(2023) 03 SEBI CK 0030

In the Securities Appellate Tribunal Mumbai

Case No : Appeal No. 253 Of 2023

Sonal Vijay Mehta — APPELLANT

Vs

Securities And Exchange Board Of India — RESPONDENT

Date of Decision : 16-03-2023

Acts Referred:

Securities And Exchange Board Of India (Prohibition Of Fraudulent And Unfair Trade Practices Relating To Securities Market) Regulations, 2003 — Regulation 3, 4
Securities And Exchange Board Of India Act, 1992 — Section 12A

Citation : (2023) 03 SEBI CK 0030

Hon'ble Judges : Tarun Agarwala Presiding Officer;Meera Swarup Technical Member

Bench : Division Bench

Advocate : Mahesh V. Rajpopat, Sumit Rai, Bhushan Shah, Sayali Puri, Daksha Kasekar

Final Decision : Dismissed

Judgement

Tarun Agarwala, Presiding Officer

1. The present appeal has been filed questioning the legality and validity of the order dated December 31, 2022 passed by the Adjudicating Officer ("AO" for convenience) of the Securities and Exchange Board of India ("SEBI" for convenience) imposing a penalty of Rs. 5 lakhs for violation of the Section 12A of the SEBI Act, 1992 read with Regulations 3 and 4 of the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 ("PFUTP Regulations" for convenience).

2. Based on an investigation in the scrip of Radha Madhav Corporation Limited ("the Company" for convenience) a show cause notice was issued to the appellant to show cause as to why and enquiry should not be held and penalty should not be imposed for manipulating the price of the scrip and creating a misleading appearance of trading.

3. The appellant contested the matter and denied the charges contending that his trades were not meant to increase a price of the scrip nor was the appellant capable of influencing the price of the scrip.

4. The AO after considering the reply and the material evidence on record found that the appellant by placing miniscule quantities of buy orders was not a normal trading activity and the same was done deliberately to increase the price and create a false impression about the trades in the market. The AO came to the conclusion that the trades were manipulative and violative of Regulations 3 and 4 of the PFUTP Regulations.

5. We have heard Shri Mahesh V. Rajpopat, the learned counsel for the appellant and Shri Sumit Rai, the learned counsel for the respondent.

6. From the material on record we find that the price of the scrip during the relevant period was Rs. 8.20 per share which reached a high of Rs. 19.87. During the said period the appellant had contributed to Rs. 25.04 to market positive last traded price ("LTP") which worked out to 12.03% to market positive LTP through 363 trades during 18 trading days. The AO further found that out of 363 trades the appellant had executed buy orders on miniscule quantities ranging from 1 trade to 2-10 trades in 330 trades which worked out 90.91% of the appellant's total trades. These 330 trades were of miniscule quantity but contributed to Rs. 24.01/- positive LTP which was 11.53% of the market positive LTP.

7. From the above, it is clear that the appellant was executing large number of miniscule quantity trades at higher price than the LTP when large quantities of sell orders were available in the order book. Such pattern of trading is not a normal trading activity in as much as it is common sense that a buyer would buy a scrip at the lowest possible price and, therefore, it does not stand to reason as to why the appellant was buying the shares at a higher price. The only reason which is probable is that the intention was to increase the price for vested reasons.

8. In view of the trading pattern, we are of the given opinion that there was a concerted effort on the part of the appellant to manipulate the market by placing miniscule quantities of buy orders above LTP and, therefore, the intention was not bonafide.

9. In view of the aforesaid, we do not find any error in the impugned order. The appeal fails and is dismissed with no order as to costs.

10. 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.

