

BEFORE THE SECURITIES APPELLATE TRIBUNAL
MUMBAI

Date of Decision : 05.09.2022

Appeal No. 50 of 2022

Dhiren Dharamdas Agrawal HUF
12, Shardanagar Housing Society,
Lane No. 1, Paldi,
Ahmedabad – 380 007.

.....Appellant

Versus

Securities and Exchange Board of India
SEBI Bhavan, Plot No. C-4A, G-Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051.

... Respondent

Mr. Nishant Upadhyay, Advocate with Ms. Jyoti Pandey,
Advocate i/b Lexkare Legal for the Appellant.

Mr. Akash Rebello, Advocate with Mr. Abhiraj Arora,
Mr. Deepanshu Agarwal and Mr. Shourya Tanay, Advocates
i/b ELP for the Respondent.

CORAM : Justice Tarun Agarwala, Presiding Officer
Justice M.T. Joshi, Judicial Member
Ms. Meera Swarup, Technical Member

Per : Justice Tarun Agarwala, Presiding Officer (Oral)

1. The present has been filed against the order dated
June 23, 2020 passed by the Adjudicating Officer ('AO' for

short) of the Securities and Exchange Board of India ('SEBI' for short) imposing a penalty of Rs. 5 lakh for violation of Regulation 3 and 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ('PFUTP Regulations' for short).

2. Based on the investigation in the scrip of Jolly Plastic Industries Ltd. ('JPIL / Company' for short), a show cause notice was issued alleging that the appellant had manipulated the price of the scrip and created a misleading appearance of trading in the scrip through 7 trades for 700 shares, by placing buy orders in small quantities before the sell order, thereby contributed to the positive LTP of Rs. 24.4 which is 20.24% of the market positive LTP. It was also alleged that during Patch – 5 the price of the scrip rose from Rs. 51.95 on July 9, 2014 to Rs. 122 on November 27, 2014. It was alleged that appellant was one of the top entities who had contributed to the positive LTP during the Patch – 5.

3. The AO after considering the reply of the appellant and after considering the material evidence on record found that the appellant had manipulated the price of the scrip and created a misleading appearance of trading through the trades executed by the appellant which were placing buy orders in

small quantity before the sell order and accordingly imposed a penalty of Rs. 5 lakh.

4. We have heard Shri Nishant Upadhyay, the learned counsel for the appellant and Shri Akash Rebello, the learned counsel for the respondent.

5. We find that admittedly the appellant placed buy orders before the sell orders. We also find that the buy order were above the LTP. It makes no sense for a buyer to buy at a higher price when the shares are available at a lower price. Thus, placing buy orders above LTP amounts to manipulating the price of the scrip and also creates misleading appearance of trading.

6. Out of 8 trades for 800 shares executed by the appellant during Patch – 5 in the scrip of JPIL, the appellant contributed to Rs. 24.4 to positive LTP through 7 trades for 700 shares. We find that the buy orders was placed before the sell orders and, in this manner, 7 trades were executed on 7 consecutive days and resulted in positive LTP contribution of Rs. 24.4. We further find that buy orders placed at prices were significantly above LTP. Such execution of trades was clearly

with the intention of manipulating the price of the scrip in question.

7. It was urged that the appellant was not connected with the Company or with the co-promoters nor was connected with the counter party nor was connected with other entities as indicated in the show cause notice. In this regard, the appellant has relied upon a decision of this Tribunal in the matter of *Sapna Dilip Bombaywala vs SEBI (Appeal no. 143 of 2020 decided on June 24, 2020)* and in the matter of *M/s Nishith M. Shah HUF vs SEBI (Appeal no. 97 of 2019 decided on January 16, 2020)*. In our opinion the said decisions are distinguishable and are not applicable to the facts in question. Even if there is nothing to establish any connection between buyer and seller, we are of the opinion that in the instant case the trades executed by the appellant were clearly manipulative and therefore violative of Regulation 3 & 4 of the PFUTP Regulations.

8. For the reasons stated aforesaid, the appeal lacks merit and is dismissed with no order as to costs.

9. This order will be digitally signed by the Private Secretary on behalf of the bench and all concerned parties are

directed to act on the digitally signed copy of this order.
Certified copy of this order is also available from the Registry
on payment of usual charges.

Justice Tarun Agarwala
Presiding Officer

Justice M.T. Joshi
Judicial Member

Ms. Meera Swarup
Technical Member

05.09.2022
msb