

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: S RAMAN, WHOLE TIME MEMBER**

ORDER

Proceedings Under Sections 11(4) and 11B of the Securities and Exchange Board of India Act, 1992 read with Regulation 11 of the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003 in respect of Ms. Krupa Sanjay Soni (PAN: BVSPS9740P), Mr. Krunal Gopaldas Rana (PAN: AKMPR9961M) and Mr. Ashlesh Shah (PAN: AEOPS0718P) - in the matter of Rotam Commercials Limited (presently known as Sword-Edge Commercials Limited).

1. Securities and Exchange Board of India (“SEBI”) conducted investigation in respect of the trading in the scrip of Rotam Commercials Limited (hereinafter referred to as “RCL”) for the period January 20, 2010 to May 17, 2010. During the said period, the price of the scrip increased from Rs.82.15 (opening price) on January 20, 2010 to Rs.153/- on April 12, 2010 and then decreased to Rs.69.90 (closing price) on May 17, 2010.
2. The investigation by SEBI *inter alia* revealed that the promoters and promoter group entities of RCL and their connected entities namely Shamanjwali Metals Pvt. Ltd. (**Shamanjwali**) and S. B. Malani & Sons (**SBMS**) (collectively referred to as '**Malani group**') wanted to liquidate their holdings and exit from RCL. However, RCL was an illiquid scrip. Prior to February 25, 2010, there was no trading and subsequently the trading volumes were very low. The *modus operandi* adopted by Malani group to exit RCL is stated below.
 - i. The former Directors of RCL diverted the funds of RCL to another connected /related group commonly referred to as the '**Krupa Soni group**'. The investigation conducted by SEBI revealed that Krupa Soni group consisting of Ms.Krupa Soni, Mr.Sanjay Soni, J M Soni Consultancy, Mr.Krunal Gopaldas Rana, Mr.Dhirenkumar Dharamdas Agarwal and Mr.Ashlesh Shah purchased 2,49,966 shares (26.04% of the total capital) and sold 2,10,343 shares (21.91% of the total capital) during the period under investigation.
 - ii. Out of the total shares traded by the said group, 46,901 shares were traded amongst Krupa Soni group of entities.
 - iii. Out of the trades executed by Krupa Soni group entities viz., Ms.Krupa Soni and Mr.Sanjay Soni, 17,607 shares were in the nature of self-trades.

- iv. Mr.Sanjay Soni and Ms.Krupa Soni also indulged in price manipulation in the scrip of RCL.
 - v. On account of the above trading conducted by Krupa Soni group, the scrip of RCL attained momentum and at this juncture, other investors also started trading in the said scrip.
 - vi. It is alleged that in the wake of the artificial interest created in the scrip, the promoter group (Malani group) could make an exit by selling their stake in the company.
 - vii. Malani group sold a total of 2,47,125 shares (25.74% of the total share capital) during the period of investigation.
 - viii. Out of 2.47 lakh shares sold by Malani group, 69,661 shares (approximately 28.19% of all the sales by the Malani group) were purchased by Krupa Soni group and the remaining shares were purchased by other entities.
 - ix. Krupa Soni group were the counter-parties for more than 50% of the sales by Malani group of entities on two days (February 25, 2010 and April 06, 2010).
 - x. The entities in the Krupa Soni group are connected/ related to each other.
 - xi. One of the Krupa Soni group entities, J M Soni Consultancy received Rs.42 lakh from RCL during April - May 2010 (Rs.25 lakh on April 7, 2010 and Rs.17 lakh on May 7, 2010).
 - xii. Further, some of the entities of Krupa Soni group provided funds to other entities of their group at various points of time for trading in the market. During April-May, 2010, the directors of RCL sold their entire stake in RCL and all the promoter group entities and their connected entities had subsequently made an exit from RCL.
 - xiii. Hence, it is alleged that the said directors had used the funds of RCL for financing Krupa Soni group for creating volumes in the scrip and thereby facilitating an exit to the promoters from the company.
 - xiv. The promoter entities viz., Mr. Chandrakant S. Malani, Mr. Jagdish S. Malani, Mr. Hasmukh S. Malani and Mr.Mukesh N. Malani resigned as Directors of RCL and moved away from the management and RCL came in control of new management on March 24, 2011. Thus, it emerged that Krupa Soni group acted fraudulently and their purpose for trading was only creation of momentum so as to facilitate an exit to the Malani Group.
3. Based on the above findings of investigation, a Show Cause Notice (SCN) dated December 18, 2012 was issued to 30 entities including Ms. Krupa Sanjay Soni, Mr. Krunal Gopaldas Rana and Mr. Ashlesh Shah under Section 11(4) and 11B of Securities and Exchange Board of India Act, 1992 (“**SEBI Act**”) alleging that the Noticees had violated the provisions of Section 12 A (a), (b)

and (c) of SEBI Act read with Regulations 3(a), (b), (c), (d), 4(1) and 4 (2) (a), (d) and (e) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practice relating to Securities Market) Regulations, 2003 (“**PFUTP Regulations**”).

4. In view of the above, the Noticees were called upon to show cause as to why suitable directions under Section 11 (4) and 11B of the SEBI Act including a direction to debar them from accessing the securities market and prohibit them from buying, selling or dealing in securities for a particular duration should not be passed against them.

SEBI Order dated October 01, 2014

5. Subsequent to the proceedings including personal hearings etc., vide SEBI’s Order dated October 01, 2014, all the Noticees were prohibited from buying, selling or dealing in the securities market for a period of five years. The said order was passed in exercise of powers under Section 19 read with Section 11(4) and 11B of the SEBI Act read with Regulation 11(1) of PFUTP Regulations.
6. Being aggrieved by the said Order, one of the Noticees Mr. Ashlesh Shah (“**Ashlesh Shah**”) filed an appeal before the Hon’ble Securities Appellate Tribunal (“**SAT**”) and the Hon’ble SAT vide Order dated October 10, 2014 remanded the matter of Ashlesh Shah to SEBI for passing fresh order on merit and in accordance with law after giving personal hearing to him.
7. Accordingly, an opportunity of hearing was granted to Ashlesh Shah and considering the submissions made by Ashlesh Shah and also the material available on record, vide SEBI’s Order dated June 11, 2015, Ashlesh Shah was prohibited from buying, selling or dealing in the securities market for a period of five years.
8. Being aggrieved by the said Order, Ashlesh Shah filed an appeal before the Hon’ble SAT. The Hon’ble SAT vide Order dated December 08, 2016 directed SEBI *“to pass a composite order against all the group entities especially, because, it is the case of SEBI that the impugned transactions were carried out by the Appellant (Ashlesh Shah) and others as a group”*.
9. Similarly, Ms. Krupa Sanjay Soni (“**Krupa Soni**”) and Mr. Krunal Gopaldas Rana (“**Krunal Rana**”) filed appeals before the Hon’ble SAT against the Order of SEBI dated October 01, 2014. The Hon’ble SAT vide Order dated August 22, 2016 remanded the said matters to SEBI for passing fresh order on merit and in accordance with law after giving personal hearing to them.

10. Pursuant to the Orders dated August 22, 2016 and December 08, 2016 passed by the Hon'ble SAT, an opportunity of personal hearing was granted to viz., Ashlesh Shah, Krupa Soni and Krunal Rana (collectively referred to as "**the Noticees**") and individually by their respective names) on March 23, 2017 before me. The details of the proceedings are as under:

- The authorized representative of Ashlesh Shah appeared before me and made oral submissions and the entity was granted time till March 31, 2017 to file additional written submissions if any.
- Vide e-mail dated March 22, 2017, the Authorized Representative of Krupa Soni and Krunal Rana, sought an adjournment. Considering the same, another opportunity of hearing was scheduled on May 09, 2017. However, the Authorized Representative sought further adjournment on medical grounds. The same was granted and once again an opportunity of hearing was granted to Krupa Soni and Krunal Rana on May 19, 2017, on which date the Authorized Representative of Krupa Soni and Krunal Rana appeared before me and made submissions. The said Noticees were granted time till May 26, 2017 to file additional written submissions if any.

Written Submissions of the Noticees:

11. Vide letter dated March 29, 2017, Ashlesh Shah filed detailed written submissions which was received by SEBI on March 31, 2017. Similarly, vide separate letters dated May 26, 2017 Krupa Soni and Krunal Rana also filed their written submissions. Upon perusal of the replies filed by the Noticees, it is noted that the Noticees raised the following preliminary objections and submissions which are in common in the replies filed by them.

13.1 Common Submissions of the Noticees:

"SECTION 11 / 11 B OF SEBI ACT, 1992

- (i) *It is submitted that the power to issue Directions under Section 11 and 11B is a drastic power having serious civil consequences and ramifications on the reputation and livelihood of those against whom it is directed. It is exceptional, extraordinary and discretionary power and SEBI has to justify the need for invocation of the said power clearly after 4 years from the alleged cause of action and completed / settled / concluded transactions in April, 2010 in cash segment of BSE Ltd.*
- (ii) *Further, the order itself must set out the circumstances requiring such drastic use of power belatedly. The Noticee further submits that SEBI is also required to state clearly as to how in the absence of the proposed action, the*

integrity of the securities market would not be maintained. No prima facie case has also been made out to warrant the issuance of a direction of serious consequences against the Noticee which are out and out penal in nature and not regulatory qua the Noticee. The only purpose of direction is to keep the Noticee out of the market, which is a punishment and which direction having penal ramifications cannot be issued U/s 11 / 11B.

- (iii) The directions U/s 11/11B, if issued against me will not be 'regulatory' in nature but will be 'punishment focused, punishment oriented and punishment centric'. The directions issued against me U/s 11/11B will be more far reaching than the penalty which could be imposed under the SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995. In short, the scope, purpose and objective of Sections 11 / 11B of SEBI Act and purport of SEBI's powers U/s 11/11B are different and that these powers cannot be used to take a penal action against (alleged) delinquent person.*
- (iv) There are common provisions, violations of which are alleged i.e. Section 12(a)(b)(c) and Regulation 3 (b), (c), (d). It appears that the violations of the above three provisions have been considered twice, though they are same, for imposing restraints in the previous two orders.*
- (v) The promoters who were charged with violations of SEBI Act, PFUTP, PIT Regulations got 5 years debarment. The Noticees (Investors in the scrip) who had been charged with PFUTP/SEBI Act provisions were also imposed the same debarment of 5 years. No connection with the promoters in any manner is shown. Please record the finding as to how the persons who are not similarly situated are treated equally in the matter of imposing same, similar and identical debarment of 5 years.*
- (vi) What was the understanding, with whom, when, where, how, particulars of understanding of Malani Group with the Noticees- specifically whether the Noticees had authorized Sanjay Soni (or anybody else) to do the purported understanding on behalf of the Noticees and details thereof have not been furnished in the Noticees. The Noticees denies having done any understanding with anyone in the matter of giving exit to the Malani group as alleged or otherwise or to anyone else. The Noticees deny that they were part of the Krupa Soni group as alleged or of any group. Had there been any understanding with Krupa Soni Group, the Noticees full buy quantity would have matched with J M Soni Consultancy. The Noticees trading pattern are totally different from the pattern of other parties of the (alleged) group.*
- (vii) There was no pre-conceived object and there was no common strategy. Further, no group behavior is reflected in the trading pattern – volume, features, origin of trades, number of days traded etc. There is no evidence of having traded in combination and volume, pattern and features are totally different and had no connection with trading of other alleged group parties. Their volume and trading pattern are different.*

- (viii) *Whether the trading in RCL scrip at BSE during the period was in 'T' group or not? If yes, what was the impact analysis thereof on its trading pattern? Please refer BSE's notice dated 23.11.2009.*
- (ix) *Whether SEBI's investigation department inter alia considered the Noticees order and trade data nuances – especially that the Noticees took/ lifted deliveries when bought and tendered deliveries of shares when sold on 100% basis (as the trading was in 'T' Group) ?*
- (x) *When the Noticees took deliveries of shares bought on a 100% basis with pre-existing circuit on price, can price increase, if any, be termed as 'artificial'? Can an investor who wants to take deliveries of shares has no choice as to the price he wants to pay and quantity of shares he wants to buy on a daily basis or over a period of time?*
- (xi) *The Noticee observes that material point such as scrip being traded in 'T' Group and consequently having restrictions upfront, 5% circuit on price, 100% value at risk margin, preventive surveillance measures existing and imposed by BSE upfront (after considering price earning ratio, price variation vis-à-vis the market movement, scrip volatility, market capitalization, volume variation, concentration of entities, number of non-promoter shareholders) and its effect and impact has not been considered on the price of Rotam scrip during the investigation report. No implication of investors having done 100% deliveries based investment has been considered.*
- (xii) *Are there any dysfunctional features (or aberrations) in the trading pattern of the Noticee - if yes, what are they – please identify and record them in your order. Are there any phantom transaction?*
- (xiii) *Please dwell upon the trading rule, if any that first trade of the day has to take place at the previous day's closing price only.*
- (xiv) *Please record effect of RCL scrip trading that was carried out in 'T' Group on the volume/price pattern of the scrip – in other words impact analysis.*
- (xv) *Please record a finding as to how the Noticees, purchases of RCL shares were paid for by referring to the contract notes and ledger extracts, among other evidences..."*

Submissions of Ashlesh Shah:

13.2 Apart from the abovementioned common submissions, Ashlesh Shah vide letter dated March 29, 2017 also submitted the following:

- i. *"SEBI's rational, logic, raison d'être for imposing debarment in its orders has been changing in Order dated 01.10.2014 and 11.06.2015*
- ii. *My trading pattern is totally different from the pattern of other parties of the (alleged) group. My purchase of 7,700 shares on 6.4.2010 was from 7 different sellers;*

- iii. I had received Rs. 2.75 lacs on 24.2.2010 from J.M. Consultancy on 'sharafi' account. I bought 7,700 shares of RCL on 6.4.2010 on BSE for a purchase value of shares (which was later in point of time) for Rs. 11.54 lacs. Hence there was no connection of Rs.2.75 lacs to my purchase of Rs. 11.54 lacs and inference drawn of my connection is farfetched and misconceived. There was no connection through funds by any stretch of imagination and wrongly inferred in the SCN.
- iv. My volume of trading was as under:

<i>Date</i>	<i>Shares(+Bought/-sold)</i>	<i>Amount (Rs.)</i>
06.04.2010	+ 7,700	11,53,892.41 *
13.04.2010	- 7,000	10,23,552.97
16.04.2014	- 420	55,994.03
<i>Met settlement obligations by selling other shares</i>		
Note: 1. Above volume was 100% delivery based. 2. Ledger account with the broker was on an open, mutual and current account basis. 3. The Noticee suffered a loss in the investment in RCL scrip.		

- v. My connection with Krupa Soni is established on the basis of as indicated below:

<i>Sl. No.</i>	<i>Name of Entity</i>	<i>PAN</i>	<i>Basis of connection</i>
5	Ashlesh Shab	AEOPS0718P	From the bank account transaction statements, it has been observed that there have been fund movements between Sanjay Soni and Ashlesh Shab

- vi. The fund transfers between Noticee and J M Soni Consultancy during the investigation period January 2010 to April 2010 are as follows:

<i>From</i>	<i>To</i>	<i>Period</i>	<i>Amount (Rs.)</i>	<i>Remark</i>
Ashlesh Shab	J M Consultancy	09.03.2010	6,00,000	SEBI has ignored these self-disclosed information and not commented on these payments made to JM Soni Consultancy
Ashlesh Shab	J M Consultancy	15.04.2010	4,00,000	
			10,00,000	

J M Consultancy	Ashlesh Shah	24.02.2010	2,75,000	<i>This fund transfer has no correlation with the funds transferred by the company to J M Soni Consultancy in April 2010 and May 2010.</i>
<i>No SCN issued against J M Soni Consultancy.</i> <i>The above table shows that the Noticee and J M Soni Consultancy had strict commercial relationship in the matter of funds and no involvement in each other's trading in RCL scrip or business activities.</i>				

- vii. *Please examine and record a finding as to how and on what basis payment of Rs. 2.75 lacs received from J M Consultancy was used for purchase of 7700 shares of RCL.*
- viii. *The above alleged connection, particulars of which have not been furnished, is no connection at all as prior stray fund movement has not been linked to the Noticee's trading in the scrip. I dispute the purported connection. The funds received from J.M. Consultancy on 24.2.2010 were not used for any investment nor they were even sufficient on facts as pointed out in the above table.*
- ix. *My relationship with J M Soni Consultancy for stray money transactions was separate, different, distinct and stand alone – there was no any connection of ‘funding to trading’ of mine in the said scrip. As I had suffered losses, in the short term investment made in the shares of RCL, I lost interest in the said scrip and did not trade thereafter.*
- x. *As per various media and market reports, Rotam Commercial Ltd and Shree Global Tradefin Ltd. were identified for investment/ trading purposes by the Noticee.”*
- xi. *Please refer to Ann. VIII to the SCN – details of Krupa Soni Group's trades at prices higher than LTP and record whether my name appears therein or not. Further, please indicate how and on what basis my trades were treated as objectionable?*
- xii. *It is submitted that the alleged connection do not get reflected in my trading in the said scrip or in the trading of purportedly connected parties. Except once my sale trades have not matched with any other group party. The Noticee had last transacted on 16.4.2010. Since then the Noticee has not traded in the said scrip.*
- xiii. *SEBI totally banned my all trading activities in shares and securities and in all segments on NSE and BSE, MCX (commodities) and currencies. Hence this debarment is a punishment.”*

Submissions of Krupa Soni:

13.3 Apart from the common submissions mentioned in the preceding paragraphs, Krupa Soni made the following additional submissions:

- i. *“It is pertinent to mention that Noticee (Krupa Soni herein) is the wife of Sanjay Soni and they reside in the same house so the address and contact number is as that of her husband.*
- ii. *The Noticee submits that very basis of forming Krupa Soni group is faulty an erroneous and the noticee did not constitute, form or operate ‘Krupa Soni Group’ as alleged otherwise. She did not form any group as wrongly suggested in the impugned order. The Noticee’s connection with Sanjay Soni, is that of being his spouse and the connection with Krunal Rana is based on fund movement between the Noticee and Krunal Rana. The transaction were independent/ separate, genuine and bonafide and has nothing to do with the manipulation as alleged.*
- iii. *The Noticee’s trading in the RCL scrip in the tabulated below:*

<i>Particulars</i>	<i>As per impugned order</i>	<i>As per trade data provided by SEBI</i>
<i>Buy</i>	<i>82,576</i>	<i>57,288</i>
<i>Sell</i>	<i>64,855</i>	<i>43,482</i>

- iv. *The above transaction resulted in the net delivery of 2,349 shares.*
- v. *The Noticee had paid the below funds through banks which were hand loans to Krunal Rana who is known to her. She had no financial transaction with the alleged ‘Krupa Soni Group’ (except Krunal Rana and her husband). She was neither aware about any fund transfer from the company to Sanjay Soni, use of funds by him nor was she concerned with it. The few and stray dealings were separate and stand alone.*

<i>Sr.no.</i>	<i>Date</i>	<i>From</i>	<i>To</i>	<i>Amount (Rs.)</i>	<i>Remarks</i>
<i>1</i>	<i>18.12.2009</i>	<i>Krupa Soni / Sanjay Soni (joint a/c)</i>	<i>Krunal Rana</i>	<i>50,000</i>	<i>A/c no. 029501505187 The fund transfer has no co- relation with the funds transferred by the company to J M Soni Consultancy</i>
<i>2</i>	<i>13.02.2010</i>	<i>Krupa Soni / Sanjay Soni (joint a/c)</i>	<i>Krunal Rana</i>	<i>10,000</i>	<i>A/c no. 029501505187 The fund transfer has no co- relation with the funds transferred by the company to J M Soni</i>

- vi. The Noticee states that the Noticee is neither promoter nor connected entity to the promoter Malani Group in any manner.
- vii. From the above, it is clear that her volume (buy + sell) in the scrip is 1,47,431 shares i.e. about 15.75% of the total market volume and 1.47% of the alleged group volume during the investigation period. The Noticee's volume was independent, standalone and of delivery / intra-day nature. The Noticee have not carried any off-market trades or side deals in the scrip. As per various media and market reports, Rotam Commercial Ltd and Shree Global Tradefin Ltd. were identified for investment/ trading purposes by the Noticee. The Noticee has traded in the scrip as per her own conviction, anticipation, strategy and risk appetite. The Noticee has met her settlement obligations. The Noticee has traded in other scrips also on the days on which she traded in RCL Scrip. The below table is the stock summary other than RCL scrip during the relevant period.

Scrip Name	Share Quantity	Market rate as on 22.10.2014 (Rs.)	Market value as on 22.10.2014 (Rs.)
<i>Ashutosh Paper Mills Ltd.</i>	1	4.3	4.3
<i>Moryo Indus. Ltd.</i>	5925	205	1214625
<i>Objectionone Information Systems ltd.</i>	9721	17.4	169145.4
<i>Parsbarti Invt. Ltd.</i>	1	15.35	15.35
<i>Concurrent (India) Infrastructure Ltd.</i>	89773	1.13	101443.5
TOTAL			1485234

- viii. There is no fund transfer between Noticee and J M Soni Consultancy during the investigation period January 2010 to April 2010. The alleged connection, particulars of which have not been furnished, is no connection at all as prior stray fund movement has not been linked to the Noticee's trading in the scrip. The Noticee dispute the purported connection. The Noticee have not received funds from J. M. Soni Consultancy at all.

Submissions of Krunal Rana

13.4 Similarly, apart from the common submissions mentioned in the preceding paragraph 13.1 above, Krunal Rana made the following additional submissions:

- i. It is pertinent to mention that Noticee (Krunal Rana herein) has never defaulted in any of his settlement obligations.

- ii. *The Noticee submits that during the investigation period (20.01.2010 – 17.05.2010 – 4 months) he had purchased 30,957 shares and sold 28,605 shares in the market (total = 3.15% of the total traded quantity) which resulted in the net delivery of 2,349 shares. The Noticee further submits that he is wrongly bunched and included in the alleged Krupa Soni group.*
- iii. *The Noticee says that the fund movements between him and the J.M. Consultancy and Krupa Soni were hand loans and it has nothing to do with alleged manipulation. The fund transfer between the Noticee and J.M. Consultancy and Krupa Soni are duly reflected and accounted in the books of the Noticee. The detail of the fund transactions are summarized as follows:*

PERIOD	AMOUNT FROM KRUPA SANJAY SONI	AMOUNT PAID TO KRUPA SONI
<i>April 2008-March 2010</i>	<i>10,000</i>	<i>-</i>
<i>April 2010 – March 2011</i>	<i>19,20,000</i>	<i>7,00,000</i>
<i>April 2011 – March 2012</i>	<i>5,50,000</i>	<i>6,00,000</i>
<i>April 2012 – March 2014</i>	<i>1,14,000</i>	<i>7,90,000</i>
TOTAL	25,94,000	20,90,000

- iv. *The Noticee is neither promoter nor connected entity to the promoter. He is not connected to Malani Group in any manner.*
- v. *The Noticee has not indulged in any price manipulation in the scrip of RCL as alleged. The alleged self-trades of the Noticee are on account of his trades in his different accounts with different brokers. The Noticee is not connected to Malani group in any manner. SEBI has considered the Noticee as a part of Krupa Soni Group on the basis of the following:*
- In the UCC database of the Noticee the phone number 9727548290 of Mr. Sanjay Soni appears- SEBI at the time of the proceedings had not brought on record the particulars of and in what capacity, with which broker, during what period did the number of Mr. Sanjay Soni appear in the UCC database of the Noticee. The Noticee is not aware of any such number appearing in the UCC database maintained at the end of the broker and perused only by SEBI.*
 - The Noticee's email ID with the broker Globe Capital Market Ltd was sanjaysoni97@yahoo.com. The Noticee has not executed any trades in the RCL scrip though the said broker therefore (as is apparent from the trade log provided by SEBI) and therefore the same is not relevant for the purpose of the present appeal.*

- *In the KYC submitted by the Broker MTL Share & Stock Broker Ltd., the Noticee was introduced by Mr. Ashlesh Shah. SEBI has not set out from the SCN that how apart from the said introduction by Mr. Ashlesh Shah did the Noticee become a part of the alleged group and colluded with the alleged Krupa Soni group who were responsible for the alleged manipulation in RCL. Further the introduction per se in KYC form does not mean anything and proves no connection.*
 - *Fund transfers: There are some fund transfers between the Noticee and J.M. Soni Consultancy and Ms. Krupa Sanjay Soni which transactions were of hand loan nature and such loans were stand alone, repaid and for the purposes of parties. Further there is not a single financial transaction / fund transfer with promoters.*
- vi. *As per the various media and market reports, Rotam Commercial Ltd was identified for investment / trading purposes by the noticee. The Noticee have traded in the scrip as per his own conviction, anticipation, strategy and risk appetite. The Noticee have met his settlement obligations. The Noticee have traded in other scrips also on the days on which he traded in RCL Scrip.”*

Consideration of issues and findings

12. The main issue for consideration in the instant case is whether the Noticees herein viz., Krupa Soni, Krunal Rana and Ashlesh Shah have violated the provisions of Section 12 A (a), (b) and (c) of SEBI Act read with Regulations 3(a), (b), (c), (d), 4(1) and 4 (2) (a), (d) and (e) of the PFUTP Regulations, 2003?
13. Before dealing with the charges levelled against the Noticees, the relevant legal provisions, the contravention of which have been alleged in the instant case are reproduced hereunder for reference:-

Section 12A (a), (b) and (c) of Securities & Exchange Board of India Act, 1992 provides as follows:

“12A. No person shall directly or indirectly—

- (a) *use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognised stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;*
- (b) *employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;*
- (c) *engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or*

proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;”

“3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

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

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

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

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

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)... ..

(c)... ..

(d) paying, offering or agreeing to pay or offer, directly or indirectly, to any person any money or money's worth for inducing such person for dealing in any security with the object of inflating, depressing, maintaining or causing fluctuation in the price of such security;

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

14. The main allegation in the matter is that the artificial trading interest created by the Krupa Soni group in collusion with the promoters of RCL (Malani Group) in the illiquid scrip of RCL enabled the promoters/ promoter group of the company to exit the company.

15. In this context it is pertinent to analyse the price in the scrip of RCL during the relevant period. This is done by making reference to three periods ie, prior to investigation period (October 01, 2009 - January 19, 2010), during investigation period (January 20 – May 17, 2010) and post investigation period (May 18 – September 30, 2010).

Before investigation period (October 01, 2009 - January 19, 2010):

- It was found that there were no trades on October 01, 2009. The market was closed during October 02 – 04, 2009. During the month of October 2009 there were only 3 trades in the scrip. The details are as follows.
 - On October 05, 2009, there was 1 trade for 1 share at ₹59.9 per share.
 - On October 20, 2009 there was 1 trade for 300 shares at ₹59.9 per share.
 - On Oct 22, 2009, there was 1 trade for 300 shares at ₹57.05 per share.
- During the month of November 2009, there were a total of 48 trades for 1,375 shares and the price of the scrip increased to ₹111.95 (closing price on November 30, 2009). During the month of December 2009, there were 51 trades for 705 shares and the price of the scrip decreased to ₹71/-per share (closing price on December 31, 2009). During January 01 to 19, 2010, there were 13 trades for 428 shares and the price of the scrip was at ₹78.25 on January 19, 2010. During the relevant time, the Bombay Stock Exchange stock index- Sensex had moved from 17,186.2 on Oct 01, 2009 to 17,486.06 on Jan 19, 2010 i.e. an increase of 1.74% in 73 trading days.
- From the above, it was noted that the liquidity in the scrip was very low and on most of the days there was no trading in the scrip prior to the investigation period.

During investigation period (January 20 – May 17, 2010):

- From January 20, 2010 till February 24, 2010, there were only 7 trades for 214 shares and the price of the scrip was ₹77.75 per share. From February 25, 2010 onwards, there was a sudden increase in volumes of the scrip. On February 25, 2010 alone, there were 55 trades for 11,311 shares.
- The price of the scrip also increased from ₹75.1 (opening price) on February 25, 2010 to ₹140.75 (closing price) on March 23, 2010 i.e. an increase of 87.42% in 18 trading days. The average daily traded quantity during the said period was for 11,913 shares.
- The price of the scrip decreased from April 12, 2010 onwards and it decreased from ₹147/- (opening price) on April 12, 2010 to Rs. 69.9 (closing price) on May 17, 2010 i.e. decrease of 52.45% in 25 trading days. The average daily traded quantity during the said period was for 15,392 shares.
- The total traded quantity during the period of investigation (January 20 - May 17, 2010) was for 9,36,115 shares in 79 trading days with average daily traded quantity being 11,850 shares.

The Sensex had moved from 17,486.69 on January 20, 2010 to 16,835.56 on May 17, 2010 i.e. decrease of 3.72% in 79 trading days.

Post investigation period (May 18 – September 30, 2010):

- The scrip opened at ₹71.5 on May 18, 2010 and closed at ₹29.65 on September 30, 2010 i.e. a decrease of 58.53% in 97 trading days. The average daily traded quantity during May 18 - September 30, 2010 was for 18,921 shares.
- The major price fall was observed during June 14, 2010 till July 13, 2010 wherein the price of the scrip decreased from ₹92.9 (opening price) on June 14, 2010 to ₹34.65 (closing price) on July 13, 2010 i.e. decrease of 62.70% in 22 trading days. The Sensex had moved from 16,840.59 on May 18, 2010 to 20,069.12 on September 30, 2010 i.e. an increase of 19.17% in 97 trading days. The scrip closed at ₹18.95 on September 13, 2011.

16. Analysis of the trading pattern in the scrip revealed the top 10 clients by gross volume, net buy and net sell in the scrip of RCL during the period of investigation (Jan 20, 2010 - May 17, 2010), as mentioned below:

(Top 10 clients by Gross Volume)

Client Name	Buy Qty	% of Market Volume	Sell Qty	% of Market Volume	Gross Traded Qty. (BUY+SELL)	% of Market GROSS
KRUPA SANJAY SONI	82576	8.82	64855	6.93	147431	7.87
SHAMANJWALI METALS PVT LTD	0	0.00	127001	13.57	127001	6.78
SANJAY JETHALAL SONI	56466	6.03	51358	5.49	107824	5.76
J M SONI CONSULTANCY	52833	5.64	42693	4.56	95526	5.10
NIMAI AGENCIES PRIVATE LIMITED	38500	4.11	38500	4.11	77000	4.11
KRUNAL GOPALDAS RANA	30954	3.31	28605	3.06	59559	3.18
S B MALANI SONS	0	0.00	57000	6.09	57000	3.04
DARSHAN PRAFULCHANDRA TREVEDI	25000	2.67	17400	1.86	42400	2.26
SHYAM CONSTRUCTION	20500	2.19	20500	2.19	41000	2.19
PRADIPBHAI RAMBHAI PATEL	20000	2.14	19900	2.13	39900	2.13

(Top 10 clients by Net Buy Qty)

Client Name	Buy Qty	% of Market Volume	Sell Qty	% of Market Volume	NET BUY
KRUPA SANJAY SONI	82576	8.82	64855	6.93	17721
J M SONI CONSULTANCY	52833	5.64	42693	4.56	10140
KAPILABEN RASIKLAL PANDYA	9022	0.96	57	0.01	8965
DARSHAN PRAFULCHANDRA TREVEDI	25000	2.67	17400	1.86	7600
PRAKASH KRISHANCHAND VIRWANI	7050	0.75	0	0	7050

DILIPBHAI KISHANCHAND VIRVANI	7050	0.75	0	0	7050
KISHANCHAND CHANOMAL VIRWANI	7050	0.75	0	0	7050
BHARAT AMBALAL PANCHAL	7000	0.75	0	0	7000
SANJAY JETHALAL SONI	56466	6.03	51358	5.49	5108
DHIRENKUMAR DHARAMDAS AGARWAL	19437	2.08	15412	1.65	4025

(Top 10 clients by Net Sell Qty)

Client Name	Buy Qty	% of Market Volume	Sell Qty	% of Market Volume	NET SELL
SHAMANJWALI METALS PVT LTD	0	0	127001	13.57	127001
S B MALANI SONS	0	0	57000	6.09	57000
JAGDISH SHAMLAJI MALANI	0	0	22302	2.38	22302
HASMUKH MALANI	0	0	17419	1.86	17419
CHANDRAKANT MALANI	0	0	14292	1.53	14292
MEHUL MALANI	0	0	3711	0.40	3711
LAHERCHAND SHAMJIBHAI LAKHANI	0	0	2296	0.25	2296
JIGNESH RAJNIKANT MEHTA	0	0	1000	0.11	1000
USHA MALANI	0	0	600	0.06	600
S VINAYAGAMOORTHY	500	0.05	1000	0.11	500

From the above table, it was found that Krupa Soni and Sanjay Soni were the top 2 buyers in the scrip whereas the entities Shamanjwali Metals Pvt. Ltd. and S B Malani & Sons were the top 2 sellers in the scrip during the period of investigation. It was observed that Krupa Soni group had purchased 2,49,966 shares (approximately 26.70% of the total traded quantity) and had sold 2,10,343 shares (approximately 22.47% of the total traded quantity) with the gross quantity of the group being approximately 24.59% of the market gross.

17. The following persons/entities in the Krupa Soni group had traded in the scrip of RCL during the period January 20, 2010 - May 17, 2010 and the details are as under:

S. No.	Name of client	Buy Qty	% of total traded Qty	Sell Qty	% of total traded Qty
1	Krupa Soni	82,576	8.82	64,855	6.93
2	Sanjay Soni	56,466	6.03	51,358	5.49
3	J M Soni Consultancy	52,833	5.64	42,693	4.56
4	Krunal Gopaldas Rana	30,954	3.31	28,605	3.06

5	Dhirenkumar Dharamdas Agarwal	19,437	2.08	15,412	1.65
6	Ashlesh Shah	7,700	0.82	7,420	0.79
Total		2,49,966	26.70	2,10,343	22.48

18. It is noted from the below mentioned table that the entities in the Krupa Soni group are connected/ related to each other:

Sl. No.	Name of entity	PAN	Basis of connection
1	Sanjay Soni	BVSPS9741N	Self
2	Krupa Soni	BVSPS9740P	Krupa Soni is wife of Sanjay Soni. Krupa Soni and Sanjay Soni have same address and contact number as per details at Unique Client Code (UCC) database. From the bank account transaction statements, it has been observed that there have been regular movement of funds between Sanjay Soni and Krupa Soni.
3	J M Soni Consultancy	AAGFJ2939P	Sanjay Soni is the proprietor of J M Soni Consultancy. J M Soni Consultancy and Sanjay Soni share common address and contact number as per details uploaded at UCC database. From the bank account transaction statements, it has been observed that there have been regular movements of funds between J M Soni Consultancy and Sanjay Soni as well as Krupa Soni.
4	Krunal Gopaldas Rana	AKMPR9961M	Krunal G Rana shares the same phone number 9727548290 as that of Sanjay Soni as per details at UCC database. It is further noted that Krunal G Rana's e-mail ID with the broker Globe Capital Market Ltd. was sanjaysoni97@yahoo.com As per KYC details submitted by the broker MTL Share & Stock Brokers Ltd., Krunal G Rana was introduced by Ashlesh Shah. From the bank account transaction statements, it has been observed that there have been fund movements between Sanjay Soni and Krunal G Rana.
5	Ashlesh Shah	AEOPS0718P	From the bank account transaction statements, it has been observed that there have been fund movements between Sanjay Soni and Ashlesh Shah.
6	Dhirenkumar Dharamdas Agarwal	AAZPA8189K	Dhirenkumar Agarwal and Sanjay Soni share the same phone numbers 9727548290 as well as 9879430033 as per details at UCC database.

19. The shareholding pattern of RCL for the quarters ending September 2009, December 2009, March 2010 and June 2010 are as under:

Quarter Ending	Sep-09	Dec-09	Mar-10	Jun-10
Promoter and Promoter Group	16.98%	16.98%	8.84%	0.43%
Public	83.02%	83.02%	91.16%	99.57%
Total	100.00%	100.00%	100.00%	100.00%

20. It is evident from the above table that the promoter and promoter group had sold their stake in RCL and their shareholding reduced from 16.98% (1,62,961 shares) as on December 31, 2009 to 0.43% (4,100 shares) as on June 30, 2010 i.e. the promoter and promoter group entities had sold a net quantity of 1,58,861 shares during the period January 01 - June 30, 2010. On further examination, it was found that the shareholding of promoters and promoter group decreased to 0.03% (300 shares) as on September 30, 2010 and to nil as on March 31, 2011. The promoters thus made an exit from the company during the period Jan 01, 2010 till March 31, 2011. The details of sale of promoters/promoter group entities who were part of Malani Group and sold the shares during the period of investigation are as under :

S. No.	Name of entity	No. of shares sold during investigation period
1	SBMS (Partner: Shashikant Malani)	57000
2	Jagdish S Malani	22302
3	Hasmukh S Malani	17419
4	Chandrakant S Malani	14292
5	Mehul J Malani	3711
6	Ranjan P Malani	600
7	Usha H Malani	600
8	Hetal S Malani	300
9	Jigna Malani	300
10	Ketan C Malani	300
11	Mitul P Malani	300
12	Mukesh N Malani	300
13	Nayana C Malani	300
14	Neha R Malani	300
15	Nita S Malani	300
16	Puja M Malani	300
17	Pushpagauri N Malani	300
18	Rohan H Malani	300
19	Samir C Malani	300
20	Shashikant S Malani	300
21	Vipa K Malani	300
Total		1,20,124

21. The abovementioned promoters/promoter group entities sold a total of 1,20,124 shares (12.51% of the share capital) during the period of investigation (the shares were sold on the following dates-

25/02/2010, 26/02/2010, 08/03/2010, 19/03/2010, 23/03/2010, 25/03/2010, 26/03/2010, 05/04/2010 and 06/04/2010). Further, Shamanjwali sold 1,27,001 shares (13.23% of the share capital). It was also found that Shamanjwali sold the shares on 06/04/2010, 07/04/2010 and 05/05/2010. Therefore, Malani group (the promoter group entities and Shamanjwali) together sold 2,47,125 shares (25.74% of the total share capital) during the period of investigation.

22. From the date-wise trading details of Malani group of entities, the counter-party details for the sales by Malani group were analyzed and the details are as below:

Trade Date	No. of shares sold by Malani group (A)	Total Purchase by Krupa Soni Group (B)	No. of shares wherein Krupa Soni group was counter-party to the sale by Malani Group (C)	C as a % of A	C as a % of B	Day's Traded Qty (D)	C as a % of D
Feb 25, 2010	11111	6601	6401	57.61	96.97	11311	56.59
Feb 26, 2010	10000	81	81	0.81	100.00	10765	0.75
March 8, 2010	15000	5200	5100	34.00	98.08	28510	17.89
March 19, 2010	10000	3327	100	1.00	3.01	22207	0.45
March 23, 2010	2500	2245	1	0.04	0.04	17323	0.01
March 25, 2010	24111	3947	2443	10.13	61.90	37510	6.51
March 26, 2010	5389	14079	23	0.43	0.16	27623	0.08
April 5, 2010	14500	2188	0	0.00	0.00	50423	0.00
April 6, 2010	29513	28033	23526	79.71	83.92	40177	58.56
April 7, 2010	25001	9912	8200	32.80	82.73	29022	28.25
May 5, 2010	100000	25014	23786	23.79	95.09	134322	17.71
Total	247,125	1,00,627	69,661	28.19	69.23	4,09,193	17.02

23. From the above table, it is observed that Krupa Soni group of entities were the counter-parties for approximately 28.19% of all the sales by Malani group of entities during the period January 20 - May 17, 2010. It is further noted that Krupa Soni group of entities were the counter-parties for more than 50% of the sales by Malani group of entities on 2 days viz. February 25, 2010 and April 06, 2010. Of the 1,00,627 shares purchased by Krupa Soni group on the above days, 69,661 shares (i.e. 69.23%) were as counter-parties to the Malani group.

- i. As regards February 25, 2010, it is noted that except for 1 trade for 200 shares, Malani group of entities were the sellers for all the trades. Malani group of entities sold 11,111 shares out of total trades of 11,311 on the day. Krupa Soni group had total purchase of 6601 shares (6401 as counter-party to Malani group) on that day.

- ii. As regards April 06, 2010, it is noted that Malani group of entities had sold 29,513 shares out of 40,177 shares traded on the day which constituted approximately 73.46% of the day's volume. On the same day, Krupa Soni group of entities had purchased total of 28,033 shares, out of which 23,526 shares were as counter-parties to Malani group of entities.
 - iii. The above findings clearly show that Krupa Group entities had acted as buyers for a large part of the trades for sale executed by Malani Group entities.
24. Investigation further revealed that RCL had funded the Krupa Soni Group. It was found from the bank account statement of the bank account No. 029505001426 of J M Soni Consultancy (Proprietor: Sanjay Soni) with ICICI Bank that it received Rs.25 lakh from RCL on April 07, 2010 and Rs.17 lakh on May 07, 2010. Thus RCL had transferred Rs.42 lakh to J M Soni Consultancy (Prop. Sanjay Soni) during the period April - May, 2010. It is pertinent to note that RCL had a net profit of Rs.8 lakh in the financial year 2009-10. During the course of investigation, RCL provided a copy of its ledger (period April 01, 2010 - May 31, 2010) showing debit of Rs.42 lakh standing in the name of J M Soni Consultancy.
25. It is noted that the directors of RCL were Mr.Chandrakant Malani, Rs.Jagdish Malani, Rs.Hasmukh Malani and Rs.Mukesh Malani during April - May, 2010. The said four directors of RCL sold their entire stake from RCL and all the promoters and promoter group entities (who are part of Malani Group) and their connected entities viz. SBMS and Shamanjwali subsequently made an exit from RCL. The said 4 directors used the funds of RCL for financing Krupa Soni group for creating volumes in the scrip and providing themselves an exit from the company.
26. Further, the following has been noted:
- i. The Malani group sold a total of 2,47,125 shares during the period of investigation and the total sale value was Rs.2.58 crores.
 - ii. The Krupa Soni group had purchased a total of 2,49,966 shares during the period of investigation and the total buy value was Rs.3.09 crores. Further, Krupa Soni group had sold 2,10,343 shares during the period of investigation and the total sale value was Rs.2.66 crores. Therefore the net payment obligation by Krupa Soni group to its brokers (excluding

brokerage charges and taxes) would be approximately Rs.43 lakh for the trades during the investigation period.

- iii. It therefore appears that RCL made payments of Rs.42 lakh to the Krupa Soni group against the fund requirement of approximately ₹43 lakh by Krupa Soni group for their trading in the scrip of RCL.

27. The bank account statements of Sanjay Soni, Krupa Soni (wife of Sanjay Soni) and J M Soni Consultancy (proprietor: Sanjay Soni) were analyzed for the period March 2009 till May 2010 and it was found that there was fund transfers from the entities viz., Sanjay Soni, Krupa Soni and J M Soni Consultancy with other entities of their group during the investigation period. The details of fund transfers by Sanjay Soni/ Krupa Soni/ J M Soni Consultancy to the entities Krunal G. Rana and Ashlesh Shah during the investigation period are as under:

- i. J M Soni Consultancy made payments of ₹2.75 lakh on February 24, 2010 to Ashlesh Shah from its ICICI Bank Account No. 029505001426.
- ii. J M Soni Consultancy made payments of ₹50,000 on March 02, 2010, ₹1 lakh on March 10, 2010, ₹52,000 on April 02, 2010, ₹1 lakh on April 05, 2010, ₹1.4 lakh on April 06, 2010, ₹5 lakh on April 22, 2010 and ₹2.5 lakh on May 17, 2010 to Krunal G Rana (K G Rana) from its ICICI Bank Account No. 029505001426.
- iii. Further, Sanjay Soni had also made payments of ₹10,000/- on February 13, 2010 to Shri. K G Rana from his bank account no. 029501505187.

28. It is noted that the net obligation on the part of the Krupa Soni Group is approximately Rs.43 lakh. In view of the *modus operandi* mentioned before, this amount approximately corresponds to the amount of Rs.42 lakhs received by J M Soni Consultancy. Though the said amount may not have been paid upfront to J M Soni Consultancy by the Malani group, nevertheless, as the amount corresponds to the net obligation resulting from the trading activity of the Krupa Soni Group, it is evident that the transfer of Rs.42 lakh by Malani group was indeed used for the trading activity of the Krupa Soni Group.

29. As mentioned earlier, the net obligation for the trades executed by Krupa Soni group at the relevant period (approximately Rs.43 lakh) corresponds to the funding from RCL. Further, the manner in which Krupa Soni group executed the transactions in the scrip of RCL coupled with factors such as funding received from RCL, etc., clearly indicate that the *modus operandi* of Krupa Soni Group consisting of the Noticees was to facilitate the Malani group (promoter group) to sell their stake and exit the company. This was achieved by the trading interest created by the Krupa Soni group in the scrip of RCL. Once the scrip got its momentum, other investors also started trading in the scrip and the promoters and connected entities could easily make an exit by selling their stake in the company. It is noted that out of Rs.2.47 lakh shares sold by Malani group on the above mentioned dates, 69,661 shares were purchased by Krupa Soni group and the remaining shares were purchased by other entities. Subsequently, the promoters/ promoter group made a complete exit from the company and currently 100% of the company is being held by public. Thus, the Malani group and Krupa Soni group acted fraudulently and created volume and price rise in the scrip of RCL.

Contentions of the Noticees and my findings:

30. I note that the Noticees have raised several queries/contentions which are elaborated in the preceding paragraph 13 and my findings to the same are as under:

- (i) The common contention of the Noticees is that the scope, purpose and objective of Sections 11 and Section 11B of SEBI Act and purport of SEBI's powers under Sections 11 and Section 11B are different and that these powers cannot be used to take a penal action against the Noticees.
 - I note that SEBI has the power to restrain any entity from accessing the securities market under Section 11(1) and 11(4) read with 11B of the SEBI Act if their activities in the securities market is detrimental to the integrity of the market and against the interest of investors. From the facts and circumstances narrated above, it is clearly established that the Noticees, as a part of the Krupa Soni group, connived with Malani Group to defraud the investors in the securities market. SEBI has the statutory duty and power under the aforementioned provisions of the SEBI Act to restrain the Noticees and the other persons/entities involved in the instant case from accessing the securities market.
 - In this context, it is relevant to mention the observations of Hon'ble Supreme Court in the matter of SEBI Vs. Ajay Agarwal (2010) 3 SCC 764 wherein the Hon'ble Supreme

Court upheld the order passed by SEBI restraining an entity from accessing the securities market for a period of 5 years for carrying out manipulative activities in the market. The Supreme Court while upholding the decision of SEBI in the aforementioned case held “*A perusal of Section 11, Sub-Section 2(a) of the said Act makes it clear that the primary function of the Board is to regulate the business in stock exchanges and any other securities markets and in order to do so it has been entrusted with various powers... Section 11 had to be amended on several occasions to keep pace with the ‘felt necessities of time’. Once such amendment was made in Sub Section (4) of Section 11 of the said Act, which gives the Board the power to restrain persons from accessing the securities market and to prohibit such persons from being associated with securities market to buy and sell or deal in securities. Such an amendment came in 2002.... From the statement of objects and reasons of the Amendment Act of 2002, it appears that the Parliament thought that in view of growing importance of stock market in national economy, SEBI will have to deal with new demands in terms of improving organizational structure of law were sought to be amended by strengthening the mechanisms available to SEBI for investigation and enforcement, so that it is better equipped to investigate and enforce against market malpractices. (See Paragraph 3 of the Statement of objects and reasons)....Section 11 –B which empowers the Board to issue certain directions also came up by way of amendment in 1995 by Act 9 of 1995. The statement of objects and Reasons of such amendments show one of the objects is to empower the Board to issue regulations without the approval of the Central Government. (See para 3 (e) of the Statements of Objects and Reasons) Section 11 – B of the Act thus empowers the Board to give directions in the interest of the investors and for orderly development of Securities market, which , as noted above, is one of the twin purposes to be achieved by the said Act. Therefore, by the 1995 amendment by way of Section 11-B Board has been empowered to carry out the purposes of the said Act.”*

In view of the above, there is no doubt that SEBI has been duly empowered under Sections 11(1) and 11 (4) read with Section 11B of the SEBI Act, to take action against entities (the Noticees in the present case) indulging in market manipulation.

- As regards the submissions of the Noticees that the scrip of RCL was in “T” Group and the impact analysis of the trading pattern of the Noticees especially when they met all the settlement obligations, it is noted that the scrip of RCL was illiquid and on most of the days there was no trading in the scrip prior to the investigation period i.e. October 01, 2009 to January 19, 2010. The details of the price of the scrip is mentioned in this order in paragraph 17 above.

There is no dispute to the fact that the scrip of RCL was illiquid and the stock exchange has rightly placed such scrip to the “Trade to Trade Segment or T Group”. Categorisation of a scrip is for the purpose of ensuring prompt settlement of trades. It is not the case that the Noticees did not meet the settlement obligations. The main allegations against the Noticees are that through concerted actions they were able to provide some liquidity to the scrip and the promoters group was able to exit in the wake of the interest created in the scrip. Hence the said argument is devoid of merit.

- The Noticees denied having any purported understanding with anyone in the matter of giving exit to the Malani group as alleged. The Noticees also submitted that there is no group behaviour reflected in the trading pattern such as volume, features, origin of trades, and number of days traded etc.

It is pertinent to mention here that the present case against the Noticees is not about their dysfunctional features in the trading pattern or on any phantom transactions (as termed by the Noticees in their replies). In the instant case, the Noticees chose to invest in an illiquid scrip i.e. RCL wherein hardly any trading happened prior to the investigation period. It is worth mentioning that any prudent investor will select a scrip based on various factors such as liquidity, volatility, spread, market depth, fundamentals of the company and its promoters etc. Though the Noticees submitted that they took the decision to invest in the scrip of RCL and Shree Global Tradefin after considering various media reports and analysis (their own admission in the replies), I do not find any rationale or logic for such an investment by the Noticees in an illiquid scrip. The names of members of Krupa Soni Group except Ashlesh Shah had been reflected in the list of Top 10 clients traded in the scrip of RCL during the period of investigation. Considering the sudden interest and the trading in the scrip of RCL by the Noticees, the only possible reason for such an investment by the Noticees as members of Krupa Soni Group can be to create a momentum/liquidity in the scrip so as to attract gullible investors and the promoters could exit from the company. This group behaviour of the Noticees such as highest trading in the scrip and creating misleading appearance of trading, artificial volume and price manipulation certainly attract violation of provisions of SEBI Act and PFUTP Regulations. Considering the fact that the Noticees’ sudden interest in the scrip was only during the investigation period, no other logical conclusion can be drawn except the fact that it was a concerted effort to generate interest in the scrip. At this juncture, it is also

worthwhile to note that the total fund flow (Rs.42 lakhs) through JM Consultancy to the Noticees as well as other participants is corresponding to the net trade obligations (Rs.43 lakh) of the group in the scrip. This is clearly the result of a manipulative concerted action on the part of the Noticees alongwith other participants comprising in the Krupa Soni Group. Though the Noticees contented that JM Consultancy is not show caused in the proceedings, I note that the Mr. Sanjay Soni who is the sole proprietor of JM Consultancy was a Noticee in the earlier proceedings.

It is noted that the Noticee Krupa Soni executed self-trades in the scrip of RCL. The very nature of self-trades executed during the particular period in the circumstances of the case clearly indicate that the same was executed for manipulating the volume and price of the scrip. The same is not disputed by the Noticee Krupa Soni though she submitted that this occurred on account of dealing through different brokers. This cannot be acceptable.

It is pertinent to mention that it is not the first time that the so called Krupa Soni Group breached the provisions of Securities laws through their concerted action. It is noted that the Krupa Soni Group committed fraudulent activities resulting in violations of PFUTP Regulations in another scrip viz., 'Shree Global Tradefin' and the Hon'ble SAT vide order dated January 24, 2014 upheld the decision of SEBI which *inter alia*, states as under:

Krupa Soni, Krunal Rana and Ashlesh and other entities formed a group and this Krupa Soni Group had the highest concentration of trading in the scrip of Shree Global Tradefin thereby created a false and misleading appearance of trading, artificial volume and price manipulation in the scrip." The Hon'ble SAT also observed that "*the Group entities are connected to each other by way of common addresses, phone numbers, e-mail ids etc.*"

Similarly, in the present case also, the connection between the entities of the Krupa Soni Group is detailed in paragraph 20 above. The same is further strengthened by the fact that there were fund transfers between the Malani Group and the Krupa Soni Group and the same is detailed in the preceding paragraphs of this order.

- It cannot be a coincidence that the members of the same group unknowingly trade in the shares of an illiquid scrip. In light of the details and connections mentioned in the preceding paragraphs, it cannot be denied that the Krupa Soni group, of which the Noticees were a part, had connections with the Malani Group. The sale of shares by the Malani Group and the trading by the Krupa Soni Group shows that the Krupa Soni Group

had assisted the Malani group in exiting RCL by creating liquidity in the scrip. It is also seen that the Krupa Soni Group received funds amounting to Rs.42 lakhs which was equivalent to its payment obligations to its brokers (excluding brokerage charges and taxes) in respect of the shares of RCL traded by it.

- It is pertinent to note that the Noticees did not trade in the scrip of RCL prior to and after the investigation period.
- The facts and circumstances of the case such as the sudden interest in the scrip during the period Malani Group exited from the company, funding by RCL to J.M Consultancy which corresponds to the total net obligation of the Krupa Soni Group, etc. cannot be considered as mere coincidence.
- These facts clearly indicate that the Noticees were acting in concert as part of the group (Krupa Soni Group) to provide for the exit of Malani Group through an illegal *modus operandi* as stated above. In view of the same, I find that as a part of Krupa Soni group the Noticees viz., Krupa Soni, Krunal Rana and Ashlesh Shah traded in the scrip of RCL and created momentum in the illiquid scrip and facilitated the exit of the promoters of RCL.
- In view of the foregoing, I find that the Noticees have violated the provisions of Section 12 A (a), (b) and (c) of SEBI Act read with Regulations 3(a), (b), (c), (d), 4(1) and 4 (2) (a), (d) and (e) of the PFUTP Regulations, 2003.

31. The following facts in relation to the Noticees are observed from their submissions :

- The Noticee, Krunal Rana, has withdrawn from trading in the securities market from January 2014 and has not executed a single transaction since January 2014. The alleged violation on part of the Noticee is first of its instance and he is not a repetitive offender.
- The Noticees, Krupa Sanjay Soni and Krunal Rana have already undergone debarment for a period of one year and eleven months (01.10.2014 till 22.08.2016)
- The Noticee, Ashlesh Shah, had traded only for a quantum of 7700 shares of RCL and he has undergone debarment for a period of one year and six months (1.10.2014 to 10.10.2014 and 11.06.2015 to 08.12.2016).

The Noticees submitted that the said facts in relation to them may be considered and a lenient view may be taken. The said facts peculiar to the Noticees as well as the

contribution to the volume of trades executed in the scrip of RCL are taken into account in relation to the totality of factual matrix in the case.

32. In view of the foregoing, I, therefore, in exercise of the powers conferred upon me by virtue of Section 19 read with Sections 11(4) and 11B of the SEBI Act read with Regulation 11(1) of the PFUTP Regulations hereby direct that:

- The Noticee Ms. Krupa Sanjay Soni (PAN: BVSPS9740P) is prohibited from buying, selling or dealing in the securities market, in any manner whatsoever for a period of **five (5)** years. The period of prohibition already undergone by the Noticee in terms of Order dated October 01, 2014 shall be set-off from the period of prohibition imposed in this Order.
- The Noticee Mr. Krunal Gopaldas Rana (PAN: AKMPR9961M) is prohibited from buying, selling or dealing in the securities market, in any manner whatsoever for a period of **four (4)** years. The period of prohibition already undergone by the Noticee in terms of Order dated October 01, 2014 shall be set-off from the period of prohibition imposed in this Order.
- The Noticee Mr. Ashlesh Shah (PAN: AEOPS0718P) is prohibited from buying, selling or dealing in the securities market, in any manner whatsoever for a period of **three (3)** years. The period of prohibition already undergone by the Noticee in terms of Order dated October 01, 2014 and June 11, 2015 shall be set-off from the period of prohibition imposed in this Order.

33. This order shall come into force with immediate effect.

Place: Mumbai

S. RAMAN

Date: September 05, 2017

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA