

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. B. Jayanthi	ASTPJ0593Q

In the matter of NCL Research & Financial Services Ltd.

BACKGROUND

1. NCL Research & Financial Services Ltd. (hereinafter referred to as “**NCL / Company**”) is engaged in trading of textiles products apart from investing activities in shares and securities. The company is listed on BSE Ltd.
2. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted an investigation in the scrip of NCL 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 NCL during the period April 01, 2012 to September 30, 2014 (hereinafter referred to as “**Investigation Period / IP**”).

3. During the investigation period, corporate announcements were in the nature of announcements of financial results, meeting of the Board of Directors of the company etc. Further, it is observed from the Investigation Report (hereinafter referred to as “**IR**”) that the company for FY ended 2013, 2014 and 2015 registered a profit of ₹ 0.47 crore, ₹ 0.95 crore and ₹ 0.55 crore respectively.
4. During the investigation period, price of the scrip moved from ₹ 180.05 to ₹ 314.80 reaching a high of ₹ 2,200 and a low of ₹ 178.65. On the basis of price rise/fall, 4 patches were identified (2 price rise and 2 price fall). The open, high, low, close price of the scrip before, during and after the period of investigation are as under:

Period	Duration		Opening Price/ vol on 1st day of period(₹)	Closing Price/ Vol on last day of period(₹)	Low Price/Vol during the Period(₹)	High Price/Vol during the Period(₹)	Avg no of shares traded daily during the period
Pre- Investigation	(02.01.2012 - 30.03.2012)	Price	147.30	188	136.30 (31.01.2012)	251.95 (13.03.2012)	8295
		Vol	183	57500	1 (10.01.2012)	63301 (19.03.2012)	
	Trading holiday on 31/03/2012 and 01/04/2012						
Investigation	Patch 1 (02.04.2012 - 05.07.2013)	Price	180.05	2098.90	178.65 (02.04.2012)	2200 (06.06.2013)	13969
		Vol	300	19071	8 (10.10.2012)	66210 (03.05.2012)	
	Trading holiday on 06/07/2013 and 07/07/2013						
	Patch 2 (08.07.2013 - 04.04.2014)	Price	1810	300	298 (02.04.2014)	2180 (08.07.2013)	14890
		Vol	36460	1000	2 (19.02.2014)	55430 (28.03.2014)	
	Trading holiday on 05/04/2014 and 06/04/2014						
	Patch 3 (07.04.2014 - 26.06.2014)	Price	306	971	306 (07.04.2014)	989.90 (26.06.2014)	1173
		Vol	7500	15344	1 (10.06.2014) Multiple Dates	15344 (24.07.2014)	
			Price	951.60	314.80	951.60 (27.06.2014)	314.80 (30.09.2014)

	Patch 4 (27.06.2014 - 30.09.2014)	Vol	4	56	1 (27.08.2014) Multiple Dates	22719 (17.09.2014)	
Post- Investigation	(01.10.2014 - 31.12.2014)	Price	308.55	16.80	322.55 (14.10.2014)	14.60 (17.11.2014)	19592
		Vol	9	5734	5 (18.12.2014)	216539 (21.11.2014)	

SHOW CAUSE NOTICE

5. Consequent to the investigation, a show cause notice dated December 13, 2017 (hereinafter referred to as “**SCN**”) was served on Ms. B. Jayanthi (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 4 patches was done and the details of patch 3 is given below:

LTP Analysis: Patch 3 - Price Rise - 07/04/2014 to 26/06/2014:

- During this period, the price of the scrip opened at ₹ 306, reached a high of ₹ 989.90 and closed at ₹ 971 i.e., a rise of 217.32% from the opening price. Since Patch 3 is a price rise patch, the analysis of the top 10 net LTP contributors as buyers was carried out, details of which are as follow:

Sr. No.	Buyer Name	All trades			LTP Diff. >0			LTP Diff. < 0			LTP Diff. =0		% of +ve LTP to Total Market +ve LTP
		Sum of LTP diff	QTY traded	No of trades	Sum of LTP diff	QTY traded	N o of trades	Sum of LTP diff	QTY traded	N o of trades	QTY traded	No of trades	
1	B. Jayanthi (Noticee)	175.40	137	11	175.40	37	8	0	0	0	100	3	24.64
2	Manoj Financial Services Pvt Ltd	61.40	72	13	61.40	8	4	0	0	0	64	9	8.63
3	Sambhu Nath Mondal	55.70	63	16	55.70	14	5	0	0	0	49	11	7.83
4	Kruthi L Saraiya	49.70	10	3	49.70	6	2	0	0	0	4	1	6.98
5	Jagdish Hukmaram Suthar	46.05	30	5	46.05	5	2	0	0	0	25	3	6.47
6	Deepak Nigam	32.30	28	8	32.30	2	2	0	0	0	26	6	4.54
7	Krishan Kumar Sharma	24.05	66	5	24.10	26	2	-0.05	10	1	30	2	3.39

8	Bharathi D	23.10	6	2	23.10	1	1	0	0	0	5	1	3.25
9	Bala Krishna Kundatiri	20.05	100	2	20.05	5	1	0	0	0	95	1	2.82
10	Kanakray Popatlal Motani	19.10	20	2	19.10	5	1	0	0	0	15	1	2.68
Total Of Top 10 Entities		506.85	532	67	506.90	109	28	-0.05	10	1	413	38	71.22
Total Of Mkt		671	44272	212	711.75	3041	49	-	458	8	40773	155	100

- As can be seen from the table above, it was observed that top 10 entities contributed ₹ 506.90 (71.22 % of the market +ve LTP) to the market +ve LTP. The trading of Noticee contributed greater than 5% of market +ve LTP (on buy side). The same is analyzed as under:
- Noticee contributed ₹ 175.40 (24.64% of the market +ve LTP) to the market +ve LTP through eight trades with seven different counterparties. On analyzing +ve LTP contributing trades of Noticee, it was observed that in all the eight +ve LTP contributing trades buy orders were placed first (including one self-trade). The details of aforesaid eight trades are as follow:

Sr. No.	Date	PAN	Name	Counterparty PAN	Counterparty Name	LTP in ₹	Traded Qty	Sell Order Qty	Buy Order Qty
1	28.05.2014	ASTPJ0593Q	B. Jayanthi	ABIPK2900L	Arvind Kapoor	30.95	18	50	18
2	26.05.2014	ASTPJ0593Q	B. Jayanthi	AAYPA0580H	Ashadevi Hasmukhlal Agarwal	28.05	5	5	200
3	23.05.2014	ASTPJ0593Q	B. Jayanthi	BEOPS6680D	Bharti Shirish Shah	26.70	5	5	100
4	19.05.2014	ASTPJ0593Q	B. Jayanthi	ADQPR4259R	Dinesh Kumar Rathi	22.00	5	5	100
5	26.06.2014	ASTPJ0593Q	B. Jayanthi	AKGPD4459E	Sarita Devi	19.40	1	1	1
6	18.06.2014	ASTPJ0593Q	B. Jayanthi	ASTPJ0593Q	Jayanthi	17.55	1	2	1
7	13.06.2014	ASTPJ0593Q	B. Jayanthi	BBNPM3527M	Mudamala Balaguruvi Reddy	16.60	1	1	5
8	03.06.2014	ASTPJ0593Q	B. Jayanthi	ADQPR4259R	Dinesh Kumar Rathi	14.15	1	1	1
Total						175.40	37	70	426

- From the table above, it was observed that the Noticee had placed 5 buy orders (Sr. Nos. 1 and 5 -8) in miniscule quantity ranging from 1 - 18 shares and contributed ₹ 98.65 to market +ve LTP (i.e. 13.86% of the market +ve LTP) through aforesaid trades.
 - It was observed that all the eight buy trades were first trades and contributed to +ve LTP. From the order log analysis, it was observed that there were no pending sell/buy orders when the Noticee had placed buy orders at +ve LTP. Further, it was also observed that the Noticee had placed buy orders for miniscule quantity, except for three days. Of these three days, on two days (viz., 23 & 26 May, 2014), after the execution of the trade for miniscule quantity, the orders for pending quantity were cancelled by the Noticee (immediately on one occasion viz., at 09.22.18 Hrs, and in respect of the other too, well before the close of market hours viz., at 14.06.25 Hrs). In other words, either the Noticee was placing buy orders for miniscule quantity at higher than LTP or her pending buy orders were being cancelled to be subsequently followed by buy orders at higher than LTP.
- b) In view of the above it is alleged that the Noticee had indulged in trades that resulted in manipulation of the price of the scrip by contributing to the price rise and is alleged to have violated Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) & (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 her letter dated December 22, 2017 made the following submissions:
- Noticee is a small investor and does not have much knowledge.
 - She had bought and sold the company shares for investment purpose only not with any other motive.

- Before starting her morning household work, she used to order to buy some shares on BSE during opening market hours.
 - Due to low liquidity in the shares, the Noticee had ordered for buying shares at higher price. Because of the impression that she may not get further shares, she had cancelled her order in certain circumstances.
 - As she was not fully aware about the fundamental of the company, she had ordered to buy in small quantity.
 - As all this happened in 2014, she cannot recollect any more information.
 - The Noticee, hereby informs that she has no connection with the counter party and she does not know more about the company.
 - She does not have any holdings and interest in the company.
7. Vide hearing notice and email dated August 28, 2018, Noticee was granted an opportunity of hearing on November 14, 2018 at SEBI Bhavan, Mumbai. Noticee vide her letter dated November 4, 2018 authorised her son, Mr. M.B. Naresh to attend the hearing on her behalf.
8. On the day of scheduled hearing on November 14, 2018, Mr. M.B. Naresh appeared on behalf of the Noticee and made *inter alia*, the following oral submissions:
- The AR submitted that the entity is a home maker and invests in securities market in her free time. She had noticed the price in the scrip was increasing, so she had invested to earn some profit. Further, she had canceled her buy orders in the scrip as the liquidity was low in the scrip. The entity has sold all the shares of the company.
 - The AR was advised to submit the following documents / information on or before November 21, 2018:
 - Trading history of the entity along with the transaction statement during the relevant period, prior to it and after the said period.
 - Demat statement of the entity during the relevant period.
 - IT return for FYs 2013-14 and 2014-15.
 - Educational background of the entity.

9. Pursuant to the hearing, the Noticee made additional written submissions vide her email dated November 19, 2018. The same are summarized hereunder:

- Noticee has completed B.Sc.
- She does not have a regular income. But by taking tuition and through tailoring work, she makes a small income.
- By reading newspaper and magazines, she got some knowledge in share trading. With the said little knowledge, I had purchased and sold some shares in 2014-2015.
- As Noticee has no regular income and there is no gain in share trading, I have not filed IT returns.
- With regards to the company, the Noticee had purchased a total quantity of 137 shares only and all the shares were sold by her. She is not holding any shares in the company.
- Noticee submitted her share trading statement. From the said statement, it is evident that she has not only purchased shares of NCL but also of other companies.
- Noticee does not have any direct or indirect connection with the company.

FINDINGS & CONSIDERATIONS

10. I have perused the SCN, written and 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 NCL during the period April, 2014 to June, 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 NCL during the period April, 2014 to June, 2014?*

12. It is noted from the material made available on record that the Noticee has executed 11 trades in the scrip for 137 shares. Out of the said 11 trades, 8 trades were over the LTP for 37 shares. Further, in all the 8 positive contributing trades, the buy orders were placed first by the Noticee and contributed ₹ 175.40 (24.64% of the market positive LTP) to the market positive LTP. Moreover, it is observed from the material made available on record that the Noticee had placed 5 buy orders in miniscule quantity ranging from 1 - 18 shares and contributed ₹ 98.65 to market positive LTP (i.e. 13.86% of the market positive LTP) through aforesaid trades.
13. It is noted from the order log trade log that on May 19, 2014 (first day of trading by the Noticee in the scrip) and on May 22, 2014, Noticee had bought 96 shares of NCL at LTP. Yet, on subsequent days the Noticee was repeatedly placing orders of miniscule quantity over the LTP. From the table in the IR of top 10 net LTP contributors as buyers during Patch-3, it is noted that there were other buyers who have bought shares at 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, it is noted from the records that on 8 instances when the Noticee was executing trades over the LTP, she had cancelled her two large buy orders on May 23, 2014 and May 26, 2014, after trades got executed for miniscule quantity. On one

occasion immediately at 09.22.18 hrs, and in respect of the other too, well before the close of market hours, at 14.06.25 hrs. Thus, if the Noticee was genuinely interested in buying the scrip, she should have not have cancelled her orders and waited for them to get executed. Anyhow, the pending orders, if left unexecuted would have been deleted automatically from the system at the end of the trading day. Thus, the Noticee by placing large buy orders over LTP was sending a wrong signal to the market that there was substantial buying interest in the scrip though she had no intention of executing the said orders for that particular volume. Noticee's submission that she had cancelled the orders as she was under the impression that she may not get the remaining shares is not borne out from the facts. Noticee had placed order for large quantity on four occasions. On the very first instance when she had put buy order for 100 shares on May 19, 2014, the same was executed. On the second occasion her large buy order was not executed and for the remaining two instances of her placing the large buy order, she cancelled them before the end of market hours. Therefore, her impression of not getting shares was unfounded. It is not the case of the Noticee that on multiple occasions she had placed buy orders for large quantity and the order was not executed. At the time of the hearing the AR of the Noticee submitted that the Noticee had cancelled the orders as there was low liquidity in the scrip. The same is also not acceptable as Noticee can see / access the particulars of trading in the scrip including volume of trade executed, pending sell orders and buy orders etc. So, if the Noticee can see / access information that there is less liquidity / volume in the scrip, then she should have put her orders accordingly.

16. Noticee has submitted that as she was not fully aware of the fundamentals of the company, she was placing order to buy in small quantity. The said submission of the Noticee is not tenable as out of 9 buy orders placed by the Noticee in the scrip, 4 buy orders were for 100 shares or more i.e. 44.44% of her buy orders were for substantial quantity. It is noted from the IR that the Noticee by placing buy orders for miniscule quantity over the LTP had contributed ₹ 175.40 to the positive LTP which is 24.64% of total market positive LTP (highest contributor during the Patch).

17. 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..."

18. Moreover, out of the 8 over the LTP trades, one trade of the Noticee was a self trade which was executed at 2% over the LTP and the time difference between placing of buy order and sell order was approximately 4 hours. In the absence of any explanation for the said self trade, I find that no bona fide investor will knowingly execute a self trade in the scrip that too over the LTP.

19. In view of the aforesaid findings, it is held that the Noticee's trading in the scrip is manipulative in nature.

20. 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..."

21. At the time of the hearing, the Noticee was advised to submit her trading history along with her transaction statement during the relevant period, prior to it and after the said period. Noticee has submitted her transaction statement for the financial year 2014-2015. From the same, it is noted that the Noticee has traded in 54 scrips including NCL. Barring two scrips (excluding NCL), Noticee has not traded in miniscule quantities on a regular basis in other 51 scrips.
22. Thus, during the normal course of Noticee's trading, the Noticee does not put buy orders for miniscule quantity of shares. Noticee's trading behavior in the scrip under inquiry does not follow its usual pattern of putting buy orders. Hence, the trading behavior of the Noticee in other scrips also does not justify her trading in NCL which has already been held to be manipulative.
23. Noticee has submitted that she does not have direct or indirect connection with the company. In this regard, I note that the extant matter is not based on the connection between the Noticee and the company, rather on the manipulative transactions carried out in the scrip. As observed by Hon'ble Apex Court in the matter of *SEBI Vs. Kishore R Ajmera et.al*, in matters like the current one, totality of the attending facts and circumstances surrounding the allegations has to be seen to arrive at a conclusion. In the instant matter Noticee was repeatedly entering buy orders for miniscule quantity over the LTP, was also cancelling her large buy orders and also

executed one self trade over LTP. Further, Noticee's trading behavior in NCL was at variance from her trading pattern in almost all other scrips. All the aforesaid, indicates that the Noticee was not a genuine trader in the scrip.

24. In view of the above, the findings that have been gathered from various circumstances for instance volume of the trade effected, frequency of putting buy orders over the LTP in the scrip, the particulars of the buy orders including cancellation of buy orders and the trading behavior in other scrips, the totality of the picture that emerges leads to the conclusion that the Noticee by executing the aforesaid buy trades has manipulated the price of the scrip and has 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?*

25. In view of the conclusion arrived at paragraph 22, 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?*

26. 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

27. 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. B. Jayanthi (PAN: ASTPJ0593Q) 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 holding of securities, including units of mutual funds, of the Noticee shall remain frozen.

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

29. 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**