Order/AA/RK/2022-23/22164

BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

UNDER SECTION 15 I (2) 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 –

Mr. Santosh Maruti Patil (PAN: AMAPP2722N)
Building No. 9/142,
Third Floor, Saeesh Co-op Housing Society,
Kannamwar Nagar – 1,
Vikhroli (East),
Mumbai – 400083

In the matter of Spectacle Industries Limited (now known as Spectacle Ventures Limited)

BACKGROUND OF THE CASE

1. The Securities and Exchange Board of India (hereinafter referred to as "SEBI") observed huge rise in the traded volumes and price of the shares of Spectacle Industries Limited (subsequently, name changed to Spectacle Infotek Limited and now known as Spectacle Ventures Limited) (hereinafter referred to as 'SIL/Company'). In view of the same, SEBI conducted an investigation in the scrip of SIL which is listed on the Bombay Stock Exchange (hereinafter referred to as "BSE") and the National Stock Exchange (hereinafter referred to as "NSE") for the period May 29, 2009 to April 30, 2010 (hereinafter referred to as "Investigation Period 1 /IP 1"). It is noted that during the investigation period, the share price of SIL increased from Rs. 41.00 to Rs. 122.65. For the period May 01, 2010 to January 31, 2011 (hereinafter referred to as 'Investigation Period 2 /IP 2'), it is noted that the share price of SIL increased from Rs. 21.75 to Rs. 162.80.

2. The Adjudicating Officer (hereinafter referred to as "AO") of SEBI in connection with IP 1 passed order dated September 26, 2014 and in connection with IP 2 passed order dated

December 22, 2014 concluding that certain entities including Mr. Santosh Maruti Patil (hereinafter referred to as 'Noticee') have created artificial volume in the scrip of SIL and imposed penalties accordingly. The aforesaid adjudication orders were challenged by the Noticee before the Hon'ble Securities Appellate Tribunal (hereinafter referred as "SAT"), which were set aside vide order dated July 27, 2015 and restored the matter to the file of the AO on account of deficiency in service of the Show Cause Notices and hearing notices to the Noticee.

3. Thereafter, SEBI appointed an Adjudication Officer to adjudicate on the matter, however, upon transfer of the said officer to another department of SEBI, the undersigned was appointed as the Adjudication Officer vide order dated March 18, 2019. The Noticee was given several opportunities to present his case before the undersigned, and after considering the Show Cause Notices, reply filed by the Noticee and submissions made by the Noticee in the hearing, order dated February 25, 2020 was passed imposing a penalty of Rs. 3 lakhs on the Noticee in respect of securities laws violations pertaining to IP 1. Furthermore, order dated February 28, 2020 was passed disposing of the adjudication proceedings against the Noticee without imposing any penalty in respect of securities laws violations pertaining to IP 2.

4. Being aggrieved by the aforesaid orders dated February 25, 2020 and February 28, 2020, the Noticee challenged the same before the Hon'ble SAT vide Appeal No. 57 of 2021 and Appeal No. 388 of 2021 respectively. While the Hon'ble SAT disposed of Appeal No. 388 of 2021, Appeal No. 51 of 2021 was allowed vide order dated July 22, 2022 wherein the AO order dated February 25, 2020 was set aside and the case was remanded back to the undersigned for passing fresh orders after giving an opportunity of personal hearing in the view of the following observations:

> *"10. In appeal no. 388 of 2021 wherein the order of absolving the appellant from the charges is passed on February 28, 2020. It is noted that the period of investigation was May 1, 2010 to January 31, 2011. For this period, the AO found that the appellant was not connected with the said Pabari – Parikh group. In appeal no. 57 of 2021 wherein the order dated February 25, 2020 is passed, the investigation period is May 29, 2009 to April 30, 2010, i. e. for earlier period of investigation.* ***<u>The AO has found that the appellant was connected to the group through one entity, namely, Narendra Ganatra as he was an introducer to the trading account opening form of the appellant for the subsequent</u>***

> ***period. How this connection is lost thereafter for subsequent period is an enigma. Further, though in this impugned order dated February 25, 2020, the AO recorded that said Narendra Ganatra was connected entity with the entire Pabari – Parikh group it is not explained how said Narendra Ganatra was connected to the said group and merely remark of having a connection is made.*** *The appellant is alleged to have made synchronized trades with the connected entities of the group and also 0.01% of the market volume self-trades are said to have been made by the appellant.*
>
> *11. As pointed earlier the appellant is alleged to have connection with the entire Pabari – Parikh group through Narendra Ganatra. Therefore, the appellants' trades with others are alleged as synchronized trades. Beside this, it is also alleged that he had made 0.01% of the market volume self-trades. In case Narendra Ganatra is not connected with Pabari – Parikh group, the case of the respondent SEBI that the appellant was a member of Pabari – Parikh group and had made synchronized trades would fall apart. Consequently, only question would remain of making miniscule self-trades as detailed (supra). As found earlier, respondent SEBI had let off Narendra Ganatra for carrying trades in miniscule quantity. Therefore, the issue would be as to whether similar treatment can be given to the appellant for carrying self-trades in miniscule quantity.* ***Since the learned AO in the impugned order did not provide any ground for holding connection of Narendra Ganatra with the Pabari – Parikh group, it would be necessary to remand the case so far as the appeal no. 57 of 2021 is concerned in order to freshly record the findings in the light of the observations made above in this paragraph.*** *For that purpose, fresh personal hearing will have to be given by the learned AO in the said case…." (Emphasis supplied)*

5. The Hon'ble SAT further directed the Noticee to appear before the undersigned on August 26, 2022 for further hearings in the proceedings. In this regard, a notice dated August 19, 2022 was issued to the Noticee informing him that the Noticee is being given an opportunity of hearing on August 26, 2022 at 03:00 PM in accordance with the directions of the Hon'ble SAT. However, vide email dated August 26, 2022, the Noticee's sister forwarded an attachment consisting of a letter dated August 26, 2022 from the Noticee stating that he is in the process of filing an appeal before the Hon'ble Supreme Court of India challenging the order of Hon'ble SAT dated July 22, 2022. In view of the same, the Noticee informed that he would not be attending the personal hearing scheduled on August 26, 2022.

6. The Hon'ble Supreme Court vide order dated November 11, 2022 in Civil Appeal No. 8329/2022 directed that all the Noticee's contentions made before the Adjudicating Officer

shall be considered on their merits and documents produced shall also be considered independently on their merits, and dismissed the said appeal. The relevant paragraphs of the said order are reproduced as under:

> *"After hearing learned counsel for the appellant and having considered the record this Court is of the opinion that no interference with the impugned order is called for, given that the matter is remitted for afresh consideration on the merits by the Adjudicating Officer.*
>
> *At the same time, all appellant's contentions made before the Adjudicating Officer shall be considered on their merits and documents produced shall also be considered independently on their merits.*
>
> *The civil appeal is dismissed but in terms of the above observations."*

SHOW CAUSE NOTICE, REPLY AND HEARING

7. A Show Cause Notice No. EAD-2/RG/25986/2013 dated October 10, 2013 (herein after referred to as 'SCN') issued to the Noticee by the erstwhile AO under Rule 4(1) of the AO Rules is being relied upon in the instant proceedings. Vide the SCN, the Noticee was asked to show-cause as to why an inquiry should not be initiated against the Noticee and penalty be not imposed upon it under section 15HA of the SEBI Act for the alleged violation of the Regulation 3 (a), (b), (c), (d), 4(1) and 4(2)(a), (b), (e) & (g) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relation to Securities market), 2003 (hereinafter referred to as the 'PFUTP Regulations'). The following documents were enclosed as annexures to the SCN.

Table No. A

Annexures to SCN	
Annexure	**Particulars**
Annexure I	Order appointing the Adjudicating Officer
Annexure A & B	Details of purchase and sale of 28 Pabari-Parikh Group entities dealing through multiple brokers
Annexure BB	Details of off market transfers
Annexure C	Trading details of 28 Pabari-Parikh entities
Annexure D	Trade and Order details of trading within Pabari-Parikh Group entities
Annexure E	Trading among 26 entities
Annexure F	Trade and Order details of synchronized trades
Annexure G	Details of Trade and Order log containing self-trades
Annexure H	Details of day wise volume contribution to the total volume traded

8. The allegations in respect of violation/ non-compliance by the Noticee as observed from the SCN are as given below:

   a. *On analysis of the trading activity in the scrip of SIL on BSE, the investigation, prima facie, revealed that a group of entities namely, Gemstone Investments Limited, Ketan Babulal Shah, Bharat Shantilal Thakkar, Bipin Jayant Thaker, Bharat G Vaghela, Chirag Rajnikant Jariwala, Kishore Chauhan, Bipinkumar Gandhi, Bhavesh Pabari, Prem Mohanlal Parikh,* ***Santosh Maruti Patil****, Hemant Madhusudan Sheth, Jigar Praful Ghoghari, Vipul Hiralal Shah, Mala Hemant Shah, Ankit Sanchaniya, Vivek Kishanpal Samant, Bhupesh Rathod, Rajnandi Yarns Pvt. Ltd., Vasudev Ramchandra Kamat, Narendra Prabodh Ganatra, Manish Suresh Joshi, Santosh Vishram Ghadshi, Kaushik Karsanbhai Patel, Kaushik Rajnikant Mehta, Gaurang Ajit Seth (hereinafter collectively referred to as "Pabari-Parikh Group") were connected to each other and had traded heavily in the scrip of SIL through multiple brokers.*

   b. *It was observed from the trade log analysis that 28 Pabari-Parikh Group entities dealing through multiple brokers purchased 12,91,93,874 shares accounting for 76.58% of the total traded volume and sold 10,61,95,225 shares accounting for 62.95% of the total volume traded during the period under investigation. From the analysis it was observed that S. P. Jain Securities Pvt. Ltd dealing for Hemant Madhusudan Sheth contributed 6.51 % of the total market volume on buy side transaction and for Bhavesh Prakash Pabari contributed 7.27% of the market volume on sale side of the transactions.*

   c. *The list of 28 Pabari-Parikh Group entities along with connection within the group is as under:*

Table - 1

Client Name	***KYC Relation***	***Fund Movement***	***Share movement through off market***	***Client Name***	***KYC Relation***	***Fund Movement***	***Share movement through off market***
1.Gemstone Investments Ltd	*Sl. no.10 is the director in sl. No.1. Sl. no.10 & 17 have common office address. Sl. no.10 introduced sl. no.17 for trading a/c.*			***15.Santosh Vishram Ghadshi***	*Has off market share and fund movement with Amar Premchand Walmiki, who has off market share and fund movement with sl. no. 17.*		
2.Bhupesh Rathod	*Introduced sl. no.22, 19, 17, 12 for trading a/c and knows sl. No. 25*	*With Sl. No. 27*		***16.Bipinkumar Gandhi***			*With sl. no. 17.*
3.Ketan Babulal Shah			*With sl. no.19*	***17.Bhavesh Pabari***	*Sl. no.10 & 17 have common office address. Sl. no.10 introduced sl. no.17 for trading a/c.*		*With sl. no. 19, 22, 4, 5,*

Client Name	***KYC Relation***	***Fund Movement***	***Share movement through off market***	***Client Name***	***KYC Relation***	***Fund Movement***	***Share movement through off market***
					Sl. no. 5 is his uncle & sl. no. 28 is his brother in law. *Sl. no. 19 is cousin of sl. no.17* *Sl. no. 17 & 22 both directors of Rajnandi Yarns Pvt. Ltd. (sl.no.4)* *Share common Tel. no. with sl. no. 27, 28, 6.* *Sl. no. 2 introduced him for trading a/c.* *BR* with sl. no. 6, 11, 12, 19, 22, 25, 27*		*6, 27, 28, 16,*
4.Rajnandi Yarns Private Limited	*Sl. no. 17 & 22 both directors of Rajnandi Yarns Pvt. Ltd.(sl.no.4)*		*With sl. no. 5, 6, 11, 12, 17, 19, 22, 23, 27, 28,*	***18.Kaushik Karsanbhai Patel***		*With sl. no. 17.*	*With sl. no. 28.*
5.Bharat Shantilal Thakkar	*Sl. no. 17 is his nephew.* *Same address with sl. no.17.* *Sl. no. 17 is his nominee.* *Joint a/c with sl. no. 17.* *BR* with sl. no. 6, 11, 12, 19, 22, 27, 28*	*With sl. no. 17, 19, 27*	*With sl. no. 17, 7, 4,*	***19.Prem Mohanlal Parikh***	*Sl. no. 19 is cousin of sl. no.17.* *Common email with sl. 27, 19 & 28.* *Sl. no. 22 is nominee of sl. no.19.* *BR* with sl. no. 5, 6, 11, 12, 17, 22, 27, 28.*	*With sl. no. 17, 22, 12.*	*With sl. no. 17, 22, 12, 4, 5, 6, 22, 23, 27, 28.*
6.Bipin Jayant Thaker	*Same Tel. no. with sl. no. 17.* *BR* with sl. no. 5, 11, 12, 17, 19, 22, 27, 28,*	*With sl. no. 4, 17.*	*With sl. no. 4, 23, 11, 17, 19, 22.*	***20.Santosh Maruti Patil#***	***Sl. no.10 introduced sl. no. 20 for opening a/c with the member Comfort Securities.***	***With sl. no. 10.***	
7.Vasudev Ramchandra Kamat	*Sl. no. 5 share the same address with sl. no.17.*		*With sl. no.5*	***21.Kaushik Rajnikant Mehta***		*With sl. no. 24, 15.*	*With sl. no. 17, 24.*
8.Bharat G Vaghela	*Same address & Tel.no. as sl. no. 16 who share movement with sl.no. 17.* *Sl. No. 11 is nephew of sl. no. 17 and shares same Tel. no. with sl. no. 17.*	*With sl. no. 11.*		***22.Hemant Madhusudan Sheth***	*Sl. no. 17 & 22 both directors of Rajnandi Yarns Pvt. Ltd.* *Same email with sl. no. 28.* *BR* with 2, 5, 19, 27, 28, 6, 11, 12, & sl. no. 25 is his wife & sl. no. 26 is his nephew.*	*With sl. no. 17, 19, 12.*	*With sl. no. 17, 19, 12, 4, 25, 27, 28, 23, 6,*
9. Sagar Janak Vyas	*Similar address as sl.no. 19.*			***23.Jigar Praful Ghoghari***			*With sl. no. 4, 6, 19, 22, 27.*
10.Narendra Prabodh Ganatra	*Sl. no.10 is the director in sl. No.1.* *Sl. no.10 was a director in SIL (resigned from the said company on June 01, 2010).*			***24.Vipul Hiralal Shah***		*With sl. No. 21.*	*With sl. no.17.*

Client Name	***KYC Relation***	***Fund Movement***	***Share movement through off market***	***Client Name***	***KYC Relation***	***Fund Movement***	***Share movement through off market***
	Sl. no.10 & 17 have common office address. Sl. no.10 introduced sl. no.17 for trading a/c.				*Sl. No. 21 has off-market transaction with sl. No. 17.*		
11.Chirag Rajnikant Jariwala	*Same Tel. no. with sl.no.17. Sl. no. 17 is his uncle. BR* with sl. no. 5, 6, 12, 17, 22, 27, 28.*	*With sl. no. 17, 22, 8, 4*	*With sl. no. 4, 6*	***25.Mala Hemant Sheth***	*Sl. no. 25 is the wife of sl. no. 22 and sl. no. 26 is the nephew.*	*With sl. no. 17, 19..*	*With sl. no. 22,*
12.Kishore Chauhan	*Joint a/c with sl. no. 17 Sl. no. 17 & 22 are witness for demat a/c. BR* with sl. no. 5, 6, 11, 17, 19, 22, 27.*	*With sl. no. 17, 19, 22*	*With sl. no. 4, 17, 19, 22, 28,*	***26.Gaurang Ajit Seth***	*Has common address & Tel. no. with sl. no. 22. & sl. no. 22 and 17 both directors of Rajnandi Yarns Pvt. Ltd. (sl.no.4)*		
13.Manish Suresh Joshi	*Sl. no.10 introduced sl. no.13 for trading a/c.*			***27.Ankit Sanchaniya***	*Same Tel. no. with sl. no. 19 and also shares Tel. no. with sl. no. 17 who is the nominee for his a/c. BR* with sl. no.5, 6, 11, 12, 17, 19, 22, 28,*	*With sl. no. 17, 19.*	*With sl. no. 4, 17, 19, 22, 11, 23, 28.*
14.Kaushik Gangaram Rathod	*Same Tel. no. with sl. no. 16.*	*Sl. no. 16 has fund movement with sl.no. 17.*	*Sl. no. 16 has off-market transfers with sl. no. 17.*	***28.Vivek Kishanpal Samant***	*Sl. no. 17 is the brother in law & shares common Tel. no. & sl.no. 17 is the nominee of sl. no. 28 for trading a/c & bank a/c. Shares email with sl. no. 22. Shares email with sl. no. 19.*	*With sl. no. 22.*	*With sl. no. 4, 17, 22, 11, 12, 19, 27.*

*BR - Business relation.

d. *Upon examination of the material collected during the investigation period, it is noted that the Pabari-Parikh group had indulged in off-market transfer of 5,53,54,390 shares of SIL amongst themselves during the period January 01, 2009 and January 31, 2011. These off-market transfers among the group further establish the connection between the group.*

e. *It was observed that during the investigation period the 28 entities, traded for a total purchase and sale of 12,91,93,874 shares and 10,61,95,225 shares respectively. Out of 28 Pabari-Parikh Group entities, 26 Pabari-Parikh Group entities traded for 88203123 shares (52.28% of the market volume) accounting for 68.27 % of the total purchases of the group and 83.06 % of the total sale of the group within Pabari-Parikh Group entities and 52.28% of the market volume from within the group entities.*

f. *Out of the total trading of 8,82,03,123 shares within the group entities, for 3,25,89,257 shares accounting for 19.32% of the market volume the buy and sale orders were* *placed within time difference of one minute. It was noted that 3,25,89,257 shares constituted for 25.23% of the total purchases and 30.69% of the total sales of the Pabari-Parikh Group entities. Out of 3,25,89,257 shares, it was observed that 46,50,808 shares accounting for 2.76% of the total market volume, the buy and sale orders were placed in synchronised manner (i.e. difference between placement of order by buyer and seller within one minute and order rate as well as order quantity of buy side and sale side being same). It was noted that 46,50,808 shares constituted 5.27% of the total purchases and 4.38% of the total sales of the Pabari-Parikh Group entities. The summary of the synchronised trades by various clients is as under:*

Table - 2

PANNO	***Client Name***	***Synchronised buy trade***	***% of Market Volume***	***% of sync to total buy by client***	***Synchronised sale trade***	***% of Market Volume***	***% of sync to total sale by client***
AAACG1483A	*Gemstone Investments Ltd*	*0.00*	*0.00*	*0.00*	*1000*	*0.00*	*0.28*
AACPS0667F	*Ketan Babulal Shah*	*1500*	*0.00*	*3.58*	*0*	*0.00*	*0.00*
AAZPT9542R	*Bharat Shantilal Thakkar*	*472579*	*0.28*	*7.68*	*603777*	*0.36*	*6.35*
ABYPT4984H	*Bipin Jayant Thaker*	*340208*	*0.20*	*7.15*	*123790*	*0.07*	*3.24*
ADYPV0844N	*Bharat G Vaghela*	*436203*	*0.26*	*10.90*	*645020*	*0.38*	*9.17*
AFMPJ7543L	*Chirag Rajnikant Jariwala*	*18400*	*0.01*	*0.75*	*54380*	*0.03*	*3.07*
AFPPC9703G	*Kishore Chauhan*	*288616*	*0.17*	*4.84*	*675839*	*0.40*	*8.39*
AJHPG6989J	*Bipinkumar Gandhi*	*14698*	*0.01*	*2.45*	*11375*	*0.01*	*1.18*
AKGPP8679N	*Bhavesh Pabari*	*486521*	*0.29*	*5.20*	*550177*	*0.33*	*2.66*
ALHPP3489N	*Prem Mohanlal Parikh*	*356139*	*0.21*	*3.88*	*315428*	*0.19*	*4.11*
AMAPP2722N	***Santosh Maruti Patil***	***7584***	***0.00***	***3.04***	***16439***	***0.01***	***5.00***
ANOPS8607E	*Hemant Madhusudan Sheth*	*865351*	*0.51*	*4.27*	*684574*	*0.41*	*3.06*
ASFPG8598L	*Jigar Praful Ghoghari*	*43355*	*0.03*	*4.63*	*27400*	*0.02*	*4.71*
AZCPS9537P	*Vipul Hiralal Shah*	*25000*	*0.01*	*6.85*	*24800*	*0.01*	*10.48*
AZXPS0694J	*Mala Hemant Sheth*	*28900*	*0.02*	*5.79*	*8727*	*0.01*	*1.39*
BLNPS3316L	*Ankit Sanchaniya*	*572209*	*0.34*	*5.50*	*295844*	*0.18*	*2.96*

BRSPS0294N	*Vivek Kishanpal Samant*	*693545*	*0.41*	*5.53*	*612238*	*0.36*	*5.08*
Grand Total		*4650808*	*2.76*	*5.27*	*4650808*	*2.76*	*4.38*

g. *It was further observed that Bharat Shantilal Thakkar, Bipin Jayant Thaker, Bharat Gangasingh Vaghela, Chirag Rajnikant Jariwala, Kishorbhai Balubhai Chauhan, Bipinkumar Ramniklal Gandhi, Bhabesh Prakash Pabari, Prem Mohanlal Parikh,* ***Santosh Maruti Patil****, Hemant Madhusudan Sheth, Jigar Praful Ghodhari, Vipul Hiralal Shah, Ankit Rajendre Sanchaniya and Vivek Kishanpal Samant were indulged in self trades (i.e. same buy client as well as the sale client for a given trade resulting in no change of beneficial ownership). The details of the same is given as under:*

Table - 3

PAN NO	***Client Name***	***Total Buy***	***Total Sale***	***Self trade qty***	***% of Total Buy***	***% Total Sale***	***% of Market Volume***	***No of Self trades***
AAZPT9542R	*Bharat Shantilal Thakkar*	*10470357*	*9502811*	*235374*	*2.25*	*2.48*	*0.14*	*115*
ABYPT4984H	*Bipin Jayant Thaker*	*6631816*	*3822962*	*226362*	*3.41*	*5.92*	*0.13*	*57*
ADYPV0844N	*Bharat G Vaghela*	*5632325*	*7036639*	*77008*	*1.37*	*1.09*	*0.05*	*94*
AFMPJ7543L	*Chirag Rajnikant Jariwala*	*3090781*	*1769290*	*39700*	*1.28*	*2.24*	*0.02*	*2*
AFPPC9703G	*Kishore Chauhan*	*9721840*	*8058635*	*197023*	*2.03*	*2.44*	*0.12*	*102*
AJHPG6989J	*Bipinkumar Gandhi*	*1393286*	*962338*	*9121*	*0.65*	*0.95*	*0.01*	*37*
AKGPP8679N	*Bhavesh Pabari*	*14085463*	*20707340*	*1620384*	*11.50*	*7.83*	*0.96*	*430*
ALHPP3489N	*Prem Mohanlal Parikh*	*12723256*	*7670445*	*531618*	*4.18*	*6.93*	*0.32*	*152*
AMAPP2722N	***Santosh Maruti Patil***	***328516***	***328516***	***13363***	***4.07***	***4.07***	***0.01***	***46***
ANOPS8607E	*Hemant Madhusudan Sheth*	*29962411*	*22356173*	*3274627*	*10.93*	*14.65*	*1.94*	*761*
ASFPG8598L	*Jigar Praful Ghoghari*	*947718*	*582260*	*9990*	*1.05*	*1.72*	*0.01*	*1*
AZCPS9537P	*Vipul Hiralal Shah*	*439119*	*236600*	*24800*	*5.65*	*10.48*	*0.01*	*1*
BLNPS3316L	*Ankit Sanchaniya*	*15478199*	*9984834*	*471282*	*3.04*	*4.72*	*0.28*	*470*
BRSPS0294N	*Vivek Kishanpal Samant*	*16355615*	*12056998*	*1028756*	*6.29*	*8.53*	*0.61*	*102*
Grand Total		***127260702***	***105075841***	***7759408***	***6.10***	***7.38***	***4.60***	***2370***

h. *It was observed from the Price volume data that the scrip was traded on 228 trading days. Out of 228 trading days, the group entities traded among themselves on 223 days, i.e. 98% of the total number of days the scrip was traded during the period under investigation. It was observed that the Pabari-Parikh Group entities contribution to the daily market volume ranged from 4.94% on May 29, 2009 to 81.15% on April 30, 2010. It is alleged that out of 223 trading days the Pabari-Parikh Group entities traded among themselves, on 130 trading days Pabari-Parikh Group entities contributed more than 50% of the total market volume.*

i. *Out of 223 Pabari-Parikh Group trading days, on 215 trading days, both buy and sell orders were placed within time difference of one minute. The Pabari-Parikh Group entities contribution to daily market volume ranged from 3.52% on May 29, 2009 to 83.56% on March 09, 2010. It is alleged that out of 215 trading days, on 11 trading days Pabari-Parikh Group entities contributed more than 50% of the total market volume by placing both buy and sale order within one minute time difference. Out of 215 trading days, on 149 trading days the trades executed by the Pabari-Parikh Group entities were synchronised in nature. It was also observed that by executing synchronised trades among the group entities, Pabari-Parikh Group entities contribution to total market volume ranged from 0.73% on May 29, 2009 to 28.69% on March 18, 2010 in the scrip of SIL.*

j. *In view of the above, it is alleged that that the Pabari-Parikh Group entities indulged in trading among themselves by way of executing synchronised trades resulting in no change of beneficial ownership and thereby, created artificial volume in the scrip of SIL which gave a false and misleading appearance of trading in the scrip on BSE. It is further alleged that Bharat Shantilal Thakkar, Bipin Jayant Thaker, Bharat Ganga singh Vaghela, Chirag Rajnikant Jariwala, Kishorbhai Balubhai Chauhan, Bipin kumar Ramniklal Gandhi, Bhabesh Prakash Pabari, Prem Mohanlal Parikh, Santosh Maruti Patil, Hemant Madhusudan Sheth, Jigar Praful Ghodhari, Vipul Hiralal Shah, Ankit Rajendre Sanchaniya and Vivek Kishanpal Samant also indulged in self-trades at BSE which contributed significantly to the creation of artificial volumes in the scrip of SIL and therefore violated provisions of Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a), (b), (e) & (g) of the PFUTP Regulations.*

9. The Noticee also submitted a copy of expert opinion on the verification of the questioned signature, dated July 20, 2015 from one private agency viz. Square Advisors. The Noticee vide letter dated September 19, 2015 submitted that he had not executed any trade in the securities market and someone has misused his name. The Noticee vide aforesaid letter requested for inspection of documents in the matter. The request of the Noticee was acceded to and inspection of documents was conducted and completed on October 09,

2015 and December 15, 2015. The Noticee vide letter dated November 27, 2015, *inter alia* made the following submissions:

(a) The Noticee submitted that he is an innocent person and has never traded in the securities market.
(b) That he has never opened a trading account with any of the brokers and HDFC bank account as mentioned in the SCN.
(c) That his signature in the KYC and other documents are forged.

10. The Noticee vide letter dated February 19, 2016 while denying the allegations in the SCN *inter alia* made following submissions:

(a) The Noticee submitted that he has not executed a single trade in the securities market till date.
(b) That he was not provided copies of all the relevant documents in the matter.
(c) That he has not opened a trading account with any broker including the brokers allegedly shown to be his brokers i.e. Comfort Securities Limited and Shriram Insight Share Brokers Ltd.
(d) That he has never opened any demat account with any depository participant except HDFC Bank Limited. The said account was opened in the year 2013 and that the Noticee has not carried out any transaction in the said account.
(e) That his name was misused by the alleged Broker's and/or some unknown person(s) without his consent and knowledge. He is in service from last couple of years and has not indulged in any shares trading activities in the securities market due to nature of his work. He is not allowed to make any phone calls from his work place except emergency/necessary calls.
(f) That his name, his identity/address proof documents with photographs have been misused by some unknown person(s) with the help of the Brokers and the said person(s) had forged his signature while opening fake/bogus bank, demat and trading accounts.
(g) That the unknown person(s) has also created his fake email account patil_santosh9@yahoo.com and given fake mobile number which never belongs to the Noticee.
(h) That one qualified forensic expert has compared original signatures of the Noticee with the signatures used in account opening form of the broker Comfort Securities Limited and certified that signature on account opening form of the broker are not of the Noticee.
(i) That he has never used the address given in the Form i.e. S-13 Basment, Hazari Baug, Station Road, Vikroli (West) Maharashtra-400 079.
(j) That unknown person(s) also opened fake bank account in his name with HDFC Bank Limited, Ghatkopar West Branch.
(k) The Noticee denied that he was interviewed by the employee (Sri Navin Thakur, R.M. of the said Broker) of Comfort Securities Pvt. Ltd. while opening of alleged account as stated in the alleged Form.
(l) It is alleged in the SCN that Mr. Narendra Prabodh Ganatra had introduced the Noticee for opening account with Comfort Securities Limited. However, In KYC form name of some other person is appearing as introducer.

(m) *That he never had any fund movement with Mr. Narendra Prabodh Ganatra. If there is any fund movement, it is a bogus transaction executed by unknown person(s) and not by the Noticee.*
(n) *The Noticee denied opening any account(s) with HDFC Bank Limited except Bank Account Number 50100028070120 which was opened in the year 2013 much later than the completion of the Investigation Period.*
(o) *That there are discrepancies in the trade data.*
(p) *That the Noticee is from a middle class background.*

11. The Noticee submitted following documents along with aforesaid letter dated February 19, 2016:

Table - 4

Sr. No.	***Name of Document***
1	*ICICI Bank account (A/c No. 054601503522) statement of the Noticee for the period April 01, 2008 to June 09, 2015*
2	*ICICI Bank account (A/c No. 124901502004) statement of the Noticee for the period March 01, 2015 to June 09, 2015*
3	*SBI Loan Account statement from February 17, 2014 to June 13, 2015*
4	*Bank of India Account (A/c No. 002010110004456) statement from June 01, 2007 to May 28, 2015*
5	*HDFC Bank Account (A/c No. 50100028070120) statement from June 01, 2007 to May 28, 2015*
6	*Copy of Complaint against Broker Comfort Securities Limited dated July 01, 2015, filed to SEBI Chairman*
7	*Copy of Passport of the Noticee*
8	*Copy of Ration Card in the name of Mrs. Ranjana Maruti Patil*
9	*Copy of Voter ID of the Noticee*
10	*Copy of expert opinion on the verification of the questioned signature dated July 20, 2015*
11	*Letter of appointment of the Noticee from Capgemini*
12	*Employment related documents*

12. The Noticee vide letter dated February 17, 2016 submitted additional reply wherein he informed that he has received a notice from department of income tax in respect of share trading from his trading account. The Noticee also submitted copies of complaints filed to the Police Department of Mumbai. The Noticee was granted an opportunity of hearing on June 30, 2017 vide hearing notice dated June 13, 2017. The Noticee vide letter dated June 24, 2017 requested for adjournment of the hearing scheduled on June 30, 2017. Vide email dated June 29, 2017, the Authorized Representative (hereinafter referred to as "AR") of the Noticee was informed that his request for adjournment was acceded to.

13. Thereafter, the Noticee was granted another opportunity of hearing on September 26, 2018 vide hearing notice dated September 03, 2018. The Noticee vide letter dated September 11, 2018 requested for adjournment of the hearing scheduled on September 26, 2018.

14. In view of the change in AO, the Noticee was granted another opportunity of hearing on August 09, 2019, vide hearing notice dated July 18, 2019. The AR attended the hearing on the scheduled date and reiterated the submissions made by the Noticee vide letter dated February 19, 2016. The AR also submitted copies of complaints made to the police department of Mumbai and on PG Portal (Portal of Centralized Public Grievance Redress and Monitoring System), in respect of his name being used for trading on the basis of forged documents/signature.

15. Vide email dated September 18, 2019, the Noticee was granted final opportunity of hearing on September 20, 2019. The AR attended the hearing on the scheduled date and reiterated the submissions made by the Noticee vide letter dated November 27, 2015 and February 19, 2016. The AR requested during the hearing that the verification of the signatures of the Noticee, on account opening forms of aforesaid trading and bank accounts of the Noticee, may be carried out by Indian Forensic Sciences Laboratories. Vide email dated November 14, 2019, the Noticee was advised to submit final submissions within 3 months i.e. latest by January 30, 2020. The Noticee vide email dated January 16, 2020 submitted a copy of the First Information Report dated January 14, 2020. Thereafter, upon considering the material available on record, oral and written submissions, order dated February 25, 2020 was passed which was set aside by the Hon'ble SAT vide order dated July 22, 2022 and the matter was remanded back for fresh consideration.

16. Pursuant to the orders of the Hon'ble SAT dated July 22, 2022 and Hon'ble Supreme Court dated November 11, 2022, the Noticee was granted an opportunity of hearing on November 18, 2022 at 11:00 AM which was communicated to him vide email dated November 14, 2022. At the request of the Noticee, the hearing was rescheduled to December 09, 2022 at 03:30 PM. The hearing was attended by the Noticee, Mr. Santosh Maruti Patil, his Authorized Representatives, Adv. Mr. Vikram Pradeep, Ms. Rajannee Patil and Counsel, Adv. Shri Vinay Chauhan.

At the request of the Noticee's Counsel, time was granted till December 14, 2022 to file any post hearing submissions. Vide email dated December 14, 2022, the Authorized Representative of the Noticee has forwarded the additional submissions along with relevant annexures.

CONSIDERATION OF ISSUES AND FINDINGS

17. I note that the Hon'ble Supreme Court vide order dated November 11, 2022 in Civil Appeal No. 8329/2022 has directed that all the Noticee's contentions made before the Adjudicating Officer shall be considered on their merits and documents produced shall also be considered independently on their merits, and dismissed the said appeal. In view of the same, I have considered the material available on record i.e. the SCN, oral and written submissions including the Noticee's additional submissions dated December 14, 2022 and based on the aforesaid, I note that the following issues require consideration:

    I. Whether the Noticee has been able to discharge the burden of proof that the trading account in which the trading took place and the demat account wherein the shares were held, did not belong to him?

    II. Whether the Noticee has violated Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a), (b), (e) & (g) of PFUTP Regulations by indulging in manipulative trades?

    III. Does the violation, if any, attract monetary penalty under Section 15HA of the SEBI Act?

    IV. If yes, what should be the quantum of penalty?

18. I, now, proceed to deal with the aforesaid issues.

Issue I: Whether the Noticee has been able to discharge the burden of proof that the trading account in which the trading took place, and the demat account wherein the shares were held did not belong to him?

19. I now proceed to deal with the Noticee's contention that he has opened neither a trading account with any of the brokers nor the HDFC bank account as mentioned in the SCN. He has also submitted that his signature in the KYC and other documents of the aforesaid bank

and trading accounts were forged. The Noticee has submitted a copy of an expert opinion from one private agency viz. Square Advisors, dated July 20, 2015, which states that the signature of the Noticee is different from the signatures on the documents used for opening of trading and HDFC bank account. The Noticee also stated that the unknown person(s) has also created his fake email account patil_santosh9@yahoo.com and given fake mobile number which never belonged to the Noticee.

20. Before dealing with the Noticee's submissions on merits, I note that the Noticee in his submissions dated December 14, 2022 has informed that the Income Tax Department has recorded his statement on oath in connection with suspicious transactions in the scrip of Rutron International Ltd. and Splash Media Infra Ltd. I note from the said statement (Annexure D to Additional Submissions dated December 14, 2022) that when asked at question no. 29 as to when the shares got credited into his demat account, the Noticee replied stating that he has not opened any demat account. The Noticee also stated that it was only when his salary account with ICICI Bank was frozen that he found out that a demat account has been opened in his name. I note that the Income Tax Department has passed an Assessment Order (Annexure F to Additional Submissions dated December 14, 2022) wherein the Income Tax Officer has noted as under:

> ***<u>"14. Statement recorded u/s 131</u>***
> *In view of the above facts and discussions, Notice u/s 131 was issued to the Assessee on 09.12.2016 and Statement was recorded on 21.12.2016. The Assessee was asked various questions regarding the purchase and sale of the said shares, how the decision was made to buy and sell the same. Questions were asked in respect of financials of the Company whose shares were purchased and various other questions to find out the intention of the Assessee behind such Investment. The copy of the statement recorded on 21.12.2016 is appended to this order as Annex "A".*
>
> ***The Assessee in his answers to the questions asked could not provide any logical or cogent reasoning. Further the Assessee could not provide any forceful and convincing reason.*** *The Assessee stated that he had not indulged in trading of any of the shares.*
>
> *15. As discussed above, the Assessee purchased 5000 shares of M/s. Rutron International Ltd. for Rs. 13,35,000/- and sold 1,77,828 shares of Splash Media for a consideration of Rs. 4,89,027/-. The Assessee states that he has not dealt in trading of any of the shares and has not disclosed the above share transactions in the return of income filed by him.* ***Therefore, in view of the modus operandi in penny stock scrip transaction discussed at length above,***

> ***the entire purchase cost of Rs. 13,35,000/- in the shares of M/s. Rutron International Ltd. is treated as unexplained investment u/s 69 and entire sale consideration of Rs. 4,89,027/- is treated as unexplained credit u/s. 68 of the I.T. Act, and accordingly added to the total income of the Assessee**."*

21. I note from the aforesaid Assessment Order that the argument of the Noticee that he has not opened the demat/ trading account as alleged has not been accepted by the Income Tax Department.

22. The Noticee, during the hearing held on December 09, 2022, *inter alia* made the following submissions:
    - *The Noticee's Counsel reiterated the submissions made by the Noticee vide letter dated December 18, 2019 to SEBI.*
    - *The Counsel also referred to the expert opinion on the verification of the Noticee's signature, from one private agency viz. Square Advisors, dated July 20, 2015 wherein it has been stated that "on the cumulative effect of all the above reasons and observations taken together, it strongly indicates that the questioned signatures has not been signed by the person who signed the known signatures and specimen signatures."*
    - *The Counsel relied on SEBI's order dated January 15, 2018 in respect of Mr. Rajesh Pravin Bhanushali in the matter of Gemstone Investment Limited wherein it is noted that the SCN in that matter was served on the following address "S/13, Hazari Bagh, Station Road, Vikhroli West – Mumbai, Maharashtra India 400079". The Counsel argued that the said address is same as that of the Noticee as per the KYC available with SEBI. The Counsel argued that in the said order Mr. Rajesh Pravin Bhanushali is said to be connected with the Parikh-Pabari group, similar to the case of the Noticee. Based on the aforesaid, it was argued that the entire fraudulent scheme was floated by the Parikh-Pabari group, and that the Noticee was unaware of the same.*
    - *When questioned about the status of the FIR dated January 14, 2020 filed by the Noticee, it was informed that no charge sheet has filed in the matter.*

23. The Noticee vide his submissions dated December 14, 2022 has relied on the Whole Time Member's order dated January 15, 2018 with respect to Mr. Rajesh Pravin Bhanushali in the matter of M/s Gemstone Investment Ltd. The Noticee has stated that, SEBI, in the said case obtained a signature verification from International Forensic Services, Pune (hereinafter referred to as "IFS") for getting Expert Opinion of the Signatures on the Client Registration form and other documents used for initiating the trading activity. Based on the said report, the Noticee, Mr. Rajesh Pravin Bhanushali was granted the benefit of doubt and the Show Cause Notice was disposed of. Vide the said order, SEBI was further directed

to lodge a complaint with the Police Authorities for the forgery, creation of false documents etc. as applicable under law.

24. I note that at paragraph no. 32 of the order dated January 15, 2018 in the matter of M/s Gemstone Investment Ltd., it was noted that the questionable signatures therein point towards existence of reasonable circumstance of offence of the forgery, creation of false and fabricated documents and any other related provisions of law under Indian Penal Code, 1860. However, who has indulged in such offence can only be found out through Investigation by police authorities. In view of the same, a benefit of doubt was given to the Noticee therein and SEBI was directed to lodge/report a complaint/the information, expeditiously, before police authorities having jurisdiction, on the forgery, creation of false and fabricated documents and any other related provisions of law under Indian Penal Code, 1860, for its investigation and resultant proceedings in court of law.

25. I note that the said order was passed on January 15, 2018. However, I note that the Hon'ble SAT vide order dated January 23, 2018 in ***SEBI vs. Kalidas Dutta*** (Appeal No. 262 of 2016), passed the following directions were issued in respect of fraudulently usage of someone's identity without his knowledge/consent:

> *"…this appeal can be disposed of with a direction to the appellant to obtain appropriate documents/orders from the competent authority to the effect that he was fraudulently appointed as director of the company in question on 10th February, 2015. For this purpose, the appellant is granted time up to one year to do the needful and submit the same to SEBI. …"*

26. In light of the said order dated January 23, 2018, the undersigned, vide email dated October 09, 2019, granted the Noticee one month's time to obtain and submit the appropriate documents/ order from the competent authority to the effect that the signature on the documents used for opening aforesaid trading and bank accounts were forged. Vide email dated January 16, 2020, the Noticee submitted a copy of the First Information Report (hereinafter referred to as "FIR") dated January 14, 2020. The Noticee has lodged the FIR stating that his name /identity has been misused by some unknown persons to open a share trading account using his forged signature and the aforesaid trading account has been misused. During the hearing held on December 09, 2022, when the Noticee was questioned

about the status of the FIR dated January 14, 2020 filed by the Noticee, it was informed that no charge sheet has been filed in the matter.

27. I note that an FIR is only an information regarding cognizable offence which is registered/ lodged at a police station and it cannot be considered as an order from the competent authority in terms of the observations of the Hon'ble SAT in ***Kalidas Dutta***. The copy of FIR, submitted by the Noticee, does not prove or substantiate the claim of the Noticee that the signature on documents used to open his trading and bank accounts was forged.

28. Furthermore, even after a period of almost three years, no charge sheet has been filed by the authorities in the matter. I note that in his submissions dated December 14, 2022, the Noticee has submitted that he sought a status update with respect to the FIR vide letter dated December 08, 2022 i.e. one day prior to the date of hearing i.e. December 09, 2022. The Noticee has not adduced any proof to show that in the intervening period of three years, he has been following up with the authorities to take action on the FIR filed by him. I note that the Hon'ble SAT had set aside the first AO order against the Noticee in the matter vide order dated July 27, 2015. I note that from 2015 to 2022 i.e. even after seven years the Noticee has not be able to obtain an order from the competent authority that his documents were misused and signatures were forged.

29. Furthermore, I note that the said issue of forgery of the Noticee's signature was also raised before the Hon'ble SAT in Appeal No. 51 of 2021. However, the Hon'ble SAT took note of the reliance placed by me on its order dated January 23, 2018 in ***Kalidas Dutta v. SEBI*** and did not give any adverse observations in this regard. I also note that the matter was remanded to me only on the ground that the order dated February 25, 2020 did not provide any ground for holding connection of Narendra Ganatra with the Pabari – Parikh group.

30. In view of the aforesaid, I note that the similarities cited by the Noticee with the case of Mr. Rajesh Bhanushali, cannot be ground for SEBI to give any finding with respect to forgery of his signature. Even the Whole Time Member's order dated January 15, 2018 has noted that the offence of the forgery, creation of false and fabricated documents and any other related provisions of law under Indian Penal Code, 1860 can be found out only through Investigation by police authorities.

31. I note that in his letter dated December 18, 2019 addressed to SEBI, the Noticee has submitted that the bank account with HDFC Bank (Ghatkopar Branch) was opened in 2005, demat account with Shriram Insight Share Brokers Limited (hereinafter referred to as "Shriram") was opened in 2006 and the trading account with broker Comfort Securities Private Limited (hereinafter referred to as "Comfort") was opened in 2009 using his photograph and PAN Card. The Noticee has stated therein that he is not aware as to how his PAN Card and photographs were received by persons who used them to open his accounts. The Noticee has also stated that he has never visited the offices of HDFC Bank, Shriram and Comfort.

32. I note that as per the Noticee's request, vide email dated August 28, 2019, the Noticee was provided a copy of the his HDFC bank account statement (A/c. Number - 04061000007837) and the Client Registration Application Form (hereinafter referred to as "CAF") obtained from broker, Comfort. Further, copy of CAF of the Noticee from the depository participant, Shriram was also forwarded to the Noticee vide email dated September 18, 2019.

33. I have perused the CAF obtained from Comfort and Shriram and based on the same, I note that the PAN Card of the Noticee has been provided as proof. The CAF of Comfort has also enclosed with a copy of the Driving License of the Noticee which carries the Noticee's address i.e. 9/142, Third Floor, Saeesh Co. Op. Housing Society, Kannamwar Nagar – 1, Vikhroli (East), Mumbai – 400083 which the Noticee claims is indeed his address.

34. I also note that the email ID provided by the Noticee in the CAF of Comfort is "*patil_**santosh9**@yahoo.com*" and same appears in the bank account statement of the HDFC bank bearing account no. 04061000007837 which the Noticee has claimed to be a fake email ID vide his letter dated February 19, 2016. However, interestingly, during the hearing held on December 09, 2022 through WebEx, the Noticee attended the same through the following email ID "***santosh09***@gmail.com". The fact that the Noticee's current email ID is similar to the email ID appearing in the CAF and bank statement, raises a doubt whether the email ID used therein was indeed fake.

35. Therefore, I find that the Noticee's contention that his documents were misused and signatures were forged does not stand established.

Issue No. II: Whether the Noticee has violated Regulations 3(a), (b), (c), (d), 4(1) and 4(2)(a), (b), (e) & (g) of PFUTP Regulations by indulging in manipulative trades?

36. I note that a group of twenty-eight (28) entities i.e. the **Pabari-Parikh Group** including the Noticee were connected to each other and had traded heavily in the scrip of SIL. The connections between the entities has been reproduced at Table No. 1. The SCN alleged that the Noticee was connected with the Pabari – Parikh Group through fund movement and KYC relationship.

Connection between the Noticee, Mr. Santosh Maruti Patil and Mr. Narendra Prabodhkumar Ganatra

37. As regards the connection between the Noticee and the Pabari – Parikh Group, I note that the following fund transfers are seen from the account bearing no. 04061000007837 of the Noticee held with the HDFC Bank Ltd.

Table no. 6

Transferee Name	Date of transaction	Amount (in Rs.)
Narendra Prabodhkumar Ganatra	February 09, 2009	1,00,000
Gemstone Investments Ltd.	August 14, 2009	10,00,000
Gemstone Investments Ltd.	August 14, 2009	5,00,000
Gemstone Investments Ltd.	August 14, 2009	5,00,000

38. I note that the Noticee has transferred Rs. 1,00,000/- to Mr. Narendra Prabodhkumar Ganatra, a Pabari – Parikh Group entity. Further, the Noticee has transferred a total sum of Rs. 20,00,000/- to Gemstone Investments Ltd., another Pabari – Parikh Group entity. I also note from Table no. 1 that Mr. Narendra Prabodhkumar Ganatra was the director of Gemstone Investments Ltd. during the Investigation Period 1.

39. The SCN has alleged that the Noticee is also connected to Mr. Narendra Prabodhkumar Ganatra through KYC relation as Mr. Narendra Prabodhkumar Ganatra also appears as introducer of the Noticee, in his trading account opening form with Comfort. In this regard, I note from the CAF of the Noticee filed with the broker Comfort, that introducer of the Noticee is not Mr. Narendra Prabodh Ganatra or any other Pabari – Parikh Group entity but one Mr. Vijendra Vishwakarma. Further, from the CAF of the Noticee filed with Shriram, it is seen that no introducer is mentioned.

40. In view of the above, I find that the the Noticee is connected with Mr. Narendra Prabodhkumar Ganatra on the basis of fund movements.

<u>Connection between Mr. Narendra Prabodh Ganatra and the Pabari – Parikh Group</u>

41. The Hon'ble SAT in its order dated July 22, 2022 at paragraph 10 *inter alia* observed that though in the order dated February 25, 2020 it was observed that Mr. Narendra Ganatra was connected entity with the entire Pabari – Parikh group it is not explained how the said connection was established and merely a remark of having a connection is made.

42. In this regard, I note that Table No. 1 provides that the Mr. Narendra Prabodhkumar Ganatra is connected with the Pabari Parikh Group in the following manner:

    (a) Mr. Narendra Prabodhkumar Ganatra is connected with Gemstone Investments Ltd. as he was the director of the said company during the Investigation Period 1.

    (b) Mr. Narendra Prabodhkumar Ganatra is connected with Mr. Bhavesh Pabari as they have a common office address and Mr. Narendra Prabodhkumar Ganatra acted as the introducer of Mr. Bhavesh Pabari for opening a trading account.

    (c) Based on Annexure E to the SCN, I also note that Mr. Bhavesh Pabari is the counter party to the sale trades executed by Mr. Narendra Prabodhkumar Ganatra.

43. In view of the above, I find that the Noticee is connected with the Pabari – Parikh Group through Mr. Narendra Pramod Ganatra.

44. I note from Annexure C of the SCN and the trade log that the Pabari – Parikh Group has executed the following trades in the scrip of SIL.

Table – 7

Client Name	**Total Buy (Market)**	**Percentage of Market Volume**	**Buy amongst Group**	**Total Sell (Market)**	**Percentage of Market Volume**	**Sell amongst Group**	**Buy orders <1 min**	**Sale Orders <1 min**
Gemstone Investments Ltd. (Narendra P Ganatra)	626395	0.37	399286	351395	0.21	347193	17187	119710
Bhupesh Harishchandra Rathod	4583	0.00	1750	4583	0.00	722	1750	200
Ketan Babulal Shah	111045	0.07	41893	18045	0.01	17218	23877	2710
Raj Nandi Yarns Private Limited	50500	0.03	49574	0	0.00	0	49574	0.00
Bharat Shantilal Thakkar	10470357	6.21	6153659	9502811	5.63	6930672	3349994	3176385
Bipin Jayant Thaker	6631816	3.93	4760598	3822962	2.27	3153916	1408465	1038205
Vasudev Ramchandra Kamat	5000	0.00	4000	20000	0.01	17600	2361	1210
Bharat Gangasingh Vaghela	5632325	3.34	4000455	7036639	4.17	5708621	2792431	2520266
Sagar Janak Vyas	128000	0.08	0	0	0.00	0	0.00	0.00
Narendra Prabodh Ganatra	13538	0.01	0	13538	0.01	307	0.00	0
Chirag Rajnikant Jariwala.	3090781	1.83	2445224	1769290	1.05	1447682	578640	374989
Kishorbhai Balubhai Chauhan	9721840	5.76	5966256	8058635	4.78	6049066	2642442	3383044
Manish Suresh Joshi	50000	0.03	0	50000	0.03	48601	0.00	0
Kaushikkumar Gangaram Rathod	97140	0.06	0	0	0.00	0	0.00	0.00
Santosh Vishram Ghadshi	500	0.00	0	500	0.00	199	0.00	0
Bipinkumar Ramniklal Gandhi	1393286	0.83	598762	962338	0.57	287473	335676	104154
Prakash Pabari Bhavesh	14085463	8.35	9350484	20707340	12.27	18149114	3352357	5652616
Kaushik Karsanbhai Patel	0	0.00	0	10418	0.01	10418	0.00	0
Prem Mohanlal Parikh	12723256	7.54	9168628	7670445	4.55	6882270	2766649	2387712
Santosh Maruti Patil	**328516**	**0.19**	**249267**	**328516**	**0.19**	**242572**	**117303**	**104315**
Kaushik Rajnikant Mehta	10000	0.01	305	10000	0.01	10000	0	0

Client Name	Total Buy (Market)	Percentage of Market Volume	Buy amongst Group	Total Sell (Market)	Percentage of Market Volume	Sell amongst Group	Buy orders <1 min	Sale Orders <1 min
Hemant Madhusudan Sheth.	29962411	17.76	20269354	22356173	13.25	18715993	5822146	5906947
Jigar Praful Ghodhari	947718	0.56	936030	582260	0.35	559011	351740	201289
Vipul Hiralal Shah	439119	0.26	365218	236600	0.14	206075	118125	65850
Mala Hemant Sheth	818384	0.49	499338	625863	0.37	544230	113979	101135
Gaurang Ajit Sheth	18087	0.01	8672	15042	0.01	7898	1998	2821
Ankit Rajendre Sanchaniya	15478199	9.17	10398910	9984834	5.92	7620317	4495904	2881659
Vivek Kishanpal Samant	16355615	9.69	12535460	12056998	7.15	11245955	4246659	4564040
Total	**129193874**	**76.58**	**88203123**	**106195225**	62.95	88203123	**32589257**	32589257

<u>Findings on Total Buy and Sale Trades of the Noticee</u>

45. I note from the aforesaid Table, the Pabari Parikh Group entities purchased 12,91,93,874 shares accounting for 76.58% of the total volume traded during the period under investigation and sold 10,61,95,225 shares accounting for 62.95% of the total volume traded during the period under investigation. Further, out of these 28 Pabari Parikh Group entities, 26 entities traded 8,82,03,123 shares (52.28% of the market volume) within the group entities, accounting for 68.27% of the total purchase of the group and 83.06% of the total sale of the group. I note that the Noticee bought and sold 3,28,516 shares contributing to 0.19% of the market volume. Furthermore, I note that the Noticee bought 2,49,267 shares and sold 2,42,572 shares of SIL with other members of Pabari-Parikh Group. Therefore, I find that the Pabari-Parikh Group including the Noticee contributed to the volume in the scrip of SIL during the Investigation Period 1.

46. Based on Annexure C and the trade log, I note that out of the total trading of 8,82,03,123 shares within the Pabari Parikh group entities, the buy and sale orders for 3,25,89,257 shares accounting for 19.32% of the market volume were placed within a time difference of one minute. I also note that the Noticee placed buy and sale orders for 1,17,303 and 1,04,315 shares within a time difference of one minute in the scrip of SIL. In this regard,

it is pertinent to note the observations of the Supreme Court in *SEBI* v. *Kishore R. Ajmera* (2016) 6 SCC 368, observed as under:

> *"…While the screen based trading system keeps the identity of the parties anonymous it will be too naive to rest the final conclusions on said basis which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test, in our considered view, is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned. Prosecution under Section 24 of the Act for violation of the provisions of any of the Regulations, of course, has to be on the basis of proof beyond reasonable doubt…."*

<u>Findings on synchronised trades</u>

47. I note from Table no. 2 that the Pabari - Parikh Group entities including the Noticee have bought and sold 46,50,808 shares which is 2.76% of the total market volume, in a synchronized manner. Out of the said 46,50,808 shares, the Noticee has bought 7,584 shares and sold 16,439 shares in a synchronized manner which constitutes 0.01% of the market volume.

<u>Findings on self-trades</u>

48. I note from Table no. 3 that the Pabari - Parikh Group entities including the Noticee have indulged in self-trades and traded in 77,59,408 shares through self-trades thus contributing to 4.60% of total market volume. Out of the said 77,59,408 shares, the Noticee has traded in 13,363 shares through self-trades which constitutes 0.01% of the market volume.

49. In view of the above, I find that the Noticee (a) bought and sold 3, 28, 516 shares contributing to 0.19% of the market volume, (b) bought 7,584 shares and sold 16,439 shares in a synchronized manner which constitutes 0.01% of the market volume and (c) traded in 13,363 shares through self-trades which constitutes 0.01% of the market volume and (d) placed buy and sell orders for 1, 17, 303 shares and 104, 315 shares respectively within a time difference of one minute in the scrip of SIL.

50. The Noticee has submitted that there are discrepancies in trade data and submitted instances of data discrepancy. The Noticee submitted that on December 15, 2009 an

alleged trade was shown to be executed at 10:57:24 at the rate Rs.76.45. The buy order price for the said trade is shown as Rs.76.30 and the sell order price was shown as Rs. 76.45 yet the trade was executed at a price Rs.76.45. On perusal of aforesaid trade details is, it was observed that buy order was modified by the Noticee (Buyer) before it was executed/matched. Therefore, I note that the trades were matched at the price of Rs. 76.45, which has been mentioned in the Annexure - D of the SCN. The understanding of the Noticee that there is discrepancy in the data provided to him, is therefore incorrect.

51. At this juncture, it is relevant to note the provisions of law applicable to the present proceeding.

> ***PFUTP Regulations***
>
> ***3. Prohibition of certain dealings in securities***
>
> *No person shall directly or indirectly—*
> ***(a)*** *buy, sell or otherwise deal in securities in a fraudulent manner;*
> ***(b)*** *use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made 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;*
> ***(b)*** *dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss;*
> *(c)............*
> *(d)............*
> ***(e)*** *any act or omission amounting to manipulation of the price of a scrip*

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

52. In view of the above, I conclude that being part of the Pabari-Parikh Group, the Noticee has:

    (a) contributed to the creation of artificial volume and such trading is fraudulent in nature.

    (b) indulged in trading among the group entities, synchronized trades and self-trades, thus resulting in no change of beneficial ownership. I find that neither the Noticee nor available records provide any plausible justification for such trading behavior. Therefore, I find that the dealings of the Noticee are manipulative and therefore, the charges levelled against them in the SCN regarding the contravention of the provisions of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2)(a), (b) & (g) of PFUTP Regulations stand established.

53. The Hon'ble SAT vide order dated July 22, 2022 at paragraph 11 has observed that "*the respondent SEBI had let off Narendra Ganatra for carrying trades in miniscule quantity. Therefore, the issue would be as to whether similar treatment can be given to the appellant for carrying self-trades in miniscule quantity….*". In this regard, I note that vide order dated November 29, 2019, the adjudication proceedings against Mr. Narendra Prabodh Ganatra were disposed of without imposing any penalty. The reasons for the same and the manner in which the case of Mr. Narendra Prabodh Ganatra is distinguishable from that of the Noticee as seen from Annexure C of the SCN are as under:

Table - 8

Particulars	**Mr. Narendra Prabodh Ganatra**	**Mr. Santosh Maruti Patil**
Total volume of buy and sale orders in the scrip of SIL	13538 (0.01%)	328516 (0.19 %)
Total buy within the group	0 (0.00%)	249267 (0.15%)
Total sale within the group	307 (0.00%)	242572 (0.14%)
Synchronised Buy	0 (0.00%)	7584 (0.01%)
Synchronised Sale	0 (0.00%)	16439 (0.01%)
Buy Orders within a time difference of one minute	0 (0.00%)	117303
Sale Orders within a time difference of one minute	0 (0.00%)	104315

Issue No. II: Does the violation, if any, attract monetary penalty under Section 15HA of the SEBI Act?

54. In view of the findings in the preceding paragraphs, I am convinced that it is a fit case for imposition of monetary penalty on the Noticee under the provisions of Section 15HA of the 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 of twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

Issue No. III: If yes, what should be the quantum of penalty?

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

> ***Factors to be taken into account while adjudging quantum of penalty.***
>
> *15J.While adjudging quantum of penalty under 15-I or section 11 or section 11B, the Board or the adjudicating officer shall have due regard to the following factors, namely:—*
>
> *(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
>
> *(b) the amount of loss caused to an investor or group of investors as a result of the default;*
>
> *(c) the repetitive nature of the default.*
>
> *Explanation — For the removal of doubts, it is clarified that the power to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section.*

56. I note that the available records do not mention the specific profits made by the Noticee or loss suffered by the investors due to price manipulation committed by the Noticee in the instant case. However, I cannot ignore the gravity of violations involved in the matter. Having established that the Noticee had executed trades through which he contributed to the volume manipulation, in my opinion, such trades are certainly in the nature of causing

adverse impact in disturbing the equilibrium of fair market mechanism. I also note that the PPG entities including the Noticee, have contributed significantly to the artificial volume creation by trading among themselves and by indulging in synchronized trades and self-trades in the scrip during the investigation period.

ORDER

57. Having considered all the facts and circumstances of the case, the material available on record, the submissions made by the Noticee and also the factors mentioned in Section 15J of the SEBI Act and in exercise of the powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the AO Rules, I hereby impose a penalty of Rs. 3,00,000/- (Rupees Three Lakh only) on the Noticee viz. Shri Santosh Maruti Patil under the provisions of Section 15HA of the SEBI Act. I am of the view that the said penalty is commensurate with the lapse/omission on the part of the Noticee.

58. The Noticee shall remit / pay the said total amount of penalty within 45 days of receipt of this order in either of the way, such as by following the path at SEBI website www.sebi.gov.in, ENFORCEMENT > Orders > Orders of AO > PAY NOW; OR by using the web link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. In case of any difficulties in payment of penalties, the Noticee may contact the support at portalhelp@sebi.gov.in.

59. The said confirmation of e-payment made in the format as given in table below should be sent to "The Division Chief, EFD-DRA- II, Securities and Exchange Board of India, SEBI Bhavan, Plot no. C- 7, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051" 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)	

60. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated 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.

61. In terms of the provisions of Rule 6 of the Adjudication Rules, copies of this order are being sent to the Noticee, Mr. Santosh Maruti Patil and also to the Securities and Exchange Board of India, Mumbai.

Sd/-

Place: Mumbai **Dr. ANITHA ANOOP**

Date: December 16, 2022 **ADJUDICATING OFFICER**

SECURITIES AND EXCHANGE BOARD OF INDIA