

**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.	Sagar Dhanvant Jajal	AHVPJ5603Q
2.	Chandrika Dhanvant Jajal	AHCPJ0230Q

In the matter of Grandma Trading and Agencies Ltd.

BACKGROUND

1. Grandma Trading and Agencies Ltd. (hereinafter referred to as “**GTAL / Company**”) was in the business of export of soya oil until the year 1996 after which the said business was discontinued. The company thereafter has been engaged in the business of textile, fabric and yarn trading and other commission agency business. The company has been listed on BSE since 1982. It is listed only on BSE.
2. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted an investigation in the scrip of GTAL 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 GTAL during the period April 4, 2012 to March 13, 2015 (hereinafter referred to as “**Investigation Period**”).

3. During the investigation period, corporate announcements were made by the company regarding stock split, declaration of financial results and meeting of the Board of Directors of the Company. Further, it is observed from the Investigation Report (hereinafter referred to as “**IR**”) that GTAL earned profit (net) of ₹ 0.08 crore until 2012 which increased to ₹ 0.62 crore during year ending 2013. The net profit started decreasing after 2013 and fell to ₹ 0.15 crore in the year ending 2014 and thereafter increased marginally to ₹ 0.16 crore in the year ending 2015 and 2016.
4. During the investigation period, 84,49,340 shares were traded through 29,813 trades. Trading in GTAL was suspended w.e.f September 10, 2001 on account of non-payment of annual listing fees and later revoked w.e.f June 27, 2011. However, no trades were executed from the date of revocation of suspension i.e. June 27, 2011 till April 3, 2012. The price and volume in the scrip during the investigation period and post investigation period is as follows:

Period	Particulars	Open	High	Low	Close	Avg. Volume
April 4, 2012 to March 13, 2015 -Investigation period	Price	₹ 15 (04/04/12)	₹ 309.95 (13/11/14)	₹ 12.05 (11/03/15)	₹ 12.95 (13/03/15)	17788
	Volume	200 (04/04/12)	309667 (03/03/15)	10 (14/09/2012, 12/02/2013, 13/03/2013, 10/05/2013, 14/05/2013,15/05/2013, 23/05/2013, 26/02/15)	135373 (13/03/15)	
March 16, 2015 to June 16, 2015- Post Investigation period	Price	₹ 12.05 (16/03/15)	₹ 25.4 (11/06/15)	₹ 12 (16/03/15)	22.6 (16/06/15)	122900
	Volume	223312 (16/03/15)	543096 (31/03/15)	1 (14/05/15)	15701 (16/06/15)	

5. On the basis of price movement, 4 patches were identified. The open, high, low, close price of the scrip before, during the period of investigation are as under:

Period	Particulars	Open	High	Low	Close	Avg. Volume per day
Patch I April 4, 2012 – June 12, 2013	Price(₹)	15	235.25 (12/06/2013)	15 (04/04/2012)	234	258
	Volume(No. of shares)	200	6,884 (12/06/2013)	10 (14/09/2012,12/02/2013, 18/03/2013,10/05/2013, 14/05/2013,15/05/2013, 23/05/2013)	6884	
Patch II June 13, 2013 – March 31, 2014	Price(₹)	230	294 (24/03/2013)	230 (13/006/2013)	288	23,211
	Volume(No. of shares)	11360	59,537 (05/09/2013)	1,510 (22/03/2014)	37818	
Patch III April 1,2014 to February 25, 2015	Price(₹)	287.5	309.95 (13/11/2014)	135 (06/02/2015)	179.8	14,457
	Volume(No. of shares)	23000	84,887 (15/01/2015)	17 (08/12/2014)	22	
Patch IV February 26, 2015 – March 13, 2015	Price(Rs.)	19.5	23.4 (27/02/2015)	12.05 (11/03/2015)	12.8	75,496
	Volume(No. of shares)	10	3,09,667 (03/03/2015)	10 (26/02/2015)	135373	

SHOW CAUSE NOTICE

6. Consequent to the investigation, a common show cause notice dated August 7, 2017 (hereinafter referred to as “SCN”) was served on Mr. Sagar Dhanvant Jajal (hereinafter referred to as “**Noticee No. 1**”) and Ms. Chandrika Dhanvant Jajal (hereinafter referred to as “**Noticee No. 2**”) in the extant matter. The SCN *inter alia* alleged as follows:

- a) The LTP analysis of the 4 patches was done and the details of patch 1 qua the Noticees is given below:

LTP Analysis: Patch 1 - Price Rise - April 4, 2012 to June 12, 2013:

- During this period, the price of the scrip opened at ₹ 15, reached a high of ₹ 235.25 and closed at ₹ 234. An analysis of sellers during patch 1 was carried

out. The following table illustrates the sellers to top 10 LTP contributors:

Sl. no	Seller Name	Total No. of trades (LTP >0)	Total no. of orders (LTP >0)	No. of instances with sell order of 15 shares or less	No. of instances with sell order of 25 shares or less	Positive LTP contribution (₹)	% of positive LTP to Total Market positive LTP	No. of shares held before these trades (NSDL/ CDSL Statements)	Balance no. of shares held after LTP trades in Patch 1 (NSDL/ CDSL Statements)
1	Sagar Dhanvant Jajal	7	7	4	2	35.35	15.98%	150	0
2	Chandrika Dhanvant Jajal	5	5	5	0	21.8	9.85%	100	40
3	Jayesh Narottamdas Gandhi	9	9	4	4	21.65	9.79%	1100	925
4	Roop Chand Jain	3	3	0	2	17.85	8.07%	800	560
5	Bharati Jayesh Gandhi	11	11	4	7	17.4	7.86%	1700	1480
6	Arun Jain	2	2	2	0	14.5	6.55%	400	370
7	Jayesh Kanungo	5	5	1	4	13.75	6.21%	1100	1000
8	Shashikant Nangalia	2	2	0	0	11.15	5.04%	200000	197050
9	Rahul V Agrawal	1	4	0	0	9.65	4.36%	250000	247353
10	Nakul G Kanunga	3		0	3	8.5	3.84%	800	730
11	Rajendra Jain HUF	1	1	1	0	7.55	3.41%	1100	1085
12	Renu Chatarlal Jain	1	1	1	0	5.9	2.67%	2500	2490
13	Manjula Dinesh Jain	1	1	1	0	5.1	2.31%	3000	2985
14	Nikhil Dinesh Jain	1	1	1	0	4.85	2.19%	3000	2985
15	Deval Jayesh Gandhi	2	2	2	0	2.3	1.04%	Nil	Nil
16	Vaibhav Jain	1	1			1.15	0.52%	50	0
Total (16 entities)						198.45	89.69%	-	-

- Both the Noticees have common address. Together these two Noticees have traded on 12 separate days with 12 separate orders. Each of these trades was first trade. All these trades have resulted in positive LTP contribution. Total LTP contribution by these two Noticees is ₹ 57.15 (25.83% of the total market positive LTP). The trades of the Noticees are as under:

Trade Date	Buyer Name	Seller Name	LTP at Sell Order Entry	Trade Price	LTP Difference	Buy Order Disclose Volume	Sell Order Disclose Volume	Buy Order LMT	Sell Order LMT
18.03.2013	Anil Singh	Chandrika Dhanvant Jajal	45.45	47.7	2.25	300	10	09:15:00	10:33:52
22.03.2013	Shyam Kanhey Lal Vyas	Chandrika Dhanvant Jajal	50.05	52.55	2.5	5000	15	09:15:00	10:48:09
01.04.2013	Anil Singh	Sagar Dhanvant Jalal	55.15	57.9	2.75	300	15	09:00:00	11:31:32
08.04.2013	Rajesh Dhanraj Bohra	Sagar Dhanvant Jalal	63.75	66.5	2.75	500	25	10:30:30	11:08:41
16.04.2013	Manjula Nanalal Parikh	Sagar Dhanvant Jalal	73.25	76.9	3.65	300	20	13:30:00	13:37:18
26.04.2013	Pragna Rajeshkumar Shah	Chandrika Dhanvant Jajal	84.7	88.9	4.2	500	15	10:30:00	10:42:31
29.04.2013	Pragna Rajeshkumar Shah	Sagar Dhanvant Jalal	88.9	93.3	4.4	500	15	13:30:00	13:57:02
10.05.2013	Manjula Kundanmal Jain	Chandrika Dhanvant Jajal	113.25	118.9	5.65	500	10	11:30:00	11:49:24
15.05.2013	Manjula Kundanmal Jain	Sagar Dhanvant Jalal	124.8	131	6.2	500	10	14:30:00	14:58:50
21.05.2013	N L Rungta Huf	Sagar Dhanvant Jalal	137.55	144.4	6.85	400	15	14:30:00	14:39:48
23.05.2013	Priyanka Amit Nahar	Chandrika Dhanvant Jajal	144.4	151.6	7.2	900	10	14:30:00	15:06:08
31.05.2013	Nirav Rajababu Gandhi	Sagar Dhanvant Jalal	175.45	184.2	8.75	250	50	13:30:00	14:02:57

- As can be seen from the above table, none of the buy order quantity was less than 250 shares. Infact, one buy order quantity was for 5,000 shares. Thus, buy orders for large quantity of shares are available before placing sell order but the sellers i.e. the Noticees were repeatedly placing sell orders for small quantity of shares despite having sufficient number of shares with them and contributed to significant positive LTP.
- Thus, it is alleged from the trading pattern that Noticees were not acting as genuine sellers and had no bona fide intention to sell because in-spite of sufficient buy orders being available in the market, they released very small quantity of shares in each transaction and performed not more than one transaction a day. Further, it is alleged that by these trades, they matched the price of prevailing buy orders which were placed at a higher price than the last traded price and thus contributed to increased scrip price with each of

their trades. In view of the repeated nature of such trades by the aforesaid Noticees, it is alleged that the culpability of the Noticees in increasing the price is thus established. Moreover, it is alleged that it is evident from the above trading pattern that the intention of the Noticees was to mark the price higher and not merely to enter into sale transactions carried out by them. Hence, it is alleged the Noticees have contributed to manipulation in the scrip price and created a misleading appearance of trading in the scrip by such trades as explained above.

- b) In view of the above it is alleged that the Noticees have violated Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2) (a) & (e) of PFUTP Regulations.
- c) Noticees 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 them for the alleged violation of the provisions of PFUTP Regulations.

REPLY & HEARING

- 7. In response to the SCN, Noticees vide their letter dated August 29, 2017 *inter alia* made the following submissions:
 - Noticees have mother- son relationship and they stay together.
 - The sale trades have been executed with a time gap of 10-40 minutes of placing order and not on immediate basis. Further, they were holding 250 shares and have sold the said shares to earn profit as the scrip was in upper circuit every next trading day and thus they were gaining by selling their holdings.
 - They have place sell order as against buying order which was reflecting on BSE trading screen.
 - They have been trading in the securities market for a long time and have traded in various other scrips also.
- 8. Vide hearing notice dated November 5, 2018, Noticees were granted an opportunity of hearing on November 29, 2018 at SEBI Bhavan, Mumbai. Noticee No. 2 vide an undated letter authorized Noticee No. 1 and Mr. Hemal B. Ashra (hereinafter referred

to as “ARs”) to represent her before SEBI.

9. On the day of the scheduled hearing, the ARs *inter alia* made the following oral submissions:

- The AR submitted that the Noticees have bought the shares in off market by way of a transfer deed. Payment for the same was made in cash.
- They had bought the shares because the transferor did not have a demat account and did not want to go through the whole process. Noticee No. 1’s friend had referred the transferor to them.
- Total consideration received by the Noticees in the scrip was ₹ 23,460/- and their stock brokers did not give them any alert while they were selling the shares.
- The ARs were advised to submit the following documents / information:
 - Scrip wise trading history including buy/sell and profit / loss details for the financial years 2011-12, 2012-13 and 2013-14.
 - Income Tax returns for last 3 financial years.

10. Pursuant to the hearing, vide his letter dated December 11, 2018, Noticee No. 1 submitted his transaction statement for his trading and demat statement for the financial years 2011-12, 2012-13 and 2013-14. Noticee No. 2 also vide her letter dated December 11, 2018 submitted her transaction statement for her trading during the financial years 2011-12, 2012-13 and 2013-14.

FINDINGS & CONSIDERATIONS

11. 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 Noticees have manipulated the price in the scrip and have created a misleading appearance of trading in the scrip of GTAL during the period April 4, 2012 to June 12, 2013?
- (ii) If answer to issue No. (i) is in affirmative, whether Noticees have 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 Noticees?

Issue No. 1 - *Whether the Noticees have manipulated the price in the scrip and have created a misleading appearance of trading in the scrip of GTAL during the period April 4, 2012 to June 12, 2013?*

12. It is noted from the material made available on record that the Noticees have traded on 12 separate days with 12 separate orders. Each of these trades was first trade where the Noticees have matched the price of prevailing buy orders which were placed at a higher price than the last traded price and thus contributed to increase in the price of the scrip with each of their trades. Further, buy orders for large quantity of shares were available before placing of sell order but the Noticees were repeatedly placing sell orders for small quantity of shares despite having sufficient number of shares with them. Total LTP contribution by the two Noticees is ₹ 57.15 (25.83% of the total market positive LTP) and they were the top 2 positive LTP contributors as sellers during Patch- 1 of the investigation period.
13. From the material made available on record, I note that though the Noticees were holding 250 shares at the beginning of their trading, the Noticees were releasing miniscule quantity of shares (25 in number) on 11 instances out of 12, even though there were large pending buy orders over the LTP. The days when the Noticees had executed their trades, pending buy orders were in the range of 300 shares to 5000 shares. It is observed that when the Noticees were trading, on all the 29 trading days only 1 trade was executed in the scrip. This coupled with the fact that the average volume in the scrip during Patch- 1 of the investigation period which spanned for 2 months, was 258 shares, would make a prudent investor to sell its shares at the very first opportunity that he/she is coming across. In the given situation, there were considerable buy order quantity pending in the system and that too over the LTP. It is not the case of the Noticees that on multiple occasions they had placed sell orders for more than 25 shares and the order was not executed. Rather in one instance, Noticee No. 1 had place sell order for 50 shares and the same was executed. Further, the Noticees were executing a single trade in the scrip on a particular day at regular

interval. Thus, based on the trading pattern of the Noticees in the scrip, it is held that the same is manipulative in nature.

14. Noticees have submitted that they had bought the shares in off-market from a person who was referred to by a friend as that person did not want to open a demat account. Noticees have not submitted any details / documentary evidence in support of their submission. Further, I note that Noticees who were willing to buy shares in off-market, which are non-transparent transactions and have inherent settlement risk / genuineness of shares being offered, did not buy a single share from the market. This when seen in light with their trading pattern in the scrip (executing miniscule sell orders), casts a shadow of doubt on the overall behavior of the Noticees in the scrip.
15. 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...”

16. At the time of the hearing, the Noticees were advised to submit their demat statement and summary of their trading for the period 2011-2014 to substantiate their normal trading pattern. It is noted from the transaction equity summary for the financial years 2012-2013 and 2013-2014 that Noticee No. 2 has only transacted in the extant scrip over the period of two financial years. This shows that the Noticee No. 2 was not active in the securities market for the said two financial years but for her 5 trades in the scrip of GTAL. The absence of any trading in other scrips raises a question on the sudden interest shown by her in the extant scrip.
17. From the trading details of the Noticee No.1, it is noted that during the financial year 2012-2013, when the Noticee No. 1 was executing sell trades, only in 18 instances out of 357 sell trades, he had put sell order quantity in minuscule quantity (25 shares or less) and in the financial year 2013-2014, when the Noticee No. 1 was executing sell trades except in the scrip of GTAL, only in 4 instances out of 44 sell trades, he had put sell order quantity in minuscule quantity (25 shares or less). Thus, it can be said that during the normal course of Noticee no. 1's trading, the Noticee does not put sell orders for miniscule quantity of shares. Noticee's trading behavior in the scrip under inquiry does not follow its usual pattern of putting sell orders.
18. Based on the above, it is held that the absence of any trading by Noticee No. 2 and the trading behavior of the Noticee No. 1 in other scrips also does not justify their trading in GTAL which has already been held to be manipulative.
19. 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 Noticees were repeatedly entering sell orders for miniscule quantity inspite of having sizeable holding and large pending buy orders in the system. Further,

Noticees trading behavior in GTAL was at variance from their trading pattern or absence of it in others scrips. All the aforesaid, indicates that the Noticees were not genuine traders in the scrip.

20. In view of the above, the findings that have been gathered from various circumstances for instance mode of acquisition of shares, volume of the trade effected, the period of persistence in trading in the scrip, the particulars of the buy and sell orders, trading behavior in other scrips and absence of it, the totality of the picture that emerges leads to the conclusion that the Noticees by executing the aforesaid sell trades have manipulated the price of the scrip and have created a misleading appearance of trading in the scrip.

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

21. 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;

22. In view of the conclusion arrived at paragraph 20 wherein it has been held that the trades for miniscule quantity of shares executed by the Noticee over the LTP in the scrip are manipulative and misleading in nature, it is also held that such trades are fraudulent in nature and would operate as deceit upon any person trading in the extant scrip. Further, as discussed in preceding paragraphs, the Noticee by executing the impugned trades in the scrip has also manipulated the price of the scrip. I therefore, 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 Noticees?*

23. Section 11 of SEBI Act casts a duty on the Board to protect the interests of investors in securities and to promote the development of and to regulate the securities market. For achieving such object, it has been authorised to take such measures as it thinks fit. Thus, power to take all measures necessary to discharge its duty under the statute which is a reflection of the objective disclosed in the preamble has been conferred in widest amplitude. Pursuant to the said objective, PFUTP Regulations have been framed. The said Regulations apart from other things aims to preserve and

protect the market integrity in order to boost investor confidence in the securities market. By executing manipulative trades, as has been executed by the Noticee in the instant matter, the price discovery system itself is affected. It also has an adverse impact on the fairness, integrity and transparency of the stock market. In view of the same and considering 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 Shri Sagar Dhanvant Jajal (PAN: AHVPJ5603Q) and Ms. Chandrika Dhanvant Jajal (PAN: AHCPJ0230Q) from accessing the securities market for a period of four years from the date of this order and further prohibit them 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 four 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 Noticees 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 23, 2019

PLACE: Mumbai

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