

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: S K MOHANTY, WHOLE TIME MEMBER
ORDER

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

In respect of:

S. No.	Name of the Noticee	PAN
1.	Mr. Manish Manubhai Raja	ADDPR2448D
2.	Pari Stock Trading Private Limited	AACCP5452E
3.	Mr. Pavan Anilbhai Gandhi	AIZPG9121H
4.	Ms. Pritiben Anil Gandhi	ACIPG8956D
5.	Mr. Dharmesh Narendrakumar Solanki	BJHPS1840P
6.	Mr. Girishkumar Prabhudas Ruparel	AIPPR8860G
7.	Mr. Amrutlal Jivandas Gandhi	AGGPG3301E
8.	Ms. Dipti Darshanbhai Parmar	AUHPP1427H

In the matter of Atlanta Infrastructure and Finance Limited

(The aforesaid entities are hereinafter individually referred to by their respective names/Noticee nos. and collectively as "Noticees", unless the context specifies otherwise)

BACKGROUND

1. Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") conducted an investigation into the trading activities in the scrip of Atlanta Infrastructure and Finance

Limited (hereinafter referred to as "**AIFL / Company**"), for the period from August 2, 2010 to January 6, 2015 (hereinafter referred to as "**Investigation Period**"). The Investigation Period was divided into several patches based on the price movement witnessed in the scrip of the *Company*, however, for the purpose of the instant proceedings, the relevant patches during which the allegations of violations were noticed were Patch-2 and Patch- 6 of the Investigation Period. It was observed that the shares of the *Company* witnessed a price fall from ₹48.00 to ₹16.60 during the period from February 26, 2013 to July 9, 2013 (hereinafter referred to as "**Patch-2**") and price rise from ₹4.30 to ₹14.57 during the period from September 3, 2014 to December 22, 2014 (hereinafter referred to as "**Patch-6**").

2. The investigation conducted by SEBI initially identified a group of 29 connected entities (hereinafter referred to as "**Group entities**"), who had traded in AIFL scrip and their *inter se* connection was noticed on the basis of their UCC details, off market transactions, physical share transfers, financial transactions and MCA data etc. It was further observed that out of the said 29 entities, the alleged manipulative trades in AIFL scrip were executed by 8 entities viz:- Mr. Manish Manubhai Raja, M/s. Pari Stock Trading Private Limited, Mr. Pavan Anilbhai Gandhi, Ms. Pritiben Anil Gandhi, Mr. Dharmesh Narendrakumar Solanki, Mr. Girishkumar Prabhudas Ruparel, Mr. Amrutlal Jivandas Gandhi and Ms. Dipti Darshanbhai Parmar (**Noticees no. 1 to 8**), which did not appear to be genuine trades executed in normal course of dealing in securities and therefore, those 8 entities were alleged to have engaged in manipulating the price of the scrip of AIFL and thereby creating a misleading appearance of trading in the shares of the *Company*, through their trading in the scrip during Patch-2 and Patch-6 of the Investigation Period.

SHOW CAUSE NOTICE, HEARING AND REPLIES

3. Based on the aforesaid findings during the Investigation, a common Show Cause Notice dated February 14, 2018 (hereinafter referred to as "**SCN**") was issued to *Noticees* asking them to show cause as to why necessary directions under Sections 11(1), 11(4) and 11(B) of the SEBI Act, 1992 (hereinafter referred to as "**SEBI Act, 1992**") shall not be issued

against them for violation of provisions of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations, 2003**”). I note that the SCN sent through Speed Post was duly delivered on all of the *Notices* except *Notices no. 4, 6 and 7* as the SCN’s were returned with reason undelivered. Subsequently, service delivery of SCN was attempted through Affixture on the last known address of *Notices no. 4, 6 and 7*. The details of the service of SCN through affixture is tabulated below:

<i>Noticee no.</i>	Affixture Date	Affixture Address
4	26/10/2018	C-702, Sadguru Vatika, Airport, Road, Rajkot, Gujarat-360001
6	25/10/2018	A/6, Nasib Apartment, Behind Police Quarters, Heera Baug, Ambavadi, Ahmedabad, Gujarat-380006
7	29/10/2018	Anil-10 Station Plot, Gondal, Gujarat, 360311

4. From the records, I note that *Noticee no. 8* has submitted a written reply dated April 27, 2018 in response to the SCN raising therein the following points:

- a) That she is not part of the alleged 29 connected Group entities and she is also not connected to *Noticee no. 3* (Mr. Pavan Gandhi) as has been alleged in the SCN and has enclosed copy of her KYC document to substantiate that she has not mentioned/ disclosed the address “10 Station Plot Gondal Dist Rajkot” as her address in the KYC documents executed by her.
- b) That she has not engaged in manipulation of the price of the scrip of AIFL. Considering the fact that only one trade executed by her resulting in contribution of ₹1.10 of negative LTP in the shares of the *Company* has been attributed to her, for which she has been wrongly charged with violation of provisions of *PFUTP Regulations, 2003* in the SCN.

5. All the *Notices* were provided with an opportunity of personal hearing on May 7, 2019. The husband of *Noticee no. 8* attended the hearing on May 7, 2019 on her behalf and stated that he had executed the trades on behalf of his wife (*Noticee no. 8*) in the scrip of AIFL and that such trades were executed based on the tips received by him through 'sms' and that the trades were not done with any intention of manipulating the market. He also denied any connection of *Noticee no. 8* with other *Notices*, particularly with *Noticee no. 3*, as alleged in the SCN.

6. I note from the records that a letter dated May 2, 2019 has been addressed by the daughter of *Noticee no. 4*, informing that *Noticee no. 4* has expired on May 16, 2018 in support of which, she has enclosed a death certificate. *Noticee no. 1* vide letter dated May 6, 2019 had requested for another date of hearing. The Authorized Representative of *Noticee no. 5* vide letter dated April 24, 2019 has submitted that *Noticee no. 5* did not receive the SCN, hence has requested for a copy of SCN along with necessary annexures with a further request for adjournment of the hearing. Accordingly, a copy of SCN with Annexures were dispatched to the *Noticee no. 5* on June 10, 2019. However, no reply from him has been received till date. I also note that *Noticee no. 2* has submitted written replies, vide letters dated July 1, 2019 and July 15, 2019. Also, *Notices no. 3* and *7* have submitted their written replies, vide letters dated June 24, 2019 and July 9, 2019 respectively, inter-alia, requesting for another opportunity of personal hearing.

7. Keeping in view the aforesaid requests from the *Notices*, in the interest of natural justice, another opportunity of personal hearing was provided to all the remaining *Notices no. (1 to 7)* on August 7, 2019. I note that the hearing notices were duly served upon all the *Notices*. For instance, hearing notice was served upon *Noticee no. 1* through emails dated July 15, 2019 and August 06, 2019 on email id (manishmorbi@yahoo.com) provided by the *Noticee no. 1*. Similarly, for *Noticee no. 6*, as the SCN returned undelivered through Speed Post, the hearing notice was served through paper publication and same was published in Newspaper Sandesh- Ahmedabad Edition dated July 31, 2019. On the said hearing date, a

common Authorized Representatives for *Notices no. 2, 3 and 7* attended the personal hearing on their behalf and after making his oral presentations, requested some more time to give written response to some of the queries raised before me during the hearing. The Authorized Representative has submitted that *Notices no. 3 and 7* are not related to *Notice no. 2* and that they are also not related to the promoters of the *Company* (AIFL). Subsequently, *Notices no. 3 and 7* vide letters dated August 8, 2019 and August 28, 2019 respectively, have enclosed their trading details for the years 2009-2016 to substantiate their pleadings that they were regular traders in the market. I find that *Notice no. 1, 5 and 6* have neither filed any replies to the SCN nor have responded to the notice of Personal hearing despite repeated opportunities having been offered to them. After perusing the written and oral submissions of *Notices no. 2, 3 and 7*, I find that they have made several common contentions and pleadings, which need to be highlighted as under:

- a) That Adjudication Proceedings have also been initiated against them for the same set of violation as alleged in the present proceedings.
- b) That delay in issuing SCN in 2018 has caused prejudice to them as they do not recollect the reasons for investment and sale of shares thereof. The SCN is erroneous and does not explain as to how conducting the present proceedings will help in protection of the interest of investors and the integrity of the Securities Market.
- c) That power to issue directions under Section 11B of the *SEBI Act, 1992* is not available for retrospective application and even the nature of proposed direction is not specified in the SCN. The SCN must set out the circumstances requiring such drastic use of power belatedly as no prima facie case has been made to warrant issue of such directions of serious consequences.
- d) That *Notice no. 2* (Pari Stock Trading Pvt. Ltd.) has been amalgamated with Kharisara Palace Pvt. Ltd. They had acquired 1,40,000 shares of the *Company* in the year 2009 and were further allotted 5,00,000 shares by way of preferential allotment in 2010 and remained invested in AIFL for about 3 years and sold the shares in 2013. *Notice no. 2* has

denied being part of any group as alleged in the SCN and also has denied having any connection with the counterparty seller (*Noticee no. 5*). It has been submitted that the SCN has attributed a miniscule contribution of negative LTP of ₹0.40 through its 6 trades, out of the total market negative LTP observed in the scrip.

- e) That the *Noticee no. 3* was allotted 3,50,000 shares of the *Company* in preferential allotment in 2010 and after remaining invested for more than 2 years, he sold these shares in 2013. He further bought shares of the *Company* AIFL in 2014 and is still holding 2,18,975 shares of the *Company*. His trading's contribution to total market negative LTP of the scrip was a miniscule 0.47%.
- f) *Noticee no. 3* has denied having any connection with *Noticee no. 8* (as alleged in the SCN) as the address '10 Station Plot' is a big area of commercial and residential units and their family house at 'Anil, 10 Station Plot, Gujarat' is 50 years old hence, connecting him with *Noticee no. 8* based on the address '10 Station Plot' is erroneous.
- g) That *Noticee no. 7* bought shares of the *Company* during 2010-2013, took deliveries, remained invested and sold shares in 2014 on 100% delivery basis. He is still holding 7,52,500 shares of the *Company*. He has been trading for several decades and is still holding shares of different companies. The contribution to total market negative LTP of the scrip by his trading in the scrip was a miniscule 1.03%. *Noticee no. 7* has denied having any connection with the counterparty buyer to his trades (*Noticee no. 1*) and has submitted that he does not know *Noticee no. 5* as the mobile number shown to be the basis for connection between them does not actually belong to him. Further on the whole, he has suffered losses in the investments made by him in the scrip of the *Company*.
- h) That they were not part of any Group as alleged in the SCN. However, *Noticee no. 3* has acknowledged that he is the grandson of *Noticee no. 7* and *Noticee no. 4* was his mother, yet stressed that their trading was independent of such connection and his trades ought to be analyzed in isolation.

CONSIDERATION OF ISSUES AND FINDINGS:

8. Based on the afore-stated allegations in the SCN, I find the only issue that requires consideration in the matter is: Whether in the facts and circumstances of the case, the *Notices* have violated provisions of Regulations 3 (a), (b), (c), (d), 4 (1) and 4 (2) (a), (e) of *PFUTP Regulations, 2003*.

9. Before proceeding to examine the aforesaid question on merit, it would be proper to refer to the relevant provisions of the *PFUTP Regulations, 2003* which have been allegedly violated by the *Notices*, and the same are quoted below as under: -

PFUTP Regulations, 2003

3. Prohibition of certain dealings in securities

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) 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) 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;

.....

10. The investigation conducted by SEBI revealed that the first trade in the scrip of AIFL during Patch-2 was executed at ₹48.00 and last trade was executed at ₹16.60, thereby registering a fall of ₹31.40 in the scrip price. It was observed that a total no. of 62 trades executed in the scrip amongst *Notices no. 1 to 8* during Patch-2 had caused a negative variation of ₹25.35 to the last traded price (hereinafter referred to as “LTP”) which constituted 21.72% of total market negative LTP of ₹116.70/- observed in the scrip during Patch-2 of the Investigation Period. The details of such 62 trades are tabulated below:

Table-1

Buyer Name	Seller Name											
	Manish Manubhai Raja			Pari Stock Trading Private Limited			Pavan Anilbhai Gandhi			Total		
	No. of trades	LTP impact	% of total market negative LTP of ₹116.70	No. of trades	LTP impact	% of total market negative LTP of ₹116.70	No. of trades	LTP impact	% of total market negative LTP of ₹116.70	No. of trades	LTP impact	% of total market negative LTP of ₹116.70
Pritiben Anil Gandhi	47	-20.40	-17.48%	-	-	0.00%	-	-	0.00%	47	-20.40	17.48%
Dharmesh Narendrakumar Solanki	1	-0.35	-0.30%	6	-0.40	-0.34%	-	-	0.00%	7	-0.75	0.64%
Girishkumar Prabhudas Ruparel	3	-1.35	-1.16%	-	-	0.00%	-	-	0.00%	3	-1.35	1.16%
Manish Manubhai Raja	-	-	0.00%	-	-	0.00%	2	-0.55	-0.47%	2	-0.55	0.47%

Buyer Name	Seller Name											
	Manish Manubhai Raja			Pari Stock Trading Private Limited			Pavan Anilbhai Gandhi			Total		
	No. of trades	LTP impact	% of total market negative LTP of ₹116.70	No. of trades	LTP impact	% of total market negative LTP of ₹116.70	No. of trades	LTP impact	% of total market negative LTP of ₹116.70	No. of trades	LTP impact	% of total market negative LTP of ₹116.70
Amrutlal Jivandas Gandhi	2	-1.20	-1.03%	-	-	0.00%	-	-	0.00%	2	-1.20	1.03%
Dipti Darshanbhai Parmar	1	-1.10	-0.94%	-	-	0.00%	-	-	0.00%	1	-1.10	0.94%
Grand Total	54	-24.40	20.91%	6	-0.40	0.34%	2	-0.55	0.47%	62	-25.35	21.72%

11. On a perusal of the table-1 above, I note that these entities (*Notices no. 1 to 3*) had sold shares while the other five entities (*Notices no. 4 to 8*) have acted as buyer, whereas *Notice no. 1* (Mr. Manish Manubhai Raja) has executed trades both as a buyer as well as seller. SCN proceeds on the allegations that these *Notices* through the 62 trades, as noted above, have together contributed to a market negative LTP, which was 21.72% of the total market negative LTP seen during Patch-2 of the Investigation Period. Analysis of these 62 trades revealed that on most of the occasions, the buyer-*Notices* were placing buy orders at a price lower than the previously traded price while the seller-*Notices* were placing sell orders at the prevailing buy order price or lesser than the prevailing buy order price and as a result, the pending buy orders got matched and executed.

12. It is noted from table-1 above that out of the 62 trades referred to above, in 47 trades, shares were bought by *Notice no. 4* (Ms. Pritiben Anil Gandhi) during Patch-2 which contributed to a substantial 17.48% of total market negative LTP and the counter party seller for all of her 47 trades was none other than *Notice no. 1* (Mr. Manish Manubhai Raja). Thus while the trades executed by these 8 *Notices* cumulatively have accounted for 21.72 % of total market negative LTP of the scrip, the 47 trades executed between *Notice no. 1* and 4 together were the major contributors (17.48%) to total market negative LTP of the scrip

during Patch-2 of the Investigation Period and have accounted for 80% of the total alleged negative LTP in the SCN. Further, on a perusal of the trade log pertaining to the details of the aforesaid alleged manipulative trades executed by the *Notices no. 1* and *4*, it is observed that these two *Notices* have substantially contributed to the fall in the price in the scrip of the *Company* from the period of April 8, 2013 to June 14, 2013. For better understanding of their trades some of the trades executed by these two *Notices* are analyzed further in the table below:

Table-2

TRADE_DATE	CLIENT_NAME	CP_CLIENTNAME	TRADE_ID	TRADE_TIME	ORDER_LM_TIME	CP_ORDER_LM_TIME	TRADE_RATE	LTP_RATE	ORDER_LM_RATE	CP_ORDER_LM_RATE	ORDER_LM_QTY	CP_ORDER_LM_QTY
08/04/2013	PRITI ANILBH AI GANDHI	MANISH MANUBH AI RAJA	1001	11:40:32	11:28:44	11:40:32	23.65	-0.3	23.65	23.5	2280	5000
08/04/2013	PRITI ANILBH AI GANDHI	MANISH MANUBH AI RAJA	1002	11:40:32	11:26:38	11:40:32	23.6	-0.05	23.6	23.5	5000	5000
08/04/2013	PRITI ANILBH AI GANDHI	MANISH MANUBH AI RAJA	1007	11:41:22	11:26:38	11:41:22	23.6	-0.05	23.6	23.5	5000	500
10/04/2013	PRITI ANILBH AI GANDHI	MANISH MANUBH AI RAJA	1001	09:53:13	09:45:49	09:53:13	24	-0.15	24	23.7	500	500
10/04/2013	PRITI ANILBH AI GANDHI	MANISH MANUBH AI RAJA	1002	09:53:15	09:27:58	09:53:15	23.95	-0.05	23.95	23.7	100	100
11/04/2013	PRITI ANILBH AI GANDHI	MANISH MANUBH AI RAJA	1001	09:41:58	09:32:45	09:41:58	24.55	-0.05	24.55	24.55	500	200
15/04/2013	PRITI ANILBH AI GANDHI	MANISH MANUBH AI RAJA	1008	09:56:04	09:45:59	09:56:04	25.2	-0.8	25.2	25.2	50	50
15/04/2013	PRITI ANILBH AI GANDHI	MANISH MANUBH AI RAJA	1011	11:34:22	11:18:42	11:34:22	25.15	-0.8	25.15	25	10	25
15/04/2013	PRITI ANILBH AI GANDHI	MANISH MANUBH AI RAJA	1012	11:34:22	11:18:45	11:34:22	25.1	-0.05	25.1	25	25	25

17/04/2013	PRITI ANILBH AI GANDHI	MANISH MANUBH AI RAJA	100 1	09:31 :06	09:29:5 1	09:31:06	24.55	-0.2	24.55	24.55	200	100
18/04/2013	PRITI ANILBH AI GANDHI	MANISH MANUBH AI RAJA	100 1	09:19 :15	09:17:0 2	09:19:15	24.15	-0.4	24.15	24.1	100	150
18/04/2013	PRITI ANILBH AI GANDHI	MANISH MANUBH AI RAJA	100 2	09:19 :15	09:16:3 6	09:19:15	24.1	- 0.05	24.1	24.1	200	150

13. It can be seen from the table-2 above that *Noticee no. 1* and *Noticee no. 4* have consecutively executed their trades and have thereby contributed to negative LTP of the scrip of AIFL. There is no reasonable explanation available on record to suggest as to why these two *Noticees* have engaged in executing such manipulative trades. For example- on April 8, 2013, *Noticee no. 4* had placed a buy order in the scrip of AIFL at 11:28:44 for ₹23.65 and *Noticee no. 1* has matched the said buy order by placing a sell order at 11:40:32 for ₹23.5 and the resultant trade was executed at 11:40:32 for ₹23.65 contributing to a negative LTP of ₹0.3. Similarly, in another trade executed on April 15, 2013, a buy order was placed by *Noticee no. 4* at 09:45:59 for ₹25.2 which was followed by a sell order placed by *Noticee no. 1* at 09:56:04 for ₹25.2 resulting in execution of trade at 09:56:04 at ₹25.2. Further, on April 18, 2013, a buy order was placed by *Noticee no. 4* at 09:17:02 and *Noticee no. 1* matched the said buy order within a few minutes at 09:19:15 resulting in execution of the trade between them at 09:19:15 which contributed to a negative LTP of ₹0.4. These were not just few isolated or solitary instances of trades between them as these two *Noticees* have engaged in executing as many as 47 such trades posing as buyer and seller respectively. By trading in this manner, both of them have matched each of their orders within a gap of few minutes thereby contributing to the fall in the price of the scrip of the *Company*. I note that *Noticee no. 1* has not submitted any reply on merits in his defense while *Noticee no. 4* is now deceased. Considering the fact that the *Company* did not have very strong fundamentals or financial performance during the relevant period, there is no explanation available on record to justify the manner on which,

the aforesaid trades in the scrip of the *Company* were executed by *Notices no. 1 and 4* over a considerable period of time. The pattern of trading exhibited by the two *Notices* and the number of trades relentlessly executed by them for contributing to negative LTP cannot be accepted as genuine trades. The trading pattern followed by the *Notices no. 1 and 4* shows that they did not have any *bona-fide* intention to trade in the scrip as the series of such trades executed by them with each other, which triggered a steady fall in the price of the AIFL scrip can't be held as trades executed with any *bonafide* motive or as genuine trades executed by ordinary investors in due course of dealings in the Securities Market. Under the circumstances, from the trading pattern and frequency of matching of trades between the *Notices no. 1 and 4*, it is visible that their trades were executed with an intention to decrease the scrip price by deliberately placing orders at a lower price than the last traded price (LTP) and in the process also to create a misleading appearance of trading and volumes to entice other investors of securities market to trade in the scrip. I, therefore, hold that these two *Notices* i.e. *Notices nos. 1 and 4* had engaged in price manipulation of the scrip of the *Company* by acting in concert and have contributed substantially to the total market negative LTP of the scrip and thereby have also created a misleading appearance of trading in the scrip by executing 47 such manipulative trades between themselves, during Patch-2 of the Investigation Period.

14. Moving on to the other *Notices*, I have examined the trades executed by them viz: *Noticee no. 2, 3, 5, 6, 7 and 8* during the Patch-2 of the Investigation Period, as highlighted in table-1 above and find that their individual contribution to market negative LTP as alleged in the SCN ranges from 0.34% to 1.16%. It is also noted that the number of trades executed by the above noted *Notices* ranged from 1 to 7 trades per person while the trades executed commutatively by them together accounted for only 4.24% out of the 21.72% market negative LTP contributed by all the 8 *Notices* together. It shows that the negative LTP contribution by the trades executed by these six *Notices* individually, during Patch-2 were

very small and not substantial, when compared to the contribution made by *Notices no. 1* and *4* to the market negative LTP of the scrip as discussed in the preceding paragraph.

15. The *inter se* connections drawn between these *Notices* as presented in a tabular chart in the annexure-1 enclosed to the SCN have also been perused from which I note that *Notices no. 3* is the grandson of *Notice no. 7* and *Notice no. 3* is the son of *Notice no. 4*. While the *Notices no. 3* and *7* have acknowledged in their written replies their relationship with each other and their relationship with *Notice no. 4*, they have also stressed on the fact that being adult and regular traders in the securities market, trading done by all of them were independent of each other as the same were executed out of their own wisdom and decision. It has also been submitted that the SCN also does not proceed to make any allegations in the nature that their trades were motivated and influenced by the decision of other *Notices*.

16. They have further denied the charge of manipulation levelled against them in the SCN and have refuted any connection with the counterparty buyer/seller to their trades. They have contended that their miniscule trading or alleged small negative LTP contribution to the price of the AIFL scrip cannot be held as sufficient to cause any price manipulation in the scrip of the *Company*. These three *Notices* have also denied that the mobile number that has been taken to be the basis for holding connection between *Notices no. 3, 4, 5* and *7*, ever belonged to them. I note that *Notice no. 8* has denied any connection with *Notice no. 3* during the hearing. It has also been submitted by *Notice no. 3* that the so called common address held to be the point of connection between them, i.e. '10 Station Plot' is a huge plot of land comprising several units and hundreds of houses that are located on this piece of plot, hence, it would not be reasonable to allege any link amongst them, one based on the said common location which is too large an area to be used as a proof to establish any connection amongst them. I have also perused the KYC documents enclosed by *Notice no. 8* with her written reply to substantiate that the address "10 Station Plot Gondal Dist. Rajkot" has not been mentioned by her in her KYC documents.

17. I note that *Notices no. 1, 5 and 6* have not submitted any reply on merits in the present proceedings. On the whole, as far as *inter-se* connections amongst the *Notices* are concerned, I find that although some of the *Notices* have denied having any connection with other *Notices*, the *prima facie* evidence that is available in SCN, especially in the tabular presentation in annexure-1 to the SCN gives a reasonably fair picture about the possible *inter-se* connectedness existing amongst different *Notices*, by virtue of their common address, email ids, off-market transfer, common phone numbers etc. It has been vehemently argued that assuming without admitting the existence of *inter-se* connectedness amongst the *Notices*, the same cannot be held to be the sole factor to declare that the trades executed by all the *Notices* were manipulative and responsible for creating artificial volume & trade in the scrip, more particularly when the alleged individual contribution to the -LTP by many *Notices* were very minimal. It has further been submitted that the allegations deserve to be tested on a reasonably stronger evidence. It has been submitted that the allegations lack merit, more so when *Notice no. 7* was holding more than 7.00 lakh shares, whereas others *Notices* subscribed to the shares under the preferential allotment. Based on the above, the *Notice no. 2, 3, and 7* have contended that in the absence of any strong evidence of their nexus with counter parties to their trades to demonstrating that trades were executed after prior meeting of minds, mere incidence of matching of order with the same counter party on a few occasions would not be sufficient to establish the alleged trades as manipulative and fraudulent. The *Notices* have further argued that as the allegations pertain to price fall, it requires a closer examination of attending circumstances pertaining to the number, frequency and exact nature of the trades executed by the *Notices* and stronger proof, in order to attribute the motive to them and to hold such trades to be manipulative or artificial trades executed only for pulling down the price of the scrip.

18. As noted from the details of the trades executed by the *Notices*, which have been presented in the table no. 1 above, the *Notices no. 2, 3, 5, 6, 7, & 8* have executed very few trades and their respective individual contributions to price fall of the stock of AIFL was

miniscule. From the materials available on record, it is observed that *Noticee no. 3, 6, 7, & 8* have executed only 2, 3, 2 and 1 trades respectively whereas *Noticee no. 2 & 5* have executed 6 and 7 trades respectively during the Patch-2 of the Investigation Period. While *Noticee no. 2*, through its 6 trades is alleged to have caused a price fall of only ₹0.40, *Noticee no. 3* has been alleged to have brought down the price of the scrip by ₹0.55 only. Similarly, *Noticee no. 5, 6, 7, & 8* had executed trades in variation of only ₹0.75, ₹1.35, ₹1.20 and ₹1.10 respectively, resulting in a very negligible amount of negative LTP in the scrip. I note that initially 29 entities were identified to be as suspected entities, however, based on the outcome of the investigation, trades of only 8 *Noticees* were suspected to be not genuine trades executed in the scrip of AIFL and therefore, the instant proceedings were initiated against the aforementioned 8 *Noticees*.

19. As discussed above, the afore-stated *Noticees* have vehemently disputed and denied having any trading connection with each other and *Noticee no. 8* has also furnished her KYC document to support her dispute to the alleged connection with other *Noticees* as attributed to her in the SCN. Having considered the materials on record, the submissions made by the *Noticees* and the frequency and volume of trades executed by them that are alleged to have caused price fall in the scrip, I find that notwithstanding their *inter se* relation as alleged in the SCN, the trades executed by these *Noticees* are very few in number and very small in volume. Therefore, the contribution to negative LTP of the scrip resulting from their trades was too meagre and not material enough to be held as having created any artificial or misleading trade volume so as to have negative impact on the price of the scrip. Moreover, the fact that the *Noticees* are still holding substantial quantities of shares of the *Company*, in my view, the trades executed by the *Noticees no. 2, 3, 5, 6, 7 and 8* do not contain sufficient evidence to be held as manipulative or fraudulent so as to create a misleading appearance in trading in the scrip of the *Company* or to mislead the market during Patch-2 of the Investigation Period. Therefore, I find that the above 6 *Noticees* deserve a benefit of doubt from the allegations made in the SCN, since, based on the material available and their

contribution to the negative LTP of the scrip, it would be difficult to sustain the charges against them made in the SCN. I note that *Notices no. 2, 3, and 7* have also raised some objection to the instant proceedings on technical grounds, such as delay in initiating the proceedings and the SCN not indicating the kind of direction proposed to be issued against them. In my considered view, these objections are frivolous and don't cause any prejudice to the interest of *Notices*.

20. I note that Patch-6 of the Investigation Period witnessed price rise in the shares of the *Company* from ₹4.30 to ₹14.57, thereby registering an increase of ₹10.27, in the market price of the scrip. It is alleged that *Noticee no. 6* (Mr. Girishkumar Prabhudas Ruparel) has contributed ₹30.83 positive market LTP (i.e. 26.31% of the total market positive LTP of ₹117.16/-) through his 304 buy trades and ₹16.66 to net positive LTP through 2026 buy trades. Details of the trades executed by *Noticee no. 6* in Patch-6 of the Investigation Period are tabulated below:

Table-3

LTP analysis in Patch-6														
Sr. no.	PAN	Buyer Name	All trades			LTP Diff. > 0			LTP Diff. < 0			LTP Diff. = 0		% of Positive LTP to Total Market Positive LTP
			LTP impact	QTY traded	No of trades	LTP impact	QTY traded	No of trades	LTP impact	QTY traded	No of trades	QTY traded	No of trades	
1	AIPPR 8860G	Girishkumar Prabhudas Ruparel	16.66	2308408	2026	30.83	545488	304	-14.17	261807	188	1501113	1534	26.31%

21. It is observed that out of 304 trades executed by *Noticee no. 6*, orders for 59 trades were first placed by buyer (*Noticee no. 6*) in the range of 50 to 25000 shares. The orders for remaining 245 trades (out of 304 trades) were placed first by sellers with whom the *Noticee* (as a buyer) matched his buy orders and those matched trades resultantly contributed to

23.83% of total market positive LTP of the scrip. The details of these 245 trades where orders were first placed by sellers are as under:

Table-4

Range of buy orders quantity	No of trades	Qty traded	Total buy orders quantity	Total Sell orders quantity	LTP impact	% of Positive LTP to Total Market Positive LTP (₹117.16)
Less than sell orders quantity	141	393907	479482	4416188	16.81	14.35%
More than sell orders quantity	88	67413	394977	79150	9.16	7.82%
Same as sell orders quantity	16	24841	27805	27805	1.95	1.66%
Grand Total	245	486161	902264	4523143	27.92	23.83%

22. It is observed from table-4 above that in 141 trades buy orders were placed for less quantities of shares than the pending sell order quantities. However, buy orders in 88 trades were placed for more quantities than the pending sell order quantities, while buy orders in 16 remaining trades were placed for quantities equal to the pending sell order quantities. Interestingly, it is also seen that the maximum contribution to the total market positive LTP (i.e. 14.35%) of the scrip was caused through the above noted 141 trades of *Noticee no. 6*, wherein, the buy orders placed was for far less quantities than the pending sell order quantities. The pending sell order quantities for these 141 trades were found to be approx. 9.21 times higher than the buy order quantities. Day-wise summary of these 141 trades are as under:

Table-5

Trade Date	Number of trades	Traded Quantity	Buy order quantity	Pending sell order quantity	LTP Impact (₹)	% of Positive LTP to Total Market Positive LTP (₹ 117.16)
03-Sep-14	1	100	100	1000	0.19	0.16%
10-Sep-14	2	200	210	10200	0.04	0.03%
11-Sep-14	1	1500	1500	1850	0.09	0.08%
12-Sep-14	2	900	900	20000	0.20	0.17%
15-Sep-14	1	5000	5000	10000	0.30	0.26%
16-Sep-14	4	5350	5350	40000	0.71	0.61%
19-Sep-14	4	6900	8000	53000	0.17	0.15%
22-Sep-14	2	200	200	11000	0.08	0.07%

Trade Date	Number of trades	Traded Quantity	Buy order quantity	Pending sell order quantity	LTP Impact (₹)	% of Positive LTP to Total Market Positive LTP (₹ 117.16)
23-Sep-14	3	200	250	1100	0.24	0.20%
26-Sep-14	4	9100	9100	18000	0.91	0.78%
29-Sep-14	1	1000	1000	4000	0.12	0.10%
30-Sep-14	3	3800	6500	36000	0.24	0.20%
07-Oct-14	1	2000	2000	5100	0.15	0.13%
08-Oct-14	2	1125	1225	6300	0.14	0.12%
09-Oct-14	4	300	350	5000	0.35	0.30%
13-Oct-14	8	4500	6500	24300	0.46	0.39%
14-Oct-14	2	1920	2010	4300	0.36	0.31%
16-Oct-14	7	3330	3430	25225	0.47	0.40%
17-Oct-14	1	25	25	250	0.30	0.26%
20-Oct-14	6	2910	3060	46100	0.55	0.47%
21-Oct-14	2	100	100	200	0.22	0.19%
07-Nov-14	1	100	100	1000	0.10	0.09%
10-Nov-14	1	2000	3100	4000	0.02	0.02%
11-Nov-14	3	402	402	700	1.04	0.89%
14-Nov-14	4	26800	50000	267000	0.35	0.30%
17-Nov-14	1	100	100	1000	0.20	0.17%
18-Nov-14	5	1850	1950	80000	0.28	0.24%
19-Nov-14	7	3800	6450	297700	0.64	0.55%
20-Nov-14	8	15350	24300	121200	0.56	0.48%
21-Nov-14	1	1900	1900	1950	0.21	0.18%
26-Nov-14	1	7900	7900	8000	0.55	0.47%
28-Nov-14	1	9900	9900	50000	0.02	0.02%
03-Dec-14	1	500	500	1000	0.14	0.12%
08-Dec-14	2	20100	20200	129900	0.21	0.18%
09-Dec-14	4	3700	4100	16000	0.29	0.25%
10-Dec-14	1	1400	1400	15000	0.04	0.03%
11-Dec-14	3	49450	49500	159900	1.56	1.33%
12-Dec-14	2	150	150	2337	0.33	0.28%
15-Dec-14	4	35255	35500	285000	1.07	0.91%
16-Dec-14	2	20000	20000	33500	0.72	0.61%
17-Dec-14	4	19500	19600	1210000	0.49	0.42%
18-Dec-14	7	31824	33024	276890	0.69	0.59%
19-Dec-14	8	47590	75400	902686	0.50	0.43%
22-Dec-14	9	43876	57196	228500	0.51	0.44%
Total	141	393907	479482	4416188	16.81	14.35%

23. As can be seen from the table-5 above, in spite of there being large quantities of pending sell orders, *Noticee no. 6* continued to place buy orders for less quantities on various trading days during the afore-stated period. Further the trade log as annexed to the SCN indicates that the *Noticee No. 6* has placed his buy orders at the prevailing sell order price or even for more than the prevailing sell order price and this continuous chasing of the pending sell orders led to execution of his trades at prices higher than the last traded prices. It is

glaringly visible from the trade log that the *Noticee* was chasing the sell orders every time and in all his 141 trades as highlighted above, the *Noticee* has placed his buy orders only after the respective sell orders have entered into the exchange trading system and the prices at which he placed his buy orders were either equal to or more than that of the ask price of the sellers as a result of which, the *Noticee* has ensured that his buy orders always match those higher than LTP pending sell orders. It leaves no doubt that, but for the buy orders placed by *Noticee no. 6* only to match the existing pending sell orders, those 141 LTP increasing trades would not have been executed on those trading days. It is further evident from the fact that in certain instances, the time difference between the sell orders and the buy orders (of the *Noticee*) was in the range of 2 hours to 5 hours. Therefore, even if the sell orders were available at price higher than LTP, such orders would have remained unexecuted, had the *Noticee* not matched these sell orders by placing his matching buy orders or instead placed his buy orders as a prudent buy investor for less prices.

24. It can also be seen from the annexure -3 to SCN (containing details of trades executed by *Noticee no. 6* during Patch-6) that the *Noticee* has exhibited such a trading pattern in the manner described above over a period of three months. Such a pattern of trading was repeated by *Noticee no. 6* on 141 instances spread over 44 trading days out of the 72 trading days of Patch-6 and in this manner, his contribution to market positive LTP creation was ₹16.81 in the scrip of AIFL. Such a pattern of trading exhibited by *Noticee no. 6* in the AIFL scrip over a considerably long period without any rationale or without being supported by any market driven justification such as strong fundamentals of the *Company* or any major event in the affairs of the *Company*, constrains me to observe that the conduct of the said *Noticee* has not been that of a fair and of honest investor in the securities market. The trading pattern displayed by the *Noticee* over such a long period, during which he placed and executed his orders over and above the LTP on a continuous basis, cast serious aspersion on the *bona-fide* intention on part of the *Noticee no. 6* to buy the shares of the *Company*. The said *Noticee* has traded in the said scrip against the established norms of a normal prudent buyer.

25. The *Noticee*, through his trades as highlighted above has deliberately contributed to the price rise in the scrip consistently, higher than the LTP and one can reasonably conclude that his trades were aimed to manipulate the scrip price. From the trading pattern of the *Noticee*, it is ostensibly evident that the through his LTP contributing trades the *Noticee* has clearly played with the established market mechanism during the relevant period. The very fact that there was a total contribution to market positive LTP of ₹117.16, in the scrip, gives an impression that the contribution of ₹30.83 made by the *Noticee* to the said total market positive LTP of the scrip is quite substantial amount, which cannot be ignored as the same has ultimately contributed substantially to the price rise in the scrip of the *Company*. The peculiar pattern of trading adopted by the *Noticee*, makes it impossible to hold that the trades of the *Noticees* were fair and non-manipulative and were executed by him as an ordinary investor/trader in the Securities Market.

26. The *Noticee no. 6* has not submitted any reply to the allegations levelled against him in the SCN, hence, there is nothing on record available before me to provide any justification for the aforesaid pattern of trading exhibited by the *Noticee* over a considerable time period. It may be noted that through his 141 trades as highlighted above the *Noticee* has purchased 3.93 lacs shares over a period of 3 months, when the corresponding sell quantities available in the exchange trading system for purchase aggregated to 44.10 lacs. There is no explanation available before me as to why the *Noticee no. 6* had resorted to such types of buy orders continuously on 141 occasions for smaller quantities of shares, if he truly desired to acquire large quantities of shares of the *Company*, when sell orders quantities available before him was large enough to accommodate his entire demand for the shares of AIFL through a few trades only. Similarly, no explanation is available on record to justify as to why he continued to trade deliberately in this staggered manner to mark up the price and to contribute to positive LTP creation in the scrip, if he was a genuine buyer and had bona-fide intentions to buy the scrip in large quantities. It is a settled business norm that a buyer always wishes to buy at lower price, whereas in the instant proceedings, the *Noticee* has always been seen as

buying scrip over LTP on continuous basis. Therefore, from the unique and strange trading pattern displayed by the *Noticee no. 6*, wherein he placed buy orders in the scrip of AIFL over a prolonged period in variation to the LTP in the scrip, *sans* any market fundamentals of the *Company* and from his uncanny eagerness to buy the scrip above the LTP on a frequent basis the *Noticee* does not give the impression of a normal trading behavior. Keeping in view, the aforesaid discussions and my observations thereon, I hold that the trades executed by *Noticee no. 6* during Patch-6 are nothing but unfair and manipulative trades driven by an ulterior motive to artificially raise the price of the scrip against market fundamentals of the scrip and also to create a misleading appearance of trading in the scrip to lure the other market participants and innocent investors.

27. At this juncture, it may be noted that 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) had an occasion to deal with the propriety of non-genuine trades in which, the relevant observation of the Hon'ble SAT is 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."

28. The Hon'ble Supreme Court 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. 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.*"

29. To sum up the foregoing discussions on the trades executed by the *Noticees* and my observations thereon, considering the unusual & unfair trading pattern and the frequency with which trades were placed by the *Noticee no. 1* and *4* during the Patch-2 and by *Noticee no. 6* during the Patch-6 of the Investigation Period and other attending circumstances, I am convinced to hold that these three *Noticees* were not acting as a genuine traders and had no *bona fide* intention to deal in the shares of AIFL. As pointed out above, *Noticees no. 1* and *4* had indulged in executing 47 trades with each other consistently during Patch-2 of the Investigation Period resulting in to a cumulative negative LTP contribution of ₹20.40 which constituted 17.48% to total market negative LTP. Similarly, in-spite of getting sufficient sell orders / offers with abundant quantities of shares being available in the market, *Noticee no. 6* deliberately placed buy orders for smaller quantities of shares of AIFL in each of his transactions and deliberately executed 141 trades during Patch-6 of the Investigation Period, thereby contributing to a market positive LTP of ₹16.81, which constituted 14.35% to total market positive LTP in the said scrip. Also, the *Noticee no. 6* has made an overall contribution of ₹30.83 to the market positive LTP of the scrip through his total number of 304 trades in the scrip as highlighted at para 20-21 of the order. Such trades executed by the *Noticees no. 1* and *4* in Patch-2 and by *Noticee no. 6* in Patch-6 are found to be glaringly manipulative and misleading, and are against fundamental principles of the market mechanism hence, the trades executed by the above noted 3 *Noticees* in the two patches were evidently executed not only to create a misleading appearance of trading in the scrip of AIFL but also to manipulate the price of AIFL scrip for reasons best known to them. I therefore hold that the trading behavior of the above noted three *Noticees* viz: *Noticee no. 1, 4* and *6* in the scrip of AIFL has been ill-motivated, manipulative and fraudulent in nature and is unacceptable as

the same is in gross violation of Regulations 3 (a), (b), (c), (d) and 4 (1), 4 (2) (a), (e) of SEBI *PFUTP Regulations, 2003*.

30. To conclude, in terms of my observations at paragraph no. 13-18 of the order, the present proceedings qua *Notices no. 2, 3, 5, 7 and 8* stand disposed of without any direction. Further, considering the fact that the *Notice no. 4* has expired on May 16, 2018, the instant proceeding against her now stands abated and accordingly, the SCN issued against the *Notice no. 4* is disposed of without any direction.

31. However, the abnormal and malicious trading pattern exhibited by the *Notices no. 1, and 6* in the AIFL shares amount to gross market-abuse as the same was clearly directed at manipulating the price of the AIFL scrip and to mislead the investors of Securities Market about the trading in the said scrip. Such trades tantamount to misuse of the Securities Market platform in breach of enshrined principles of transparency and integrity of Securities Market.

DIRECTIONS

32. In view of the above discussions and findings with respect to the violations of provisions of *PFUTP Regulations, 2003* committed by the *Notices no. 1 and 6* as alleged in the SCN, I in exercise of powers conferred upon me under Sections 11(1), 11(4), 11B(1) read with Section 19 of the Securities and Exchange Board of India Act, 1992, in order to protect the interest of investors and the integrity of the Securities Market and to meet the ends of justice, hereby restrain the *Notice no. 1* (Mr. Manish Manubhai Raja) and *Notice no. 6* (Mr. Girishkumar Prabhudas Ruparel) from accessing the Securities Market and further prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly in any manner, for a period of 1 year from the date of this order. It is clarified that during the period of restraint, the existing holding of securities, including units of mutual funds, of the *Notices (Notices no 1 and 6)*, shall remain frozen.

33. Obligation of the aforesaid *Notices* (*Notice no. 1 and 6*) in respect of settlement of securities, if any, purchased or sold in the cash segment of the recognized stock exchange(s), as existing on the date of this Order, can take place irrespective of the restraint/prohibition imposed by this Order, in respect of pending transactions, if any. Further, all open positions, if any, of the aforesaid *Notices* in the F&O segment of the stock exchange, are permitted to be squared off, irrespective of the restraint/prohibition imposed by this Order.

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

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

-Sd-

S.K. MOHANTY

WHOLE TIME MEMBER

DATE: NOVEMBER 27, 2020

PLACE: MUMBAI

SECURITIES AND EXCHANGE BOARD OF INDIA