

BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

CORAM: MADHABI PURI BUCH, WHOLE TIME MEMBER

FINAL ORDER

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

**In Re: Securities and Exchange Board of India (Prohibition of Fraudulent and
Unfair Trade Practices Relating to Securities Market) Regulations, 2003**

In respect of:

S. No.	Name of the Entity	PAN
1.	Mr. Jayeshkumar Narottamdas Gandhi	AABPG5669E
2.	Ms. Bharati Jayesh Gandhi	AAFPG5855L
3.	Mr. Deval Jayesh Gandhi	AISPG4164H

In the matter of Grandma Trading and Agencies Ltd.

BACKGROUND

1. Grandma Trading and Agencies Ltd. (hereinafter referred to as “**GTAL / Company**”) was in the business of export of soya oil until the year 1996 after which the said business was discontinued. The company thereafter has been engaged in the business of textile, fabric and yarn trading and other commission agency business. The company has been listed on BSE since 1982. It is listed only on BSE.
2. Securities and Exchange Board of India (hereinafter referred to as “**SEBI**”) conducted an investigation in the scrip of GTAL based on a reference received from the Principal Director of Income Tax (Investigation), Kolkata. The focus of the investigation was to ascertain whether there were any violations of the provisions of Securities and

Exchange Board of India Act, 1992 (hereinafter referred to as “**SEBI Act**”) and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 (hereinafter referred to as “**PFUTP Regulations**”) by certain entities in the scrip of GTAL during the period April 4, 2012 to March 13, 2015 (hereinafter referred to as “**Investigation Period**”).

3. During the investigation period, corporate announcements were made by the company regarding stock split, declaration of financial results and meeting of the Board of Directors of the Company. Further, it is observed from the Investigation Report (hereinafter referred to as “**IR**”) that GTAL earned profit (net) of ₹ 0.08 crore until 2012 which increased to ₹ 0.62 crore during year ending 2013. The net profit started decreasing after 2013 and fell to ₹ 0.15 crore in the year ending 2014 and thereafter increased marginally to ₹ 0.16 crore in the year ending 2015 and 2016.
4. During the investigation period, 84,49,340 shares were traded through 29,813 trades. Trading in GTAL was suspended w.e.f September 10, 2001 on account of non-payment of annual listing fees and later revoked w.e.f June 27, 2011. However, no trades were executed from the date of revocation of suspension i.e. June 27, 2011 till April 3, 2012. The price and volume in the scrip during the investigation period and post investigation period is as follows:

Period	Particulars	Open	High	Low	Close	Avg. Volume
April 4, 2012 to March 13, 2015 -Investigation period	Price	₹ 15 (04/04/12)	₹ 309.95 (13/11/14)	₹ 12.05 (11/03/15)	₹ 12.95 (13/03/15)	17788
	Volume	200 (04/04/12)	309667 (03/03/15)	10 (14/09/2012, 12/02/2013, 13/03/2013, 10/05/2013, 14/05/2013,15/05/2013, 23/05/2013, 26/02/15)	135373 (13/03/15)	
March 16, 2015 to June 16, 2015- Post Investigation period	Price	₹ 12.05 (16/03/15)	₹ 25.4 (11/06/15)	₹ 12 (16/03/15)	22.6 (16/06/15)	122900
	Volume	223312 (16/03/15)	543096 (31/03/15)	1 (14/05/15)	15701 (16/06/15)	

5. On the basis of price movement, 4 patches were identified. The open, high, low, close price of the scrip before, during the period of investigation are as under:

Period	Particulars	Open	High	Low	Close	Avg. Volume per day
Patch I April 4, 2012 – June 12, 2013	Price(₹)	15	235.25 (12/06/2013)	15 (04/04/2012)	234	258
	Volume(No. of shares)	200	6,884 (12/06/2013)	10 (14/09/2012,12/02/2013, 18/03/2013,10/05/2013, 14/05/2013,15/05/2013, 23/05/2013)	6884	
Patch II June 13, 2013 – March 31, 2014	Price(₹)	230	294 (24/03/2013)	230 (13/006/2013)	288	23,211
	Volume(No. of shares)	11360	59,537 (05/09/2013)	1,510 (22/03/2014)	37818	
Patch III April 1,2014 to February 25, 2015	Price(₹)	287.5	309.95 (13/11/2014)	135 (06/02/2015)	179.8	14,457
	Volume(No. of shares)	23000	84,887 (15/01/2015)	17 (08/12/2014)	22	
Patch IV February 26, 2015 – March 13, 2015	Price(Rs.)	19.5	23.4 (27/02/2015)	12.05 (11/03/2015)	12.8	75,496
	Volume(No. of shares)	10	3,09,667 (03/03/2015)	10 (26/02/2015)	135373	

SHOW CAUSE NOTICE

6. Consequent to the investigation, a show cause notice dated August 7, 2017 (hereinafter referred to as “SCN”) was served on Mr. Jayeshkumar Narottamdas Gandhi (hereinafter referred to as “**Noticee No. 1**”), Ms. Bharati Jayesh Gandhi (hereinafter referred to as “**Noticee No. 2**”) and Mr. Deval Jayesh Gandhi (hereinafter referred to as “**Noticee No. 3**”) in the extant matter. The SCN *inter alia* alleged as follows:

- a) The LTP analysis of the 4 patches was done and the details of patch 1 qua the Noticees is given below:

LTP Analysis: Patch 1 - Price Rise - April 4, 2012 to June 12, 2013:

- During this period, the price of the scrip opened at ₹ 15, reached a high of ₹ 235.25 and closed at ₹ 234. An analysis of sellers during patch 1 was carried out. The following table illustrates the sellers to top 10 LTP contributors:

Sl. no	Seller Name	Total No. of trades (LTP >0)	Total no. of orders (LTP >0)	No. of instances with sell order of 15 shares or less	No. of instances with sell order of 25 shares or less	Positive LTP contribution (₹)	% of positive LTP to Total Market positive LTP	No. of shares held before these trades (NSDL/CDSL Statements)	Balance no. of shares held after LTP trades in Patch 1 (NSDL/CDSL Statements)
1	Sagar Dhanvant Jajal	7	7	4	2	35.35	15.98%	150	0
2	Chandrika Dhanvant Jajal	5	5	5	0	21.8	9.85%	100	40
3	Jayesh Narottamdas Gandhi	9	9	4	4	21.65	9.79%	1100	925
4	Roop Chand Jain	3	3	0	2	17.85	8.07%	800	560
5	Bharati Jayesh Gandhi	11	11	4	7	17.4	7.86%	1700	1480
6	Arun Jain	2	2	2	0	14.5	6.55%	400	370
7	Jayesh Kanungo	5	5	1	4	13.75	6.21%	1100	1000
8	Shashikant Nangalia	2	2	0	0	11.15	5.04%	200000	197050
9	Rahul V Agrawal	1	4	0	0	9.65	4.36%	250000	247353
10	Nakul G Kanunga	3		0	3	8.5	3.84%	800	730
11	Rajendra Jain HUF	1	1	1	0	7.55	3.41%	1100	1085
12	Renu Chatarlal Jain	1	1	1	0	5.9	2.67%	2500	2490
13	Manjula Dinesh Jain	1	1	1	0	5.1	2.31%	3000	2985
14	Nikhil Dinesh Jain	1	1	1	0	4.85	2.19%	3000	2985
15	Deval Jayesh Gandhi	2	2	2	0	2.3	1.04%	Nil	Nil
16	Vaibhav Jain	1	1			1.15	0.52%	50	0
Total (16 entities)						198.45	89.69%	-	-

- From UCC, it is observed that Mr. Jayesh Narottamdas Gandhi, Mr Bharati Jayesh Gandhi and Mr Deval Jayesh Gandhi have common email ID devalgandhi@gmail.com. Further, Mr Jayesh Narottamdas Gandhi and Mr Bharati Jayesh Gandhi share common phone numbers viz., 9820082837 and 28332109. Together, these three Noticees have traded on 22 separate days with 22 separate orders. Each of these trade were first trade. All these trades have resulted in positive LTP contribution. Total LTP contribution by these three Noticees is ₹ 41.35 (18.69% of the total market positive LTP).

Trade Date	Buyer Name	Seller Name	LTP at Sell Order Entry	Trade Price	LTP Difference	Buy Order Disclose Volume	Sell Order Disclose Volume	Buy Order LMT	Sell Order LMT
02.07.2012	Jignasa Jayesh Shah	Jayesh Gandhi	15.75	16.5	0.75	1000	20	09:15:00	10:17:51
04.07.2012	Mahesh Kumar Patel Huf	Jayesh Gandhi	16.5	17.3	0.8	1000	25	09:15:00	12:14:05
11.07.2012	Jayesh Kesharia Huf	Bharati Jayesh Gandhi	17.3	18.15	0.85	2000	25	09:15:00	12:41:37
16.07.2012	Jignasa Jayesh Shah	Bharati Jayesh Gandhi	18.15	19.05	0.9	1000	25	09:15:00	12:14:32
14.09.2012	Rajesh Maganbhai Bhajiwala	Jayesh Gandhi	19.05	20	0.95	100	10	09:15:01	14:49:26
18.01.2013	Rajesh Maganbhai Bhajiwala	Bharati Jayesh Gandhi	20	21	1	100	25	09:15:00	13:05:33
22.01.2013	Sumitra Dilipkumar Shah	Deval Jayesh Gandhi	21	22.05	1.05	1000	15	09:15:00	13:37:21
28.01.2013	Anil Singh	Bharati Jayesh Gandhi	22.05	23.15	1.1	300	15	09:15:00	14:48:05
04.02.2013	Rahul Kumar Agrawal	Bharati Jayesh Gandhi	24.3	25.5	1.2	5000	25	09:15:00	11:31:51
07.02.2013	Anil Singh	Deval Jayesh Gandhi	25.5	26.75	1.25	300	15	09:15:00	15:19:19
12.02.2013	Anil Singh	Bharati Jayesh Gandhi	26.75	28.05	1.3	300	1	09:15:00	11:26:55
19.02.2013	Bharat Bagri (Huf)	Bharati Jayesh Gandhi	29.45	30.9	1.45	900	15	09:15:00	09:52:46
25.02.2013	Shyam Kanheyala Vyas	Jayesh Gandhi	32.4	34	1.6	2000	15	09:15:00	11:23:55
01.03.2013	Shyam Kanheyala Vyas	Bharati Jayesh Gandhi	35.7	37.45	1.75	5000	20	09:15:00	10:32:41
05.03.2013	Shyam Kanheyala Vyas	Jayesh Gandhi	37.45	39.3	1.85	5000	15	09:15:00	11:34:28

Trade Date	Buyer Name	Seller Name	LTP at Sell Order Entry	Trade Price	LTP Difference	Buy Order Disclose Volume	Sell Order Disclose Volume	Buy Order LMT	Sell Order LMT
07.03.2013	Shyam Kanheyalal Vyas	Bharati Jayesh Gandhi	39.3	41.25	1.95	5000	15	09:15:00	10:31:05
13.03.2013	Shyam Kanheyalal Vyas	Jayesh Gandhi	43.3	45.45	2.15	5000	15	09:15:00	11:25:20
20.03.2013	Jayesh Kesharia Huf	Jayesh Gandhi	47.7	50.05	2.35	500	20	09:15:00	13:15:42
26.03.2013	Jayesh Kesharia Huf	Bharati Jayesh Gandhi	52.55	55.15	2.6	480	20	09:15:00	09:49:25
03.04.2013	Deepak H Parekh	Jayesh Gandhi	57.9	60.75	2.85	500	25	09:00:01	12:06:17
10.04.2013	Shyam Kanheyalal Vyas	Bharati Jayesh Gandhi	66.5	69.8	3.3	3000	25	12:30:00	12:34:16
29.05.2013	Priyanka Amit Nahar	Jayesh Gandhi	167.1	175.45	8.35	900	50	13:30:00	13:49:27

- As can be seen from the above table, none of the buy order quantity was less than 100 shares. Infact, in 8 out of 22 instances the buy order was more than 1,000 shares. Thus, buy orders for large quantity of shares are available before placing sell order but the sellers i.e. Mr. Jayesh Narottamdas Gandhi, Mr. Bharati Jayesh Gandhi and Mr. Deval Jayesh Gandhi are repeatedly placing sell orders for small quantity of shares despite having sufficient number of shares with them and contributing to significant positive LTP. It was also observed that Mr. Deval Jayesh Gandhi was not even having any shares in his account at the time of placing the sell orders despite the scrip being traded in trade for trade segment. Therefore, the exchange had to close out his trades.
- Thus, it is alleged from the trading pattern that Noticees were not acting as genuine sellers and had no bona fide intention to sell because in-spite of sufficient buy orders being available in the market, they released very small quantity of shares in each transaction and performed not more than one transaction a day. One of the Noticee's, Mr. Deval Jayesh Gandhi did not have

any shares of GTAL and sold them on market despite the company being traded in trade for trade segment. Eventually these trades were closed out by the exchange. Further, it is alleged that by these trades, they matched the price of prevailing buy orders which were placed at a higher price than the last traded price and thus contributed to increased scrip price with each of their trades. In view of the repeated nature of such trades by the Noticees, it is alleged that the culpability of the Noticees in increasing the price is thus established. Moreover, it is alleged that it is evident from the above trading pattern that the intention of these Noticees was to mark the price higher and not merely to enter into sale transactions carried out by them. Hence, it is alleged that Mr. Jayesh Narottamdas Gandhi, Mr. Bharati Jayesh Gandhi and Mr. Deval Jayesh Gandhi have contributed to manipulation in the scrip price and created a misleading appearance of trading in the scrip by such trades.

- b) In view of the above it is alleged that Noticees have violated Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2) (a), (e) of PFUTP Regulations.
- c) Noticees were advised to show cause as to why suitable actions/directions in terms of Sections 11(1), 11(4) and 11B of SEBI Act should not be initiated against them for the alleged violation of the provisions of PFUTP Regulations. Further, Noticees were advised to submit a reply to the SCN within 21 days from the date of receipt of the SCN.

REPLY & HEARING

- 7. In response to the SCN, Noticees vide a common letter dated August 22, 2017 requested certain documents in the matter. The same was provided to them vide a letter dated August 29, 2017 in a compact disc format and were further advised to submit a reply to the SCN by September 22, 2017.
- 8. Vide hearing notice dated November 5, 2018, Noticees were granted an opportunity of hearing on November 29, 2018 at SEBI Bhavan, Mumbai. On the day of scheduled hearing, Mr. Geet Shikhar, appeared on behalf of the Noticees as their authorised representative (hereinafter referred to as 'AR'). The AR submitted that the Noticee No. 1 is hospitalized in Asian Heart, BKC. Since, he is hospitalized, he may be

exempted from filing a signed reply. After perusing the medical certificate submitted by the AR, the said request was acceded to and reply dated November 27, 2018 submitted by the Noticee was taken on record. The AR further submitted as follows:

- Noticee No. 1 used to trade on behalf of his wife, Noticee No.2 and his son, Noticee No. 3. He has been trading in the market for more than 30 years.
- They were holding the shares of the company prior to its suspension on BSE.
- While they were carrying out the subject transactions, they did not know who their counterparty was since they were trading on a screen based system.
- They sold the shares in tranches since there were many buyers in the market.

The AR was asked to provide the following information:

- a) Since when were the Noticees were holding shares of the company?
- b) Trading history of the three Noticees for one year before and one year after the period covered in the investigation.
- c) What was the source of funds for the purchases made by them?
- d) What was the occupation of Noticee No. 1 during the relevant time? Whether Noticee No. 3 was working during the relevant time?

The AR was given two weeks' time to file the written submissions in the matter.

9. Noticee No. 1 on behalf of other Noticees vide his reply dated November 27, 2018 which was submitted at the time of hearing, *inter alia* submitted as follows:

- I was holding shares of GTAL since past many years and was looking for opportunity to exit the scrip as and when there will be trading in the scrip.
- At present I have got a large portfolio and hold shares of various companies like Century Ply, Aditya Birla Capital, Suzlon, and many more. We are also holding physical shares of Oswal Sugars, S M Dyechem, Niwas Spinning, Garware Synthetic, Nutra Plus, Pulsar International Limited etc. Hence, holding the shares of GTAL was not unusual.

- I take note of the surplus funds available with all the family members after deducting all the expenses and decide on various investment avenues available with us. Normally, I decide the scrip in which investment is to be made by all the family members.
- The open price of ₹ 15 was on April 4, 2012 and high price of ₹ 309.95 was on November 13, 2014, which is after almost more than 2 and half years and was not sudden. This establishes that the price of the scrip has increased in a gradual manner which could be the result of change in market sentiments, change in future perception of the company, change in economic and political scenario and cannot be attributed to trades carried out by us.
- As per price volume data obtained from the website of BSE, it is observed that the price of the scrip was constant throughout the day on different trade days and there was no price spurt at any point in time. The price of the scrip was constant for a particular day with a little fluctuation over and above the opening price and no major price rise and fall throughout the day. Thus, we state that the price rise was gradual over a period of nearly three years and not all of a sudden.
- It is an accepted fact that stock split announcement, declaration of financial results etc. are price sensitive information and always result in change in prices.
- We have traded in small quantities and in tranches since we never wanted to liquidate our portfolio completely. Besides, the stock exchanges do not have any such embargo as to the minimum amount of shares that can be liquidated at a particular point of time. We had shares of GTAL from quite a long time and were eyeing on price rise and trends in the scrip so that we can liquidate a small portion of our holdings in the market and get good return on investment. We noted that there were many buyers for the scrip but comparatively less number of sellers. That was a great opportunity for us to liquidate the holdings and get best price for our shares since we had shares of GTAL. Thus, we decided to liquidate our holdings in tranches.
- No cognizance has been taken by SEBI of the fact that around 80% of the price rise was caused by other entities.

- No action has been taken by SEBI against the buyers of trades executed by them. This has vitiated the whole proceedings and this makes the notice untenable in fact and in law.
- As regards holding of Noticee No. 3 is concerned, it is stated that due to misunderstanding between me and the broker, the shares were sold from the account of Noticee No. 3. When it came to my notice, I immediately directed my broker to modify the trade. However, he could not modify the same due to paucity of time. On the next day, I requested my broker to accept the delivery from my demat account. However, my broker informed me that they do not accept third party shares. Also, merely by two orders, it cannot be alleged that trading was wrong or not genuine or fraudulent.
- Buy orders were available in the market since the beginning of the market hours which is 9:15 am and we entered the orders later on. However, the sell order was placed in the account of Noticee No. 3 at 13:37 hours and was immediately executed. Also, another trade executed in the account of Noticee No. 3 was wherein a buy order was available in the market from 9:15 am and the sell order was placed at 15:19 hours and was executed at 15:19 hours. Thus, it is quite evident that the sell orders placed in the account of Noticee No. 3 were market orders and no new price discovery took place.

10. Pursuant to the hearing, Noticees made additional written submissions vide their letter dated December 14, 2018 wherein they reiterated their earlier submissions and further submitted as follows:

- As regards the mode of acquisition of shares of SSTL, it is submitted that we have acquired shares in physical form through an account payee cheque. The details regarding the date of purchase in addition to the payment made along with the mode of payment have been provided herewith:

Name of the Entity	Date of Purchase	Amount (₹)	Name of the Bank	Cheque No.
Jayesh Gandhi	12/1/2012	7,700	Bank of Maharashtra	306298
Bharti Gandhi	12/1/2012	7,650	ICICI Bank	468501

- As regards the source of funds for acquisition of such shares, it is submitted that the same was acquired from our own sources. Income Tax return for the period 1/4/2010 to 31/3/2011, 1/4/2011 to 31/3/2012, 1/4/2012 to 31/3/2013, 1/4/2013 to 31/3/2014 and 1/4/2014 to 31/3/2015 was submitted by the Noticees.
- I am holding large portfolio of various companies in physical form e.g. Oswal Sugar, Niwas Spinning, Nutra plus, Jaywant products etc.
- Noticees submitted their ledger and demat statement for the period April 2010 to March, 2016.

FINDINGS & CONSIDERATIONS

11. I have perused the SCN, written and oral submissions and other materials available on record. On perusal of the same, the following issues arise for consideration:

- (i) Whether the Noticees have manipulated the price in the scrip and have created a misleading appearance of trading in the scrip of GTAL during the period April 4, 2012 to June 12, 2013?
- (ii) If answer to issue No. (i) is in affirmative, whether the Noticees have violated the provisions of PFUTP Regulations?
- (iii) If answer to issue Nos. (ii) is in affirmative, what directions, if any should be issued against the Noticees?

Issue No. 1 - *Whether the Noticees have manipulated the price in the scrip and have created a misleading appearance of trading in the scrip of GTAL during the period April 4, 2012 to June 12, 2013?*

12. It is noted from the material made available on record that the Noticees have executed 22 sell trades in the scrip during the patch-1 which were over the LTP, for 436 shares. Noticees' LTP contribution in the scrip is ₹ 41.35/- which is 18.69% of positive LTP contribution in the scrip. From the material made available on record, I note that though the Noticee No. 1 and Noticee No. 2 were holding substantial number of shares, 1,100 shares and 1,700 shares respectively during patch-1, the

Noticees were releasing small quantity of shares (1-50 shares) even though there were large pending buy orders over the LTP. The days when the Noticees had executed the said 22 trades, pending buy orders were in the range of 100 shares to 5,000 shares. It is observed that when the Noticees were trading, July 2, 2012 to May 29, 2013 which is over 10 months, the scrip was traded only on 50 days. Out of the said 50 trading days, in all trading days only 1 trade was executed in the scrip. This coupled with the fact that the average volume in the scrip during patch- 1 of the investigation period when the Noticees were trading was 19 shares (average volume during patch-1 which spanned almost 15 months, was 258 shares) would make a prudent investor to sell its shares at the very first opportunity that he/she is coming across. In the given situation, there were considerable buy order quantity pending in the system and that too over the LTP. It is not the case of the Noticees that on multiple occasions they had placed sell orders for more than 50 shares and the order was not executed. Considering the aforesaid, the submission of the Noticees that there was a great opportunity to liquidate the holdings in tranches and get the best price for their shares, is not acceptable. Noticees at frequent interval have executed the miniscule quantity of sell trade in the scrip over a period of over 10 months. Thus, based on the trading pattern of the Noticees in the scrip, it is held that the same is not genuine, but manipulative in nature.

13. Noticee's submission that he was holding shares of GTAL for past many years and was looking for an opportunity to exit is not factually correct. As per Noticees own submission, they had first acquired the shares in off market on January 12, 2012 and the first sell trade was executed by the Noticee No. 3 on July 2, 2012.
14. Noticees have further submitted that the IR has not taken into account the impact of corporate announcements have had on the price of the scrip. In this regard, it is noted that there are a host of factors that affect the price of the scrip and one of them is corporate announcements. However, the movement in the price of the scrip from ₹ 15/- to ₹ 234/-, cannot be fully explained by the said corporate announcements. There are also other devices adopted by market participants to artificially influence the price in a scrip. As discussed in preceding paragraphs, Noticees by executing sell

trades in miniscule quantity at frequent intervals when there was a large pending buy order have contributed ₹ 41.35/- to the price of the scrip which as held earlier is manipulative in nature.

15. Noticees have submitted that price volume data reveals that the price of the scrip was constant for a particular day with a little fluctuation over and above the opening price and no major price rise and fall throughout the day. It is noted from the IR that during the period June 27, 2011 (scrip was suspended from September 10, 2001 to June 26, 2011) till April 3, 2012, just before patch-1, that no trades were executed in the scrip. Moreover, during patch-1, which was over 15 months period, the scrip was traded only on 61 days. Out of the said 61 trading days, on 54 days trades only one trade was executed in the scrip. All this indicates that there were days when there was no trading in the scrip and when there was any trading in the scrip, mostly it was 1 trade. Thus, intra-day stability of the price is not relevant.
16. Noticee No. 1 has submitted that due to misunderstanding between him and the stock broker, the shares were sold from the account of Noticee No. 3. When it came to his notice, he immediately directed his stock broker to modify the trade. However, he could not modify the same due to paucity of time. On the next day, he requested his stock broker to accept the delivery from his demat account. However, his stock broker informed him that they do not accept third party shares. The said submission of the Noticee No. 1 is not tenable as he could have easily effected the transfer of shares to his son's account by delivery instruction slip as both of them have the same depository participant. Moreover, the demat account in which the shares of GTAL were held, is a joint demat account of Noticee No. 1 and Noticee No. 3. Shares of GTAL could have been transferred to the account of Noticee No. 3 with the consent of both the holders. It is an admitted position that Noticee No. 1 was trading on behalf of other Noticees. Further, Noticee No. 1 committed the same misunderstanding within a span of next 3 trading days. This when seen in the light of overall trades being executed in the scrip (1 trade) during the relevant period, casts a shadow of doubt over the genuineness of the submission of the Noticee No. 1.
17. I note that trades at higher than LTP, undoubtedly have a potential of raising the

price of the scrip and the same gives a wrong impression about the price of the scrip in the market based on miniscule quantities traded. It must not be forgotten that every trade establishes the price of the scrip and trades executed at higher than LTP results in the price of the scrip going up which may influence the innocent/gullible investors. In cases of market manipulation, admittedly, no direct evidence would be forthcoming / available. Manipulative transactions are to be tested on the conduct of parties and abnormality of practices which defy normal logic and laid down procedures. What is needed, is to prove that in a factual matrix, preponderance of probabilities indicate a fraud. In this regard, the observations of Hon'ble Supreme Court of India in *SEBI Vs. Kishore R Ajmera et.al.* decided on February 23, 2016 wherein the Hon'ble Court while deciding the matter under SEBI Act and PFUTP Regulations where there was no direct evidence forthcoming, observed as follows:

"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..."

18. At the time of the hearing, Noticees were advised to submit their demat statement and broking statement, one year preceding and one year after the investigation period, to substantiate its normal trading pattern. Noticees, have submitted their demat statement and ledger maintained with their stock broker. Noticees trading in other scrips was accessed through the system. It is noted that during the financial year 2012-2013, Noticees have traded in various scrips and out 393 instances that they have collectively traded as a seller (it is an admitted position that Noticee No. 1 was trading on behalf of others), they have placed sell order above 30 shares on 348

instances, which is 88.5% of their trading. However, in the scrip of GTAL, there is only one instance out of 22 instances of placing sell order over 30 shares during patch-1, which is 4.5% of their trading.

19. Thus, from the above, it can be gathered that during the normal course of Noticees trading, Noticees do not put sell orders for miniscule quantity of shares. Noticee's trading behavior in the scrip under inquiry does not follow its usual pattern of putting sell orders. Hence, the trading behavior of the Noticees in other scrips also does not justify their trading in GTAL which has already been held to be manipulative.
20. Noticees have submitted that Noticees are neither connected to the counter parties to their trades nor are they connected with the company. In this regard, I note that the extant matter is not based on the connection between the Noticees and the company or their counter parties, rather on the manipulative transactions carried out in the scrip. As observed by Hon'ble Apex Court in the matter of *SEBI Vs. Kishore R Ajmera et.al*, in matters like the current one, totality of the attending facts and circumstances surrounding the allegations has to be seen to arrive at a conclusion. In the instant matter Noticees were repeatedly entering sell orders for small quantity inspite of having substantial holding and large pending buy orders in the system. Further, Noticees trading behavior in GTAL was at variance from their trading pattern in other scrips. All the aforesaid, indicates that the Noticees were not genuine traders in the scrip.
21. In view of the above, the findings that have been gathered from various circumstances for instance overall trades executed in the scrip (number of trading days and number of trades) including the average volume at the time of Noticees trading and during patch-1, volume of the trade effected by the Noticees vis-à-vis their holding, the period of persistence in trading in the scrip, the particulars of the buy and sell orders, trading behavior in other scrips, the totality of the picture that emerges leads to the conclusion that Noticees by executing the aforesaid sell trades have manipulated the price of the scrip and have created a misleading appearance of trading in the scrip.

Issue No. 2 - If answer to issue No. (i) is in affirmative, whether the Noticee has violated the provisions of PFUTP Regulations?

22. Before embarking upon the necessary discussions, I would like to reproduce the relevant provisions of PFUTP Regulations:

Regulation 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.

Regulation 4. Prohibition of manipulative, fraudulent and unfair trade practices

(1) Without prejudice to the provisions of regulation 3, no person shall indulge in a fraudulent or an unfair trade practice in securities.

(2) Dealing in securities shall be deemed to be a fraudulent or an unfair trade practice if it involves fraud and may include all or any of the following, namely:-

(a) indulging in an act which creates false or misleading appearance of trading in the securities market;

...

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

23. In view of the conclusion arrived at paragraph 21 wherein it has been held that the trades for miniscule quantity executed by the Noticees over the LTP in the scrip are manipulative and misleading in nature, it is also held that such trades are fraudulent in nature and would operate as deceit upon any person trading in the extant scrip. Further, as discussed in preceding paragraphs, Noticees by executing impugned trades in the scrip have also manipulated the price of the scrip. I therefore, find that Noticees have violated Regulations 3(a), (b), (c), (d) and Regulations 4(1), 4(2) (a) and (e) of PFUTP Regulations.

Issue No. 3 - *If answer to issue Nos. (ii) is in affirmative, what directions, if any should be issued against the Noticee?*

24. Section 11 of SEBI Act casts a duty on the Board to protect the interests of investors in securities and to promote the development of and to regulate the securities market. For achieving such object, it has been authorised to take such measures as it thinks fit. Thus, power to take all measures necessary to discharge its duty under the statute which is a reflection of the objective disclosed in the preamble has been conferred in widest amplitude. Pursuant to the said objective, PFUTP Regulations have been framed. The said Regulations apart from other things aims to preserve and protect the market integrity in order to boost investor confidence in the securities market. By executing manipulative trades, as has been executed by the Noticees in the instant matter, the price discovery system itself is affected. It also has an adverse impact on the fairness, integrity and transparency of the stock market. In view of the same and considering the violations committed by the Noticees, I find that it becomes necessary for SEBI to issue appropriate directions against the Noticees.

ORDER

25. In the facts and circumstances of the case, I, in exercise of the powers conferred upon me in terms of Section 19 read with Sections 11(1), 11(4) and 11B of the Securities and Exchange Board of India Act, 1992, hereby restrain Mr. Jayeshkumar Narottamdas Gandhi (PAN: AABPG5669E), Ms. Bharati Jayesh Gandhi (PAN:AAFPG58853) and Mr. Deval Jayesh Gandhi (PAN: AISPG4164H) from

accessing the securities market for a period of four years from the date of this order and further prohibit them from buying, selling or otherwise dealing in securities, directly or indirectly, or being associated with the securities market in any manner, whatsoever, for a period of four years, from the date of this order. Needless to say, in view of prohibition on sale of securities, it is clarified that during the period of restraint, the existing holding, including units of mutual funds, of the Noticees shall remain frozen.

26. The order shall come into force with immediate effect.

27. A copy of this order shall be served upon all recognised Stock Exchanges, Depositories and the Registrar and Share Transfer Agents to ensure compliance with the above directions.

-Sd-

DATE: January 31, 2019

PLACE: Mumbai

MADHABI PURI BUCH

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA