WTM/SM/IVD/ID2/11353/2021-22

SECURITIES AND EXCHANGE BOARD OF INDIA

ORDER

Under section 12(3) of Securities and Exchange Board of India Act, 1992 read with regulations 28(2) of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008

In respect of

S. No.	Name of the Noticee	SEBI Registration No.
1	Salasar Stock Broking Limited	INB010752633, INB230752635 and INB030752637

In the matter of Tijaria Polypipes Ltd.

1. Upon observing certain irregularities in the Initial Public Offering (**IPO**) of Tijaria Polypipes Limited (hereinafter referred to as '**TPL**'/'**Company**'), Securities and Exchange Board of India (hereinafter referred to as '**SEBI**'), vide an ad-interim *ex-parte* Order dated December 28, 2011 (hereinafter referred to as '**interim order**'), *inter alia*, issued directions against various entities including Salasar Stock Broking Ltd. (hereinafter referred to as '***Noticee***'/'**Salasar**'), restraining and further prohibiting the *Noticee* from buying, selling or dealing in any securities, in any manner whatsoever, in its proprietary account. The *Noticee* was also prohibited from entering into any fresh agreements with new clients in its operations as a stock broker till

further orders. The said directions issued to the *Noticee* were revoked by SEBI vide Order dated November 02, 2012.

2. After completion of investigation, a proceeding in terms of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 (hereinafter referred to as '**Intermediaries Regulations**') was initiated by SEBI against the *Noticee*, Member, Bombay Stock Exchange (**BSE**), National Stock Exchange of India Ltd. (**NSE**), Calcutta Stock Exchange (**CSE**) and a stock broker registered with SEBI. For the said purpose, SEBI, vide an Order dated October 15, 2012, appointed a Designated Authority (hereinafter referred to as '**DA'**) under Regulation 24(1) of the Intermediaries Regulations to enquire into the violations alleged to have been committed by the *Noticee* and to submit a report in accordance with the provisions of the Intermediaries Regulations. Upon completion of the enquiry, an Enquiry Report dated October 27, 2017 was submitted by the DA for consideration and taking appropriate measure by the Designated Member (hereinafter referred to as '**DM**').

3. Based on the findings of facts and after considering the explanations offered by the *Noticee*, the DA has noted the following in his Enquiry Report:
   a. The *Noticee* had entered into 6 structured/synchronized trades with 3 different entities wherein the *Noticee* purchased and sold shares of TPL in large quantities on the listing day of the scrip of the *Company*.
   b. *Noticee*, by purchasing shares of TPL in large quantities from three Qualified Institutional Buyers (**QIBs**), which the QIBs had subscribed in

the IPO of the scrip of TPL, has facilitated the QIBs exit from the scrip of TPL at a premium to the issue price.

At the same time, DA has further noted that the allegation of funding of the *Noticee* by TPL to bail out the *Noticee* from the losses suffered by it on account of its trading on the listing day was not established.

4. In view of the above, the DA has observed that the *Noticee*'s acts of entering into structured deals as well as providing an exit to the three QIBs have been in violation of the provisions of Section 12A(a), (b) and (c) of the Securities and Exchange Board of India Act, 1992 (hereinafter referred to as '**SEBI Act**') read with Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a), (b) & (e) of Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as '**PFUTP Regulations**').
5. In the light of the above and in accordance with regulation 27 of the Intermediaries Regulations, vide Enquiry Report dated October 27, 2017, the DA has recommended that the *Noticee*, as a stock broker of Bombay Stock Exchange (**BSE**), National Stock Exchange (**NSE**) and Calcutta Stock Exchange (**CSE**) in cash segment (under certificate of Registration ref. INB010752633, INB230752635 and INB030752637) be prohibited from registering fresh/new clients for a period of 3 months.
6. Subsequently, a post-enquiry Show Cause Notice ("**SCN**") dated April 11, 2018 was issued to the *Noticee* in terms of regulation 28(1) of Intermediaries Regulations enclosing therewith a copy of the Enquiry

Report and calling upon it to show cause in terms of Regulations 28(1) and 28(2) of the Intermediaries Regulations, as to why necessary action, including passing of appropriate direction, as the DM considers appropriate, should not be taken against it.

7. Vide letter dated May 31, 2018, the *Noticee* submitted its reply to the SCN. In the said reply, the *Noticee* made the following submissions:

   (i) SEBI conducted examination of the steep fall in price of the scrip on the first day of trading in the shares of TPL. Thereupon, vide ex parte ad-interim order dated 28.12.2011, SEBI passed directions against us which were vacated vide order dated 02.11.2012. Meanwhile SCN dated 19.10.2012 under Regulation 25 of Intermediaries Regulations was issued to which we submitted our reply vide letter dated 16.11.2012.

   (ii) Thereafter present SCN was issued on 11.04.2018 i.e after a lapse of over 6 years from interim order and 5 years from revocation order which amounts to delay and incidental latches despite specific directions to pass appropriate orders on merit at the earliest.

   (iii) In light of the fact that the issue price was Rs. 60/- whereas our average purchase price was Rs. 48.06 per share and average sale price was Rs. 44.19 per share on NSE, we fail to understand how we gave exit to certain persons/entities at a premium to the issue price of TPL.

   Structured deals

   (iv) We weren't aware of the orders of Mr. Hitendra Kapadia, Mr. Jivraj Zala

and Pinac Finstock. The alleged matching of trades with said counterparties is merely coincidental. There is no continuous pattern of matching by which it could be alleged that there was any attempt to synchronize or match trades.

(v) *Further, out of a total of 49 orders placed by us on BSE, only 3 are alleged to have been synchronised/structured (only 6% of our total orders) and the 3 order alleged to be synchronised/structured constituted only 0.07% of our total trades.*

(vi) *Similarly, out of a total of 5387 trades executed by us on NSE, only 19 are alleged to be synchronised/structured (less than 0.36 % of our total trades). At the same time, none of our trades in TPL on any other days from 17.10.2011 till 26.10.2011 (i.e. 1185 trades), is even alleged to be synchronised / structured.*

(vii) *Therefore, out of total 153 orders placed on the NSE & BSE only 6 orders are alleged to have been synchronised/structured. However, even out of these 6 only <u>one order</u> is alleged to have had a "0" time difference between our order and the counter party's order.*

(viii) *Further, assuming that one of our buy orders matched with one of the sell order of Hitendrakumar Dineshbhai Kapadia, against our buy order at 14:07:58, about 191 other trades were executed before the said trade with Hitendra Kapadia, which clearly shows that all other pending sell orders at the same price first matched against our buy order. We deny that we know Mr. Hitendra Kapadia and have entered*

structured/synchronised deal with him. Similar trends were shown with other entities.

Providing exit to the QIBs

(ix) The orders matched with QIBs based on prevailing market trend in terms of the automated mechanism of exchange. We had placed first order at 9:15 am for merely 1500 shares to check the market trend. Thereafter we placed 6 orders at different prices (3 orders at 9:22 am and 3 orders at 10.42 am) between price range of Rs. 51/- to 55/- for merely 2000 shares each. These orders were placed merely in anticipation to test market inclination. At 10.04 am we placed a small order of 125 shares at Rs. 63/- which was above the issue price to check the market trend, which order stood executed. Since none of our other orders stood executed we deleted the said orders after keeping them pending for more than an hour.

(x) We had purchased shares in the scrip of TPL at an average price of Rs. 48.06 per share and sold shares at an average price of Rs. 44.19 per share on NSE, which goes to show that we were not wrong in anticipating the fact that the market price of the share will fall below the issue price.

(xi) QIBs were trying to sell their holding at the price of Rs. 62/- from 10.00 am to 11.00 am. However, the orders were executed at 11.03.37 as it matched against buy orders which were placed/updated during the time slot at Rs. 62/-.

(xii) *We most humbly submit that in the event there was meeting of minds between the QIBs and us then we would have placed orders at Rs 62/- between 10.00 am to 11.00 am and not between price range of Rs. 51/- to 55/- for merely 2000 shares each between 9:22 am and 10.42 am.*

(xiii) *It was only at 11:21:51 did we place an order for 2,50,000 shares upon considering the fact that as our trades were not executed at lower price. Looking at the market trend we felt confident that the price will rise.*

(xiv) *The said allegation is contrary to DA's own observation vide para 23 at page 27 which states that we had placed an order for 2,50,000 shares at 13:05:33 which resulted in trades for 51,027 shares at Rs. 45/- shares got executed with various sellers in the market. Further the DA has failed to appreciate that we have deleted remaining orders at 13:05:42 since the same was not executed and placed order at 13.08.07 at higher price of Rs. 48/- per share like any prudent investor so our orders would materialize into trades. Similarly at 13.08.29 we have modified our order price by increasing it to Rs. 50/- per share since out of 2,00,000 shares only 66,088 shares could be traded.*

(xv) *We deny that our orders/trades in the scrip of TPL were to absorb the sell orders of the QIBs and to facilitate the QIBs to exit in the scrip of TPL at a premium to the issue price more so in the light of the fact that the issue price was Rs. 60/- whereas we had purchased shares in the scrip of TPL at an average price of Rs. 48.06 per share and sold shares at an average price of Rs. 44.19 per share on NSE.*

(xvi) *We are neither aware, nor concerned, nor involved nor have means to verify the orders placed by SPARROW, IPRO and CREDO. The said allegations are based on the findings that we had inter alia indulged in such trading for ensuring an exit to the QIBs and other allottees in TPL's IPO and as a result of the same, had suffered losses which were partly borne by TPL (through layered fund transactions).*

(xvii) *To enter into structured deals to ensure an exit to the QIBs and other allottees in TPL's IPO, it is necessary to match trades with the counter party i.e. having prior understanding with the counter party. However, there is not an iota of evidence to establish that we had any connection with the counterparty or were aware of their trades.*

(xviii) *Merely because few of our trades matched with the counterparties who are alleged to have provided exit to IPO subscribers, in absence of any prior knowledge, connection or malafide intent we cannot be alleged to have entered into structured trades with said counterparties with an intention to commit fraud or enter into unfair trade practice as alleged.*

Indirect Funding by TPL

(xix) *DA has observed that the allegations of indirect funding as against us cannot be sustained in view of the observations of Hon'ble SAT vide its Orders dated 29.06.2016 and 19.09. 2016.*

8. After receipt of the aforesaid written submission from the *Noticee*, vide letter dated November 04, 2020, the *Noticee* was provided with an opportunity of personal hearing on December 08, 2020. Shri Anil Shah, Advocate and Shri

Pawan Sonthalia appeared as Authorized Representatives (**ARs**) of the *Noticee* for personal hearing on the scheduled date and reiterated the submissions made by the *Noticee* vide its letter dated May 31, 2018. During the course of personal hearing, certain queries were raised before the ARs and the *Noticee* was provided with 10 days' time to submit its reply to the said queries along with additional submissions, if any.

9. Subsequently, vide Email dated December 16, 2020, the *Noticee* made additional submissions wherein it raised the following contentions:

   (i) The Enquiry Report has failed to appreciate the fact that since the allegations/observations regarding indirect funding by TPL to bail out our loss at para C does not stand established, consequently the observation at para A also fails. Thus the charge of synchronized/structured transactions too does not have any legs to stand on since there is no allegation of layering of funds to finance our losses as well as there is no motive to provide exit to the QIB's.

   (ii) Out of our total trade for 37,00,674 shares, QIB's were counter party to only 2,10,196 shares, which is merely 5.68% of our trades.

   (iii) The Enquiry Report is silent on the alleged connection/connivance/meeting of minds between Hitendra Kapadia, Jivraj Zala, PINAC Stock and us which is a sine qua non for alleging the charge of having entered into synchronized/structured trades.

   (iv) The Apex court has, in the matter of Kishore R Ajmera, succinctly observed that the difference between violation of Code of Conduct

Regulations and FUTP Regulations would depend on the extent of the "persistence" of indulging in transactions as observed herein. We submit that although there is no violation alleged for Code of Conduct Regulations, nevertheless the Apex Court has observed that "persistent trading' would show deliberate intention and that a dividing line needs to be drawn on the basis of "volume of transactions" and "period of time" to show that the same were indulged. We state that we have already demonstrated that only 5.68% of our trades had matched with the QIB's. Further the test of "period of time" that the same were indulged certainly falls short of the conclusion of the Apex Court since the allegation is only for trading done on 1 day i.e. 14.10.2011.

(v) On the first day of listing/trading, price and volume is normally volatile which presents an opportunity for substantial profits primarily by way of day trading and intra-day square off. It may be observed there from that our trade quantities/ turnover and profit/loss on the listing day in respect of each such IPOs even over the last 2 years, we have had a similar pattern of substantial trading on the first day of listing/trading in respect of at least 41 other companies /IPO's.

(vi) We were observing the price pattern in the script during the initial hours between 09:15 am to 10:40 am or so since it was trading at discount to the Issue price. We were placing small orders below / around the market price in order to identify any prevailing selling pressure in scrip, as we all know that there on first day of IPO's there was no circuit limits and

we thought due to prevailing volatility our orders might get executed and this would enlighten us to decide the further course of action. We are momentum traders and try to feel the pulse of market before entering big into any trades. As a consequence, thereof the same might result in profit / loss. We generally buy in a scrip having upward momentum and sell scripts showing downward momentum.

(vii) After watching the volume and price action in the scrip, finally, we gathered enough conviction to enter buy order of 2,50,000 shares and 1,00,000 shares with the instinct that the first day selling gets absorbed and the price prevailing above its issue price, there was very good chance that the scrip would continue making new highs and we would be able to exit at a higher price with handsome profits. However, at the same time, as any prudent trader, we had stop loss in mind to cut our losses if the price did not perform to our expectations.

Consideration of issues:

10. I have considered the report of the DA, the SCN issued to the *Noticee*, the written as well as the oral submissions made by the *Noticee* and material available on record. Having considered the above, the issues which arise for my consideration are:

    a. Whether on the day of listing, trades of the *Noticee were fair and genuine or were placed with an object to* provide exit to QIBs so as to be held liable for the violation of the provisions of Section 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a), (b), (c), (d), 4(1),

4(2)(a), (b) & (e) of PFUTP Regulations?

b. Whether the *Noticee* has indulged in structured/synchronized trades with certain entities so as to be held liable for violation of provisions of Section 12A(a), (b) & (c) of the SEBI Act read with Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a), (b) & (e) of PFUTP Regulations?

c. Whether the trades of the *Noticee* alleged to provide exit to QIB were funded by TPL to curtail its opening day losses?

d. If yes, what would be the appropriate measure(s) that can be taken under regulation 28 of Intermediaries Regulations?

11. Before moving ahead, I find it appropriate to refer to the relevant provisions of the law allegedly violated by the *Noticee*. The said relevant legal provisions are reproduced below:

SEBI Act

Prohibition of manipulative and deceptive devices, insider trading and substantial acquisition of securities or control.

12A. *No person shall directly or indirectly—*

(a) use or employ, in connection with the issue, purchase or sale of any securities listed or proposed to be listed on a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of this Act or the rules or the regulations made thereunder;

(b) employ any device, scheme or artifice to defraud in connection with issue or dealing in securities which are listed or proposed to be listed on a recognised stock exchange;

(c) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person, in connection with the issue, dealing in securities which are listed or proposed to be listed on a recognised stock exchange, in contravention of the provisions of this Act or the rules or the regulations made thereunder;

PFUTP Regulations

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;

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

(e) any act or omission amounting to manipulation of the price of a security;

12. Based on the above, I proceed to examine the findings recorded by DA as to whether the actions of the *Noticee* are in contravention to the provisions of Section 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a), (b) & (e) of PFUTP Regulations.

13. Before proceeding to examine the issues mentioned above, I note that the *Noticee* has raised a preliminary contention of delay in the present proceedings. It has been contended that the present proceedings deserve to be dropped on the ground that the alleged trades pertain to the period 2011-12. In this respect, it is noted that there is no provision under *SEBI Act, 1992*, which prescribes time limit for taking cognizance of the alleged breach of provisions of *SEBI Act, 1992* and rules and regulations made thereunder. In the instant proceedings, I note from the records that investigation was initiated immediately after the initial offer of the *Company* and an ex–parte ad interim order was issued on December 28, 2011. Subsequently, upon completion of investigation, a show cause notice was issued by the DA on October 19, 2012 followed by submissions of report from the DA. I also note that there was a re-appointment of DA in this case which was occasioned by internal transfer of the Officers. Upon submission of the Enquiry Report by DA, an SCN was issued to the *Noticee* on April 11, 2018 asking the *Noticee* to respond as to why action in terms of Regulations 28(1) and (2) of the Intermediaries Regulations, as deemed fit by the DM be not issued against it.

14. In view of the above, I note that there has been no delay in initiating action against the *Noticee* in the matter. Further, the *Noticee* has not been successful in showing any prejudice caused to it by any delay as the pendency of the instant proceedings has been very much known to the *Noticee*. Thus, the ground of delay taken by the *Noticee* is not tenable in

the absence of any evidence to suggest that the *Noticee* has been restricted in defending the allegations effectively. Further, it is trite law that in order to ascertain as to whether there has been actually any delay in the matter, the date when the violation came to the notice of the SEBI would be the relevant point and not the date of violation. Whether a delay in a particular case is justified or not also depends on the facts and circumstances specific to that case. In this regard, reference and reliance is placed upon the following observations of Hon'ble SAT in its order dated December 16, 2015 in the matter of *Ravi Mohan & Ors. vs. SEBI*: -

".....Based on decision of this Tribunal in case of HB Stockholdings Ltd. vs. SEBI (Appeal no.114 of 2012 decided on 27.08.2013) it is contended on behalf of the appellants that in view of the delay of more than 8 years in issuing the show cause notice, the impugned order is liable to be quashed and set aside. There is no merit in this contention, because, this Tribunal while setting aside the decision of SEBI on merits has clearly held in para 20 of the order, that delay itself may not be fatal in each and every case. Moreover, the Apex Court in case of Collector of Central Excise, New Delhi vs. Bhagsons Paint Industry (India) reported in 2003 (158) ELT 129 (S.C) has held that if there no statutory bar for adjudicating the matter beyond a particular date, the Tribunal cannot set aside the adjudication order merely on the ground that the adjudication order is passed after a lapse of several years from the date of issuing notice....."

15. I further find it apt to refer to and rely upon the observation of Hon'ble

Securities Appellate Tribunal (SAT) vide its order dated March 17, 2020 in the matter of *Pooja Vinay Jain vs. SEBI,* and the relevant portion of the observation of the Hon'ble SAT is as under:

"*The record would show that all the documents concerning the defense of the appellant were filed by her before the AO. Therefore, for want of any prejudice the proceedings cannot be quashed simply on the ground of delay in launching the same. Further, as explained by the learned counsel for the respondent as recorded in paragraph No. 6.4 above, large numbers of entities and transactions were analyzed by SEBI which took some time.*"

In view of the above and in the absence of any prejudice shown by the *Noticee*, I find that the contention of the *Noticee* with respect to delay is misconceived and misplaced on facts as well as on law, hence not maintainable.

16. It is noted that SEBI conducted an Investigation into the matter of IPO of TPL and trading in the scrip of TPL on the day of its listing on BSE and NSE. It was observed during the course of investigation that three entities namely, Sparrow Asia Diversified Opportunities Fund (hereinafter referred to as "Sparrow"), IPRO Funds Ltd. (hereinafter referred to as "Ipro") and Credo India Thematic Fund Limited (hereinafter referred to as "Credo") had applied for the shares of TPL in QIB category in the IPO of TPL. Accordingly, shares were allotted to Sparrow, Ipro and Credo in the IPO.

17. Subsequently, the scrip of TPL was listed on BSE and NSE on October 14, 2011. Upon analysis of the trade data on the listing day, it is observed that

Sparrow and Credo sold their entire allotted quota on the listing day whereas Ipro sold majority of its quota of shares on the said listing day. As noted above, based on the preliminary findings of the investigation, an *ex parte ad interim* order was passed by SEBI restraining and prohibiting certain entities including the *Noticee* herein from buying, selling or other dealing in securities in any manner, till the said restriction was revoked vide order dated November 02, 2012. I further note from the above mentioned interim order that the said shares were allotted to the QIBs at a price of Rs. 60 per share and were sold by the QIBs at an average price of Rs. 62 per share i.e. at a premium to IPO allotment price and, despite huge fall in the price of scrip on listing day, the said QIBs were successful in selling the allotted shares at a price higher than the allotment price and thereby, booked profit in their accounts. The data regarding allotment and sale of shares by the said QIBs is as below:

Table 1: Allotment and Sale of shares by QIBs

Name of QIB	Shares allotted in IPO	Shares sold on listing day	Shares bought by the *Noticee*
Sparrow	9,74,739	9,74,739	1,49,811
Ipro	9,30,631	8,13,131	1,66,725
Credo	9,30,631	9,30,631	60,385

I note from page 9 of the interim order that the afore noted sale of majority of shares was executed by the QIBs till 11.46 AM. I also note from the trades of the QIBs that they had sold the shares of TPL at a premium to allotment price of Rs. 60 per share. I note that the last trade of the said QIBs was executed at 11:46:01 AM by which time the price of scrip was ruling

above the allotment price. However, subsequently the scrip of TPL closed at a price of Rs. 18.10 on NSE and Rs. 18.60 on BSE after touching a low of Rs. 16.05 on BSE and Rs. 16.50 on NSE respectively. This clearly shows that there was a huge fall in the scrip of TPL on the listing day itself. Further, strangely the said fall in the scrip has happened only subsequent to sale of shares by QIBs which means, by the time QIBs were trading in the scrip of TPL, the scrip price of TPL was holding above the allotment price.

18. It has been noticed that the QIBs sold shares on both the exchanges viz. BSE and NSE on the day of the listing of the scrip of TPL and the *Noticee* was counterparty to their trades on both of these exchanges. In this regard, it is noticed that the *Noticee* has purchased 3,76,921 shares out of total 27,18,501 shares sold by the QIB, which is 13.865% of the total shares sold by QIBs. Details of the shares bought by the *Noticee* and sold by the QIBs are as below:

Table 2: Purchase of shares of TPL by the *Noticee* from QIBs

QIB	NSE	Purchased by Salasar	% of total sale of NSE	BSE	Purchased by Salasar	% of total sale of NSE
Sparrow	460000	70000	17.35	514739	79811	13.60
Credo	470631	59385	12.62	460000	1000	0.22
Ipro	345000	166725	48.33	468131	0	0

19. In this regard, I note that the total volume of shares traded in the scrip of TPL on the listing day was 10,74,40,554 whereas, on the said day, volume of shares traded by the *Noticee* in the scrip of TPL was 37,00,704 shares. The above, clearly depicts that though the volume of the *Noticee* in the scrip

on the day of listing was merely 3.44% of the total volume traded in the scrip of TPL on the listing day, the volume of shares traded by the *Noticee* which matched with the trades of QIBs as counterparties amounted to 13.865% of the shares sold by QIBs. The above data ostensibly showing increased matching of trades of the *Noticee* with the trades of QIBs cannot be seen as a mere coincidence of order matching, more particularly, in the backdrop of the submissions of the *Noticee* that it was anticipated by it that the price of the TPL would witness fall in the price. The said anticipation by the *Noticee* has not been supported by any cogent reason and document to substantiate the reason of having such an anticipation, which constrains me to observe that the trades of the Noticee cannot be strictly looked as trades executed in the ordinary course of dealing in the said scrip on the day of its listing.

20. The *Noticee* has contended that the part of its trades that matched with the trades of the above named QIBs is a small quantity of the total shares sold by the QIBs hence, it was not right to allege that QIBs were provided exit by the alleged matched trades executed by the *Noticee*. In this respect, I find that the contention of the *Noticee* is not convincing and tenable, for the reason that it has not been alleged in the SCN that the *Noticee* was solely responsible for providing exit to the QIBs. It has been noticed during the investigation that a number of other entities like the *Noticee* had indulged in buying shares from QIBs. In this regard, an indicative list of such entities has been provided at Annexure 3 to the *Interim* Order and I observe that

the *Noticee* is one of those entities whose buy orders for large quantities matched with the sell orders of the QIBs. Since many other such entities who were also noticed to have provided exit to the QIBs (against whom the actions have reportedly been initiated by SEBI) are not part of the present proceedings, it may not be appropriate for me to make any observation qua such entities. However, just because the *Noticee*'s trades partly matched with the counterparty trades of the QIBs, the contention of the *Noticee* that it has not indulged in any synchronised trades and has no role to play in providing exit to the QIBs, would not be a valid argument to be acceptable.

21. From the material made available, I observe that the 3 QIBs mentioned above namely, Sparrow, Ipro and Credo had offloaded 12,75,631 shares of TPL on NSE at a premium to the issue price of TPL (i.e 4,60,000 + 3,45,000 + 4,70,631 shares) on the listing day. The sell orders by these QIBs were primarily placed between 10:00:00 AM and 11:46:01 AM. The following table depicts the order entries in terms of the time slots w.r.t the orders in the scrip of TPL placed by the QIBs on NSE:

Table 3: Placement of orders by QIBs on NSE

Sl. No.	**Time Period (AM)**	**No. of sell orders placed by QIBs**	**Volume of Sell orders**	**Price Range of Sell orders Rs**	**Traded Qty by QIB during the time period**
1.	10:00:00-10:10:59	5	4,60,000	62	0
2.	10:11:00-10:29:59	1	1,15,000	62	0
3.	10:30:00-10:55:59	2	1,00,000	62	0
4.	10:56:00-11:00:00	2	1,30,000	62	0
5.	11:00:01:11:20:00	2	1,25,631	62	7,71,170
6.	11:20:01-11:25:59	6	3,45,000	62-62.50	3,78,824
7.	11:26:00-11:44:00	0	N.A.	N.A.	N.A.
8	11:44:01 to 11:46:01	0	0	0	1,25,637

22. From the above, it is noted that during the time slot i.e.10:00:00 AM to 11:00:00 AM, the three QIBs had placed a total of 10 sell orders for 8,05,000 shares at a limit price of Rs 62 per share. However, none of these said orders was executed on NSE during the above mentioned period. The first trade w.r.t the orders of QIBs was executed at 11:03:37 AM and thereafter, between 11:03:37 AM and 11:25:59 AM, trades for a total number of 11,49,994 shares were executed and trades for the remaining 1,25,637 shares were executed between 11:44:01 AM and 11:46:01 AM. This shows that 100% of the sell trades of the QIBs amounting to 12,75,631 shares of TPL were executed in the time slot between 11:03:37 AM and 11:46:01 AM, out of which, trades for 90.15% of their total sale i.e. 11,49,994 shares were executed between 11:03:37 AM and 11:25:59 AM (within approximately 22 minutes).

23. At the same time, the *Noticee* placed its first order on NSE in the scrip at 9:15:00 AM for purchase of 1500 shares at a price of Rs. 18.45. The details of the Orders placed by the *Noticee* are as under:

Table 4: Placement of Orders by the *Noticee* on NSE

Buy Order No.	**Order Price**	**Order Qty**	**Order time**	**Counterparty Order Time Range**	**Trade Time Range**	**Trade Qty.**	**Observations**
2011101475013182	18.45	1500	9:15:00				
2011101475157969	55	2000	9:22:01				No trade was executed and the order was deleted at 10:42:36 AM.
2011101475158525	53	2000	9:22:03				No trade was executed and the order was deleted at 10:42:36 AM.

2011101475158970	51	2000	9:22:05				No trade was executed and the order was deleted at 10:42:36 AM.
2011101475558226	63	125	10:04:23	10:04:22	10:04:23	125	
2011101475751853	55	2000	10:42:49				No trade was executed and the order was deleted at 11:35:45 AM
2011101475752089	53	2000	10:42:53				No trade was executed and the order was deleted at 11:35:43 AM.
2011101475752245	51	2000	10:42:56				No trade was executed and the order was deleted at 11:35:41 AM.

24. From the above table, I observe that the *Noticee* had placed a total of 8 buy orders in the scrip of TPL ranging from 125 to 2000 shares between 9:22:01 AM and 10:42:56 AM. All the orders except for one, were placed at a discount to allotment price. However, only one order that was placed for 125 shares at the price of Rs. 63 got executed. Rest of the orders were deleted by the *Notice* subsequently.

25. It is however noticed that suddenly after placing 8 orders as referred to above, the *Noticee* placed a large buy order for 2,50,000 shares (order no. 2011101475910750), at 11:21:51 AM, at the rate of Rs 62. Prior to the above mentioned time slot, *Noticee* had only placed orders in the range of 125-2000 shares. The said order of the *Noticee* for 2,50,000 shares got executed immediately and was matched with the pending sell orders of the aforementioned QIBs. I also note that there were several counterparties to the above noted trades, out of which, the counterparty for 2,29,509 shares

were the three QIBs comprising 1,00,124 shares were executed with Ipro, 70,000 shares with Sparrow and 59,385 shares were executed with Credo.

26. Immediately after executing the above noted trades for 2,50,000 shares, the *Noticee* placed another large buy order for 1,00,000 shares (order no. 2011101475911327) at 11:22:03 AM at a price of Rs 62. This order resulted into trades for 67,112 shares, out of which, Ipro was a counterparty for 66,601 shares while the *Noticee* deleted the remaining portion of the said buy order From the above noted uncanny trading pattern followed by the *Noticee,* it is evident that the above orders were not only placed suddenly by the *Noticee* departing from its immediately preceding trading pattern of placing buy orders at a discounted price to the prevailing market price, but also those trades have exposed the dubious intent of the *Noticee* to provide an easy exit to the QIBs by placing its buy orders in such a synchronized manner so as to match the pending sale orders of the QIBs. The submissions made by the *Noticee* do not support the actual trading pattern followed by it, as on the one hand the *Noticee* has claimed to have anticipated a fall in the price of the scrip of the *Company* on the day of its listing, whereas on the other hand, it deleted the orders placed below the allotment price, despite having anticipation of a fall in the price of the scrip. The *Noticee* apparently willingly placed buy orders to match the pending sell orders of the QIBs even at a premium to the allotment price which clearly suggests its true intent behind placing of those buy orders in the scrip on its listing day. The trading behaviour of the *Noticee* suggests that

its acts were not that of a genuine investor of the securities market having a *bonafide* intent to trade in the scrip on the day of its listing, rather, the unusual way of trading coupled with the facts, where the *Noticee* and some other entities were seen to be indulging in trades in a manner that the QIBs were successful in offloading their respective holdings on the day of listing itself at premium price, reveals the ill intent behind those alleged trades executed by the *Noticee* on the day of listing of the scrip of TPL.

27. The investigation has further revealed that the *Noticee* had placed the following orders in the scrip of TPL on NSE during the time slot 11:32:16 AM to 12:13:22 PM:

Table 5: Placement of orders by *Noticee* during 11:32:16 AM to 12:13:22 PM on the listing day

Buy Order No.	**Order Price**	**Order Qty**	**Order time**	**Counterparty Order Time Range**	**Trade Time Range**	**Trade Qty.**
2011101475952104	56.1	2500	11:32:16	12:03:06 to 12:03:10	12:03:09 to 12:03:10	2500
2011101476017793	61.55	250	11:47:32	11:48:54	11:48:54	250
2011101476021180	61.4	250	11:48:35	11:51:15 to 11:51:34	11:51:32 to 11:51:34	250
2011101476036576	60.85	250	11:53:52	10:23:49	11:56:04	250
2011101476037190	61.2	250	11:54:03	11:46:06 to 11:54:02	11:54:03 11:54:07	250
2011101476038974	61.35	250	11:54:38	11:54:39	11:54:39	250
2011101476045706	54.25	2000	11:56:32	9:43:44 9:44:12	12:05:14	2000
2011101476049648	57	1000	11:57:04	11:57:28	12:02:19	1000
2011101476055313	59	250	11:58:03	11:58:02	11:58:03	250
2011101476085380	51.25	2500	12:03:38	12:05:13 to 12:06:04	12:06:00 to 12:06:05	2500
2011101476105849	51.65	1000	12:06:10	12:05:47 to 12:06:11	12:06:10 to 12:06:11	1000
2011101476107392	52.1	1000	12:06:18	12:06:21	12:06:21	1000
2011101476160363	48	10000	12:13:22	12:11:33 to 12:13:18	12:13:22	10000

28. From an analysis of the above, it is evident that the *Noticee*, after placing a few buy orders of larger quantities, which resulted in matching with pending

sell orders of the QIB, has shifted to placing order for smaller quantities for which, no justifiable explanation has been furnished by the *Noticee*. The *Noticee* was advised during the course of personal hearing to provide explanation behind such abrupt change in its trading pattern leading to placement of 3 large buy orders on NSE and BSE. The *Noticee*, in its reply dated December 16, 2020, has submitted that it had placed buy orders of 2,50,000 shares and 1,00,000 shares with the instinct that if the first day selling gets absorbed at the price prevailing above its issue price, there was a very good chance that the script would continue making new highs and it would be able to exit at a higher price with handsome profits. In this context, I have already noted above that there wasn't enough trade volume in the scrip of TPL until the *Noticee* placed its huge buy orders which can convince anyone that by picking up such large quantities of shares from the QIBs at a premium to the issue price, the *Noticee* would've been able to sell back these large quantities into the market without any difficulty. The reasoning of the *Noticee* that it was purchasing the shares in anticipation of further increase in price of the scrip to new highs during the day and wasn't aware of the counterparties to its trades, does not go hand in hand with its act of cancelling of part out of its buy order for 1,00,000 shares that was left behind unexecuted after matching of its order to the extent of 67,112 shares. By advancing the aforesaid explanation, the *Noticee* has not been able to justify the abrupt change in its trading pattern which led to trades matching with the pending sale orders of QIBs.

29. I will now examine the trades of the *Noticee* in BSE at the time when the QIBs were trading in the scrip of TPL. I note that the 3 QIBs offloaded a total number of 13,25,370 shares on BSE. The sell orders placed by these QIBs were primarily placed between 10:00:00 AM to 11:50:40 AM. Details of the same are presented in the table below :

Table 6: Placement of Orders by QIBs on BSE

Time Period (AM)	**No. of sell orders placed by QIBs**	**Sell orders (number of shares)**	**Price Range Rs**	**Traded Qty by QIBs**	**Trade time (AM)**
10:00:00-10:10:59	5	4,00,000	65-70	0	
10:11:00-10:27:00	0	0	N.A.	0	
10:27:01-10:43:00	2	1,40,000	65-71	0	
10:43:01-10:45:00	4	3,45,000	62	1,44,354	11:16:00-11:17:12
10:45:00-10:46:30	5	2,30,000	65-71	0	
10:46:31-10:56:15	6	3,99,739	62	3,68,891	11:17:12-11:17:40
10:56:16-10:57:00	0	0	N.A.	0	
10:58:00-11:50:40	22	10,80,631	62-62.05	8,12,125	11:17:40-11:46:34

30. From the above, I note that the QIBs had placed a total number of 44 orders during first two hours of trading on the listing day in the scrip of TPL, all at a premium to allotment price. However, there was no trading corresponding to the said order before 11.16 AM. All the sell orders however got matched with corresponding buy orders from 11.16 AM to 11.46 AM.

31. At the same time, I observe that the *Noticee* had placed its first order in the

scrip of TPL on BSE at 11:22:14 AM. The details of the Order placed by the *Noticee* are as under:

Table 7: Placement of orders by the *Noticee* on BSE

Order No	**Order Price (**Rs)	**Order Qty**	**Order Time (AM)**	**Traded Qty**
23000080002322	62	100000	11:22:14	100000

The above order for 1,00,000 shares resulted into trade immediately at 11:22:14 AM. Out of the total number of 1,00,000 shares traded by the *Noticee*, I observe that the counterparty to the *Noticee*'s order for 79,811 shares was Sparrow. Thereafter, the *Noticee* placed a buy order for a small quantity of 1000 shares (order no: 23000080002323) at 11:22:19 AM which got executed immediately with the sell order of Credo.

32. I note from the previous paragraph that the abovementioned large buy order of the *Noticee* placed on BSE matched with its trade pattern followed on the platform of NSE and all the 3 large buy orders, two on NSE and one on BSE, were placed within a short span between 11.21.51 AM and 11.22.14 AM. I further note that a large part of all the 3 orders got matched with the corresponding pending sell orders of QIB.

33. The *Noticee* has contended that it was not aware of the orders placed by any of the QIBs and there is no direct evidence available to link it to the QIBs. Merely because some subscribers in the IPO are the counter party sellers to its buy trades, the same cannot be said to be connected with the *Noticee*. It was also the contention of the *Noticee* that a large number of parties who were allotted shares in the IPO, subscribed to the same only

with the intentions of making quick profits by immediately selling the shares on the first day of listing/trading. Therefore, in the absence of any connection with the QIBs, there is no evidence to establish that the orders have been executed with any prior meeting of mind. In this respect, I note that the issue as to whether there has to be a direct evidence to establish the allegations of indulging into fraudulent trades against a *Noticee*, came up for consideration before the Hon'ble Supreme Court of India in the matter of SEBI vs. Kisore R Ajmera (*AIR 2016 SC 1079*), in which the Hon'ble Supreme Court of India observed that:

"*It is a fundamental principle of law that proof of an allegation levelled against a person may be in the form of direct substantive evidence or, as in many cases, such proof may have to be inferred by a logical process of reasoning from the totality of the attending facts and circumstances surrounding the allegations/charges made and levelled. While direct evidence is a more certain basis to come to a conclusion, yet, in the absence thereof the Courts cannot be helpless. It is the judicial duty to take note of the immediate and proximate facts and circumstances surrounding the events on which the charges/allegations are founded and to reach what would appear to the Court to be a reasonable conclusion there from. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion……*

While the screen-based trading system keeps the identity of the parties anonymous it will be too naïve to rest the final conclusions on said basis

which overlooks a meeting of minds elsewhere. Direct proof of such meeting of minds elsewhere would rarely be forthcoming. The test is one of preponderance of probabilities so far as adjudication of civil liability arising out of violation of the Act or the provisions of the Regulations framed thereunder is concerned."

34. Keeping in mind the above observation of Hon'ble Supreme Court of India, I find in this case that the *Noticee* was initially placing purchase orders in the scrip of TPL at a heavily discounted price to the allotment price and such orders were place for small quantities. Thereafter, contrary to its trading pattern, suddenly it placed two large orders on NSE at a premium to allotment price. Further, after matching of part of the later order with Ipro, the *Noticee* cancelled the remaining portion of the pending order. This clearly shows that the trades placed by the *Noticee* were not trades placed by a prudent investor but were placed to achieve some oblique intent due to which the *Noticee* had placed those orders against the established trading norms of the market.

35. It is further alleged that the *Noticee* had entered into synchronized trades with certain entities. The details of the trades of the *Noticee*, alleged to be synchronized in nature, are as below:

Table 8: Details of synchronized trades by the *Noticee*

S. No.	Buy/ Sell	Exchange	Counterparty	*Noticee* order time (PM)	Qty (price)	Counterparty order time (PM)	Qty (price)	Trade time (PM)	Qty
1	S	BSE	Jivraj Zala	12:10:52	100000 (52)	12:10:56	100000 (52)	12:10:56	91603

2	S	NSE	Jivraj Zala	12:11:33	300000 (48)	12:11:36	300000 (48)	12:11:36	273794
3	S	NSE	Jivraj Zala	13:27:55	188000 (51)	13:27:57	200000 (51)	13:27:57	174454
4	S	BSE	Jivraj Zala	13:28:13	282000 (50)	13:28:20	200000 (50)	13:28:20	192384
5	B	BSE	Hitendrakumar Kapadia	14:07:58	500000 (42)	14:07:58	500000 (42)	14:07;58	477884
6	B	NSE	Pinac Stock Brokers	14:22:35	200000 (30)	14:22::50	200000 (30)	14:22:50	188981

It has been brought to my notice that in the *interim* order, counterparties mentioned in the above table, have been alleged to have played some role in the IPO of TPL and directions were issued against all these counterparties vide the *interim* order.

36. I note from the above table that the *Noticee* was a seller in the transactions mentioned at S. Nos. 1 to 4 and it was a buyer in the transactions mentioned at S. Nos. 5 & 6. I further note that all the buy and sell orders were placed by the *Noticee* as well as by its counterparties within a gap of 0-15 seconds at the same price. As observed in the last column of the above table, majority of the said orders mentioned above, matched with offers of counterparties.

37. The *Noticee* has contended that out of a total number of 153 orders placed, only 6 had led to synchronized trades. However, I note that all the above synchronized trades had taken place after 12.10 PM i.e. subsequent to the exit of QIBs. In this regard, an analysis of the order logs submitted by it in support of its replies dated May 31, 2018 and December 16, 2020, shows that majority of the orders placed by the *Noticee* were for small quantities. Only 16 orders were of a quantity of more than 1,00,000 shares each,

including the 3 orders which matched with those of QIBs. I also note that, out of a total volume of 37,00,704 shares traded by the *Noticee*, the volume of shares traded through the abovementioned synchronized trades amounted to 13,99,100 shares, which is 37.80% of the total volume of shares traded by the *Noticee* on the day of listing of the scrip of TPL. In view of the same, even though the trades alleged to be synchronised is less in number, the volume of shares involved/traded through these trades is not so miniscule to be ignored as mere co-incidence of order.

38. The *Noticee* has further contended that before his trade matched with Hitendrakumar Kapadia, mentioned at S. No. 5 in above table, 191 trades were executed in the same order. In this regard, I note that the stock exchange system works on the principle of price-time priority wherein on the same price, the order which is placed first in the system gets matched first. Therefore, the said 191 trades seem to be a result of the fact that they were placed, before the *Noticee* and Hitendrakumar Kapadia placed their respective orders in the system. This doesn't change the fact that a large part of the said order of the *Noticee* (for 4,77,884 shares out of total order for 5,00,000 shares) got matched with the order of Hitendrakumar Kapadia. The fact that both these entities placed their respective orders exactly at the same time without a gap of even 1 second and their orders matched in exact price and quantity, could be brushed aside treating them as a mere co-incidence, had the said trade been a solitary instance. However, I note that the *Noticee* has been alleged to have executed such synchronised

trades repeatedly with other entities as well. The time gap between the buy and sale orders that got matched also ranged from 0 to 15 seconds only, which do strongly indicates that there could be a meeting of minds between the counterparties to such trades elsewhere, than on the trading platform of stock exchanges, as envisaged by Hon'ble Supreme Court of India, while making their observations as quoted earlier, while passing judgment in the matter of *SEBI vs Kisore V Ajmera* (supra).

39. I also note that the *Noticee* has made contradictory statements in its replies. On the one side, the *Noticee* has submitted that its average purchase price of Rs. 48.06 per share shows that its anticipation that the market price of TPL will fall was proved right, while on the other hand, it has submitted that it generally buys in a scrip having upward momentum and sells a scrip showing downward momentum. Contrary to this submission, the *Noticee* appears to have continued placing buy orders in the scrip of TPL on both the exchanges on the listing day despite witnessing continuous fall in price.

40. It is also alleged that the *Noticee* has been indirectly funded by the *Company* for its losses incurred as a result of its trading in the shares of TPL. In this regard, it is alleged that, from the IPO proceeds of TPL, an amount of Rs. 50,10,274 was transferred by the *Company* to one Shareware Finvin Pvt. Ltd. (**Shareware**) on October 13, 2011. Thereafter, Shareware had transferred Rs.50,00,000 to the account of another entity viz; Krishna Trade & Commerce Pvt. Ltd. (**Krishna**) on October 17, 2011 and Krishna *in turn* transferred an amount of Rs. 70,00,000 to the *Noticee*

on the same day. Hence, it is alleged that the *Company* i.e. TPL had layered the fund transfer through other entities viz. Shareware and Krishna to hide the trail/movement of funds from its accounts to the *Noticee* that was transferred to bail out the loss suffered by the *Noticee* on account of its trading in the scrip of TPL.

41. In this regard, I note that the DA has observed that the allegation/ observations regarding diversion of funds from the account of TPL to the *Noticee* through layering of transactions through Shareware, Krishna etc. cannot be sustained. The DA while making the above observations has relied upon the observation of the Hon'ble Securities Appellate Tribunal (**SAT**), made in its order dated September 19, 2016 pertaining to the matter of *Lopa S Bhavnagari vs. SEBI,* wherein a similar allegation was levelled against appellant therein, who had also traded in the scrip of TPL on the listing day. In that case the Hon'ble SAT has also held :

"*17. We find merit in the argument made by the learned Senior Counsel for the appellants on the contention that diversion of IPO funds and thereby part funding of the losses made by the appellant cannot be sustained following the order of this Tribunal in case of Tijaria Polypipes Ltd. (Appeal No.372 of 2014 decided on 29/6/2016). However, we do not agree with the arguments that the appellant's trading in the TPL scrip on the opening day of IPO was just business as usual*."

42. Therefore, in the light of the above observations of Hon'ble SAT and

findings recorded by DA, I find that based on materials on record, it is difficult to conclude with conviction that the *Noticee* has been funded by TPL to trade in the scrip, on the day of its listing. However, the same is irrespective of already established fraudulent and unfair trade practices adopted by the *Noticee* in respect of its dealings in the scrip of TPL.

43. It is also important to note that the *Noticee* had made a submission to the effect before the DA that it had taken a loan from Krishna to fulfil its pay-in obligations. In view of the said contention, during the course of personal hearing, the *Noticee* was advised to provide reasoning behind its act of continuing trading in the scrip of TPL despite suffering continuous losses throughout the day, more particularly, when it was short of funds. I find that the *Noticee* has failed to submit any plausible reasoning to justify its acts of indulging in the trades in the said scrip by utilising borrowed money and had to incur losses.

44. The *Noticee* has admittedly suffered a huge loss of Rs. 1,20,20,885 from its trades in the scrip of TPL in one day. The *Noticee* has submitted that, generally due to the volatility in the scrips on the listing day, it trades in those scrips for earning substantial profits primarily by way of day trading and intra-day square off trades. However, I note from the annexure E of the reply of the *Noticee* dated December 16, 2020 that, out of 41 scrips on which the *Noticee* had traded on the listing day of those respective scrips, the loss incurred by the *Noticee* in any of those 41 scrips was nowhere close to the huge loss suffered by it, out of its trading in the scrip of TPL.

45. Further, I note that the scrip price of TPL was stable from 10.00 AM to 12.00 Noon on the listing day. Thereafter, the price of the scrip was falling continuously till the closing of the market. Further, the *Noticee*, in its reply dated May 31, 2018, has submitted that it had anticipated fall in the scrip price of TPL. However, despite anticipating and noticing a continuous fall in the price, the *Noticee* kept on placing orders, both buy and sell, in the market. Any prudent investor, who trades on the basis of risk management system, would have stopped trading at some point of time to curtail its losses. However, inexplicably, the *Noticee* was active in the scrip till closing of the day. In this regard, I note that the Hon'ble Supreme Court of India, in its judgment in the matter of SEBI vs. Rakhi Trading Pvt. Ltd. [(2018)13 SCC 753] made the following observations:

"*In the instant case, one party booked gains and the other party booked a loss. Nobody intentionally trades for loss. An intentional trading for loss per se, is not a genuine dealing in securities. The platform of the stock exchange has been used for a non-genuine trade. Trading is always with the aim to make profits. But if one party consistently makes loss and that too in preplanned and rapid reverse trades, it is not genuine; it is an unfair trade practice.*" (emphasis supplied)

Therefore, continuous booking of loss by the *Noticee* at the same time when the Noticee had in advance anticipated a fall in price of the scrip of TPL, shows that the *Noticee* was intentionally booking loss in the scrip of TPL. In terms of the above observations of Hon'ble Supreme Court of India, such

intentional booking of loss cannot be termed as genuine dealing in securities and therefore, it amounts to indulging in unfair trade practice.

46. Further, the fact that large orders were placed by the *Noticee* and its counterparties within a gap of seconds, leading to instant matching of those orders clearly suggests that there was meeting of minds between the *Noticee* and its counterparties as mentioned in the Table 8. In this regard, I note from the Order dated November 02, 2012 that SEBI has also initiated adjudication proceedings against the counterparties to the synchronized trades executed by the *Noticee* who have been named in the Table 8.

47. The *Noticee* has submitted that its trading strategy was to get maximum profit out of price fluctuation and volatility observed in prices on the listing day of a scrip, and for the said reason the *Noticee* was trading on the listing day with minimum delivery position. However, the actual trading pattern the *Noticee* followed in the scrip of TPL doesn't seem to be in line with the said strategy, since any entity with the said strategy will attempt to get the maximum out of fluctuation of the scrip price with minimum risk and without affecting the price-volume of the scrip by its own trades. On the other hand, the trades of the *Noticee* were clearly affecting price-volume of the scrip on the listing day. Further, normally a prudent investor will not attempt to purchase shares in large quantities at once, in a scrip on the listing day as this may lead to a huge loss, as happened with the *Noticee* in the present matter, as it may prove to be difficult to offload such huge quantities of shares at a later stage, in case of freefall of price. The trading pattern of the

Noticee coupled with submissions advanced by it suggest that the *Noticee*, despite being aware of likely fall in the price of the scrip, purchased the shares of TPL in huge quantities without being concerned about the situation that later on it might not be in a position to offload the same. It further suggests that the trades executed by the *Noticee* were not transacted as fair market practice but executed under a scheme or artifice.

48. I find that *Noticee* has not been consistent in its submission and, at many places, it has contradicted its own statements. As observed from the preceding paragraphs, the *Noticee* was initially placing orders in the scrip of TPL at rates which were significantly lower than the prevailing market rate. I observe that when the prevailing market rate of TPL was hovering in the region of Rs 62 to Rs 60 on the opening day of listing, *Noticee* was placing buy orders in the scrip at rates which were significantly lower than the market price and also was deleting these orders immediately. Subsequently, the *Noticee* placed its first large buy order in the scrip of TPL at 11:21:51 AM for 2,50,000 shares. A substantial portion of this Order got matched with the sell orders placed by the QIBs. I find that the sell orders placed by the QIBs remained pending in the system until the *Noticee* had placed its huge buy order for 2.5 lakh shares at 11:21:51 AM. This clearly signifies that *Noticee* had malafide intentions and had placed its buy orders only to facilitate easy exit to the QIBs at a premium to the issue price. In the light of the aforementioned facts, I can observe that the *Noticee* had *inter alia* indulged in such trading, for ensuring an exit to the QIBs and other

allottees in TPL's IPO and as a result of the same, ended up in suffering huge losses which were suspected to have been partly borne by TPL (through layered fund transactions). From the aforestated trading pattern of the *Noticee*, one can conclude that the *Noticee* was operating hand in glove with those, who wanted to ensure that the QIBs and other allottees are given easy exit at a premium to the issue price.

49. To sum up, I observe that even though the charge of funding from the *Company* is not found to be established based on the materials on record, nonetheless, from the consideration of the other evidences available on records and explanations offered by the *Noticee,* I am of the view the that trades of the *Noticee* have not been consistent with the established market prudence normally followed by a genuine investor, and the *Noticee* was found to have bought huge quantities of shares of the *Company* happily at a price higher than its anticipated price and held on to them on the face of falling market price of the scrip, which raises serious doubt on its intent behind executing such trades even at the cost of incurring huge losses. Similarly, the *Noticee* is also found to have indulged in synchronised trades as well, which are though less in number, involved high volume of shares that cannot be ignored. In view of the aforesaid, the above noted synchronised trades of the *Noticee*, even though may not be intended to provide exit to the QIBs but such high volume trades definitely had those fraudulent elements for being held as not fair and genuine trades. It is trite law that orders and trades which have not been found to be fair and genuine

are fraudulent in nature, since such orders are laced with the ingredients of artificially inducing investors to deal with the said scrip and such acts of indulging in unfair trades further possess the potential to create artificial demand and misleading appearance of trading volume in such a scrip. Hence, the acts of the *Noticee* of indulging in synchronised trades were succinctly unfair and fraudulent trades which were executed in violation of Section 12A(a), (b) and (c) of the SEBI Act read with Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a), (b) & (e) of PFUTP Regulations.

50. Without prejudice to the findings and observations in the foregoing paragraphs about the fraudulent and unfair trade practices followed by the *Noticee* while trading in the scrip of TPL on the listing day, I find that in the instant matter, the *Noticee* has already been put under restraint vide interim order dated December 28, 2011 for the said violations and misconduct and the restraint imposed vide the said interim order remained in force until the same was revoked vide another order dated November 02, 2012. Needless to state that, the said restraint was also imposed for the violation of provisions of the SEBI Act, 1992 and the regulations made thereunder. Vide the above mentioned interim order, the *Noticee* has not only been prohibited from buying, selling or dealing in any securities, in any manner whatsoever, in its proprietary account, but was also prohibited from entering into any fresh agreements with new clients in its operations as a stock broker till the restrain so imposed was revoked by the subsequent revocation order. Thus, effectively, the restraint and prohibition order qua

the *Noticee* remained in force for a period of 10 months. It has also been submitted before me that no further complaints have been brought on record against the *Noticee* based on which any further actions could be contemplated for initiation against it.

51. I also note that the allegations based on which restraint was imposed vide the interim order was in exercise of the power under Section 11B of SEBI Act, 1992 and the allegations based on which the instant proceedings have been initiated are in connection with the same underlying violations for which the restraint was imposed vide the aforesaid interim order dated December 28, 2011 by invoking the provisions of Section 11B of SEBI Act. Hence considering the above, I am inclined to take a view that the present activities of the *Noticee* do not indicate any material event that would adversely affect its status as Stock Broker, when it has submitted that its activities in the securities market is limited to a few clients or its proprietary trades only. In the absence of any further incriminating evidence to the contrary and the fact that for the same offences and violations, the *Noticee* has already undergone restraint for a period of Ten months vide the interim order dated December 28, 2011, that was revoked by the subsequent order dated November 02, 2012, I am of the view that it would be sufficient to meet the end of justice that this proceeding is disposed of without any further measure being taken against the *Noticee*.

ORDER

52. In view of the above, in exercise of powers conferred on me under Section

12 (3) of the SEBI Act read with regulation 27 and regulation 28 of the SEBI (Intermediaries) Regulations, 2008, and upon consideration of the facts and circumstances as above, I hereby dispose of the extant enquiry proceedings and the SCN dated November April 11, 2018 against the *Noticee*, i.e. Salasar Stock Broking Limited without any direction.

53. This Order disposes of the enquiry proceedings initiated against the *Noticee* following the investigation conducted by SEBI into the alleged irregularities in the trading in the scrip of Tijaria Polypipes Limited for the period September 29, 2009 to December 31, 2009.

Sd/-

Date: April 19, 2021 **S. K. Mohanty**

Place-Mumbai **Whole Time Member**