BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA
[ADJUDICATION ORDER NO. EAD-9/SM/ 44-54 /2018]

UNDER SECTION 15 I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 ("SEBI ACT") 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:

Noticee No.	Noticee Name	Noticee No.	Noticee Name
1	**Deepak Pandhurang Vikhape (PAN: AFCPV3352H)**	**2**	**Jinesh Devendra Bhatt (PAN:AKDPB6133C)**
3	**Pooja Jinesh Bhatt (PAN: AOLPB5611F)**	**4**	**Nagmeshwar Balraj Yellamelji (PAN:ABLPY9972D)**
5	**Kaushik Namji Maru (PAN:AJOPM2244F)**	**6**	**Gunjan Ganpatdas Vaidya (PAN: AGYPV2177M)**
7	**Shriti Jinesh Bhatt (PAN: BHGPB2695J)**	**8**	**Mehul Ramesh Joshi (PAN:AFVPJ4505M)**
9	**Kassa Finvest Private Limited (PAN:AAACK1206B)**	**10**	**Sunflower Broking Private Limited (PAN :AAACN5165E)**
11	**Marfatia Stock Broking Private Limited (PAN:AADCM6730B)**		

In the matter of M/s.Inanna Fashion and Trends Limited (earlier known as Frontline Business Solutions Limited)

Facts of the Case:

1. Securities and Exchange Board of India ("SEBI") pursuant to the investigation carried out in the scrip of **M/s.Inanna Fashion and Trends Limited** (hereinafter referred to as "Inanna /Company") for the period of June 01, 2012 to April 30, 2013 (hereinafter referred to as "Investigation Period") had observed that:

1.1 Mr. Deepak Pandurang Vikhape(Deepak) , Mr. Jinesh Devendra Bhatt(Jinesh), Ms. Pooja Jinesh Bhatt(Pooja), Mr. Nagmeshwar Balraj Yellamelji (Nag) and Mr. Kaushik Namji Maru (Kaushik)(hereinafter also referred to as Noticee No 1-5 respectively) had violated Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a), (b), (e) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as the 'PFUTP 2003').

1.2 Mr. Gunjan Ganpatdas Vaidya(Gunjan), Ms. Shriti Jinesh Bhatt(Shriti) and Mr. Mehul Ramesh Joshi(Mehul) (hereinafter referred as Noticee No 6,7, and 8 respectively) had violated regulation 3(a), (b), (c), (d), 4(1), 4(2) (a) and (g) of PFUTP 2003.

1.3 Kassa Finvest Pvt. Ltd(Kassa)., Sunflower Brooking Pvt. Ltd.(Sunflower) and Marfatia Stock Broking Private Limited(Marfatia) (hereinafter referred as Noticee No 9,10 and 11 respectively) had violated Clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 9 of the SEBI (Stock Brokers and Sub-Brokers) Regulation, 1992.

2. It was alleged that **Noticees 1-8** had created the misleading appearance in the securities market by trading among themselves through synchronized trades and through self-trades. It was also alleged that there was manipulation in the price of the scrip by contributing significant percentage to the last traded price.

3. The price and volume details (at BSE) before, after and during the investigation period are given below:

Period	**Dates**		**Opening Price (volume) on first day of the period(Rs)**	**Closing price (volume) on last day of the period (Rs.)**	**Low price(volume) during the period (Rs.)**	**High Price(volume) during the period (Rs.)**	**Avg. no. of (shares) traded daily during the period.**
Before Investigation	**(01/03/2012 31/05/2012)**	**Price**	33.00	34.50	28.00 (15-05-12)	45.30 (14-03-12)	1,914
		Vol.	3,802	381	0 (25-04-12)	13,849 (13-03-12)	
During Investigation Period	**Pre-split (01/06/2012 – 30/01/2013)**	**Price**	34.85	227.50	34.25 (05-06-12)	232.00 (29-01-13)	126,244
		Vol.	206	201,110	206 (01-06-12)	423,617 (03-01-13)	
	Post-split (31/01/2013-30/04/2013)	**Price**	118.00	19.45	19.45 (30-04-13)	124.50 (26-02-13)	139,082
		Vol.	407,801	5	1 (28-03-13)	618,941 (15-02-13)	
After investigation	**(01/05/2013 – 31/07/2013)**	**Price**	19.10	6.32	6.08 (31-07-13)	19.10 (02-05-13)	34,662
		Vol.	70	4,37,033	0 (13-06-13)	437,033 (31-07-13)	

4. Stock was split in 1:1 ratio with effect from January 31, 2013. For analysis, period from June 01, 2012 to January 30, 2013 and January 31, 2013 to April 30, 2013 has been taken as patches (hereinafter referred as pre-split period and post-split period respectively).

5. **Noticees Concentration**

5.1 Pre-split period: Following is the trade details of Noticees (1-8) during pre-split period:

Buy Client Name	Volume	% Mkt. Volume	Sell Client Name	Volume	%Mkt. Volume
Pooja	27,60,211	13.09%	Pooja	25,04,380	11.88%
Jinesh	22,67,031	10.75%	Jinesh	19,95,869	9.47%
Nag	15,15,535	7.19%	Deepak	13,44,063	6.38%
Deepak	14,90,422	7.07%	Nag	12,53,587	5.95%
Kaushik	7,13,902	3.39%	Kaushik	6,04,620	2.87%
Shriti	5,94,648	2.82%	Shriti	5,72,871	2.72%
Gunjan	3,78,030	1.79%	Gunjan	3,36,801	1.60%
Mehul	2,77,293	1.30%	Mehul	2,52,187	1.20%
Total	**99,97,072**	**47.41%**	**Total**	**88,64,378**	**42.04%**
Total Market Volume	**2,10,82,741**	**100.00%**	**Total Market Volume**	**2,10,82,741**	**100.00%**

5.2 It was alleged that Noticees mentioned above have contributed 46.1% on buy side and 40.87% on sell side of the total market volume during pre-split period.

5.3 Post-split period: Following is the trade details of 8 Noticees during post-split period:

Buy Client Name	Volume	% Mkt. Volume	Sell Client Name	Volume	% Mkt. Volume
Nag	11,37,427	14.35%	Nag	11,11,348	14.02%
Pooja	10,51,372	13.26%	Pooja	10,17,268	12.83%
Jinesh	8,80,939	11.11%	Jinesh	8,70,097	10.98%
Kaushik	5,17,521	6.53%	Deepak	4,77,532	6.02%
Deepak	5,00,399	6.31%	Kaushik	4,14,909	5.23%
Gunjan	1,22,000	1.54%	Gunjan	1,72,151	2.17%
Mehul	1,31,968	1.66%	Mehul	54,067	0.70%
Shriti	16,489	0.20%	Shriti	15,380	0.20%
Total	**43,58,115**	**55%**	**Total**	**40,78,685**	**51.44%**
Total Market Volume	**79,27,664**	**100.00%**	**Total Market Volume**	**79,27,664**	**100.00%**

5.4 It was alleged that above noticees have contributed 54.76% on buy side and 51.25% on sell side of the total market volume during post-split period.

6. The Noticees 1-8 are considered as group in this order and accordingly addressed as group/group entities.

7. Relationship among Noticees

Name	Basis of Connection
Deepak	Same Email ID(info@shritienterprise.com) as that of Nag,Kaushik,Jinesh and Pooja
Jinesh	Same Email ID(info@shritienterprise.com) as that of Nag,Kaushik, Deepak and Pooja. Same email ID (rex_rocky@yahoo.co.in) as that of Nag,Deepak, Pooja and Shriti. Same Mobile Number (9820464013) as that of Nag and Pooja. Received shares from Deepak .
Pooja	Same Email ID(info@shritienterprise.com) as that of Nag,Kaushik,Jinesh and Deepak. Same email ID (rex_rocky@yahoo.co.in) as that of Nag,Deepak, Jinesh and Shriti. Same Mobile Number (9820464013) as that of Jinesh and Nag
Nag	Same Email ID(info@shritienterprise.com) as that of Kaushik,Jinesh, Deepak and Pooja. Same email ID (rex_rocky@yahoo.co.in) as that of Jinesh,Deepak, Pooja and Shriti. Same Mobile Number (9820464013) as that of Jinesh and Pooja
Kaushik	Same Email ID(info@shritienterprise.com) as that of Nag, Deepak ,Jinesh and Pooja. Received shares from JInesh and Nag
Gunjan	Received shares in off market from Nag, Deepak and Pooja
Shriti	Same email ID (rex_rocky@yahoo.co.in) as that of Nag,Deepak, Pooja and Jinesh. Received shares through off market from Nag and Pooja.
Mehul	Transferred shares to Kaushik

Trading among Noticees:

8. The summary of trades executed between group entities vis-à-vis market volume during the investigation period is given below:

Period	Market Volume	Total no. of shares bought by the group	Total no. of shares sold by the group	Total Traded qty among the group entities	Traded qty among the group as a% of Market Volume
A	B	C	D	E	F = E/B
Pre-split	2,10,82,741	**99,97,072**	**88,64,378**	57,77,983	27.41%
Post-split	79,27,664	**43,58,115**	**40,78,685**	25,57,551	32.26%

9. It was alleged that during pre-split period, the group entities had traded among themselves for 57, 77,983 shares constituting 27.41% of the market volume. Similarly, during post-split period the group entities had traded among themselves for 25, 57,551 shares constituting 32.26% of the market volume.

Synchronized Trades Analysis

10. **Pre-split:** It was alleged that the synchronised trade quantity among the following eight noticees was 13, 93,934 shares (6.61% of the market volume.)

		Seller- synchronized quantity.(synchronize trades)								
		Pooja	**Deepak**	**Nag**	**Jinesh**	**Kaushik Namj Maru**	**Gunjan**	**Shriti**	**Mehul**	**Total synchronise quantity.(synchronise trades)**
Buyer	**Pooja**	17,323 (5)	76,203 (17)	69,070 (22)	34,719 (17)	72,831 (13)	38,448 (8)	15,282 (8)	16,501 (4)	3,40,377 (94)
	Deepak	98,635 (18)	4,000 (2)	72,521 (11)	64,757 (22)	14,850 (3)	13,400 (3)	349 (1)	4,300 (1)	2,72,812 (61)
	Nag	47,392 (11)	30,340 (8)	3,500 (1)	79,465 (14)	58,875 (8)	21,900 (2)	2,700 (6)	17,100 (2)	2,61,272 (52)
	Jinesh	38,243 (19)	66,486 (19)	36,819 (8)	226 (1)	18,100 (4)	16,403 (6)	14,787 (1)	9,937 (2)	2,01,001 (60)
	Kaushik	48,779 (8)	19,700 (6)	6,000 (1)	39,693 (5)	9,501 (2)	11,000 (3)	0 (0)	9,999 (1)	1,44,672 (26)
	Gunjan	8,400 (3)	14,900 (3)	15,400 (4)	31,164 (4)	9,290 (2)	0 (0)	3,000 (1)	0 (0)	82,154 (17)
	Shriti	36,000 (9)	0 (0)	15,800 (8)	9,673 (2)	0 (0)	0 (0)	0 (0)	0 (0)	61,473 (19)
	Mehul	7,605 (3)	0 (0)	0 (0)	10,150 (2)	0 (0)	12,418 (1)	0 (0)	0 (0)	30,173 (6)
	Total	3,02,377 (76)	2,11,629 (55)	2,19,110 (55)	2,69,847 (67)	1,83,447 (32)	1,13,569 (23)	36,118 (17)	57,837 (10)	13,93,934 (335)

11. **Post-split:** It was alleged that the synchronised trade quantity among the following five noticees was 3, 51,729 shares (4.41% of the market volume).

		Seller- synchronize quantity.(synchronize trades)					
		Pooja	**Jinesh**	**Kaushik**	**Nag**	**Deepak**	**Total synchronized quantity.(synchronize trades)**
Buyer	**Pooja**	5,910 (3)	11,200 (2)	24,954 (4)	11,939 (3)	51,498 (4)	**1,05,501 (16)**
	Jinesh	31,399 (5)	0 (0)	220 (1)	2,150 (1)	28,403 (4)	**62,172 (11)**
	Kaushik	20,883 (4)	28,218 (4)	4,720 (1)	12,000 (1)	12,000 (1)	**77,821 (11)**
	Nag	31,962 (5)	27,858 (5)	22,700 (4)	0 (0)	2,506 (1)	**85,026 (15)**
	Deepak	0 (0)	14,950 (1)	1,834 (2)	4,425 (2)	0 (0)	**21,209 (5)**
	Total	**90,154 (17)**	**82,226 (12)**	**54428 (12)**	**30,514 (7)**	**94,407 (10)**	**3,51,729 (58)**

12. It was alleged that eight noticees viz., Pooja, Deepak, Nag Jinesh, Kaushik, Gunjan, Shriti and Mehul were involved in creation of artificial volume by indulging in synchronized trades on more than five days. These trades constitute 6.61% of market volume during pre-split and **4.41% of the market volume during post-split. These trades were entered into with the purpose** of creation of artificial volume leading to false and misleading appearance of trading in the scrip and were thereby fraudulent and violating the provisions of SEBI PFUTP Regulations, 2003.

Self-Trades: Pre-split:

13. It was alleged that following five Noticees had executed self-trade quantity of more the 5,000 shares and on three days or more.

Noticee Name	Total Self Trade Volume	Total Self Trade Count	Self-Trade count from same terminal	No of days on which self-trades done	% Of Self Traded Qty. To Market Vol.	Net LTP contribution by self-trades
Pooja	86,706	164	15	48	0.41%	-3.20
Jinesh	86,449	124	7	35	0.41%	-0.65
Deepak	50,611	77	4	23	0.24%	0.15
Nag	37,850	18	6	9	0.18%	-0.45
Kaushik	18,082	45	2	13	0.09%	1.05

<u>Post-split</u>:

14. It was alleged that the following five Noticees had executed self-trade quantity of more the 5,000 shares and on three days or more:

Noticee Name	Total Self Trade Volume	Total Self Trade Count	Self-Trade count from same terminal	No of days on which self-trades done	% Of Self Traded Qty. To Market Vol.	Net LTP contribution by self-trades
Nag	88,567	48	21	10	1.12%	1.70
Pooja	31,901	67	2	12	0.40%	-1.80
Jinesh	29,847	24	2	6	0.38%	7.75
Deepak	22,084	13	0	3	0.28%	1.25
Kaushik	13,790	18	1	4	0.17%	0.80

15. It was alleged that the Noticees mentioned above viz., Nag, Pooja, Jinesh, Deepak and Kaushik, executed significant quantity of self-trades repeatedly in pre-split and post-split periods to create artificial volume in the scrip leading to false and misleading appearance of trading in the scrip without intention of change of ownership of shares and are in violation of provisions of SEBI (PFUTP) regulations, 2003.

<u>LTP Analysis</u>

16. During the investigation period, the company's shares were split in the ratio of 1:1 on Jan 31, 2013. During the pre-split period, the price of the scrip opened at Rs. 34.85 on June 01, 2012 and touched period high of Rs. 232.00 and during the post-split period the scrip opened at Rs.118.00 on Jan 31, 2013 and touched period high of Rs. 124.50 on February 26, 2013 and was subsequently falling from that day onwards to Rs. 19.45 on April 30, 2013.

Post-split period:

Patch-1(Jan 31, 2013 to Feb 25, 2013)- (Price rise):

17. During this period, the price of the scrip opened at Rs. 118 on January 31, 2013 and touched Rs. 124.5 on February 26, 2013. On analysing trades executed at a price higher than the last traded price (LTP) it was alleged that during patch-1 the market wide cumulative contribution to the positive and net LTP variation (LTPV) was Rs. 396.30 and Rs. 8.90 respectively of which Rs. 242.55 and Rs. 146.55 respectively was contributed by the Noticees mentioned in para 18 as the buyer.

18. It was alleged that following 7 Noticees had traded as buyer during this period. Details of LTP contribution as a buyer of 7 Noticees who contributed maximum positive LTP is as follows

S. N	Name	All Trades			LTP Diff. >0			LTP Diff. <0			LTP Diff. =0		% pos LTP to market
		Sum of LTP diff	Sum of Quantity	No of trades	LTP impact	QTY traded	No of trades	LTP impact	QTY traded	No of trades	QTY traded	No of trades	
1	Pooja	38.30	10,51,366	1090	77.60	2,67,802	353	-39.30	1,87,511	236	5,96,053	501	19.59%
2	Kaushik	42.55	4,78,258	449	51.25	77,136	149	-8.70	1,66,286	52	2,34,836	248	12.94%
3	Nag	29.10	10,36,521	803	45.40	2,71,756	259	-16.30	1,52,949	129	6,11,816	415	11.46%
4	Jinesh	20.05	8,33,939	717	34.55	2,18,651	228	-14.50	1,21,999	115	4,93,289	374	8.72%
5	Deepak	17.30	4,51,070	380	31.55	96,201	121	-14.25	98,132	86	2,56,737	173	7.97%
6	Mehul	-0.95	1,31,968	63	1.30	16,387	10	-2.25	12,138	13	1,03,443	40	0.33%
7	Gunjan	0.20	1,22,000	28	0.90	40,247	6	-0.70	28,701	7	53,052	15	0.23%
Top by noticees		**146.55**	**41,05,122**	**3,530**	242.55	**2,29,971**	**1126**	**-96**	**138,971**	**638**	**23,49,226**	**1766**	**61.24%**
Market Total		**8.90**	**74,55,317**	**8,381**	**396.05**	**13,57,871**	**1925**	**-387.15**	**18,32,581**	**1814**	**42,64,865**	**4642**	**100%**

19. It was alleged that the positive LTPV contributed by trading among these five Noticees alone was Rs. 39.30 (i.e. 9.92% of market positive LTPV) in 213 trades. Details of LTP positive trades between them are as follows:

Positive LTP Cont. (Count of LTP positive trades)		Seller					Total
		Pooja	**Kaushik**	**Nag**	**Jinesh**	**Deepak**	
Buyer	**Pooja**	4.2 (25)	0.1 (2)	4.8 (15)	2 (18)	0.3 (2)	**11.4 (62)**
	Kaushik	2 (16)	1.25 (6)	0.7 (3)	2.05 (10)	2.8 (4)	**8.8 (39)**
	Nag	2.2 (16)	0.1 (1)	2.5 (14)	0.5 (5)	3.3 (12)	**8.6 (48)**
	Jinesh	4.55 (24)	0.7 (7)	0.3 (4)	1.4 (8)	0.9 (2)	**7.85 (45)**
	Deepak	0.1 (2)	0.95 (4)	0.2 (4)	0.45 (5)	0.95 (4)	**2.65 (19)**
	Total	**13.05 (83)**	**3.1 (20)**	**8.5 (40)**	**6.4 (46)**	**8.25 (24)**	**39.3 (213)**

<u>Violations under Stock Broker Regulations, 1992</u>

20. The investigation report revealed that the following four Noticees executed self-trades through these three brokers of more than 5,000 shares and on three days or more. The details are given below:

Entity Name	Buy and Sell Broker	Total Self Trade Volume	Total Self Trade Count	Self Trade count from same terminal	No of days on which self trades execute	Net LTP contribution by self trades
Nag	Kassa Finvest Pvt. Ltd.	5,009	21	21	6	1.8
Deepak	Sunflower Broking Pvt. Ltd.	4,687	47	3	18	-0.05
Pooja		13,882	140	13	42	-0.75
Jinesh	Marfatia Stock Broking Pvt. Ltd.	8,016	81	7	26	4.55

21. It was alleged that the brokers Kassa Finvest Pvt. Ltd., Sunflower Broking Pvt. Ltd. and Marfatia Stock Broking Pvt. Ltd executed significant quantity of self-trades as broker and counterparty broker for their clients (above mentioned four noticees). Hence it was alleged that notice no. 9,10, & 11 have violated Clause A (2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 9 of SEBI (Stock Brokers and Sub Brokers) Regulations, 1992.

Appointment of Adjudicating Officer

22. Vide order dated May 08, 2015 Shri Prasad Jagadale was appointed as Adjudication Officer in terms of Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 (hereinafter referred to as Rules) read with section 15-I of SEBI Act, 1992 to inquire and adjudge the aforesaid violation under Section15 HA of SEBI Act 1992 on Noticee 1-8 and under section 15HB on Noticee 9-11. Subsequent to transfer of the case, Shri Prasanta Mahapatra was appointed as Adjudicating officer and pursuant to further transfer, I have been appointed as Adjudicating Officer vide order dated June 27, 2017 to inquire and adjudge under the provisions as enumerated above.

Show Cause Notice, Reply and Personal Hearing

23. Based on the findings, Show Cause Notice dated September 26, 2017 ("SCN") and Supplementary SCN dated February 2,2018 were issued to all the Noticees.

24. Noticee No. 2,3 and 7 have inter alia stated the following in their reply:

24.1 *I would like to bring to your kind notice that I am handling all the accounts and transactions of my wife (Mrs. Pooja Bhatt, who is a housewife) and my daughter (Ms. Shriti Bhatt, who is a student) and therefore I have to reply to you as under on behalf of all three of us.*

24.2 *I would like to state that I am an investor and have been dealing in stock market since long and therefore I get many recommendations from people around me and it was only because of these recommendations that I had traded in the scrip of Inanna. I was informed that, the price of the above-mentioned scrip would rise and it was in anticipation of profits that I had traded in the above-mentioned scrip.*

24.3 *It has been alleged that we have done self-trades and have traded among ourselves and contributed to the market volume by creating artificial volume by indulging in synchronized trades. I would like to clarify that it was just a co- incidence and was not done intentionally or with any wrong intentions to manipulate the price of the scrip, as I am only a layman and I do not know about LTP or how it can be affected.*

25. Noticee No. 8 vide his reply dated December 18, 2017 inter alia stated that:

25.1 *I have worked with Mr. Jinesh Bhatt as a Bolt Operator and used to place orders as per his instructions. Orders were placed with brokers like Max Plan wealth Securities (Kolkata) and 2-3 other Brokers.Mr. Jinesh Bhatt opened my trading account with Max plan wealth Securities (Kolkata) and Rain Drop (Delhi) for trading in Equity and F &O which was not done till the time*

I was working there. All the trades done in my accounts are done after I left job and trades were done in my account without my permission.

25.2 *He took my signature in cheque book and funds were transferred in my IDBI Bank account. Funds were transferred from Shriti Enterprises which is Jinesh Bhatt's company and Pooja Enterprises. The accounts were never operated by me and that were operated by Mr. Jinesh Bhatt for transferring funds from his accounts to my accounts to my account and from my account to broker's accounts.*

26. Noticee No. 10 vide its reply dated January 04,2018 had inter alia stated the following-

26.1 : *We have 3 branches and have around 4899 clients registered with us. We state that our business is to execute transactions for sale and purchase of shares of large number of companies including companies under the 'A' group, 'B' group and 'Z' group. During the said period of investigation, our firm had around 2845 active clients trading with us. There were around 14 clients who had traded through us in the scrip of Frontline during the investigation period. We say that our total volume during the investigation period was Rs. 24,000 crores approximately. During the said period of investigation, a total turnover of Rs. 89 crore was carried out in Frontline shares at our end on behalf of various constituents who had traded in the scrip of Frontline.*

26.2 *Our compliance department had carried out regular compliance of the trades executed by various clients, in the relevant period of transactions. There were neither any complaints by any clients against us with any of the exchanges, where the trades were executed nor there were any regulatory issues pending with the trading exchanges or SEBI.*

26.3 *The client Mr. Deepak Vikhape had opened his trading account with the Ahmedabad Branch in July 2012. The client was introduced by an employee of Sunflower Broking Pvt. Ltd. It is pertinent to mention that Mr. Deepak Vikhape had opted for trading through internet and was an online client. Mr. Deepak Vikhape traded on a regular basis and was executing transactions on his own through the internet trading facility provided by us.*

26.4 *We have acted purely as a stock broker, by facilitating trading for client, Mr. Deepak Vikhape who opted for internet trading. We had no role, participation or involvement in the alleged self-trade transactions by Mr. Deepak Vikhape in the shares of Frontline. We have not gained from price rise or price fall in the said scrip. We had limited interest of earning brokerage in the account being a stock broker.*

26.5 *We state that while executing transactions in the scrip of Frontline, we have followed the same principles of trading without realizing that our order placement in the scrip of Frontline can have* *any impact in the market price of shares and /or can result into self-trade which can be termed by SEBI as illegal trade.*

26.6 *From the above table it is evident that there was huge difference at times in the quantity of buy and sell orders placed by Ms. Pooja Bhatt. The alleged self trade quantity of shares is only 13882 shares as against the buy order quantity of 69487 shares and sell order quantity of 377414 shares.*

26.7 *The total volume of Ms. Pooja Bhatt is 33,00,668 which is around 0.21% of the total volume of Sunflower Broking Pvt. Ltd. during the investigation period. We say that our self trades had neither generated substantial volume, which can give any wrong impression to investors nor created new price of the scrip and hence are not illegal. Our alleged self-trade volume is miniscule.*

26.8 *The trades in the Frontline Business Solutions Limited have taken place in total of 111 days whereas Ms. Pooja Bhatt has carried out purported self-trades for 42 days and Mr. Deepak Vikhape on 18 days during the investigation period.*

26.9 *We submit that we have carried out all transactions on behalf of the client as per their instructions and has fulfilled the obligation arising out of the trades and have also maintained a strict vigil over the transactions of the client. With regards to the self-trades, we submit that based on the facts and circumstances and taking into account the size and nature of business, we strongly believe that the same were co-incidental and unintentional. Further the quantity of self-trades were extremely miniscule to have created any false or misleading appearance of trading. In view of the above it submitted that we have acted in full integrity not just with our clients but also with the counterparties and other market participants at large.*

26.10 *We states that all purchase / sale orders were limit orders. A limit order is a direction given to a broker to buy and sell a security or commodity at a specified price or better. A buy limit order can only be executed at the limit price or lower. A sell limit order can only be executed at a limit price or higher. A limit order can be only filled if the stock's market price reaches the limit price.*

26.11 *The very fact that the orders placed were limit orders, it always ranges between prevalent market price at the time of placing of the order and limit price. (for the buy order it is limit price or lower and for the sell order it is limit price or higher).*

26.12 *There is also no submission and /or evidence that we had used or employed any manipulative and deceptive device while executing transactions. There is also neither any allegation nor any evidence that we had employed any device or scheme to defraud in* *connection with dealing in the shares of Frontline and /or would operate as fraud upon any person in connection with the dealing.*

26.13 *The above referred self-trades have not caused any losses to an Investor or group of Investors as there was no default from our side to complete the above referred two transactions. In fact, in the case of self-trade, we were the buyer and seller and no third party was involved and therefore there was no question of loss to any other Investor or group of Investors and therefore we are entitled for withdrawal of the captioned SCN.*

26.14 *Noticee had quoted SEBI's recent policy on self-trade and has also quoted several SEBI AO order and SAT orders in its support.*

27. Noticee No. 11 vide its reply dated December 06, 2017 stated that:

27.1 *We humbly submit that the total volume of self-trades executed through us is a negligibly small 0.027% (8016 shares) of the market volume of 2,90,10,405 shares, and our such low volume against a huge market volume is not capable of impacting the markets in any manner. Further there is no allegation that this has caused any abnormal manipulative price movement.*

27.2 *It may also be noted that the total value of alleged self-trades of 8016 shares was Rs. 16, 11,614 which is 0.0012% of our turnover of 13275 Crores during the investigation period.*

27.3 *We would like to bring your kind notice, the order of the Hon'ble Securities Appellate Tribunal dated January 24, 2014 in the case of Smt. Krupa Sanjay Soni vs SEBI where the SAT had taken a view that "a few instances of self-trades in themselves would not, ipso facto, amount to an objectionable trades."*

27.4 *In addition to this, in a similar matter of Gayatri Projects Limited, the adjudicating officer, vide its order dated April 30, 2014 concluded that the charges leveled against the noticees in the SCN do not stand established and the matter was disposed off on the grounds that when the percentage of self-trades is negligible, the self-trades are not capable of creating artificial volume*.

27.5 *Further, in a similar matter of MIC Electronics Ltd., the adjudicating officer, vide its order dated February 27, 2017 concluded the charges leveled against the notices in the SCN do not stand established and the matter was disposed off.*

27.6 *We humbly submit that in the current case there is no allegation of fraud being caused by these self-trades of 8016 shares, which is a negligibly miniscule portion i.e. 0.027% of the total market volume and are completely incapable of impacting the markets. Further the alleged +ve price movement from these self trades as reflected in the file "Trade details of LTP positive trades"* *where we are buy and sell brokers both is only Re. 1 which can no way be said to be a material price movement compared to +ve price movement of Rs. 192 (Rs. 35 to Rs. 227).*

27.7 *Therefore we submit that the self-trades executed through us have not contributed any material volume or price change and are therefore akin to the trades in various orders of SEBI where such trades have not been considered to violate the provisions of PFUTP and therefore the charge of violation of Clause A(2) of the Code also does not hold good.*

27.8 Clause A(2) of the code deals with exercise of due skill and care and quotes:

> *"Exercise of due skill and care: A stock-broker shall act with due skill, care and diligence in the conduct of all his business"*

27.9 *We humbly submit that due skill, care and diligence means reasonable care that a common man with adequate prudence will take in a particular situation. We also submit that we have exercised due skill, care and diligence in our business which is substantiated from the below facts:*

a. *We had entered into KYC with the client and ensured that the client was in existence and was not a benami account.*
b. *The funds were received from the client through his registered bank account only and no other account.*
c. *His total volume in the FBSL during the investigation period was 15,90,591 shares of which only 8,016 shares were traded in the nature of self trades. This is a negligible 0.5% of the trades in the said stock.*
d. *Such low 0.5% of the self trades was not treated by us as material enough to be manipulative or otherwise.*
e. *Further such trades did not take place daily and there was complete randomness with regards to time difference, quantity of buy and sell orders etc. and therefore we never had a reason to suspect that these trades were manipulative.*
f. *Further it was only after receiving the SCN that we understood that Mr. Jinesh Bhatt had accounts with other brokers as well and also that his other family members had executed self-trades too.*
g. *We humbly submit that SEBI can have a holistic view of the markets, but we as a small market participant, will have only a very limited view of trades executed through us and these trade, when viewed in isolation would never appear to be manipulative by any standard.*
h. *In light of the above, we submit that we have exercised due skill, care and diligence while conducting the business and therefore have not violated clause A(2).*

27.10 *Without prejudice to the above submission we humbly submit that the percentage of self-traded quantity executed through us was only 0.027% of the market volume, which is much lower than the percentage of self-trades in the matter of Gayatri Projects (upto 1.72%), and MIC (0.63%) and therefore extremely less significant than the parties exonerated in these orders.*

Hearing:

28. In the interest of natural justice and in order to conduct an inquiry in terms of Rule 4(3) of Rules, the Noticees were granted an opportunity of personal hearing before the undersigned on December 08, 2017.

Noticee No. 2,3 and 7:

28.1 Shri Jinesh (Noticee No. 2) appeared and represented himself and Mrs. Pooja and Ms. Shriti (Noticee No.3 and 7 respectively) on December 08, 2017.

28.2 During the proceedings, Noticee No. 2 has given written submission and informed that Deepak, Nag, Kaushik, Gunjan and Mehul (Noticee No. 1, 4, 5, 6 and 8 respectively) are his friends and he has recommended them to buy the stock of M/s. Inanna.

Noticee No. 5:

28.3 Noticee No. 5 appeared and represented himself on December 08, 2017. During the proceedings, Noticee No. 5 has informed that he was working with Noticee No. 2 and based on his assurance of additional income . Kaushik (Noticee No.5) has allowed him to open an account and traded in it. In return, Noticee No. 5 has received certain amount of money in addition to his salary.

Noticee No. 8:

28.4 Noticee No. 8 appeared and represented himself along with advocate Shri Sandeep S Parekh and has agreed to provide written submission by December 18, 2017.

Noticee No. 10:

28.5 Noticee 10 vide its email dated December 05, 2017 requested for another date and hence hearing was rescheduled on January 09, 2018.

28.6 The personal hearing was attended by AR on January 09, 2018. During the proceedings, AR submitted a written reply dated January 04, 2018 and requested to take a lenient view.

Noticee No. 11:

28.7 The personal hearing was attended by AR on December 08, 2017.During the proceedings, AR has agreed to confirm whether the Marfatia Stock Broking Private Limited (Noticee No. 15) has provided trading terminal to Shri Jinesh D Bhatt (Noticee No. 6) and also whether other Noticees have traded with it.

Noticee No. 1, 4,6 and 9

28.8 Noticee No. 1, 4,6 and 9 did not appear for personal hearing. Hence another opportunity of personal hearing was granted to Noticee No. 1, 4, 6 and 9 on January 09, 2018. The hearing notice was sent via Registered AD and Email. The notice was delivered to all the Noticees via Email. However these noticees did not appear before me for hearing on this date as well.

28.9 Since Noticee 5 had made certain allegations against Noticee 2 during personal hearing. The submissions of noticee 5 was sent to Noticee 2 for his comments and pursuant to receipt of his submission another hearing was granted to Noticee 2 & 5 on April 12 and 13, 2018 respectively.

28.10 In his written submission, Noticee 2 has stated that information provided by noticee 5 during hearing is not at all true. On the contrary he had alleged that noticee 5 and Noticee 8 had used his money for trading in stocks.

Consideration of Issues, Evidence and Findings:

29. I have carefully perused the charge levelled against the Noticees in the SCN and all the documents available on record. In the instant matter, the following issues arise for consideration and determination in respect of:

I. Whether Noticee No. 1, 2, 3, 4 and 5 have violated Regulation 3(a), (b), (c), (d), 4(1), 4(2)(a), (b), (e) and (g) of PFUTP 2003?

II. Whether Noticee No. 6,7 and 8 have violated Regulation 3(a), (b), (c), (d), 4(1), 4(2) (a) and (g) of PFUTP 2003?

III. Whether Noticee No. 9,10 and 11 has violated Clause A(2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 7 of the SEBI (Stock Brokers and Sub-Brokers) regulation, 1992?

IV. Does the violation, if any, on the part of noticees attract monetary penalty under Section 15 HA of the SEBI Act for Noticees 1-8 and under Section 15HB of the SEBI Act for Noticees 9-11?

V. If so, what would be the quantum of monetary penalty that can be imposed on noticees taking into consideration the factors mentioned in Section 15J of the Act?

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

SEBI (PFUTP) Regulations:

3. Prohibition of certain dealings in securities under SEBI (PFUTP) Regulations 2003

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, 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

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

Broker Regulations

SCHEDULE II
SECURITIES AND EXCHANGE BOARD OF INDIA
(STOCK BROKERS AND SUB-BROKERS) REGULATIONS, 1992
CODE OF CONDUCT FOR STOCK BROKERS
(Regulation 7)

A. GENERAL

(1) INTEGRITY: A stock-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all his business.
(2) EXERCISE OF DUE SKILL AND CARE: A stock-broker, shall act with due skill, care and diligence in the conduct of all his business.

Findings:

31. I note that prior to investigation period, daily average number of shares traded in the scrip was 1914, however during investigation period trading had increased multifold and average daily shares traded was 126244 and 139082 (during pre and post-split period respectively) Also it is pertinent to note that post investigation period average daily shares traded was 34662 .Similarly, the price of the scrip (pre-split) had increased from Rs 34.85 to 227.5 and price had fallen from Rs 118 to Rs 19.45(post-Split). Hence it is concluded that there was sudden spurt in the trading and in the price of the scrip during investigation period.

32. It is a matter of fact that noticees 1-8 are related and known to each other. Jinesh, Pooja and Shriti are the family members whereas Deepak, Nag, Kaushik, Gunjan and Mehul are either friends or employee of Jinesh. Hence it is concluded that all these noticees have acted

in tandem and were part of a scheme for artificial creation of volume through synchronized trades and self-trades.

33. In post-split period (Patch -1- Jan 31, 2013-Feb 25, 2013) positive LTP contribution of the noticees (1-6 & 8) was 61.52% in 1134 trades. out of these trades, in 213 trades were executed among Noticee 1, 2,3,4 and 5 had created the positive LTP of Rs 39.3 (9.92%) by trading among themselves.

Synchronized trades

34. I note from the documents on record that there were 335 synchronized trades of 13, 93,934 shares between noticees 1-8 (pre-split period) and these trades accounted for 6.61% of market volume on BSE. In post-split period, there were 58 synchronized trades of 3, 31,729 shares among noticees 1, 2,3, 4, and these trades accounted for 4.41% of market volume on BSE.

35. It may be noted that Synchronized trades are different from Self-trades but are considered manipulative under provisions of PFUTP Regulations similar to self-trades. Hon'ble Supreme Court in the matter of SEBI vs. Kishore R Ajmera (C.A. no.2818 of 2008) vide its order dated 23/02/2016 has laid down parameters, though non-exhaustive, that can be used to arrive at a conclusion with respect to liability in such cases for violation of the provisions of the SEBI Act, 1992 and regulations framed thereunder. The parameters are:

a. Volume of the trade affected;

b. The period of persistence in trading in the particular scrip;

c. The particulars of the buy and sell orders, namely the volume thereof;

d. The proximity of time between the two and such other relevant factors.

e. The fact that trading has gone on without settlement of accounts i.e. without any payment and the volume of trading in the illiquid scrips.

36. I am inclined to apply the above parameters in the instant matter to check the veracity of violations allegedly committed by the noticees.

a. **Period of persistence in trading**: The number of synchronized trades in this matter was 393. I note these trades were done on several days and all through out the investigation period. Hence I note that the alleged synchronized trades and reversal trades were persistent. Repetition of any activity is crucial factor in deciding whether there is a deliberate attempt to manipulate the price/volume. I find repetitiveness of synchronized trade is present in the instant case and I note that noticees have contributed substantial volume in the scrip during IP which cannot be ignored. It is critical to note scrip of Innana was not a liquid scrip before IP but suddenly lot of volume was created in the scrip by Noticees (1-8).

b. **<u>The particulars of the buy and sell orders, namely the volume thereof</u>**: I note that in most of the synchronized trades the quantity of buy and sell order was not same.
c. **<u>Proximity of time</u>**: I note that time of both buy and sale orders of the alleged synchronized trade between Noticees was close to each other which cannot be a coincidence on several occasions.
d. **<u>The fact that trading has gone on without settlement of accounts i.e. without any payment and the volume of trading in the illiquid scrips</u>**. The average daily turnover before IP of Innana was 1914 shares and suddenly there was substantial trading in the scrip and there was sudden fall in the average daily turnover post investigation.

e. **<u>LTP Contribution by these synchronized trade</u>**. I note that LTP contribution of alleged synchronized trade was Rs.39.3(9.92%) in post-split period

37. I find that the extant matter fit into most of parameters set out by Hon'ble SC for synchronized trading in the scrip which was not liquid and suddenly connected entities started creating volume and all the alleged trades were synchronized in terms of time and price. The above trading pattern of noticees suggests their manipulative intent.

38. In this regard, it is important to note the Judgment of ***Hon'be SAT in Ketan Parekh vs SEBI*** (Appeal No. 2 of 2004) "A synchronized transaction even on the trading screen between genuine parties who intend to transfer beneficial interest in the trading stock and who undertake the transaction only for that purpose and not for rigging the market is not illegal and cannot violate the regulations. As already observed 'synchronization' or negotiated deal ipso facto is not illegal. A synchronized transaction will, however, be illegal or violative of the Regulations if it is executed with a view

    a. To manipulate the market or
    b. Results in circular trading or
    c. dubious in nature and is executed with a view to avoid regulatory detection or
    d. does not involve change of beneficial ownership or

e. To create false volumes resulting in upsetting the market equilibrium.

f. Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal.

39. I note that trading between noticees has created artificial volume in the scrip which has incited other gullible investors to take interest in the scrip without any fundamentals. I note that though the alleged transactions were repetitive and were substantial in quantity and were definitely synchronized to create artificial volume in the scrip, hence allegation of creation of artificial volume stands concluded.

40. I note in the instant matter the matching of these trades was not noted in a solitary incident or two, instead, a large number of synchronized trades got matched regularly. The frequency of such trades ensured consistent matching of the orders for the purpose of creating volume among the Noticees in the scrip possibly to induce other persons to invest in the said scrip.

41. I note that the Hon'ble Securities Appellate Tribunal (SAT), in the case of ***Nirmal Bang Securities Pvt. Ltd Vs. SEBI*** (Appeal No. 54-57 of 2002) had observed that:

"Synchronized trading is violative of all prudential and transparent norms of trading in securities. Synchronized trading on a large scale can create false volumes………………
There are many transactions giving an impression that these were all synchronized, otherwise there was no possibility of such perfect matching of quantity, price, etc……………In a synchronized trading intention is implicit."

42. It may be relevant to refer to the observations of the Hon'ble Securities Appellate Tribunal (SAT) in its order dated 14.7.2006 in Ketan Parekh Vs. SEBI, wherein it was held that:
"When a person takes part in or enters into transactions in securities with the intention to artificially raise or depress the price he thereby automatically induces the innocent investors in the market to buy /sell their stocks. The buyer or the seller is invariably influenced by the price of the stocks and if that is being manipulated the person doing so is necessarily influencing the decision of the buyer / seller thereby inducing him to buy or sell depending upon how the market has been manipulated. We are therefore of

the view that inducement to any person to buy or sell securities is the necessary consequence of manipulation and flows therefrom. In other words, if the factum of manipulation is established it will necessarily follow that the investors in the market had been induced to buy or sell and that no further proof in this regard is required. The market, as already observed, is so wide spread that it may not be humanly possible for the Board to track the persons who were actually induced to buy or sell securities as a result of manipulation and law can never impose on the Board a burden which is impossible to be discharged. This, in our view, clearly flows from the plain language of Regulation 4(a) of the Regulations."

Self-trades

43. In pre-split period, noticees 1-5 had executed 428 self-trades out of which 34 were from same trading terminal and constituting 1.33% market volume. In post-split period, noticees 1-5 had executed 170 self-trades out of which 26 were from same trading terminal constituting 2.35% of market volume.

44. It is observed from the trade log/Order log that such self-trades were done by noticees on several days and many of them were executed from the same terminal. It is also note that in certain instances the time difference between buy and sale order was negligible.

45. It is not out of place to mention that if the Noticees were genuinely trading in the scrip, then, it should have adopted such modus operandi which is permissible / fair enough and in accordance with regulatory framework, but not such strategy which is not warranted under law. Such placing of orders with no time difference or very less time difference, itself pre assures the Noticees that their respective buy/sell orders are most likely to match with itself only. By adopting such mechanism/modus operandi of selling/buying shares to itself during entire listing day in high volumes as compared to total market that too many of them from same terminal, reveals fraudulent / manipulative intent of the Noticees to match its respective orders with itself without changing the ownership in such shares, and its intent to create misleading appearance of trading.

LTP Contribution

46. I note that noticees who are related and connected had while acting in tandem acted in manipulative manner to inflate the LTP of the scrip and manipulated the stock price and created misleading appearance. Noticees have contributed substantial to the LTP.

47. Here, it is important to refer to the observations made by the Hon'ble SAT in its order dated March 21, 2014 in ***Saumil Bhavnagari Vs. SEBI*** which are as under:

"… but by purchasing shares at the higher price in LTP in most of the trades, the noticee had given a wrong impression about the liquidity of the scrip in the market. It must not be forgotten that every trade establishes the price of the scrip and the Noticee's trading at higher than LTP resulted in the price of the scrip going up and were done with a view to set the price at a desired level and thereby influencing the innocent/gullible investors. By purchasing at a higher price in most of his trades, the noticee had given the wrong impression about the price of the scrip in the market. It is an accepted state of affairs that in cases of manipulation of the volume and / or price of a particular scrip, it is usually an arduous task to obtain direct evidence. However, the analysis of the trade and order logs as undertaken hereinabove, establishes the malafide intention of the appellant."

Conclusion

48. Considering that noticees had indulged extensively in Synchronized trades, self-trades and positive LTP contribution, I am of the view that the present case clearly brings out the role played by the Noticees in a manipulative manner in the market which indulged an element of fraud and unfair trade practices.

49. I find that by indulging in the above mentioned manipulative trades, the noticees 1-8 not only created artificial volume in the scrip but also gave a misleading appearance of trading in the scrip. The said synchronization of trades during the investigation period for such volumes and over a period of time further establishes that the noticees 1-8 were acting in concert and such trades could not have been carried out without the meeting of minds. I do not find merit in the argument advanced by the noticees that the said trades were executed based on the news of likely good performance of the company, the trading by these noticees cannot be based on this factor alone and a prior understanding/collusion of minds is clearly required for such manipulation in the market.

Thus I conclude that the noticees 1-8 being related/connected with one another, had traded in the scrip in a manipulative manner and thus violated Regulation 3(a) (b) (c) & (d) 4(1) and 4(2)(a) of the PFUTP Regulations warranting imposition of monetary penalty under Section 15HA of the SEBI Act

<u>Role of Stock Broker</u>

50. I note that Marfartia and Sunflower have confirmed that they had collected requisite margin from their clients on all occasions and exposure was provided to these clients based on their margin position.

51. I note there is no allegation of any connection between noticees and their stock brokers through whom alleged self-trades were executed. The relationship of brokers with their clients is of broker-client relationship only as nothing else has been alleged in the SCN.

52. I note that Brokers had acted as an agent of their principal and thereby executed the orders given by them.

53. From the foregoing, I find that the Investigation Report has not brought out enough material on record from which it can be inferred that the Noticee(s) Kassa, Marfatia and Sunflower failed to exercise due diligence and/or was involved in market manipulation while dealing with Noticee(s)

54. There is no case to draw any adverse inference on the Kassa,Sunflower and Marfatia who acted as broker/counter broker to their clients as regards its role on due diligence under Code of Conduct as prescribed under Schedule II read with Regulation 9 of SEBI (Stock Broker and Sub Broker) Regulations, 1992.

55. There is nothing on record to suggest that Noticees Kassa, Marfatia and Sunflower are related to above Noticees 1-8 except the professional relationship. It is not in dispute that there was no default on the part of the Noticees in their brokers meeting with the market obligations.

56. I also rely on the order of Hon'ble SAT in the appeal no. 176/2011 in the matter of SMC Global Securities Limited, wherein, SAT has held that

"due skill, care and diligence can only mean that broker shall act in such a way that a person of ordinary prudence would act in the normal circumstances in carrying out activities and functions relating to its business and remain careful and diligent so that nothing untoward happens in the market or over the activities with it"

57. Here I refer to the case of ***Ramaben Samani Finance Pvt. Ltd. vs. SEB***I (SAT Appeal no. 91 of 2006 decided on 22.10.2007), SAT has specifically observed

    "that there has to be enough material on record to show that the broker knew about the game plan at the time of executing the trade. Therefore, if a broker has to be attributed knowledge of circular/synchronized the Board must have with it some material on record from which such knowledge can be inferred. Merely because the appellant has acted as a broker it cannot lead us to the conclusion that he had knowledge of the wrong doing. It is true that the trades have been found to be circular/synchronized, but there is nothing on record to how that the appellant had knowledge of the manipulative intent or mischief of the client."

58. In view of the above, allegation of violation of Clause A (2) of the Code of Conduct for Stock Brokers as specified under Schedule II read with Regulation 9 of Stock Broker Regulations 1992 does not stand established against Noticee(s) Kassa, Sunflower and Marfatia.

59. Having established that Noticees 1-8 had violated the provisions FUTP Regulations as sated above, I find the Noticees 1-8 are liable for penalty.

60. The penalty levied in terms of the penal provisions as stated below:

    Section 15HA of the SEBI Act, 1992 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 of twenty five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

61. Here, it is important to refer to the observation of the Hon'ble Supreme Court of India in the matter of ***SEBI Vs. Shri Ram Mutual Fund [2006] 68 SCL 216(SC)*** wherein it was observed

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…”*

62. While determining the quantum of penalty under Section 15HA of the Act, it is important to consider the factors stipulated in Section 15J of the SEBI Act, 1992 which reads as under:-

15J - Factors to be taken into account by the adjudicating officer

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.”

Explanation: *For removal of doubts, it is clarified that the power to of an adjudicating officer to adjudge the quantum of penalty under Sections 15A to 15E, Clauses (b) and (c) of Section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.*

63. It is noted that available records does not specify the disproportionate gains or unfair advantage made by the Noticees or the specific loss suffered by the investors due to such synchronized trades, self-trades and trades contributed positive LTP .
64. Though, as observed above, no quantifiable unfair / disproportionate gain was shown to have been acquired by the Noticees in the above mentioned activities, I cannot ignore the gravity of violations involved in the matter. Having established that Noticees 1-8 had executed trades which are manipulative and in my opinion, indulging into trades with manipulative intent to create misleading appearance of trading (as analyzed in pre paras of this order), certainly is in the nature causing possible adverse impact in disturbing the equilibrium of fair market mechanism. While deciding the quantum of penalty for each noticee, number of synchronized trades, self-trades and contribution to LTP has been considered.

ORDER

65. **In** view of the above, after considering all the facts and circumstances of the case and exercising the powers conferred upon me under Section 15-I (2) of the SEBI Act, 1992 read with Rule 5 of the Adjudication Rules, I hereby impose the following monetary penalties on the Noticee:

Sr. No.	Name of the Noticee	Provisions of Law Violated	Penalty Provision	Penalty Amount (In Rs.)
1.	Deepak Pandhurang Vikhape	Regulation 3(a) (b) (c) & (d) ,4(1) 4(2) (a) (b) (e) and (g) of PFUTP Regulations	15HA of SEBI Act	10,00,000 (Rs Ten lakhs on each)
2.	Jinesh Devendra Bhatt			
3.	Pooja Jinesh Bhatt			
4.	Nagmeshwar Balraj Yellamelji			
5.	Kaushik Namji Maru			
6.	Gunjan Ganpatdas Vaidya	Regulation 3(a) (b) (c) & (d) ,4(1) 4(2) (a) of PFUTP Regulations		5,00,000 (Rs Five lakhs on each)
7.	Shriti Jinesh Bhatt			
8.	Mehul Ramesh Joshi			

66. Noticees shall remit/pay the said amount of penalty within 45 days of receipt of this order either by way of demand draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, or by e-payment facility into Bank account the details of which are given below:

Bank Name	State Bank of India
Branch	Bandra Kurla Complex
RTGS Code	SBIN0004380
Beneficiary Name	SEBI - Penalties Remittable to Government of India
Beneficiary A/c No	31465271959

67. The Noticees shall forward said Demand Draft or the details / confirmation of penalty so paid through e-payment to the General Manager of Enforcement Department 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 should be forwarded to "The Division Chief (Enforcement Department - DRA- III), Securities and Exchange Board of India, SEBI Bhavan, Plot no C- 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai – 400052 and also to e-mail ID - tad@sebi.gov.in

1	Case Name	
2	Name of Payee	
3	Date of Payment	
4	Amount Paid	
5	Transaction No	
6	Bank Details in which payment is made:	
7	Payment is made for: (like penalties/ disgorgement/ recovery/ Settlement amount and legal charges along with order details)	

68. 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: June 05,2018
Place: Mumbai

SAHIL MALIK
ADJUDICATING OFFICER