WTM/ AB /EFD-1/DRA-4 /05/2021-22

SECURITIES AND EXCHANGE BOARD OF INDIA

FINAL ORDER

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

Noticee No.	Name of Noticees	PAN
1.	Minal Bharat Patel	AACPP5126G
2.	Ruchit Bharat Patel	ANDPP9202F
3.	Prashant Jayantilal Patel	AABPP2156M
4.	Pat Financial Consultants Pvt. Ltd.	AAACP3115E
5.	Acira Consultancy Pvt. Ltd.	AAICA9489N
6.	Hridaynath Consultancy Pvt. Ltd.	AACCH5285R
7.	Moneybee Realty Pvt. Ltd.	AAFCM3690Q

In the matter of Transpek Industry Ltd.

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1. The present proceeding emanates from a show cause notice dated November 18, 2019 (hereinafter referred to as "**SCN**") issued by the Securities and Exchange Board of India (hereinafter referred to as "**SEBI**") 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 SCN, *inter alia,* alleged that Noticee nos. 1 to 7 by repetitively executing synchronized trades within the group created misleading appearance of trading in the scrip of Transpek Industry Limited (hereinafter referred to as "**Transpek"/ "company**") without any intention of change in ownership of the securities and thereby violated Regulations 3 (a), (b), (c) and (d),

4 (1), 4 (2) (a) and (g) of SEBI (PFUTP) Regulations, 2003 (hereinafter referred to as "**PFUTP Regulations, 2003**").

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

2.1. Transpek was set up in 1965 and is into manufacturing of chemicals, servicing the requirements of customers from industries like Textiles, Pharmaceuticals, Agrochemicals, Polymers, etc. The scrip of Transpek is listed at BSE.

2.2. The price movement of the scrip of Transpek at BSE, during the five patches of investigation and after the investigation is summarized in the table below.

Period	Date		Opening Price (volume) on first day of the period (Rs)	Closing price (volume) on last day of the period (Rs.)	Low price(volume) during the period (Rs.)	High Price(volume) during the period (Rs.)	Avg. Price / No. of (shares) traded daily during the period
Investigation	15/12/2011 to 31/05/2013 (volume spurt)	Volume	6053	835	1 (on 9 days during the given period)	226219 (16/03/2012)	3966
		Price	72.00	72.00	61.1 (11/04/2013)	108.5 (16/03/2012)	77.71
Investigation	03/06/2013 to 12/01/2015 (price rise)	Price	72.00	301	72.00 (03/06/2013)	337.80 (04/12/2014)	158.98
		Volume	550	27	1 (26/08/2013)	263814 (23/12/2014)	4672
Investigation	13/01/2015 to 13/04/2015 (price fall)	Price	294.00	215.40	202 (17/03/2015)	350 (16/02/2015)	258.10
		Volume	16	10603	2 (06/04/2015)	524235 (16/02/2015)	26032
Investigation	15/04/2015 to 17/07/2015 (price rise)	Price	248.70	410.00	227.00 (15/04/2015)	430.00 (23/06/2015)	331.02
		Volume	265,899	1,327	2 (18/05/2015)	265899 (15/04/2015)	11,734
Investigation	20/072015 to 30/09/2015 (price fall)	Price	405.1	273.4	218.00 (25/08/2015)	430.00 (27/07/2015)	301.75
		Volume	3164	183	49 (25/09/2015)	25670 (28/07/2015)	2970
Post Investigation	01/10/2015 to 31/12/2015	Price	289.6	436	279.00 (01/10/2015)	458.90 (28/12/2015)	355.14
		Volume	155	4106	102 (27/10/2015)	21172 (23/12/2015)	3038

2.3. During investigation, a group of 16 entities were identified to be investigated (hereinafter referred to as "**Bharat Patel Group**") on the basis of MCA details, bank account statements and off-market transactions.

2.4. It was observed that Finquest Securities Pvt. Ltd. was the top buy and sell broker at BSE (52.57% buy and 44.97% sell of the total market volume).

2.5. Details of top 10 buy and sell clients during the investigation period is as given below:

Buy Client Name	Total	%age of Trd Vol	Sell Client Name	Total	%age of Trd Vol
PAT FINANCIAL CONSULTANT PVT LTD	552967	10.00	MINAL BHARAT PATEL	751471	13.59
MINAL BHARAT PATEL	539632	9.76	HARDIK BHARAT PATEL	456678	8.26
RUCHIT BHARAT PATEL	394834	7.14	HRIDAYNATH CONSULTANCY PRIVATE	440464	7.97
HRIDAYNATH CONSULTANCY PRIVATE LIM	365357	6.61	RUCHIT BHARAT PATEL	414955	7.51
ACIRA CONSULTANCY PRIVATE LIMITED	320372	5.80	BHARAT JAYANTILAL PATEL	278430	5.04
HARDIK BHARAT PATEL	284647	5.15	ITF MAURITIUS	260000	4.70
ITF MAURITIUS	260000	4.70	GANDIV INVESTMENT PVT. LTD.	260000	4.70
GANDIV INVESTMENT PVT. LTD.	260000	4.70	PRASHANT PATEL	232717	4.21
ORANGE MAURITIUS INVESTMENTS LIMI	260000	4.70	PANKAJ PATEL	200500	3.63
PRASHANT PATEL	211828	3.83	AATASH SHARES AND COMMODITIES	198976	3.60
Total of top 10 clients	**3449637**	62.40	**Total of top 10 clients**	**3494191**	**63.21**
Remaining clients	**2078364**	**37.60**	**Remaining clients**	**2033810**	**36.79**
Total traded volume	**5528001**	**100.00**	**Total traded volume**	**5528001**	**100.00**

2.6. From the above table, it was observed that Pat Financial Consultants Pvt. Ltd. (Noticee no. 4) was the top buy client and Minal Bharat Patel (Noticee no. 1) is the top sell client (10% of buy and 13.59% sell of total market) at BSE.

2.7. Trading of Bharat Patel Group (BSE): Summary of trading by the Bharat Patel Group during the investigation period is tabulated below:

Sr. No.	Name of the entity	PAN No.	Gross Buy	Gross Sell	Gross Buy % to total buy volume	Gross Sell % to total sell volume	Net Trade	Net Trade % to total trade
1	PAT FINANCIAL CONSULTANT PVT LTD	AAACP3115E	552967	4756	10.00	0.09	548211	9.92
2	MINAL BHARAT PATEL	AACPP5126G	539632	751471	9.76	13.59	-211839	-3.83
3	RUCHIT BHARAT PATEL	ANDPP9202F	394834	414955	7.14	7.51	-20121	-0.36
4	HRIDAYNATH CONSULTANCY PRIVATE LIMITED	AACCH5285R	365357	440464	6.61	7.97	-75107	-1.36
5	ACIRA CONSULTANCY PRIVATE LIMITED	AAICA9489N	320372	10200	5.80	0.19	310172	5.61
6	HARDIK BHARAT PATEL	AHIPP1407H	284647	456678	5.15	8.26	-172031	-3.11
7	GANDIV INVESTMENT PVT. LTD.	AACCG3017C	260000	260000	4.70	4.70	0	0.00
8	PRASHANT PATEL	AABPP2156M	211828	232717	3.83	4.21	-20889	-0.38
9	PANKAJ PATEL	AABPP2157L	200500	200500	3.63	3.63	0	0.00
10	BHARAT JAYANTILAL PATEL	AAAPP6652R	192067	278430	3.47	5.04	-86363	-1.56
11	MONEYBEE REALTY PRIVATE LIMITED	AAFCM3690Q	24930	24930	0.45	0.45	0	0.00
12	PRANAV HOLDING PVT LTD	AABCP1438P	2000	0	0.04	0.00	2000	0.04
13	VANRAJ SHAH	ABAPS7558L	100	0	0.00	0.00	100	0.00
	Total		**3349234**	**3075101**	**60.59**	**55.63**	**274133**	**4.96**

2.8. From the above table, it is observed that 13 entities out of 16 entities in Bharat Patel Group have traded in the said scrip during the investigation period at BSE. Bharat Patel Group purchased 33,49,234 shares (60.59% of total market volume) and sold 30,75,101 (55.63% of total market volume) at BSE.

2.9. It was further observed that certain entities belonging to "Bharat Patel Group" executed trades in a synchronized manner. Bharat Patel Group's contribution to synchronized trades during the investigation period are as under:

Gross Buy Qty	**Gross Sell Qty**	**Traded Qty among the group**	**Synchronized Traded Qty**	**% Syn trade to total buy Qty of group**	**% Syn. Traded qty of group to Total mkt Volume**
3349234	3075101	2498464	1005948	30.04	18.20

2.10. The entity-wise details of synchronized trades by Bharat Patel Group are as follows:

Name of Buy Client	Name of Sell cclient	Synchronized Traded Qty	% Syn. traded qty of group to Total mkt Volume
PAT FINANCIAL CONSULTANT PVT LTD	PRASHANT PATEL	800	0.01
PAT FINANCIAL CONSULTANT PVT LTD	HRIDAYNATH CONSULTANCY PRIVATE LIMITED	50575	0.92
PAT FINANCIAL CONSULTANT PVT LTD	MINAL BHARAT PATEL	113655	2.06
PAT FINANCIAL CONSULTANT PVT LTD	ACIRA CONSULTANCY PRIVATE LIMITED	8791	0.16
PAT FINANCIAL CONSULTANT PVT LTD	RUCHIT BHARAT PATEL	25000	0.45
HRIDAYNATH CONSULTANCY PRIVATE LIMITED	PRASHANT PATEL	8491	0.15
HRIDAYNATH CONSULTANCY PRIVATE LIMITED	RUCHIT BHARAT PATEL	9355	0.17
MINAL BHARAT PATEL	HRIDAYNATH CONSULTANCY PRIVATE LIMITED	11037	0.20
MINAL BHARAT PATEL	MONEYBEE REALTY PRIVATE LIMITED	14870	0.27
MINAL BHARAT PATEL	RUCHIT BHARAT PATEL	249955	4.52
ACIRA CONSULTANCY PRIVATE LIMITED	MINAL BHARAT PATEL	299950	5.43
RUCHIT BHARAT PATEL	PRASHANT PATEL	99446	1.80
RUCHIT BHARAT PATEL	HRIDAYNATH CONSULTANCY PRIVATE LIMITED	113223	2.05
RUCHIT BHARAT PATEL	MINAL BHARAT PATEL	800	0.01
Total		**1005948**	**18.20**

2.11. From the above table, it was observed that Noticees executed synchronised trades for 10,05,948 shares (18.20% of the market volume) at BSE. The synchronized trades were executed by the Noticees in 145 trades, during 22 trading days.

2.12. Analysis of the time span within which the synchronized trades were executed is given in the table below:

No. of trades	Time span (between 1- 60 seconds)
113	0-10
11	10-20
21	20-30

2.13. It was observed that the synchronized trades executed by the Noticees were repetitive and significant in volume which created artificial volumes in the scrip and were allegedly fraudulent. It was also observed that except for Prashant Patel (Noticee no. 3) and Moneybee Realty P. Ltd. (Noticee no. 7), Finquest Securities P. Ltd. was the common broker for all the remaining Noticees mentioned in the above table. Hardik B Patel and Minal B Patel (Noticee no. 1) are directors of Finquest Securities P. Ltd.

2.14. In view of the above, it is alleged that the Noticees No. 1 to 7 by repetitively executing synchronized trades within the group created misleading appearance of trading in the scrip without any intention of change in ownership of the securities and thereby violated Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) and (g) of PFUTP Regulations, 2003

3. The following annexures were provided with the SCN:

Annexure No.	**Particulars**
1.	Detail of Day wise price volume data on BSE
2.	Details of the “Bharat Patel Group” and the basis of connection
3.	Details of synchronized trades by Bharat Patel Group

4. The SCN was delivered to Noticee nos. 1, 2, 4, 6 and 7 through Speed Post Acknowledgment Due, however, the SCN sent to Noticee nos. 3 and 5 returned undelivered. Thereafter, SCN was served on Noticee nos. 3 and 5 through publication in newspaper i.e. Times of India on February 15, 2020 and in Maharashtra Times on February 15, 2020.

5. Vide a letter dated December 18, 2019, Noticee no. 7 filed his reply and submitted as under:

   i) The funds received from Noticee no. 4 were unsecured loans.
   ii) It had bought 24,930 shares of Transpek on January 27, 2014 which it sold on February 04 and 05, 2014 in order to make short terms gains. It had not indulged in synchronized trades and its trading volume was also negligible.

6. Letters dated March 17, 2020 were received from Noticee nos. 1, 2 and 4 seeking more time to file reply. Thereafter, the matter was placed before me on May 29, 2020 for grant of a hearing date and a hearing date was fixed on August 24, 2020. None of the Noticees appeared for the hearing fixed for the said date. Letters dated August 10, 2020 were received from Noticee nos. 1 and 2 seeking more time to file reply in the matter and stating that if more clarification is required after filing of their replies, they would attend the hearing and till then the hearing be kept in abeyance. Vide a letter dated September 18, 2020, Noticee nos. 1, 2 and 4 filed their replies to the SCN and sought a copy of the Investigation Report and any other document relied upon while issuing the SCN. These Noticees were informed, vide email dated September 29, 2020, that all documents relied upon in the SCN has already been provided as Annexures to the SCN. Replies dated October 09, 2020 were received from Noticee nos. 5 and 6 wherein these Noticees also sought a copy of the Investigation Report and any other document relied upon while issuing the SCN. These Noticees were informed vide letter dated November 09, 2020 that all documents relied upon in the SCN has already been provided as Annexures to the SCN.

7. Vide reply dated September 18, 2020 Noticee nos. 1, 2 and 4 have submitted as follows:

   7.1. There has been inordinate delay in issuance of SCN even though the details were furnished by SEBI but it is humanly impossible for any investor to

remember and recollect and explain rationale or reasons now in 2020 as to how and why such trades of 2011-12, 201213, 2013-14 & 2014-15 were executed. It is also submitted that the reasons for such could be liquidity requirements, booking of profit or loss, tax planning, availability of better alternative investment or business opportunities. It is also relevant to note that in view of large volume in market and limited human memory it is not possible to exactly give rationale for transactions.

7.2. The investigation has not disclosed any reasons for splitting investigation period into various patches and for attributing purported wrongdoing by linking everyday movement and fluctuation in prices of shares. In fact, the investigation has failed to recognize that fluctuations in prices of shares were caused by innumerable factors.

7.3. In fact, the investigation has failed or ignored to recognise the principle that price is a result of demand and supply of scrips. It is further stated that reasons for doing transactions could be many things including some news about the company, about industry in which a company operates, specific Government steps which may affect sector or market in short or longer run, price parity of other scripts such as some other scripts have fallen or risen sharply. Further, a particular price parity favours switch in scripts, liquidity requirement, good profit as intended.

7.4. It is submitted that the dealing, if any, with alleged connected entities is in the regular course of business and cannot be attributed any specific reason that may be in the mind of the author of the SCN. It is also stated that volume does not mean or indicate any breach and/or violation of any Rules and Regulations of securities market or would mean any wrongdoing.

7.5. Noticee no. 2 (Ruchit B. Patel) is the son of Noticee no. 1 and Noticee no 4 (Pat Financial Consultants Pvt. Ltd.) is a Company and Noticee no. 2 is a Director thereof. They are financially independent. They have their own investment portfolio built over more than 12 years and are independently large taxpayer. There is not bar to "connected" parties trading. In fact, even negotiated trades between connected parties are not prohibited and are very common.

7.6. It is denied that we have repetitively executed synchronized trades within group and the allegation is contrary to facts and as mentioned in SCN. On the one hand, it is alleged that these Noticees have executed trades repetitively and on other hand, the SCN itself confirms that they have traded ONLY for 22 days during 1385 days of investigation period i.e. December 15, 2011 to September 30, 2015.

7.7. It is also denied that the said trades had created misleading appearance of trading in the scrip without any intention of change in ownership of the security. The allegation is devoid of logic, truth and evidence These Noticees have executed trades only for 22 days in BSE out of investigation period of 1385 days and all transactions are resulted into delivery and transferred from/or to Demat Statement and become registered holder and owner of the shares and transaction were done on platform of Stock Exchange and for consideration in normal course of purchase/ sale of stock and effect of transaction is reflected in audited accounts in respective years.

7.8. It is wrong to allege and assume that the transaction is done without any intention to change ownership while our Demat statements clearly show delivery of the same. The allegation that it created misleading appearance is without any evidence and is misleading. In fact, transaction has been displayed on Bulk deal of Stock Exchange window when the quantity traded exceeds 0.5 % of share capital of the Company.

7.9. It is also stated that there is no prohibition on synchronized trading in securities, so long as the transactions are effected in accordance with the Stock Exchange Mechanism, securities delivered, and that the transaction has not been effected with manipulative intent to artificially move the price of the stock. It is nowhere stated in SCN that alleged synchronized trades have manipulated prices of shares. The SCN does not even alleged that any loss has been caused to any investors in the market. Also SCN does not even allege that there was any malafide objective, purpose or motive to execute the trades. It is also not even alleged that the Noticees were in any manner connected to or acting at behest of the promoter or director of the Company whose shares are being traded. It is stated that the Noticee and

family are still holding more than One Lakh equity shares of the company. Therefore, no ulterior motive could be attributed to the transactions.

7.10. Having regard to what is stated above and, in all fairness, and reasonableness and interest of security market, you are requested to withdraw the SCN under reference.

8. Vide their reply dated October 09, 2020, Noticee nos. 5 and 6 submitted as under:

8.1. Noticee no. 6 is not part of any group or Bharat group as alleged. It is erroneous to conclude that they were part of any group or Bharat Patel group, as there was movement of fund with Director of Noticee no.6, Vanraj Vinodchandra Shah. Their transaction is done in ordinary course of business and are in compliance various rules and regulations of securities market.

8.2. Noticee no. 5 has stated that just because one of its directors was a director of a company wherein son and wife of Bharat J. Patel was a director does not make it part of any group as alleged.

8.3. As per information submitted, it states that Noticee no.6 has executed synchronized trades for 13 Days in BSE out of investigation period of 1385 days. The above details itself proves that alleged synchronized transactions were not done repetitively as alleged. The trade was done on the floor of the exchange and as per the rules and regulations of the exchange.

8.4. As per information submitted, it states that Noticee no.5 has executed synchronized trades for 2 Days in BSE out of investigation period of 1385 days. The above details itself proves that alleged synchronized transactions were not done repetitively as alleged. The trade was done on the floor of the exchange and as per the rules and regulations of the exchange.

8.5. It is matter of records that the ownership of the shares has changed which can be verified from demat statements. The transaction has resulted into delivery and for consideration and effect of this transaction was reflected in audited account of respective years. The allegation that transaction was

done without any intention of change in the ownership is devoid of truth and bald statement.

8.6. There is no prohibition on synchronized trading in securities, so long as the transactions are effected in accordance with the Stock Exchange Mechanism, securities are delivered, and that the same has not been effected with manipulative intent. It is also noted that there is no allegation that these trades were done with the intention to manipulate. It is nowhere stated in SCN that alleged synchronized trades has manipulated prices of shares.

8.7. Delay has caused prejudice to the parties and therefore the proceedings initiated by SEBI is to be quashed and set aside.

9. Thereafter, another date of hearing was granted to the Noticees on December 02, 2020. Authorized Representative of Noticee no. 7 appeared and made submissions on the said date through video conferencing. Since, this was the second opportunity of hearing and none of the other Noticees appeared, the hearing was concluded *qua* all Noticees. During the hearing, the Authorized Representative of the Noticee no. 7 reiterated the submissions made in its reply dated December 18, 2019.

CONSIDERATION OF SUBMISSIONS AND FINDINGS

10. I have considered the SCN, replies received and submissions made by the Noticees during the personal hearing granted to them. Before proceedings 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 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) ……
(f) ……
(g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security.

11. The Noticees have raised a preliminary issue pertaining to the proceedings suffering from delay. I note that the initiation of the investigation in the present proceedings emanated from a joint examination report of NSE and BSE, regarding the trading activities of Bharat Patel Group in certain scrips, on the basis of alerts generated by surveillance system of stack exchanges and reference made by SEBI, alleging circular trading in the scrip of Ponni Sugars (Erode) Limited by the said Group. The said examination report was forwarded to SEBI on February 24, 2014. It was observed in the 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 Transpek by NSE and BSE. In this regard, I note that investigation was initiated in respect of the matter by SEBI, which was completed in February 2019, due to the large number of scrips being investigated. Thereafter, the SCN was issued on November 18, 2019. A letter dated December 24, 2019 was received from Noticee no. 6 and letters dated December 26, 2019 were received from Noticee nos. 1, 2 and 4, all seeking more time to file replies to the SCN. Similar letter was also received from Noticee no. 3 on February 03, 2020.

Thereafter, letters dated March 17, 2020 was received from Noticee nos. 1, 2 and 4 seeking further time to file reply. Thereafter, the matter was placed before me on May 29, 2020 for grant of a hearing date and a hearing date was scheduled on August 24, 2020. None of the Noticees appeared for the hearing on the scheduled date. Letters dated August 10, 2020 were received from Noticee nos. 1 and 2 seeking more time to file reply in the matter and stating that if more clarification is required after filing of replies by them, they would attend the hearing and till then the hearing be kept in abeyance. Vide a letter dated September 18, 2020, Noticee nos. 1,2 4 filed their replies to the SCN and sought a copy of the Investigation Report and any other document relied upon while issuing the SCN. These Noticees were informed vide email dated September 29, 2020 that all documents relied upon in the SCN have already been provided as Annexure to the SCN. Replies dated October 09, 2020 were received from Noticee nos. 5 and 6 wherein these Noticees also sought a copy of the Investigation Report and any other document relied upon while issuing the SCN. These Noticees were also informed vide letter dated November 09, 2020 that all documents relied upon in the SCN have already been provided as Annexure to the SCN. Thereafter, another date of hearing was granted to the Noticees on December 02, 2020. Authorized Representative of Noticee no. 7 appeared and made submissions on the said date through video conferencing. Since, this was the second opportunity of hearing and none of the other Noticees appeared, the hearing was concluded *qua* all Noticees. In these facts and circumstances of the present matter, I note that the investigation has been conducted and proceedings have been initiated in reasonable time and I find that there is no delay in the present matter and the contention of the Noticees in this regard is untenable.

12. I note that Noticee nos. 1, 2, 4, 5 and 6 had sought a copy of the Investigation Report and any other document relied upon while issuing the SCN. I note that these Noticees have been informed that all documents relied upon in the SCN have already been provided as Annexure to the SCN. In this regard, reference may be made to the order dated February 12, 2020 passed by Hon'ble SAT in Appeal (L) No. 28 of 2020 – Shruti Vora Vs. SEBI, wherein it was observed as under:

> *"In the light of the aforesaid, we are of the opinion that concept of fairness and principles of natural justice are in-built in Rule 4 of the Rules of 1995 and that the AO is required to supply the documents relied upon while serving the show cause notice. This is essential for the person to file an efficacious reply in his defence."*

The aforesaid observations made in Shruti Vora's case has been reiterated with confirmation by Hon'ble SAT in its order dated July 17, 2020 passed in Appeal No. Anant R Sathe Vs. SEBI wherein it was observed as under:

> *"…….8. The said principle elucidated in Shruti Vora's judgement is squarely applicable in the instant case. The authority is required to supply the documents that they rely upon while serving the show cause notice which in the instant case has been done and which is sufficient for the purpose of filing an efficacious reply in his defence……"*

In the present case also, I find that the Noticees have been provided with all the relevant documents relied upon in the SCN which are sufficient for the Noticees to file an efficacious reply in the matter.

13. The SCN alleges that the Noticees were connected to each other and that Noticee nos. 1 to 7 by repetitively executing synchronized trades within the group created misleading appearance of trading in the scrip of Transpek without any intention of change in ownership of the securities.

14. I note that the allegation of connection between the Noticees, has been made on the basis of certain links found amongst the Noticees. The table containing the basis of connections on the basis of the links found, as given in 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.

15. I note that the Noticees have denied that they were part of any group. Noticee nos. 1, 2, 3 and 4 in their common reply have stated that Noticee no. 2 is the son of Noticee no.1 and Noticee no. 2 is also the director of Noticee no.4. Noticee no. 5 has stated that one of its directors was a common director of a company wherein the wife and son of Bharat J. Patel was a director. Noticee no. 6 has stated that there were fund transactions between one of its directors and Bharat J. Patel. But Noticee no. 5 and 6 have contended that no adverse inference can be drawn on the same. Noticee no. 7 in its reply has stated that it received funds from Noticee no. 4.

16. I note that in the table provided in the SCN, as reproduced above, the Noticees appear at Sr. nos. 2, 4, 5, 9, 10, 12 and 15. I also note that the SCN states that

Noticee nos. 1 to 3 had common address which has not been denied by them. Moreover, as stated in their replies, Noticee no. 1 is the mother of Noticee no.2 and Noticee nos. 2 and 3 are directors of Noticee no. 4. I find that common address between two persons cannot be coincidental and means that they are residing in the same premises and thus, know each other. Moreover, Noticee no. 4, being a company wherein Noticee nos. 2 and 3 are directors is also related to them. I also note that Noticee no. 4 had fund transfers with Noticee no. 5 , 6 and 7. On a perusal of the bank statement of Noticee no. 4 for a sample period of February 01, 2014 to October 31, 2014, I note the following:

- Noticee no. 4 has received 8 credits from Noticee no. 7 and has provided 5 debits to Noticee no. 7 during this period for amounts of Rs. 45 lakh, (debit on March 19, 2014), Rs. 62 lakhs (debit on March 24, 2014), Rs. 5 lakhs (credit on August 04, 2014), Rs. 50 lakhs (credit on September 12, 2014) etc.
- Noticee no. 4 has received 3 credits from Noticee no. 5 ranging from Rs.25 lakhs on March 24, 2014 to Rs. 1.01 corre on August 04, 2014.
- Noticee no. 4 has received one credit of Rs 48 lakhs from Noticee no. 6 during this period.

These fund transfers show a business/ financial relationship between the Noticees. Even if it is accepted that these transactions were in the ordinary course of business, it points towards a pre-existing connection between the Noticees. It may be noted that the allegation in the SCN is not that these funds were used for market manipulation in the present case with respect to the scrip of Transpek, as contended, rather these fund transfers were relied upon to show that the Noticees were known to each other and hence, were connected. I note that the connection amongst the Noticees is not the allegation itself, the connection coupled with their trading behavior during the investigation period in the scrip of Transpek, forms the basis of the allegation in the SCN that they had executed synchronized trades in the scrip of Transpek during the investigation period, which is dealt with in subsequent paras.

17. Coming to the trading by the Noticees, I note that the SCN alleges that Noticee nos. 1 to 7 by repetitively executing synchronized trades within the group created misleading appearance of trading in the scrip of Transpek during the investigation period. In response to said allegation, Noticees have denied that they had executed synchronized trades. They have also contended that their trades were found to be executed on very less days compared to the total trading days under investigation period (22 out of 1385), these trades were executed as per the applicable rules/bye-laws of the concerned stock exchanges and that they took delivery of the shares. The Noticee have submitted that since in the present case there is no allegation of price manipulation against them, therefore, the allegation of violation Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) and (g) of PFUTP Regulations, 2003 is not established. The Noticees have also stated that it is a matter of record that the ownership of the shares have changed which can be verified from demat statements and thus, the allegation that transactions were done without any intention of change in the ownership is not established.

18. The SCN alleges that Noticees executed synchronized trades for 10,05,948 shares (18.20% of the market volume) in the scrip of Transpek on 22 days during the investigation period of four years at BSE. The SCN further alleges that the synchronized trades were executed by the Noticees in 145 trades, during 22 trading days. The number of impugned trades have not been denied by the Noticees. Analysis of the time span within which the these trades were executed is given in the table below:

No. of trades	Time span (between 1- 60 seconds)
113	0-10
11	10-20
21	20-30

19. In this regard, the SCN, trade log and order log of the Noticees in the scrip of Transpek for the investigation period have been perused and it is observed that apart

from carrying out the alleged trades, Noticees were also engaged in several other trades, in the scrip of Transpek during the investigation period, with many other counterparties other than Noticees in the present matter and these trades with other counter parties are not referred to in the SCN nor alleged to be fraudulent. I also note that the Noticees have submitted that their trades executed on 22 days out of an investigation period stretching over four years, has been questioned. Thus, I find that the frequency of the impugned trades was not high. I also note that, while the findings of investigation observe that "*Synchronised trades are said to be executed when the difference between placement of order by buyer and seller are within one minute and order rate as well as order quantity of buy side and sale side are the same*". In my view, for any allegation of synchronized trades to sustain, normally, the price, time and quantity should match between the same counter parties for some trades which could show prior meeting of mind between buyer and seller. In the present matter, a perusal of order and trade log indicates that quantity is not matching, for example, SCN alleges that on February 21, 2014, Noticee no. 2 executed synchronized trades for 9955 shares of Transpek with Noticee no. 6. However, on a perusal of the order log and trade log, it is noted that a sell order for 9995 shares placed by Noticee no. 6 at 12:37:13 got matched with different buy orders placed by the Noticee no. 2 for various quantities such as 4500 (12:37:22), 250 (12:37:30), 100 (12:37:33), etc. In some instances, the trade quantity was different, implying that the order also got matched with other investors. For example, on January 05, 2015 both the buyer (Noticee no. 6) and seller (Noticee no. 2) placed buy and sell orders for 10,000 shares of Transpek. However, the trades took place for only 9355 shares. So their order did not fully matched with each other. Similarly, on February 16, 2015 Noticee no. 1 and Noticee no. 2 placed buy and sell orders for 250000 shares each. However, trades for 249955 shares got executed between them, the remaining order quantities getting matched with other investors. The SCN does not allege any connection between Transpek 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 Transpek during the investigation period. The Noticee have produced demat statements showing credit of the impugned shares of Transpek in their accounts. On a perusal of the Noticees' demat statements

submitted with their replies, I note that they have taken deliveries of the shares of Transpek during the investigation period. On the basis of these demat statements, I find that the allegation that the Noticees carried out the impugned trades without any intention of change in ownership of the securities is also not made out. I also note that for the same alleged violations, adjudication proceedings had also been initiated against the Noticees which were disposed vide order dated October 27, 2020 without imposition of any penalty. Thus, in the facts and circumstances of the present case, I find that the trades executed by the Noticees can not be treated as synchronized trades and the trades by Noticees can not be treated as carried without intending to change the beneficial ownership of the shares of Transpek, carried during the investigation period, so as to attract violations of Regulations 3 (a), (b), (c) and (d), 4 (1), 4 (2) (a) & (g) of PFUTP Regulations, 2003.

DIRECTIONS:

20. 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 read with Section 19 of the SEBI Act, 1992, hereby dispose of the SCN issued against the Noticees without any directions.

21. This order comes into force with immediate effect.

22. 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.

-Sd-
Date: May 05, 2021 **ANANTA BARUA**
Place: Mumbai **WHOLE TIME MEMBER**
SECURITIES AND EXCHANGE BOARD OF INDIA