
BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA

MISCELLANEOUS ORDER

Under 11(1), 11 (4) and 11B (1) of the Securities and Exchange Board of India Act, 1992 in compliance of the Hon'ble SAT's Order dated May 04, 2023

In the matter of Svarnim Trade Udyog Limited

In respect of –

Noticee No.	Name of the Noticee	PAN
7	Priyankbhai V Prajapati	ANRPP5551F
8	Suraj G Prajapati	ALYPP7089F

(The aforesaid entities are hereinafter individually referred to by their respective names/Noticee nos.)

Background –

1. SEBI received a complaint dated August 23, 2021 alleging that stock recommendation tips in the scrip of Svarnim Trade Udyog Limited (“**SNIM**”) were posted on a Telegram channel named “Intraday trading equity stock” on Aug 17, 2021. Subsequently, three suspected Telegram Channels, viz. Intraday Trading Equity Stock, Intraday Share Trading Equity Stock and Intraday Share Training Stock were identified and monitored.
2. Consequently, SEBI carried out search and seizure operation on the premises of certain suspected entities. Pursuant to the action, SEBI conducted an investigation in the matter which resulted in the issuance of an Interim Order cum Show Cause Notice dated January 31, 2023 (“**Interim Order cum SCN**”) in respect of the following Noticees:

Table – 1

Noticee No.	Noticee
1	Vinod Vilas Sable
2	Prijesh A Kurani
3	Dharini P Kurani
4	Ashish P Shah
5	Jalaj Agrawal
6	Arvind Shukla
7	Priyankbhai V Pajapati
8	Suraj G Prajapati
9	Jigar D Chaudhari
10	Piyush B Patel
11	Nishil K Malde

3. The Interim Order cum SCN *prima facie* found that the Noticees were engaged in unfair and fraudulent activities by creating artificial market volume which resulted in price rise in respect of the scrip of a listed company i.e., SNIM. The creation of artificial market volume and price rise was being done to facilitate the selling of shares by unscrupulous shareholders at high rates to earn unlawful gains. It was also noted that the Noticees were using the messaging application, Telegram, to induce common investors in investing in the said scrip to give effect to their objective of creating artificial market volume and price rise.

4. Accordingly, SEBI by way of the Interim Order cum SCN, passed the following directions:

“ a) All the Noticees viz: Noticees no.1 to 11 are restrained from buying, selling or dealing in securities, either directly or indirectly, in any manner whatsoever until further orders.

b) If the Noticees have any open position in any exchange traded derivative contracts, as on the date of the order, they can closeout/square off such open positions within 3 months from the date of order or at the expiry of such contracts,

whichever is earlier. The Noticees are permitted to settle the pay-in and pay-out obligations in respect of transactions, if any, which have taken place before the close of trading on the date of this order;

c) The amounts mentioned in Table no.22 at paragraph 74 of this Order, being the alleged unlawful gains, shall be impounded, jointly and severally, from the entities mentioned in the respective column of the said table;

d) Further, the Noticees as named in the Table no.22 are directed to open an escrow account(s) with a Nationalized/Scheduled Commercial bank jointly and severally, and deposit within 15days from the date of service of this order, the impounded amount as directed in para(c) above which has been prima facie determined to be the proceeds of wrongful profits/gains generated from the unfair trade practices activities as noted above in this order. The said Escrow account/s shall be interest-bearing escrow account and shall create a lien in favour of SEBI. Further, the monies kept therein shall not be released without permission from SEBI

e) Banks are directed that no debits shall be made, without permission of SEBI, in respect of the bank accounts held jointly or severally by the persons mentioned under Table no. 22, except for the purposes of transfer of funds to the Escrow Account. Further, the Depositories are also directed that no debit shall be made, without permission of SEBI, in respect of the demat accounts held by the aforesaid persons. However, credits, if any, into the accounts maybe allowed. Banks and the Depositories are directed to ensure that all the aforesaid directions are strictly enforced. Further, debits may also be allowed for amounts available in the account in excess of the amount to be impounded. Banks are allowed to debit the accounts for the purpose of complying with this Order;

f) The Registrar and Transfer Agents are directed to ensure that, they neither permit any transfer nor redemption of the securities, including Mutual Funds units, held by the Noticees;

g) Noticees are directed not to dispose of or alienate any of their assets/properties/securities, till such time the individual amount of unlawful gains made are credited to the abovementioned Escrow Account except with the prior permission of SEBI;

h) Noticees are further directed to provide a full inventory of all their assets whether movable or immovable, or any interest or investment or charge in any of such assets, including property, details of all their bank accounts, demat accounts, holdings of shares/securities if held in physical form and mutual fund investments and details of companies in which they hold substantial or controlling interest immediately but not later than 15 working days of this Order; ”

Appeals before the Hon’ble Securities Appellate Tribunal –

5. In response to the Interim Order cum SCN, Priyank Prajapati and Suraj Prajapati filed separate appeals before the Hon’ble Securities Appellate Tribunal (“**SAT**”). The Hon’ble SAT by way of a common Order dated May 04, 2023 (“**SAT Order**”), *inter alia*, directed as under:

“4. Considering the aforesaid, we dispose of the appeals directing that in the event the appellants deposit the unlawful gain as depicted against their names in table No. 21 of the impugned order, the demat accounts and bank accounts shall be defreezed within 48 hrs. upon the deposits. All other interim directions would continue to operate and it would be open to the appellants to move an appropriate application for vacation of the interim order before the WTM. If such an application is filed, the WTM will pass an appropriate order after giving an opportunity of hearing within four weeks thereafter.”

6. Subsequent to the above-mentioned Order of the Hon’ble SAT, an email dated May 04, 2023 was received from Priyank Prajapati’s Advocate. In the said email, reference was made to the Order of the Hon’ble SAT, wherein it had been stated that SEBI should de-freeze the bank and DEMAT accounts of the Appellant within 48 hours of Priyank Prajapati depositing the amount of alleged unlawful gains of Rs.18,22,151.69 earned by him. It was informed that there were insufficient funds in the bank account of Priyank Prajapati to deposit the alleged unlawful gains. In view thereof, it was requested that the de-freezing of the bank and DEMAT accounts of Priyank Prajapati be allowed to sell the shares of Toyam Sports Ltd. valued at Rs.41,18,400 lying in the said DEMAT account for the purposes of complying with the directions of the Hon’ble SAT. Similar communication was also received from Suraj Prajapati’s Advocate. It was informed that there were

insufficient funds in the bank account of Suraj Prajapati to deposit the alleged unlawful gains, computed to be Rs.13,53,407.82 as per the Interim Order. So, it was requested that the de-freezing of the bank and DEMAT accounts of Suraj Prajapati be allowed to sell the shares of Toyam Sports Ltd. valued at around Rs. 40 lakh for the purposes of complying with the directions of the Hon'ble SAT.

7. In view of the above, and with the endeavor to comply with the Hon'ble SAT's Order in both letter and spirit, SEBI lifted the freeze on the bank and DEMAT accounts of the said Noticees, namely, Priyank Prajapati and Suraj Prajapati. As a result of the same, the said Noticees were able to sell shares and mobilise funds equivalent to the alleged illegal gains made and deposit it.
8. Accordingly, in respect of Priyank Prajapati, a lien of Rs. 18,22,151.69 has been created in favor of SEBI and a lien in favour of SEBI to the tune of Rs.13,53,407.82 has been created in the bank account of Suraj Prajapati.
9. Furthermore, Priyank Prajapati, by way of an email dated October 18, 2023 has also requested that since he had already complied with the direction issued by the Hon'ble SAT, pursuant to which a lien of Rs. 18,22,151.69 had been created in favour of SEBI; he should be allowed to sell the rest of his holding lying in his DEMAT/Trading account. Similarly, by way of an email dated October 31, 2023 Suraj Prajapati has also requested that since he had already complied with the direction issued by the Hon'ble SAT, pursuant to which a lien of Rs. 13,53,407.82 had been created in favour of SEBI; he be allowed to sell the rest of his holding lying in his DEMAT/Trading account.

Personal Hearing and Replies –

10. In view of the directions contained in the SAT Order, Noticees 7 and 8 were granted personal hearing on November 07, 2023. At the said hearing, the said Noticees made references to their respective replies dated March 28, 2023 and April 06, 2023 filed by them in response to the Interim Order cum SCN. Also, the Noticees sought time to file additional submissions post the hearing. In consideration of the

same, the Noticees were granted a week's time to file additional submissions. Further time was sought by the Noticees after the expiry of the time granted, and consequently additional submissions from the Noticees were received on November 27, 2023.

11. The submissions made by Noticees 7 and 8 through their written replies as well as oral submissions are summarised in the following paragraphs :—

Noticee 7 (Priyank Prajapati)

- a. The Noticee be allowed to sell his holding lying in his DEMAT account. The restraint imposed on him to access the securities market be also removed.
- b. The Noticee had neither participated in any pump and dump scheme nor circulated or received any SMS pursuant to which the present proceeding had been initiated.
- c. The allegation in the Interim Order cum SCN that the Noticee was connected to Ashish, Jigar and Suraj through calls was not correct. Ashish pretended himself as an investment advisor and under his advice the Noticee invested/bought/sold the shares of SNIM. Jigar and Suraj were childhood friends of the Noticee and, as such, he was in communication with them. However, he had no role in the trades executed by Jigar and Suraj.
- d. The Noticee had been investing in the shares of SNIM even prior to the first recommendation day (August 17, 2021). Therefore, he was not aware of the pump and dump scheme executed by Ashish in the scrip of SNIM. The Noticee, therefore, could not be termed as a participant of the alleged unlawful scheme; rather the Noticee was a victim in the hands of Ashish.
- e. No evidence had been provided to show the connection between the Noticee and Nishil. No connection had been established by SEBI with the counter parties of such alleged trades, which had resulted in positive LTP.
- f. It had been observed that the Noticee has made a profit of Rs.18,22,151.69, but the calculation method had not been explained.

Noticee 8 (Suraj Prajapati)

- a. The Noticee be allowed to sell his holding lying in his DEMAT account. The restraint imposed on him to access the securities market be also removed.
- b. The Noticee had neither participated in any pump and dump scheme nor circulated or received any SMS pursuant to which the present proceeding had been initiated.
- c. The allegation in the Interim Order cum SCN that the Noticee was connected to Ashish and Priyank was not correct. A call received on a single day from Ashish could not be considered as substantial evidence.
- d. The Noticee had been investing in the scrip of SNIM even prior to the first recommendation day (August 17, 2021). Therefore, he was not aware of the pump and dump scheme executed by Ashish in the scrip of SNIM. The trades of the Noticee were independently carried out from his own funds and no money had been transferred to any of the Noticees (including Ashish). During patch 2 of the first recommendation day and patch 3, the Noticee had not executed a single trade in the scrip of SNIM.
- e. No evidence had been provided to show connection between the Noticee and Nishil. No connection had been established by SEBI with the counter parties of such alleged trades, which had resulted in positive LTP.
- f. It had been observed in the Interim Order cum SCN that the Noticee had made a profit of Rs. 13,53,407.82, but the calculation method had not been explained.

Issue –

12. As may be seen, Noticees 7 and 8 have made many submissions in respect of the principal allegations made in the Interim Order cum SCN. It is stated that the consideration of the allegations against all Noticees made in the Interim Order cum SCN on merits shall be done through a separate Order, for which hearings have already been scheduled for December 20, 2023. In view of the same, the limited issue for consideration in the present Order is whether Noticees 7 and 8 be allowed to dispose of their securities.

Consideration of Issue and Findings –

13. It is evident from the records that the consideration of the issues determined above are to be considered in consonance with the SAT Order passed in respect of the Interim Order cum SCN.

14. In this regard, it is restated that the SAT Order has specifically directed that – “ *in the event the appellants deposit the unlawful gain as depicted against their names in table No. 21 of the impugned order, the demat accounts and bank accounts shall be defreezed within 48 hrs. upon the deposits.*” It is a matter of record that Priyank Prajapati, by way of an email dated October 18, 2023, has informed of his compliance of the direction issued by the Hon’ble SAT with respect to the deposit of Rs. 18,22,151.69. Similarly, Suraj Prajapati, by way of an email dated October 31, 2023, has informed of his compliance of the direction issued by the Hon’ble SAT with respect to the deposit of Rs. 13,53,407.82. Additionally, it is also stated that with respect to the above-mentioned amounts, liens have been created in favour of SEBI. Thus, upon a reading of the directions of the Hon’ble SAT contained in paragraph 4 of the SAT Order in light of the above-mentioned facts, it appears that there is no persisting impediment on Noticees 7 and 8 to dispose of their respective holdings. It is noted that the bank accounts (subject to the liens granted in favour of SEBI) of Noticees 7 and 8 have already been de-freezed.

15. I have considered the request of Noticees 7 and 8, and having considered all the submissions, I find that there is no ground for the continuance of the freeze on the DEMAT accounts/trading accounts of Noticees 7 and 8.

Order –

16. In view of the above, I, in exercise of the powers conferred upon me under Sections 11, 11(4) and 11B(1) read with Section 19 of the SEBI Act, hereby dispose of the requests made by way of emails dated October 18, 2023 and October 31, 2023 and additional submissions dated November 27, 2023 with the direction that DEMAT accounts/trading accounts of Priyankbhai V Pajapati (Noticee 7) and Suraj G Prajapati (Noticee 8) be de-frozen.

17. A copy of this Order shall be forwarded to Noticees 7 and 8 and the Stock Exchanges and Depositories for compliance.

Place: Mumbai

ASHWANI BHATIA

Date: December 06, 2023

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA