the SEBI Act, 1992 for alleged violations of Regulations 3 (a) to (d), 4 (1), 4(2)(a) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as '***PFUTP Regulations***') read with Section 12A(a), (b) & (c) of SEBI Act, 1992.

3. SEBI vide its order dated February 02, 2011 had *inter alia* debarred 39 entities including Noticee Nos. 7 to 16 and one Late Shri Kishore Babubhai Chauhan from accessing the securities market and prohibited them from buying, selling or dealing in securities <u>in any manner</u> whatsoever till further direction for their role in price and volume manipulation in the scrip of Spectacle Infoteck Ltd., Goldstone Technologies Ltd., Gemstone Investments ltd., LGS Global Ltd., and Well Pack Papers and Containers Ltd. As the debarred entities viz. Noticee no. 9 &14 are partners of partnership firm of Shree Shagun Financial Services (Noticee no.8), Noticee no.8 is also deemed to be restrained vide the said order.

4. During the investigation, it was observed that certain entities were facilitating the said debarred entities to indirectly deal in the securities market during the period of restraint. Thus, pursuant to the investigation, it was alleged that Noticee Nos. 1 to 6 (viz. Jigar Praful Ghogari, Kiran Bhiku Bhanaes, Jinal Apurval Rawal, Janak Chimanlal Dave, Animesh Kanjibhai Patel, and Kiran Madhusudan Sheth) (hereinafter collectively referred to as '***Jigar Group***') had facilitated the debarred entities to deal in the securities market indirectly during the period of restraint comprising Noticee Nos. 7 to 16 (viz. Prem Mohanlal Parikh, Shagun Financial Services, Bhavesh Prakash Pabari, Ankit R Sanchaniya, Chirag Rajnikant Jariwala, Rajnandi Yarns Pvt. Ltd., H Bhavesh Securities and Commodities Pvt. Ltd., Hemant Madhusudan Sheth, Bharat Shantilal Thakkar, and Bipin Jayant Thakker) and Shri Kishore Babubhai Chauhan (hereinafter collectively referred to as the '***Pabari Group***'). In view of the same, adjudication proceedings was initiated against Noticee Nos. 1 to 6 under Section 15HB of the SEBI Act, 1992 for allegedly aiding the debarred entities to circumvent SEBI's order dated February 02, 2011. Further, adjudication proceedings was also initiated against Noticee Nos. 7 to 16, and Shri Kishore Babubhai Chauhan under Section 15HA and 15HB of the SEBI Act, 1992 for the alleged violations of Regulations 3 (a),(b),(c) and (d), 4 (1), and 4(2)(d) of PFUTP Regulations read with Section 12A(a), (b) & (c) of SEBI Act, 1992, and for allegedly violating the directions issued vide said order by SEBI. However, subsequently vide Adjudication Order dated September 06, 2018, the adjudication proceedings against (Late) Shri Kishore Babubhai Chauhan in the present matter have been abated as the entity had passed away on May 29, 2013.

APPOINTMENT OF ADJUDICATING OFFICER

5. Initially, Shri S V Krishnamohan, Chief General Manager was appointed as the Adjudicating Officer (**AO**) by SEBI, in the matter to inquire into and adjudge under Section 15HA and 15HB of the SEBI Act, 1992 for the aforesaid violations alleged

to have been committed by the Noticees. Subsequently, Shri Biju S, Chief General Manager was appointed as the AO in the matter in the place of S V Krishnamohan. Shri Shri Satya Ranjan Prasad, Chief General Manager was appointed as AO in the matter in the place of Shri Biju S. Pursuant to the transfer of Shri Satya Ranjan Prasad, the undersigned has been appointed as the AO in the matter by SEBI and the same was communicated to the undersigned vide communique dated May 22, 2019. These proceedings are therefore been carried forward where they had been left off by the previous AO, and an opportunity of personal hearing was granted as detailed hereinafter.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

6. Show Cause Notice dated January 20, 2016 (hereinafter referred to as **"SCN"**) was issued by the erstwhile AO to the Noticees in terms of Rule 4 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as "**SEBI Adjudication Rules**") read with Section 15-I of the SEBI Act, 1992 to show cause as to why an inquiry should not be initiated and penalty be not imposed under Section 15HA and 15HB of the SEBI Act, 1992 on the Noticees for the aforementioned alleged violations.

Replies

7. Upon receipt of SCN, Noticee Nos. 1 to 8, 10 to 14 and 16 filed their written reply separately vide their letter dated March 15, 2016. The main submissions made therein are summarized as under –
    i. The allegations and /or observations in the SCN are denied.
    ii. Noticee Nos. 1 to 6 have submitted that they invest in securities market for themselves to earn profits and basically do jobbing and arbitrage transactions. They have traded in shares of various companies having different nature of business based on their profitability analysis and growth perceptions in the respective scrips.

iii. Notice Nos. 1 to 6 have denied that they aided, abetted and facilitated the indirect trading by being conduit for the debarred entities viz. Noticee Nos. 7 to 16 and Late Shri Kishore Balubhai Chauhan to circumvent the SEBI's order of debarment.

iv. Noticee Nos. 1 to 4 have denied that they executed any reversal trades as alleged. It was submitted that they have traded on the stock exchange wherein there is a blind mechanism and they are not aware of the counterparty. Their transactions were for the mere purpose of earning legitimate profits and not for the purpose of creating artificial volume. The buy orders were not reversal transactions which were independent of sell orders traded on the basis of market perception. Pertinently, the exchange mechanism allows such intraday trades which act as hedging mechanism.

v. Noticee Nos. 1-6, and Noticee Nos. 7-8, 10-4 & 16, have submitted that they have business relations with each other, and hence their bank statements shows the monetary transactions with each other which are in the normal course of business. It was further stated that they have received and paid certain amounts from / to the debarred / trading entities in the form of friendly loans / financial accommodation which are well within the norms of business and legal. It was further stated that the amount received by Noticee Nos. 1 to 6 and the amount invested by them do not match. Noticee Nos. 1 to 5 also stated that the amount received by them from the stock brokers and the amount repaid to the debarred Noticees do not match.

vi. Noticee Nos. 7-8, 10-4 and 16 stated that they are allowed to transfer the funds from their bank accounts to any entity on a temporary financial accommodation basis or as friendly loans.

vii. Noticee No. 6 has stated that his name does appear in the table in the SCN where it is alleged that he has transferred funds to the debarred entities on receipt of pay-out from the broker.

8. The Noticee Nos. 1 to 4, and 6 to 16 vide their separate letter dated 30, August 2018, also made their additional submission wherein inter alia submitted the followings:

   i. Noticee Nos. 1 and 2 have submitted that that the figure of self trade provided for the Patch III period of investigation are not correct as it also includes the quantity of self trades executed during Patch II period. They also submitted that the total quantity of alleged self trades by them was below 0.50% of the total market volume. The quantity of self trades by Noticee Nos. 1 and 2 were 19312 and 28331 shares respectively in Patch III which comprised 0.14% and 0.20% respectively and was spread over 21 and 18 days respectively during the investigation period.

   ii. Noticee Nos. 1 and 2 have submitted that the exchange has put in place a system to avoid self trades with effect from 07-10-2015. Further, they have quoted SEBI's policy decision dated 16-05-2017 and have submitted that as per the same, if the intention of executing self-trades is not malafide, the entity may be exonerated, and further while assessing the self-trades, the volume of self-trades may also be considered. They have relied on Adjudication orders dated 14-02-2013, 19-06-2017, 16-03-2017, and 08-12-2017 in the context of self-trades.

   iii. Noticee Nos. and 2 has quoted the observations of Hon'ble SAT in Smt. Krupa Sanjay Soni v. SEBI vide its order dated January 09, 2014 wherein it had taken a view that "**a few instances of self-trades in themselves would not, ipso facto, amount to an objectionable trades**".

   iv. With regards to the reversal trades, Noticee Nos. 1 to 4 have submitted that since they had traded in significant volume in the scrip during the investigation period, the matching of some trades is obvious. They denied that they had intentionally reversed the trades with each other, and that their total volume should be considered with regards to the allegations of reversal of trades. They have further submitted that since the ratio of delivery as per the price volume data of BSE was very high i.e. 78%, most of their trades were marked as delivery.

v. Noticee Nos. 1 to 4 and 6 have submitted that they are not facing allegation of price manipulation.

vi. Noticee Nos. 1 to 4, and 6 to 16 submitted that the demat accounts of the debarred entities were freezed, and no bank accounts were freezed by SEBI, hence the debarred entities were not prohibited from making financial transactions.

vii. The transactions with the debarred entities were purely financial transactions and had nothing to do with the trades in the scrip of Polytex Ltd.

viii. The investigation period comprises from 12-10-2010 to 31-12-2011, however the purported debarred entities were debarred by SEBI's order dated 02-02-2011.

ix. The fund transferred by the alleged debarred entities were not bifurcated. Even the complete details have not been provided.

x. No details have been provided that the alleged fund transferred by the said debarred entities were used to execute trades in the scrip of Polytex.

xi. The funds received by Noticees 1 to 4 & 6 from the debarred entities do not match the funds transferred to brokers. It is also not certain that the fund received from the debarred entities were directly transferred for purchase of Polytex shares.

xii. Noticee Nos. 7 to 16 have submitted that it is surprising that SEBI has arbitrarily and capriciously levied the allegation of price manipulation against them.

9. Further, I note that Noticee Nos. 9 and 15 sought inspection of documents vide their separate letter dated March 11, 2016, and the same was granted to them.

Upon the inspection, as requested by them the trade and order log in the scrip of Polytex Ltd was also given. In respect of other Noticees, as requested by them vide their separate letters dated November 17, 2017, inspection of documents was granted to their Authorised Representative (hereinafter referred to as 'the AR') and the documents sought by AR during the inspection was also provided on February 23, 2018.

Personal hearing

10. A personal hearing was held in respect of the Noticee Nos. 1 to 8, 10 to 14, and 16 on March 17, 2016 before the erstwhile AO, Shri S V Krishnamohan. The authorized representative (**AR**) appeared for the Noticees and submitted that the Noticees have transferred/received only funds from other Noticees as stated in the SCN and not the securities. The AR also submitted that they have not traded in the stock market in violation of SEBI's restraint order. It was also submitted that Noticee No. 5 & 6 had received only funds and the SCN does not allege any trades by them. Further, the AR also sought the adjournment up to April 20, 2016 as they needed time to go through the CDs containing the data regarding allegations of self-trades and reversal trades carried out by Noticee Nos. 1 to 4. Subsequently, instead of appearing for hearing on April 20, 2016, the Noticees sought one more adjournment and also requested for inspection of documents. However, in respect of other Noticee Nos. 9 and 15 hearing was held on April 20, 2016 before the erstwhile AO, Shri S V Krishnamohan, wherein the AR of the said Noticees appeared and *inter alia* requested for the copy of investigation report and trade and order logs of Noticee No.1. The AR also submitted that there is no material available on record on the alleged charge of transfer of Rs. 2.02 cr by Noticee No. 15 to Noticee No. 1.

11. The Noticees were granted an opportunity of personal hearing before the erstwhile AO, Shri Biju S on October 31, 2017. From the available records, it is

noted that the Noticee No. 5 appeared for the said hearing and *inter alia* submitted that his demat account was misused by one Shri Bhupesh Rathod who was operating his account at the relevant time. He further submitted that Shri Bhupesh Rathod in connivance with Shri Bhavesh Pabari and Shri Hemant Sheth misused his account. Subsequently, Noticee No. 5 vide his letter dated September 11, 2017 has submitted copy of his and Bhupesh Rathod's statements recorded before the Income Tax authorities. It is also noted that the other Noticees in the matter requested for adjournment of the said hearing.

12. The Noticees were once again granted an opportunity of personal hearing in the matter before the erstwhile AO, Shri Satya Ranjan Prasad on August 20, 2018. From the available records, it is noted that Noticee No. 5 appeared for the said hearing and submitted that he has already made reply to the SCN and also previously appeared for a personal hearing before the erstwhile AO Shri.Biju S. In respect of the other Noticees viz. Noticee No. 1 to 4 and 6 to 16, AR appeared for the said hearing and requested for additional time till August 30, 2018 not only for filling the reply to the SCN in respect of Noticee No. 9 &15, as the trade log in the scrip of Polytex India Ltd was received recently from SEBI, but also for the rest of the Noticee to file additional submission. Further, as requested copy of page nos. 18 to 20 of the investigation report was also given.

13. Pursuant to the appointment of the undersigned as the AO, an opportunity of personal hearing was once again granted to the Noticees on July 04, 2019. Noticee No. 5 appeared for the said hearing and reiterated the submission made before the erstwhile AO on October, 31 2017. In addition, he also submitted that he was receiving Rs. 2,500 per month from Shri Bhupesh Rathod in return for the use of his bank, trading and demate account for trading in the market. However, in respect of other Noticees, AR sought the adjournment till July 11, 2019.

14. Accordingly, the hearing in respect of Noticee Nos. 1 to 4 and 6 to 16 was adjourned to July 11, 2019, wherein the AR of the Noticee Nos. 1 to 4 and 6 to 16 appeared and reiterated the submissions made earlier by the Noticees vide their letters dated August 30, 2018. The AR also submitted common written submissions dated July 11, 2019 at the time of the hearing proceedings and reiterated the submissions made therein. During the proceedings, the AR admitted that there were fund transfer between Jigar Group and Pabari Group which was of financial transaction and the purpose of each such transactions along with documentary evidence will be submitted within one weeks' time. However, no submission has been made till date in this regard. Regarding Noticee No. 12 viz. Rajnandi Yarns Pvt. Ltd, the AR submitted that the name of the said Noticee has been struck off from the registrar of companies. The AR further submitted that the reversal trades are not *per se* illegal, and in this regard submitted a copy of adjudication order dated April 10, 2018 in the matter of SVC Resources Ltd in support of his submissions made in relation to the allegation of self-trades by Noticee Nos. 1 and 2.

ISSUES FOR CONSIDERATION AND FINDINGS

15. I have taken into consideration the facts and circumstances of the case, the material on record, the reply submitted by the Noticees, and also the submissions made by the AR on behalf of the Noticees during the course of personal hearing. The issues that arise for consideration in the present case are:

Issue 1)

(a) Whether the Noticee Nos. 1 to 4 violated the provisions of Regulation 3 (a) to (d), 4 (1), and 4 (2) (a) and (g) of PFUTP Regulations read with Section 12A(a), (b) & (c) of SEBI Act, 1992?

(b) Whether the Noticee Nos. 1 to 6 have facilitated the indirect trading by debarred entities, and thus aided the debarred entities to circumvent SEBI's order dated February 02, 2011?

(c) Whether the Noticee Nos. 7 to 17 have violated 3 (a) to (d), 4 (1), and 4 (2) (d) of PFUTP Regulations read with Section 12A(a), (b) & (c) of SEBI Act, 1992, and violated the directions issued by SEBI vide order dated February 02, 2011?

Issue 2)

(a) If the violations listed in 1(a) above is established, whether the Noticee Nos. 1 to 4 are liable for monetary penalty under Section 15HA of the SEBI Act? If the violations listed in 1(b) above is established, whether the Noticee Nos. 1 to 6 are liable for monetary penalty under Section 15HB of the SEBI Act? If the violations listed in 1(c) above is established, whether the Noticee Nos. 7 to 17 are liable for monetary penalty under Section 15HB of the SEBI Act, 1992?

Issue 3)

(a) Quantum of monetary penalty.

16. It is pertinent to mention here the relevant provisions of PFUTP Regulations and SEBI Act, 1992 alleged to have been violated by the Noticees:-

PFUTP Regulations, 2003

Regulation 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."*

Regulation 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;*

..

(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;*

..

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

"

<u>SEBI Act, 1992</u>

<u>Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.</u>

12A. *No person shall directly or indirectly—*

(a) *use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*

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

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

17. From the material available on record, it is noted that there was unusual price and volume movement in the scrip of Polytex during the investigation period, wherein the scrip price in BSE increased from Rs. 5.85 to Rs. 265.10 on September 2, 2011 and then closed at Rs. 129.05. It is also noted that such

abnormal movement of price and volume was not supported by any fundamental change or any major corporate announcements or any other positive factors for the same.

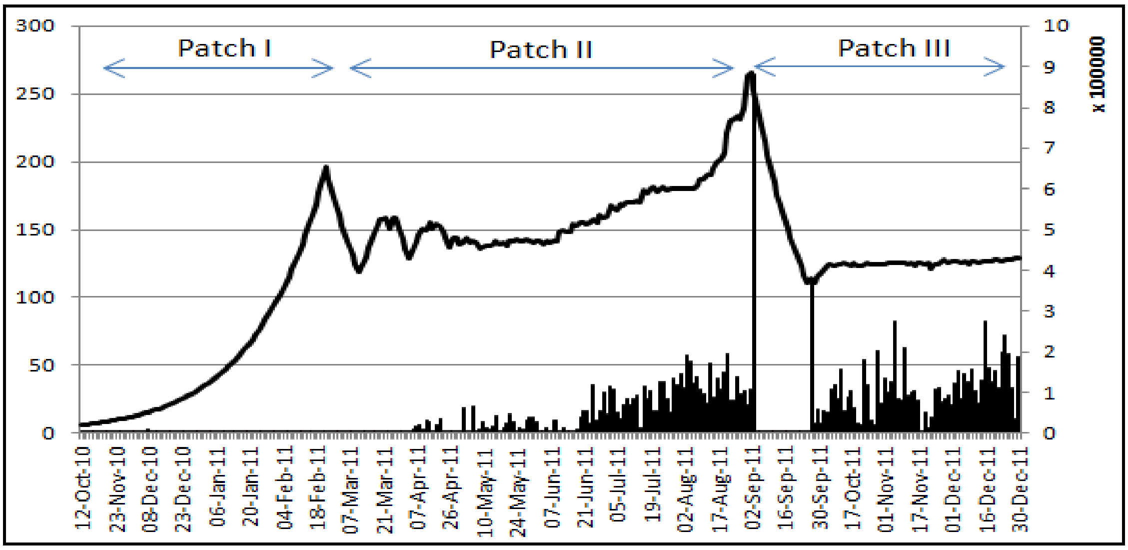
18. The price volume details are given as below –

Period	Dates		Opening Price (volume) on first day of the period(₹)	Closing price (volume) on last day of the period (₹)	Low price(volume) during the period (₹)	High Price(volume) during the period (₹)	Avg. no. of (shares) traded daily during the period
Investigation Period (Patch I)	(12-Oct-10 - 23-Feb-11)	Price	₹5.85 (12-Oct-10)	₹195.85 (23-Feb-11)	₹5.85 (12-Oct-10)	₹195.85 (23-Feb-11)	434
		Vol	500	1,08,110	500	1,08,110	
Investigation Period (Patch II)	(24-Feb-11 -02-Sep-11)	Price	₹205.60 (24-Feb-10)	₹265.10 (02-Sep-11)	₹112.50 (11-Mar-11)	₹269.30 (02-Sep-11)	45,327
		Vol	500	1,08,110	500	1,08,110	
Investigation Period (Patch III)	(05-Sep-11 -30-Dec-11)	Price	₹266.00 (05-Sep-11)	₹129.05 (30-Dec-11)	₹105.60 (28-Sep-11)	₹266.25 (05-Sep-11)	97,792
		Vol	8,79,951	1,88,218	3,67,216	8,79,951	

It can be observed from the above that during the period from October 12, 2010 to February 23, 2011(herein after referred to as "Investigation Period Patch–I), the volume in the shares of Polytex was meagre, whereas during the period from February 24, 2011 to September 02, 2011 (hereinafter referred to as "Investigation period Patch-II"), and the period from September 05, 2011 to December 30, 2011 (herein after referred to as "Investigation Period Patch -III"), there was significant rise in the volumes in the trades of the scrip of the company. The volume of trade rose from 434 from the Investigation Period Patch-I to 45,327 during the Investigation Period Patch-II and 97,792 in the Investigation Period Patch–III, although the fundamentals of the company underwent no change during these period to trigger such rise in trade volumes.

19. The price volume during the Patch-I (12-Oct-10 -23-Feb-11), Patch-II (24-Feb-11 -02-Sep-11), and Patch-III (05-Sep-11 -30-Dec-11) of investigation period has

been presented in graphical chart below for easy and better understanding:



Reversal Trades

20. Reversal of trades are the trades where the buyer and seller reverse their position with each other on same day or on different dates. The said reversal trades are non-genuine trades as they are not executed in normal course of trading, lacks basic trading rationale, and lead to false or misleading appearance of trading in terms of generation of artificial volume, hence were deceptive and manipulative. When, over a period of time, such transactions were carried out among the same set of persons, the same leads to the inescapable conclusion that there is a concerted effort to indulge in reversal of trades to create large volumes of fictitious trading resulting in artificial volumes in the scrip(s).

21. With regards to the allegation of reversal trades, I note that the Notice Nos. 1 to 4 (viz. Jigar Praful Ghogari, Kiran Bhiku Bhanaes, Jinal Apurval Rawal, and Janak Dave respectively) have carried out reversal trades in the scrip during Patch II and III of the investigation period, as per the details below –

Reversal Trades during Patch-II (TABLE – A)

Client Name	Client Name	Sum of Reversal Qty.	% of Reversal Qty. to mkt vol.	No. of reversal trades	No. of days of reversal trades	% of reversal Qty to day's mkt. vol.
Kiran Bhanaes	Jigar Ghoghari	3,68,962	6.38	1,127	37	0.07 - 43.63
Jigar Ghoghari	Jinal Rawal	89,129	1.54	424	14	0.16 - 17.94
Kiran Bhanaes	Jinal Rawal	64,787	1.12	370	14	0.02 - 17.28
Animesh Patel	Kiran Bhanaes	2,965	0.05	15	1	13.02
Total		**5,25,843**	**9.09**	**1,936**	**66**	

Reversal Trades during Patch-III (TABLE – B)

Client Name	Client Name	Sum of Reversal Qty.	% of Reversal Qty. to mkt vol.	No. of Reversal trades	No. of days of Reversal trades	% of reversal Qty to day's mkt. vol.
Kiran Bhanaes	Jigar Ghoghari	2,30,953	2.95	402	16	0.03 – 26.75
Jigar Ghoghari	Jinal Rawal	1,27,728	1.63	319	18	0.02 – 24.81
Kiran Bhanaes	Jinal Rawal	1,07,255	1.37	153	9	1.44 – 14.73
Janak Dave	Jigar Ghoghari	18,098	0.23	27	3	1.62 – 3.84
Animesh Patel	Jinal Rawal	3,000	0.04	4	1	4.37
Dilipkumar Jain	Jigar Ghoghari	2,000	0.03	5	1	0.55
Animesh Patel	Kiran Bhanaes	850	0.01	11	1	1.56
Animesh Patel	Jigar Ghoghari	352	0.01	17	2	0.03 – 0.31
Total		**4,90,236**	**6.27**	**938**	**51**	

22. In the present case, from the Tables A and B above, I note that the Noticee Nos. 1 to 4, who are connected to each other as ascertained in the investigation on the basis of their commonalities in KYC documents, bank transactions and combination of both, have indulged in reversal of trades in the scrip of Polytex involving large quantity of shares. I note that during Patch II, Noticee No. 1 has done 1551 reversal trades cumulating 4,58,091 shares; Noticee No. 2 has done 1512 reversal trades cumulating 4,36,714 shares; and Noticee No. 3 has done 794 reversal trades cumulating 1,53,916 shares. Similarily, during Patch III, Noticee No. 1 has done 770 reversal trades cumulating 3,79,131 shares; Noticee No. 2 has done 566 reversal trades cumulating 3,39,058 shares; Noticee No. 3 has done 476 reversal trades cumulating 2,37,983 shares; and Noticee No. 4 has done 27 reversal trades cumulating 18,098 shares. Thus, I note that Noticee Nos. 1 to 4 have executed reversal trades repeatedly, wherein quantity of more than

10,000 shares have been reversed on more than 10 counts in a period of two or more days, which have created artificial volumes of 9.04 % and 6.18% in the scrip in the Patch II and III respectively.

23. While examining the trading of these group entities ie Noticee No.1 to 4 during the Investigation period patches II & III, I note that the trading in the scrip was substantial. With regard to the Investigation Period Patch-II it witnessed massive rise in the trade in the scrip and these Noticees have bought 43,64,899 shares and sold 31,35,660 shares accounting for 75.82% and 54.48% to the total market buy and sell volume respectively. Similarly, I also note from the record that the trading entities during Investigation Period Patch–III, Noticees bought 50,31,039 shares and sold 52,38,702 shares accounting for 64.31% and 66.96% to the total market buy and sell volumes respectively. From the above, I find that these trading of the Noticees on continuous basis, contributed to significant trading volume in the scrip during these periods and majority of such trades comprised trades among the Noticees.

24. Further, I also note that many of these entities have entered into reversal with each other on more than one occasions. While one-off an instance of such transactions by an entity could be passed off as mere coincidence, repetition of large number of reversal trades by the group entities while trading with each other, cannot be just by chance. Thus, I find no merit in the submissions of the Noticee Nos. 1 to 4 that since they had traded in significant volume in the scrip during the investigation period, the matching of some trades is obvious and trading on the stock exchange is a blind mechanism and not aware of the counterparty.

25. Further, I note from the trade log and order log that the Noticees indulged in reversal of trades on several occasions. It is therefore such persistent trading in the aforesaid manner clearly indicate an intention to create artificial volume in the

scrip of Polytex. Such trades clearly indicate that the same were not genuine trades as there was no change in beneficial ownership. Therefore, I conclude that the Noticees had indulged in reversing their trades among themselves for the purpose of creation of artificial volume and to create false and misleading appearance of trading in the scrip of Polytex without the intention of change of actual beneficial ownership.

26. In this regard, Hon'ble Supreme Court in the matter of ***SEBI vs Kishore Ajmera***, observed the following with respect to market manipulations :
"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. It is important here to mention that in order to ascertain the "intention" behind commission of any manipulative / unfair / fraudulent trades/activities, the attending circumstances have to be taken into account. The Hon'be Securities Appellate Tribunal (**SAT**) in the case of ***Ketan Parekh Vs. SEBI (Appeal No. 2 of 2004)*** decided on July 14, 2006 held that –:
"... in order to find out 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 of the cases, because direct evidence in such cases may not be available."

28. In other words, the manipulative intent can be derived from the circumstance / modus operandi used by the person in case specific. The Hon'ble SAT in the aforesaid order has further observed, *"...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."*

29. Further, Hon'ble SAT in the matter of ***V. G. Capital Market Pvt. Ltd.*** also noted the following:

"The trading system on the exchanges is based on the principle of anonymity. The buyer does not know who the seller is and seller cannot know who the buyer is. In other words, the buyer should buy the shares without being concerned as to who the seller is and similarly the seller should sell the shares in the market without being concerned about the buyer and it is the system which determines the buyer and the seller by matching the buy and sell orders. On a screen based trading, the best buy order will match the best sell order subject to price time priority. The buyer and seller cannot keep matching their trades and if they do, they are obviously manipulating the system which is the case before us. ***<u>Reverse trades are a clear instance of manipulative trading</u>****. It is true that before any buy and sell order can result in a trade they must match but this matching must take place through the system without the intervention of any human element. Knowing how the system works, reverse trades are not possible unless the trades are manipulated particularly when the scrip is liquid." (emphasis supplied).*

30. Noticee Nos.1 to 4 have further submitted that since the ratio of delivery as per the price volume data of BSE was very high i.e. 78%, hence most of their trades were marked as delivery. In this regard, it is noted that the reversal of trades mentioned in Tables A and B have happened in the same day, i.e. the buyer and sellers have reversed their buy and sell position with each other on the same day, hence those reversed quantities were not marked for delivery. Thus, I find no merit in the aforesaid contention of the said Noticees.

Self- trades

31. It was also alleged that the Noticees 1 & 2 had indulged in Self-trades. Self-trade is a trade, where the seller and the buyer in a particular trade remains the same person and no actual beneficial ownership of such transactions is changed. Like reversal trades, Self- trades also create artificial/fictitious volume in the market and give false and misleading appearance of trading in the scrip at the stock exchange.

32. With regards to the allegation of self-trades, I note that apart from the said reversal trade, during Patch II, Noticee Nos. 1 and 2 have also executed self-trades as per the details below –

(TABLE - C)

Client Name	Self Trade Qty.	No. of Self Trades	No. of trading days	Sum of LTP diff. (₹)	% of Self Traded Qty. to Market Vol.	% of Self Traded Qty. to Clients Buy Vol.	% of Self Traded Qty. to Clients Sell Vol.
Jigar Ghoghari	7,324	10	3	0.20	0.13	0.43	0.63
Kiran Bhanaes	5,116	14	12	-1.15	0.09	0.28	0.37
Jinal Rawal	469	1	1	0.00	0.01	0.07	0.08
Grand Total	**12,909**	**25**	**16**	**-0.95**	**0.23**	**0.78**	**1.08**

33. Further, Noticee Nos. 1 and 2 have contributed to the self-trades during the entire investigation period, and the details are as below –

(TABLE – D)

Client Name	Self Trade Qty.	No. of Self Trades	No. of trading days	Sum of LTP diff. (₹)	% of Self Traded Qty. to Market Vol.	% of Self Traded Qty. to Clients Buy Vol.	% of Self Traded Qty. to Clients Sell Vol.
Kiran Bhanaes	28,331	34	18	1.05	0.21	0.84	0.91
Jigar Ghoghari	19,132	37	21	-4.40	0.14	0.51	0.59

34. Noticee Nos. 1 and 2 have submitted that the figure of self-trade provided for the Patch III period of investigation in the SCN are not correct as it also includes the quantity of self-trades executed during Patch II period. In this regard, I note that in the above table D, the self-trades carried by the Noticee Nos. 1 and 2 during the entire investigation period are depicted.

35. As may be observed from above, Noticee Nos. 1 and 2 have engaged in repeated instances of self-trades. Hence as stated above, self-trades are those trades where the entity on the buy and sell side is the same. Such trades do not lead to any change in beneficial ownership but lead to creation of artificial volume in the scrip.

36. Noticee Nos. 1 and 2 have further submitted that the exchange has put in place a system to avoid self-trades with effect from 07-10-2015. However, the same does not absolve the Noticee of the responsibility to carry out trades in a fair manner. Further, Noticee Nos. 1 and 2 have quoted the observations of Hon'ble SAT in ***Smt. Krupa Sanjay Soni vs. SEBI*** vide its order dated January 09, 2014 wherein it had taken a view that "**a few instances of self-trades in themselves would not, ipso facto, amount to an objectionable trades**". The said Noticees have also quoted SEBI's policy decision dated 16-05-2017 and have submitted that as per the same, if the intention of executing self-trades is not *malafide*, the entity may be exonerated, and further while assessing the self-trades, the volume of self-trades may also be considered. However, in the present case the self-trades of Noticee Nos. 1 and 2 cannot be viewed in isolation and needs to be viewed along with their overall trading activity, especially in the backdrop of their

reversal of trades discussed in the preceding paragraphs. Further, generally such trades are instruments/tools employed by some unscrupulous elements in the security market and deceive the general /genuine investors in the market place. The pattern of trading, behaviour of the entities, apparent irregularities and the available trading data, etc., prove manipulation which always depends on inference drawn on a mass of factual detail. When all of these are considered together, they can emerge as ingredients to prove the manipulative scheme designed and executed by such manipulators with intent to tamper with free market forces. Hence I find no merit in the said Noticees' submissions that considering the volume of their self-trades, they may be exonerated. Here I find it pertinent to mention that the Hon'ble SAT **in *HJ Securities Pvt Ltd vs. SEBI* (2012),** also made the observation that *simply because the number of such self-trades is not large by itself cannot justify execution of self-trades*.

37. Such creation of artificial volume in the scrip through reversal of trades and self-trades, gives an impression to other investors in the market that the scrip was being actively traded at the prevailing price with genuine buyers and sellers executing genuine trades. With regard to self-trades, I note that the Hon'ble SAT in the case of ***Chirag Tanna vs. The Adjudicating Officer*** has held that "*we have on record the trade and order logs from which it has been pointed out by the learned counsel for the Respondent Board that the appellant had executed self trades i.e. trades in which he was both the buyer and the seller. Such trades are, admittedly, fictitious and create artificial volumes in the traded scrip."* Further, the Hon'ble SAT in the case of ***Triumph International Finance Ltd vs. SEBI*** has observed that *"…the buyer and the seller were also the same. It is obvious that these trades were fictitious to which appellant was a party. They were fictitious because the buyer and the seller were the same…"*

38. Thus, I hold that Noticee Nos. 1 to 4 by entering into reversal trades / self-trades, have created artificial volume in the scrip, leading to false and misleading

appearance of trading in the scrip and thus violated the provisions of Regulation 3 (a) to (d), 4 (1), and 4 (2) (a) and (g) of PFUTP Regulations read with Section 12A(a), (b) & (c) of SEBI Act, 1992.

Facilitation of indirect trading of debarred entities (Noticee Nos. 7 to 16 and Kishore Balubhai Chauhan) by Noticee Nos. 1 to 6

39. In respect of allegation of facilitation of debarred entities (Noticee Nos.7 to 16) to indirectly deal in securities market by the Noticee Nos. 1 to 6 ie Jigar group who have directly traded in the scrip of Polytex in a manner to artificially raise the volume of trade, the role played for providing funds for the trade of Jigar group, by the debarred entities ie Nos.7 to 16, I note that as per the SCN and the material documents available on record, there was continuous movement of funds from and to the bank accounts of the Pabari Group entities (i.e. Noticee Nos. 7 to 16 and Late Kishore Balubhai Chauhan) and the bank accounts of the Jigar Group Entities (i.e. Noticee Nos. 1 to 6).

40. Summary of the funds received by Noticee Nos. 1 to 6 from the debarred entities, and thereafter transferring the funds to their respective brokers is tabulated as under –

<table>
<tr><th>From (Debarred Entity)</th><th>Amount (₹)</th><th>To (Trading Entity)</th><th>Amount (₹)</th><th>To (Stock Brokers)</th></tr>
<tr><td>Bhavesh Prakash Pabari & Shree Shagun Financial Services *</td><td>1,28,40,624</td><td rowspan="3">Animesh Kanjibhai Patel</td><td>1,13,40,624</td><td>S.P. Jain Securities P. Ltd.</td></tr>
<tr><td>Rajnandi Yarns Pvt. Ltd.</td><td>5,20,000</td><td>-</td><td>-</td></tr>
<tr><td>Hemant Madhusudan Sheth</td><td>6,00,000</td><td>6,00,000</td><td>S.P. Jain Securities P. Ltd.</td></tr>
<tr><td rowspan="2">Bhavesh Prakash Pabari & Shree Shagun Financial Services *</td><td rowspan="2">1,76,90,090</td><td rowspan="2">Janak Chimanlal Dave</td><td>1,67,40,090</td><td>PRL Stock & Share Brokers P. Ltd.</td></tr>
<tr><td>8,00,000</td><td>Fortune Equity Brokers (India) Ltd.</td></tr>
<tr><td rowspan="10">Bhavesh Prakash Pabari & Shree Shagun Financial Services *</td><td rowspan="10">16,09,39,116</td><td rowspan="10">Jigar Praful Ghoghari</td><td>89,43,000</td><td>Bhavik Rajesh Khandhar Share & Stock Brokers P. Ltd.</td></tr>
<tr><td>49,24,482</td><td>Comfort Securities Ltd.</td></tr>
<tr><td>5,00,000</td><td>Fortune Equity Brokers (India) Ltd.</td></tr>
<tr><td>1,22,89,564</td><td>IFCI Financial Services Ltd.</td></tr>
<tr><td>1,21,50,000</td><td>Inventure Growth & Securities Ltd.</td></tr>
<tr><td>51,90,000</td><td>Investmentor Securities Ltd.</td></tr>
<tr><td>26,25,000</td><td>MR Share Broking P. Ltd.</td></tr>
<tr><td>4,00,000</td><td>Nirmal Bang Securities Ltd.</td></tr>
<tr><td>27,75,000</td><td>PRL Stock & Share Brokers P. Ltd.</td></tr>
<tr><td>95,00,000</td><td>SPA Securities Ltd.</td></tr>
</table>

			6,32,82,024	S.P. Jain Securities P. Ltd.
			21,11,282	Sunidhi Securities & Finance Ltd.
Hemant Madhusudan Sheth	1,35,95,553		18,58,000	PRL Stock & Share Brokers P. Ltd.
			9,00,000	SPA Securities Ltd.
			79,09,500	S.P. Jain Securities P. Ltd.
Chirag Rajnikant Jariwala	42,64,833		18,00,000	S.P. Jain Securities P. Ltd.
			24,61,865	PRL Stock & Share Brokers P. Ltd.
Ankit R Sanchaniya	17,39,99,015		5,00,000	Asian Fintrade Services P. Ltd.
			50,00,000	Fortune Equity Brokers (India) Ltd.
			86,59,900	PRL Stock & Share Brokers P. Ltd.
			1,29,76,000	SPA Securities Ltd.
			4,03,40,434	S.P. Jain Securities P. Ltd.
Bharat Shantilal Thakkar	2,02,00,000		29,00,000	S.P. Jain Securities P. Ltd.
			9,00,000	Investmentor Securities Ltd.
Bipin Jayant Thaker	18,00,900		18,00,000	S.P. Jain Securities P. Ltd.
Kishore Balubhai Chauhan	27,00,000		9,00,000	S.P. Jain Securities P. Ltd.
Prem Mohanlal Parikh	24,28,108		18,00,000	S.P. Jain Securities P. Ltd.
H Bhavesh Securities and Commodities P. Ltd.	16,85,980		9,00,090	S.P. Jain Securities P. Ltd.
Rajnandi Yarns Pvt. Ltd.	30,11,643		14,53,438	PRL Stock & Share Brokers P. Ltd.
			12,50,000	IFCI Financial Services Ltd.
			1,50,000	Sunidhi Securities & Finance Ltd.
Bhavesh Prakash Pabari, Shree Shagun Financial Services *	1,20,84,672	Jinal Apurva Rawal	5,00,000	Arihant Capital Markets Ltd.
			4,00,000	IFCI Financial Services Ltd.
			58,00,000	Investmentor Securities Ltd.
			9,00,000	Religare Securities Ltd.
			3,00,000	S.P. Jain Securities P. Ltd.
			10,00,000	Transparent Shares & Securities P. Ltd.
Bhavesh Prakash Pabari, Shree Shagun Financial Services *	3,33,83,423	Kiran Bhiku Bhanaes	23,80,442	Comfort Securities Ltd.
			20,50,000	Fortune Equity Brokers (India) Ltd.
			95,00,000	IFCI Financial Services Ltd.
			16,82,881	MR Share Broking P. Ltd.
			11,00,000	PRL Stock & Share Brokers P. Ltd.
			53,50,100	S.P. Jain Securities P. Ltd.
			36,90,000	Sunidhi Securities & Finance Ltd.
Hemant Madhusudan Sheth	9,00,000		9,00,000	PRL Stock & Share Brokers P. Ltd.
Shree Shagun Financial Services *	50,08,000	Kiran Madhusudan Sheth	50,00,000	Fortune Equity Brokers (India) Ltd.

**Shree Shagun Financial Services is a partnership firm of Bhavesh Prakash Pabari and Hemant Madhusudan Sheth*

41. It has also been observed that on numerous occasions, the trading entities viz. Jigar Group entities have transferred back the funds to the restrained entities (Pabari Group) after receipt of pay-outs from the brokers in respect of their trade in the scrip of Polytex as well as other scrips. A summary of such fund transfers from the trading entities back to the restrained entities are tabulated as under:

From (Stock Brokers)	Amount (Rs.)	To / From (Trading Entity)	Amount (Rs.)	To (Restrained Entity) of Pabari Group

S.P. Jain Securities P. Ltd.	1,02,00,000	Animesh Kanjibhai Patel	1,08,00,000	Bhavesh Prakash Pabari & Shree Shagun Financial Services
-	-		2,00,000	Rajnandi Yarns Pvt. Ltd.
-	-	Janak Chimanlal Dave	1,78,620	Shree Shagun Financial Services*
S.P. Jain Securities P. Ltd.	8,58,47,000	Jigar Praful Ghoghari	12,37,99,524	Bhavesh Prakash Pabari & Shree Shagun Financial Services*
Bhavik Rajesh Khandhar Share & Stock Brokers P. Ltd.	15,85,000			
Fortune Equity Brokers (India) Ltd.	5,50,000			
-	-		1,41,83,124	Hemant Madhusudan Sheth
-	-		64,23,949	Chirag Rajnikant Jariwala
-	-		26,08,887	Ankit R Sanchaniya
-	-		6,000	Bharat Shantilal Thakkar
Bhavik Rajesh Khandhar Share & Stock Brokers P. Ltd.	19,90,000		41,41,962	Bipin Jayant Thaker
S.P. Jain Securities P. Ltd.	8,00,000		13,51,120	Prem Mohanlal Parikh
-	-		8,42,347	H Bhavesh Securities and Commodities Pvt. Ltd.
S.P. Jain Securities P. Ltd.	1,97,516		50,38,659	Rajnandi Yarns Pvt. Ltd.
S.P. Jain Securities P. Ltd.	1,85,69,170	Jinal Apurva Rawal	3,96,77,066	Bhavesh Prakash Pabari & Shree Shagun Financial Services*
Fortune Equity Brokers (India) Ltd.	79,559			
-	-		9,00,000	Ankit R Sanchaniya
-	-		18,00,000	Bharat Shantilal Thakkar
-	-		6,50,000	Chirag Rajnikant Jariwala
-	-		29,21,000	Hemant Madhusudan Sheth
S.P. Jain Securities P. Ltd.	3,96,05,036	Kiran Bhiku Bhanaes	4,26,73,926	Bhavesh Prakash Pabari & Shree Shagun Financial Services*
Sunidhi Securities & Finance Ltd.	25,82,285			
Fortune Equity Brokers (India) Ltd.	53,25,096			
S.P. Jain Securities P. Ltd.	21,70,384		1,00,000	Chirag Rajnikant Jariwala

**Shree Shagun Financial Services is a partnership firm of Bhavesh Prakash Pabari and Hemant Madhusudan Sheth*

42. From the transfer of funds as highlighted in the above tables, it is observed that the restrained entities (Pabari group entities) have made funds available on a continuous basis to the trading entities of Jigar Group entities during the Investigation Period and the latter have re-paid the funds back to the restrained entities from time to time. It is also noted that the funds so transferred from the restrained entities have been transferred onwards from the bank accounts of the

trading entities to the accounts of the brokers, for the purpose of meeting the pay-in obligation of the trading entities.

43. The Noticees have inter alia contended that the bank accounts of the debarred entities were not freezed, and hence they were free to transfer to and fro to the Jigar group entities. The Noticees have further contended that they had business relations with each other and the fund transfers were in lieu of friendly loans / financial accommodation. In this regard, I note that the Noticees have not submitted any documentary evidence in support of their said contentions nor the exact purpose of such transactions. I note that cumulatively, more than around Rs. 45 Crore have been transferred by the restrained entities to the trading entities without executing any document to secure the repayment thereof. Also during the course of personal hearing, in reply to the query regarding the purpose of the fund transactions between the debarred entities and the Noticee Nos. 1 to 6, it was submitted that they were financial transactions, however the purpose of each such transactions involving huge sums of money along with documentary evidence has not been filed by the Noticees inspite of sufficient time granted to the Noticee for submitting such information. Therefore I note that the Noticees have not furnished any credible evidence regarding the fund transfers except stating that the same were financial transactions / friendly loans. I also note that Noticee No. 5 has admitted that its accounts (viz. trading, demat and bank accounts) were operated by other entities in exchange of certain monthly payments to him. Thus, I find no merit in the aforesaid contentions of the Noticees.

44. I note that the Noticees have also contended that whole of the amount transferred to the Jigar group entities have not been transferred to the brokers hence, there is a mismatch in the amounts of money transfers between the Noticees and the trading entities on the one hand and between trading entities and the brokers on the other. Further the Noticees have contended that the funds transferred by the

debarred entities were not bifurcated. In this regard, I note that the Noticees have not disputed the fact that there were indeed fund transfers between them and the same were immediately transferred to/from the brokers. Further it is not the case of the Noticees that none of the amount transferred by the debarred entities to the Jigar group entities have been transferred to the brokers. Similarly there is no dispute that funds have been transferred by the trading entities to the brokers to meet their pay-in obligation in the scrip of Polytex and also for trading in other scrips. The bank statements also clearly show that the trading entities viz. Noticee Nos. 1 to 6 have received and transferred back funds to the restrained entities from time to time, on receipt of pay-outs from the brokers as demonstrated in the above tables. Majority of such transfers made by the trading entities are found to be immediately after the receipt of the payout obligation from the accounts of the broker pursuant to the sale of securities. In view of the above, and in the absence of any evidence to the contrary, the only reasonable conclusion that appears is that the debarred entities viz. Noticee Nos. 7 to 16 have funded the trading clients viz. Noticee Nos. 1 to 6 to execute trades in shares including the share of Polytex, during the Investigation Period.

45. Noticee Nos. 1 to 6 have submitted that they invest in securities market for themselves to earn profits and basically do jobbing and arbitrage transactions. They have further submitted that they have traded in shares of various companies having different nature of business based on their profitability analysis and growth perceptions in the respective scrips. I am of the view that the Noticees are free to adopt any trading strategy but they have to ensure that whatever trading strategy they adopt, the same is in conformity with the regulatory framework and also not to distort the market. In the present case, Noticee Nos. 1 to 6 i.e. the Jigar group entities have aided the debarred entities in circumventing the SEBI's order dated February 02, 2011.

46. Further, the funds received from the respective brokers pursuant to the sale of the securities were transferred back by the Jigar Group entities to the Pabari Group from time to time. Thus, a direct, close and immediate nexus is evident between the trades executed by the Jigar group entities and the funds transferred by the Noticees on an ongoing basis. The Noticees have not submitted any documents in support of their claim to prove that the purpose of such transactions except stating that the same were financial transactions / friendly loans. The Jigar Group have also not produced any submissions/proof that the trading group of entities were themselves financially sound and capable of executing trades of such magnitude based on their own financial conditions. The fact is that the trading activities could not have taken place without the transfer of funds to the Jigar Group taking into consideration the financial position of the entities. In fact, one of the Noticees has admitted that he was receiving monthly payments to allow use of his accounts for the purpose of trading. In view of the above, I find that the Pabari Group, by directly funding the trades executed by the Jigar Group have indeed indirectly traded in the securities.

47. Further, as regards to the submissions made by the Noticee No. 5 that he allowed to use of his accounts for the purpose of trading in lieu of receipt of money on monthly basis is concerned, it is an admitted fact that Noticee No. 5 had knowingly lent his name and documents to operate for trading in the securities markets. It is evident and established that the dealings of the Noticee No. 5 in the scrip of Polytex were substantial; in Patch II, he bought and sold 2,97,630 and 1,88,525 shares contributing 5.17% and 3.28% respectively to the scrip volume, and in Patch III, he bought and sold 2,95,383 and 3,42,407 shares contributing 3.78% and 4.39% respectively to the scrip volume. I am of the view that the Noticee No. 5 cannot absolve responsibility for misuse of his accounts by third parties by merely stating that he do not knew the purpose for which his accounts were used. Name lending is a serious offence which enables manipulators to

carry out their nefarious activities by masking their identity and the ultimate beneficiary of manipulative scheme of things. Such activities not only threatens the integrity of the market but also adversely affects the interest of investors. Therefore, I am not inclined to view the acts of voluntary name lending by Noticee No. 5 leniently, as such acts have facilitated market operators to devise and deploy deceptive, fraudulent and manipulative schemes in the scrip of Polytex. In this regard, I take note of the observation of the Hon'ble SAT in ***Rahul H. Shah Vs. SEBI*** (Appeal No. 83 of 2012 decided on May 11, 2012) wherein it was observed that name lending "*is a fraudulent activity and requires to be curbed for maintaining the sanctity of the securities market*".

48. The Noticees have denied that the allegations which included the violations of PFUTP Regulations and the SEBI Act, 1992. Hon'ble Supreme Court in the case of ***SEBI vs Shri Kanaiyalal Baldevbhai Patel*** has held that *"The definition of 'dealing in securities' is broad and inclusive in nature. Under the old regime the usage of term 'to mean' has been changed to 'includes', which prima facie indicates that the definition is broad. Moreover, the inclusion of term 'otherwise transacting' itself provides an internal evidence for being broadly worded so as to include situations such as the present one".* In the same matter it was also held that -

"31 Although unfair trade practice has not been defined under the regulation, various other legislations in India have defined the concept of unfair trade practice in different contexts. A clear cut generalized definition of the 'unfair trade practice' may not be possible to be culled out from the aforesaid definitions. Broadly trade practice is unfair if the conduct undermines the ethical standards and good faith dealings between parties engaged in business transactions. It is to be noted that unfair trade practices are not subject to a single definition; rather it requires adjudication on case to case basis. Whether an act or practice is unfair is to be determined by all the facts and circumstances surrounding the transaction. In the context of this regulation a trade practice

may be unfair, if the conduct undermines the good faith dealings involved in the transaction. Moreover the concept of 'unfairness' appears to be broader than and includes the concept of 'deception' or 'fraud'."

49. The Pabari Group entities having been debarred vide SEBI's order dated February 02, 2011, could not have accessed the securities market directly or indirectly. Instead, in violation of the aforesaid directions, they have indirectly traded through the Noticee Nos. 1 to 6 as has been described previously, and have also violated the provisions of Regulations 3 (a), (b), (c), (d) and 4 (1) of PFUTP Regulations read with Section 12A (a), (b) and (c) of the SEBI Act, 1992. Hon'ble Supreme Court further observes the following in the case of ***SEBI vs Rakhi Trading:***

"Having regard to the fact that the dealings in the stock exchange are governed by the principles of fair play and transparency, one does not have to labour much on the meaning of unfair trade practices in securities. Contextually and in simple words, it means a practice which does not conform to the fair and transparent principles of trades in the stock market."

50. The Hon'ble Supreme Court in its Order dated April 26, 2013 in the matter of ***N. Narayanan vs Adjudicating Officer***, SEBI, has laid down that *"……….Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law. Section 12A read with Regulations 3and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'. The object of the SEBI Act is to protect the interest of investors in securities and to promote the development and to regulate the securities market, so as to promote orderly, healthy growth of securities market and to promote investors protection. Securities market is based on free and open access to information, the integrity of the market is predicated on the quality and the manner on which it is made available to market. 'Market abuse' impairs economic growth and erodes investor's confidence. Market abuse refers to the use of manipulative and deceptive devices, giving out incorrect*

or misleading information, so as to encourage investors to jump into conclusions, on wrong premises, which is known to be wrong to the abusers. The statutory provisions mentioned earlier deal with the situations where a person, who deals in securities, takes advantage of the impact of an action, may be manipulative, on the anticipated impact on the market resulting in the "creation of artificiality".

51. Further, In the matter of ***SEBI vs Kishore R. Ajmera***, ***(supra)*** the Hon'ble Supreme Court observed that *"the SEBI Act and the Regulations framed there under are intended to protect the interests of investors in the Securities Market which has seen substantial growth in tune with the parallel developments in the economy. Investors' confidence in the Capital/Securities Market is a reflection of the effectiveness of the regulatory mechanism in force. All such measures are intended to pre-empt manipulative trading and check all kinds of impermissible conduct in order to boost the investors' confidence in the Capital market. The primary purpose of the statutory enactments is to provide an environment conductive to increased participation and investment in the securities market which is vital to the growth and development of the economy. The provisions of the SEBI Act and the Regulations will, therefore, have to be understood and interpreted in the above light"*

52. The aforesaid violation of the provisions of PFUTP Regulations and SEBI's directions vide order dated February 02, 2011 by the Noticees attract monetary penalty under Section 15HA and 15HB of the SEBI Act, which at the time of the violation committed by the Noticee, *inter-alia* reads as follows:

98[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 **99**[which shall not be less than five lakh rupees* *but which may extend to twenty - five crore rupees or three times the amount of profits made out of such practices, whichever is higher].*

Penalty for contravention where no separate penalty has been provided.

15HB. *Whoever fails to comply with any provision of this Act, the rules or the regulations made or directions issued by the Board thereunder for which no separate penalty has been provided, shall be* ***100****[liable to a penalty which shall not be less than one lakh rupees but which may extend to one crore rupees.]*

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98 *Inserted by the SEBI (Amendment) Act, 2002, w.e.f.29-10-2002.*

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

100*Substituted for the words "liable to a penalty which may extend to one crore rupees" by the Securities Laws (Amendment) Act, 2014,w.e.f. 08-09-2014*

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

"15J - Factors to be taken into account while adjudging quantum of penalty

While adjudging quantum of penalty under section 15-I or section 11 or section 11B, the Board or 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 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.”

54. It is difficult, in cases of such nature, to quantify exactly the disproportionate gains or unfair advantage enjoyed by an entity and the consequent losses suffered by the investors. I have noted that the investigation report also does not dwell on the extent of specific gains made by the clients. Suffice to state that keeping in mind the practices indulged in by the Noticees, gains per se were made by the Noticees in that they traded in the scrip in a manner meant to create artificial volumes and liquidity which is an important criterion, apart from price, capable of misleading the investors while making an investment decision. In fact, liquidity/volumes in particular scrip raise the issue of ‘demand’ in the securities market. Greater the liquidity, higher is the investors’ attraction towards investing in that scrip. Hence, anyone could have been carried away by the unusual fluctuations in the volumes and been induced into investing in the said scrip. Besides, this kind of activity seriously affects the normal price discovery mechanism of the securities market. People who indulge in manipulative, fraudulent and deceptive transactions, or abet the carrying out of such transactions which are fraudulent and deceptive, should be suitably penalized for the said acts of omissions and commissions. With regard to repetitive nature, I find that there was substantial number of such trades repeated over a number of days during the investigation period. Further it is observed that against many of these Noticees, SEBI had initiated several actions such as debarring and/or imposing penalty for violations of PFUTP Regulations in many of such similar cases, and thus been found to be habitual offenders and have more than one case / proceedings initiated against them. Hence the default of the Noticees are of repetitive in nature.

55. Further, I note that as per the submissions of Noticee No. 12 (Rajnandi Yarns Pvt. Ltd.) as well as on verification from MCA website, the Company’s name is

shown as struck off. Accordingly, I do not find merit to impose penalty qua Noticee No. 12. This is without prejudice to SEBI's purview to initiate any action subject to order of restoration of Company's name, if any, passed in future.

ORDER

56. After taking into consideration the nature and gravity of the charges established in the preceding paragraphs, factors mentioned under 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 penalties on the below Noticees for the violations committed by them–

Noticee No.	Noticee Name	Penal Provisions under SEBI Act, 1992	Penalty
1	Jigar Praful Ghogari	Section 15HA and 15HB	Rs. 9,00,000/- (Rupees Nine Lakh Only)
2	Kiran Bhiku Bhanaes	Section 15HA and 15HB	Rs. 9,00,000/- (Rupees Nine Lakh Only)
3	Jinal Apurval Rawal	Section 15HA and 15HB	Rs. 7,00,000/- (Rupees Seven Lakh Only)
4	Janak Chimanlal Dave	Section 15HA and 15HB	Rs. 7,00,000/- (Rupees Seven Lakh Only)
5	Animesh Kanjibhai Patel	Section 15HB	Rs. 5,00,000/- (Rupees Five Lakh Only)
6	Kiran Madhusudan Sheth	Section 15HB	Rs. 5,00,000/- (Rupees Five Lakh Only)
7	Prem Mohanlal Parikh	Section 15HA and 15HB	Rs. 10,00,000/- (Rupees Ten Lakh Only)
8	Shree Shagun Financial Services	Section 15HA and 15HB	Rs. 10,00,000/- (Rupees Ten Lakh Only)
9	Bhavesh Prakash Pabari	Section 15HA and 15HB	Rs. 10,00,000/- (Rupees Ten Lakh Only)
10	Ankit R Sanchaniya	Section 15HA and 15HB	Rs. 10,00,000/- (Rupees Ten Lakh Only)
11	Chirag Rajnikant Jariwala	Section 15HA and 15HB	Rs. 10,00,000/- (Rupees Ten Lakh Only)

13	H Bhavesh Securities and Commodities Pvt. Ltd.	Section 15HA and 15HB	Rs. 10,00,000/- (Rupees Ten Lakh Only)
14	Hemant Madhusudan Sheth	Section 15HA and 15HB	Rs. 10,00,000/- (Rupees Ten Lakh Only)
15	Bharat Shantilal Thakkar	Section 15HA and 15HB	Rs. 10,00,000/- (Rupees Ten Lakh Only)
16	Bipin Jayant Thakker	Section 15HA and 15HB	Rs. 10,00,000/- (Rupees Ten Lakh Only)
		TOTAL	Rs. 1,32,00,000/- (Rupees One Crore Thirty Two Lakh Only)

57. 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.

58. The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid to "The Division Chief (Enforcement Department - DRA-I), Securities and Exchange Board of India, SEBI Bhavan, Plot No. C – 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051.". The Noticees shall also provide the following details while forwarding DD / payment information:

a) Name and PAN of the Noticees
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

59. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, SEBI may initiate consequential actions including but not limited to recovery proceedings under section 28A of the SEBI Act, 1992 for

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

60. In terms of Rule 6 of the SEBI Adjudication Rules, copy of this Order is sent to the Noticees and also to the Securities and Exchange Board of India.

Date : November 05, 2019

Place : Mumbai

G Ramar

Adjudicating Officer