

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: S. K. MOHANTY, WHOLE TIME MEMBER

ORDER

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

In respect of:

Noticee No.	Names of the Noticee	PAN
1.	Devang Mukundray Patel	AMUPP7312C
2.	Sonal Devang Patel	AODPP3226Q
3.	Manishaben Maheshkumar Patel	ANEPP0155A
4.	Rajesh Kumar	ASDPK2245G
5.	Kishor Sharma	AYXPS1396Q

(The entities mentioned above are individually known by their respective name or Noticee no. and collectively referred to as "Noticees")

In the matter of Cupid Trades & Finance Limited.

Background:

1. An investigation was undertaken by Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") into the scrip of Cupid Trades and Finance Ltd (hereinafter referred to as "**Cupid/Company**"), for possible violation, if any, of the provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as "**SEBI Act**") and rules and regulations made thereunder.

2. During the course of investigation, the price volume data in the scrip of Cupid was analyzed for the period of November 06, 2013 to December 26, 2013 (hereinafter referred to as "**relevant Investigation Period**"). It was observed that during the relevant Investigation Period, there was a drastic fall in the price of scrip. The price of the scrip opened at ₹141.60 (previous close price ₹149.00), reached a low of ₹56.20

and closed at ₹58.40. The net decrease in the scrip price was ₹90.60 (decrease of 60.80%).

3. During the course of Investigation, it was unearthed that the Noticees through their execution of buy trades, have contributed to negative Last Trade Price (hereinafter referred to as “**negative / (-) ve LTP**”) in the scrip of Cupid. Upon analyzing the price and trade movement in the scrip of Cupid, *inter alia*, the following came to light during the course of investigation conducted by SEBI:

Trades executed by Noticee no. 1 and Noticee no. 2

(a) Based on the KYC details, Noticee no. 1 (Devang Mukundray Patel) and Noticee no. 2 (Sonal Devang Patel) are connected to each other. Further, Noticee no. 1 and 2 by cumulatively executing 10 trades of 147 shares during the relevant Investigation Period, which have contributed to negative LTP of ₹18.95 (20.42% of total negative LTP during the relevant Investigation period) in the scrip of Cupid. Since sell orders for large quantities were available in the system, it is alleged that Noticee no. 1 and 2 by their trading pattern matched the prices of prevailing sell orders which were placed at a lower price than the last traded price and thereby consistently contributed to the decrease in the price of the scrip with each of their trades.

(b) Noticee no. 3 (Manishaben Maheshkumar Patel) contributed to negative LTP of ₹20.60 (22.20% of total negative LTP during the relevant Investigation period) through 4 trades executed by him during the relevant period. It was observed that each of the 4 buy orders was placed by the Noticee for a quantity of 1 share only when the respective sell order quantity was available in the range of 989-1903 shares. By executing these trades in miniscule quantities, it is alleged that the Noticee no. 3 deliberately placed her buy orders only to match the prices of prevailing sell orders which were placed at a lower price than the last traded price and thereby has contributed to the decrease in scrip price with each of her trades.

(c) It was further observed that during the relevant Investigation Period, the Noticee no. 4 (Rajesh Kumar) has contributed to negative LTP of ₹7.15 (7.70% of total negative LTP) by executing 6 buy trades and each of his 6 buy orders was placed for a quantity of 1 share only when the corresponding sell order quantities were very large.

(d) Similarly, Noticee no. 5 (Kishor Sharma) also has contributed to negative LTP of ₹16.75 (18.05% of negative LTP) through 3 buy trades and each of the 3 buy trades was placed for quantity of one share only when the corresponding prevailing sell order quantity was available in the range of 1000-1987 shares.

(e) Investigation observed that by executing in the manner as narrated above, buy trades, the aforesaid 5 Noticees have deliberately matched the prices of prevailing sell orders which were already placed at a lower price than the last traded price and thereby contributed to the decrease in share price of the Company with every successive buy trade executed by these Noticees.

4. In view of aforementioned findings, it has been alleged that the Noticees have been instrumental in establishing a price lower than the last traded price and have contributed to decrease in scrip price with each of their trades. It is thus alleged that the Noticees have manipulated the scrip price downwards and have created a misleading appearance of trading in the scrip by executing such fraudulent trades. Such acts of the Noticees have been alleged to be in breach of provisions of Regulation 3(a), (b), (c), (d) and Regulation 4 (1), 4 (2) (a), (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 (hereinafter referred to as **"PFUTP Regulations, 2003"**).

5. Pursuant to the aforesaid findings from the investigation, a common Show Cause Notice dated September 25, 2017 (hereinafter referred to as **"SCN"**) was issued to all the Noticees, asking them to show cause as to why suitable direction(s) under Section 11, 11(4) & 11 (B) SEBI Act, should not be issued against them for their alleged violations of provisions of PFUTP Regulations, 2003.

6. I note from the records that the aforesaid SCN was delivered to all the Noticees, in response to which Noticee no. 4 has submitted a written reply vide his letter dated October 10, 2017. Subsequently, in compliance with the principle of natural justice, an opportunity of personal hearing was granted to all the Noticees and accordingly hearing notices dated January 23, 2019 were issued to all the Noticees intimating them that the date for personal hearing has been scheduled on February 20, 2019. I observe from the records that the hearing notices were duly serviced to all the Noticees, however only Noticee no. 4 appeared before me on the scheduled date of hearing. I further note from the record that an Authorized Representative (“AR” for convenience) of Noticee no. 5 has requested inspection of certain documents including Investigation Report which were duly provided by SEBI on February 15, 2019. Subsequently, the AR had also requested for rescheduling the date of personal hearing for Noticee no. 5. Responding to this request in conformity with the principle of natural justice, another hearing notice was issued to Noticee no. 1, 2, 3 and 5 vide letter dated December 30, 2019 vide which their personal hearing was scheduled on January 14, 2020, however, on the said date only the AR on behalf of Noticee no. 5 appeared before me. It is noted that Noticee no. 1, 2 and 3 have neither submitted any reply to the SCN nor have they appeared before me for personal hearing.

Submissions of the Noticee

7. As stated earlier, it is only Noticee no. 4 who has submitted a written reply to the SCN served upon him. After perusing his written reply, I summarize the arguments/submissions as under:

- The Noticee is a small investor and therefore while buying any stock, only small quantities have been purchased. Even the quantity traded in the scrip of Cupid was very small.
- The Noticee has no connection with the other Noticees in the instant matter, by any means whatsoever.

- In course of his personal hearing, Noticee no. 4 presented his arguments on the aforesaid lines as submitted in his written reply. Similarly, arguments were also offered on behalf of Noticee no. 5 during the personal hearing.

Consideration of Issues and Findings

8. As mentioned in the preceding paragraphs that Noticee no. 1, 2 and 3 have neither submitted any reply to the SCN nor have they appeared before me for personal hearing. I find that sufficient opportunities have been granted to the Noticees and no useful purpose would be achieved by granting any further opportunity, hence, for Noticees no. 1 to 3, I proceed to deal with matter *ex parte*, based on materials available on record. Considering the findings of Investigation conducted by SEBI, the allegations levelled against the Noticees in the SCN based on such findings and the explanations offered by the Noticees through their verbal and written submissions, I find that the only issue that requires considerations in the case as under:

Issue: Whether the acts of the Noticee no. 1 to Noticee no. 5 have resulted in violations of the provisions of Regulation 3 (a), (b), (c), (d) and Regulation 4 (1) and 4 (2) (a) and (e) of SEBI (PFUTP) Regulations, 2003?

9. I note that in the SCN, the acts of the Noticees of indulging in manipulative trades by contributing to negative LTP in the scrip of Cupid repeatedly during the relevant Investigation period, have been alleged to have violated provisions of PFUTP Regulations, 2003. Therefore, before moving forward on this issue, it would be proper to visit the afore-stated provisions alleged to have been violated by the Noticees. The said provisions are produced hereunder for ready reference:

Regulation 3 of SEBI (PFUTP) Regulations, 2003: - Prohibition of certain dealings in securities

3. 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 thereunder;

(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 thereunder.

Regulation 4 of SEBI (PFUTP) Regulations, 2003: - 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 [including, influencing or manipulating the reference price or bench mark price of any securities]

10. It has been alleged in the SCN that the buy trades executed by the Noticees were not fair as these Noticees, by executing such minuscule buy trades in an unusual manner, have contributed to the negative LTP in the scrip of Cupid. The details of such buy trades executed by the Noticees and the impact of their trades on the LTP

of scrip of Cupid during the relevant Investigation Period are highlighted in the table below: -

Table 1: Noticee wise trade details in the scrip of Cupid

Name of the buyer	All trades			LTP Diff. >0			LTP Diff. < 0			LTP Diff. =0		% of (-)ve LTP to market (-)ve LTP (₹92.80)
	Net LTP	Quantity traded	No of trades	LTP impact	Quantity traded	No of trades	LTP impact	Quantity traded	No of trades	Quantity traded	No of trades	
Devang Mukundray Patel (Noticee no. 1)	-14.25	154	18	0	0	0	-14.25	72	7	82	11	15.36
Sonal Devang Patel (Noticee no. 2)	-4.70	100	4	0	0	0	-4.70	75	3	25	1	5.06
Manishaben Maheshkumar Patel (Noticee no. 3)	-20.60	4	4	0	0	0	-20.60	4	4	0	0	22.20
Rajesh Kumar (Noticee no. 4)	-7.15	8	8	0	0	0	-7.15	6	6	2	2	7.70
Kishor Sharma (Noticee no. 5)	-16.75	4	4	0	0	0	-16.75	3	3	1	1	18.05
Total of 5 Noticees	-63.45	270	38	0	0	0	-63.45	160	23	110	15	68.37
Remaining entities	-27.15	48249	236	2.2	2009	5	-29.35	491	12	45749	219	31.63
Market Total	-90.60	48519	274	2.20	2009	5	-92.80	651	35	45859	234	100.00

11. From the above table no. 1, I note that during the relevant Investigation period, THE Noticees have cumulatively executed 38 trades in the scrip of Cupid out of which in 23 trades, they have contributed negative LTP of ₹63.45 which constitutes 68.37% of the total market negative LTP of ₹92.80 witnessed by the scrip during the period. I also observe from the table that such negative LTP of ₹63.45 was contributed by the 5 Noticees from trading in only 160 shares which was just 0.32% of the total number of shares traded in the market during the said relevant Investigation Period i.e. 48519 shares in the scrip of Cupid. The aforesaid trading data which depicts that the Noticees have contributed to more than 60% of total negative market LTP from less than 1% of the total trades in the market during the said period in the scrip of

Cupid, raises a compelling suspicion on the intent of the Noticees, from the very trading pattern adopted by these Noticees.

12. I note that as per the KYC details of Noticee no. 1 and 2, they share a common address and hence based on such common address, it can be reasonably concluded that these two Noticees (Noticee no. 1 and 2) are connected entities. Moreover, the allegations of their connections based on their common address have not been disputed by any of them, which further establishes that the Noticee no. 1 and 2 have not disputed to their inter-connectedness as observed from the investigation. Further, from the trade details, I note that both Noticee no. 1 and 2 have contributed to negative LTP in the trades executed by them in the scrip of Cupid during the relevant Investigation Period. Details of such trades are tabulated below:

Table-2: Details of trades executed by Noticees No. 1 and 2

Name of Noticee	Trade Date	Buy order quantity	Sell order quantity	Trade quantity	LTP contribution (In ₹)	LTP contribution in %age to total market negative LTP (₹2.80)
Devang Mukundray Patel (Noticee no. 1)	18/11/2013	2	1948	2	-5.2	5.60
	21/11/2013	10	797	10	-1.8	1.94
	27/11/2013	10	600	10	-1.7	1.83
	05/12/2013	10	400	10	-1.5	1.62
	10/12/2013	10	438	10	-1.4	1.51
	12/12/2013	10	300	10	-1.35	1.45
	13/12/2013	20	850	20	-1.3	1.40
Total of Noticee no. 1				72	-14.25	15.36
Sonal Devang Patel (Noticee no. 2)	28/11/2013	25	600	25	-1.65	1.78
	02/12/2013	25	100	25	-1.6	1.72
	09/12/2013	25	4000	25	-1.45	1.56
Total of Noticee no. 2				75	-4.7	5.06
Combined Total of Noticee no. 1 and 2				147	18.95	20.42

13. I note from the table no. 2 above that Noticee no. 1 had executed 7 buy trades in the scrip of Cupid for a total number of 72 shares which have allegedly resulted in contribution of negative LTP. I also note that by executing 7 such buy trades, Noticee no. 1 has contributed to negative LTP of ₹14.25 which was 15.36% of total market negative LTP during the relevant Investigation period in the scrip of Cupid.

14. Similarly, it can be seen from table no. 2 above that in the scrip of Cupid, Noticee no. 2 (an entity connected to Noticee no. 1), has executed 3 trades for 25 shares each, which have resulted into contribution of negative LTP in the price of the scrip of Cupid. Further, these 3 trades have cumulatively resulted into negative LTP of ₹4.70 which is 5.06% of total market negative LTP during the relevant Investigation period in the scrip of Cupid.

15. From a combined reading of trade details mentioned at table no.1 and table no. 2, I observe that though Noticee no. 1 and 2 have cumulatively executed 22 trades in the scrip of Cupid during the relevant Investigation Period and have cumulatively contributed to negative LTP of ₹18.95 (20.42% of market negative LTP) by executing 10 trades for 147 shares while the remaining 12 trades were executed by them at LTP (LTP Difference=0). I further observe from the records that all the aforementioned 10 trades which have resulted into contribution of negative LTP, were the first trades of the day in the scrip of Cupid and were matched with offer price of the existing sell orders in the system, whereas none of the remaining 12 trades executed by Noticee no. 1 and 2 was first trade of the day.

16. It is pertinent to note that through the afore-noted 10 trades Noticee no. 1 & 2 have dealt in only 147 shares, which constitutes only 0.3% of total number of shares (48519 shares) traded in the scrip of Cupid during the relevant Investigation Period, however with these small number of shares traded by them, their total contribution to negative LTP was 20.42% of the total negative LTP in the scrip during the relevant Investigation Period. It is evident from the aforestated trading pattern that the intention of the Noticee no. 1 and 2 was only to pull the price of the scrip lower and not to enter into any actual buy transactions as a genuine investor of the securities market. I also note that neither of these two Noticees has been able to provide any rationale / justification to explain as to what or which event/information induced them so much so to buy the shares of Cupid. It is also seen that the Noticees have taken turns while executing trades and have executed one transaction at a time on different trading days which resulted in steady fall in the price of the share of the

Company. The two Noticees have not placed any order or executed any trades together on the same day and rather have acted apparently under a preconceived scheme on the basis of which they have placed order turn by turn on different days. It is also observed from the trading details that though the price of the scrip was falling, the Noticees have not placed any buy order first, to exhibit their intent to buy the scrip as a genuine investor. There is nothing on record to show that they have also placed any other buy orders in the course of the day. They have rather entered into the market with their buy orders of miniscule quantity only to match the price of an already existing sell order which was pending in the system for execution for wait of a matching buy order. In the absence of any plausible explanation justifying their action of buying the stock in such miniscule quantities and executing only one trade in a day coupled with other attendant materials relating to the poor fundamental of the Companies, the trades executed by Noticee no 1 & 2 cannot be held to be trades executed fairly as genuine investors of securities market in the normal course of trading in securities.

17. Similarly, from table no. 1, I note that Noticee no. 3 has contributed to negative LTP of ₹20.60 (22.20% of market negative LTP) through 4 trades. The details of the trades executed by Noticee no. 3 in the scrip of Cupid during the relevant Investigation Period are tabulated below:

Table-3: Details of trades executed by Noticees No. 3

Name of Noticee	Trade Date	Buy order quantity	Sell order quantity	Trade quantity	LTP contribution (In ₹)	LTP contribution in %age to total market negative LTP (₹ 92.80)
Manishaben Maheshkumar Patel (Noticee no. 3)	07/11/2013	1	989	1	-7.05	7.60
	11/11/2013	1	989	1	-6.35	6.84
	14/11/2013	1	1000	1	-5.45	5.87
	25/11/2013	1	1903	1	-1.75	1.89
	Total	4	4881	4	-20.6	22.20

18. It can be noted from the trade details of Noticee no. 3 from table no. 3 above, that by executing only 4 trades (all at price below LTP) the Noticee has contributed to negative LTP in the scrip of Cupid. I can further observe from table no. 3 above

that when the buy orders for only 1 share at a time were placed by the Noticee no. 3, respective sell order quantities available in the stock exchange system were in the range of 989-1903 shares. It is seen that, when the Noticee executed its 4 trades of 1 share each, there were 4881 shares available for sell from the respective sellers. The Noticee no. 3 has offered no explanation or justification behind her action of purchasing 1 share in each of her 4 trades. Even if it is considered that the Noticee was interested in purchasing the share of Cupid, no rationale has been advanced to justify such a trading pattern of purchasing only 1 share every time, despite the fact that large quantities of shares of Cupid were available in the market, for purchase. However, for reasons best known to the Noticee, she was placing buy orders only for 1 share at a time just to match the sell price of the sell orders which were pre-existing in the system and waiting for a matching buy order for execution of a trade at that price.

19. It is pertinent to note that by executing trades for only 4 shares, which is only 0.008% of total number of shares (48519 shares) traded in the scrip of Cupid during the relevant Investigation Period, Noticee no. 3 has contributed to 22.42% of negative LTP in the scrip. I further observe from the records that all the aforesaid 4 trades executed by Noticee no. 3, were the first trades of the day in the scrip meaning thereby, the first trades in the scrip were executed on those 4 trading days only after the Noticee placed her buy order for 1 share each, to match the existing sell price offered by the seller. It is evident from the trading pattern of Noticee no. 3 that by placing buy orders to match the sell orders pending at prices below the LTP of the scrip, she has contributed significantly to the market negative LTP of ₹20.60 which constituted 22.20% of total market negative LTP in the said scrip. The above discussed trading pattern signifies that the intention of Noticee no. 3 was not genuine and that she had no *bonafide* intention to buy the shares of Cupid. I also observe from the record that the alleged 4 trades were the only trades executed by the Noticee no. 3 during the relevant investigation period. The trades of this Noticee also do not coincide with the trades executed by the Noticee no. 1 & 2 i.e. her trading days were

different from the trading days of the Noticee no. 1 & 2 and it is a strange coincidence that none of the three Noticees i.e. Noticee nos. 1 to 3 placed buy orders and traded on the same day. Buying stock of the company at a price lower than the preceding day price would not *ipso facto* make an entity liable for wrong doing since a prudent buyer would always prefer to buy at lower price, however, the very unusual way of placing buy orders and placing those buy orders in such a fashion only to match with the pending sell orders render the acts or trades executed by the Noticee as unfair trades having an element of manipulation of price of the scrip of Cupid.

20. As the Noticee no. 3 had placed matching buy orders for 1 share for four days and with each of her trades caused further fall in the price of the scrip of Cupid without any *bonafide* intent, it is difficult to accept that the Noticee was interested to buy the scrip of Cupid but at the same time did not wish to buy more than 1 share at a time since such a purchase behavior, without any concrete reason being offered to substantiate it, cannot be called a normal prudent trading behavior in the securities market. It is also important to note that Noticee's trades were the first trades of the respective trading days and during the rest of those days, no further orders were placed by the Noticee. When the price of the stock was steadily falling, the Noticee did not even wait to watch the movement of the price, so as to analyze the movement during the day before placing her orders. It rather become clear that had the Noticee no. 3 not placed her buy order for 1 share each so as to match with the existing sell orders, there would not have been any trade executed on those days and price of the scrip would not have fallen due to such trades. The Noticee no. 3 by executing the buy order for one share each on four occasions has ostensibly exhibited her intent of not being genuinely interested in buying the stock and instead, in the process of buying 1 share in each of her trades has cause in grievously distorting the established norms of market mechanism and in creating misleading appearance of trading in the said scrip while in the reality there was no genuine trades taking place in the scrip.

21. With regard to the trades executed by the Noticee no. 4, I note that the SCN has alleged that he has also contributed negative LTP of ₹7.15 (7.70% of total negative

LTP) in the scrip of Cupid by placing orders in miniscule quantities. It is noted from the trade details in table no. 1 that the Noticee no. 4 (Rajesh Kumar) has executed in total, 8 buy trades of one share each in the scrip of Cupid during the relevant Investigation Period and out of these 8 trades, the Noticee had contributed to negative LTP through 6 trades. Trade details of such 6 trades executed by Noticee no. 4 are tabulated below:

Table-4: Details of trades executed by Noticees No. 4

Name of Noticee	Trade Date	Buy order quantity	Sell order quantity	Trade quantity	LTP contribution (in ₹)	LTP contribution in %age to total market negative LTP (₹92.80)
Rajesh Kumar (Noticee no. 4)	16/12/2013	1	100	1	-1.3	1.40
	17/12/2013	1	3630	1	-1.25	1.35
	19/12/2013	1	1833	1	-1.2	1.29
	23/12/2013	1	1825	1	-1.15	1.24
	24/12/2013	1	1823	1	-1.15	1.24
	26/12/2013	1	2901	1	-1.1	1.19
	Total	6	16993	6	-7.15	7.70

22. I note from the table no. 4 above that the Noticee no. 4 has placed orders for only 1 share on various occasions although the corresponding sell orders with which his buy orders got matched for execution, were available in the range of 100-3630 shares. During the period when, the Noticee no. 4 executed his 6 trades of 1 share each which resulted in the negative LTP contribution in the scrip of Cupid, there were in total 16993 quantities of shares available for sell by the respective sellers out of which the Noticee picked up only 6 shares to buy through 6 trades executed by him. I further note that no reason has been advanced by the Noticee no. 4 in his reply justifying the placing of purchase orders of 1 share every time, despite the fact that large amount sell quantities were available in the market.

23. The Noticee no. 4 has taken a plea that the quantities bought by him were very few and therefore it is very difficult for one to manipulate the price of the scrip by trading in such small quantities. The submissions of the Noticee may appear to be convincing on the face of it, however, when one looks at the pattern and methodology

adopted by him to trade in the scrip, it becomes clear that the such an explanation cannot conceal the unfairness in the trades executed by the Noticee. I note that though the contribution to negative LTP in the scrip of Cupid by each of the trades executed by him is small, the cumulative impact of such small contributions has resulted in contribution of 7.70% of the total market negative LTP in the scrip of Cupid. This is further evident from the fact that though the Noticee had traded in 6 shares, which is only 0.01% of total number of shares (48519 shares) traded in the scrip of Cupid during the relevant Investigation Period, the contribution to fall in price in the scrip by executing trades for only 6 shares was ₹7.15 which is 7.70% of total negative LTP in the scrip of Cupid.

24. I observe from the records that all the aforementioned 6 trades of the Noticee no. 4 which have caused contribution to negative LTP, were the first trades of the day in the scrip and after executing those trades for 1 share each, the Noticee has not placed any other buy order during rest of those trading days. The afore-stated trading pattern strongly suggest that the intention behind executing those 6 trades was to bring the price of the scrip down and not to enter into any actual buy transactions as a genuine investor of the securities market.

25. Moving on to the Noticee no. 5 (Mr. Kishor Sharma), it is noticed that the Noticee no. 5 had filed an application for settlement of the alleged violations under the extant consent mechanism of SEBI, however the said consent application culminated in rejection. The issues have not yielded in consent settlement. Noticee has been heard in the personal hearing, which was attended by the Authorized representative of the Noticee. From the records, I see that the SCN has alleged that like the other four Noticees, he has also contributed to negative LTP of ₹16.75 (18.05% of negative LTP) by executing 3 buy trades of 1 share each. Details of the trades executed by Noticee no. 5 are tabulated below: -

Table-5: Details of trades executed by Noticees No. 5

Name of the Noticee	Trade Date	Buy order quantity	Sell order quantity	Trade quantity	LTP contribution (in ₹)	LTP contribution in %age to total market
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						negative LTP (₹ 92.80)
Kishor Sharma (Noticee no. 5)	12/11/2013	1	1987	1	-6.05	6.52
	13/11/2013	1	1000	1	-5.75	6.20
	19/11/2013	1	1000	1	-4.95	5.33
	Total	3	3987	3	-16.75	18.05

26. I observe from the table no. 5 above that all the 3 buy orders which have resulted in negative LTP contribution were placed for 1 share each only, although the corresponding sell order quantity available in the system for execution was in the range of 1000-1987 shares. I see no reason on the record to ascertain as to why the Noticee was interested in buying only one quantity of share of Cupid and he bought only 3 shares by executing 3 trades, while there were almost 4000 quantities of shares being offered by the respective sellers in the scrip of Cupid. As noticed in the case of other Noticees, in this case too, all the 3 trades were executed on 3 different trading days during the relevant Investigation period and each such trade has resulted in a lower LTP. Since in each of his trades, the Noticee has merely matched his buy order price with the pre-existing sell order price so as to execute somehow a trade, that would pull down the price of the scrip of Cupid. I note that no plausible reason / explanation has been advanced by the Noticee for exhibiting such abnormal trading behavior, vis-à-vis the scrip of Cupid.

27. On an analysis of data available in table no. 1 and 5 of this order, I find that by executing trades in only 3 shares, which is only 0.006% of the total number of shares (48519 shares) traded in the scrip of Cupid during the relevant Investigation Period, Noticee no. 5 has contributed to 18.05% of negative LTP in the scrip. Further, all the afore-stated 3 trades executed by Noticee no. 5 were the first trades of the day in the scrip and after executing these trades the Noticee did not evince any interest in the said scrip during rest of those trading days. It is evident from the trading pattern of Noticee no. 5 that by placing buy orders at prices below LTP for the scrip, he deliberately matched his buy orders with the sell orders and in this process, he has contributed significantly to the market negative LTP of ₹16.75 which constituted 18.05% of total market negative LTP in the said scrip. Such an abnormal trading

pattern signifies that the intention of Noticee no. 05 was not genuine and that he had no bonafide motive to buy the shares of Cupid and has placed his buy orders only to help the existing sell orders get executed at a price lower than the LTP and but for his 1 share buy orders, the sell orders would not have been executed on those days, and would not have caused any negative impact on the LTP of the scrip.

28. As already pointed out earlier, in spite of sufficient sell orders with abundant quantity being available in the market, the Noticee placed buy orders for only 1 share in each transaction and executed not more than one transaction a day and by executing these trades, he was instrumental in establishing a price lower than the last traded price and thus contributed to decrease in scrip price with each of his trades.

29. From the foregoing discussions and analysis of trading pattern displayed by each of the five Noticees, I find that through their abnormal trading behavior, all the 5 Noticees have indulged in executing very unusual patterns of trades to deliberately manipulate the price of the scrip. Their trading pattern of buying very few shares (mostly 1 share at a time) in one trade on a number of occasions and their decision each time to place buy orders in a manner that they get matched with existing sell orders available for prices lower than the LTP, further manifests their intention that they were not interested in buying the stock like a genuine buyer or prudent trader in the securities market and instead, their trading behavior clearly unravels their malicious intention to trade only to distort the market equilibrium with respect to the scrip of Cupid.

30. From the details of the trades executed by the 5 Noticees, it is observed that all the 5 Noticees have adopted almost identical strategy in trading in the scrip of Cupid. Even if the investigation has failed to bring enough material evidence to establish *inter se* nexus/connectedness amongst all the five Noticees, except for highlighting connections between Noticee no. 1 & 2, the trading pattern of the Noticees in the scrip of Cupid strongly suggest otherwise. It is a strange co-incidence that all the 5 Noticees have taken turns on different trading days while placing their buy orders in the scrip and on no single trading day, more than one Noticee come to the market with buy

order. Such an exceptional coincidence of trading in the scrip of Cupid in an identical but unique and unusual way of placing miniscule buy order of 1 share at a time on continuous basis over the period and at the same time placing buy orders by each of the 5 Noticees on different trading days, leave no doubt in my mind that the manner of trading done by these five Noticees was not fair and was designed only to create a misleading appearance of trade in the scrip and at the same time to trigger a fall in the price of the scrip over a long period of time. Such an abnormal trade practice as exemplified by the trading pattern of these five Noticees fall within the realm of violation of PFUTP Regulations, 2003. It is noteworthy that trades of all the 5 Noticees which have resulted into contribution of negative LTP in the scrip of Cupid were not only executed on different trading days but also were the first trades of the day in the scrip. A date-wise analysis of all such trades which contributed to negative LTP in the scrip and were the first trades of the respective trading days, is presented below:

Table-6: Trading dates of trades executed by all the five Noticees

Name of the Noticee	Date of trades of the Noticee which contributed to negative LTP
Devang Mukundray Patel (Noticee no. 1)	18/11/2013
	21/11/2013
	27/11/2013
	05/12/2013
	10/12/2013
	12/12/2013
	13/12/2013
Sonal Devang Patel (Noticee no. 2)	28/11/2013
	02/12/2013
	09/12/2013
Manishaben Maheshkumar Patel (Noticee no. 3)	07/11/2013
	11/11/2013
	14/11/2013
	25/11/2013
Rajesh Kumar (Noticee no. 4)	16/12/2013
	17/12/2013
	19/12/2013
	23/12/2013
	24/12/2013
	26/12/2013
Kishor Sharma (Noticee no. 5)	12/11/2013
	13/11/2013
	19/11/2013

31. One can see from the table no. 6 above that none of the Noticees contributed to negative LTP on same day and all the first trades were executed on different days, by different Noticees. The table above portrays a clear-cut picture of the identical pattern of trading adopted by the five Noticees on different days by taking turns, which further proves that there has been a unity of *malafide* intention of the Noticees to bring the price of the scrip of Cupid lower and lower through every single trade that each of them has executed in the months of November and December 2013. The Noticees no. 1 to 5, have contributed to price fall in a fraudulent manner by establishing the first trade of the day at a lower price by deliberately placing buy orders for one share only at a time only to match the below LTP sell price that was pending for execution in the system. General public and normal prudent investors could have been easily carried away by such unusual change in the volumes and prices in the scrip of Cupid and were bound to get induced into investing in the said scrip looking at the fall in its price without realizing that the price fall was been artificially introduced by manipulative trades executed by the Noticees. This kind of trading behavior seriously affects the normal price discovery mechanism in the securities market. People who indulge in manipulative, fraudulent and deceptive transactions, or abet in carrying out such transactions which are fraudulent and deceptive in nature, should be strongly dealt with for having committed such acts of omissions amounting to disruption of market equilibrium and market integrity.

32. It is also pertinent to mention here that the sell orders already available and pending in the stock exchange system, would not have been able to make any manipulative impact on the price of the scrip on their own, if the Noticees had not placed those buy orders in the miniscule quantities matching the sell prices offered in the pending sell orders. In fact, in the absence of the buy orders of small quantities placed by the 5 Noticees, no transaction would have fructified on those trading days and no negative LTP would have been formed. The manipulative intent of the Noticees gets further exposed from the fact that instead of buying larger quantities of shares when large quantities of sell orders were already available in the trading

system, the Noticees were buying small/miniscule number of shares (mostly 1 share at a time) which shows that they had no real enthusiasm to buy the scrip of Cupid or to invest in the said Company. The sequencing of buy & sell orders and the trading pattern adopted in these trades prima facie demonstrates that the Noticees have placed their buy orders not on business prudence but with a fraudulent intent of pulling down the price of the scrip.

33. Keeping in view the afore-stated non-genuine trading pattern exhibited by the all Noticees and the discussions in the foregoing paragraphs, it may be relevant here to note that Hon'ble SAT, in the matter of *Ketan Parekh v. SEBI* (Appeal No. 2 of 2004 decided on 14.07.2006) had an occasion to deal with the propriety of non-genuine trades and have made the following observations:

".....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.

34. Hon'ble Supreme Court of India in the case of *SEBI v. Rakhi Trading Pvt. Ltd.*, (2018) 13 SCC 753 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. The Hon'ble apex 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."

35. I would also like to rely on the observations of the Hon'ble SAT in the matter of *Giriraj Kumar Gupta HUF Vs. SEBI* (DoD: February 25, 2020), had, inter alia, observed that *"Having heard the learned counsel for the parties, we are of the considered view that the impugned transactions, in the facts and circumstances of the matter, would fall in the realm of violations of PFUTP Regulations. Individual argument that each entity's trade is miniscule and only on a few days alone etc. is not sufficient to rebut the findings in the impugned order."*

36. In the light of the aforesaid observations of the Hon'ble SAT and Hon'ble Supreme Court of India, and after considering the abnormal, unusual and blatantly unfair trading pattern exhibited by all the 5 Noticees whereby, they have been found to have contributed both individually and collectively, to price fall in the scrip by repeatedly placing buy orders only to match the pending sell orders at a price lower than LTP thereby executing the first trades of the day so as to create a fresh LTP at lower price compared to the previous LTP. Under the circumstances, I conclude that the Noticee no. 1 to 5 were not acting as genuine buyers and had no bona fide intention to buy the shares of Cupid and instead, the orders placed by them are laden with all the ingredients to be held as unfair, misleading and thereby fraudulent. I therefore hold that the trading behavior of Noticee no. 1 to 5 vis-à-vis the scrip of Cupid has been glaringly ill motivated, fraudulent and was intended towards manipulating the price of the shares of Cupid and therefore is in violation of Regulations 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a), (e) of SEBI (PFUTP) Regulations, 2003, as alleged in the SCN.

Directions:

37. In view of the above, having found that the charges levelled against Noticees in the SCN stand established, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4) and 11B(1) read with Section 19 of the Securities and Exchange Board of India Act, 1992, hereby hold that in the interest of Securities Market, it would be proper that such entities should be restrained from being associated with the

Securities Market and accordingly, I restrain all the Noticees from accessing the securities market 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, for a period of 1 year from the date of this order. During the period of restraint, the existing holding of securities including the holding of units of mutual funds of the Noticees shall remain frozen.

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

39. 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.

Date: March 18, 2020
Place: Mumbai

-Sd-
S. K. MOHANTY
WHOLE TIME MEMBER