

**BEFORE THE ADJUDICATING OFFICER**

**SECURITIES AND EXCHANGE BOARD OF INDIA**

[ADJUDICATION ORDER NO. Order/KS/AE/2020-21/9194]

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**UNDER SECTION 15-I OF THE SECURITIES AND EXCHANGE BOARD OF INDIA  
ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY  
AND IMPOSING PENALTIES) RULES, 1995**

**In respect of:**

**Shri Alpesh Shah (PAN : AEAPS0393A)**

**In the matter of Aadhaar Ventures India Ltd**

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**BACKGROUND**

1. Securities and Exchange Board of India (hereinafter referred to as '**SEBI**') carried out investigations in the trading activity in the scrip of Aadhaar Ventures India Ltd (hereinafter referred to as '**AVIL**') during the period January 1, 2009 to April 24, 2015 (hereinafter referred to as '**Investigation Period**'). In the aforesaid investigation period, it was observed that during one of the patch extending from August 02, 2011 to December 30, 2011 the price in the scrip fell from Rs. 77.50 to Rs. 0.66 i.e., a fall of 99.15%. Investigations revealed that the entity namely, Shri Alpesh Shah (hereinafter referred to as '**Noticee**') was the major contributor to negative LTP (Last Traded Price) during this price fall patch. It was also observed that the Noticee had executed self trades at a rate lower than the last traded price and contributed to negative LTP. Further, it was observed that the Noticee in several instances had placed sell orders for 1 share at a rate lower than the last traded price, inspite of the fact that buy orders were existing for a larger quantity and contributed to negative LTP. Thus, it was alleged
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from the Noticee's trading pattern that it was not acting as genuine seller and had no *bona fide* intention to sell in spite of buy orders with abundant quantity at a higher price being available in the market. Through such transactions, it was alleged that the Noticee was instrumental in establishing a price lower than the last traded price and thus contributed to fall in scrip price with each of his trades. In view of the same, it was alleged that Noticee manipulated the price of AVIL and created a misleading appearance of trading in the scrip, and adjudication proceedings was initiated against the Noticee for alleged violations of Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), and 4(2)(e) of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**').

### **APPOINTMENT OF ADJUDICATING OFFICER**

2. The undersigned was appointed as the Adjudicating Officer (**AO**) by SEBI vide Order dated December 15, 2017 under Section 15-I of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') and Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 (hereinafter referred to as '**Rules**') to inquire into and adjudge under the provisions of Section 15HA of SEBI Act the aforesaid violations alleged to have been committed by the Noticee.

### **SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING**

3. Show Cause Notice No. A&E/EAD/KS/VB/4285/2018 dated February 08, 2018 (*hereinafter referred to as '**SCN**'*) was issued to the Noticee in terms of Section 15-I of the SEBI Act read with Rule 4 of the Rules. The main allegations in the SCN are as follows –
    - i. AVIL (formerly known as Prraneta Industries Limited) was incorporated in February 1995, having NBFC registration with RBI. Its authorized share capital is Rs. 25,00,00,000.00 and its paid up capital is Rs. 157,09,69,000.00. The Company is promoted by Abhay Kumar Lodha, Om Prakash Khandelwal
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and Devendra Lodha. The activities of the Company include financing periodical loans, supervisory & consultancy services, Leasing, Bill Discounting and Textile. AVIL's Corporate Identification Number (CIN) is L67120GJ1995PLC024449 and its registered office address is Office No.4019, 4th Floor, World Trade Centre, Ring Road, Surat – 390 002. The shares of the company are listed at BSE.

ii. During the course of investigation, the price volume data in the scrip of the Company was analyzed and it was observed that the price of the scrip opened at Rs. 1.80 on January 01, 2009 and then there was increase in the price of the scrip and same was closed on August 01, 2011 at Rs. 77.15. Investigation further observed that subsequently the price of the scrip of AVIL fell to Rs. 0.66 on December 30, 2011 and further to Rs. 0.19 on April 24, 2015. Accordingly, the entire price movement in the scrip of AVIL during the Investigation Period was examined in the following patches:

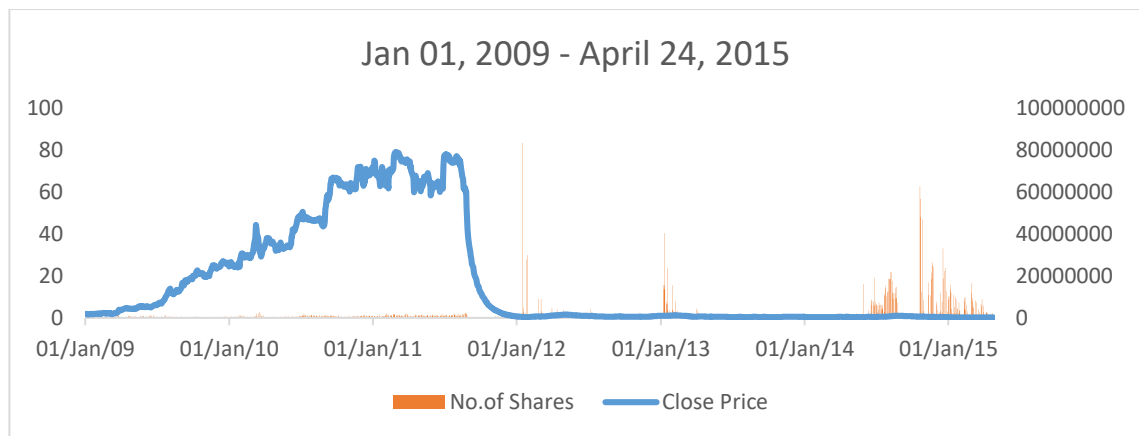
- Patch 1 (Price rise): January 01, 2009 to August 1, 2011
- Patch 2 (Price fall): August 2, 2011 to December 30, 2011
- Patch 3 (Price fall): January 2, 2012 to April 24, 2015 (December 31, 2011 and January 1, 2012 being trading holidays)

iii. Details of the price and volume in the three patches are as below -

Period	Dates		Open (Rs)	Close (Rs.)	Low (Date)	High (Date)	Avg. no. of (shares) traded daily during the period.
Pre Investigation Period	01/12/2008-31/12/2008	Price	1.60	1.79	1.60 (01/12/2008)	2.00 (12/12/2008)	45,193
		Volume	3085	3300	2500 (29/12/2008)	2,53,300 (23/12/2008)	
Investigation Period	Patch-1 (01/01/09-01/08/11)	Price	1.80	77.15	1.44 (09/01/2009)	87.10 (03/03/2011)	5,74,050
		Volume	1400	6,77,184	290 (06/01/2009)	28,07,494 (19/03/2010)	
	Patch-2 (02/08/11-30/12/11)	Price	77.50	0.66	0.66 (30/12/2011)	77.85 (02/08/2011)	3,83,723
		Volume	10,86,554	5,63,507	108	34,00,550	

					(23/09/2011)	(24/11/2011)	
	<b>Patch-3 (03/01/12-24/04/15)</b>	<b>Price</b>	0.63	0.19	0.14 (27/03/2015)	1.57 (07/05/2012)	23,82,270
		<b>Volume</b>	2,45,012	8,29,981	1500 (03/11/2013)	8,34,59,458 (16/01/2012)	
<b>Post Investigation Period</b>	<b>27/04/2015 to 31/05/2015</b>	<b>Price</b>	0.20	0.11	0.11 (19/05/2015)	0.20 (27/04/2015)	32,71,615
		<b>Volume</b>	1,91,202	19,51,569	1,91,202 (27/04/2015)	3,69,14,033 (18/05/2015)	

- iv. The Price Volume chart of AVIL on BSE during the Investigation Period is depicted below –



- v. Analysis of change in Last Traded Price (LTP) was carried out by investigations to ascertain whether any entities manipulated the price of the scrip of AVIL from its previously traded price in contravention of the provisions of PFUTP Regulations.
- vi. During patch-2 viz. the period from August 2, 2011 to December 30, 2011 (i.e. period of about 5 months), the price of the scrip opened at Rs. 77.50 and closed at Rs. 0.66 i.e., a fall of 99.15%, with a net LTP of Rs.-76.84 and a market negative LTP of - Rs.642.79. It was observed that Noticee was the major contributor to negative LTP (>5%), contributing 10.53% of the total market negative LTP during the patch.
- vii. From the analysis of his trades contributing to negative LTP it was observed that the Noticee had contributed –Rs. 67.70 (10.53% of market negative LTP)

during the period through 213 trades. Further, in respect of 25 trades, the Noticee had entered into self-trades for 1 share each, contributing Rs. -11.65 to LTP.

- viii. It was observed that in respect of 148 trades, the Noticee had placed sell orders for 1 share inspite of the fact that buy orders were existing for a larger quantity. Such trades contributed Rs. – 49.65 to LTP.
- ix. Thus, it was alleged from the Noticee’s trading pattern that he was not acting as genuine seller and had no bona fide intention to sell in-spite of sufficient buy orders with abundant quantity being available in the market. It was observed that he placed sell orders for only 1 share in each transaction at a rate lower than the last traded price, and repeated such orders on various days. Further, he also entered into self-trades in 25 instances at a rate lower than the last traded price. Through such transactions, he was instrumental in establishing a price lower than the last traded price and thus contributed to fall in scrip price with each of his trades. Thus, in view of the repeated nature of such trades, it was alleged that Noticee manipulated the price of AVIL and created a misleading appearance of trading in the scrip
- x. In view of the above, it was alleged that the Noticee’s actions have led to the violation of Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), and 4(2)(e) of the PFUTP Regulations.

4. Vide letter dated February 24, 2018, the Noticee submitted reply to the SCN. The main contentions made therein are reproduced as follows –

“

1. *I have been in receipt of your above referred notice dated February 08, 2018 on or around February 15, 2018 and acknowledge its receipt thereof.*
2. *This has been the first ever communication from SEBI in the matter under question. So far no investigation has been conducted against me.*
3. *Before I deal with the impugned SCN, most earnestly take this opportunity to apprise your goodself and beg to draw your attention in the matter of Self-Trades at SEBI*

*and thereafter SEBI expressed its desire before the Hon'ble SAT to permit SEBI to take a fresh look into files in the matter of Appeal No: 104, 184, 185, 279, 403, 410, 411, 455, 507 of 2015 and 30 and 43 of 2016.*

- 4. In this regard, I beg to draw your attention to the contents of Para 2 of the Order, which states that "Counsel for SEBI on instruction states that SEBI has decided to have a fresh look in these matters and therefore, the impugned orders may be set aside and restored to the file of WTM of SEBI for passing fresh orders on merits and in accordance with law" read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995, which states that "Whenever the Board is of the opinion that there are grounds for adjudging under....."*
- 5. In view of the representation made before Hon'ble SAT, it becomes amply clear that the Board is of the opinion to have a fresh look on the opinion once formed relating to the grounds for adjudging under any of the provisions in Chapter VI-A of the Act with respect to Self-Trades and accordingly framed such extant policy in the matter of self-trades in May 2016 "...and case needs to be considered on merit of case taking into account the manipulation I intent I volume etc..." indicative and signifying the causing of market manipulation on account of alleged self-trades with corresponding intent.*
- 6. In my genuine belief, the significant development that has taken place in the opinion once formed by WTM of SEBI with respect to Self-Trades in the impugned matter and admitted change in stand once taken by SEBI with a view to have a fresh look into the matter of market manipulation on account of self-trades has direct and definite bearing in the impugned matter and therefore it would be in fitness of thing to view extant policy in the matter of self-trades. Therefore, in my considered view, neither any kind of harm, whatsoever is likely to cause to anyone nor the safety and integrity of securities market is likely to be jeopardized in giving WTM of SEBI to have fresh look into matter in light of the extant policy. Conversely, if the matter is not referred to WTM of SEBI for forming opinion afresh as requested and the proceedings is decided to be continued by your goodself in its existing form and status, then irreparable harm and loss is obvious and definite to cause to me.*
- 7. In view of what has been stated hereinabove, as of now, I reserve my right to deal with the contents of your above referred SCN and in such an eventuality, it shall not be assumed or presumed that I am not willing to participate in existing proceedings? I firmly believe that I have a good case to make out and would certainly be able to convince and to satisfy your goodself that no Self-Trades has been caused as has been alleged In the impugned SCN and further confident to show and establish that It will likely to meet with the same fate as has been found in the order of Hon'ble SAT referred hereinabove.*

8. *In view of the above submission and in my genuine consideration, it would be in fitness of thing to refer the matter to WTM of SEBI to have a fresh look into the matter. However, if you carry view contrary to what has been conceived by me and communicated hereinabove, kindly communicate your views at the earliest before proceeding further in the matter as has been contemplated in your letter so as to enable me to take appropriate stand in defending the matter.*
  9. *Without prejudice to the aforesaid, at the outset, I express my sincere limitations to deal with the contents of your Show Cause Notice in as much as it pertains to the trades for the investigation period spanning over more than 6 years i.e. 76 months. However, from the contents of Annexure C, it appears that my trades for the month of August 2011 i.e. 1 month have been found to be violative under the impugned Show Cause Notice. You may appreciate that I am an individual person and to expected to have kept such old records beyond 5 years is too much to expect. Therefore I express my difficulty to deal with the contents of Show Cause Notice issued almost after 6 year of burying trades as per stock exchange settlement mechanism.*
  10. *Before I present my reply on merits of the case, the documents which I would like to have copies of are, as under:-*
    - 10.1. *At Para 3 of Show Cause Notice, it refers that "Investigation were carried out by SEBI in the scrip of AVIL for the period January 1, 2009 to April 24, 2015" Therefore it appears that Investigation Period is chosen to be from January 1,2009 to April 24,2015*
      - 10.1.1. *I would like to have copies of all such documents and information and records collected during the course of Investigation.*
      - 10.1.2. *You are requested to furnish the copy of report of investigation report including the data which led to notice price movement in the scrip of AVIL during the period from January 1, 2009 to April 24, 2015.*
      - 10.1.3. *I would also like to have copy of all such documents and data and information substantiating the contents of table and chart in Para 3.*
    - 10.2. *In the Show Cause Notice at Para 4, it has been claimed to have been carried out LTP analysis in the scrip of AVIL. You are requested to provide complete detail and data of all the stock exchanges on which the scrip had traded at prevalent point of time, including the tick by tick data and pending order book besides complete order log, price log, trade log, volume and order log and comparison of LTP at all exchanges at prevalent point of time.*
    - 10.3. *In the Show Cause Notice at Para 5 under the title "Patch 2 - Price fall from August 2, 2011 to December 30. 2011" and observations have been made substantiated with a table thereto, you are requested to provide complete detail and data of all the stock exchanges on which the scrip had traded at prevalent*
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point of time, including the tick by tick data and pending order book besides complete order log, price log, trade log, volume and order log and comparison of LTP at all exchanges at prevalent point of time.

10.3.1. The table contains top 10 entities based on negative LTP contribution as a seller however, on careful look at the names of 10 entities it is found that the name mentioned at serial no. 6 is the only name found to have been included in Annexure A to the impugned Show Cause Notice issued to me. You are requested to provide me the copy of investigation report and reasons for sparing the other entities mentioned in table under Para 5.

10.3.2. You are also requested to provide complete materials records and information produced before the executive director for forming its opinion "in exercise the power conferred upon him under section 19 of SEBI Act, read with 15I(1) of SEBI Act and Rule 3 of SEBI (Procedure for Holding Inquiry and imposing penalties by Adjudicating Office) Rules, 1995"

10.4. In the Show Cause Notice at Para 6 it states that "... it is observed that Noticee was the major contributors to negative LTP (>5%), contributing 10.53% of the total market negative LTP during the period. From the analysis of his trades contributing to negative LTP it was observed that the Noticee had contributed - Rs. 67.70 (10.53% of market negative LTP) during the period through 213 trades. Further in respect to 25 trades, the Noticee had entered into self-trades for 1 share each, contributing Rs. -11.65 to LTP..!' I, therefore, request that;

10.4.1. Provide me complete trade log, order log, pending order book for the each alleged trades along with tick by tick data from which the conclusion be arrived at by the Adjudicating Officer and such other documents or particulars upon which the Adjudicating Officer has arrived at such conclusion may be furnished to me.

10.5. In the Show Cause Notice at Para 7 it states that, "It is observed that in respect of 148 trades, the Noticee had placed Sell Orders for 1 share inspite of the fact that buy orders were existing for a larger quantity. Such trades contributed Rs. - 49.65 to LTP. Extract of trade log indicating such trades is given at Annexure C."

10.5.1. On careful look at the data produced in Annexure C it is found that only selective trade culled out from the total trade details has been furnished to me. You are requested to provide complete detail and data of all the stock exchanges on which the scrip had traded at prevalent point of time, including the tick by tick data and pending order book besides complete order log, price log, trade log, volume and order log and comparison of LTP at all exchanges at prevalent point of time

10.6. In the Show Cause Notice at Para 8 it states that, "Thus, it is alleged from the Noticees trading pattern that he was not acting .as genuine seller and had no bona fide intention to sell because in-spite of sufficient buy order with abundant



*quantity being available in the market. It is noted that he placed sell order for only 1 share in each transaction at a rate lower than the last traded price, and repeated such orders on various days. Further, he also entered into self-trades in 25 instances at a rate lower than the last traded price. Through such transactions, he was instrumental in establishing a price lower than the last traded price and thus contributed to fall in scrip price with each of his trades. Thus, in view of the repeated nature of such trades, it is alleged that Noticee manipulated the price of AVIL and created a misleading appearance of trading in the scrip"*

*10.6.1. You are requested to provide the data analyzed and considered to form the view for arriving at observation stating at Para 8 under reference*

- 11. Copies of statements, if any, made by persons who have been called upon by SEBI to give such statements in context to the transactions i.e. trading I dealing during the period January 1, 2009 to April 24, 2015, which have been alleged that Noticee manipulated the price of AVIL and created a misleading appearance of trading in scrip, as well as documents and records collected by SEBI while inspecting AVIL as well as received thereafter.*
- 12. You are further requested to provide me my role establishing manipulation in the price of the scrip.*
- 13. You are further requested to provide me my acts and omissions establishing fraudulent and are in violation of the provisions of Regulations 3(a), 3(b), 3(c), 4(1), 4(2)(a) and 4(2)(e) of SEBJ (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003.*
- 14. I most humbly and respectfully submit that after being made available copies of the aforesaid documents, I may satisfy myself that no other or further documents are required and on being satisfied I may ask for the inspection of documents and on being satisfied thereto, I shall put my objections against the said order within a reasonable time which may be given to me followed by personal hearing. Therefore, I earnestly request you to furnish me the copy of such documents and particulars immediately so as to enable me to put my objection within 21 days or such other extended times and to avail the opportunity of hearing*
- 15. I hereby attached the copy of PAN card as required by your goodself."*

5. Vide his letter dated July 30, 2018, the Noticee made further submissions in the matter. The main contentions made therein are reproduced as under—

*“Responding to your notice would like to state that the charges of fraudulent and unfair trade practice against me are unjustified. Hence not guilty However, would like to clarify myself against the charges imposed.*

*To clarify my stand and prove myself innocence, I am enclosing my last years transaction sheets for your reference, I traded in market from last 25 years.*

*Clarifications -*

- 1. I am trading in stock market for last 25years and I am a genuine trader*
- 2. Last 25 years u can view my trade sheet, I trade in 10-30 scripts per day.*
- 3. Stocks chosen by me is based on the top gainers or losers and volume and y price volatility.*
- 4. I also rarely use cell phones during trade timings, neither connected with any company,*
- 5. According to your allegation of trading in specific stock is completely unjustified the transaction sheet is self explanatory.*

*Referring to the above, you may please justify my wrong doing from your end. I am not guilty, so please Exmpted me from charges which unjustified.*

*Further to clarify, whatever trades done are just based on market prediction and looking at price volatility and volume. Hence, your allegation of fraudulent trading in association with promoters of company stands to be unjustified. I never connected with any person or owner of company. So please exempted me.*

*I have no delivery based buying in traded stocks, you can even verify my demat account. I am only traders. which saudas are mostly square up in 3 to 5 minutes average.*

*Lastly I also request you to give me personal hearing so I can put my side Or fact sheet as genuine trader. I never do any wrong thing knowingly in the market rules. so please give me mental peace and exempted me from charges.as genuine traders.*

*Considering the above facts, I would request you to exempt me from the charges of fraudulent trade.*

*Look forward to your kind cooperation of exempting me from the charges.”*

6. Subsequently, an opportunity of personal hearing was granted to the Noticee on September 16, 2020, through video conference on the webex platform due to pandemic. The Noticee appeared for the said hearing and reiterated the submissions which had been made earlier vide his letters dated February 24, 2018 and July 30, 2018. Pursuant to the hearing, the Noticee vide email dated September 16, 2020 made additional submissions. The main contentions made therein are as follows –

- i. *I am doing jobbing since last 20 years in a various script of companies every day. I select company on my own skill depending on up and down, daily top gainer and top looser, 52 week high and low and volume of shares. I never do any activity with anyone while jobbing or after jobbing. I never show my scripts to anyone.*
- ii. *My office is in the basement of Ahemdabad Stock Exchange Building, Panjarapod, Ahmedabad. I am doing my jobbing activity under recognized stockbroker. I am never interested in any script for the delivery position. I always square up all of my trades before closing the market without delivery.*
- iii. *While jobbing I put saudas in various scripts. I can see my trades getting submitted but not being confirmed although the same rates were on the screen. I often try to refresh the rates but my submitted trades don't confirm. So many times I have to put a trade of single share to know the correct rate for jobbing.*
- iv. *Due to the connectivity issue, I have to refresh the rate often and put the saudas at the same rate buy and sell but it was not confirmed for a few seconds. I have never tried to influence the price of the shares of any company.*

## **CONSIDERATION OF ISSUES AND FINDINGS**

7. I have carefully examined the material available on record, and the submissions made by the Noticee. The issues that arise for consideration in the present case are :
  - I. Whether the Noticee has violated the provisions of Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), and 4(2)(e) of the PFUTP Regulations?
  - II. Does the violation, if established, attract monetary penalty under Section 15HA of SEBI Act?
  - III. If yes, what should be the quantum of penalty?

## **FINDINGS**

8. Before I proceed with the matter, it is pertinent to mention the relevant legal provisions alleged to have been violated by the Noticee and the same is reproduced below:

### ***PFUTP Regulations***

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### **3. Prohibition of certain dealings in securities**

*No person shall directly or indirectly—*

- (a) buy, sell or otherwise deal in securities in a fraudulent manner;*
- (b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;*
- (c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;*
- (d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.*

### **4. Prohibition of manipulative, fraudulent and unfair trade practices**

- (1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.*
- (2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:—*
  - (a) 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;*

**Issue I) Whether the Noticee has violated the provisions of Regulations 3(a), 3(b), 3(c), 3(d), 4(1), 4(2)(a), and 4(2)(e) of the PFUTP Regulations?**

9. Before going into the merits of the case, I would like to deal with the preliminary contention raised by the Noticee with regard to supply of documents including

investigation report, documents and records collected during the course of Investigation, and complete trade and order log etc. In this regard, it is noted that all the relevant information and records which have been relied upon in respect of the Noticee were already provided to Noticee along with the SCN. The said *SCN inter alia* contains the allegation that the Noticee manipulated the price of AVIL and created a misleading appearance of trading in the scrip, by executing self trades, and trades at negative LTP. In this regard, it is specifically noted that the SCN provided the extract of all the self trades executed by the Noticee as **Annexure B** to the SCN. Further, extract of the trade log indicating trades wherein the Noticee placed sell orders for 1 share inspite of the fact that buy orders were existing for a larger quantity and thus contributing to negative LTP was provided at **Annexure C** to the SCN. I note that in the present proceeding reliance is being placed on only those documents, which have been provided to the Noticee. Further, I note that the Hon'ble SAT, in its order dated February 12, 2020, in the matter of *Shruti Vora vs. SEBI* had made the following observations:

*“A bare reading of the provisions of the Act and the Rules as referred to above do not provide supply of documents upon which no reliance has been placed by the AO, nor even the principles of natural justice require supply of such documents which has not been relied upon by the AO. We are of the opinion that we cannot compel the AO to deviate from the prescribed procedure and supply of such documents which is not warranted in law. In our view, on a reading of the Act and the Rules we find that there is no duty cast upon the AO to disclose or provide all the documents in his possession especially when such documents are not being relied upon.”*

10. Further, the Hon'ble SAT in the matter of *Anant R Sathe Vs SEBI* (Appeal No. 150 of 2020) vide Order dated July 17, 2020 has reaffirmed the principle elucidated in the judgment of *Shruti Vora's* case, which was reproduced herein above and ruled that *“the Authority is required to supply the documents that they rely upon while serving*

*the show cause notice which in the instant case has been done and which is sufficient for the purpose of filing an efficacious reply in his defence”.*

11. In view of the above, since all the documents which were relevant and relied upon in the instant proceedings have been provided to the Noticee, I am of the opinion that principles of natural justice have been duly complied with in the instant proceedings.
12. From the material available on record, it is noted that during the period from August 2, 2011 to December 30, 2011 i.e. patch 2 of the Investigation Period, extending about 5 months, the price of the scrip opened at Rs. 77.50 and closed at Rs. 0.66 i.e., a fall of 99.15%, with a net LTP of Rs.-76.84 and a market negative LTP of - Rs.642.79. The details of top 10 entities based on net negative LTP contribution as a seller during Patch 3 are given as below:

S. No.	Entity Name	All trades			LTP Diff. > 0			LTP Diff. <0			LTP Diff. =0		% of negative LTP to mkt neg LTP
		Net LTP	Sum of Quantity	No of trades	LTP impact	QTY traded	No of trades	LTP impact	QTY traded	No of trades	QTY traded	No of trades	
1	ALPESH SHESHMAL SHAH	-42.7	37183	593	25	7580	86	-67.7	11069	213	18534	294	10.53
2	NAVEEN GUPTA	-22.05	469384	829	23.3	96844	114	-45.35	171754	343	200786	372	7.06
3	BIMLA DEVI	-19.25	245555	429	11.95	47073	73	-31.2	100402	188	98080	168	4.85
4	NISHOTTAM TRADERS PRIVATE LIMITED	-15.1	541000	290	5.6	76398	30	-20.7	161804	123	302798	137	3.22
5	JIHAN MERCANTILE PRIVATE LIMITED	-13.73	622032	365	0.05	100	1	-13.78	8620	14	613312	350	2.14
6	KINITA REAL ESTATE PRIVATE LIMITED	-9.2	2121175	388	8.95	299403	60	-18.15	337350	79	1484422	249	2.82
7	BABITA	-8.85	70255	155	1.65	12129	16	-10.5	36629	91	21497	48	1.63
8	SALLY MEDIA AND ENTERTAINM	-8.4	585507	214	6.4	150891	31	-14.8	81639	67	352977	116	2.30

S. No.	Entity Name	All trades			LTP Diff. > 0			LTP Diff. <0			LTP Diff. =0		% of negative LTP to mkt neg LTP
		Net LTP	Sum of Quantity	No of trades	LTP impact	QTY traded	No of trades	LTP impact	QTY traded	No of trades	QTY traded	No of trades	
	ENT PRIVATE LIMITED												
9	MAHAN INDUSTRIES LTD	-7.71	98984	135	0.0	0	0	-7.71	1031	8	97953	127	1.20
10	AMIT J SHETH	-6.6	44014	123	5.7	9446	38	-12.3	11902	22	22666	63	1.91
	<b>Top 10 entities total</b>	<b>-153.59</b>	<b>4835089</b>	<b>3521</b>	<b>88.6</b>	<b>699864</b>	<b>449</b>	<b>-</b>	<b>922200</b>	<b>1148</b>	<b>3213025</b>	<b>1924</b>	<b>37.68</b>
	<b>Market Total</b>	<b>-76.84</b>	<b>38756064</b>	<b>22842</b>	<b>565.95</b>	<b>6894747</b>	<b>2641</b>	<b>-642.79</b>	<b>6876453</b>	<b>3565</b>	<b>24984864</b>	<b>16636</b>	<b>100.00</b>

13. From the above table, it is observed that Noticee was the major contributor to negative LTP (>5%), contributing 10.53% of the total market negative LTP during the period. From the analysis of his trades contributing to negative LTP it was observed that the Noticee had contributed –Rs. 67.70 (10.53% of market negative LTP) during the period through 213 trades. Further, in respect of 25 trades, the Noticee had entered into self-trades for 1 share each, contributing Rs. -11.65 to LTP. It is observed that in respect of 148 trades, the Noticee had placed sell orders for 1 share inspite of the fact that buy orders were existing for a larger quantity. Such trades contributed Rs. – 49.65 to LTP. In view of the same, it was alleged that the Noticee was not acting as genuine seller and had no bona fide intention to sell because in-spite of buy orders with abundant quantity at a higher price being available in the market. It is alleged that through the above mentioned transactions, the Noticee was instrumental in establishing a price lower than the last traded price and thus contributed to fall in scrip price with each of his trades. Thus, in view of the repeated nature of such trades, it is alleged that Noticee manipulated the price of AVIL and created a misleading appearance of trading in the scrip
14. I note that the Noticee in its reply has stated *inter alia* that he used to do jobbing activity under a recognized stock broker in Ahmedabad. He has further submitted that he

trades in around 10-30 scrips per day. In this regard, the Noticee vide his letter dated July 30, 2018 has submitted voluminous data regarding his trades in multiple scrips during the financial year 2011-2012. The Noticee has further stated that he was never interested in taking delivery position in any scrip and always used to square up all of his trades before closing of the market.

15. Regarding the allegation of trading pattern, I note that the Noticee has submitted that while doing jobbing in various scrips, in many instances he could see his orders getting submitted but the same would not get confirmed as the rates do not get refreshed due to connectivity issues. He has further stated that thus many times he would execute a trade of single share to know the correct rate for jobbing. The Noticee has also stated that due to connectivity issues, he had to refresh the rate often and put orders at the same buy and sell rates. The Noticee has submitted that he never tried to influence the price of the shares of any company.
16. As noted previously, the Noticee has been alleged to have traded 25 shares in self trades through 25 trades. In this regard, it may be noted that self-trades are trades executed on the stock market in which the same entity is both the buyer and seller, thus such trades do not represent a real change in beneficial ownership of the security.
17. Considering the observations of Hon'ble SAT in various matters, I find that though self-trades by the face of it implies no transfer of beneficial ownership, it is necessary to look into the attending circumstances of it. At this juncture, I would also like to rely on the Judgment of the Hon'ble SAT in the matter of *Ketan Parekh Vs. SEBI* (Appeal No. 2 of 2004 decided on 14.07.2006) where it observed that,

*“.....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.” (emphasis supplied)*

18. In this regard, I also note that Hon'ble SAT in the matter of *Smt. Krupa Sanjay Soni vs. SEBI* (Appeal No. 32 of 2013) has observed that,

*“This Tribunal has taken a consistent view that a few instances of self trades in themselves would not, ipso facto, amount to an objectionable trades.”*

19. I note that the Noticee is observed to have sold 37,813 shares in patch 2, out of which 25 shares were through self-trades. It is noted that the self trades constituted approx. 0.07% of the Noticee's total sell volume which is miniscule. Noticee's self trades is observed to be 0.00006% of the scrip's volume in patch 2 constituting 3,87,56,064 shares. Thus, the small volume of self trades does not show that any significant artificial volume has been created by the Noticee. Further, from the material on record, I note that the Noticee has done self-trades on five days during patch 2 viz. August 16<sup>th</sup>, 18<sup>th</sup>, 22<sup>nd</sup>, 23<sup>rd</sup> and 24<sup>th</sup>, 2011.
20. I note that the Noticee has stressed on the submission that it carries out jobbing activities including in several scrips, and that the alleged trades in single shares at lower LTPs and also the self trades executed by it were in the normal course of its jobbing activity and without any manipulative intention. The Noticee has also stated that the trades for 01 share every time at regular interval were executed for the purpose of jobbing which is practiced normally across by the broker-dealers and jobbers. I find that the aforesaid submission is not entirely devoid of merit. I also note from the records available, that there is no allegation of any collusion by the Noticee with other entities trading in the scrip during the investigation period. Thus, in view of the above, I find that there is not enough material on record to contradict the Noticee's submissions and

explanations that the execution of self-trades were unintentional and occurred due to their trading practice of jobbing.

21. Considering the facts and circumstance of the case, and based on the available material it is concluded that the violation of Regulations 3(a) to (d), 4(1), 4(2)(a) and (e) of the PFUTP Regulations against the Noticee does not stand established.
22. Since the alleged violations against the Noticee are not established, consequent issue (II) & (III) do not require any consideration.

**ORDER**

23. Accordingly, taking into account aforesaid observations and in exercise of powers conferred upon me under Section 15-I of the SEBI Act read with Rule 5 of the Rules and after considering all the facts and circumstances of the case, it is concluded that the allegations levelled against the Noticee are not established. Accordingly, the adjudication proceedings initiated against the Noticee vide the SCN dated February 08, 2018 stands disposed of without penalty.
24. In terms of Rule 6 of the Rules, copy of this order is sent to the Noticee and also to Securities and Exchange Board of India.

**Date: September 25, 2020**

**Place: Mumbai**

**K SARAVANAN  
ADJUDICATING OFFICER**