

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: S K MOHANTY, WHOLE TIME MEMBER

ORDER

Under Sections 11 and 11B of the Securities and Exchange Board of India Act, 1992

In the matter of M/s. Banas Finance Ltd.

S. No.	Names of the Noticee	PAN
1.	Mr. Girraj Kishor Agrawal	AABPA4928N
2.	Mr. Pradeep Dhanuka	AACPD0526C

*(hereinafter collectively referred to as “Noticees”)***BACKGROUND**

1. Securities and Exchange Board of India (hereinafter referred to as **“SEBI”**) conducted an investigation into the trading in the scrip of Banas Finance Ltd. (hereinafter referred to as **“Banas/Company”**) for the period from November 3, 2010 to September 9, 2011(hereinafter referred to as **“Investigation Period”**).
2. In the course of investigation, it was observed that the Company was incorporated on June 6, 1983 as Pioneer Leasing Company Ltd. and came out with an Initial Public Offer (hereinafter referred to as **“IPO”**) in January 1985. The name of the Company was subsequently changed to Banas Finance Ltd. with effect from August 1986. As per the Memorandum of Association, the Company is mainly engaged in the business of finance, share trading, investments and consultancy, etc.
3. Details of Management of the Company during the relevant period are as follows:

Name	FY 2010-11	FY 2011-12
Mr. Girraj Kishor Agrawal	Additional Director	Director

Ms. Tanu Giriraj Agarwal	Additional Director	Director
Mr. Ashwin Jayantilal Shah	Director	Director
Mr. Tushar Ramchandra Rane	Director	Director
Ms. Saloni Girraj Agrawal	Additional Director	Managing Director
Mr. Praveen V. Vasishth	-	Additional Director

(Source: Annual Reports of Banas for FY 2010-11, 2011-12)

4. Details of Promoters' shareholding of the Company (for QE Sept 2010 & QE Dec 2011) are as follows:

Name	Quarter ended Sept 2010		Quarters ended Dec 2010 to Dec 2011	
	No of shares	% of shareholdin g	No of shares	% of shareholding
Girraj Kishor Agrawal	43,500	14.50	43,500	0.42
Handful Investrade P. Ltd.	-	-	14,50,000	14.22
Total Promoter Holding	43,500	14.50	14,93,500	14.64
Total share Capital of the company	3,00,000	100.00	1,02,00,000	100.00

5. While analyzing the trading activities in the scrip of Banas, it was observed that during the Investigation Period the price of the scrip increased from Rs. 9.37 to a high of Rs. 292.60 with just 9,595 shares traded on the Bombay Stock Exchange (hereinafter referred to as **"BSE"**). The price rise was effected mainly through first trade (the trade executed in the scrip on a given trading day after the opening of trading on the Exchange). It was also noticed that such first trades were the only trade executed during the entire day for 50 shares (or less) on 134 days (out of a total of 141 trading days). It was also observed that the upward movement in the price of the scrip was not supported by any major corporate announcements or significant financial results so as to justify the aforesaid price rise.
6. The investigation further revealed that a sharp price rise in the scrip of the Company was registered by continuous placement of buy orders at a price higher than the last traded price (hereinafter referred to as **"LTP"**) and one entity viz:- M/s. Anmol Finance Company (hereinafter referred to as **"Anmol Finance"**) was found to be selling almost entire quantity of shares that were traded in the scrip of the Company during the Investigation Period. It was also observed that Anmol Finance was engaged in selling small quantity of shares despite large quantity buy orders being available in the system and kept matching with the positive LTP buy orders continuously thereby contributing to the substantial price rise in the scrip of the Company from Rs. 9.37 to Rs. 292.60.

7. The investigation has further revealed that Anmol Finance is a sole proprietorship and Shri Rajesh Tukaram Dambre is the sole proprietor. Anmol Finance was holding 11,500 shares in its demat account at the beginning of the Investigation Period and these shares were purchased by Anmol Finance (which constitutes 3.83% of paid up capital of 'Banas') through off market from an erstwhile promoter of the Company (Banas) viz:- Alefiya Shabbir Khorakiwala on August 17, 2010. Anmol Finance was found to have traded through two brokers in the scrip during the Investigation Period viz:- JRG Securities Ltd (hereinafter referred to as **"JRG"**) and SPS Share Brokers P. Ltd. (hereinafter referred to as **"SPS"**). JRG vide its statement before SEBI dated January 12, 2015 has stated that Mr. Pradeep Dhanuka (Noticee no. 2) was placing orders on behalf of Anmol Finance and in support thereof has provided transcripts of recordings of order placement in the trading account of Anmol Finance.
8. Based on the aforesaid findings in the investigation, Noticee no. 2, Mr. Pradeep Dhanuka has been alleged to have sold the shares of Banas during the Investigation Period in very small quantities despite buy orders being available for larger quantities and by executing first trade and only trade for such small quantities continuously at high prices, Noticee no. 2 has been alleged to be responsible for creating an artificial price rise in the scrip of Banas. The Noticee no. 1 (Mr. Girraj Agrawal) was the Director, CEO as well as the Promoter of the Company. He was also a director in two other companies, viz:- Axon Infotech Ltd. (hereinafter referred to as **"Axon"**) and Five X Finance & Investment Ltd. (hereinafter referred to as **"Five X"**) along with Noticee no. 2. Based on the above, they have been alleged to be connected to each other and to have connived to artificially manipulate the rise in price of the scrip of the Company. The Noticees have therefore been alleged to have violated provisions of SEBI 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"**).

SHOW CAUSE NOTICE, REPLY AND HEARING

9. Based on the above findings, a Show Cause Notice dated February 17, 2016 (hereinafter referred to as **"SCN"**) was issued to the two Noticees viz:- Mr. Girraj Kishor Agrawal (Noticee no. 1) and Mr. Pradeep Dhanuka (Noticee no. 2), calling upon them to explain as to why suitable directions shall not be issued against them under Sections 11(1), 114(b) and 11B of the SEBI Act. I note that

the documents that have been relied upon in the SCN have been enclosed with the SCN. I note that pursuant to the issuance of SCN, Noticee no.1 has submitted a letter dated March 8, 2016 seeking documents relied upon by SEBI in the instant proceedings. Accordingly, inspection of such documents which have been referred to and relied upon in the SCN was provided to the Noticee no. 1 on March 23, 2016. The Noticee no. 1 has subsequently submitted a written reply to the SCN vide his letter dated July 5, 2017. It is also noted that Noticee no. 2 has submitted a letter dated March 18, 2017, seeking documents relied upon by SEBI in the instant proceedings. Accordingly, copies of the relevant documents were further provided to both the Noticees vide letters, of even dated July 19, 2017.

10. Subsequently, in compliance with the principles of natural justice, Noticees were provided with an opportunity of personal hearing on October 11, 2018, which was subsequently rescheduled to December 20, 2018. Authorized Representative of the Noticee no. 1 appeared for the hearing and made submissions in line with his written reply. He was asked to respond to a few queries raised during the course of hearing. The Noticee no. 2 also appeared for the hearing along with his Counsel and made his submissions. During the hearing, he stated that he did not have the SCN and other correspondences that he had made with SEBI as the same have been handed over by him to Noticee no.1. He had further stated that the letter dated March 18, 2017 that had purportedly been addressed by him to SEBI for copies of documents was actually dictated and got issued at the instance of Noticee no. 1. Accordingly, in the interest of justice, another set of documents (SCN and relied upon documents) as requested by Noticee no. 2 has been duly provided to enable him to furnish explanations in his defense. Further, the Noticee no. 2 has also been asked to respond to certain other queries raised in the course of hearing. In response, the Noticee no. 2 has submitted a notarized written reply dated December 30, 2018 in which he has made following submissions:

- He was employed by Noticee no. 1 in his company, Shreeji Herbals Ltd. in 2007 and after Shreeji Herbals Ltd. was closed down in 2008-09, Noticee no. 1 told him to work for him for which he was paid some amount.
- He is not educated enough and is not conversant in English and can read in Hindi. Noticee no. 1 had taken him into confidence and wherever he told him to sign, Noticee no. 2 had signed and acted as per his instructions in good faith.

- Noticee no. 1 was engaged in share trading activities and asked Noticee no. 2 to purchase shares in the names of various persons which he had to oblige. However, he had nothing to do with the said transactions or with the profit and loss made out of these share trading. He merely executed trades under the instructions of the Noticee no. 1 and the profit and loss made out of such transactions was also not passed on to him
- He has now come to know that he has been made one of the directors of Axon and Five X, however, he was not aware that he had been made one of the directors of these companies as all work related to these companies were managed by Noticee no. 1.
- As per the instructions of Noticee no. 1, he had introduced persons like Mr. Rajesh Dambre to Noticee no. 1. It is Noticee no. 1 who has set up the proprietorship firm, Anmol Finance with Mr. Rajesh Dambre as sole proprietor. As per instructions of Noticee no. 1, he had placed orders to buy and sell shares on behalf of Anmol Finance, however, he was in no way concerned with any such transactions and even Mr. Dambre was not aware about any of these trades.. He had traded in the shares of Banas at the instructions of Noticee no. 1 in good faith and he was not aware about the consequences, else he would not have done such things.
- He is also not even aware of the fact that 13000 shares of Banas are lying in his demat account and how these shares were purchased in his name. He is rather shocked to know that he has a demat account in his name.

11. Since the Noticee no. 2 in his reply has held the Noticee no. 1 as responsible for all the share transactions appearing in his name hence, in compliance with the principles of natural justice and to enable the Noticee no. 1 to defend himself properly, the written reply of the Noticee no. 2 was forwarded to Noticee no. 1, asking him to explain as to why an adverse inference should not be drawn against him by relying on the submissions of Noticee no. 2. In response, the Noticee no. 1 has also submitted two additional written replies, dated January 3, 2019 and February 1, 2019. I have perused all the written submissions made by the Noticee no. 1 vide his letters dated July 5, 2017, January 3, 2019 and February 1, 2019 and the same are summarized as under:

- The Investigation Report provided to him is incomplete as it contains only 17 out of 19 pages.

- He acquired Banas by taking over control and management from the previous promoters in 2010. Prior to that, trading in the scrip was suspended and trading in the scrip resumed only in October 2010. The Company came with preferential allotment of Rs. 19.8 crores in December 2010 and after infusion of such capital, financials of the Company have improved.
- He has not traded in the shares of Banas during the Investigation Period and the SCN does not allege any undue advantage accrued to him out of trading that has taken place in the scrip of Banas. Hence, the allegation of violation of PFUTP Regulations against him is not justified.
- Anmol Finance has traded through two brokers viz:- JRG and SPS, however, the investigation has not obtained any information from SPS who placed orders for Anmol. The transcript of the statement of another broker, JRG has not been certified and original audio recording of conversation between Noticee no. 2 and the broker (JRG) in tamper proof form has not been provided to him so as to conclude that the person placing order is Mr. Pradeep Dhanuka (Noticee no. 2).
- Nowhere in the transcript, it has been stated by Mr. Pradeep Dhanuka that he is trading on behalf of the Noticee no. 1 and he had full control over Mr. Dhanuka's actions.
- The SCN has arbitrarily connected his name with Mr. Dhanuka and the allegation that he and Mr. Dhanuka connived and raised the price of the shares of Banas are vague and are based on surmises. Further, the number of shares traded by Anmol Finance is very small for charging violation of provisions of PFUTP Regulations.
- He admitted that he and Mr. Dhanuka were common directors in Axon and FiveX, however, they had a very professional relationship and spoke only at Board Meetings and he has no knowledge about his personal life.
- No notice has been issued to Anmol Finance in the matter and it appears that the entities who have actively traded in the scrip have been let off while persons like him who are not even remotely connected are being charged.
- He denied that Noticee no. 2 was acquainted with him while being employed in Shreeji Herbals and stated that he has no personal connections with him and further has denied having promised to pay him for his livelihood.

- He denied the claims made by Noticee no. 2 that Noticee no. 2 was acting under his instructions.

ISSUES FOR CONSIDERATION AND FINDINGS

12. I have considered the SCN dated February 17, 2016 including all the annexures as referred to in the SCN, responses, both oral and written - received from both the Noticees to the aforesaid SCN and all other relevant material available on record and based on them, I proceed to frame the following issue for consideration in this case:

ISSUE: *Whether the acts of the Noticees amount to violation of Section 12A(a), (b), (c) of the SEBI Act and Regulations 3 (a), (b), (c), (d) and 4(1), 4(2) (b),(e) of PFUTP Regulations?*

13. Before I proceed to examine as to whether on the facts of the matter, the aforesaid violations as alleged in SCN stand established or not, it would be proper to peruse the relevant provisions of SEBI Act and PFUTP Regulations, which are produced for ready reference herein under as under:

SEBI Act, 1992

12A. No person shall directly or indirectly—

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

SEBI (PFUTP) Regulations, 2003

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.*

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)*
 - (b) dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss;*
 -*
 - (e) any act or omission amounting to manipulation of the price of a security;*

14. As noted in the beginning, the price of the scrip increased from Rs. 9.37 on November 3, 2010 to Rs. 292.60 on September 9, 2011 with just 9,595 traded shares and such price rise was propelled mainly through only trade that got executed on the day (the very first trade executed in a scrip after the opening of trading during a given trading day on the Exchange). It is also noted that out of 141 trading days falling in the Investigation Period, on 134 days only one trade was executed in the shares of Banas and the volume/quantity of such shares traded in the only trades was 50 or less. On a perusal of the corporate announcements made by the Company during the Investigation Period (annexure 2 to the SCN) and the financial results of the Company for the relevant period, I note that there has been no significant change in the fundamentals of the Company, either in the form of major corporate announcements or significant financial results which could be factored

as responsible for the aforesaid huge price rise in the scrip of Banas. The corporate announcements made by the Company during the Investigation Period mainly consisted of disclosures pertaining to issue of equity shares on preferential basis to promoters and non-promoters upto Rs. 20 crores, for enabling expansion of the business, stock-split and other regular business activities like declaration of financial results, appointment of directors, etc. These disclosures did not have any such material information that could have inspired the humungous price rise that the scrip of Banas has witnessed during the Investigation Period, especially in the absence of any other enabling positive factors. It is also seen that the scrip of Banas lacked volatility and the corporate announcements stated above did not cause any major rise in the volume of the scrip. The net profit of the Company for year ending March, 2010 was only Rs. 0.30 lakhs and for year ending March, 2011 was mere Rs. 11.92 lakhs. As regards quarterly results, the net profit for the quarters ending September 2010, December 2010 and March 2011 were in negative figures. The net profits turned positive only from the quarter ending June 2011. Thus, it is noted that there was no major support from the financials of the Company for any trader or shareholder to show positive interest in the shares of the Company atleast till such time when the financials for the year ending March 2011 were published in May 2011, although the Company posted positive net profits for quarter ending June 2011 (Rs 12.20 lakhs) and September 2011 (Rs. 24.50 lakhs). However, even these factors cannot be stated to be reason sufficient to support such a huge price rise in the scrip. Further, it was also noted that the BSE Sensex had declined from Rs. 20,465.74 to Rs. 16,866.97 during the Investigation Period, registering a decrease of 3,598.77 points (i.e. 17.58%) when the share price of the Company witnessed an increase of Rs. 283.23 (3,022.73%). Thus, the above price rise of the scrip of Banas was not found to be supported by any major positive development in the Company's fundamentals or financial performance and therefore appears to have been a largely artificial rise more so when there was no significant financial results/corporate announcements made by the Company.

15. On analyzing the nature and pattern of trades executed in the scrip of Banas during the Investigation Period, I note that the price of the scrip of the Company appears to have been systematically raised by execution of positive LTP trade comprising a very small volume of shares traded on a continuous basis. As stated earlier, during the Investigation Period, the scrip has traded on 141 days with a total traded volume of only 9,595 shares which were executed in sheer 191 trades. On further analysis, it is observed from the records that out of these meagre 191 trades, 42

trades were executed at LTP, 5 trades were executed at less than LTP and 144 trades were executed at more than LTP and further, out of the 144 trades which contributed to positive LTP, 141 trades were first trade (majority of such trades being the only trade executed on a given trading day) that contributed to positive LTP of Rs. 283.23 and a new high price (hereinafter referred to as “**NHP**”) of Rs. 283.23. The share price of the Company had hit the circuit filter limit on all trading days during the Investigation Period and the price rise was effected mainly through only trade, where there was only one trade executed during the entire trading day for 50 shares (or less) on 134 days (from a total of 141 trading days). The annexure 3 of the SCN (containing price volume data of the scrip of Banas during the Investigation Period) clearly demonstrates the gradual price rise that was effected through execution of only trade comprising 50 shares or less daily during almost all of the trading days. As is seen from the trade data, the number of trades in the scrip of the Company and the quantity of shares traded during the Investigation Period which have contributed to the abnormal price rise in the shares of the Company, are alarmingly low, raising a strong preponderance of price manipulation in the shares of the Banas. Further, the number of positive LTP first trade executed in the scrip out of total number of trades during the Investigation Period (*i.e.* 141 out of total 191 trades) mainly consisted of single trade during each trading day for 50 shares (or less) on 134 days (out of a total of 141 trading days). Such a trading pattern strongly indicates that there was a concerted effort aimed at creating artificial price rise in shares of the Company during the Investigation Period.

16. I note that Noticee no. 2, Mr. Dhanuka has been alleged to have placed sell orders through Anmol Finance in the scrip of Banas during the Investigation Period. Anmol Finance is a sole proprietorship firm and Shri Rajesh Tukaram Dambre is its sole proprietor. In this regard, JRG, one of the two brokers through which Anmol Finance has traded in the scrip of Banas during the Investigation Period, vide its statement before SEBI dated January 12, 2015 has stated that Mr. Pradeep Dhanuka (Noticee no. 2) was placing orders in Banas scrip on behalf of Anmol Finance, in support of which they have provided transcripts of recordings of order placement in the trading account of Anmol Finance. Mr. Dhanuka in his written reply dated December 30, 2018 as well as during his personal hearing before me has not disputed that he had not placed the orders in the scrip of Banas. He has admitted to have placed the sell orders in the shares of Banas through Anmol Finance. He has also neither disputed the nature nor the pattern of sell orders placed by him nor even has denied the resultant manipulation that has occurred in the price of Banas scrip

due to the trades executed by him. However, Mr. Dhanuka has submitted that he has executed these trades in the scrip of Banas at the instructions of Noticee no. 1 and that he has not received any profit from these transactions. He has further submitted that the Noticee no. 1 has established Anmol Finance in the name of Mr. Rajesh Dambre and that Mr. Dambre was his friend and sole proprietor of Anmol Finance. Mr. Dhanuka has admitted having introduced Mr. Dambre to Noticee no. 1 and has also stated that Mr. Dambre was not aware of the alleged transactions in the scrip of Banas executed on behalf of Anmol Finance. Mr. Dhanuka has pleaded that he or Mr. Dambre was not financially capable of executing any trades in the Securities Market and that it was only under the instructions of Noticee no. 1, that he had executed the trades on behalf of Anmol Finance. Thus, based on the submissions made by Mr. Dhanuka it becomes clear that the allegations pertaining to the execution of trades in a pre-conceived manner with an intent to inflate the price of the scrip of Banas stand established qua the Noticee no. 2. I, therefore, find that it was Mr. Dhanuka who was placing the orders in the scrip of Banas using Anmol Finance may be as a front entity of Noticee no. 1, in view of his claim that he was trading in Banas shares under instructions from Noticee no. 1.

17. On a further analysis of trade data of Banas scrip, I note that only 20 sellers have sold the entire traded quantity of 9,595 shares, out of which four entities (sellers) did not deliver 55 shares, resulting in net delivery of 9,540 shares. The top seller Anmol Finance has sold and delivered 6,490 shares and the remaining 3050 shares were delivered by 17 other entities. On examination of trading pattern and holdings of these remaining 17 entities, it is observed that only one entity i.e., M/s. Sunlight Trading & Investment was holding shares of Banas (which delivered 10 shares) prior to sale made by it while the remaining 16 entities had purchased the Banas shares before the same were sold and delivered in the market. Interestingly, the counterparty to the purchases made by the above mentioned 16 entities (before they sold these shares) was none other than Anmol Finance. Therefore, it is noted that all the shares of the scrip of the Company which were sold and delivered during the Investigation Period have in fact originated from Anmol Finance, except for the 10 shares delivered by Sunlight Trading and Investment. Details of the sale trades in the scrip of Banas during the Investigation Period are tabulated as under:

S. No.	Name of the seller	Buy Qty	Sell Qty	Counterparty to the buying trade of the seller		Source counterparty
				CP Name	No of shares bought	
1	Anmol Finance Company	NIL	6490	NA	NA	NA
2	BCB Finance Limited	50	50	Anmol	50	
3	Harish Laddha	NIL	1	Not delivered	NA	
4	Hetal Nilesh Gor	850	550	Anmol	850	
5	Jayesh Narendra Kesharia HUF	850	213	Anmol	800	
				Kalpana Madhani	50	Anmol
6	Kalpana Madhani Securities P. Ltd	201	200	Anmol	200	
7	Krishnakumar T R	4	2	Nathilal Rungta	2	Anmol
				Purav Jasmin	2	Anmol
8	Nathilal Rungta	715	465	Anmol	700	
				Vipan Kohli	15	Anmol
9	Navin Sawaldas Munyal	350	250	Anmol	350	
10	Nidhi Lodha	200	105	Anmol	200	
11	Prannoy Suresh Kothari	50	50	Anmol	50	
12	Purav Jasmin Visaria	50	50	Anmol	50	
13	Radheshyam Ramrikh Purohit	50	25	Anmol	50	
14	Sarita Chandak	830	829	Anmol	405	
				Hetal Gor	50	Anmol
				Jayesh K	89	Anmol
				Nathilal Rungta	100	Anmol
				Prannoy	25	Anmol
				Sukibai	100	Anmol
				Sunlight	10	NA
				Surbhit Agarwal	50	Anmol
				Harish Ladda	1	<i>Not delivered</i>
15	Sujit Prasad Das	NIL	50	NA		<i>Not delivered</i>
16	Sukibai Sundesha	100	100	Anmol	50	
				BCB Finance	50	Anmol
17	Sunlight Trading And Investment	NIL	10	NA		
18	Surbhit Agarwal	50	50	Anmol	50	
19	Suresh Madhavji Kothari	50	5	Anmol	50	
20	Vipan Kumar Kohli	100	100	Anmol	100	

18. The aforesaid table shows that Anmol Finance was the sole seller either directly or indirectly, for almost the entire quantity of shares traded in the scrip of the Company during the Investigation Period. A close look at the annexure 5 of the SCN demonstrates how Anmol Finance has consistently engaged in selling in a lot of 50 shares of the Company almost daily, from February,

2011 to September, 2011. Details of a few of the trades executed by the Noticee no. 2 on behalf of Anmol Finance in the scrip of Banas during the Investigation Period have been extracted from the trade and order log and presented below:

TRADE_DATE	CP_CLIENTNAME	ORDER_TIME	CP_ORDER_TIME	TRADE_TIME	TRADE_RATE	LTP_RATE	LT_PPRC ENT	TRADE_VALUE	ORDER_RATE	CP_ORDER_RATE	TRADED_QTY	ORDER_QTY	CP_ORDER_QTY
04/02/2011	ANMOL FINANCE COMPANY NY	09:15:00.283741	12:52:48.981157	12:52:49.019342	9.83	0.46	4.91	491.5	9.83	9.83	50	5000	50
07/02/2011	ANMOL FINANCE COMPANY NY	09:15:00.369057	10:43:45.718586	10:43:45.791647	10.32	0.49	4.98	516	10.32	10.32	50	1000	50
08/02/2011	ANMOL FINANCE COMPANY NY	09:15:00.077580	09:57:23.950192	09:57:23.988859	10.83	0.51	4.94	541.5	10.83	10.83	50	1000	50
09/02/2011	ANMOL FINANCE COMPANY NY	09:15:00.086510	09:51:07.736004	09:51:07.761656	11.37	0.54	4.99	568.5	11.37	11.37	50	100	50
16/02/2011	ANMOL FINANCE COMPANY NY	09:15:00.058848	10:24:25.834913	10:24:25.866412	11.93	0.56	4.93	596.5	11.93	11.93	50	1000	50
17/02/2011	ANMOL FINANCE COMPANY NY	09:15:00.032127	12:43:02.159404	12:43:02.189777	12.52	0.59	4.95	626	12.52	12.52	50	4200	50
18/02/2011	ANMOL FINANCE COMPANY NY	09:15:00.121571	12:33:45.911838	12:33:45.942606	13.14	0.62	4.95	657	13.14	13.14	50	100	50
21/02/2011	ANMOL FINANCE COMPANY NY	09:15:00.047710	10:33:50.527488	10:33:50.625586	13.79	0.65	4.95	689.5	13.79	13.79	50	5000	50
22/02/2011	ANMOL FINANCE COMPANY NY	09:15:00.078391	09:36:40.520458	09:36:40.558316	14.47	0.68	4.93	723.5	14.47	14.47	50	2000	50
23/02/2011	ANMOL FINANCE COMPANY NY	09:15:00.062979	09:46:05.922759	09:46:05.958931	15.19	0.72	4.98	759.5	15.19	15.19	50	2950	50
24/02/2011	ANMOL FINANCE COMPANY NY	09:15:00.068618	09:42:04.988871	09:42:05.010222	15.94	0.75	4.94	797	15.94	15.94	50	3300	50

19. The aforestated illustration of a few of the trades executed by Noticee no. 2, can be considered here to evaluate the nature and pattern of these trades. It may be noted from the above table that

on February 4, 2011, a buy order was placed at 09:15:00 for 5000 shares at the rate of Rs. 9.83 per share and Noticee no. 2 has placed a sell order at 12:52:48 **for 50 shares** at Rs. 9.83 per share, hence, the trade has been executed 12:52:49 for 50 shares at Rs. 9.83 contributing to positive LTP of Rs. 0.46. Similarly, on February 24, 2011, buy order was available at 09:15:00 for 3300 shares at Rs. 15.94 while Noticee no. 2 has placed a sell order at 09:42:04 **again for 50 shares** at Rs. 15.94 per share as a result of which the trade has been executed at 09:42:05 for 50 shares at Rs. 15.94 thereby contributing to positive LTP of Rs. 0.75. Such a pattern of trading has been exhibited by Noticee no. 2 through Anmol Finance on almost all the trading days during which he has traded through Anmol Finance. The perusal of the aforesaid table shows that Noticee no. 2, has placed sell orders for only 50 shares everyday while there was a buy order available for quantities ranging from 100 to 5000 shares even though Anmol finance held a large quantity of Banas shares with it and could have very well matched these big quantity buy orders, had it been a serious seller on the Exchange platform. Instead, Noticee no. 2 has constantly been chasing the buy orders and matching the positive LTP buy orders placed in the scrip of Banas and has been executing first trades continuously. Such a pattern of trading executed by Noticee no. 2 does not appear to be genuine trades. Noticee no. 2 has been constantly placing minuscule quantity of sell orders even though higher quantity buy orders were available at high prices thereby has been apparently controlling the supply of shares in the scrip of Banas during the Investigation Period. There is no explanation offered by Noticee no. 2 for engaging in such a trading behaviour except for submitting that he had done all these trades at the behest of Noticee no. 1.

20. I note that 11,500 shares of Banas were lying in the demat account of Anmol Finance at the beginning of the Investigation Period. These shares were purchased by Anmol Finance (which constituted 3.83% of paid up capital of the Company) through off market from the erstwhile promoter of the Company (Banas) viz:- Alefiya Shabbir Khorakiwala on August 17, 2010. There is no explanation available on record or offered by the Noticee no. 2 stating the reasons as to why shares of a Company which had remained suspended from November 1999 to October 2010 was purchased in an off market transaction and thereafter, have been sold in miniscule quantities continuously on a daily basis contributing to positive LTP by him during the entire Investigation Period. As noted earlier, during the Investigation Period, 144 trades have contributed to positive LTP of Rs. 287.08 and out of 144 positive LTP trades, 140 trades contributed to NHP of Rs. 283.23 and all of them were first trades. Out of the 140 NHP trades, for 118 trades (i.e.84.28% of

NHP trades), Noticee no. 2, Mr. Dhanuka (through Anmol Finance) was the counterparty (seller) to the trades. It is further noted that out of the 118 NHP trades (on 118 days) in which Anmol Finance was the seller, on 116 days, Mr. Dhanuka (through Anmol Finance) was placing sell orders in very small quantities (i.e. at minimum lot of 50 shares) which was much lower than the quantities for which buyers were placing their buy orders. Also during these 116 trading days, there were no other trades in the Banas scrip other than these 116 trades executed by Noticee no. 2. Thus, by virtue of these sell orders placed by the Noticee no. 2, the price of the scrip rose very abnormally and artificially increased by Rs. 186.78. Further, considering that the scrip of Banas lacked any credentials as discussed earlier by me and observing that there was no volume in the scrip, absence of trading and lack of fundamentals causing any volume in the scrip, I have no doubt in concluding that the way the trades in Banas scrip were executed by Noticee no. 2 through Anmol Finance was artificial, pre-meditated and were executed only to manipulate the price of the scrip of the Company and the same have been executed as misuse of market mechanism and not as a genuine trading in the Securities Market.

21. In this regards, to find out as to what constitutes an artificial and manipulative trade, it is apt to refer to the order of the Hon'ble Securities Appellate Tribunal (hereinafter referred to as **"SAT"**) in the matter of *Ketan Parekh v. SEBI* (Appeal No. 2 of 2004 decided on 14.07.2006) in which the Hon'ble SAT observed as under:

".....Any transaction executed with the intention to defeat the market mechanism whether negotiated or not would be illegal. Whether a transaction has been executed with the intention to manipulate the market or defeat its mechanism will depend upon the intention of the parties which could be inferred from the attending circumstances because direct evidence in such cases may not be available. The nature of the transaction executed, the frequency with which such transactions are undertaken, the value of the transactions, whether they involve circular trading and whether there is real change of beneficial ownership, the conditions then prevailing in the market are some of the factors which go to show the intention of the parties. This list of factors, in the very nature of things, cannot be exhaustive. Any one factor may or may not be decisive and it is from the cumulative effect of these that an inference will have to be drawn."

22. As observed in the preceding paragraphs, the sell orders of Anmol Finance (executed by Noticee no. 2) have matched the positive LTP buy orders resulting in trades that have been instrumental in the consistent price rise of the shares of the Company. Considering that the scrip of the Company was highly illiquid (total shares traded during the Investigation Period being only 9,595

and trading in the scrip of Banas had remained suspended from November 1999 to October 2010), the orders placed and trades executed by Noticee no. 2 have been clearly orchestrated only to artificially raise the price of the scrip of Banas, which resulted in a manipulated price rise. Generally, it is a business prudence for traders to sell at a high price for making profit. However, there is no explanation offered by Noticee no. 2 as to why he decided to take the risk of selling very small quantities of shares of Banas even though big quantities buy orders were available already for a high price in the scrip like Banas, which had no fundamentals, unless he knew in advance that the price would be rising or he himself intended to execute trades so as to artificially raise the price. Additionally, it is an admitted position in the instant proceedings that Noticee no. 2 had executed trades. Therefore, I find that Noticee no. 2 has carefully and consciously controlled the supply of shares in the scrip and has engaged in continuous matching of his sell orders with the positive LTP buy orders thereby intentionally contributing to the rise in price in the scrip of the Company.

23. With regard to the Noticee no. 2's submissions that he has traded in the shares of Banas at the behest of Noticee no. 1 and that he did not derive any benefit from these trades and that he was not capable of trading in shares on his own etc., I find that after having admitted to transacting and placing the sell orders in the scrip, argument that the same was done at the behest of Noticee no. 1 is not sufficient to relieve him of the charges levelled against him in the SCN. It is a settled position in law that ignorance of law is not an excuse. The Noticee no. 2 should have known the nature and consequences of his actions before undertaking those trading activities at the behest of Noticee no. 1 and pleading ignorance about the trades executed by him can't be acceptable. Further, considering the pattern of trades executed by Noticee no. 2 through Anmol Finance continuously over a period of 8 months on almost daily basis makes it unbelievable that Noticee no. 2 was not aware of the nature of his transactions or the market manipulations that these trades aimed to achieve. I also find some contradictions in the submissions made by the Noticee no. 2 (Mr. Dhanuka). On the one hand Mr. Dhanuka has pleaded ignorance of the consequences of the trades executed by him and has even pleaded ignorance about having any shares in his demat account, while at the same time has admitted to have placed transactions in the scrip of Banas on a continuous basis during the Investigation Period. His submissions also do not inspire confidence about his benign motive for the reason that despite being aware of the fact that the trades executed by him have led to adverse consequences for him and he is facing regulatory action, he has so far

not taken any action against the Noticee no. 1 for breach of his trust if any. He has not even bothered to check as to whether his personal details including signature has been forged or fabricated. He has not brought anything before me to show that his KYC documents used for opening demat account in his name were fabricated by Noticee no. 1 as alleged by him. Moreover, he has also not denied having executed the trades in the shares of Banas and has not denied the transcript which contained his voice giving oral instructions to the Broker for placing orders. In view of the above, the argument advanced and submissions made by the Noticee no. 2 are bereft of any credence and deserve to be rejected. I even observe that trades have been executed by Noticee no. 2 cautiously and systematically to raise the price of the scrip of Banas. In any case, other than claiming that he was acting under the instructions of Noticee no. 1, Noticee no. 2 has not provided any other documentary evidence to support his claim and allegation against Noticee no. 1. I also find it pertinent to record that despite being asked during the course of hearing to provide some proof to support his contentions that he placed the trade orders under the instructions of the Noticee no. 1, Noticee no. 2 has not submitted any material to support his claims that he had been transacting in the shares of Banas at the behest of Noticee no. 1.

24. The Noticee no. 2 has stated that he was working under Noticee no. 1 for more than a decade. During the course of hearing he was specifically asked to provide documents in support of his submissions about his relationship with Noticee no. 1. He was also asked to furnish his financial details including banking transactions to show that he was not financially capable of executing trades in the Securities Market and all the trades have been executed by him are actually at the instructions of the Noticee no. 1 only. However, he has not submitted any documents or tangible materials either to support his claim to have executed the trades in Banas shares under the instructions of Noticee no. 1 or to prove that he had no financial capabilities to deal in shares trading. In the absence of any such evidence, I am constrained to reject the submissions made and explanations offered by Noticee no. 2, treating the same as unsubstantiated and hence, not acceptable. I do not therefore find the contentions of Noticee no. 2 that he was unaware of the transactions or of the consequences of the trades executed by him continuously for 8 months as tenable propositions in law.
25. To sum up, I find that Anmol Finance had purchased 11,500 shares of Banas in off market from a promoter of Banas in August 2010 and Noticee no. 2 had admittedly, started selling these shares in miniscule quantities (mostly in lot of 50 shares) on a daily basis consistently from February 2011

to September 2011, even though buy orders of large quantities at higher rates/upper circuit filter rates were available in the system and Anmol Finance had a holding of large number of shares of the Company for disposal, which could have been sold in larger quantities as per the buying demands. However the Noticee no. 2 chose to sell in only '50 shares' lot on a daily basis continuously for 8 months despite the fact that the Company's financials and other fundamentals were weak and there was no notable corporate announcements by the Company to hold any future promise for a price rise of the shares of Banas. Such trading pattern exhibited by Noticee no. 2 in a scrip not having any strong fundamentals is nothing short of abnormal. Out of the 144 positive LTP trades in the scrip of Banas during the Investigation Period, 140 trades have contributed to NHP of Rs. 283.23 and all of them were first trades and out of these 140 NHP trades, for 118 trades (i.e.84.28% of NHP trades), Anmol Finance was the counterparty (seller) to each of the trades. Therefore, Noticee no. 2 has practically contributed to the entire price rise in the scrip of Banas by supplying shares in a calibrated way for matching with the positive LTP buy orders continuously and thereby contributed significantly in artificially raising the price of Banas scrip by Rs. 186.78. Therefore, unmistakably the trades of Noticee no. 2 in shares of Banas have been manipulative and designed to create an artificial price, especially considering that Banas did not have strong credentials to support the huge price rise and no credible explanation has been offered by Noticee no. 2 to justify his aforesaid abnormal trading behaviour. Thus, I find that Noticee no. 2 has consistently marked up the price of the shares of Banas by selling shares in small quantities and has indeed manipulated the scrip price for the reasons best known to him.

26. At this stage, I also find it apt and proper to rely on the findings of Hon'ble Supreme Court in the case of *SEBI v. Rakhi Trading Pvt. Ltd.*, (2018) 13 SCC 753, wherein, the Hon'ble Supreme Court has held that Regulation 4(1) of PFUTP Regulations in clear and unmistakable terms has provided that "*no person shall indulge in a fraudulent or an unfair trade practice in securities*" and while referring to its own judgment in the case of *SEBI v. Shri Kanhaiyalal Baldevbhai Patel and Ors* (2017) 15 SCC 1 have further held that;

"31 Although unfair trade practice has not been defined under the regulation, various other legislations in India have defined the concept of unfair trade practice in different contexts. A clear cut generalized definition of the 'unfair trade practice' may not be possible to be culled out from the aforesaid definitions. Broadly trade practice is unfair if the conduct undermines the ethical standards and good faith dealings between parties engaged in business transactions. It is to be noted that unfair trade practices are not subject to a single definition; rather it

requires adjudication on case to case basis. Whether an act or practice is unfair is to be determined by all the facts and circumstances surrounding the transaction. In the context of this regulation a trade practice may be unfair, if the conduct undermines the good faith dealings involved in the transaction. Moreover the concept of 'unfairness' appears to be broader than and includes the concept of 'deception' or 'fraud'.....

.....Having regard to the fact that the dealings in the stock exchange are governed by the principles of fair play and transparency, one does not have to labour much on the meaning of unfair trade practices in securities. Contextually and in simple words, it means a practice which does not conform to the fair and transparent principles of trades in the stock market.”

27. Hon'ble Supreme Court, in the above case has appreciated that fairness, integrity and transparency are the hallmarks of the stock market in India and the stock market is not a platform for any fraudulent or unfair trade practice. Hon'ble Court has further observed that *“The SEBI Act, 1992 was enacted to protect the interest of the investors in securities. Protection of interest of investors should necessarily include prevention of misuse of the market.”*
28. As regards the allegation in the SCN that Mr. Pradeep Dhanuka (Noticee no. 2) and Mr. Girraj Agrawal, Director, CEO as well as the Promoter of Banas (Noticee no. 1) are connected to each other and have connived with each other to artificially raise the price of the scrip of the Company, I note that the basis for such allegations arises from the fact that the Noticee no. 1 and 2 were directors in two other companies, viz:- Axon and Five X during the relevant period. The SCN does not contain any specific allegation against the Noticee no. 1 nor any specific material is available in the SCN in support of the allegation made against the Noticee no. 1. During the course of the proceedings, the Noticee no. 2 has claimed that he has placed the sell orders in the scrip of Banas under the instructions of Noticee no. 1 (Mr. Girraj Agrawal) and has further claimed that Mr. Girraj Agrawal(Noticee no. 1) has asked Noticee no. 2 to purchase shares in the names of some other persons and that Noticee no. 2 had nothing to do with the said transactions nor with the profit and loss arising out of these share trading. However, apart from making these statements, Noticee no. 2 has not provided any documentary proof or evidence to substantiate that he had actually been acting at the behest of Noticee no. 1. Noticee no. 2 has also submitted that he is not aware that he was the director of the companies, Axon and Five X, and he was not connected in any manner with the profits and losses of these companies. According to him, all the

work related to these companies were handled by Noticee no. 1. The Noticee no. 2 has further submitted that it was Noticee no. 1 who had opened the proprietorship firm, Anmol Finance in the name of Mr. Rajesh Dambre and even Mr. Dambre was not aware about any of the trades executed in the name of Anmol Finance. However, no evidence whatsoever, has been submitted by Noticee no. 2 either in the form of bank account transactions or Income Tax Returns or any other documentary proof to substantiate his allegations against Noticee no. 1. The Noticee no. 2 has not even taken any action against Noticee no. 1 for using him as a front man to undertake such unfair and manipulative trades in Banas scrip that he claims to have executed at the instructions of the Noticee no. 1.

29. As noted earlier, Noticee no. 1, has vehemently denied the claims made by Noticee no. 2. Noticee no. 1 has admitted that he and Mr. Dhanuka were common directors in Axon and FiveX, however, they had a very professional relationship and spoke to each other only at Board Meetings and he has no knowledge about the personal life of Noticee no. 2. I have also considered the submissions of Noticee no. 1 that his actions do not fall within the purview of provisions of SEBI Act or those of PFUTP Regulations as he has not traded in the shares of Banas during the Investigation Period, and there is no evidence on record to prove that he has connived with Mr. Dhanuka for trading in shares of Banas to manipulate its price. Noticee no. 1 has also submitted that the SCN does not allege any undue advantage that has accrued to him because of trading that has taken place in the scrip of Banas, during the Investigation Period.
30. Further, in regards the submissions of Noticee no. 1 that he has not received the complete Investigation Report as it contains only 17 out of 19 pages, I have perused the Investigation Report and I note that the pages 17 to 19 contain information pertaining to third parties and I further find that all relevant and relied upon documents have been duly provided to Noticee no. 1.
31. It is a fact that Noticee no. 1 is the director and promoter of Banas and Noticee no. 1 and 2 were both common directors in two other companies. Further, the huge price rise in Banas would have definitely benefitted the promoters and directors of the Company in form of appreciation of market capitalisation of the Company and of their holdings/interest in the Company. Moreover, the contentions made by Noticee no. 2 stating that he had traded in these shares of Banas and many other shares only under the instructions of Noticee no. 1 on behalf of Anmol Finance and that he had neither any knowledge nor control over his demat account which according to him was being managed by Noticee no. 1 may give a bona fide suspicion about the conduct of Noticee

no. 1 as far as the market manipulation in the scrip of Banas is concerned. However, since Noticee no. 1 has neither dealt in the scrip of Banas directly or indirectly nor it is evident from the Investigation Report/SCN that he has played any manipulation in the Banas scrip, his suspected connivance with Noticee no.2 does not get substantiated. As stated earlier, the submissions of Noticee no. 2 with respect to Noticee no. 1 remains only at the level of submissions and the Noticee no. 2 has not made any effort whatsoever to point out to me to corroborate with any evidence to support his claim that all trading activities were dictated by Noticee no. 1. There is no charge in the SCN that Noticee no. 1 has himself traded in the shares of Banas to raise the price the scrip of the Company. The charge in the SCN against Noticee no. 1 is that he is connected with Noticee no. 2 and therefore both of them have connived to raise the price of the scrip of the Company. Considering that the evidence available on record in support of the aforesaid allegation against Noticee no. 1 in the SCN is that the two Noticees were only common directors in two other companies (not in Banas) and the statements made by Noticee no. 2 that he has acted at the instructions of Noticee no. 1 without producing any evidence to support his claim which have also been denied by Noticee no. 1, I do not find that there is any sufficient evidence to hold the charges alleged in the SCN or by Noticee no. 2 against Noticee no. 1. In this regard it is in fact observed that the Noticee no. 2 has gone to the extent of claiming that he is not even aware of his demat account or about the shares of Banas that are credited in his name in his demat account. I find this is an improbable proposition advanced by Noticee no. 2 that he is not aware about his demat account. While the transcript of conversation between Noticee no. 2 and broker, JRG disclose at length that he was continuously placing orders on behalf of Anmol Finance to the broker for buying and selling of shares of Banas and other scrips indicating very well that he was well conversant with the Share Market, the ignorance being placed by him about his demat account lacks gross credibility. As stated above there is no evidence available against Noticee no. 1 except for the allegations made in the SCN pertaining to his connivance with Noticee no. 2. Therefore, after considering the material available on record and submissions of the Noticees, I find that for want of evidence, the charges levelled against Noticee no. 1 by the SCN are not established, hence cannot be pursued further.

32. As regards the allegation against Noticee no. 2 is concerned, I find that Noticee no. 2 has actively engaged in manipulative trades and knowingly contributed to artificially raise the price of the scrip of the Company and thereby misled investors of Securities Market. Thus the acts of the Noticee

no. 2 as explained above are in violation of the provisions of SEBI Act and PFUTP Regulations as charged in the SCN.

33. However, I find that Regulation 4 (2) (b) of PFUTP Regulations as alleged in the SCN is not applicable to present proceedings. For ease of reference, the said regulation is extracted below:

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

(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:-

.....

(b) dealing in a security not intended to effect transfer of beneficial ownership but intended to operate only as a device to inflate, depress or cause fluctuations in the price of such security for wrongful gain or avoidance of loss;

34. I find though Noticee no. 2 has engaged in trades to inflate the price of the scrip of Banas, since there is no allegation of lack of transfer of beneficial ownership for the shares traded by Noticee no. 2, I find that violation of Regulation 4 (2) (b) of PFUTP Regulations is not attracted or established in the instant matter.

35. Further, as regards the Noticee no. 1, the SCN dated February 17, 2016 issued in respect of him in the present proceedings stands disposed of in terms of my findings recorded at paragraph no. 31.

DIRECTION:

36. Based on the finding recorded above, I, in exercise of the powers conferred upon me in terms of Section 19 read with Sections 11(1), 11(4) and Section 11B of the SEBI Act, hereby issue the following directions:

- Noticee no. 2, Mr. Pradeep Dhanuka is restrained from accessing the Securities Market and further prohibited from buying, selling or otherwise dealing in securities, directly or indirectly in any manner, for a period of three years from the date of this order. It is clarified that during the period of restraint, the existing holding of the Noticees no. 2 including units of mutual funds, shall remain frozen.

37. The Order shall come into force with the immediate effect.

38. A copy of this order shall be forwarded to the Noticees, all the recognized stock exchange, depositories and registrar and transfer agents for ensuring compliance with the above directions.

-Sd-

S.K. MOHANTY

DATE: JULY 24, 2019

WHOLE TIME MEMBER

PLACE: MUMBAI

SECURITIES AND EXCHANGE BOARD OF INDIA