

WTM/AB/IVD/ID5/15735/2021-22

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

Under Sections 11(1), 11(4), 11(4A) and 11B(1) and 11B(2) of the Securities and Exchange Board of India Act, 1992 and 15I of the Securities and Exchange Board of India Act, 1992 read with Rule 5 of the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995

Noticee No.	Name of Noticees	PAN
1.	Bharat Jayantilal Patel	AAAPP6652R
2.	Pat Financial Consultants Pvt. Ltd.	AAACP3115E
3.	Fidelity Multitrade Pvt. Ltd.	AABCF0017A
4.	Pasha Finance Pvt. Ltd.	AAACP8316P
5.	Acira Consultancy Pvt. Ltd.	AAICA9489N
6.	Nirshilp Securities Private Limited	AABCN4361M

In the matter of Crest Ventures Ltd. (Earlier known as Sharyans Resources Ltd.) Ltd.

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- The present proceeding emanates from a show cause notice dated August 05, 2019 (hereinafter referred to as “**SCN**”) and supplementary show cause notice dated August 20, 2020 (hereinafter referred to as “**supplementary SCN**”) issued by the Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”). The SCN was issued to the Noticees asking them to show cause as to why suitable directions under Sections 11(1), 11(4) and 11B (1) of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act, 1992**”), should not be issued against them. The supplementary SCN was issued to the Noticees asking them to show cause as to why, additionally, penalty should not be imposed upon them under Section 15HA of the SEBI Act, 1992 read with Section 11B(2) of SEBI Act, 1992. The SCN, *inter alia*, alleged that Noticees No. 1 to 5 by repetitively executing

synchronized trades within themselves for 30,35,839 shares (17.55% of the market volume) in 16 trades over 8 trading days at BSE created misleading appearance of trading in the scrip of Crest Ventures Ltd. (hereinafter referred to as “**Crest**”) without any intention of change in ownership of the security and thereby violated provisions of Section 12 A (a), (b) and (c) of SEBI Act, 1992, read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) and (g) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations, 2003**”). The SCN also alleged that Noticee No. 6, contributed LTP of Rs.238.60 which is 20.17% of total market positive LTP in 442 trades for 1265 shares during price rise patch 1 of Investigation Period and with an intent to manipulate the scrip price, (a) repeatedly placed buy orders above prevailing sell order rates with negligible buy order quantity (b) repeatedly matched sell orders placed above LTP with market buy orders in negligible buy order quantity (c) repeatedly executed self-trades in negligible quantity. The SCN further alleged that Noticee no. 6 contributed negative LTP of Rs.434.05 which is 21.72% of total market negative LTP in 541 trades for 607 shares during price fall patch 2 and with an intent to manipulate the scrip price (a) repeatedly placed sell orders below prevailing buy order rates with negligible sell order quantity (b) repeatedly matched buy orders placed below LTP with market sell orders in negligible sell order quantity (c) repeatedly executed self-trades in negligible quantity. Based on the above, the SCN alleged that Noticee No.6 traded with intent to manipulate the price of scrip and created misleading appearance of trading in the scrip of Crest without any intention of change in ownership of the security, thereby violated the provisions of Section 12 A (a), (b) and (c) of SEBI Act, 1992, read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a), (e) and (g) of PFUTP Regulations, 2003.

2. The brief facts of the case, as mentioned in the SCN are as follows:

- i) NSE and BSE forwarded a joint examination report in the trading activities of certain entities identified as “Bharat Patel Group” in certain scrips on the basis of alerts generated by surveillance system and complaint received from SEBI alleging circular trading in the scrip of Ponni Sugars (Erode) Limited by the said Group. It was observed in the joint examination report that Bharat Patel Group

entered into bulk deals amongst themselves and reversed the said deals within a short period of time at either of the exchanges. 17 scrips wherein Bharat Patel Group executed major bulk deals were identified including the scrip of Crest by NSE and BSE.

- ii) Shares of Crest are listed on BSE & NSE.
- iii) The period under investigation in the present matter was December 15, 2011 to October 09, 2014 (hereinafter referred to as “**Investigation Period**”) The Investigation Period has been divided into five patches. The price movement of the scrip of Crest at BSE and NSE, before, during the five patches of the Investigation Period and after the Investigation Period is summarized below:

Period	Dates		Open	High	Low	Close	Total Vol/(Avg. Vol.)
Pre Investigation Period	15/09/2011-14/12/2011	Price	55.55	74.8 (26/10/2011)	45.4 (21/11/2011)	52.55	3289483/54824
		Vol	404	169973 (25/10/2011)	404 (15/09/2011)	12129	
Patch 1 (Rise)	15/12/2011-30/03/2012	Price	54.95	66.70 (30/03/2012)	46.45 (30/12/2011)	67.05	6487707/85365
		Vol	49290	718750 (12/03/2012)	1626 (16/12/2011)	70078	
Patch 2 (Fall)	02/04/2012-29/10/2013	Price	65	67.85 (04/04/2012)	25.30 (28/10/2013)	27.9	5322464/14043
		Vol	52238	642241 (03/04/2013)	1 (8 instances)	11409	
Patch 3 (Rise)	30/10/2013-22/01/2014	Price	28.4	60.15 (22/01/2014)	27 (05/11/2013)	60.15	799675/13554
		Vol	10797	71962 (22/01/2014)	6683 (03/11/2013)	71962	
Patch 4 (Fall)	23/01/2014-14/05/2014	Price	61.9	61.9 (23/01/2014)	26.05 (14/05/2014)	29.5	3901573/54952
		Vol	36323	3061574 (28/03/2014)	1 (05/02/2014)	532	
Patch 5 (Rise)	15/05/2014-09/10/2014	Price	28.15	64.5 (30/09/2014)	26.4 (16/05/2014)	55.5	787282/8652
		Vol	1934	630817 (20/05/2014)	16 (24/09/2014)	1575	
Post Investigation period	10/10/2014-08/01/2015	Price	53	55 (05/01/2015)	41.65 (28/10/2014)	49.5	226062/4614
		Vol	1575	87187 (01/12/2014)	20 (14/11/2014)	710	

Further, the price movement of the scrip of Crest at NSE, before, during and after the investigation is summarized under

Period	Dates		Open	High	Low	Close	Total Vol/(Avg. Vol.)
Pre Investigation Period	15/09/2011-14/12/2011	Price	58.00	70.95 (17/10/2011)	45.55 (18&24/11/2011)	55	3123530/52059
		Vol	5	137630 (30/09/2011)	5 (15/09/2014)	8608	
Patch 1 (Rise)	15/12/2011-30/03/2012	Price	55	67.50 (30/03/2012)	48.05 (23/12/2011)	66.85	6610997/86987
		Vol	39200	743121 (26/03/2012)	157 (26/12/2011)	126040	
Patch 2(Fall)	02/04/2012-29/10/2013	Price	66.85	69.70	27.35	28.50	3557740/10814
		Vol	20010	636451 (25/02/2013)	1 (6 times)	10218	
Patch 3 (Rise)	30/10/2013-22/01/2014	Price	28.30	61.7 (22/01/2014)	26.4 (05/11/2013)	61.45	936092/15866
		Vol	10465	100426 (22/01/2014)	5321 (03/11/2013)	100426	
Patch 4(Fall)	23/01/2014-14/05/2014	Price	61	63 (23/01/2014)	25 (09/05/2014)	28.05	259947/3880
		Vol	35287	35287 (23/01/2014)	1 (04/03/2014)	268	
Patch 5(Rise)	15/05/2014-01/10/2014*	Price	27	63.45 (30/09/2014)	26 (15/05/2014)	60.95	35656/502
		Vol	497	2299 (21/05/2014)	1 (6 times)	1	
Post Investigation period	13/10/2014*-08/01/2015	Price	57.95	59.95 (05/0/2015)	41 (05/0/2015)	49	16078/595
		Vol	1	3452 (05/0/2015)	1 (13/10/2014)	105	

*no trading till 12/10/2014

Allegations against Noticee nos. 1 to 5:

- iv) During investigation, a group of 16 entities were identified as belonging to the said “**Bharat Patel Group**” on the basis of KYC documents, MCA details, bank

account statements and off-market transactions. The list of those 16 entities is as under:

Sr. no.	PAN	Entity Name	Sr. no.	PAN	Entity Name
1	AAAPP6652R	Bharat Jayantilal Patel	9	AAACP3115E	Pat Financial Consultants Pvt. Ltd.
2	ANDPP9202F	Ruchit Bharat Patel	10	AAICA9489N	Acira Consultancy Pvt. Ltd.
3	AACPP5126G	Minal Bharat Patel	11	AACCG3017C	Gandiv Investment Pvt. Ltd.
4	AHIPP1407H	Hardik Bharat Patel	12	AACCH5285R	Hridaynath Consultancy Pvt. Ltd.
5	AABPP2156M	Prashant Jayantilal Patel	13	AABCP1438P	Pranav Holdings Pvt. Ltd.
6	AABPP2157L	Pankaj Jayantilal Patel	14	AABCF0017A	Fidelity Multitrade Pvt. Ltd.
7	ABAPS7558L	Vanraj Vinod Shah	15	AAFCEM3690Q	Moneybee Realty Pvt. Ltd.
8	AAGPK6090A	Ajaykumar Banwarilal Kejriwal	16	AAACP8316P	Pasha Finance Pvt. Ltd.

- v) Out of the 16 entities in Bharat Patel Group, 5 entities were found to have traded in the scrip of Crest during the Investigation Period.
- vi) The trading by the “Bharat Patel Group” during the investigation period is summarized and tabulated as under:

Name of Entity	Gross Buy	% of Gross Buy to Mkt. Vol	Gross Sell	% of Gross Sell to Mkt. Vol	Net Qty.
BSE					
Bharat Jayantilal Patel	5,52,691	3.20	15,43,702	8.92	-991011
Pasha Finance Pvt. Ltd.	9,27,691	5.36	12,66,236	7.32	-338545
Acira Consultancy Pvt Ltd	6,27,853	3.63	11,82,605	6.84	-554752
Fidelity Multitrade Pvt. Ltd.	19,82,195	11.46	6,28,253	3.63	1353942
Pat Financial Consultants Pvt. Ltd	7,830	0.05	7,830	0.05	0
Total	40,98,260	23.69	46,28,626	26.76	
NSE					
Bharat Jayantilal Patel	13,23,703	11.61	3,32,692	2.92	991011
Pasha Finance Pvt. Ltd.	9,43,554	8.28	6,22,163	5.46	321391
Acira Consultancy Pvt Ltd	6,27,853	5.51	73,101	0.64	554752
Prashant Patel	6,10,000	5.35	6,10,000	5.35	0
Fidelity Multitrade Pvt. Ltd.	0	0.00	13,65,544	11.98	-1365544
Total	35,05,110	30.75	30,03,500	26.35	501610

- vii) It is observed from the above table that Bharat Patel Group purchased 40,98,260 shares (23.69% of total market volume) and sold 46,28,626 (26.76 % of total

market volume) at BSE. The Group was net seller of 5,30,366 shares. At NSE, Bharat Patel Group purchased 35,05,110 shares (30.75% of total market volume) and sold 30,03,500 (26.35 % of total market volume) at NSE. The Group was net buyer of 5,01,610 shares. It was further observed that certain entities belonging to “Bharat Patel Group” executed trades in a synchronized manner. The details of such Synchronized trades are tabulated as under:

Gross Buy Qty of Bharat Patel Group	Gross Sell Qty of Bharat Patel Group	Gross Total	Total traded qty among Bharat Patel Group	Sync traded qty by Bharat Patel Group	Sync Trades as % of total traded qty among Bharat Patel Group	Sync Trades as % of Total market volume
BSE						
40,98,260	46,28,626	87,26,886	34,77,474	30,35,839	87.30	17.54
NSE						
35,05,110	30,03,500	65,08,610	23,92,545	5,63,732	23.56	4.94

- viii) It was observed that 5 Bharat Patel Group entities: (i) Bharat J. Patel., (ii) Pat Financial Consultants Pvt. Ltd., (iii) Fidelity Multitrade Pvt. Ltd., (iv) Pasha Finance Pvt. Ltd and (v) Acira Consultancy Pvt. Ltd. (Noticee No. 1 to 5) repetitively executed synchronised trades on BSE within the group for 30,35,839 shares (17.55% of the market volume) in 16 trades over 8 trading days and thus created misleading appearance of trading in the scrip without any intention of change in ownership of the security.

Allegations against Noticee no. 6:

- ix) On the basis of price movement (rise and fall), Investigation Period was divided into 5 patches and the contribution of Bharat Patel Group and the top 10 LTP contributors to price rise / price fall was analyzed. However, with respect to the allegations against Noticee no. 6, 2 Patches are relevant:

- i. Patch 1: price rise period (15/12/2011 - 30/03/2012);
 ii. Patch 2: price fall period (02/04/2012 - 29/10/2013);
- x) BSE: During Patch-1 of the Investigation Period- price rise period (15/12/2011 to 30/03/2012), a total of 64,87,707 shares were traded in 19,921 trades at BSE. The previous closing price (14/12/2011) of the scrip was Rs.52.55. The closing price for the Patch was Rs.67.05 (30/03/2012) at BSE. i.e. price of the scrip increased by Rs.14.50.
- xi) On the basis of net Positive LTP contribution, trades of top 10 entities are analyzed as under:

Buyer Name	All Trades			trades with LTP diff > 0			trades with LTP diff < 0			trades with LTP diff =0			% of positive LTP to Total Market positive LTP
	Net LTP (in Rs.)	Total QTY	No of trades	LTP impact in Rs.	QTY traded	No of trades	LTP impact in Rs.	QTY traded	No of trades	QTY traded	No of trades		
Nirshilp Securites Pvt. Ltd	41.60	14408	8056	238.60	1265	442	-197.00	1324	449	11819	7165		20.17
Gajmukh Suppliers Private Lim	20.10	962624	184	66.25	418878	94	-46.15	433711	61	110035	29		5.60
Pratibha Syntex Ltd.	18.70	425245	133	31.25	229486	71	-12.55	146389	32	49370	30		2.64
Avinash Concepts	17.40	83107	28	17.65	74649	22	-0.25	8000	1	458	5		1.49
Dipen Rasiklal Bhuptani	16.20	25539	266	69.40	5569	82	-53.20	9299	72	10671	112		5.87
Prerna Chaudhary	15.40	139780	43	16.70	110120	24	-1.30	15474	6	14186	13		1.41
Ashok Kumar Vasudeva	14.50	137115	35	18.60	109001	25	-4.10	24111	7	4003	3		1.57
BP Fintrade Private Limited	13.65	455	247	45.35	76	61	-31.70	86	84	293	102		3.83
Sunita Patidar	12.80	149018	35	18.65	74508	21	-5.85	63710	10	10800	4		1.58
Nasim Sujit Desai	12.45	106811	63	13.70	39216	25	-1.25	21783	5	45812	33		1.16
Top 10 Total	182.80	2044102	9090	536.15	1062768	867	-353.35	723887	727	257447	7496		45.32
Others	-168.30	4443605	10831	646.80	1529957	1275	-815.10	1786546	1521	1127102	8035		54.68
Market	14.50	6487707	19921	1182.95	2592725	2142	-1168.45	2510433	2248	1384549	15531		100.00

- xii) From the above table, it is noted that top 10 LTP contributors have contributed positive LTP of Rs.536.15 which is 45.32% of total market positive LTP contribution i.e. Rs. 1182.95. Out of the top 10 LTP contributors, it was observed that Noticee no. 6 has contributed more than 5% LTP and its trades have been analyzed as under;
- xiii) Noticee no. 6 has contributed positive LTP of Rs.238.60 which is 20.17% of total market positive LTP in 442 trades for 1265 shares. Counterparty analysis was done and it was noted that there were 102 different counterparties to its 442 positive LTP trades. From the order book analysis, it was observed that out of

total 442 positive LTP trades, 374 buy orders by Noticee no. 6 were placed after the sell orders being available in the system.

- xiv) Out of 442 LTP Contributing trades, 26 trades were self-trades which has contributed to positive LTP of Rs.16.75. All these self-trades, except one, were for one share.
- xv) Illustration of highest positive LTP contributing trades of Noticee no. 6 are given as under:

S · N o	Entities	Date	Order Type	Order No	Order Time (LM)	Order Qty (LM)	Order Price (LM)	Trade time	Trade Qty.	Trade Price	Dif f in LT P (in Rs .)
1	Nirshilp	12/03/2012	Buy	16000359094286	11:24:32	1	56.55	11:24:32	1	55.00	6.50
	Tejas Doshi		Sell	13000330038630	11:24:32	2000	55.00				
2	Nirshilp	30/12/2011	Buy	22000257010177	09:17:51	9	Mkt	09:17:51	9	54.60	4.60
	Pushpa ben A Shah		Sell	16000251002751	09:17:28	300	54.60				
3	Nirshilp	06/02/2012	Buy	20000051013231	09:35:11	25	Mkt	09:35:11	25	52.60	3.55
	Aliaske r		Sell	19000055000072	09:34:42	1000	52.60				
4	Nirshilp	11/01/2012	Buy	15000046013173	09:26:53	1	Mkt	09:26:53	1	54.50	3.55
	Amit K Seth		Sell	12000048005283	09:21:39	500	54.50				
5	Nirshilp	26/12/2011	Buy	21000228080963	14:56:30	25	Mkt	14:56:31	1	52.85	3.35
	Nirshilp		Sell	21000228080912	14:56:21	1	52.85				

Mkt= Market Order

- xvi) The order pattern is examined as under:
- Sr.no.1: Vide order ID 16000359094286 at 11:24:32, Noticee no. 6 placed buy order at Rs.56.55 for only for 1 share to match a sell order ID 13000330038630 for 2000 share placed at 11:24:32. The matching orders contributed to LTP of Rs.6.50.
 - Sr.no.2: Vide order ID 22000257010177 at 09:17:51, Noticee no. 6 placed buy order at market price for 9 share to match sell order ID 16000251002751

for 300 share placed at 09:17:28. The matching orders contributed to LTP of Rs.4.60.

- Sr.no.3: Vide order ID 20000051013231 at 09:35:11, Noticee no. 6 placed buy order at market price for 25 share to match a sell order ID 19000055000072 for 1000 share placed at 09:34:42. The matching orders contributed to LTP of Rs.3.55.
- Sr.no.4: Vide order ID 15000046013173 at 09:26:53, Noticee no. 6 placed buy order at market price for 1 share to match a sell order ID 2000048005283 for 500 share placed at 09:21:39. The matching orders contributed to LTP of Rs.3.55.
- Sr.no.5: Vide order ID 21000228080963 at 14:56:30, Noticee no. 6 placed buy order at market price for 25 share to match its own order ID 21000228080912 for 1share placed at 14:56:21. The matching orders contributed to LTP of Rs.3.35.

- xvii) From the above analysis, it is observed that Noticee no. 6 placed buy orders above prevailing sell order rates after the sell orders are available in the system with negligible buy quantity. On further analysis of 442 positive LTP trades, it was observed that Noticee no. 6 (i) repeatedly placed buy orders above prevailing sell orders rate with negligible buy order quantity, (ii) repeatedly matched sell orders that are placed above LTP with market orders, with negligible buy order quantity and (iii) repeatedly executed self-trades in negligible quantity. A genuine buyer would not repeatedly place buy orders at a price higher than the sell order price and for a quantity lesser than the available sell order quantity. From the illustration and analysis above, it was observed that Noticee no. 6 placed the aforesaid orders with a manipulative intent to increase the price of the scrip.
- xviii) On BSE during Patch-2 of the Investigation Period (Price Fall Period - 02/04/2012 - 29/10/2013), a total of 53,33,261 shares were traded in 31,596 trades at BSE. The previous closing price (30/03/2012) of the scrip was Rs.67.05. The closing price of the Patch-2 was Rs.27.9 (29/10/2013) i.e. price of the scrip decreased by Rs.39.15.

- xix) On the basis of net Negative LTP contribution, trades of top 10 entities are analyzed as under:

Seller Name	All Trades			trades with LTP diff > 0			trades with LTP diff < 0			trades with LTP diff =0		% of Negative LTP to Total Market Negative LTP
	Net LTP (in Rs.)	Total QTY	No of trades	LTP impact in Rs.	QTY traded	No of trades	LTP impact in Rs.	QTY traded	No of trades	QTY traded	No of trades	
Nirshil Securites Pvt. Ltd	-98.45	8676	7627	335.60	509	455	-434.05	607	541	7560	6631	21.72
Aruna Dinesh Shah	-24.45	220693	72	2.45	59670	15	-26.90	124212	21	36811	36	1.35
Oracle Securities Private Limited	-23.30	610	30	0.05	1	1	-23.35	583	17	26	12	1.17
Shrey Mittra	-21.70	13436	79	9.00	5392	19	-30.70	3769	35	4275	25	1.54
Rekhaben Hasmukhlal Doshi	-12.75	206	8	0.00	0	0	-12.75	6	6	200	2	0.64
Ashwani Bansal	-10.95	7116	218	9.30	639	12	-20.25	3333	39	3144	167	1.01
Anu Kataria	-10.80	3977	393	12.15	111	21	-22.95	1384	32	2482	340	1.15
Sykes And Ray Equities India Lim	-10.05	3175	31	5.55	48	5	-15.60	2953	14	174	12	0.78
Suraj Dileepkumar Karkera	-8.50	101920	36	3.00	3596	5	-11.50	72946	7	25378	24	0.58
Chandrashekhar Divyakumar Vai	-8.15	3501	54	0.10	50	1	-8.25	1731	19	1720	34	0.41
Top 10 Total	-229.10	363310	8548	377.20	70016	534	-606.30	211524	731	81770	7283	30.35
Others	189.95	4959154	22869	1582.00	1090733	2388	-1392.05	1463009	2370	2405412	18111	69.65
Market	-39.15	5322464	31417	1959.2	1160749	2922	-1998.35	1674533	3101	2487182	25394	100.00

- xx) From the above table, it is noted that top 10 LTP contributors have contributed negative LTP of Rs.606.30 which is 30.35% of total market negative LTP contribution i. e Rs. 1998.35.
- xxi) Out of the top 10 LTP contributors, one entity Noticee no. 6 contributed negative LTP of Rs.434.05 which is 21.72% of total market negative LTP in 541 trades for 607 shares. Counterparty analysis was done and it was noted that there were 137 different counterparties to its 541 negative LTP trades. From the order book analysis, it was observed that out of total 541 negative LTP contributing trades, in 383 trades, sell orders by Noticee no. 6 were placed after the buy orders being available in the system at a price lower than the LTP.
- xxii) Out of 541 LTP Contributing trades, 39 trades were self-trades which has contributed to negative LTP of Rs.56.95. All these self-trades, except one, were for one share.
- xxiii) Illustration of highest negative LTP contributing trades of Noticee no. 6 are given as under:

S.No	Entitie s	Date	Orde r Type	Order No	Order Time (LM)	Orde r Qty (LM)	Orde r Price (LM)	Trade time	Trad e Qty.	Trad e Price	Diff in LTP (in Rs.)
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1	Satish	05/03/2013	Buy	14000133020999	10:12:29	5	46.35	10:57:00	5	46.35	-6.50
	Nirshil p		Sell	23000098151605	10:57:00	50	Mkt				
2	Pankaj	19/10/2012	Buy	22000142027006	09:46:10	1	57.05	11:19:08	1	57.02	-6.00
	Nirshil p		Sell	22000142059171	11:19:08	100	57.05				
3	Nirshil p	23/10/2012	Buy	13000132085048	11:08:52	1	52.65	11:09:32	1	52.65	-5.35
	Nirshil p		Sell	13000132086505	11:09:32	1	51.95				
4	Nirshil p	19/12/2012	Buy	11000105014564	09:58:18	1	55.05	12:05:09	1	55.05	-4.95
	Nirshil p		Sell	11000105014565	12:05:09	1	54.25				
5	Pawan	25/04/2013	Buy	21000115024975	09:24:30	1	44.00	09:28:17	1	44.00	-4.75
	Nirshil p		Sell	20000122012497	09:28:16	1	43.70				

Mkt= Market Order

xxiv) The order pattern is examined as under:

- Sr.no.1: Vide order ID 23000098151605 at 10:57:00, Noticee no. 6 placed Sell order at market price for only 50 share to match a buy order ID 14000133020999 for 5 shares placed at 10:12:29. The matching orders contributed negative LTP of Rs.6.50.
- Sr.no.2: Vide order ID 22000142059171 at 11:19:08, Noticee no. 6 placed Sell order at Rs.57.05 for only 100 share to match a buy order ID 122000142027006 for 1 share placed at 09:46:10. The matching orders contributed negative LTP of Rs.6.00.
- Sr.no.3: Vide order ID 13000132086505 at 11:09:32, Noticee no. 6 placed Sell order at Rs.51.95 for only 1 share to match its own buy order ID 13000132085048 for 1 share placed at 11:08:52. The matching orders contributed negative LTP of Rs.5.35.
- Sr.no.4: Vide order ID 11000105014565 at 12:05:09, Noticee no. 6 placed Sell order at Rs. 54.25 for only 1 share to match its own buy order ID 11000105014564 for 1 share placed at 09:58:18. The matching orders contributed negative LTP of Rs.4.95.
- Sr.no.5: Vide order ID 20000122012497 at 09:28:16, Noticee no. 6 placed Sell order at Rs.43.70 for only 1 share to match a buy order ID 21000115024975

for 1 share placed at 09:24:30. The matching orders contributed negative LTP of Rs.4.75.

- xxv) From the above analysis, it is observed that Noticee no. 6 placed sell orders below prevailing buy order rates after the buy orders were available in the system with negligible sell quantity. On further analysis of 541 negative LTP trades, it was observed that Noticee no. 6 (i) repeatedly placed sell orders below prevailing buy orders rate with negligible sell order quantity, (ii) repeatedly matched buy orders that are placed below LTP with market orders, with negligible sell order quantity and (iii) repeatedly executed self-trades in negligible quantity. A genuine seller would not repeatedly place sell orders at a price lower than the buy order price. From the illustration and analysis above, it was observed that Noticee no. 6 placed the aforesaid orders with a manipulative intent to decrease the price of the scrip.

3. The following annexures were provided with the SCN:

Annexure No.	Particulars
1.	Detail of price/volume at BSE/NSE
2.	Details of the "Bharat Patel Group" and the basis of connection
3.	Details of synchronized trades by Bharat Patel Group (in CD)
4.	Details of Positive LTP trades and Negative LTP trades (in CD)

4. The SCN was delivered to all Noticees except Noticee no.5. Noticee no. 6 submitted reply dated September 18, 2019. Noticee nos. 1, 3 and 4 submitted replies dated September 19, 2019. None of the other Noticees replied. However, in order to comply with the principles of natural justice, the matter was placed before me on December 12, 2019 for obtaining hearing dates. An opportunity of hearing was granted to all Noticees on December 10, 2020. On the same date, Noticee no. 6 appeared and made submission. Since service had not been completed to Noticee no. 5, a second date of hearing was granted to Noticee nos. 1 to 5 on January 15, 2020. Thereafter, Noticee no. 6 submitted further reply dated March 17, 2020. On April 07, 2020 it was informed that supplementary SCN was being issued to the Noticees, proposing to

impose penalty under Section 11B(2) of SEBI Act, 1992. Since the supplementary SCN was issued on August 20, 2020, the file was again placed before me on January 06, 2021 for granting another opportunity of hearing in compliance with the SEBI (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995 and the hearing was granted on March 25, 2021. Vide a letter dated March 16, 2021 Noticee no. 6 sought an adjournment to the hearing stating that it was the expiry day of the derivatives segment. Another opportunity of hearing was granted to all Noticee on May 11, 2021. On the scheduled date, Noticee no. 6 appeared and made submissions. Considering the second wave of pandemic, a last and final opportunity was granted to Noticee nos. 1 to 5 October 12, 2021. However, due to administrative reasons the hearing notices could not be sent. Further, vide email dated October 22, 2021, SEBI placed before me the death certificate of Noticee no. 1. A last and final opportunity of hearing was granted to Noticee nos. 2 to 5 on November 11, 2021. On the said date none of the Noticees appeared for the hearing, nor sought adjournment. Therefore, the hearing was concluded *qua* all Noticees.

5. Vide separate replies dated September 19, 2019, Noticee nos. 1, 3 and 4 have made submissions. Noticee nos. 3 and 4 have also made additional submissions vide separate letters dated December 05, 2019. These Noticees have submitted as under:
- i) The SCN has identified 16 entities as belonging to “ Bharat Patel Group” . While some of them are the relatives of Noticee no.1 in some he is director but they are independent entities and their transactions in the market has no connection with each other. The entire relationship sought to be alleged is erroneous.
 - ii) Due to inordinate delay since the matter is more than 8 years old they have no records available prior to April 1, 2014 and due to this they have been gravely prejudiced.
 - iii) Noticee no.1 has executed 2 trades in 2 days on BSE and 7 trades in 7 days on NSE therefore it cannot be alleged that he had repeatedly executed synchronized trades.

- iv) Noticee nos. 3 and 4 have each dealt in 3 days on BSE and 2 days on NSE and all transactions have resulted into delivery. Therefore, it cannot be alleged that they created misleading appearance of trading in the market.
- v) The allegation is that they had created misleading appearance of trading in the market which cannot be true since the trades, being bulk deals were displayed in the bulk deal window of the stock exchange.
- vi) The volume does not mean any breach or violation of any Rules and Regulations of securities market and would mean any wrongdoing. The volume of transactions do not mean any negative inference of any nature whatsoever.

6. Vide letters dated September 19, 2019, March 17, 2020 and September 03, 2020, Noticee no. 6 has filed its reply and submitted as under:

- i) They follow NSE-BSE arbitrage strategy i.e. they buy/sell various scrips on BSE and correspondingly sell/buy on NSE and vice versa to take advantage of the price differential in the two markets.
- ii) There is possibility of price differential between two Exchanges viz. NSE and BSE. The trades at BSE are done through their broker Shailesh Shah Securities Pvt. Ltd. and trades at NSE are done through the broker Nirpan Securities Pvt. Ltd. Both brokers are their associate/group companies. Their brokers have in place an automated system which has more chances of capturing the price difference available than is available to the manual traders. Further, the quantity that they put in order is the same as the best bid and asks quantity available at the other Exchange i.e. NSE or BSE. The order quantity that they input is always less than the available demat stock they are holding in particular scrip. As soon as any trade gets executed on one Exchange say for example, on NSE the automated system squares off the opposite trade in other Exchange, i.e., BSE with similar quantity at market rate or 'Zero rates' which is synonyms to market rate and immediately and simultaneously cancels the remaining pending order.
- iii) Placing of any order is based on the arbitrage price difference that may be available between two Exchanges. It is submitted that orders, buy or sell are

placed in NSE depending upon the bid and ask price of BSE and vice versa. If bid and ask price quotes are available than they place an order just below the ask price or above the bid price. If bid and ask price are not available, then they place an order to earn a positive difference of approximately 0.35% of the other Exchange. It may also be noted that all these trades are carried out within a very narrow price range and this is the actual essence of arbitrage.

- iv) There is no *malafide* intent in executing the alleged trades and these trades have arisen out of the normal course of business and are within the prescribed regulations.
- v) It may be appreciated that volatility and liquidity are the essence of arbitrage activities. They had traded in the shares of Crest which was listed under 'B Group' during the Investigation Period which signifies good category scrip as per the Exchange categorization.
- vi) The Noticee denied that they repeatedly placed the buy orders at a rate above the prevailing sell orders rate and the buy order quantity being less than the sell order quantity with a manipulative intent to increase the price of the scrip or vice versa. The assumption that a genuine buyer would not repeatedly place buy orders at a price higher than the sell order price and for a quantity lesser than the available sell order quantity is completely incorrect and is based on false assumption and appreciation of facts and market practice.
- vii) They have been doing arbitrage between NSE and BSE on more than 1000 scrips.
- viii) Details of their arbitrage trade in the scrip of Crest during September 15, 2011 to January 08, 2015 is as follows:

Scrip Name	Buy Qty	Avg.Buy Rate	Buy Amount	Sell Qty	Avg.Sell Rate	Sell Amount	Exchange
CREST VENTURES	33643	54.25	18,25,264.15	33974	53.80	18,27,898.35	BSE Total
CREST VENTURES	33948	53.33	18,10,458.00	33617	54.71	18,39,228.30	NSE Total
Grand Total	67591	53.79	36,35,722.15	67591	54.25	36,67,126.65	

- ix) Assuming without admitting that they have contributed to the positive/negative LTP, they deny that they had knowingly and with manipulative intent contributed towards the alleged contribution to the LTP.
- x) Gross profit earned before all statutory expenses for the above trades is Rs. 31,404 /- (approx.)
- xi) They had executed more than 83,000 trades during the period 15/09/2011 to 08/01/2015. The trades are done under NSE BSE arbitrage strategy for the entire period. The entire trades are executed on the automated /algorithmic system. they have bought and sold 67591 shares on NSE and BSE combine. Further there are many instances where the trades are executed more than 10 shares. The quantity depends on the number of trades which get executed/are available on the other exchange.
- xii) Their algorithm trading mechanism has been approved by BSE on July 10th, 2012 vide letter no. MCD/SK/CS/2012/34588. Prior to 2012 only intimation for automated trading was required.
- xiii) In two other similar matter the Hon'ble Whole Time Member (WTM), after duly considering the working of their algo, has given them clean chit, despite the allegation of LTP contribution.
- xiv) The self-trades have occurred on account of buy and sell orders placed at different point of time in trading system and these have matched with each other on account of movement in price of the stock of the scrip. Also, the quantum of self-trades was not of such magnitude vis- a-vis total volume in stock of scrip on daily basis that it could adversely affect equilibrium of the market as a whole in terms of price or liquidity. Self-trades were few in the light of the total transactions in the scrip.
- xv) Further the self-trades are executed in either side of price not particularly in one direction to influence the price discovery process. Therefore, it cannot be suggested that self-trades were executed with the intent of bringing price rise in the scrip.
- xvi) None of the software systems available in capital market during the Investigation Period had the capability to restrict a particular order which may result in a self-trade. Thus, the Exchange were ill-equipped to deal with the

concept of self-trades. Therefore, the orders would match unintentionally at times leading to the broker and counter broker being the same party.

CONSIDERATION OF SUBMISSIONS AND FINDINGS

7. I have considered the SCN, reply received from Noticee no.6 and submissions made by the Noticee no.6 during the personal hearing granted to it. Before proceeding further, it would be appropriate to refer to the provisions of law which are alleged to have been violated by the Noticees and the relevant extracts of the same are reproduced below:

Relevant extract of the provisions of SEBI Act, 1992:

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

Section 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;
- (d)

Relevant extract of the provisions of 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)
 - (c)
 - (d)
 - (e) any act or omission amounting to manipulation of the price of a security;
 - (f)
 - (g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security.

- 8. The SCN alleges that the Noticee no. 1 to 5 were connected to each other and that Noticee nos. 1 to 5 by repetitively executing synchronized trades within the group created misleading appearance of trading in the scrip of Crest without any intention of change in ownership of the securities.
- 9. I note that the allegation of connection between the Noticee nos. 1 to 5, has been made on the basis of certain links found amongst these Noticees. The table containing the basis of connections on the basis of the links found, as given at Annexure 2 of SCN, is reproduced below:

Sr. no.	PAN	Entity Name	Basis of Connection
1	AAAPP6652R	Bharat Jayantilal Patel	1. Director in Fidelity Multitrade Ltd., Pranav Holdings Pvt. Ltd., Pasha Finance Pvt. Ltd. and PAT Financial Consultants Ltd. 2. Fund movement with Prashant Jayantilal Patel, Gandiv Investment Pvt. Ltd., Ruchit Bharat Patel, Minal Bharat Patel, Hardik Patel, Vanraj Shah, Pankaj Patel 3. Bharat J Patel, Minal Patel, Hardik Patel, Ruchit Patel, Prashant Patel and Pankaj Patel have similar address 4. Bharat J Patel, Hardik Patel, Pankaj Patel, Pat Financial, Fidelity Multitrade and Pasha Finance Ltd. have similar address.
2	AACPP5126G	Minal Bharat Patel	1. Director in Fidelity Multitrade Pvt. Ltd. and Pasha Finance Pvt. Ltd. 2. Off-market shares transfer with Ruchit B Patel
3	AHIPP1407H	Hardik Bharat Patel	2. Off-market shares transfer with Hridaynath, Ruchit B Patel,
4	ANDPP9202F	Ruchit Bharat Patel	1. Director in Fidelity Multitrade Pvt. Ltd. 2. Off-market shares transfer with Hardik Patel, Minal Patel
5	AABPP2156M	Prashant Jayantilal Patel	1. Director in Pat Financial Consultants Pvt. Ltd. 2. Fund movement with Bharat Jayantilal Patel
6	AABPP2157L	Pankaj Jayantilal Patel	1. Director in Pranav Holdings Pvt. Ltd. 2. Fund transfer with Prashant J Patel, Bharat J Patel
7	ABAPS7558L	Vanraj Vinodchandra Shah	1. Director in Hridaynath Consultancy Pvt. Ltd. 2. Fund transfer with Bharat J Patel
8	AAGPK6090A	Ajaykumar Banwarilal Kejriwal	Off-market shares transfer with Hridaynath Consultancy Pvt. Ltd. in the scrip of Ponni Sugars
9	AAACP3115E	Pat Financial Consultants Pvt. Ltd.	1. Bharat Jayantilal Patel, and Prashant Jayantilal Patel are directors. 2. Fund movement with Moneybee Realty Pvt. Ltd., Acira Consultancy Pvt. Ltd., Vanraj Vinodchandra Shah HUF, Hridaynath Consultancy Pvt. Ltd., Hardik Patel and Minal Patel
10	AAICA9489N	Acira Consultancy Pvt. Ltd.	Fund transfer with Gandiv Investment
11	AACCG3017C	Gandiv Investment Pvt. Ltd.	Fund movement with Acira Consultancy Pvt. Ltd.
12	AACCH5285R	Hridaynath Consultancy Pvt. Ltd.	Off-market transactions with Hardik Patel
13	AABCP1438P	Pranav Holdings Pvt. Ltd.	Bharat Jayantilal Patel, Pankaj Jayantilal Patel are the directors.
14	AABCF0017A	Fidelity Multitrade Pvt. Ltd.	Bharat Jayantilal Patel, Minal Bharat Patel and Ruchit Bharat Patel are the directors.
15	AAFCM3690Q	Moneybee Realty Pvt. Ltd.	Fund movement with Pat Financials
16	AAACP8316P	Pasha Finance Pvt. Ltd.	Bharat Jayantilal Patel and Minal Bharat Patel are the directors.

10. I note that the Noticee no. 2 and 5 have not submitted any reply to the SCN. I also note that in the table provided in the SCN, as reproduced above, the Noticees appear at Sr. nos. 1, 9, 10, 14 and 16 and Noticee no. 2, 3 and 4 being companies wherein Noticee no. 1 was a director implies that these Noticees are connected. I also note that Noticee no. 2 had fund transfers with Noticee no. 5. On a perusal of the bank statement of Noticee no. 2 for a sample period of February 01, 2014 to October 31, 2014, I note that Noticee no. 4 has received 8 credits from Noticee no. 5 and has provided 5 debits to Noticee no. 5 during this period. These fund transfers show a business/ financial relationship between the Noticees.

11. The SCN alleges that Bharat Patel Group purchased 40,98,260 shares of Crest (which consisted of 23.69% of total market volume on the buy side in the scrip of Crest during the Investigation Period) and sold 46,28,626 shares of Crest (which consisted of 26.76 % of total market volume of the sell side in the scrip of Crest during the Investigation Period) at BSE. The Group was net seller of 5,30,366 shares. At NSE, Bharat Patel Group purchased 35,05,110 shares (30.75% of total market volume on the buy side during the Investigation Period) and sold 30,03,500 (26.35 % of total market volume on the sell side during the Investigation Period) at NSE. The Group was net buyer of 5,01,610 shares. The SCN further observes that Noticee nos. 1 to 5 belonging to “Bharat Patel Group” executed trades in a synchronized manner.
12. I note that the entity-wise details of synchronized trades by Noticee nos. 1 to 5 as given in the SCN are as follows:

Buyer	Seller	Synchronized Qty.	% of Sync. Vol. to Mkt. Vol.	No. of Trades	No of days
BSE					
Pasha Finance Pvt. Ltd	Acira Consultancy Pvt Ltd	6,31,893	3.65	2	2
Fidelity Multitrade Pvt. Ltd	Pasha Finance Pvt. Ltd	6,18,912	3.58	9	1
Fidelity Multitrade Pvt. Ltd	Bharat J Patel	6,10,597	3.53	1	1
Fidelity Multitrade Pvt. Ltd	Acira Consultancy Pvt Ltd	1,802	0.01	1	1
Bharat J Patel	Acira Consultancy Pvt Ltd	5,48,101	3.17	1	1
Acira Consultancy Pvt Ltd	Pat Financial Consultants Pvt. Ltd	3,330	0.02	1	1
Acira Consultancy Pvt Ltd	Pasha Finance Pvt. Ltd	6,21,204	3.59	1	1
		30,35,839	17.55	16	8
NSE					
Pasha Finance Pvt. Ltd	Bharat Jayantilal Patel	3,32,500	2.92	5	5
Pasha Finance Pvt. Ltd.	Fidelity Multitrade Pvt. Ltd	7,641	0.07	1	1
Bharat Jayantilal Patel	Pasha Finance Pvt. Ltd	1,80,402	1.58	1	1

Acira Consultancy Pvt Ltd	Bharat Jayantilal Patel	192	0.00	1	1
Acira Consultancy Pvt Ltd	Fidelity Multitrade Pvt. Ltd	42,997	0.38	1	1
		5,63,732	4.95	9	9

13. From the above table it is observed that Noticee nos. 1 to 5 executed such trades on BSE within the group for 30,35,839 shares (17.55% of the market volume) in 16 trades over 8 trading days. In this regard, the order log trade log for the impugned 16 trades has been perused and it reveals the following details:

Date	Buyer Name	Seller Name	Trade Quantity	Time Difference	Price Difference	Quantity Difference
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
14.03.2012	Bharat Jayantilal Patel	Acira Consultancy Private Limited	548101.00	00:00:03	0.00	0.00
20.03.2012	Fidelity Multitrade Pvt. Ltd.	Bharat Jayantilal Patel	610597.00	00:00:08	0.00	0.00
12.03.2012	Acira Consultancy Private Limited	Pasha Finance Pvt. Ltd.	621204.00	00:00:03	0.00	0.00
28.03.2013	Pasha Finance Pvt. Ltd.	Acira Consultancy Private Limited	4393.00	00:00:10	0.00	0.00
03.04.2013	Fidelity Multitrade Pvt. Ltd.	Acira Consultancy Private Limited	1802.00	00:00:11	0.00	0.00
08.05.2013	Acira Consultancy Private Limited	Pat Financial Consultant Pvt Ltd	3330.00	00:00:01	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	70000.00	00:00:03	0.00	0.00
20.03.2014	Fidelity Multitrade Pvt. Ltd.	Pasha Finance Pvt. Ltd.	58912.00	00:00:03	0.00	0.00
03.04.2013	Pasha Finance Pvt. Ltd.	Acira Consultancy Private Limited	627500.00	00:00:00	0.00	0.00

14. I note that the Noticees have executed 16 trades wherein the price and quantity were exactly matching between the buy and sell orders and time difference was 0, on 8 trading days out of an Investigation Period stretching over almost three years. Thus, I find that the frequency of the impugned trades was not high. The SCN does not allege any connection between Crest and the Noticees or any *modus operandi* through which the Noticees gained any advantage due to the artificially increased

volume of trading in the scrip of Crest during the Investigation Period. I note from the demat statements of Noticee nos. 3 and 4 that they had taken delivery of shares for the impugned trades. Since the Noticee nos. 2 and 5 have not replied, it cannot be confirmed whether they have taken delivery of the shares to suitably determine the allegation that these Noticees carried out the impugned trades without any intention of change in ownership of the securities.

15. In this regard, in the matter of *SPJ Stock Brokers Pvt. Ltd. vs. SEBI* (Appeal No. 52 of 2013 decided on September 04, 2013) the Hon'ble Securities Appellate Tribunal (hereinafter referred to as "**SAT**") has taken the following view:

"12. Penalty under impugned order is imposed upon appellant solely on ground that almost all trades in shares of Adani Exports Ltd. effected by appellant during investigation were found to be synchronized and those trades were with only one group. It is well established by various decisions by this Tribunal that synchronized trade is per se not illegal. Synchronized transaction would be illegal if it is executed with a view to manipulate the market, is dubious in nature and is executed with a view to avoid regulatory detection, does not involve change of beneficial ownership or is executed to create false volumes resulting in upsetting market equilibrium etc."

16. I also note the following observations made by the Hon'ble Supreme Court in its decision dated February 23, 2016 in *SEBI vs. Kishore R. Ajmera* (2016) 6 SCC 368.:

"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 therefrom. The test would always be that what inferential process that a reasonable/prudent man would adopt to arrive at a conclusion."

The aforesaid observation was also relied upon by Hon'ble Supreme Court in its decision dated February 08, 2018 in the matter of *SEBI Vs. Rakhi Trading and Ors.* (2018) 13 SCC 753 wherein the following was observed:

“Findings must be gathered from patterns of trading data and the nature of the transactions etc. Several circumstances of a determinative character coupled with the inference arising from the conduct of the parties in a major market manipulation could reasonably lead to conclusion that the Broker was responsible in the manipulation. The evidence, direct or circumstantial, should be sufficient to raise a presumption in its favour with regard to the existence of a fact sought to be proved. As pointed out by Best in "Law of Evidence", the presumption of innocence is no doubt presumption juris; but everyday practice shows that it may be successfully encountered by the presumption of guilt arising from circumstances, though it may be a presumption of fact. Since it is exceedingly difficult to prove facts which are especially within the knowledge of parties concerned, the legal proof in such circumstances partakes the character of a prudent man's estimate as to the probabilities of the case.”

17. Applying the test laid down in Kishore R. Ajmera case to the present case, I find that in the present case no direct or circumstantial evidence leads to an inference that the Noticee nos. 1 to 5 executed the impugned 16 trades on 8 days spanning over 3 years from 2012 to 2014 in order to manipulate the market. I note that in an Investigation Period spreading over almost three years, the impugned 16 trades of the Noticees were only on 8 days (with one trade on each of these days, except 20.3.2014 which had 9 trades) and the low frequency of the trades of the Noticees coupled with no connection between the Noticees and Crest do not indicate or give inference of manipulation. I note that even the findings of investigation do not show any impact of the impugned trades on the price of the scrip of Crest. Therefore, in the facts and circumstances of the present case, I find that the impugned trades executed by the Noticee nos. 1 to 5 cannot be held to attract violations of Section 12 A (a), (b) and (c) of SEBI Act, 1992, read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) and (g) of PFUTP Regulations, 2003 and therefore no regulatory directions or imposition of penalty are warranted against Noticee nos. 1 to 5 in the present matter. I also note that Noticee no. 1 has passed away on May 29, 2021 and therefore the proceedings against him abate.
18. With respect to Noticee no. 6, I note that the Noticee has submitted that the trading strategy of the Noticee is NSE-BSE arbitrage and the same is executed through its automated system. Noticee has submitted the approval letters for its algorithmic

trading facility from BSE. Noticee has submitted the details of the corresponding opposite arbitrage trades executed on NSE.

19. In this regard, the SCN states that out of the top 10 LTP contributors during Patch 1 of the Investigation Period, Noticee no. 6 had contributed more than 5% LTP. The SCN further states that Noticee no. 6 had contributed positive LTP of Rs.238.60 which is 20.17% of total market positive LTP in 442 trades for 1265 shares and it was observed that out of total 442 positive LTP trades, 374 buy orders by Noticee no. 6 were placed after the sell orders being available in the system. The SCN also states that in Patch 2 of the Investigation Period, out of the top 10 LTP contributors, Noticee no. 6 contributed negative LTP of Rs.434.05 which is 21.72% of total market negative LTP in 541 trades for 607 shares. It was observed that out of total 541 negative LTP contributing trades, in 383 trades, sell orders by Noticee no. 6 were placed after the buy orders being available in the system at a price lower than the LTP.
20. In this regard, it is observed that in the SCN, allegation of the trades by Noticee no.6 having influenced the LTP in the scrip of Crest, in a positive and negative way is pertaining to BSE only. The Noticee no. 6, before me, has submitted that it was carrying out arbitrage between the two Exchanges in the scrip of Crest and has submitted the details of the trades carried out by it in the scrip of Crest during the same period (2011-13) on NSE. I find that if the impugned trades of Noticee no. 6 on BSE are juxtaposed with the trades undertaken by it on NSE in the same scrip during the same period, it reveals a pattern where the Noticee no. 6 is buying on BSE and selling on NSE and vice versa for a small profit margin ranging from 20 paise to Rs. 1.50/-. It is further noted from the details of the trades of the Noticee for the alleged 442 trades on BSE in the scrip during Patch 1 (which stretched from December 15, 2011 to March 30, 2012) and alleged 541 trades during Patch 2 (which stretched from April 02, 2012 to October 29, 2013) vis-a vis the details of the corresponding trades on NSE produced by the Noticee before me, that the Noticee buys on one Exchange than sells it on the other Exchange with slight variation in price and within a couple of seconds i.e., as soon as the trades get executed on one Exchange, the

Noticee squares off the opposite trade in the other Exchange. Illustration for the same is reproduced below:

Date (Patch 1)	Type of Trade on BSE	Buy Order No.	Buy Qty	Buy Rate	Trade Time on BSE (Buy)	Trade Time on NSE (Sell)	Type of Trade on NSE	Sell Order No.	Sell Qty	Sell Rate
12/03/12	Buy	16000359094286	1	55.00	11:24:32	11:24:33	Sell	2012031275947451	1	56.55
06/02/2011	Buy	20000051013231	25	52.60	09:35:11	09:35:11	Sell	2012020675134772	25	52.80
11/01/2012	Buy	15000046013173	1	54.50	09:26:53	09:26:53	Sell	2012011175123420	1	55.95
Date (Patch 2)	Type of Trade on NSE	Buy Order No.	Buy Qty	Buy Rate	Trade Time on NSE (Buy)	Trade Time on BSE (Sell)	Type of Trade on BSE	Sell Order No.	Sell Qty	Sell Rate
05/03/2013	Buy	2013030567062033	5	46.05	10:56:59	10:57:00	Sell	23000098151605	5	46.35
19/10/2012	Buy	2012101960320962	1	56.55	11:19:08	11:19:08	Sell	22000142059171	1	57.05
25/04/2013	Buy	2013042566833289	1	43.50	09:28:15	09:28:17	Sell	20000122012497	1	44.00

21. The above table demonstrates the trading strategy of the Noticee i.e., NSE-BSE arbitrage executed through its automated system for which the Noticee has taken requisite approval from BSE. With respect to execution of miniscule quantity of buy/sell orders ranging from 1 share to 25 shares, the submission of the Noticee that the quantity it puts in the order is same as the best bid and ask quantity available in the Exchange is acceptable. I note that, a trader who has adopted its trading strategy as arbitrage, as in the present matter executed through algorithmic trading, will not have complete control over the trades being executed apart from the pre-defined parameters that it has already set in its algorithm. I note that the trade log and order log of the trades of Noticee no. 6 executed during Patch 1 (which stretched from December 15, 2011 to March 30, 2012) and Patch 2 (which stretched from April 02, 2012 to October 29, 2013) of the Investigation Period in the scrip of Crest compared to the details of trades of the Noticee in Crest on NSE, supports the Noticee's

submission that he was carrying out these trades for the purpose of arbitrage. I note that arbitrage trades are not expressly barred provided that the same are not unlawful and are not used for price manipulation or undue influence on LTP and in the present matter the algorithm for the said trades were approved by BSE. I also note that the same pattern of trading was followed by the Noticee in other scrips also and so it can be concluded that the Noticee has adopted similar strategy in the scrip of Crest. I find that the Noticee no. 6 was carrying out arbitrage trades in both exchanges for small quantities ranging from 1 share to 25 shares for small profit margin ranging from 20 paise to Rs.1.50/- I also note that the Noticee no.6 has also relied upon the order of the Whole Time Member, SEBI dated March 04, 2020 in the matter of Winsome Yarns Ltd. wherein the same Noticee was exonerated without any directions, for the similar pattern of trading in spite of allegation of influencing the LTP. In light of the same, and applying the test laid down in Kishore B. Ajmera matter (supra), I find that the buy/sell orders executed by the Noticee no. 6 for small quantities in the scrip of Crest as arbitrage transactions to earn small profits ranging from 20 paise to Rs. 1.50/- do not lead to an inference that they were manipulative in nature and executed with a view to manipulate the price of the scrip of Crest. Thus, the allegation of violation of Section 12 A (a), (b) and (c) of SEBI Act, 1992, read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a), (e) and (g) of PFUTP Regulations, 2003 is not made out against Noticee no.6 to that extent.

22. Regarding the allegation of executing self-trades by Noticee no 6, I note that the Noticee has submitted that the self-trades have occurred on account of buy and sell orders placed at different point of time in trading system and these have matched with each other on account of movement in price of the stock of the scrip and the quantum of self-trades was not of such magnitude vis- a-vis total volume in stock of scrip on daily basis that it could adversely affect equilibrium of the market as a whole in terms of price or liquidity.
23. With respect to self-trades executed by the Noticee no. 6 in Crest during Patch 1 and Patch 2 of the Investigation Period, I note that out of 442 alleged LTP contributing trades in Patch 1 (December 15, 2011 to March 30, 2012), 26 trades were self-trades.

Out of 541 alleged negative LTP Contributing trades in Patch 2 (April 02, 2012 to October 29, 2013), 39 trades were self-trades. From the findings of investigation, I note that these instances of self-trades have been extracted from the impugned trades of Noticee no, 6, which were carried out for the purpose of arbitrage, as discussed in the previous paras. I also find that except for two trades, all these self-trades in both patches were for one share. Thus, both the actual number of self-trades as well as the volume of shares were miniscule. I also find that all these trades were algorithmic trades being executed by automated system. The algorithm was approved by BSE. As discussed in previous paragraphs, it cannot be inferred that these trades which got executed through algo trading was with a view to manipulate the price of the scrip. I also find that as regards self-trades, before 2015, instances of self-trades used to occur as buy order and sell order from the same clients used to get matched on the system due to various reasons such as different terminals of the same broker and as submitted by Noticee no. 6 in the present case, due to the algo placing buy and sell orders at different points in time and to prevent the same, self-trade prevention check was introduced by the Exchanges. I note that at the time of the impugned trades, self-trade prevention check was not introduced in BSE and the said policy got introduced on January 01, 2015. I also note that in the matter of *Smt. Krupa Sanjay Soni Vs. SEBI* (Appeal No. 32 of 2013) decided on January 24, 2014, the Hon'ble Securities Appellate Tribunal has observed as follows:

"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."

24. In view of the above-mentioned facts and the decision of the Hon'ble SAT in similar case of self-trades, I find that with respect to the self-trades executed by Noticee no.6, no *mala fide* can be established and keeping in view the low number of self-trades, no inference can be drawn that there was violation of Section 12 A (a), (b) and (c) of SEBI Act, 1992, read with Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a), (e) and (g) of PFUTP Regulations, 2003 by Noticee no.6 and therefore no regulatory directions or imposition of penalty are warranted against Noticee no. 6 in the present matter.

DIRECTIONS:

25. In view of the aforesaid findings and having regard to the facts and circumstances of the case, I, in exercise of the powers conferred upon me under Sections 11(1), 11(4) and 11B(1) and 11B(2) read with Section 15 I and 19 of the SEBI Act, 1992, hereby dispose of the SCN issued against the Noticees without any directions or penalty.
26. This order comes into force with immediate effect.
27. A copy of this order shall be served on all the Noticees, recognized stock exchanges, depositories and RTAs of mutual funds to ensure compliance with above directions.

Date: March 30, 2022
Place: Mumbai

ANANTA BARUA
WHOLE TIME MEMBER
SECURITIES AND EXCHANGE BOARD OF INDIA