

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.	Mr. Jayeshkumar Narottamdas Gandhi	AABPG5669E
2.	Ms. Bharati Jayesh Gandhi	AAFPG5855L
3.	Mr. Deval Jayesh Gandhi	AISPG4164H

In the matter of Shree Shaleen Textiles Limited

BACKGROUND

1. Shree Shaleen Textiles Limited (hereinafter referred to as “**SSTL / Company**”) was incorporated in the year 1980. SSTL’s key Products/ Revenue Segments include Cloth trade. The company is listed only on BSE Ltd.
2. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted an investigation in the scrip of SSTL 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 SSTL during the period period November 01, 2011 to November 30, 2014 (hereinafter referred to as “**Investigation Period**”).

3. During the investigation period, corporate announcements broadly included declaration of financial results and meetings of the Board of Directors of the Company. Further, it is observed from the Investigation Report (hereinafter referred to as “**IR**”) that net sales of the company increased from ₹ 0.37 crore as on March 31, 2011 to ₹ 2.65 crore as on March 31, 2014. The profit of company increased from ₹ 0.30 crore for the year ended March 31, 2011 to ₹ 0.48 crore for the year ended March 31, 2014.
4. On the basis of price rise/fall, during the investigation period, 4 patches were identified. The open, high, low, close price of the scrip before, during and after the period of investigation are as under:

Patches	Period	Particulars	Open	High	Low	Close	Avg. Volume
Pre IP Period	01/09/2011 – 30/10/2011	Price	52.5 [16/09/2011]	70.15 [18/10/2011]	52.5 [16/09/2011]	70.15 [18/10/2011]	50
		Volume	50 [16/09/2011]	50 [Multiple Dates]	50 [Multiple Dates]	50 [18/10/2011]	
Patch-1 - Pre Bonus – IP Period	01/11/2011 – 29/03/2012	Price	73.65 [02/11/2011]	77.30 [06/02/2012]	73.65 [02/11/2011]	77.30 [06/02/2012]	50
		Volume	50 [02/11/2011]	50 [Multiple Dates]	50 [Multiple Dates]	50 [06/02/2012]	
Patch – 2 - Post Bonus – IP period	30/03/2012 – 05/03/2013	Price	4 [30/03/2012]	111.85 [05/03/2013]	4 [30/03/2012]	111.85 [05/03/2013]	142
		Volume	50 [30/03/2012]	5010 [15/02/2013]	2 [28/12/2012]	25 [05/03/2013]	
Patch – 3 - Post-Split – IP period	06/03/2013 – 31/12/2013	Price	23.45 [07/03/2013]	66.15 [07/10/2013]	23.45 [07/03/2013]	59.1 [31/12/2013]	251640
		Volume	10025 [07/03/2013]	831801 [31/12/2013]	15 [02/04/2013]	831801 [31/12/2013]	
Patch – 4 - Price Fall period	01/01/2014 – 30/11/2014	Price	59.1 [01/01/2014]	59.95 [06/04/2014]	4.93 [11/08/2014]	6.75 [28/11/2014]	392184
		Volume	281813 [01/01/2014]	6195523 [26/03/2014]	1 [12/02/2014]	959726 [28/11/2014]	
Post IP Period	01/12/2014 – 31/01/2015	Price	7.00 [01/12/2014]	7.12 [26/12/2014]	4.95 [09/12/2014]	6.06 [06/01/2015]	327443
		Volume	1136350 [01/12/2014]	1389650 [15/12/2014]	650 [19/12/2014]	1000 [06/01/2015]	

SHOW CAUSE NOTICE

5. Consequent to the investigation, a show cause notice dated July 28, 2017 (hereinafter

referred to as “SCN”) was served on Mr. Jayeshkumar Narottamdas Gandhi (hereinafter referred to as “**Noticee No. 1**”), Ms. Bharati Jayesh Gandhi (hereinafter referred to as “**Noticee No. 2**”) and Mr. Deval Jayesh Gandhi (hereinafter referred to as “**Noticee No. 3**”) 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 2 qua the Noticees is given below:

LTP Analysis: Patch-2: Post Bonus – Price Rise Period – 30/03/2012 to 05/03/2013:

- During this period, the price of the scrip rose from ₹ 4 (Opening Price) as on March 30, 2012 to ₹ 111.85 (High Price and Close Price) as on March 05, 2013. Further, with ex-date of March 06, 2013, SSTL sub-divided face value of shares from ₹ 10/- to ₹ 2/. The list of shareholders received from RTI (Purva Sharegistry (I) Pvt Ltd.) was analyzed and it was observed that as on March 31, 2012, 85.34% of the share capital (5,76,050 shares out of 6,75,000 shares) were held in physical form or with entities which had converted warrants (shares issued on conversion of warrants were under lock-in till November 14, 2012). The net top 10 sellers LTP analysis were carried out as under:

PAN	Name	Net LTP			Pos. LTP			Negative LTP			Zero LTP		% of +ve LTP to Mkt +ve LTP
		Net LTP	Trade Qty	No.of Trades	Pos. LTP	Trade Qty	No.of Trades	Neg. LTP	Trade Qty	No.of Trades	Trade Qty	No.of Trades	
AHQPK9496D	Anjana Arun Karwa	14.03	322	11	14.03	322	11	0.00	0	0	0	0	15.52
AAQHS7786D	Shyam Rathi Huf	12.98	70	7	12.98	60	6	0.00	0	0	10	1	14.36
AABPG5669E	Jayeshkumar Narottamdas Gandhi	12.45	95	4	12.45	95	4	0.00	0	0	0	0	13.77
AAEHN5511R	Nishith M Shah Huf	11.00	75	3	11.00	75	3	0.00	0	0	0	0	12.17
AAFPG5855L	Bharati Jayesh Gandhi	8.58	110	6	8.58	110	6	0.00	0	0	0	0	9.49
AISPG4164H	Deval Jayesh Gandhi	6.33	60	4	6.33	60	4	0.00	0	0	0	0	7.00
AEJPK2394G	Maheshkumar Ghewarchand Vanigota	4.80	10	1	4.80	10	1	0.00	0	0	0	0	5.31
ABXPH7639E	Vishnu Daji Hode	4.15	30	1	4.15	30	1	0.00	0	0	0	0	4.59
AFDPG6008E	Kajal Sunil Gowadia	3.95	10	1	3.95	10	1	0.00	0	0	0	0	4.37
AEXPG4216P	Shivani Amit Gowada	3.60	10	1	3.60	10	1	0.00	0	0	0	0	3.98
Total		81.87	792	39	81.87	782	38	0.00	0	0	10	1	90.57
Market		107.85	9947	137	107.85	1617	69	0.00	0	0	8330	68	100.00

- From the above table, it can be observed that top 10 net sell LTP entities

contributed to 90.57% of market positive LTP. From the analysis of KYC / UCC received from BSE, off market transactions, bank account statements (for investigation period) linked to the trading accounts of the top net sell LTP entities contributing more than 5% of the positive LTP, following was observed:

S. No	Entity Name	Basis of Connection
1	Jayeshkumar Narottamdas Gandhi	- Jayeshkumar Narottamdas Gandhi and Bharati Jayesh Gandhi share common phone number (28332109) (Annexure 1.1). - Deval Jayesh Gandhi, Jayeshkumar Narottamdas Gandhi, Bharati Jayesh Gandhi share common address (B/403 7 Star Appts Jairaj Nagar Borivali W, Mumbai, Maharashtra - 400091). - Jayeshkumar Narottamdas Gandhi and Bharati Jayesh Gandhi were joint holders in demat account No. IN300183 10278210. - Deval Jayesh Gandhi and Jayeshkumar Narottamdas Gandhi were joint holders in demat account no. 12029700 00011179. - Bharati Jayesh Gandhi and Deval Jayesh Gandhi were joint holders in demat account no. IN303382 10005442).
2	Bharati Jayesh Gandhi	
3	Deval Jayesh Gandhi	

- In view of the low volume price increase and substantial positive LTP contribution (90.57% of market positive LTP) by top 10 net LTP contributors, as sellers, sell orders of the top 10 net sell LTP contributors contributing more than 5% of the positive LTP in more than one trade were analyzed and the trades of the Noticee are as under:

Order date	Order time	Order No.	Sell Client name	Sell order rate	sell order qty	pending buy order at this price	LTP variation	Shareholding before sell order as per Demat Account	No. of trades in a day
14.09.2012	14:50:24.4174170	15000129039788	Deval Jayesh Gandhi	13.38	10	30800	0.63	2000	1
25.09.2012	14:59:17.9095210	15000155154871	Deval Jayesh Gandhi	14.74	15	26700	0.70	1990	1
09.10.2012	12:41:48.6918400	19000180002307	Bharati Jayesh Gandhi	17.05	15	33700	0.81	4000	1
01.11.2012	13:51:59.7908680	16000150175845	Bharati Jayesh Gandhi	22.80	25	9800	1.07	3985	1
19.11.2012	15:13:52.6343620	18000194039649	Deval Jayesh Gandhi	26.30	15	8300	1.25	1975	1
29.11.2012	10:30:10.0596760	19000178091291	Bharati Jayesh Gandhi	30.35	20	5700	1.40	3960	1
04.12.2012	13:00:25.0467370	23000107140745	Bharati Jayesh Gandhi	33.40	10	7700	1.55	3940	10

26.12.2012	15:11:46.7969970	220001151855 62	Bharati Jayesh Gandhi	35.05	15	9500	1.65	3930	1
03.01.2013	15:11:37.6316980	150001162646 26	Jayeshkumar Narottamdas Gandhi	40.50	20	5000	1.90	3915	1
09.01.2013	14:17:26.2727030	140001350679 61	Bharati Jayesh Gandhi	44.60	25	9950	2.10	3915	1
15.01.2013	12:39:28.8570040	150001100779 53	Jayeshkumar Narottamdas Gandhi	49.10	30	12950	2.30	3890	1
28.01.2013	14:40:35.5120780	140001452209 80	Jayeshkumar Narottamdas Gandhi	62.55	20	33800	2.95	3890	1
13.02.2013	15:16:17.4846620	170001450736 63	Deval Jayesh Gandhi	79.65	20	18000	3.75	1960	5
05.03.2013	11:29:09.7971810	140001350055 17	Jayeshkumar Narottamdas Gandhi	111.85	25	18110	5.30	3890	1
Period: 14.09.2012 to 05.03.2012; No. of Trades: 14; LTP contribution: 27.36 (30.26% of Pos. LTP Cont.)									

- From the table above, it was observed that Noticees have sold few shares ranging from 10 to 30 shares in-spite of holding more shares and having more buy demand at the price that Noticee placed the sell orders. It can also be observed that Noticees have not executed more than one trade in a day as a seller. Further, aforesaid trades were the only trades executed during the day, except on two occasions. By these trades, Noticees have matched the prevailing buy orders which were placed at the prices higher than the LTP and contributed to increase in the price of the scrip with each of their trades. In view of the repeated nature of such trades by Noticees, it is alleged that they have increased the price of the scrip.
- b) In view of the above it is alleged that Noticees as seller have indulged in trades that resulted in the manipulation of the price of the scrip and have created misleading appearance of trading in the scrip through the aforesaid trades which has resulted in the alleged violation of Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2) (a), (e) of PFUTP Regulations.
- c) Noticees were 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. Further,

Noticees were advised to submit a reply to the SCN within 21 days from the date of receipt of the SCN.

REPLY & HEARING

6. In response to the SCN, Noticees vide a common letter dated August 18, 2017 requested time till September 30, 2017 to submit a reply to the SCN. The Noticee's request was considered and vide a letter dated August 22, 2017, Noticees were advised to submit a reply to the SCN by September 18, 2017.
7. Vide letter dated September 20, 2017, Noticees requested for copy of certain documents which were provided to them vide letter dated October 4, 2017. Further, Noticees were granted time till October 18, 2017 to submit a reply to the SCN. Noticees vide their common letter dated November 6, 2017 requested for copies of documents, correspondences, statements and other relevant records, investigation report along with annexures which were relied upon to issue the SCN. Vide letter dated November 16, 2017, Noticees were provided with copy of the IR along with annexures and were granted a final opportunity to submit a reply to the SCN on or before December 4, 2017.
8. Noticees vide their letter dated November 29, 2017 submitted that the compact disc provided to them appears to be corrupted. Noticees were provided a fresh compact disc vide letter dated December 5, 2017 and were granted time till December 20, 2017 to submit a reply to the SCN. Noticees again vide their letter dated December 11, 2017 submitted that the compact disc provided to them appears to be corrupted. Noticees were again provided a fresh compact disc vide letter dated December 15, 2017 and were granted time till December 31, 2017 to submit a reply to the SCN.
9. Vide hearing notice dated November 14, 2018, Noticees were granted an opportunity of hearing on November 22, 2018 at SEBI Bhavan, Mumbai. On the day of scheduled hearing, Mr. Geet Shikhar, appeared on behalf of the Noticees as their authorised representative (hereinafter referred to as 'AR'). The AR submitted that the Noticee No. 1 is hospitalized in Asian Heart, BKC. Since, he is hospitalized, he may be exempted from filing a signed reply. After perusing the medical certificate submitted

by the AR, the said request was acceded to and reply dated November 20, 2018 submitted by the Noticee was taken on record. The AR further submitted as follows:

- As regards the connection alleged in the SCN, admittedly they are connected to each other as husband, wife and son. They are not connected to the company.
- As regards, second allegation in the SCN that the Noticee is one of the top ten sellers who contributed to the positive LTP it is stated that there were many corporate announcements about the company. Hence, the Noticees traded in the shares of the company.
- Mr. Jayeshkumar Narottamdas Gandhi traded on behalf of Ms. Bharati Jayesh Gandhi and Mr. Deval Jayesh Gandhi. Since, he was not interested to liquidate his entire holding so shares were sold in tranches.
- All the trades were done on market and counter party was not known to them. Total volume of shares traded by all three Noticees were 38,935 shares which is 0.0031% of the total market volume during the investigation period.
- Mr. Jayeshkumar Narottamdas Gandhi was trading in the shares for the last 30 years and no action was ever taken against him except two SCNs he received in 2017.
- AR is advised to submit the details such as how he acquired these shares, at what price, on which date, on market or off market and the source of funds for such purchase. The details has to be supported by third party verifiable documents such as Income Tax Returns for two years preceding the purchase of the shares and bank statements.
- Further, AR is advised to submit third party verifiable documents such as demat statement and broking account statement during the relevant period i.e. one year preceding and one year after the Investigation period in order to substantiate the normal trading behaviour of the Noticees.
- AR sought time to file additional written submissions and the same was granted till December 22, 2018.

10. Noticee No. 1 on behalf of other Noticees vide his reply dated November 20, 2018 which was submitted at the time of hearing, *inter alia* submitted as follows:

- I was holding shares of SSTL since past many years and was looking for opportunity to exit the scrip as and when there will be trading in the scrip.
- At present I have got a large portfolio and hold shares of various companies like Century Ply, Aditya Birla Capital, Suzlon, and many more. We are also holding physical shares of Oswal Sugars, S M Dyechem, Niwas Spinning, Garware Synthetic, Nutra Plus, Pulsar International Limited etc. Hence, holding the shares of SSTL was not unusual.
- I take note of the surplus funds available with all the family members after deducting all the expenses and decide on various investment avenues available with us. Normally, I decide the scrip in which investment is to be made by all the family members.
- Admittedly, the company came out with various corporate announcements during the investigation period viz. bonus issue, sub division of shares, preferential issue etc. which certainly always has a positive effect on the price of the scrip. It appears that these factors have not been taken into account while investigating the price manipulation and we have been wrongly roped in the proceedings.
- As per price volume data obtained from the website of BSE, it appears that price of the shares of the company increased gradually and did not spurt suddenly. Price volume data further reveals that the price of the scrip was constant for a particular day with a little fluctuation over and above the opening price and no major price rise and fall throughout the day. Thus, we state that the price rise was gradual over a period of nearly three years and not all of a sudden.
- In so far as LTP analysis is concerned, we have traded in small quantities and in tranches since we never wanted to liquidate our portfolio completely. Besides, the stock exchanges do not have any such embargo as to the minimum amount of shares that can be liquidated at a particular point of time. We had shares of SSTL from quite a long time and were eyeing on price rise and trends in the scrip so that we can liquidate a small portion of our holdings in the market and get good return on investment. We noted that there were many buyers for the scrip but comparatively less number of sellers. That was a great opportunity for us to

liquidate the holdings and get best price for our shares since we had shares of SSTL. Thus, we decided to liquidate our holdings in tranches.

- As per trade log and order log, it can be observed that in majority of the trades, buy orders were available in the market since the beginning of the market hours which is 9:15 am and we entered the orders later on. We only sold our shares at the price which was available at the electronic trading platform, hence, the allegation that we contributed to the price rise is baseless.
- No action has been taken by SEBI against the buyers of trades executed by them. This has vitiated the whole proceedings and this makes the notice untenable in fact and in law.

11. Pursuant to the hearing, Noticees made additional written submissions vide their letter dated December 17, 2018 wherein they reiterated their earlier submissions and further submitted as follows:

- As regards the mode of acquisition of shares of SSTL, it is submitted that we have acquired shares in physical form through an account payee cheque. The details regarding the date of purchase in addition to the payment made along with the mode of payment have been provided herewith:

Name of the Entity	Date of Purchase	No. of Shares	Amount (₹)	Name of the Bank	Cheque No.
Jayesh Gandhi	14/3/2012	100	7750	State Bank of India	074830
Bharti Gandhi	29/3/2012	100	7800	ICICI Bank	468511
	29/3/2012	100	7800	ICICI Bank	468510
Deval Gandhi	14/3/2012	100	7800	Bank of Maharashtra	304211

- As regards the source of funds for acquisition of such shares, it is submitted that the same was acquired from our own sources. Income Tax return for the period 1/4/2010 to 31/3/2011, 1/4/2011 to 31/3/2012, 1/4/2012 to 31/3/2013, 1/4/2013 to 31/3/2014 and 1/4/2014 to 31/3/2015 was submitted by the Noticees.

- I am holding large portfolio of various companies in physical form e.g. Oswal Sugar, Niwas Spinning, Nutra plus, Jaywant products etc.
- Noticees submitted their ledger and demat statement for the period April 2010 to March, 2016.

FINDINGS & CONSIDERATIONS

12. 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 Noticees have manipulated the price in the scrip of SSTL during the period March, 2012 to March, 2013?
- (ii) If answer to issue No. (i) is in affirmative, whether the 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 Noticee has manipulated the price in the scrip of SSTL during the period March, 2012 to March, 2013?*

13. It is noted from the material made available on record that the Noticees have executed 14 sell trades in the scrip during the patch-2 which were over the LTP, for 265 shares. Noticees' LTP contribution in the scrip is ₹ 27.36/- which is 30.26% of positive LTP contribution in the scrip. From the material made available on record, I note that though the Noticees were holding substantial number of shares in the range of 1960 – 4000 shares during patch-2, the Noticees were releasing miniscule quantity of shares (10-30 shares) even though there were large pending buy orders over the LTP. The days when the Noticees had executed the said 14 trades, pending buy orders were in the range of 5,000 shares to 33,700 shares. It is observed that when the Noticees were trading, which is almost 6 months, the scrip was traded only on 45 days. Out of the said 45 trading days on 39 trading days only 1 trade was executed in the scrip and out of the remaining 6 trading days, on 2 trading days 2 trades were executed. This coupled with the fact that the average volume in the scrip during patch- 2 of the investigation period which spanned almost a year, was 142

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 30 shares and the order was not executed. Considering the aforesaid, the submission of the Noticees that there was a great opportunity to liquidate the holdings in tranches and get the best price for their shares, is not acceptable. Noticees at frequent interval have executed the miniscule quantity of sell trade in the scrip over a period of almost 6 months. Thus, based on the trading pattern of the Noticees in the scrip, it is held that the same is not genuine but is manipulative in nature.

14. Noticee's submission that he was holding shares of SSTL for past many years and was looking for an opportunity to exit is not factually correct. As per Noticees own submission, they had first acquired the shares in off market on March 14, 2012 and the first sell trade was executed by the Noticee No. 3 on September 14, 2012.
15. Noticees have further submitted that the IR has not taken into account the impact of corporate announcements have had on the price of the scrip. In this regard, it is noted that there are a host of factors that affect the price of the scrip and one of them is corporate announcements. However, the movement in the price of the scrip from ₹ 4/- to ₹ 11.85/-, cannot be fully explained by the said corporate announcements. There are also other devices adopted by market participants to artificially influence the price in a scrip. As discussed in preceding paragraphs, Noticees by executing sell trades in miniscule quantity at frequent intervals when there was a large pending buy order have contributed ₹ 27.36/- to the price of the scrip which as held earlier is manipulative in nature.
16. Noticees have submitted that price volume data reveals that the price of the scrip was constant for a particular day with a little fluctuation over and above the opening price and no major price rise and fall throughout the day. It is noted from the IR that during the period November 1, 2011 to March 29, 2012, just before patch-2 that only 2 trades were executed in the scrip and the price had increased from ₹ 73.65 to ₹ 77.3. Moreover, during patch-2, March 30, 2012 to March 5, 2013 (almost a year) when Noticees were trading, the scrip was traded only on 70 days. Out of the said 70

trading days, on 63 days trades only one trade was executed in the scrip. All this indicates that there were days when there was no trading in the scrip and when there was any trading in the scrip, mostly it was 1 trade. Thus, intra-day stability of the price is not relevant.

17. 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..."

18. At the time of the hearing, Noticees were advised to submit their demat statement and broking statement, one year preceding and one year after the investigation period, to substantiate its normal trading pattern. Noticees, have submitted their demat statement and ledger maintained with their stock broker. Noticees trading in

other scrips was accessed through the system. It is noted that during the financial year 2012-2013, Noticees have traded in various scrips and out 393 instances that they have collectively traded as a seller (it is an admitted position that Noticee No. 1 was trading on behalf of others), they have placed sell order above 30 shares on 348 instances, which is 88.5% of their trading. However, in the scrip of SSTL, there is zero instance of placing sell order over 30 shares during patch-2.

19. Thus, from the above, it can be gathered that during the normal course of Noticees trading, Noticees do not normally 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. Hence, the trading behavior of the Noticees in other scrips also does not justify their trading in SSTL which has already been held to be manipulative.
20. Noticees have submitted that Noticees are neither connected to the counter parties to their trades nor are they connected with the company. In this regard, I note that the extant matter is not based on the connection between the Noticees and the company or their counter parties, 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 Noticees were repeatedly entering sell orders for miniscule quantity inspite of having substantial holding and large pending buy orders in the system. Further, Noticees trading behavior in SSTL was at variance from their trading pattern in other scrips. All the aforesaid, indicates that the Noticees were not genuine traders in the scrip.
21. In view of the above, the findings that have been gathered from various circumstances for instance overall trades executed in the scrip (number of trading days and number of trades) including the average volume before and during patch-2, volume of the trade effected by the Noticees vis-à-vis their holding, the period of persistence in trading in the scrip, the particulars of the buy and sell orders, trading behavior in other scrips, the totality of the picture that emerges leads to the conclusion that 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 Noticee has violated the provisions of PFUTP Regulations?

22. 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;

23. In view of the conclusion arrived at paragraph 21 wherein it has been held that the trades for miniscule quantity executed by the Noticees 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, Noticees by executing impugned trades in the scrip have also manipulated the price of the scrip. I therefore, find that Noticees have 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?*

24. 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 Noticees 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 Noticees, I find that it becomes necessary for SEBI to issue appropriate directions against the Noticees.

ORDER

25. 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 Mr. Jayeshkumar Narottamdas Gandhi (PAN: AABPG5669E), Ms. Bharati Jayesh Gandhi (PAN:AAFPG58853) and Mr. Deval Jayesh Gandhi (PAN: AISPG4164H) 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, including units of mutual funds, of the Noticees shall remain frozen.

26. The order qua the Noticees shall come into force with immediate effect. It is clarified that separate order(s) will be passed in respect of other entities against whom show cause notice dated July 28, 2017 has been issued in the extant matter.
27. 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 31, 2019

PLACE: Mumbai

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