BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. Order/BS/DP/2023-24/29339-29344]

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) RULES, 1995

In respect of:

1. Shri Roshanlal Daulatram Aggarwal (PAN: BPDPA3589K) House No. 372, 1 Shiv Shakti Nagar, Near Abada Chandlodiya, Ahmedabad – 382481	**2. Shri Hardasbhai Babubhai Patel (PAN: CYBPP2358H) 2 Abad Nagar, Row House, K Park , Chandlodiya, Ahmedabad – 382481**
3. Shri Vinitkumar Popatlal Parikh (PAN: CYNPP0545E) 219 Shiv Shakti Nagar, Near Kashidha Duplex, Chandlodiya, Ahmebdabad 382481	**4. Shri Maulik Vinitkumar Parikh (PAN: CYMPP9923K) 219 Shiv Shakti Nagar, Near Kailash Dham Duplex, Chandlodiya, Ahmebdabad 382481**
5. Shri Subhdraben Rameshchandra Shah (PAN: GKCPS4278A) 74, Shiv Shakti Nagar, Near J K Park, Chandlodia, Ahmedabad – 380015	**6. Shri Nilesh Rameshchandra Shah (PAN: GTPPS2917N) 59, Girija Sut Co Op Housing Society Ltd., Giriraj 2, Near Dhanjibhai No. Kvoat Post, Chandlodia, Ahmedabad - 382481**

In the matter of
Mega Nirman and Industries Limited

FACTS OF THE CASE

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted an investigation in the scrip of Mega Nirman and Industries Ltd. (hereinafter referred to as "**company**") during the period August 19, 2016 to March 31, 2017 (hereinafter referred to as "**Investigation Period**") to ascertain whether there was any violation of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") and

SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations**") by Shri Roshanlal Daulatram Aggarwal, Shri Hardasbhai Babubhai Patel, Shri Vinitkumar Popatlal Parikh, Shri Maulik Vinitkumar Parikh, Shri Subhadraben Rameshchandra Shah and Shri Nilesh Rameshchandra Shah (hereinafter referred to as "**Noticee No. 1 to 6, respectively and collectively as Noticees"**).

2. It was observed that during the investigation period, price of the scrip of the company rose from Rs. 12.5 to a high of Rs. 132.05 and closed at Rs. 94.9. Based on the variation and volume movement at BSE Limited (hereinafter referred to as "**BSE**"), the investigation was divided in following 3 period:

Period	Particulars	Opening Price/vol on 1st day of period (Rs.)	Closing Price/ Vol on last day of period (Rs.)	Low Price/Vol during the Period (Rs.)	High Price/Vol during the Period (Rs.)	Avg no of shares traded daily during the period
Patch 1 (19.08.2016-11.01.2017)	Price	12.5	121..6	12.5 (19.08.2016)	132.05 (11.01.2017)	4,731.33
	Vol	600	60,946	1 (17.11.2016)	60,946 (11.01.2017)	
Patch 2 (12.01.2017-31.03.2017)	Price	124.5	94.9	72.4 (22.03.2017)	132.05 (12.01.2017)	43,148.27
	Vol	47,518	3	1 (20.01.2017)	9,14,031 (17.03.2017)	
Post investigation period (01.04.2017-30.06.2017)	Price	98.9	97.25	93.1 (08.05.2017)	100.95 (05.05.2017)	40,633.9
	Vol	718	45,000	(06.06.2017) Multiple dates	98,000 (03.05.2017)	

3. It is observed that Noticees are connected to each other in the following manner:

Sr No	Client		Connected To		Basis of Connection
	PAN	Name	PAN	Name	
1	CYBPP2358H	Hardasbhai Babubhai Patel	GKCPS4278A	Subhadraben Rameshchandra Shah	Both the entities have off market transaction in the scrip Rushil Décor Ltd on 20/02/2017 and Both the entities share common mobile no 7778049781
2	BPDPA3589K	Roshanlal Daulatram Aggarwal	GKCPS4278A	Subhadraben Rameshchandra Shah	Both the entities have common telephone number viz, , 9054846830
3	CYBPP2358H	Hardasbhai Babubhai Patel	GTPPS2917N	Nilesh Rameshchandra Shah	Both the entities have off market transaction in the scrip SFL International Ltd on 11/04/2017
4	CYBPP2358H	Hardasbhai Babubhai Patel	CYNPP0545E	Vinit Kumar Popatlal Parikh	Both the entities have common telephone number viz, 7778049781

Sr No	Client		Connected To		Basis of Connection
	PAN	Name	PAN	Name	
5	CYNPP0545E	Vinit Kumar Popatlal Parikh	DEYPP9464L	Jitendra Bhogilal Parikh	Both the entities have common email id viz, PARIKHPARIKH123@GMAIL.COM
6	CYNPP0545E	Vinit Kumar Popatlal Parikh	CYMPP9923K	Maulik Vinitkumar Parikh	Both the entities have common email id viz, VINITPPARIKH@GMAIL.COM

APPOINTMENT OF ADJUDICATING OFFICER

4. The undersigned has been appointed as the Adjudicating Officer under Section 15I of SEBI Act read with Rule 4(1) of SEBI (Procedure for Holding Inquiry and Imposing Penalties), 1995 (hereinafter referred to as "**Rules**"), vide communique dated May 25, 2023 to enquire into and adjudge under Section 15HA of SEBI Act, the alleged violations of Section 12A(a), (b), (c) of SEBI Act read with Regulations 3(a), 3(b), 3(c) and 3(d) and 4(1), 4(2)(a), (e) and (g) of PFUTP Regulations by the Noticees.

SHOW CAUSE NOTICE, REPLY AND HEARING

5. Based on the findings by SEBI, a common Show Cause Notice dated May 30, 2023 (hereinafter referred to as '**SCN**') was issued to the Noticee under Rule 4(1) of the Adjudication Rules to show cause as to why an inquiry should not be held and penalty be not imposed on it under section 15HA of SEBI Act for the alleged violation of the provisions of SEBI Act and PFUTP Regulations. The SCN, *inter alia*, alleged the following:

    5.1. It was observed from the trade and order log that Noticee Nos. 1, 3,5 and 6, through 93 synchronised trades among themselves contributed 3.76% to the market volume and Rs. 4.00 to the net Last Traded Price (LTP).

    5.2. It was further observed that, the Noticees entered into reversal trades among themselves on 10 days and contributed 27.60% to market volume. The Noticees have traded amongst themselves through 1,480 trades during the 10 days. These trades did not result in change in beneficial ownership and created misleading appearance of trading in the scrip.

5.3. Therefore, it was alleged that Noticees created a misleading appearance of trading in the scrip of the company by entering into synchronised and reversal trades in the scrip of the company and therefore, created artificial volume in violation of Section 12 A (a), (b), (c) of SEBI Act, Regulation 3 (a), (b), (c), (d), Regulation 4(1), 4 (2)(a), 4 (2) (e) and 4(2)(g) of PFUTP Regulations.

6. The SCN was sent to the Noticees through Speed Post with Acknowledgement Due (SPAD), however, the said SCN returned undelivered. Subsequently, affixture of the SCN at the last known address was attempted. Additionally, the service of SCN was attempted through Market Infrastrucutre Instituions (MIIs - NSE, BSE, CDSL, NSDL etc.). Subsequently, as per Rule 7 (3) of the Adjudication Rules, a public notice with respect to the SCN and Hearing Notice was published in three newspapers. However, the Noticees neither replied to the SCN nor appeared for the personal hearing granted to them.

7. In absence of any reply from the Noticees, I am constrained to proceed in the matter on the basis of the material available on record.

CONSIDERATION OF ISSUES AND EVIDENCE

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

   I. Whether Noticees have violated Section 12A(a), (b), (c) of SEBI Act read with Regulations 3(a), 3(b), 3(c) and 3(d) and 4(1), 4(2)(a), (e) and (g) of PFUTP Regulations?

   II. Do the violations, if any, on the part of the Noticees attract monetary penalty under section 15HA of SEBI Act?

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

9. Before proceeding further, I would like to refer to the relevant provisions of the SEBI Act and PFUTP Regulations:

<u>SEBI ACT</u>

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;

<u>PFUTP REGULATIONS</u>

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

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

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

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

(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;

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

I. Whether Noticees have violated Section 12 A (a), (b), (c) of SEBI Act, Regulations 3 (a), (b), (c), (d), Regulation 4(1), 4 (2)(a) and 4 (2) (e) of PFUTP Regulations?

10. From the material available on record, it is noted that SCN addressed to the Noticees returned undelivered with the remarks “left/not claimed” by the postal authorities. Thereafter, an attempt to affix the SCN was made. Subsequently, an attempt to serve the SCN through MIIs was made, however the same could not be made and the trading accounts of the Noticees were suspended.

11. Therefore, in terms of Adjudication Rules, and hearing notices were served on the Noticees through newspaper advertisement on September 08, 2023 in one of the leading national newspaper in English "Times of India", "Metro Herald" in Hindi and in vernacular language

newspaper "Gujrat Express" in Gujarati at Ahmedabad and, advising the Noticees to appear on September 14, 2023 for hearing.

12. In the aforesaid newspaper publication, it was also clearly indicated that the Noticees or their authorized representative may collect the copy of notices from the Adjudicating Officer. However, none of the Noticees neither collected the said notices nor appeared for the scheduled hearing on September 14, 2023.

13. From the above efforts taken to serve the SCN / Hearing Notice, (including the efforts made to serve the notices through newspaper publication), I am of the view that sufficient opportunities were provided to the Noticees to submit their reply and to appear for the hearing. Hence, I am proceeding against the Noticees on the basis of available records.

Allegation 1: Synchronised Trades

14. From the material available on record, it is observed that the synchronized trades entered into by Noticee Nos. 1, 3, 5 and 6 contributed to 3.76% of the market volume. Hon'ble Securities Appellate Tribunal (SAT) has held in the matter of Ketan Parekh Vs. SEBI (Appeal No. 02 of 2004):

"*A synchronised trade is one where the buyer and seller enter the quantity and price of the shares they wish to transact at substantially the same time. This could be done through the same broker (termed a cross deal) or through two different brokers. Every buy and sell order has to match before the deal can go through. This matching may take place through the stock exchange mechanism or off market. When it matches through the stock exchange, it may or may not be a synchronised deal depending on the time when the buy and sell orders are placed…"*

15. It is observed from the trade log that the Noticees entered into the synchronized trades resulting in the net Last Traded Price (LTP) variation of 3.76% to the market volume and Rs. 4.00 to the net LTP. It is further noted that the Noticee Nos. 1, 3, 5 and 6 entered into 93 synchronised trades in 7 days. The summary of these trades is reproduced below:

Buyer Pan	Buyer Name	Seller Pan	Seller Name	Synchronized Quantity	Sum Of Ltp Diff	Number Of Days	Number Of Trades	%Market volume
BPDPA3589K	Roshanlal Daulatram Aggarwal	GKCPS4278A	Subhadraben Rameshchandra Shah	4534	3.95	2	8	2.13%
CYNPP0545E	Vinitkumar Popatlal Parikh	GKCPS4278A	Subhadraben Rameshchandra Shah	186	0.00	1	75	0.09%
GKCPS4278A	Subhadraben Rameshchandra Shah	BPDPA3589K	Roshanlal Daulatram Aggarwal	3191	0.00	3	9	1.50%
GTPPS2917N	Nilesh Rameshchandra Shah	CYNPP0545E	Vinitkumar Popatlal Parikh	100	0.05	1	1	0.05%
Total				**8011**	**4.00**	**7**	**93**	**3.76%**

16. Noticee Nos. 1, 3, 5 and 6 have failed to reply to the allegations in the SCN. The trading mechanism on the stock exchange is an anonymous system, wherein a person does not get to know of the counterparty. However, from the trade log it is observed that these Noticees could match 93 trades with the same set of counterparties on 7 days with no price difference and a very little time difference. These Noticees had entered the orders at the same price so that they could match the trades which clearly show the intention of these transactions and why such trades were undertaken.

17. At this juncture, I am inclined to refer to observations made by Hon'ble Supreme Court in the matter of SEBI v Kishore Ajmera, with respect to synchronized trades and market manipulations:

> *"…The conclusion has to be gathered from various circumstances like that volume of the trade effected; the period of persistence in trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two and such other relevant factors."*

18. It is observed from the trade and order log that the pattern of synchronized trades, order placement with select parties who are inter-related clearly points out that the transactions were carried out with the orders of the Noticees matching and there was a prior meeting of minds with respect to these transactions. The trading pattern indicates that the time difference between buy and sell order was approximately close and price was matching. Hence, the I am of the opinion that Noticee Nos. 1, 3, 5 and 6 violated Section 12 A (a), (b), (c) of SEBI Act,

Regulation 3 (a), (b), (c), (d), Regulation 4(1), 4 (2)(a), 4 (2) (e) and 4(2)(g) of PFUTP Regulations by entering into synchronized trades.

Allegation 2: Reversal Trades

19. It is alleged that the Noticees entered into reversal trades during the investigation period and contributed 27.60% to the market volume. The Noticees have traded amongst themselves through 1,480 trades during the 10 days. The summary of these trades is as follows:

PAN	Buyer Name	CP PAN no	Seller Name	Gross Buy	Gross Sell	Reversal Qty	Number Of Days	Net LTP in trades between buyer and seller on the day	No. of trades between buyer and seller on the day	% Market volume
BPDPA3589K	Roshanlal Daulatram Aggarwal	CYMPP9923K	Maulik Vinitkumar Parikh	1500	250	500	1	0.02	0	0.23%
BPDPA3589K	Roshanlal Daulatram Aggarwal	CYNPP0545E	Vinitkumar Popatlal Parikh	2074	3349	4148	2	-0.05	615	1.95%
BPDPA3589K	Roshanlal Daulatram Aggarwal	GKCPS4278A	Subhadraben Rameshchandra Shah	16110	16417	32220	7	7.05	625	15.13%
BPDPA3589K	Roshanlal Daulatram Aggarwal	GTPPS2917N	Nilesh Rameshchandra Shah	5000	4235	8470	2	1.1	83	3.98%
CYBPP2358H	Hardasbhai Babubhai Patel	GKCPS4278A	Subhadraben Rameshchandra Shah	5000	5000	10000	1	0	4	4.70%
CYNPP0545E	Vinitkumar Popatlal Parikh	GKCPS4278A	Subhadraben Rameshchandra Shah	175	1222	350	1	.05	105	0.16%
CYNPP0545E	Vinitkumar Popatlal Parikh	GTPPS2917N	Nilesh Rameshchandra Shah	2123	1534	3068	3	-1.4	46	1.44%
Total				**31,982**	**32,007**	**58,756**	**10**	**6.75**	**1,480**	**27.60%**

20. These trades did not result in the change of beneficial ownership and created misleading appearance of trading in the scrip. The conclusion gathered from various circumstances like that of volume of the trade effected; the period of persistence in such trading in the particular scrip; the particulars of the buy and sell orders, namely, the volume thereof; the proximity of time between the two orders and such other relevant factors clearly indicate the misleading appearance of trades. The fact that a member of the group himself has initiated the sale of a

particular quantity of the scrip on any particular day and at the end of the day approximately equal number shares of the same scrip has come back to him, should raise a serious doubt in a reasonable man as to whether the trades are genuine. Persistent trading in the aforesaid manner would show a deliberate intention to play the market. As can be noted from the summary of reversal transactions, that these transactions contributed 27.60% to the market volume and resulted in the Rs. 6.75 to the net LTP in 1,480 trades undertaken in 10 days. There has been instances when the trades were revered on the same day. Therefore, I am of the opinion that the Noticees by entering into the reversal trades have violated the provisions of Section 12 A (a), (b), (c) of SEBI Act, Regulation 3 (a), (b), (c), (d), Regulation 4(1), 4 (2)(a), 4 (2) (e) and 4(2)(g) of PFUTP Regulations.

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

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

22. In this regard, reliance is placed on judgment of Hon'ble Supreme Court in the matter of SEBI v Rakhi Trading Private Limited Civil Appeal Nos. 1969, 3174-3177 and 3180 of 2011 decided on February 8, 2018 on similar facts and situation, which interalia states that: "*Considering the reversal transactions, quantity, price and time and sale, parties being persistent in number of*

such trade transactions with huge price variations, it will be too naive to hold that the transactions are through screen-based trading and hence anonymous. Such conclusion would be over-looking the prior meeting of minds involving synchronization of buy and sell order and not negotiated deals as per the board's circular. The impugned transactions are manipulative/deceptive device to create a desired loss and/or profit. Such synchronized trading is violative of transparent norms of trading in securities….."

23. When over a period of time such transactions were carried out among the same set of persons who are interconnected, a conclusion can be reasonably reached that there is a concerted effort to indulge in synchronized/reversal trades the consequence of which is large volumes of fictitious trading resulting in the unnatural rise in hiking the price/value of the scrip(s). The pattern of trading of the entities who are also closely related prove manipulation on a massive scale. The pattern of order placement clearly points out that the transactions were carried out with the intention that various orders of the Noticees should match among themselves and there was a prior arrangement with respect to these transactions. The order quantity and price also matched. By indulging in such manipulative trading persistently, the Noticees created artificial liquidity in the scrip and played a role in the manipulation of the trading.

II. Do the violations, if any, on the part of the Noticees attract monetary penalty under section 15HA of SEBI Act?

24. The aforesaid violations attract penalty under Section 15HAof the SEBI Act which reads as follows:

"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."

25. In this context, it is relevant to quote the judgment of Supreme Court in the matter of SEBI vs. Shri Ram Mutual Fund wherein it was inter alia held that "*once the violation of statutory*

regulations is established, imposition of penalty becomes sine qua non of violation and the intention of parties committing such violation becomes totally irrelevant. Once the contravention is established, then the penalty is to follow."

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

26. In this regard, the provisions of Section 15J of the SEBI Act and Rule 5 of the Rules require that while adjudging the quantum of penalty, 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

27. There is no material on record that quantified the profit made by the Noticees. People who indulge in manipulative, fraudulent and deceptive transaction, or abet the carrying out of such transaction which are fraudulent and deceptive should be suitably penalized for the said acts of omissions and commissions. Considering the continuous trading in large volumes by the Noticees in the scrip where the synchronized/reversal trades as well as the manipulated trades, were carried out over persistently long a period, it is concluded that the nature of default was also repetitive in nature. It is further noted that actions have been taken against the Notiees in other scrips as well. Therefore, I am of the opinion that Noticees are repeated offenders and therefore, penalised suitably.

ORDER

28. Having considered all the facts and circumstances of the case, the material available on record and also the factors mentioned in Section 15J of the SEBI Act and in exercise of the powers

conferred upon me under Section 15HA, I hereby impose a monetary penalty of Rs. 5,00,000 (Rupees Five Lakh only) on each of the Noticees.

29. Considering the facts and circumstances of the case, I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticees.

30. The Noticees shall remit / pay the said amount of penalty within 45 days of receipt of this order 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

31. 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.

32. In terms of the provisions of Rule 6 of the SEBI Adjudication Rules, a copy of this order is being sent to Noticees , and also to SEBI.

Date : September 20, 2023 **Biju S**
Place : Mumbai **ADJUDICATING OFFICER**