

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER
FINAL ORDER**

**Under Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of
India Act, 1992**

**In Re: Securities and Exchange Board of India (Prohibition of Fraudulent and
Unfair Trade Practices Relating to Securities Market) Regulations, 2003**

In respect of:

S. No.	Name of the Entity	PAN
1.	Ms. Saira Amanatali Shaikh	BIKPS4962G

In the matter of Hasti Finance Ltd.

BACKGROUND

1. Hasti Finance Ltd. (hereinafter referred to as “**HFL / Company**”) is in the business of leasing, hire purchase and investment banking. The company is listed only on BSE.
2. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted an investigation in the scrip of HFL based on a reference received from the Principal Director of Income Tax (Investigation), Kolkata. The focus of the investigation was to ascertain whether there were any violations of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”) by certain entities in the scrip of HFL during the period August 27, 2010 to August 31, 2015 (hereinafter referred to as “**Investigation Period**”).

3. During the investigation period, corporate announcements were related to AGMs, declaration of financial results, consolidation of share capital, issuance of GDRs, preferential allotment, and other disclosures. No major impact of the corporate announcements on the scrip price was observed. Further, it is observed from the Investigation Report (hereinafter referred to as “IR”) that the company showed a rise in profit during the year ended March 2011 from ₹ 0.06 crore to ₹ 0.68 crore and thereafter showed a continuous fall between years ended March 2012 to March 2016. The company made a loss of ₹ 0.05 crore during year ended March 2016.
4. Based on price rise/fall, 6 patches were identified. A brief summary of the said 6 patches is as follows:

Period	Date		Opening Price (volume) on first day of the period(₹)	Closing price (volume) on last day of the period (₹)	Low price(volume) during the period (₹) / Date	High Price(volume) during the period (₹) / Date	Avg. Price / No. of (shares) traded daily during the period
Pre-Inv.	27/05/2010 to 26/08/2010	Price	25.3	23.9	20.4 (27/05/2010)	36 (08/07/2010)	26.70
		Volume	1420	481	1 (14/06/2010)	15471(06/07/2010)	1738
Investigation – Patch 1	27/08/2010 to 06/06/2011 (price rise)	Price	23	84.2	18.35 (30/09/2010)	84.75 (06/06/2011)	44.75
		Volume	991	10271	1(31/07/2010)	76445 (07/04/2011)	6719
Investigation – Patch 2	07/06/2011 to 08/10/2012 (price fall)	Price	86.5	52.5	48.5 (17/09/2012)	88.8 (09/06/2011)	70.17
		Volume	5607	2307	1(05/09/2011)	73460 (05/07/2011)	4653
Investigation – Patch 3	09/10/2012 to 03/12/2012 (price rise)	Price	52.5	84.9	48.1 (10/10/2012)	89.65 (30/11/2012)	71.94
		Volume	1653	14195	10 (29/11/2012)	77982 (26/10/2012)	9249
Investigation – Patch 4	04/12/2012 to 05/04/2013 (price fall)	Price	84.65	43.2	43.20 (05/04/2013)	84.75 (05/12/2012)	71.70
		Volume	5289	1	1 (28/03/2013)	21742 (22/01/2013)	2628
Investigation – Patch 5	*11/04/2013 to 31/03/2014 (price rise)	Price	45.35	76.8	45.35 (11/04/2013)	80.9 (14/05/2013)	67.34
		Volume	1	1	1 (11/04/2013)	7500 (13/09/2013)	11797

Investigation - Patch 6	**09/04/2014 to 31/08/2015 (price fall)	Price	76.8	12.05	10.8 (29/07/2015)	76.8 (09/04/2014)	25.10
		Volume	3	2	1 (05/05/2014)	24580 (13/08/2014)	746
Post Investigation	01/09/2015 to 30/11/2015	Price	12.05	15.49	10.93 (09/10/2015)	15.49 (30/11/2015)	13
		Volume	20	18	1 (19/11/2015)	38838 (30/11/2015)	2229

* no trading between April 6, 2013 to April 10, 2013

** no trading between the period April 1, 2014 to April 8, 2014

SHOW CAUSE NOTICE

5. Consequent to the investigation, a show cause notice dated September 26, 2017 (hereinafter referred to as “SCN”) was served on Ms. Saira Amanatali Shaikh (hereinafter referred to as “**Noticee**”) in the extant matter. The SCN *inter alia* alleged as follows:

a) The Last Traded Price (hereinafter referred to as “LTP”) analysis of the 6 patches was done and the details of Patch 5 is given below:

LTP Analysis: Patch 5 - Price rise patch from April 11, 2013 to March 31, 2014:

- During this patch, the scrip price opened at ₹ 45.35 and reached high of ₹ 76.8. The net rise in the scrip price is ₹ 31.45. Since this was a price rise patch, buy side of the trades were analysed. On the basis of their net positive LTP contribution as buyers, the following top 10 entities were considered for further analysis:

Sr. No	Entity	All trades			LTP Diff. >0			LTP Diff. < 0			LTP Diff. =0		% of +ve LTP to Total Mkt +ve LTP
		LTP impact	Sum of Qty	No of trades	LTP impact	Sum of Qty	No of trades	LTP impact	Sum of Qty	No of trades	Sum of Qty	No of trades	
1	PARAG RAMESH KALWANKAR	23	26	26	26.8	14	14	-3.8	6	6	6	6	32.72
2	SAIRA AMANATALI SHAIKH	12	8	8	12	5	5	0	0	0	3	3	14.65
3	SAFIK KHAN	10.10	3	3	10.10	3	3	0	0	0	0	0	12.33
4	KISHOR DINKAR DESAI	9.70	13	13	11	7	7	-1.3	4	4	2	2	13.43

5	JEETENDRA NANJI MARU	3.65	10	1	3.65	10	1	0	0	0	0	0	4.46
6	MORBIA SHARAD CHIMANLAL	3.60	1	1	3.60	1	1	0	0	0	0	0	4.40
7	HASMUKHLAL SEVANTILAL DOSHI	3.50	1	1	3.50	1	1	0	0	0	0	0	4.27
8	UJWALA PRAMOD SHEJWADKAR	3.45	10	2	3.45	7	1	0	0	0	3	1	4.21
9	REKHABEN HASMUKHLAL DOSHI	3.30	1	1	3.30	1	1	0	0	0	0	0	4.03
10	RESHMA RAMACHANDRA RAO	2.85	7500	6	2.85	500	1	0	0	0	7000	5	3.48
	Total LTP of Top 10 entities	75.15	7573	62	80.25	549	35	-5.1	10	10	7014	17	97.99
	Remaining entities	-43.70	4224	20	1.65	274	1	-45.35	3911	15	39	4	2.01
	Market LTP	31.45	11797	82	81.90	823	36	-50.45	3921	25	7053	21	100.00

- From the above table, it is noted that top 10 buy entities have contributed ₹ 80.25 to positive LTP (97.99 % of total market positive LTP). Net positive LTP contribution of the above mentioned entities is ₹ 75.15.
- Out of the total purchase through 8 trades, Noticee contributed ₹ 12 to positive LTP (14.65% of total market positive LTP) through 5 trades. On analysis of these 5 positive LTP contributing trades, it was noted that in all 5 trades, the buy orders were placed after the respective sell orders which already existed in the system at higher than LTP. The counter parties to the above mentioned 5 trades were scattered and unconnected. However on further analysis of the positive LTP contributing trades of Noticee it was observed that for all the 5 trades, the buy order placed by Saira was for 1 share, though there were available sell order quantities for higher quantities. Noticee has contributed to ₹ 12.00 (14.65% to total market positive LTP). Details of the 5 positive LTP contributing trades are as under:

Sl. No.	Description	No. of trades	LTP Contribution (₹)	% of total market positive LTP
1	Trades where buy order qty is 1 share	5	12.00	14.65
2	All buy trades which contributed to positive LTP	5	12.00	14.65

- As can be seen from the above, with her 5 buy trades, Noticee contributed to

positive LTP of ₹ 12.00, during Patch 5 of the investigation period. Details of these 5 positive LTP contributing trades is given below:

Batch Date	Buyer Name	Seller Name	Trade Time	Buy Order Time	Sell Order Time	Trade Price	LTP Difference	Buy Order Price	Sell Order Price	Trade Qty	Sell Order Disclose Vol	Buy Order Qty
11.10.2013	SAIRA AMANAT ALI SHAIKH	RAJKAMAL GUPTA	13:16:17.6552500	13:11:13.6886010	12:37:00.4083350	71.35	3.35	71.35	71.35	1	799	1
19.09.2013	SAIRA AMANAT ALI SHAIKH	SURESH JAYANTILAL SHAH	15:16:24.6135400	14:57:01.9022820	14:30:21.5466880	68.15	3.2	68.15	68.15	1	220	1
09.10.2013	SAIRA AMANAT ALI SHAIKH	KAMLA DEVI JAIN	12:15:59.3884510	12:14:00.6630660	11:33:08.3507390	68	3	68	68	1	18	1
12.04.2013	SAIRA AMANAT ALI SHAIKH	KISHOR DINKAR DESAI	10:16:07.1802730	10:10:01.01908560	09:52:04.6351410	47.55	2.2	47.6	47.55	1	1	1
26.09.2013	SAIRA AMANAT ALI SHAIKH	JASMIN MAHENDRA VORA	15:16:19.9866940	15:13:30.5058680	15:11:52.1451530	65	0.25	67	65	1	1094	1

- As can be seen from the above, in respect of the 5 positive LTP contributing trades, while in 3 of the 5 trades, the disclosed volume of the sell orders were large, Noticee placed buy orders for 1 share, for which quantity the above trades were executed. These 5 trades for small quantity were executed on 5 days and contributed to significant positive LTP.
- Considering that Noticee had repeatedly entered into such trades (05 instances), it is alleged that Noticee was not acting as genuine buyer and had no bona fide intention to buy because in spite of most of the disclosed quantity of sell orders being much higher than her buy orders, she was placing small quantity buy orders by matching or placing slightly higher than sell order rates which were already above LTP at the time of buy order entry thereby contributing to significant positive LTP. It is further alleged from the above trading pattern that the intention of Noticee was to mark the price higher and

not merely to enter into the buy transactions.

- b) In view of the above it is alleged that the Noticee had manipulated the price of the scrip and created a misleading appearance of trading in the scrip by such trades. Hence, it is alleged that Noticee has violated Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2)(a) and (e) of PFUTP Regulations.
- c) The Noticee was advised to show cause as to why suitable actions/directions in terms of Sections 11(1), 11(4) and 11B of SEBI Act should not be initiated against her for the alleged violation of the provisions of PFUTP Regulations.

REPLY & HEARING

6. In response to the SCN, the Noticee vide an email dated October 14, 2017 *inter alia* submitted as follows:
- Her son, Mr Majid Shaikh had joined the sub broker of India Infoline Ltd. (hereinafter referred to as “IIFL”) in 2006 where he worked till 2013. In the year 2008, there was a big fall in the market where some blank debit had incurred in some client codes as a result of which Mr Nizamuddin Shaikh closed down his franchisee and requested her son to become sub broker of IIFL so that he can shift all his client under his sub brokership so that the business is not impacted.
 - Her son was new to the industry and in good faith he agreed for the same and started doing his work. In the same franchisee code he had opened her account where it was handled by the owner Mr Nizamuddin Shaikh. All the trades done in HFL was executed by Mr. Nizamuddin Shaikh. She and her son were nowhere in loop for such transactions. She is a layman in capital market and till today does not understand such transactions.
 - She and her son were nowhere involved in price rigging and if anything wrong/ illegal happened in her trading account, it is solely done by Mr. Nizamuddin Shaikh. She had tried to contact him but he is not contactable.
7. Vide hearing notice dated November 12, 2018, Noticee was granted an opportunity of hearing on December 12, 2018 at SEBI Bhavan, Mumbai. In response to the hearing

notice, Mr. Majid Shaikh informed that he will be attending the hearing on behalf of his mother. However, due to administrative exigency, the scheduled hearing in the matter was postponed to December 13, 2018. The same was informed to the Noticee vide hearing notice and email dated December 10, 2018.

8. On the day of the scheduled hearing, Mr. Majid Shaikh attended the hearing on behalf of his mother. He submitted that he opened the demat account of his mother on the advice of one Mr. Nizam. Mr. Nizam was an ex- employee IIFL and had started his own franchise. He had requested him to join him. Mr. Majid Shaikh submitted that he used to trade on behalf of his mother, however the trades in the scrip were not executed by him. He was advised to submit a demat statement / broking statement for the year 2013-14 on or before December 20, 2018.
9. Pursuant to the hearing, the Noticee's son vide his email dated December 18, 2018 submitted his mother's demat account statement for the period April 1, 2013 to March 31, 2014.

FINDINGS & CONSIDERATIONS

10. I have perused the SCN, written submissions, oral submissions and other materials available on record. On perusal of the same, the following issues arise for consideration:
 - (i) Whether the Noticee has manipulated the price in the scrip of HFL and created a misleading appearance of trading in the scrip during the period April 11, 2013 to March 31, 2014?
 - (ii) If answer to issue No. (i) is in affirmative, whether the Noticee has violated the provisions of PFUTP Regulations?
 - (iii) If answer to issue Nos. (ii) is in affirmative, what directions, if any should be issued against the Noticee?
11. Before embarking upon the necessary discussions, I would like to reproduce the relevant provisions of PFUTP Regulations:

Regulation 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.

Regulation 4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

(a) indulging in an act which creates false or misleading appearance of trading in the securities market;

...

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

Issue No. 1 - *Whether the Noticee has manipulated the price in the scrip of HFL and created a misleading appearance of trading in the scrip during the period April 11, 2013 to March 31, 2014?*

12. It is noted from the material made available on record that the Noticee has executed 8 trades in the scrip for 8 shares. Out of the said 8 trades, 5 trades were over the LTP for 5 shares. Out of the said 5 trades, on 4 instances the available sell orders were for substantial quantity of shares, yet the Noticee placed buy orders for one share. If the Noticee was a genuine buyer and had an interest in the scrip, she would have bought shares more than one at a time. Further, it is noted that on two instances, although there was a pending sell order in the system, still the Noticee was putting buy orders over the sell order price. Thus, the Noticee was willing to pay more than what the seller was asking, which is completely opposite of a reasonable buyer behavior of buying shares at a low price.
13. It is noted from the IR that when the Noticee was executing trades for 1 shares, the daily average number of traded shares in the scrip was 11,797 shares compared to 2,628 shares during the previous period of December 4, 2012 to April 5, 2013, i.e. an increase of 77.72% in average number of shares traded daily. This shows that liquidity in the scrip had increase at the relevant time. It is also noted from the top 10 net LTP contributors as buyers that there were other buyers in the scrip who have executed trades for significant volume at LTP or lower than LTP. In light of the aforesaid, it can be said that the Noticee instead of executing 62.5% of her trades over the LTP, had the opportunity to buy shares at LTP or lower than LTP which is evident from her trade details also, confirming that she had also bought shares at LTP or lower than LTP.
14. Here, it is noteworthy to quote the observations of Hon'ble Securities Appellate Tribunal in the matter of *Saumil Bhavnagari Vs. SEBI* decided on March 21, 2014 wherein it was observed as follows:

"...It is relevant to note that out of 85 trades, most of the trades placed are above the LTP and some of the trades placed by appellant were below the LTP. This was done

evidently with ulterior motives, because, if shares were available for a lesser price, there was no reason to place orders at a price higher than the LTP and if orders at prices higher than LTP were placed on account of the financial status of the company then there was no reason to place some orders below the LTP...”

15. Furthermore, out of the said 5 over the LTP trades, it is noted that the frequency of putting buy orders over the LTP in 4 trades was high. The said buy trades were put within an interval of 1-8 trading days, showing a consistency (both in terms of volume and price) in the way the Noticee was putting orders in the scrip. Further, the fundamentals of the company also does not justify Noticee's persistence of putting buy orders over the LTP.

16. At this juncture, I would like to quote the order of Hon'ble Securities Appellate Tribunal in the matter of *Shri Lakhi Prasad Kheradi Vs. SEBI* decided on June 21, 2018 wherein the Hon'ble Tribunal was addressing the issue wherein the entity had contributed to 9.17% of the market New High Price in 9 trades for 1 share each for the total value of 9 shares within a span of two weeks. The Hon'ble Tribunal observed as follows:

“...Very fact that the appellant had indulged in self trades/ LTP/ NHP without giving any justifiable reason, clearly justifies the inference drawn by the AO that the trades executed by the appellant were manipulative trades...”

17. In the extant matter the Noticee by executing single trade on five occasions has contributed to ₹ 12/- to the positive LTP which is 14.65% of total market positive LTP (second highest contributor during the Patch). Further, the only justification given by the Noticee for executing such trades is that one Mr. Nizam has executed the trades from her trading account. The said explanation itself casts a strong shadow of doubt on the genuineness of the said trades. Without prejudice, to all the preceding findings in pre paragraphs, I note that if 'X' trades through the account of 'Y' that calls into question the bona fide of the trades executed by 'X'. It raises the very pertinent question as to why someone trades through another person's account, if he/she is executing a genuine trade. It is also common knowledge that benami accounts are

created for illegal / fraudulent purpose.

18. I note that trades at higher than LTP, undoubtedly have a potential of raising the price of the scrip and the same gives a wrong impression about the price of the scrip in the market based on miniscule quantities traded. It must not be forgotten that every trade establishes the price of the scrip and trades executed at higher than LTP results in the price of the scrip going up which may influence the innocent/gullible investors. In cases of market manipulation, admittedly, no direct evidence would be forthcoming / available. Manipulative transactions are to be tested on the conduct of parties and abnormality of practices which defy normal logic and laid down procedures. What is needed, is to prove that in a factual matrix, preponderance of probabilities indicate a fraud. In this regard, the observations of Hon'ble Supreme Court of India in *SEBI Vs. Kishore R Ajmera et.al.* decided on February 23, 2016 wherein the Hon'ble Court while deciding the matter under SEBI Act and PFUTP Regulations where there was no direct evidence forthcoming, observed as follows:

"It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion..."

19. In the instant matter Noticee has executed 62.5% of her total trades in the scrip over the LTP and all her trades in the scrip are for single share. Further the Noticee has repeatedly placed buy orders for miniscule quantity of shares over the LTP at frequent intervals, even though the sell order disclosed volume was for more than one share on multiple occasions. Thus, sell orders for higher quantities were existing

in the system when the Noticee had placed order for single share. If the Noticee was a genuine buyer then she had the opportunity to buy more than one share of the company on multiple occasions but still she chose not to buy shares more than one at a time and continued to execute buy trades over the LTP by buying just one share at a time. Moreover, she was also placing buy orders over and above the existing sell order price which already was over the LTP. Further, the fundamentals of the company also do not support the persistent interest shown by the Noticee in buying the scrip at prices higher than LTP.

20. Noticee's submission that she is a layman in capital market and till today does not understand such transactions is not tenable as it is noted from her profit and loss statement for the financial year 2013-2014 that she has been trading in 51 other scrips also demonstrating that she is quite active in the market.

21. In light of the aforesaid findings, it is held that the Noticee's trading in the scrip was manipulative in nature and had created a misleading appearance of trading in the scrip.

Issue No. 2 - *If answer to issue No. (i) is in affirmative, whether the Noticee has violated the provisions of PFUTP Regulations?*

22. In view of the conclusion arrived at paragraph 21, I find that the Noticee has violated Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2) (a) and (e) of PFUTP Regulations.

Issue No. 3 - *If answer to issue Nos. (ii) is in affirmative, what directions, if any should be issued against the Noticee?*

23. In view of the violations committed by the Noticee, I find that it becomes necessary for SEBI to issue appropriate directions against the Noticee.

ORDER

24. In the facts and circumstances of the case, I, in exercise of the powers conferred upon me in terms of Section 19 read with Sections 11(1), 11(4) and 11B of the Securities

and Exchange Board of India Act, 1992, hereby restrain Ms. Saira Amanatali Shaikh (PAN: BIKPS4962G) from accessing the securities market for a period of two years from the date of this order and further prohibit her from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of two years, from the date of this order. Needless to say, in view of prohibition on sale of securities, it is clarified that during the period of restraint, the existing securities holding, including units of mutual funds, of the Noticee shall remain frozen.

25. The order shall come into force with immediate effect.

26. A copy of this order shall be served upon all recognised Stock Exchanges, Depositories and the Registrar and Share Transfer Agents to ensure compliance with the above directions.

-Sd-

DATE: January 10, 2019

PLACE: Mumbai

**MADHABI PURI BUCH
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA**