BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. EAD-9/SM/ 234 – 236 /2018-19]

UNDER SECTION 15 I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SECURITIES AND EXCHANGE BOARD OF INDIA (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES BY ADJUDICATING OFFICER) RULES, 1995

In respect of:

Gandiv Investment Pvt. Ltd. (PAN: AACCG3017C)
Pat Financial Consultants Pvt. Ltd. (PAN: AAACP3115E)
Bharat J Patel (PAN: AAAPP6652R)

In the matter of Ponni Sugars (Erode) Limited

FACTS OF THE CASE:

1. Securities and Exchange Board of India (hereinafter referred to as 'SEBI'), conducted an investigation in the scrip of Ponni Sugars (Erode) Limited (hereinafter referred to as "PSEL/ company") and observed that Gandiv Investment Pvt. Ltd. (hereinafter referred to as "Noticee 1"), Pat Financial Consultants Pvt. Ltd. (hereinafter referred to as "Noticee 2") and Bharat J Patel (hereinafter referred to as "Noticee 3") had violated provisions of regulations 3(a), (b), (c) and (d), 4(1), 4(2)(a) and (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as "PFUTP Regulations").

2. It was alleged that the Noticees have repeatedly placed buy orders between November 15, 2012 to October 9, 2014 (hereinafter referred to as "investigation period") at price higher than Last Traded Price (hereinafter referred to as "LTP") before sell orders were available in the system and placed buy orders above prevailing sell order rates and matched higher than LTP prices of sell orders and hence contributed to positive LTP and New High Price (hereinafter referred to as "NHP") and manipulated the price of PSEL.

APPOINTMENT OF ADJUDICATING OFFICER

3. Vide an order of the Competent Authority, SEBI, dated May 16, 2017, the undersigned was appointed as the Adjudicating Officer under Section 15-I of SEBI Act read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as "Adjudication Rules") to inquire and adjudge under

section 15HA of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “SEBI Act”) on the Noticees.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. Based on the findings by SEBI, Show Cause Notice/s dated August 1, 2017 (hereinafter referred to as 'SCN') were issued to the Noticees under Rule 4(1) of Rules to show cause as to why an inquiry should not be held and penalty should not be imposed on them for the alleged violations.

5. The charges in the SCN broadly are as follows:
   i. SEBI had examined and divided entire Investigation period into four Patches. Patch I (November 15, 2012 to April 01, 2013), Patch II (April 02, 2013 to April 30, 2013), Patch III (May 02, 2013 to February 14, 2014) and Patch IV (February 17, 2014 to October 09, 2014).
   ii. Summary of trading by the Noticee No. 1 to 3 during the investigation period is tabulated below:

Name of Entity	Gross Buy	% of Gross Buy to Mkt. Vol.	Gross Sell	% of Gross Sell to Mkt. Vol.
NSE				
Bharat Jayantilal Patel	442512	31.54	345000	24.59
Gandiv Investment Pvt. Ltd.	95582	6.81	101110	7.21
Pat Financial Consultants Pvt. Ltd.	34799	2.48	4	0
Total	**572893**	**40.83**	**446114**	**31.8**
BSE				
Bharat Jayantilal Patel	190402	14.81	0	0
Pat Financial Consultants Pvt. Ltd.	122938	9.56	5004	0.39
Gandiv Investment Pvt. Ltd.	77370	6.02	300266	23.36
Total	**390710**	**30.39**	**305270**	**23.75**

   iii. Following inter-se relationship is alleged among the Noticees-

Sr. no.	Entity Name	Basis of Connection
1	Notice No. 1	1. Traded through Finquest Securities Pvt. Ltd. where Noticee No. 3 is director. 2. Fund movement with Noticee No. 3.
2	Noticee No. 2	1. Noticee No. 3 is director in the company. 2. Off-market shares transfer with Noticee No. 3.
3	Noticee No. 3	1. Director in Finquest Financial Solutions Pvt. Ltd. and in Noticee No. 2 2. Stock broker at BSE. 3. Off-market shares transfer with Noticee No. 2 4. Fund movement with Noticee No. 1.

<u>Patch – II:</u>

iv. In NSE, net market LTP contributed by all market participants was Rs.116.4 and in BSE net market LTP contributed by all market participants was Rs. 136.55. The contributions of Noticee No. 1 & 3 to LTP are tabulated in the table 4:

Buyer Name	All Trades			LTP Diff. > 0			LTP Diff. < 0			LTP Diff. = 0		% of Positive LTP to Total Market Positive LTP
	Sum of LTP (Rs.)	Sum of Qty.	No. of trades	Sum of LTP (Rs.)	Sum of Qty.	No. of trades	Sum of LTP (Rs.)	Sum of Qty.	No. of trades	Sum of Qty.	No. of trades	
NSE												
Noticee No. 1	141.15	7941	54	146.95	5490	24	-5.8	54	3	2397	27	55.48
Noticee No. 3	46.25	409297	21	46.25	1325	4	0.00	0	0	407972	17	17.46
Total	**187.4**	**417238**	**75**	**193.2**	**6815**	**28**	**-5.8**	**54**	**3**	**410369**	**44**	**72.95**
Total Market	**116.4**	**424782**	**145**	**264.85**	**6912**	**40**	**-148.45**	**6062**	**25**	**411808**	**80**	**100.00**
BSE												
Noticee No. 1	110.9	1012	28	124.15	714	14	-13.25	126	4	172	10	57.66
Noticee No. 3	22.1	140020	8	29.1	70	2	-7	50	1	139900	5	13.52
Total	**133**	**141032**	**36**	**153.25**	**784**	**16**	**-20.25**	**176**	**5**	**140072**	**15**	**71.18**
Total Market	**136.55**	**141233**	**55**	**215.3**	**863**	**23**	**-78.75**	**255**	**12**	**140115**	**20**	**100**

v. It was alleged that on NSE, Noticee No. 1 contributed Rs. 146.95 to positive LTP (55.48% of total market positive LTP) and net LTP contribution was Rs. 141.15 and on BSE it had contributed Rs. 124.15 to positive LTP (57.66% of total market positive LTP) and net LTP contribution was Rs. 110.9.

vi. Noticee No. 3 contributed Rs. 46.25 to positive LTP (17.46% of total market positive LTP) and net LTP contribution was also Rs. 46.25 and on BSE he had contributed Rs.

29.1 to positive LTP (13.52% of total market positive LTP) and net LTP contribution was also Rs. 22.1. The details of top trades wherein buy orders of the two entities contributed to the highest is as follows

Sr. No.	Order Type	Order No	Order Time	Order Qty	Order Price	Counterparty Pending Order Qty Range (total)	Counterparty Pending order Price range	Trade time	Trade Qty	Trade Price	Diff in LTP (in Rs.)
	NSE										
1	Buyer: Notice No. 1					Seller: G. Kanagaraj			Date: 12-04-2013		
	Buy	2013041269833999	14:35:15	25	346	2	343	15:14:22	2	343.95	26
	Sell	2013041269781151	15:11:52	2	343	Nil	Nil				
2	Buyer: Notice No. 1					Seller: Paterson Securities Pvt. Ltd.			Date: 08-04-2013		
	Buy	2013040869979026	15:01:53	100	285.6	1	285	15:14:30	1	285.5	23.5
	Sell	2013040869774869	15:06:31	1	285	Nil	Nil				
3	Buyer: Notice No. 1					Seller: Mr. L. Veeraraghavan			Date: 11-04-2013		
	Buy	2013041167873021	10:41:41	25	329.55	1-2(3)	329.55	11:14:21	10	329.55	15.65
	Sell	2013041168149815	11:10:57	10	329.5	25	329.55				
4	Buyer: Notice No. 1					Seller: G. Kanagaraj			Date: 12-04-2013		
	Buy	2013041267706404	10:31:12	25	346	Nil	Nil	11:14:05	2	345	15.45
	Sell	2013041267724289	11:10:32	2	344	25	346				
5	Buyer: Notice No. 1					Seller: Vivek Kumar Jain			Date: 09-04-2013		
	Buy	2013040967754620	10:34:39	50	299.75	Nil	Nil	11:14:57	50	299.75	14.25
	Sell	2013040967922643	10:51:52	300	299.75	50	299.75				
6	Buyer: Notice No. 3					Seller: Bernadette Antonyraj			Date: 17-04-2013		
	Sell	2013041771030771	14:37:07	30	330	Nil	Nil	15:14:02	30	356	29.2
	Buy	2013041771507384	15:13:57	100	356	30	330				
7	Buyer: Notice No. 3					Seller: Vivek Kumar Jain			Date: 18-04-2013		
	Buy	2013041871321096	15:13:45	120000	371	10-250(320)	354.45-361	15:14:46	1185	371	15
	Sell	2013041871323844	15:14:15	1185	350	120000	371				
	BSE										
8	Buyer: Notice No. 1					Seller: Vinodkumar Radheshyam Gadodia			Date: 04-04-2013		
	Sell	12000114642165	15:17:50	33	258.95	7-40(66)	235-241	15:21:53	33	258.95	23.95
	Buy	12000114645286	15:21:53	100	259	3-33(36)	258.95-259				
9	Buyer: Notice No. 1					Seller: Vivek Kumar Jain			Date: 12-04-2013		
	Buy	22000024000297	09:36:42	25	330.75	Nil	Nil	10:16:17	25	330.75	15.75
	Sell	12000020000354	09:40:54	56	330.75	25	330.75				

Sr. No.	Order Type	Order No	Order Time	Order Qty	Order Price	Counterparty Pending Order Qty Range (total)	Counterparty Pending order Price range	Trade time	Trade Qty	Trade Price	Diff in LTP (in Rs.)
10	Buyer: Noticee No. 1					Seller: Khadija Mohamed Murad			Date: 11-04-2013		
	Sell	21000040001642	10:30:57	10	315	Nil	Nil	11:15:57	10	315	15
	Buy	21000040001918	10:41:50	25	315	10	315				
11	Buyer: Noticee No. 1					Seller: Mohamed Kasam Murad			Date: 10-04-2013		
	Sell	20000114001743	10:40:07	10	313	Nil	Nil	11:16:15	10	313	14.1
	Buy	15000104002230	10:43:12	50	313.8	10	313				
12	Buyer: Noticee No. 1					Seller: Pavan Mohanlal Tapadia			Date: 09-04-2013		
	Sell	20000027000534	09:36:09	50	298.9	20	285	10:16:10	50	298.9	13.9
	Buy	18000032000892	09:43:13	50	299	50-50(100)	298.89-299				
13	Buyer: Noticee No. 3					Seller: Pathak Ravi			Date: 23-04-2013		
	Sell	22000025002741	14:30:57	20	351.65	Nil	Nil	15:16:13	20	351.65	16.7
	Buy	13000021003657	15:11:51	20	351.65	20	351.64				
14	Buyer: Noticee No. 3					Seller: Vandana Rawat			Date: 26-04-2013		
	Sell	21000027001985	11:35:48	50	360	Nil	Nil	12:15:59	50	379	12.4
	Buy	13000021002122	12:13:33	70000	379	20-60000(71795)	360-384.89				

Noticee No. 1 – NSE

a) Sr. No. 1: Seller first placed sell order at Rs. 346 for 2 shares before Noticee No. 1 placed buy order at Rs. 346 for 25 shares. Sell order price was later modified to Rs. 343 and an equilibrium price was discovered at Rs. 343.95. The trade got executed leading to price rise by Rs. 26.

b) Sr. No. 2: Seller placed sell order at 14:45:10 hours for 1 share at Rs. 285 and later modified the price to Rs. 270 at 14:52:43 hours. Thereafter, Noticee No. 1 placed buy order at 15:01:54 hours for 100 shares at the rate of Rs. 285.6. Seller again modified the price to Rs. 285 at 15:06:32. Subsequently, price was discovered at Rs. 285.5 for 1 shares, at Rs. 23.5 higher than LTP.

c) Sr. No. 3: First trade of the day. 2 Sell orders are available at Rs. 329.55 each for 1 share and 2 shares respectively. Noticee No. 1 placed buy order at Rs. 329.55 for 25 shares. Later, another sell order was placed at Rs. 329.5 for 10 shares and trade was executed at a discovery price of Rs. 329.55 at Rs. 15.65 higher than LTP.

d) Sr. No. 4: It was first trade of the day. Noticee No. 1 first placed buy order at Rs. 346 for 25 shares. Seller placed sell order at Rs. 346 for 2 shares and subsequently modified the price to Rs. 344. Order got matched at an equilibrium price of Rs. 345 for 2 shares leading to price increase by Rs. 15.45.

e) Sr. No. 5: First trade and only trade of the day. Noticee No. 1 placed buy order first at Rs. 299.75 for 50 shares before sell order was placed at Rs. 299.75 for 300 shares. Orders got matched leading to increase in price by Rs. 14.25 higher than LTP.

Noticee No. 3 – NSE

f) Sr. No. 6: Despite sell order being available at Rs. 330 for 30 shares, Noticee No. 3 placed buy order at Rs. 356 for 100 shares. Trade was executed at Rs. 356 for 30 shares at Rs. 29.2 higher than LTP.

g) Sr. No. 7: First Trade of the day. Despite sell orders being available in the price range of Rs. 354.45 to Rs. 361 (320 shares available), Noticee No. 3 placed buy order at Rs. 371 (Rs. 15 higher than LTP). Thereafter sell order was placed at Rs. 350 for 1,185 shares and first trade of the day was executed at Rs. 371 for 1,185 shares.

Noticee No. 1 – BSE

h) Sr. No. 8: Sell order was available at Rs. 258.95 for 33 shares but Noticee No. 1 placed buy order at Rs. 259 for 100 shares. Trade was executed at Rs. 258.95 for 33 shares leading to increase in price by Rs. 23.95.

i) Sr. No. 9: First trade of the day. There was no pending buy or sell orders. Noticee No. 1 placed buy order before sell order came into the system at Rs. 330.75 i.e, higher than LTP by Rs. 15.75 and trade got executed.

j) Sr. No. 10: First trade of the day. Seller first placed sell order of 10 shares at 315 i.e, at price higher than LTP and the buyer placed order for 25 shares at Rs 315, resulting in order matching at price rise of Rs 15

k) Sr. No. 11: First trade of the day. Despite sell order being available at Rs. 313 for 10 shares, Noticee No. 1 placed buy order at Rs. 313.8 for 50 shares. Orders got matched at Rs. 313 for 10 shares, price higher than LTP by Rs. 14.1.

l) Sr. No. 12: First trade and only trade for the day. Two sell orders of 50 shares each at Rs. 298.89 and Rs. 299 are available, but Noticee No. 1 placed buy order at Rs. 299 leading to order matching (i.e. Rs. 298.9) thereby leading to increase in price by Rs. 13.9.

Noticee No. 3 – NSE

m) Sr. No. 13: First trade and only trade for the day. Seller first placed sell order at Rs. 351.65 for 20 shares. Noticee No. 3 placed buy order at Rs. 351.65 for 20 shares resulting into order matching at Rs. 16.7 higher than LTP.

n) Sr. No. 14: Seller first placed order at Rs. 360 for 50 shares. Later, Noticee No. 3 placed buy order at Rs. 379 for 70,000 shares resulting into order matching at Rs. 12.4 higher than LTP.

o) **New High Price**

i. New high price is the price which is higher than the price already established in the scrip during the period under consideration. It was alleged that Noticee No. 1 & 3 have contributed significantly in NHP during Patch II. Details of NHP contributed by Noticee No. 1 & 3 are tabulated below:

Buyer Name	**NHP contribution as Buyer**			
	Sum of NHP Qty.	**NHP (in Rs.)**	**No. of Trades**	**% NHP to Mkt. NHP**
NSE				
Noticee No. 1	134	75.15	9	55.67
Noticee No. 3	1295	14.55	3	10.78
Total	**1429**	**89.7**	**12**	**66.44**
Total Market	**1468**	**135**	**18**	**100**
BSE				
Noticee No. 1	657	72.5	10	50.51
Noticee No. 3	70	29.1	2	20.27
Group Total	**727**	**101.6**	**12**	**70.78**
Total Market	**756**	**143.55**	**16**	**100**

ii. In NSE it was observed that Noticee No. 1 contributed Rs. 75.15 to new high price (55.67% of total market NHP) in 9 trades. In BSE it was observed that Noticee No. 1 contributed Rs. 72.5 to new high price (50.51% of total market NHP) in 10 trades.

iii. In NSE, Noticee No. 3 contributed Rs. 14.55 to new high price (10.78% of total market NHP) in 3 trades. Noticee No. 3 also contributed Rs. 29.1 to new high price (20.27% of total market NHP) in 2 trades.

p) **First trade**

i. During Patch 2 of the investigation period, there are 15 trading days in NSE and 14 trading days in BSE. It is alleged that Noticee No. 1 & 3 contributed significantly in LTP and NHP by participating in first trades. The contribution of Noticee 1 & 3 to price rise through first trades is as below:

Buyer Name	**Traded Qty.**	**% of First Trades Qty. to Mkt. Vol.**	**No. of First Trades**	**Net LTP (in Rs.)**	**NHP (in Rs.)**
			NSE		
Noticee No. 1	80	0.02	5	73	73
Noticee No. 3	1245	0.29	2	16	13.5
Total	**1325**	**0.31**	**7**	**89**	**86.5**
Total Market	**1503**	**0.35**	**15**	**72.1**	**123.85**
			BSE		
Noticee No. 1	105	0.07	6	79.6	66.2
Noticee No. 3	120	0.08	3	22.1	29.1
Total	**225**	**0.16**	**9**	**101.7**	**95.3**
Total Market	**255**	**0.18**	**14**	**144.95**	**137.25**

ii. In NSE, total quantity of 1503 shares were traded through first trade and accounted for net LTP of Rs. 72.1 and NHP of Rs. 123.85. Whereas, in BSE, total quantity of 255 shares were traded through first trade and accounted for LTP of Rs. 144.95 and NHP of Rs. 137.25.

iii. Noticee No. 1 traded 80 shares through 5 first trades and contributed net LTP of Rs. 73 (101.25% of first trade market net LTP) and NHP of Rs. 73 (58.94% of first trade market NHP) in NSE. Noticee No. 1 traded 105 shares through 6 first trades and contributed net LTP of Rs. 79.6 (54.92% of first trade market net LTP) and NHP of Rs. 66.2 (48.23% of first trade market NHP) in BSE.

iv. Noticee No. 3 traded 1245 shares through 2 first trades and contributed net LTP of Rs. 16 (22.19% of first trade market net LTP) and NHP of Rs. 13.5 (10.90% of first trade market NHP) in NSE. Noticee No. 3 traded 120 shares through 3 first trades and contributed net LTP of Rs. 22.1 (15.25% of first trade market net LTP) and NHP of Rs. 29.1 (21.20% of first trade market NHP) in BSE.

q) It was observed from LTP and NHP analysis that Noticee 1 and Noticee 3 made significant contributions to LTP and NHP during Patch 2 of the investigation period. It was also observed that the two entities have significantly contributed to positive LTP and NHP through first trades in this patch.

r) Noticee 1 and Noticee 3 contributed to price rise in the scrip by placing buy orders at price higher than LTP before sell orders were available in the system. Further, by placing buy orders above prevailing sell order rate, Noticee 1 and Noticee 3 led to inflating of the price. The placement of buy order above prevailing sell order rate has no economic rationale as any prudent investor would buy at lower price and sell at higher price. Also, they contributed to positive LTP by not only by placing buy orders first at higher than LTP prices but also matching higher than LTP prices of sell orders. The NHP analysis and first trades analysis further corroborate the findings that the trading behaviour of Noticee 1 and Noticee 3 amount to manipulation of price of the scrip during Patch 2..

<u>Patch – IV:</u>

s) It was alleged that net market LTP contribution by Noticee 2 during Patch IV in NSE was Rs.148.3 and in BSE net market LTP was Rs. 152.8. Contributions of Noticee No. 2 to LTP are tabulated below:

Buyer Name	All Trades			LTP Diff. > 0			LTP Diff. < 0			LTP Diff. = 0		% of positive LTP to Total Mkt. positive LTP
	Sum of LTP (Rs.)	Sum of Qty.	No. of trades	Sum of LTP (Rs.)	Sum of Qty.	No. of trades	Sum of LTP (Rs.)	Sum of Qty.	No. of trades	Sum of Qty.	No. of trades	
NSE												
Noticee No. 2	69.25	34591	342	257.75	11796	117	-188.5	10155	85	12640	140	18.13
Total Market	**148.3**	**433556**	**1736**	**1421.8**	**23282**	**512**	**-1273**	**380950**	**460**	**29324**	**764**	**100**
BSE												
Noticee No. 2	43.05	33438	293	344.15	11314	99	-301.1	11297	102	10827	92	23.25
Total Market	**152.8**	**377603**	**1763**	**1480.3**	**189304**	**442**	**-1327**	**20725**	**405**	**167574**	**916**	**100**

Sr. No.	Order Type	Order No	Order Time	Order Qty	Order Price	Counterparty Pending Order Qty Range (total)	Counterparty Pending order Price range	Trade time	Traded Qty	Trade Price	Diff in LTP (in Rs.)
	NSE										
1	Buyer: Noticee No. 2					Seller: Davawala Jayesh Nalinbhai			Date: 30-09-2014		
	Sell	2014093066978720	09:23:41	50	209	Nil	Nil	09:24:56	10	209	18.8
	Buy	2014093067005554	09:24:56	10	209	50	209				
2	Buyer: Noticee No. 2					Seller: Maya P Kurup			Date: 29-09-2014		
	Sell	2014092970255094	14:24:32	50	189	Nil	Nil	14:42:31	50	189	13
	Buy	2014092970456075	14:42:31	100	190.2	50	189				
3	Buyer: Noticee No. 2					Seller: Madhu Verma			Date: 08-10-2014		
	Buy	2014100870681891	14:49:14	3	230	Nil	Nil	14:49:24	1	230	9.75
	Sell	2014100870683694	14:49:24	1	230	3	230				
4	Buyer: Noticee No. 2					Seller: Nirshilp Securities Pvt. Ltd.			Date: 07-10-2014		
	Sell	2014100767555782	09:54:47	4	225	100	216	10:26:00	4	225	9
	Buy	2014100768006380	10:26:00	5	225	4-100(229)	225-232				
5	Buyer: Noticee No. 2					Seller: Bhagirathbhai Manharlal Agrawal HUF			Date: 08-10-2014		
	Sell	2014100870808426	14:57:09	100	239	Nil	Nil	15:08:34	25	239	9
	Buy	2014100871002793	15:08:34	25	240	100	239				
	BSE										
6	Buyer: Noticee No. 2					Seller: Deepak Shikharchand Jain			Date: 07-10-2014		
	Sell	1412652600027053004	09:20:52	4	229.9	4-200 (304)	208.03-208.19	10:26:51	4	229.9	21.6
	Buy	1412652600027053012	10:26:51	10	230	4	229.9				
7	Buyer: Noticee No. 2					Seller: Virendra Kumar Gupta			Date: 30-09-2014		
	Buy	1412047800005037009	09:25:10	75	215	50-150(200)	199.9-215.09	09:25:14	25	215	15.1
	Sell	1412047800005037010	09:25:14	250	215	5-500(1230)	176.05-215				
8	Buyer: Noticee No. 2				Seller: Shivnarayan Nemani Share & Stock Brokers Pvt. Ltd				Date: 01-10-2014		
	Sell	1412134200026043004	09:17:01	100	221.2	25-500(525)	182-182.05	14:35:08	100	221.2	13.7
	Buy	1412134200026043043	14:35:08	700	221.35	6-250(555)	207.5-221.2				
9	Buyer: Noticee No. 2					Seller: Sasidharan P			Date: 08-10-2014		
	Sell	1412739000012059111	10:03:27	10	240	2-200(315)	219-230	14:29:01	10	240	11
	Buy	1412739000012059123	14:29:01	100	240	3-70(93)	238-240				

10	Buyer: Noticee No. 2					Seller S S Surya Parvathi			Date: 09-10-2014		
	Sell	1412825400001062006	10:06:10	10	243	25-200(225)	223.75-224	14:13:19	5	243	12
	Buy	1412825400001062012	14:13:19	5	243	4-50(114)	243-247.25				

t) In NSE, it was observed that Noticee No. 2 contributed Rs. 257.75 to positive LTP (18.13% of total market positive LTP) and net LTP contribution was Rs. 69.25. In BSE, it was observed that Noticee No. 2 contributed Rs. 344.15 to positive LTP (23.35% of total market positive LTP) and its net LTP contribution was Rs. 43.05.

u) The details of the top trades wherein the buy orders of Noticee 2 contributed to the highest LTP is as follows

v) From the table 8, the following are observed:

i. Sr. no.1: It was first trade of the day. Seller first placed sell order at price higher than LTP leading to order matching at Rs. 209, higher than LTP by Rs. 18.8.

ii. Sr. no. 2: Despite sell order being available at Rs. 189 for 50 shares, Noticee No. 2 placed buy order at Rs. 190.2 for 100 shares resulting to order matching at Rs. 189 for 50 shares at price higher than LTP by Rs. 13.

iii. Sr. no. 3: There was no pending sell order. Noticee No. 2 first placed buy order at Rs. 230 for 3 shares. Subsequently, seller placed sell order at Rs. 230 for 1 share resulting into order matching and leading to price increase by Rs. 9.75.

iv. Sr. no. 4: When seller placed sell order at Rs. 225 for 4 shares, 1 buy order at Rs. 216 for 100 shares was available. Later, when Noticee No. 2 placed buy order at Rs. 225 for 5 shares, 5 sell orders were available in the price ranging from Rs. 225 to Rs. 232 for quantities ranging from 4-100 (total 229 shares). Subsequently order matched at Rs. 225 for 4 shares leading to an LTP contribution of Rs. 9.

v. Sr. no. 5: Despite sell order being available at Rs. 239 for 100 shares, Noticee No. 2 placed buy order at Rs. 240 for 25 shares. Trade got executed at Rs. 239 for 25 shares at Rs. 9 higher than LTP.

vi. Sr. no. 6: When seller placed sell order at Rs. 229.9 for 4 shares, 3 buy orders were pending at Rs. 208.3 for 4 shares, Rs. 208.15 for 100 shares and 208.19 for 200 shares. Despite 1 sell order at 229.9 for 4 shares pending, Noticee No. 2 placed buy order at Rs. 230 for 10 shares, resulting into order matching at Rs. 299.9 for 4 shares at Rs. 21.6 higher than LTP.

vii. Sr. no. 7: Before Noticee No. 2 placed buy order at Rs. 215 for 75 shares, 2 sell orders were pending at Rs. 199.9 for 50 shares and at Rs. 215.09 for 150 shares. Further, Before Noticee No. 2 placed buy order at Rs. 215 for 75 shares, 7 buy orders were pending in the price ranging from Rs. 176.05 to Rs. 200 and quantity ranging from 5 to 500 shares. Buy order of Noticee No. 2 at Rs. 215 for 75 shares first matched with pending sell order at Rs. 199.9 for 50 shares and the remaining buy order of Noticee No. 2 (75 shares - 50 shares = 25 shares) matched with sell order at Rs. 215 for 250 shares placed after Noticee No. 2 buy order leading to increase in price by Rs. 15.1.

viii. Sr. no.8: At the time of sell order placement, 2 buy orders were pending at Rs. 182 for 25 shares and at Rs. 182.05 for 500 shares. Similarly, sell orders were available in the price range from Rs. 207.5 to Rs. 221.2 for 555 shares when Noticee No. 2 placed buy order at Rs. 221.35 for 700 shares. Noticee No. 2 buy order absorbed all pending sell orders including sell order at Rs. 221.2 for 100 shares, resulting into price increase by Rs. 13.7.

ix. Sr. no.9: When Noticee No. 2 placed buy order at Rs. 240 for 100 shares, 4 sell orders were available at Rs. 238 for 3 shares, Rs. 238 for 70 shares, Rs. 239 for 10 shares, and Rs. 240 for 10 shares. Noticee No. 2 placed buy order at Rs. 240 for 100 shares which got matched with sell order at Rs. 240 for 10 shares i.e., at Rs. 11 higher than LTP.

x. Sr. no. 10: When sell order was placed at Rs. 243 for 10 shares, 2 buy orders were pending in the price range from Rs. 223.75 for 200 shares and Rs. 224 for 25 shares. When Noticee No. 2 placed buy order, 5 sell orders were pending at price range from Rs. 243 to Rs. 247.25 for quantity ranging from 4 shares to 50 shares. Noticee No. 2 buy order matched with pending sell order at Rs. 243 for 10 shares, at Rs. 12 higher than LTP.

w) New High Price

i. During Patch 4 of the investigation period, NHP of Rs. 148.4 through 61 NHP trades was established at NSE and NHP of Rs. 152.9 through 52 NHP trades was established at BSE. Details of NHP contributed by Noticee No. 2 are tabulated below:

Buyer Name	**NHP contribution as Buyer**			
	NHP Qty.	**NHP (in Rs.)**	**No. of Trades**	**% NHP to Mkt. NHP**
NSE				
Noticee No. 2	1511	51.30	19	34.57
Total Market	**2546**	**148.4**	**61**	**100**

Buyer Name	NHP contribution as Buyer			
	NHP Qty.	NHP (in Rs.)	No. of Trades	% NHP to Mkt. NHP
BSE				
Noticee No. 2	523	57.1	13	37.35
Total Market	**1443**	**152.9**	**52**	**100**

ii. In NSE, Noticee No. 2 contributed to NHP of Rs. 51.30 (34.57% of total market NHP) in 19 trades. In BSE, Noticee No. 2 contributed to NHP of Rs. 57.1 (37.35% of total market NHP) in 13 trades.

x) It was observed from LTP and NHP analysis that Noticee 2 made significant contribution to LTP and NHP during Patch 4 of the investigation period. It was further observed that Noticee 2 made significant contribution to NHP through first trades. As seen from the order log analysis, Noticee 2 contributed to price rise in the scrip by placing buy orders at price higher than LTP before sell orders are available in the system. Further, by placing buy orders above prevailing sell order rate, Noticee 2 led to inflating of the price. The placement of buy order above prevailing sell order rate has no economic rationale as any prudent investor would want to buy at a low price and sell at higher price. Also, Noticee 2 contributed to positive LTP by not only by placing buy orders first at higher than LTP prices but also matching higher than LTP prices of sell orders. The NHP analysis further corroborates the findings that the trading behavior of Noticee 2 amount to manipulation of price of the scrip.

<u>Personal Hearing</u>

6. In order to comply with the principles of natural justice an opportunity of personal hearing was given to the Noticees on September 7, 2017 vide notice dated August 11, 2017. No one appeared on the scheduled date of hearing. Noticee 1 had sought certain documents from SEBI which were duly provided to them Vide letter/s dated September 22, 2017.

7. Another opportunity of hearing was given to the Noticees on November 29, 2017. Noticee 2 & 3 appeared before me on the said date. Noticee 1 did not appear on the scheduled date of hearing.

8. Noticee 1, vide letter dated January 5, 2018, stated, inter alia, the following:

   a. *The SCN alleged relationship with Mr. Bharat Jayantilal Patel on the basis that there was one payment by our Company to Mr. Bharat Jayantilal Patel on 14-03-2013 for*

Rs 27,97,500/-in respect purchase of 30,000 Shares of Kesoram Industries from him. The said payment has nothing to do with our trade or transaction in Ponni Sugar. It is categorically submitted that entire relationship and/or presumption is erroneous. It is pertinent to note that we are financially independent and trade independently. The inter-se relationship is alleged probably because they are also a client of Finquest Securities Pvt. Ltd. and/or they dealt in scrip of Ponni Sugars. Nothing is brought on record to even show any connection or nexus among us and we cannot throw any light on other's dealing in Ponni Sugar.

b. *At the outset the entire presumption or concept of LTP as purported to made out is erroneous and non-germane to the trading on the Stock Exchanges. It is submitted that all traders cannot be expected to trade at LTP only and if that were the case, there would be no movement in the market price at all. If the Regulator expects everyone to trade at LTP only, there would not have been any necessity for an upper or lower price circuit level. The Regulator recognizes that the market comprises of large number of traders/investors with different perception about future price of the shares and different level of risk taking ability and accordingly executes their trades.*

c. *Without prejudice to foregoing submission, it is pertinent to note that*

d. *It is also shocking to note that SCN impugns our trades only on 6 days wherein allegation is for trade of 475 shares against our trade in 136 days for 8,33,332 shares. Just because of purchase of 475 shares it is alleged to have contributed positive LTP of more than Rs.10/-. Analysis given in table-4 of SCN states that out of 7941 shares traded by us in NSE, 5,490 shares contributed positive LTP of Rs.146.95 while 2,397 shares were traded at LTP price and 54 shares were traded contributing negative LTP of Rs.5.80. Similarly, 1,012 shares traded in BSE of which 714 shares contributed positive LTP of Rs.124.15 while 172 shares was traded at LTP price and 125 shares contributed negative LTP of Rs.13.25. The above analysis clearly evidenced that there was no motive and all trades are in normal course without any other intent. The forgoing analysis is evidenced that the investigation has picked up few trades and has taken prejudice view to color normal trading as manipulative. It is submitted that the Investigation has not even alleged that counter party to the alleged trades contributing to LTP is even remotely connected with us. It will not be out of context to mention all trades done by us are delivery based trades and we held 1,73,309 shares as of 31.03.2015.*

e. *As per Table 6, 134 shares in NSE contributed Rs 75.15 in NHP and 657 shares in BSE contributed Rs.72.50 in NHP. This need to be considered in the background that the company is public listed entity have share capital of 85,98,418 shares of which 42,48,020 Shares are held by more than 9200 minority shareholders. It is farfetched that volume of few hundred shares can result into NHP and can be termed* *manipulative. Also mere allegation that our trade resulted into new high price does amount any violation as all our trades are genuine and normal business transactions considering our very substantial trading in said scrip over the years is surprising. It is obvious that there would be some trades which would set new high price as a consequences of normal bonafide trading. It is also relevant to note that market price of Ponni Sugars has risen by Rs. 152.20 (High Rs.379/- and Low Rs.226.80 as per Table No. 1), no adverse inferences can be drawn against us just because few trades (though details not given) have contributed to Rs.75.15 to NHP.*

f. *The analysis of first trade alleges that we have contributed significantly in LTP and NHP by participating first trades. However, no details of trade is given except Table 7 which states that we have traded for 80 shares in NSE through 5 first trade and contributed net LTP of Rs 73/- and NHP of Rs 73/-. It also states that we have traded for 105 shares in BSE through 6 first trade and contributed net LTP of Rs 79.60 and NHP of Rs Rs 66.20. In absence of specific details given, we presume that these are the same as given in Table 5. We have already dealt with them as regards to their contribution to LTP.*

g. *It is pertinent to point out that trade time of transaction listed in Table 5 is 15:14:22, 15:14:30, 11:14:21, 11:14:05 and 11:14:57 in NSE and 15:21:53,10:16:17,11:15:57, 11:16:15 and 10:16:10. It would be completely wrong to label these transactions being done at beginning of trading hours and attribute different angle just because it may have contributed to LTP and/or NHP. In fact.three of the trades are executed at the close of trading hours and have contributed to LTP and probably to NHP. It is evident that there is no relationship between first trade and its contribution to LTP.*

9. Noticee 2 vide letter dated November 28, 2017, replied to the SCN stating, inter alia, the following:

- *All our trades in the scrip of PSEL during the investigation period were delivery based trades, wherein we had taken and/or given delivery. Further, we had from time to time given instructions to our brokers to buy or sell the scrip on the basis of the price range which we would stipulate. Execution of the order was left upto the broker / trader and we had expected them to get us the best available prices.*
- *At the outset it is submitted that obviously all traders cannot be expected to trade at LTP only. If that were the case, there would be no movements in market price at all.*
- *In fact, our trading pattern as reflected in Table-8 clearly proves that we had no intention or motive to push up the price of the said scrip. It is admitted in the said Table 8 that the majority of our trades (232 trades) on NSE and BSE were in fact **at the LTP only.** It is admitted in the said Table 8 that 187 trades was in fact **below the LTP.** It is admitted in the*

said Table 8 that only 216 of our trades are alleged to be above the LTP. It is submitted that on these facts alone it is clearly proved that all our trades were in the normal course of business and trading, none of our trades were with any intention to manipulate the prices, and that no fault or violation can be attributed to the said relatively very small number of our trades which were allegedly above the LTP.

- *Even in terms of quantum, it is pertinent to note the admission that out of 34,591 shares traded by us in the NSE, only trades in respect of a mere 11,796 shares are alleged to be at prices higher than the LTP, and out of 33,438 shares traded by us in the BSE, only trades in respect of 11,314 Shares are alleged to be at higher than the LTP. Therefore the bulk of our trading was at or below the LTP. Therefore, no adverse inference can be drawn against us for such trades.*

10. The Noticee 3 vide letter dated November 28, 2017 replied to the SCN stating, inter alia, the following:
    - *My trading during the investigation period was not with any intention to cause any rise or fall in the price of PSEL. I traded in the normal course of business and any rise or fall was the normal consequence of legitimate trading. It is untenable to view only my trades on 4 days, ignore my extensive other trades and allege that my trades on the said 4 days were intended to manipulated the price.*
    - *Even in terms of quantum, it is pertinent to note the admission that out of 4,09,297 shares traded by me in the NSE, only trades in respect of a mere 1,325 shares are alleged to be at prices higher than the LTP, and out of 1,40,020 shares traded by me in the BSE, only trades in respect of 70 Shares are alleged to be at higher than the LTP. Therefore the bulk of my trading was at or below the LTP. Therefore, no adverse inference can be drawn against me for such trades.*
    - *The allegations therein of that my "First Trades" contributed significantly in LTP and NHP are devoid of any particulars, and it is not identified as to which trades are being referred to in the said Table 7.*
11. Another opportunity of hearing was given to the Noticees on November 29, 2017 vide notice dated October 23, 2017. Noticee 3 along with Mr. Hardik B Patel appeared on behalf of himself and Noticee 2 and reiterated the submissions made vide letter/s dated November 28, 2017. Noticee 2, vide letter dated January 6, 2018 made, inter alia, further submissions:

    ➢ *The SCN has alleged our Company's relationship with Mr. Bharat J. Patel as he being one of the directors. Mr. Bharat J. Patel is one of the directors along with other family members in our Company. These are the matter of records and are in public domain. However, it is* *wrongly alleged that there is an off market share transfer during patch 4 period. In fact there in none.*

- *It is pertinent to note that Mr. Bharat J. Patel being the director of our Company has no bearing on the trades executed by the Company in the shares of Ponni Sugars Erode Ltd.*

- *It is pertinent to state that the paid up capital of PSEL was Rs 8,59,84180 comprising of 8598418 shares of Rs 10/- each of which more than 42,00,000 lacs shares(public holding) were held by more than 9000 shareholders. There is not a whisper by the investigation that counter party or counter broker to alleged trade have any connection/nexus/link with us.*

12. Noticee 3, vide letter dated January 6, 2018 made, inter alia, further submissions:

- *The SCN has alleged inter-se relationship with Noticee no. 1 (Gandiv Investment Pvt. Ltd.) just because Gandiv Investment Pvt. Ltd. is client of Finquest Securities Pvt. Ltd. whose directors are my son Hardik B. Patel and my wife Minal B. Patel. It is wrongly observed and alleged that I am a director of Finquest Securities Pvt. Ltd. The SCN has also alleged fund movement from my account with Gandiv Investment Pvt. Ltd. which is on a commercial term and in respect of a transaction done with it.*

- *I have no relationship/connection with or nexus with M/s. Gandiv Investment Pvt. Ltd. I have no relationship or nexus with Pat Financial Consultants Pvt. Ltd. except that I am director of Pat Financial Consultants Pvt. Ltd. The inter-se relationship is alleged because they are also a client of Finquest Securities Pvt. Ltd. and/or they allegedly dealt in scrip of Ponni Sugars.*

- *It is pertinent to note that I have traded only 14 days out of entire investigation period as mentioned herein above the SCN impugns my trades only on 4 days. The investigation has failed to recognize that volatility in the price has been much more during the pre-investigation period, patch 1, patch 3, patch 4 and post- investigation period totally comprise of 876 days and volatility of Rs.264.25, Rs. 171.75, Rs.276/-, Rs. 155.95 and Rs. 125.45 respectively. It is submitted that investigation has in its report comprising of pre-investigation period has categorically recorded that no price manipulation was observed in the earlier investigation period. The investigation erred in labeling normal fluctuation in price as manipulation. The investigation has selectively cherry picked my transactions for just 4 days to alleged that they amounted to price manipulation. The allegations in the SCN are an unfair and unjustifiable attempt to attribute some violation to the normal fluctuation in the price of PSEL to my trading.*

Additional submission of information ,if any

13. Entities vide letter dated August 21, 2018 were further advised to submit any further submission they wish to make in the matter. However, none of the Noticee had submitted any further submission. Hence I am proceeding in the matter based on the submission made as mentioned above.

CONSIDERATION OF ISSUES AND FINDINGS

14. I have carefully perused the charges levelled against the Noticees in the SCN, their replies and the material / documents available on record. In the instant matter, the following issues arise for consideration and determination:-

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

(b) Do the violations, if any, on the part of the Noticees attract monetary penalty under section 15HA of SEBI Act on all the Noticees?

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

15. Before proceeding further, I would like to refer to the relevant provisions of the PFUTP Regulations

Relevant provisions of PFUTP Regulations

Regulation 3. 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 recognised 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 recognised 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 recognised stock exchange in contravention of the provisions of the Act or the rules and the regulations made thereunder.

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

16. I note from the documents on record that the Noticees had continuously placed buy orders at prices higher than Last Traded Price (LTP). In the normal course of trading, an investor tends to buy at a lower price and sell at a higher price. In this case, although sell orders were available in the system at a lower price, the Noticees placed buy orders at a higher price and the trade got executed at a higher price. Noticees have argued that all traders cannot be expected to trade at LTP only and if that were the case ,there would be no movement in the market price at all, here I note that Noticees were putting orders far away from LTP despite knowing the fact that there are pending sale order which are available at much lesser price. I could have agreed to the defense of the Noticees if it would have happened once or twice, in the current matter Noticees have contributed significant price to the LTP. Noticees have argued that contribution of their trades to the LTP was not always positive rather it was zero and negative as well and hence their trading cannot be termed as manipulative. Here I note that SCN has been issued to the Noticees only for the trades which has contributed positive to the LTP.

17. Noticees have also argued that there is no whisper that counter party or counter party to allege trade have any connection/nexus link with them. Here I refer the judgement of Hon'ble Supreme Court in the matter of Kishore R. Ajmera case wherein it was held that "*In the quasi-judicial proceeding before SEBI, the standard of proof is preponderance of probability. 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*."

18. Further, in the matter of SEBI v/s Rakhi Trading, Hon'ble Supreme Court has held that *"Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn."(Emphasis Supplied)*

19. In the light of the above, I held that absence of any observation regarding relationship of counter parties with the Noticees does not vitiate the allegation made in the SCN.

Patch II

20. During Patch II of the investigation period, Noticee No. 1 contributed Rs. 146.95 to positive LTP (55.48% of total market positive LTP) and net LTP contribution was Rs.141.15. Further, on BSE, Noticee No. 1 contributed Rs.124.15 to positive LTP (57.66% of total market positive LTP) and net LTP contribution was Rs. 110.9. On NSE, Noticee No. 3 contributed Rs. 46.25 to positive LTP (17.46% of total market positive LTP) and net LTP contribution was also Rs. 46.25. . Further, on BSE, Noticee No. 3 contributed Rs. 29.1 to positive LTP (13.52% of total market positive LTP) and net LTP contribution was also Rs. 22.1. Here I note that Noticees 1 & 3 had contributed substantial portion in the trading

Patch IV

21. In NSE, it was observed that Noticee 2 contributed Rs. 257.75 to positive LTP (18.13% of total market positive LTP) and net LTP contribution was Rs.69.25. In BSE, it was observed that Noticee 2 contributed Rs. 344.15 to positive LTP (23.35% of total market positive LTP) and its net LTP contribution was Rs. 43.05.

22. Noticee 1 has not denied that it had dealings with Noticee 3 and it is also a matter of record that broker (Finquest) through whom Noticee 1 had traded is managed by the family members of Noticee 3. Hence I am not inclined to accept the objection of Noticee 1 that its alleged relationship with Noticee 3 is erroneous.

23. I note that the entire data relating to Orders and Trades has been provided to all Noticees along with SCN. Hence I am not inclined to accept the statement that details of trades not provided.

24. In view of the above, it is observed that the Noticees made significant contribution to LTP and NHP during Patch 2 and Patch 4 of the investigation period. It is also alleged that the Noticees made significant contribution to NHP through first trades. As seen from the order log analysis, Noticees contributed to price rise in the scrip by placing buy orders at price higher than LTP before sell orders are available in the system. Further, by placing buy orders above prevailing sell order rate, Noticees led to inflating of the price. The placement of buy order above prevailing sell order rate has no economic rationale as any prudent investor would want to buy at a low price and sell at higher price. Also, Noticees contributed to positive LTP by placing buy orders first at higher than LTP prices The NHP analysis further corroborates the allegation that the trading behavior of Noticee No. 2 amount to manipulation of price of the scrip.

25. It was observed that during patch 2, through their 44 trades, Noticees 1 & 3 had contributed to the LTP in the Patch II and Noticee 2 with its 117 orders in Patch IV contributed significantly in the LTP which lead to the price rise. The price of the scrip in Patch II (opening 235.45 and Highest 379, closing 372) and IV (Opening 90.1, Highest 243 and closing 239.15) had increased by leaps and bounds and the contribution to LTP by the Noticees stands established.

26. It was observed that Noticee 1 & 3 had contributed more than 70% of total market LTP contribution in Patch II and Noticee 2 had contributed over 18 & and 23% of total market LTP contribution on NSE and BSE respectively in Patch IV.

27. I also note that there were no specific corporate announcements from the Company except disclosure of its quarterly and annual accounts. I note that when Noticees (1 & 3) started accumulating shares of the company, company had reported loss of Rs 12.7 million (quarter ended December 2012). Similarly Noticee 2 had started accumulating shares of the company when it had reported loss of Rs 66.2 million and continued to buy despite company reported annual loss of Rs 47.8 million for the year ending March 2014. I would like to quote the order of Hon'ble SAT in the matter of Shailesh Jain Vs SEBI decided on May 01, 2012, "*the appellants role has been one of conscious indulgence in manipulation of the trade in a crude and pre-planned manner. The very fact that the appellant has placed orders above the last traded price when sell orders were available in the market at lower price shows the intention behind the trade*."

28. It is also been seen that trades of Noticees 1 & 3 had created New High Price on 12 instances each on NSE and BSE and on 7 & 9 days on NSE and BSE respectively. First trades were of Noticees 1 or 3. Similarly Noticee 2 had also created NHP on 19 instances.

29. I note that Noticees had frequently placed orders at a higher than LTP that in many instances as first trade of the day. Such trades had led to creation of an artificial rise in the price of the scrip with a view to misguide the general public. It is to be considered that apparently there is no cogent evidence placed before me by the Noticees that why they had started buying shares of this company much higher than LTP. As mentioned above, company had reported losses during the period when Noticees started accumulating shares of the company.

30. Here I refer the order of Hon'ble SAT dated March 21, 2014 in the matter of Saumil Bhavanagari v/s SEBI stating that "*It is amply clear that although the scrip was available at a lower price, the Noticees bought them at a higher price only with a view to give false representation to the general public about the rise in price of the scrip. This was done repeatedly done by the Noticees. Such trades undoubtedly have a potential of raising the price of the scrip by sending a wrong signal to the gullible investors about the activity of price hike in the scrip.* ---------------------------. *This was done evidently with ulterior motives, because if shares were available for a lesser price, there was no reason to place orders at a price higher than the LTP and if orders at price higher than LTP were placed on account of the financial status of the company then there was no reason to place some orders below LTP.*"

31. I do not find any merit in the argument of the Noticees that the trades were done in ordinary course of business. Their trading pattern clearly indicates that the main objective was to push up the price of the scrip by placing buy orders at a price higher than prevailing sell orders. The action of the Noticees show their manipulative intent and establish the allegation of violation of regulations 3(a), (b), (c) and (d), 4(1), 4(2)(a) and (e) of PFUTP Regulations. The above violations make them liable for penalty under section 15HA of SEBI Act which reads as under:

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 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.*

32. The Hon'ble Supreme Court of India in the matter of *SEBI Vs. Shri Ram Mutual Fund* [2006] 68 SCL 216(SC) held that *"In our considered opinion, penalty is attracted as soon*

as the contravention of the statutory obligation as contemplated by the Act and the Regulations is established and hence the intention of the parties committing such violation becomes wholly irrelevant…".

33. While determining the quantum of penalty under sections 15HA of the SEBI Act, it is important to consider the factors relevantly as stipulated in section 15J of the SEBI Act which read as under:-

> *Section 15J - **Factors to be taken into account by the adjudicating officer** While adjudging quantum of penalty under section 15, 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.*

34. I find that the investigation did not bring out the disproportionate gain or unfair advantages to the Noticees and loss caused to investors as a result of the manipulation of price in the scrip of PSEL. However I note that Noticee 3 was also involved in synchronized trades which led to manipulation of the same scrip during March 01, 2012 – November 13, 2012 and in my order dated February 28, 2018, I had levied penalty on him along with one Acira Consultancy Private Limited (Shri Shankar Kriplani, Director of Acira was also director of Finquest Securities where Noticee 3's wife and Son are the director). Considering the above fact, I am convinced that Noticee 3 is regularly attempting to create artificial volume in the scrip PSEL and creating positive outlook of the company by his trades either by doing Synchronized trades (as mentioned above) or putting orders away from last traded price and thereby creating huge positive LTP difference.

Other Orders against Noticees

Name of the Noticee	***In the matter of***	***Penalty***
Bharat J Patel	*Sunearth Ceramics*	*Vide order Feb 01,2010 Advised to be careful and cautious in the conduct of his business and to adhere to and comply with all the statutory provisions while carrying out his activities in the Securities Market*
Bharat J Patel	*Trading in the shares of Roofit Industries Limited.*	*Vide order dated April 24, 2012 suspended the registration of the Stock Broker for a period of one week. SAT vide*

		order dated 20/11/2012 reduced it to warning
Bharat Patel	*Non – Disclosure in Jyoti Limited*	*Rs 2,00,000*
PAT Financial		*Vide order dated June 21,2016 restrained PAT Financial from* accessing the securities market and are prohibited from buying, selling or otherwise dealing in securities market for a period of three (3) years. SAT quashed the said order , however warned PAT to be careful in future while dealing in securities.
PAT Financial	*Non –Disclosure in Jyoti Limited*	*Rs 2,00,000*
Bharat Patel	*Non –Disclosure in Super Sales Limited*	*4,00,000 (Jointly with three other family members)*

ORDER

35. In view of the above, after considering all the facts and circumstances of the case and the factors mentioned in the provisions of Section 15-J of the SEBI Act, I, in exercise of the powers conferred upon me under Section 15-I(2) of the SEBI Act read with Rule 5 of the SEBI Adjudication Rules, conclude that the proceedings against the Noticees stand established in terms of the provisions of the SEBI Act. Hence, in view of the charges established under the provisions of the SEBI Act, I, hereby impose monetary penalty under section 15HA of SEBI Act in the following manner:

Noticee 1	Rs. 10,00,000/- (Rupees Ten Lakh only)
Noticee 2	Rs. 5,00,000/- (Rupees Five Lakh only)
Noticee 3	Rs. 10,00,000/- (Rupees Ten Lakh only)

36. 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 favor of “SEBI - Penalties Remittable to Government of India”, payable at Mumbai, OR through e-payment facility into Bank Account the details of which are given below:

Account No. for remittance of penalties levied by Adjudication Officer

Bank Name	State Bank of India
Branch	Bandra-Kurla Complex
RT GS Code	SBIN0004380
Beneficiary Name	SEBI – Penalties Remittable To Government of India
Beneficiary A/c No	31465271959

37. The Noticees shall forward said Demand Draft or the details/confirmation of penalty so paid through e-payment to the General Manager (Enforcement Department - DRA- III) of SEBI. The format for forwarding details/confirmations of e-payments shall be made in the following tabulated form as provided in SEBI Circular No. SEBI/HO/GSD/T&A/CIR/P/2017/42 dated May 16, 2017 and details of such payment shall be intimated at e-mail ID- tad@sebi.gov.in:

Date	
Department of SEBI	
Name of Intermediary/other Entity	
Type of Intermediary	
SEBI Registration Number (if any)	
PAN	
Amount (in Rs.)	
Purpose of payment (including the period for which payment was made e.g Quarterly, annually	
Bank Name and Account Number from which payment is remitted	
UTR No	

38. In terms of Rule 6 of the Rules, copies of this order are sent to the Noticees and also to the Securities and Exchange Board of India.

Date: January 24, 2019
Place: Mumbai

SAHIL MALIK
ADJUDICATING OFFICER