BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

ADJUDICATION ORDER NO. Order/AK/AS/2022-23/ 23597-23600

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:

Name of Noticee (PAN)	Address
Prashant Ashok Gamre (ATJPG9291R) Email-prasshantgamre@gmail.com, manisha.shinde15@gmail.com	Shiv Shankar Chawl, Link Road, Janata Colony Gate 1, Laljipada Gandhi Nagar, Kandivali (W), Mumbai-400 067.
Hiten Chandrakant Bhai Parmar (BGCPP4193C) Email-parmar.hiten@ymail.com, hitenparmar88@gmail.com	152, Dipmala Society, Palanpur Road, Surat-395 009.
Chetan Mukundrai Parekh(ATJPP5058R) Email- chetanprkh781@gmail.com	26, Nesadi Mohollo, Jafarabad, Amreli, Gujarat-365 540.
Nirshilp Securities Pvt Ltd (AABCN4361M) Email-nirshilpsecpl@gmail.com, rdshah@dolatcapital.com	301-308, 3rd Floor, Bhagwati House-A-19, Veera Desai Road, Andheri (W), Mumbai-400 058.

In the matter of Zylog Systems Ltd

BACKGROUND OF THE CASE

1. SEBI carried out an investigation in the trading activities in the scrip of Zylog Systems Ltd (hereinafter referred to as **"Zylog"**) by certain entities during the period November 01, 2011 to March 28, 2013 (hereinafter referred to as **"Investigation Period"**). On the basis of findings of said investigation, it was alleged that Prashant Ashok Gamre (hereinafter referred to as **"Noticee No. 1"**),

Hiten Chandrakant Bhai Parmar (hereinafter referred to as **"Noticee No. 2"**), Chetan Mukundrai Parekh (hereinafter referred to as **"Noticee No. 3"**) and Nirshilp Securities Pvt Ltd (hereinafter referred to as **"Noticee No. 4"**) allegedly violated provisions of Section 12A(a), (b) and (c) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as **"SEBI Act"**) read with Regulation 3(a), 3(b), 3(c) and 3(d) and 4(1), 4(2)(a) and 4(2)(e) of SEBI (Prohibition Of Fraudulent And Unfair Trade Practices Relating To Securities Market) Regulations, 2003 (hereinafter referred to as **"PFUTP Regulations"**).

APPOINTMENT OF ADJUDICATING OFFICER

2. Upon being satisfied that there are sufficient grounds to inquire and adjudicate upon the alleged violations of provisions of Section 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a), 3(b), 3(c) and 3(d) and 4(1), 4(2)(a) and 4(2)(e) of the PFUTP Regulations by the Noticees, SEBI, in exercise of powers under Section 19 read with sub-section (1) of Section 15-I of the SEBI Act and Rule 3 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as the **"Adjudication Rules"**), appointed Ms. Geetha G as the Adjudicating Officer (AO), vide order dated April 28, 2022, to inquire into and adjudge under Section 15-I read with Section 15HA of the SEBI Act, the alleged violations by the Noticees. Pursuant to the transfer of Ms. Geetha G, SEBI appointed the undersigned as AO, vide order dated August 29, 2022.

SHOW CAUSE NOTICE AND PERSONAL HEARING

3. A common Show Cause Notice dated September 30, 2022 (hereinafter referred to as **"SCN"**) was issued to the Noticees to show cause as to why an inquiry should not be initiated against them, and why penalty, if any, should not be imposed against them under Section 15HA of the SEBI Act for the alleged violations by the Noticees. It was alleged in the SCN that the Noticees violated the provisions of Section 12A(a), (b) and (c) of the SEBI Act read with Regulation 3(a), 3(b), 3(c) and 3(d) and 4(1), 4(2)(a) and 4(2)(e) of the PFUTP Regulations

by entering into trades with manipulative trading pattern which resulted in increase in the Last Traded Price (LTP) in the scrip of Zylog. SCN was served on the Noticees, vide Speed Post Acknowledgement Due (SPAD) and digitally signed email dated September 30, 2022, which constitutes valid service as per Rule 7 of the Adjudication Rules.

4. Vide email and letter dated October 18, 2022, Noticee No. 1 was granted opportunity of personal hearing on November 18, 2022. Noticee No. 1, vide responses dated December 01, 2022 and January 10, 2023, inspection of documents in the matter. Further, Noticee No.1 also conveyed that the email ID mentioned in the SCN was wrong, and provided its email ID as *prasshantgamre@gmail.com.* Vide email dated January 11, 2023, the Noticee was provided opportunity of inspection on January 16, 2023. However, the opportunity of inspection was not availed by Noticee No. 1 on the said date. Thereafter, another opportunity of inspection was provided to Noticee No. 1 on January 18, 2023.

5. Inspection was availed by Noticee No. 1 on January 18, 2023. On the said date, the following documents were provided for inspection:
   (i) Relevant portion of investigation report
   (ii) Copy of Trade Integrated Order log
   (iii) Copy of order of appointment of Investigating Authority
   (iv) Copy of Communication appointing Adjudicating Officer

   Further, during the course of inspection, Noticee No. 1 submitted letter seeking additional time for submitting reply to the SCN. Thereafter, vide email dated January 19, 2023, Noticee No. 1 was provided record of proceedings of inspection and further, was granted another opportunity of personal hearing on February 07, 2023. Also, Noticee No. 1 was advised to submit reply to the SCN, if any, before the date of personal hearing. However, Noticee no. 1 neither submitted any reply, nor availed of the opportunity of personal hearing on the scheduled date.

6. Noticee No. 4, vide response dated October 11, 2022, conveyed that the CD carrying Annexures to the SCN received by it was blank. Therefore, vide letter dated October 14, 2022, CD carrying annexures to the SCN was provided to the Noticee No. 4. Vide response dated October 17, 2022, Noticee No. 4 acknowledged receipt of the said CD, and requested for additional time for submitting reply to the SCN. Vide letter dated October 18, 2022, Noticee No. 4 was provided opportunity of personal hearing on November 18, 2022 and was advised to make written submissions, if any, before the aforesaid date of personal hearing. Vide email dated November 10, 2022, personal hearing in the matter was preponed to November 16, 2022. Vide response dated November 11, 2022, Noticee No. 4 submitted reply to the SCN. On November 16, 2022, Mr Pankaj D. Shah and Mr Ashish Jhaveri appeared on behalf of Noticee No. 4, and made submissions relying upon the response dated November 11, 2022.

7. As regards Noticee No. 2 and 3, I note that the SCN was duly served on the said Noticees vide SPAD and digitally signed email in terms of Rule 7 of the Adjudication Rules. Thereafter, opportunity of personal hearing was granted to the aforesaid Noticees vide letter dated October 18, 2022 which was sent vide SPAD and digitally signed email dated October 19, 2022. The said emails were duly delivered. However, Noticee No. 2 and 3 neither responded to the SCN nor availed the hearing opportunity. In this regard, I place reliance on the judgement of the Hon'ble Securities Appellate Tribunal (hereinafter referred to as **"SAT"**) in the matter of Sanjay Kumar Tayal & Others vs SEBI (Appeal No. 68 of 2013 decided on February 11, 2014), wherein it was held that, *"..... appellants have neither filed reply to show cause notices issued to them nor availed opportunity of personal hearing offered to them in the adjudication proceedings and, therefore, appellants are presumed to have admitted charges leveled against them in the show cause notices..."*. Further, the Hon'ble SAT in the matter of Dave Harihar Kirtibhai vs SEBI (Appeal No. 181 of 214 dated December 19, 2014), held that, *".....further, it is being increasingly observed by the Tribunal that many persons/entities do not appear before SEBI (Respondent) to submit reply to SCN or, even worse, do not accept*

notices/letters of Respondent and when orders are passed ex-parte by Respondent, appear before Tribunal in appeal and claim non-receipt of notice and do not appear and/or submit reply to SCN but claim violation of principles of natural justice due to not being provided opportunity to reply to SCN or not provided personal hearing. This leads to unnecessary and avoidable loss of time and resources on part of all concerned and should be eschewed, to say the least. Hence, this case is being decided on basis of material before this Tribunal...”

8. Therefore, I note that the principles of natural justice have been duly complied with in the instant matter, and I now proceed to consider the matter on merits.

CONSIDERATION OF ISSUES AND FINDINGS

9. The issues that arise for consideration are as under:

9.1. Whether Noticee No. 1, 2 and 3 manipulated price of the scrip of Zylog by contributing to positive LTP as buyers and violated the provisions of Section 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a), 3(b), 3(c) and 3(d) and 4(1), 4(2)(a) and 4(2)(e) of the PFUTP Regulations?

9.2. Whether Noticee No. 4 manipulated price of the scrip of Zylog by contributing to positive LTP as seller and violated the provisions of Section 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a), 3(b), 3(c) and 3(d) and 4(1), 4(2)(a) and 4(2)(e) of the PFUTP Regulations?

9.3. If yes, whether the violations, if any, attract monetary penalty under the provisions of Section 15HA of the SEBI Act? If so, what quantum of monetary penalty should be imposed on the Noticees after taking into consideration the factors mentioned in Section 15J of the SEBI Act?

10. Before I proceed with the matter, it is pertinent to mention the relevant legal provisions alleged to have been violated by the Noticees and the same are reproduced below:

SEBI Act

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

12A. No person shall directly or indirectly—
(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

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

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

PFUTP Regulations

3. Prohibition of certain dealings in securities
No person shall directly or indirectly—

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

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

<u>4. Prohibition of manipulative, fraudulent and unfair trade practices</u>

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely: —

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

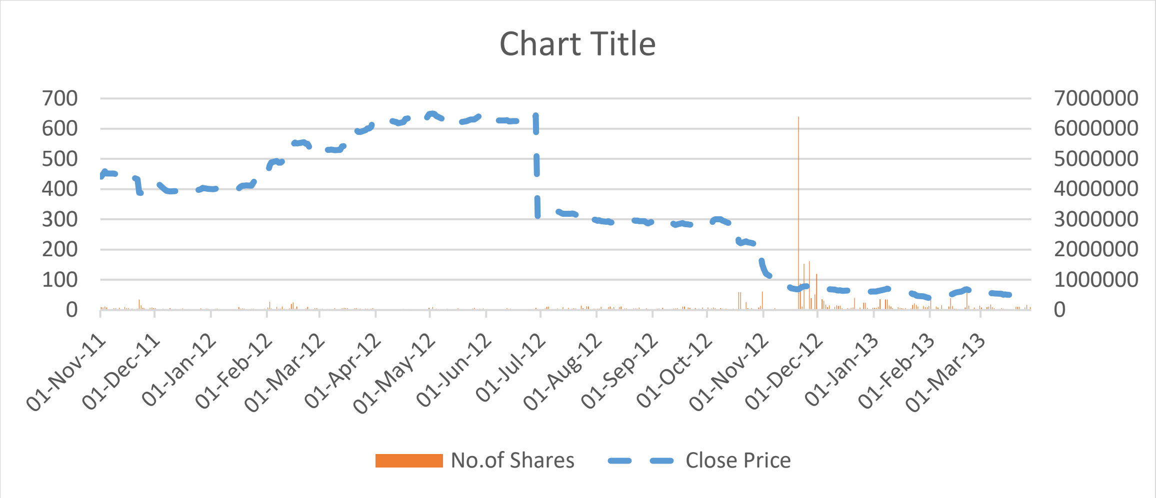
………

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

Issue No. I: Whether Noticee No. 1, 2 and 3 manipulated price of the scrip of Zylog by contributing to positive LTP as buyers and violated the provisions of Section 12A(a), (b) and (c) of the SEBI Act read with Regulation 3(a), 3(b), 3(c) and 3(d) and 4(1), 4(2)(a) and 4(2)(e) of the PFUTP Regulations?

11. I note that during the Investigation Period, price of the scrip of Zylog opened at Rs. 432 at BSE, registered a high of Rs. 663.80 and closed at Rs. 644.65. After the stock split on June 28, 2012, the scrip opened at Rs. 320 at BSE, registered

a high of Rs. 340 and closed at Rs. 43.7. The price volume chart in the scrip of Zylog at BSE, during the Investigation Period is as under:



12. As per the price movement observed in the scrip, the Investigation period was divided into 4 patches. Out of the said 4 patches, the allegations in the instant proceedings pertain to Patch 2 (January 17, 2012 to June 28, 2012) of the Investigation Period.

13. During Patch 2 of the Investigation Period, price of the scrip of Zylog at BSE opened at Rs. 407, touched period high of Rs.663.8 and closed at Rs.635.0. I note that Noticee No. 1, 2 and 3 were the top three LTP contributors to positive market LTP during the Patch 2. Details of LTP contribution and buy LTP analysis pertaining to the trades on BSE by the said Noticees are as below:

Noticee	All LTP Rate	All Traded Qty	All No Trades	Pos LTP Rate	Pos Traded Qty	Pos No Trades	Neg LTP Rate	Neg Traded Qty	Neg No Trades	Zero Traded Qty	Zero No Trades	%LTP
Noticee No. 1	902.15	479054	7275	1722.8	41210	1832	-820.65	236393	2758	201451	2685	16.03%
Noticee No. 2	593.2	381866	5309	1208.85	40609	1281	-615.65	188564	2133	152693	1895	11.24%
Noticee No. 3	565.05	332939	5269	1062.45	45140	1383	-497.4	157278	1876	130521	2010	9.88%
Market Total	232.90	4679795	66724	10750.40	939358	15431	-10517.50	1379709	18509	2360728	32784	100.00%

14. Further, during Patch 2, price of the scrip of Zylog at NSE opened at Rs.408.0 and touched period high of Rs.699.95 and closed at Rs.644.55. Details of LTP contribution and buy LTP analysis pertaining to the trades on NSE by the said Noticees are as below:

Noticee	All LTP Rate	All Traded Qty	All No Trades	Pos LTP Rate	Pos Traded Qty	Pos No Trades	Neg Ltp Rate	Neg Traded Qty	Neg No Trades	Zero Traded Qty	Zero No Trades	%LTP
Noticee No. 1	1128.85	700207	11372	1970.55	82711	2901	-841.7	288374	3652	329122	4819	10.25%
Noticee No. 2	757.05	669058	10092	1462.15	59762	2278	-705.1	267130	3320	342166	4494	7.60%
Noticee No. 3	494.9	444534	9104	1119	37861	2034	-624.1	182018	2576	224655	4494	5.82%
Market Total	242.20	8084274	194267	19233.50	1452603	37234	-18991.30	2019129	43508	4612542	113525	100.00%

Noticee No. 1: Trades on BSE

15. I note that Noticee No. 1 contributed Rs. 1722.80 to market total positive LTP (i.e. 16.03% to market total positive LTP) through 1832 buy trades. Out of the said 1832 trades, in 1632 buy trades, buy orders were placed by Noticee No. 1 after the corresponding sell orders or at the same time.

16. I further note that Noticee No. 1 had entered into 1196 buy trades, wherein buy order quantity ranged from 1 to 10 shares per trade. The details are placed below:

No. of trades (LTP >0)	Positive LTP Contribution when buy order qty was of 1 share only		Positive LTP Contribution when buy order qty was between 2-10 shares		Positive LTP Contribution when buy order qty was more than 10 shares		Total Positive LTP contribution (Rs.)	% of positive LTP to Total Market positive LTP	% contribution to Total Market positive LTP through orders (1-10 shares)
	Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades			
1832	**922.7**	**623**	**507**	**573**	293.1	636	1722.8	16.03	**13.29%**

17. I note that Noticee No. 1 contributed Rs. 1429.70 to market positive LTP (13.29% to market positive LTP) through 1196 trades, in which buy order quantities were small, varying from 1 to 10 shares only. Out of total 1832 positive LTP trades, majorly 1196 trades i.e. almost 65% trades comprised of buy orders placed in miniscule quantities of 1 to 10 shares. Further, Noticee No. 1 contributed Rs. 922.7 to market positive LTP (8.58% to market positive LTP) through trades where buy order quantity was one.

Noticee No. 1: Trades on NSE

18. I note that Noticee No. 1 contributed Rs. 1970.55 to market total positive LTP i.e. 10.25% to market total positive LTP through 2901 positive trades. Out of 2901 trades, in 2615 buy trades, buy orders were placed by Noticee No. 1 after the corresponding sell orders or at the same time.

19. Further, Noticee No. 1 carried out 1667 small buy trades i.e. buy quantity ranged from 1 to 10 shares per trade through which he contributed positive LTP of Rs. 1496.35 i.e. 7.78% of market positive LTP. The details are placed below:

No. of trades (LTP >0)	Positive LTP Contribution when buy order qty was of 1 share only		Positive LTP Contribution when buy order qty was between 2-10 shares		Positive LTP Contribution when buy order qty was more than 10 shares		Total Positive LTP contribution (Rs.)	% of positive LTP to Total Market positive LTP	% contribution to Total Market positive LTP through small orders (1-10 shares)
	Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades			
2901	**916.95**	**827**	**579.40**	**840**	474.20	1234	1970.55	10.25	**7.78%**

20. I note that Noticee No. 1 executed 1667 trades involving minuscule buy order quantities, and through such trades contributed Rs. 1496.35 to market positive LTP (7.78% to market positive LTP). Further, Noticee No. 1 executed 827 trades involving buy order quantity of 1 share, through which he contributed Rs. 916.95 (4.76% to market positive LTP) to market positive LTP.

Noticee No. 2: Trades on BSE

21. I note that Noticee No. 2 entered into 1,281 positive trades for 40,609 shares to contribute Rs. 1208.85 to positive LTP (11.24% of market positive LTP). It is also noted that out of 1,281 trades, in 1070 buy trades, buy orders were placed by Noticee No. 2 after the corresponding sell orders or at the same time.

22. Further, Noticee No. 2 carried out 711 small buy trades and contributed positive LTP of Rs. 941.60 i.e. 8.76% of market positive LTP through such trades. The details are placed below.

No. of trades (LTP >0)	Positive LTP Contribution when buy order qty was of 1 share only		Positive LTP Contribution when buy order qty was between 2-10 shares		Positive LTP Contribution when buy order qty was more than 10 shares		Total Positive LTP contribution (Rs.)	% of positive LTP to Total Market positive LTP	% contribution to Total Market positive LTP through small orders (1-10 shares)
	Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades			
1281	**538.55**	**374**	**403.05**	**337**	267.25	570	1208.85	11.24%	**8.76%**

23. Noticee No. 2 contributed Rs. 941.6 to market positive LTP (8.76% to market positive LTP) through 711 trades involving miniscule buy order quantities. Further, Noticee No. 2 contributed Rs. 538.55 to market positive LTP (5.01% to market positive LTP) through trades where buy order quantity placed by Noticee No. 2 was one share.

Noticee No. 2: Trades on NSE

24. I note that Noticee No. 2 contributed Rs. 1462.15 i.e. 7.60% to market positive LTP. Further, in 2020 buy trades, buy orders were placed by Noticee No. 2 after the corresponding sell orders or at the same time. I also note that Noticee No. 2 carried out 1177 small buy trades and contributed positive LTP of Rs. 1067.75 i.e. 5.55% of market positive LTP through such trades. The details are placed below.

No. of trades (LTP >0)	Positive LTP Contribution when buy order qty was of 1 share only		Positive LTP Contribution when buy order qty was between 2-10 shares		Positive LTP Contribution when buy order qty was more than 10 shares		Total Positive LTP contribution (Rs.)	% of positive LTP to Total Market positive LTP	% contribution to Total Market positive LTP through small orders (1-10 shares)
	Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades			
2278	**634.15**	**551**	**433.6**	**626**	394.4	1101	1462.15	7.60%	**5.55%**

25. I note that Noticee No. 2 contributed Rs. 1067.75 to market positive LTP (5.55% to market positive LTP) through 1177 trades involving miniscule buy order quantities. Further, it was observed that Noticee No. 2 contributed Rs. 634.15 to market positive LTP (3.29% to market positive LTP) through trades where buy order quantity placed by Noticee No. 2 was one share.

Noticee No. 3: Trades on BSE

26. I note that Noticee No. 3 entered into 1383 positive trades for 45,140 shares to contribute Rs. 1062.45 to positive LTP (9.88% to market positive LTP). Further, in 1255 buy trades, buy orders were placed after the corresponding sell orders or at the same time. Further, I note that Noticee No. 3 carried out 882 small buy trades and contributed positive LTP of Rs. 839.50 i.e. 7.80% of market positive LTP through such trades. The details are placed below.

No. of trades (LTP >0)	Positive LTP Contribution when buy order qty was of 1 share only		Positive LTP Contribution when buy order qty was between 2-10 shares		Positive LTP Contribution when buy order qty was more than 10 shares		Total Positive LTP contribution (Rs.)	% of positive LTP to Total Market positive LTP	% contribution to Total Market positive LTP through small orders (1-10 shares)
	Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades			
1383	**491.5**	**490**	**348**	**392**	222.95	502	1062.45	9.88%	**7.80%**

27. I note that Noticee No. 3 contributed Rs. 839.50 to market positive LTP (7.80% to market positive LTP) through 882 trades involving miniscule buy order quantities. I note that out of total 1383 positive LTP trades, almost 64% of trades i.e. 882 trades comprising only with miniscule quantities of 1 to 10 shares. Further, Noticee No. 3 contributed Rs. 491.5 to market positive LTP (4.58% to market positive LTP) through trades where buy order quantity placed was one share.

28. I note that Noticees No. 1, 2 and 3 made substantial contributions to positive LTP in Patch 2 of the Investigation Period, by placing buy orders in small quantities viz. 1 to 10 shares. In many instances, all these buy orders were placed on the same date. It is devoid of market logic, as to how the Noticees would have benefitted by buying any quantum of shares through multiple trades in small quantities, instead of buying them cumulatively. Further, out of total positive LTP trades, majority of trades entered by the Noticees were in small quantities. Such a trading pattern clearly indicates the intention of aforesaid Noticees to enter into the trades for the purpose of manipulating the price of the scrip of Zylog upwards. The aforesaid trading pattern created misleading appearance of trading with the intention to manipulate the market. I note that even in the absence of connection of Noticees with the sellers, the trading pattern shows a concerted effort to manipulate the market. Also, I note that Noticees were not acting as genuine buyers, as in spite of sufficient sell orders being placed with abundant quantity being available in the market, Noticees were only placing small buy orders at a time.

29. I also note that out of the positive LTP trades, in majority of the instances, buy orders at a higher price were placed after the sell orders. I note the following instances from the Trade Order log, pertaining to the trades executed by Noticees at BSE:

Trade Date	Buy Order Time	Sell Order Time	Buy Order Rate	Sell Order Rate	Buy Order Qty	Sell Order Qty
Buyer - Notice No. 1						
17/01/2012	09:15:04	09:15:02	410	407	10	50
17/01/2012	09:15:24	09:15:02	420	407	10	100
Buyer – Noticee No. 2						
20/01/2012	10:47:39	10:26:45	415	414.95	1	96
25/01/2012	15:08:15	15:06:36	428	427.95	10	100
Buyer - Noticee No. 3						
18/01/2012	11:27:09	11:26:33	415	413.35	10	38
18/01/2012	11:30:22	10:20:22	415	414.4	10	25

30. It can be reasonably expected that a market participant would attempt to buy shares at the cheapest price available. However, as per the trade log, Noticee No. 1, 2 and 3 repeatedly executed trades in which buy orders at a higher price were placed after sell orders, even though the quantity they sought to purchase was lesser than the sell order quantity. Said pattern further buttresses the finding that Noticee No. 1, 2 and 3 had entered into the trades in small buy order quantities to artificially increase price of the scrip.

31. Therefore, it is established that Noticee No. 1, 2 and 3 entered into trades while placing buy orders in small quantities, to artificially increase the price of the scrip of Zylog during Patch 2 of the Investigation Period in violation of Section 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a), 3(b), 3(c) and 3(d) and 4(1), 4(2)(a) and 4(2)(e) of the PFUTP Regulations.

Issue No. II: Whether Noticee No. 4 manipulated price of the scrip of Zylog by contributing to positive LTP as seller and violated the provisions of Section 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a), 3(b), 3(c) and 3(d) and 4(1), 4(2)(a) and 4(2)(e) of the PFUTP Regulations?

32. I note that Noticee No. 4 contributed Rs 3738.05 (19.44% of market total LTP) to market positive LTP as a seller through 5349 positive LTP trades at NSE. Further, Noticee No. 4 also made contribution to positive LTP by entering into trades involving sell orders in miniscule quantities viz. 1 to 10 shares. Details of such trades done at NSE are given below:

No. of trades (LTP >0)	Positive LTP Contribution when sell order qty was of 1 share only		Positive LTP Contribution when sell order qty was between 2-10 shares		Positive LTP Contribution when sell order qty was more than 10 shares		Total Positive LTP contribution (Rs.)	% of positive LTP to Total Market positive LTP	% contribution to Total Market positive LTP through small orders (1-10 shares)
	Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades	Positive LTP contribution	No. of trades			
5349	**285.75**	**414**	**2680.65**	**4008**	771.65	927	3738.05	**19.44%**	**15.42%**

33. From the above, I note that Noticee No. 4 contributed Rs. 2966.4 to market positive LTP (15.42% to market positive LTP) through 4422 trades involving miniscule sell order quantities. I also note that Noticee No. 4 was a major counterparty to the positive LTP trades entered *interalia* by Noticee No. 1, 2 and 3.

34. I note that, vide email dated November 11, 2022, Noticee No. 4 submitted its reply to the SCN. The relevant extract of the said reply is reproduced below:

34.1. The assumption that a genuine buyer would not repeatedly place buy orders at a price higher than the sell order price and for a quantity lesser than the available sell order quantity or vice versa is incorrect.

34.2. Noticee No. 4 did the trading in shares of Zylog on the basis of NSE - BSE Arbitrage Strategy. The Orders were placed on the basis of arbitrage price difference that might be available between NSE and BSE. Buy or sell orders were placed in NSE depending upon the bid and ask price of BSE and vice versa. If bid and ask price quotes were available, then the orders were placed just below the ask price or above the bid price. If bid and ask price were not available, then orders were placed to earn a positive difference of approximately 0.35% of the other Exchange. All such trades were carried out within a very narrow price range. Thus, trades were executed in the scrip of Zylog with miniscule margins. Further, volatility and liquidity are the essence of arbitrage activities. Noticee No. 4 traded in the shares of Zylog which was listed under ‘B Group’ during the Investigation Period which signifies good category scrip as per the Exchange categorization.

34.3. Arbitrage is Noticee’s primary business, so they look for arbitrage opportunities in the price differences between Exchanges and make miniscule arbitrage profit accordingly, which is legally valid. Noticee No. 4 has been doing arbitrage between NSE and BSE in more than 1200 scrips.

34.4. Noticee No. 4 entered into many trades wherein the quantity involved was for more than 10 shares. The quantity depended on the number of trades which got executed / were available on the other exchange. The instant SCN has considered trades done only at one exchange i.e. NSE, and has not considered the counter leg on BSE. The trades at one exchange in isolation without considering the counter trades at other exchange represent incorrect state of affairs.

34.5. In various Orders passed by SEBI, NSE BSE arbitrage trading strategy employed by Noticee No. 4 has been acknowledged and proceedings initiated against it have been disposed of. List of such Orders is as below:

34.5.1. Orders passed by Whole Time Member (WTM) and AO of SEBI in the matter of Winsome Yarns Ltd

34.5.2. Orders passed by WTM and AO of SEBI in the matter of Seshasayee Paper and Boards Ltd.

34.5.3. Order passed by AO of SEBI in the matter of Super Sales India Ltd

34.6. Noticee's trades were not artificial in as much as they purchased/ sold shares and the difference had been accounted for, either as a debit or as a credit in their account. Further the shares, which were accepted as delivery, could not have created artificial or false market. Similarly, in case of sale of shares, when delivery has taken place, it could not have created artificial or false market and hence, Noticee could not be alleged to have directly or indirectly bought, sold or otherwise dealt in the scrip of Zylog in a fraudulent manner

35. I note from the submissions of Noticee No. 4, that it had executed trades as per the following details in both NSE and BSE during the Investigation Period:

Scrip Name	Buy Qty	Avg. Buy Rate	Buy Amount	Sell Qty	Avg. Sell Rate	Sell Amount	Exchange
ZYLOG	365660	137.51	50280282.85	367121	138.75	50938020.80	BSE Total
ZYLOG	367105	138.56	50865749.90	365644	137.83	50397334.00	NSE Total
Grand Total	732765	138.03	101146032.75	732765	138.29	101335354.80	

36. I note that as per their trading strategy, Noticee No. 4 would place orders on NSE and BSE to advantage from the arbitrage price difference that might be existing. The process of placement of orders and squaring off of trades was automated through respective brokers. It is also noted from the data provided that Noticee No. 4 would buy/ sell on one exchange and in a short time difference, would enter the opposite sell/ buy trade on the other exchange to benefit from the price difference. I note for instance the following trades executed by Noticee No. 4 on NSE and BSE:

Exchange	Date	Trade Time	Buy Qty	Buy Market Rate	Sell Qty	Sell Market Rate
BSE	19/01/12	11:54:44	1	414.00		
NSE	19/01/12	11:54:44			1	415.75

As shown above, Noticee No. 4 entered into a sell trade for one share at NSE, and at the same time, entered into a buy trade for one share at BSE, while profiting from the price difference of Rs 1.75 that existed between the two exchanges as part of its arbitrage strategy.

37. Therefore, in the instant matter, I note that the Noticee No. 4 had executed the trades as per pre-defined algorithm and the strategy, to take advantage of inter exchange arbitrage. Such a trading strategy seeks to earn profits genuinely by taking advantage of market dynamics, and therefore, cannot be faulted with. I hold that the allegation of price manipulation by execution of small sell orders made against Noticee No. 4 is not established.

Issue No. III: If yes, whether the violations attract monetary penalty under the provisions of Section 15HA of the SEBI Act? If so, what quantum of monetary penalty should be imposed on the Noticees after taking into consideration the factors mentioned in Section 15J of the SEBI Act?

38. It has been established in the foregoing paragraphs that Noticee No. 1, 2 and 3 have violated the provisions of Section 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a), 3(b), 3(c) and 3(d) and 4(1), 4(2)(a) and 4(2)(e) of the PFUTP Regulations and therefore, the aforesaid violations committed by the said Noticees attract monetary penalty under Section 15HA of the SEBI Act, which, as existed at the time of violation, read as under:

SEBI Act

Penalty for fraudulent and unfair trade practices.

15HA. If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher.

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

SEBI Act

Factors to be taken into account by the adjudicating officer.

15J. While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely: -

a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;

b) the amount of loss caused to an investor or group of investors as a result of the default;

c) the repetitive nature of the default.

40. I note that the amount of disproportionate gain or unfair advantage made by Noticee No. 1, 2 and/ or 3 is not available. Further, it is not possible from the material on record to the calculate loss caused to investors as a result of the aforesaid default. With respect to the repetitive nature of the default, I find that there is nothing on record to indicate any past violations committed by the Noticees. I also note that there was a delay in initiation of the adjudication proceedings against the Noticees by issuance of a show cause notice.

ORDER

41. After taking into consideration the facts of the matter and the violations established against Noticee No. 1, 2 and 3, I impose the following penalty on the said Noticees:

Noticee No	Noticees (PAN)	Violation of provisions	Penalty u/s	Penalty
1	Prashant Ashok Gamre (PAN-ATJPG9291R)	Section 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a), 3(b), 3(c) and 3(d) and 4(1), 4(2)(a) and 4(2)(e) of the PFUTP Regulations	Section 15HA of the SEBI Act	Rs. 5,00,000/- (Rs. Five Lakh Only)
2	Hiten Chandrakant Bhai Parmar (PAN-BGCPP4193C)			Rs. 5,00,000/- (Rs. Five Lakh Only)
3	Chetan Mukundrai Parekh (PAN-ATJPP5058R)			Rs. 5,00,000/- (Rs. Five Lakh Only)

I find that the said penalty is commensurate with the violations committed by Noticees No. 1, 2 and 3 in this case.

42. Noticee No. 1, 2 and 3 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

43. The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid to "The Division Chief (Enforcement Department-1 DRA-3), Securities and Exchange Board of India, SEBI Bhavan 2, Plot No. C – 7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051." The Noticees shall also provide the following details while forwarding DD / payment information:

Case Name :	
Name of Payee :	
Date of Payment:	

Amount Paid :	
Transaction No. :	
Bank Details in which payment is made :	
Payment is made for: (like penalties/ disgorgement/ recovery/ settlement amount etc.)	Penalty

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

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

Place: Mumbai **AMIT KAPOOR**

Date: February 08, 2023 **ADJUDICATING OFFICER**