

**BEFORE THE SECURITIES AND EXCHANGE BOARD OF INDIA
CORAM: S. K. MOHANTY, WHOLE TIME MEMBER**

Interim Order cum Show Cause Notice

Under Sections 11(1), 11(4), 11 (4A), 11B (1) and 11B (2) of the Securities and Exchange Board of India Act, 1992 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 and Securities and Exchange Board of India (Procedure for Holding Inquiry and Imposing Penalties) Rules, 1995

In respect of:

Sr. No.	Name of the Noticee	PAN
1	Himanshu Mahendrabhai Patel	BEHPP8092K
2	Raj Mahendrabhai Patel	DDNPP8715E
3	Jaydev Zala	ABTPZ5894K
4	Mahendrabhai Bechardas Patel	ABNPP4581B
5	Kokilaben Mahendrabhai Patel	DAUPP2977L
6	Avaniben Kirankumar Patel	CQIPP0707R

(The aforesaid individuals are hereinafter individually referred to by their respective names/Noticee no. and collectively as "Noticees", unless the context specifies otherwise)

In the matter of Stock Recommendations using Social Media Channel (Telegram)

Background

1. The genesis of the present proceedings can be traced to two undated complaints that were received by Securities and Exchange Board of India (hereinafter referred to as "SEBI") on July 30, 2021 and October 11, 2021. The said complaints alleged that certain persons who are not having any registration with SEBI to function in the Securities markets as an Intermediary, are using social media platforms like Telegram and Twitter to artificially influence the stock prices, so as to make illegal

profits. The *modus operandi* as described in the said complaints indicated that certain entities actively operating through such social media channels are first taking a position (purchasing shares) in small cap companies in bulk quantities; then sending baseless and fraudulent messages indicating strong possibilities of immediate price hike in such scrips through such social media channels thereby instigating others to take bullish position in those scrips; and ultimately after the prices go up, they take contrary positions (selling their previously acquired shares) thereby making profits out of such trades executed under such fraudulent scheme and device.

2. Upon examination of the contents of complaints so received, SEBI initiated an investigation into the said allegations for the period of January 01, 2021 to November 12, 2021 (hereinafter referred to as "**the investigation period**"). In order to unearth the facts relevant to said allegations, SEBI examined the Telegram channel "bullrun2017"/" Bull Run Investment Educational Channel" (hereinafter referred to as the "**Telegram Channel/the said Telegram Channel**"), which was *inter alia*, named in the aforesaid complaints to be the channel through which the *Noticees* are operating their illicit activities as alleged in the said complaints. A brief description of the said channel as noted from the material available on record is as follows:

- I. In the said Telegram Channel, it is noticed that there were 35,016 subscribers as on July 16, 2021 and the number of subscribers was gradually increasing. The said number of subscribers reached upto 45,867 as on October 07, 2021 and as on December 14, 2021, the number had swelled upto 51,980 subscribers and as on date also it shows more than 49,000 subscribers:



- II. The description on the Telegram Channel reads as: *"We are team of 4 Research Analysts with combined experience of 40 years. All calls are for study purpose only. Taking any trade consultant your financial advisor. We are in the process of getting SEBI Research Analyst Registration."* (sic.) (underline supplied)
- III. The aforesaid Telegram Channel provides recommendation to its subscribers for trading in both Cash as well as Derivatives segments, for both intra-day as well as positional trades. The recommendations issued with respect to the cash segment are majorly focused on small cap scrips.
- IV. The Telegram Channel further provides only one-way communication, enabling the Administrators of the channel alone to send messages, whereas the subscribers of such channel were only able to read such messages.
3. In order to ascertain the identity of the administrators of the Telegram Channel, the messages being sent through it for the consumption of the subscribers were analyzed. Initial analysis further led the investigation into the activities of a Whatsapp Group viz., "Stock Gujarati 3". It was noticed that the said Whatsapp group had three Administrators bearing the Mobile numbers 9XX86XXX58, 7XX49XXX02 and 9XX23XXX50 (Mobile numbers have been masked to maintain privacy).
4. Based on the aforesaid Whatsapp Details as well as True Caller search made during the investigation, the above noted three mobile numbers were identified to be in the names of Mr. Himanshu, Mr. Raj and Mr. Jaydev, respectively. Further, based on the information provided by the respective telecom service providers to SEBI as well from the information gathered from the KYC details associated with such mobile numbers, it is revealed that the said mobile numbers are registered in the name of the *Noticee nos. 1, 2 and 3*, respectively.
5. Based on above, SEBI was able to gather *prima facie* information about the fact that the *Noticee nos. 1, 2 and 3* are the three Administrators of the aforesaid

Whatsapp Group viz., “Stock Gujarati 3” who are also actively running the above narrated Telegram Channel as Administrators and sending stock related messages by using the afore-noted three mobile phone numbers. Further, in order to gather more information/evidence especially, to obtain a first-hand confirmation of the identities of the Administrators of the said Telegram Channel, a search and seizure operation under Section 11 C (8) of the SEBI Act, 1992 was carried out by SEBI on December 01, 2021. The said search and seizure activity was simultaneously carried out at two different locations; one at the address of *Noticee nos. 1 and 2* (Mahesana, Gujarat) and the other at the address of *Noticee no. 3* (Ahmedabad, Gujarat).

6. With a view to recovering detailed data/information from the mobile phones pertaining to the above discussed activities of the three *Noticees* allegedly being carried out through the medium of the Telegram Channel so as to indulge in acts analogous to unfair practices, manipulate stock prices and derive illicit gains therefrom, the following mobile phones and data storage devices found in the possession of the *Noticees* and their relatives were seized from the aforesaid locations:

Table no.1

Sr. No.	Name of the entity operating such mobile	Details of device seized
1.	Himanshu Patel (Noticee no.1)	One mobile (dual sim)
2.	Mr. Raj Patel (Noticee no.2)	(i) One mobile (single sim); (ii) One mobile (dual sim)
3.	Jaydev Zala (Noticee no.3)	(i) One mobile phone (dual sim); (ii) One mobile phone (dual sim); and (iii) One pen-drive

4.	Sonalba Zala	One mobile phone (dual sim)
5.	Dhaaval Zala	One mobile phone (dual sim)
6.	Balvantsinh Zala	One mobile phone (dual sim)

7. After the seizure of the aforesaid electronic devices during the post-search proceedings, the said Telegram Channel was accessed from the mobile phone of *Noticee no. 1* in the presence of *Noticee no.1* and 2, which revealed the Owner of said Channel as HMP, means *Noticee no.1*.
8. Thereafter, the statements of *Noticee no.1* were recorded under oath on December 02, 2021 while *Noticee nos. 2* and 3 deposed under oath on December 03, 2021. The relevant disclosures so made by the aforesaid three entities during their depositions revealed various facts about their conduct & activities in the securities markets by using the Telegram Channel which are being highlighted in the subsequent paragraphs.
9. **Depositions by Himanshu Patel (Noticee no.1)**
 - i. That he (*Noticee no. 1*) is using two mobile nos. viz., 9XX86XXX58 and 9XX65XXX58.
 - ii. That the Telegram Channel “bullrun2017” is in operation since the year 2017. Apart from *Noticee no. 1*, Mr. Raj Patel (*Noticee no. 2*), Mr. Jaydev Zala (*Noticee no. 3*) and Mr. Mahendrabhai Patel (*Noticee no. 4*) are also the Administrators of the said Telegram Channel. The said Telegram Channel has been promoted (advertised) through Facebook, Whatsapp, Instagram etc., and also through family and friends (apparently to attract more subscribers to their channels).
 - iii. That although they have claimed through the Telegram Channel that there are 4 Research Analysts in their team, all research is actually done by him (*Noticee no.1*).

- iv. That he (*Noticee no.1*) has an educational qualification with Masters in Tourism Management, but does not possess any educational qualification for pursuing a profession of a Research Analyst.
 - v. That the decisions with respect to the selection of shares for making recommendations to their subscribers in the Telegram Channel are majorly taken by him and such recommendations are made on the basis of research of fundamental, technical, sectoral aspects etc. of the scrips.
 - vi. That on most of the times, he (*Noticee no. 1*) used to buy shares in his trading account as well as in the trading accounts of his family members (i.e., *Noticee nos. 2, 4, 5 and 6*) before issuing any recommendatory messages on the said Telegram Channel related to those shares and after making such recommendations in the Channel, he used to sell the shares (previously purchased in his account and the family) either on the same day or in following days in small tranches. The information about the impending recommendations to be made on any specific scrips in the Telegram Channel was also communicated to *Noticee no. 3*.
10. Apart from certain identical statements, as made by *Noticee no. 1*, *Noticee nos. 2* and *3* have made the following additional statements:

Deposition by Raj Patel (Noticee no. 2)

- i. That Mr. Himanshu Patel (*Noticee no.1*) is his brother and he (*Noticee no.2*) also does not have any educational qualification for working as a Research Analyst.
- ii. That apart from him, *Noticee nos. 1, 3 and 4* are also the Administrators of the said Telegram Channel, wherein the *Noticee no. 1* is the Main Administrator (Owner) of the said Telegram Channel.
- iii. That he (*Noticee no. 2*) is using two mobile numbers to act as the Administrator of the said Telegram Channel since December, 2020.

iv. That he was promoting the said Telegram Channel amongst his friends, family members etc., and that *Noticee no. 3* (Mr. Jaydev Zala) was introduced by him to his brother, i.e., *Noticee no. 1* (Mr. Himanshu).

v. That the trading in his accounts was being done by *Noticee no. 1*.

However, against the aforesaid deposition made by *Noticee no. 2*, when a Whatsapp chat exchanged on November 30, 2021 with *Noticee nos. 1* was shown to him during recording of his statement, he has acknowledged that sometimes he used to take decisions with respect to the quantity of shares to be purchased in his (*Noticee no. 2's*) trading account.

vi. That the recommendations in the said Telegram Channel about stocks were being made by *Noticee no.1* (Mr. Himanshu).

vii. That he used to communicate the information about the impending recommendations to be made to the subscribers about any particular scrip, to *Noticee no. 3* before any such recommendation was made on the said Telegram Channel.

Deposition by Jaydev Zala (Noticee no. 3)

i. That he and *Noticee no. 2* are friends and they have studied together and it was *Noticee no. 2* who had introduced him to *Noticee no. 1*.

ii. That he is also one of the Administrators of the said Telegram Channel, however, he is not aware exactly since when the said Channel has been in operation.

iii. That he was promoting the said Telegram Channel with the help of Social Media Platforms and also amongst his family and friends.

iv. That *Noticee no. 1* used to recommend the shares to the subscribers of the Telegram Channel.

v. That the information about the proposed stock recommendations before being made in the Telegram Channel, were received by him from *Noticee nos. 1* and *2*, through Whatsapp communication.

- vi. That he also used to buy the shares of the particular scrip before any recommendations about the said scrip were posted on the Telegram Channel, and after such recommendations were issued, he used to sell the shares on same day or in small tranches spread over next few days.
11. From the aforesaid factual details as disclosed and admitted by the *Notices* in their depositions about their own activities being conducted through the Telegram channel and WhatsApp group, as well as from the Forensic Audit of the Electronic Devices that were seized during search & seizure operation at the premises of the *Notices*, it is now observed with clarity that the Telegram Channel named as “bullrun2017” was primarily being operated and managed by *Noticee nos. 1, 2 and 3* whereas trades in different scrips have been executed through the accounts of all the six *Notices* before and after making recommendations on those scrips to thousands of subscribers of the said channel. As pointed out earlier, in the said Telegram Channel, subscribers have been added rapidly in recent months and the aforesaid Administrators, more particularly, *Noticee no. 1* has been issuing trade tips and recommendations in different scrips on a routine basis to all the subscribers.
12. Apart from unearthing of the aforesaid facts, the information with respect to the trades executed by the *Notices* were also examined carefully and the said examination further corroborated the *modus operandi* alleged to have been adopted by the *Notices* whereby the trading accounts of the *Notices* were used to first buy the shares of the concerned companies, followed by making positive recommendations on those scrips through the Telegram Channel so as to induce thousands of subscribers to deal in those shares and eventually, after making such recommendations to the subscribers, *Notices* used to sell the shares in the market so accumulated by them in the first leg of transaction for a profit.
13. The aforesaid *modus operandi* is further explained in the following illustration wherein the *Notices* are seen to be engaging in such a practice, device or artifice to allure others to trade in the scrip of M/s. Total Transport Sys Limited” (hereinafter referred to as “**Total Transport**”) by making recommendations

through the Telegram Channel to invest in that scrip and thereby have made a collective profit of INR 9 Lakh. It is seen that with respect to the said scrip, recommendations were made on multiple days on/around April 26, 2021, May 17, 2021, June 07, 2021 and July 19, 2021, a sample of which is being reproduced hereunder:



14. It can be seen from the aforesaid screenshot as retrieved from one of the seized mobile phones of the *Noticees* that a strong recommendation under the name of “Jackpot Delivery” has been made on July 19 2021, recommending the subscribers to purchase 5000-7000 shares of Total Transport at a price range of INR 65-70 with targets of INR 100, 150, 200 and a stop loss of INR 50. The message further asserts that the buying interest in the said scrip is going to be so strong that the price would stop only at 20% hike, which was the upper cap as per the said message.
15. It is noted from the records that the price and volume of the above-mentioned scrip faced significant impact as soon as recommendations were made about the said scrip of Total Transport in the said Telegram Channel. The details of such impact on the said scrip, as captured in numbers are indicated in the following table:

Table no. 2

Recommendation Date	Recommendation Levels		Price Impact Post Recommendation			Volume Impact Post Recommendation		
	Entry Price (₹)	Target Price (₹)	Daily High/Low Variation % in preceding 10 days	Daily High/Low Variation % on date of Recommendation	Daily High/Low Variation % in immediately succeeding 10 days	Daily Avg Trading Vol in Preceding 10 days	Trading Vol on the day of the Recommendation	Daily Avg Trading Vol on succeeding 10 days
26-Apr-21	45.00	60	7.64	9.16	7.67	26297	196600	49472
17-May-21	45.50	49	7.20	11.92	4.77	54071	142487	19460
07-Jun-21	46.00	50	4.44	20.05	11.55	20091	565758	85347
20-Jul-21	66.0	75 -77	7.78	10.59	7.94	188817	1497586	98049

16. The aforesaid details of price & volume impact on the scrip of Total Transport show that whenever recommendations were made in the said Telegram Channel, the scrip of Total Transport witnessed an increase in price fluctuations, on a high to low basis, as compared to the average fluctuation in its price witnessed during the preceding as well as the succeeding 10 days. Similarly, the volume of the scrip also witnessed an increase around the recommendation day, as compared to the days succeeding and preceding the date on which recommendations about the scrip were made in the said Channel.
17. Thus, the aforesaid *modus operandi* followed by the *Noticees* as unearthed during the investigation and got corroborated by the depositions made in the statements of *Noticee nos. 1, 2 and 3* as recorded during the investigation, was seen to be used and successfully deployed in the scrip of Total Transport, through which the *Noticees* are seen to have accumulated the shares of Total Transport in large quantities before making their recommendations on the said scrip and thereafter eventually squaring off their position by earning a substantial profit in a quick span. The date wise details of the said trades executed by the *Noticees* vis-à-vis the timings of recommendations are being captured in the following table:

Table no. 3

Date	PAN	Name	Trade Details								Recommendation	
			Trade Buy Qty	Trade Buy Limit Price (₹)	Trade Buy Start Time	Trade Buy End Time	Trade Sell Qty	Trade Sell Limit Price (₹)	Trade Sell Start Time	Trade Sell End Time	Recommendation (Yes / No)	Recommendation Time
26-Apr-21	DDNPP8715E	Raj	5103	42.80 - 44.00	10:23:26	10:27:09	5103	44.55 - 44.85	10:32:45	10:42:13	Yes	10:35:47
	CQIPP0707R	Avaniben	3000	44.00	10:28:40	10:28:40	3000	44.20 - 44.60	10:42:23	10:51:02		10:37:06 10:38:58 10:39:54
17-May-21	DDNPP8715E	Raj	1000	43.40 - 44.20	10:55:48	10:55:48	1000	46.00	11:04:43	11:04:43	Yes	10:58:51
	ABTPZ5894K	JaydevZala	2500	45.50 - 47.00	10:58:27	11:00:30	2500	45.80 - 46.05	11:05:01	11:06:19		
	CQIPP0707R	Avaniben	8000	42.90 - 46.00	10:55:40	10:58:40	8000	46.20 - 470	10:59:57	11:04:22		
07-Jun-21	DDNPP8715E	Raj	2296	45.00	09:53:53	09:53:53	2296	46.00 - 46.05	09:56:27	09:56:27	Yes	09:57:45
	BEHPP8092K	Himanshu	5200	42.45 - 43.80	09:51:32	09:52:20	5200	45.50 - 46.20	09:55:33	09:59:13		
	ABTPZ5894K	Jaydev	6300	45.90 - 46.20	09:56:15	10:16:50	6300	44.45 - 46.20	09:58:13	10:17:27		
	CQIPP0707R	Avaniben	2104	43.80 - 44.00	09:52:43	09:52:43	2104	46.00 - 46.05	09:57:44	09:57:57		
19-Jul-21	DDNPP8715E	Raj	46029	58.70 - 65.40	10:19:40	15:44:28	31000	62.70 - 64.50	14:27:49	14:55:32	Yes	21:05:00
	BEHPP8092K	Himanshu	54871	57.00 - 65.85	11:14:49	15:25:38	27109	59.05 - 64.45	12:29:38	14:36:14		
	ABTPZ5894K	JaydevZala	35360	58.35 - 65.35	13:41:04	15:29:50	28165	56.50 - 65.85	09:18:15	15:26:19		
	DAUPP2977L	Kokilaben	28700	57.00 - 65.00	10:51:49	15:28:56	17000	63.00 - 65.80	14:32:13	15:05:10		
	CQIPP0707R	Avaniben	3500	63.40 - 64.95	14:35:19	15:19:53	-	-	-	-		
20-Jul-21	DDNPP8715E	Raj	57500	68.30 - 72.95	09:18:46	09:51:33	72529	69.00 - 73.50	09:06:44	09:52:53	Yes	08:07:56
	BEHPP8092K	Himanshu	1	67.90	11:06:53	11:06:53	41250	67.60 - 69.30	09:16:41	11:07:02		
	ABTPZ5894K	JaydevZala	-	-	-	-	27600	68.05 - 70.50	09:15:29	09:19:39		
	DAUPP2977L	Kokilaben	3000	69.70	09:24:44	09:24:44	14700	69.00 - 72.25	09:15:40	09:38:16		

Date	PAN	Name	Trade Details								Recommendation	
			Trade Buy Qty	Trade Buy Limit Price (₹)	Trade Buy Start Time	Trade Buy End Time	Trade Sell Qty	Trade Sell Limit Price (₹)	Trade Sell Start Time	Trade Sell End Time	Recommendation (Yes / No)	Recommendation Time
	CQIPP0707R	Avaniben	15000	69.25 - 72.80	09:24:08	09:53:17	18500	69.00 - 73.10	09:20:56	10:47:38		

18. The details of the volumes of shares so traded by the *Notices* in their respective trading accounts and the profits made by them from such trades are also highlighted in the following table:

Table no. 4

Date	Gross Buy Vol	Gross Buy Value (₹)	Gross Sell Vol	Gross Sell Value (₹)	Net Trade Vol	Profit (₹)	% of Client Gross Traded Qty to Market Volume	% of Traded Value by the client to the Gross Traded Value of the Client across scrips
26/04/2021	5103	221866.20	5103	228517	0	6,651	2.60	10.79
17/05/2021	1000	43881.05	1000	46000	0	2,119	0.70	1.28
07/06/2021	2296	103320.00	2296	105620	0	2,300	0.41	3.28
19/07/2021	46029	2857858.65	31000	1967773	15029	-	4.09	80.53
20/07/2021	57500	4077925.15	72529	5166917	-15029	155,868	4.34	74.14
07/06/2021	5200	224466.50	5200	239820	0	15,354	0.92	16.18
16/07/2021	82000	4434837.70	68513	3970328	13487	-	9.55	72.28
19/07/2021	54871	3316259.40	27109	1706036	27762	-	4.35	52.24
20/07/2021	1	68	41250	2847783	-41249	406,441	1.38	28.16

Date	Gross Buy Vol	Gross Buy Value (₹)	Gross Sell Vol	Gross Sell Value (₹)	Net Trade Vol	Profit (₹)	% of Client Gross Traded Qty to Market Volume	% of Traded Value by the client to the Gross Traded Value of the Client across scrips
17/05/2021	2500	115646	2500	114714	0	-932	1.75	12.14
07/06/2021	6300	289594	6300	285803	0	-3,791	1.11	14.52
16/07/2021	20405	1162845	0	0.00	20405	-	1.29	23.17
19/07/2021	35360	2195482	28165	1676259	7195	-	3.37	92.77
20/07/2021	0	0.00	27600	1905592	-27600	249,464	0.92	66.25
19/07/2021	28700	1801645	17000	1098911	11700	-	2.42	57.11
20/07/2021	3000	209100	14700	1034444	-11700	90,875	0.59	100.00
26/04/2021	3000	132000	3000	133464	0	1,464	1.53	100.00
17/05/2021	8000	352382	8000	370845	0	18,463	5.61	14.64
07/06/2021	2104	92430	2104	96838	0	4,368	0.37	2.97
19/07/2021	3500	224374	0	0.00	3500	-	0.19	37.35
20/07/2021	15000	1068493	18500	1302180	-3500	9,314	1.12	73.69
Total Profit						INR 957,958		

19. From a conjoint reading of information provided in Table no. 3 and Table no. 4 above, it is understood that the Administrator(s) of the said Telegram Channel were repeatedly issuing recommendations in their Channel for buying shares of Total Transport. Such recommendations were made on April 26, 2021, May 17, 2021, June 07, 2021, July 19, 2021 and July 20, 2021, as can be seen from the Table no. 3. Table no. 4 depicts the trades executed by the Administrators/Noticeses themselves in the said scrip *prima facie* with a view to earn profits. As a matter of

illustration, the screen shot of the recommendations made on July 19, 2021 has been presented under Para no. 13 above. From the screenshot, one can notice that a recommendatory message about the scrip of Total Transport was issued on July 19, 2021, at 09:05 pm. The trading activities of the Administrators/*Notices* in this scrip, both before and after the recommendation was made on July 19, 2021 are found to be as follows:

Noticee no. 1

- I. As can be seen from the Table no. 4 above, *Noticee no. 1* on July 19, 2021 (i.e. before issuing the said recommendation), has purchased 54,871 shares and sold 27,109 shares, with net buying of 27,762 shares. The traded value of the said trades of *Noticee no. 1* in the scrip of Total Transport constituted 52% of his total gross traded value during that particular day. By following the pre-mediated scheme as has been explained in the beginning of this order, *Noticee no. 1* is seen to have been successful in churning out a quick profit of INR 4.06 Lakh (approx.), as he sold 41,249 shares of Total Transport on the next day.

Noticee no. 2

- II. Similarly, *Noticee no. 2* is also seen to have purchased 15029 shares of Total Transport on July 19, 2021 (before the recommendations were made to the subscribers), and sold all the 15029 shares on July 20, 2021 and thereby earned a profit of INR 1.55 Lakh (approx.).

Noticee no. 5

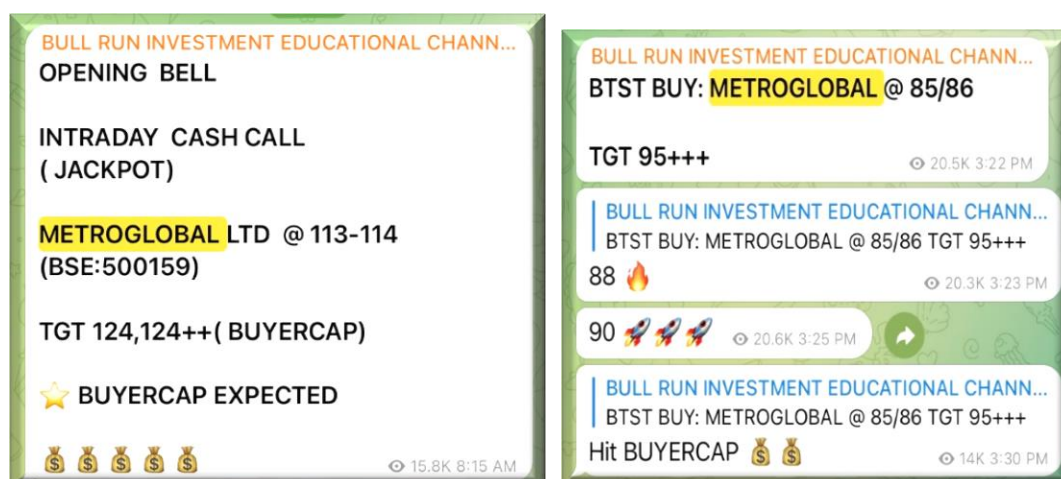
- III. *Noticee no. 4* (Mother of *Noticee nos. 1* and *2*) has purchased a total of 11,700 shares of Total Transport on July 19, 2021 and on the very next day, she has sold all 11,700 shares and earned a profit of INR 90,875.

Noticee no. 6

IV. *Noticee no. 6* (Sister of *Noticee nos. 1* and *2*) has also sold all 3,500 shares on July 20, 2021 *which* she had purchased one day before, i.e., on July 19, 2021 and thus earned INR 3,500.

As regards the details of trades executed by the *Noticee no. 3* in Total Transport, the same are being discussed in later part of this order at para no. 28

20. The aforesaid illustration clearly shows how the Administrators of the said Telegram Channel and their relatives have used the recommendation made in the Channel to their own advantage by accumulating shares of Total Transport, just prior to the issue of the recommendation and have disposed of the shares soon after making the recommendation, by taking advantage of the rising market price and in the process, they have made unlawful profits.
21. Moving on to another illustration of identical *modus operandi* followed by the *Noticees*, where also the *Noticees* have *prima facie* taken a position in the scrip before making their recommendation in the said Telegram Channel. In this respect, the *modus* that was followed in the scrip of Metro Global on July 20, 2021 and July 28, 2021 can be appreciated from the tips/recommendations issued by the Administrators as depicted in the following images:



22. The impact caused by the aforesaid recommendation issued by the Administrators/*Notices* through the Telegram Channel on the price variation and the volume of the said scrip is depicted in the following table:

Table no. 5

Recommendation Date	Recommendation Levels		Price Impact Post Recommendation			Volume Impact Post Recommendation		
	Entry Price (₹)	Target Price (₹)	Daily High/Low Variation % in preceding 10 days	Daily High/Low Variation % on date of Recommendation	Daily High/Low Variation % in immediately succeeding 10 days	Daily Avg Trading Vol in Preceding 10 days	Trading Vol on the day of the Recommendation	Daily Avg Trading Vol on succeeding 10 days
20-Jul-21	85	95	7.20	25.21	11.54	622637	11407569	8331813
26-Jul-21	90	97	9.10	19.57	10.36	2263719	3903182	7547794
27-Jul-21	112	150	10.53	24.32	8.26	2647444	23366196	5279695
28-Jul-21	113	124	11.53	8.34	7.77	4956114	37517704	1557826

23. Further, the details of the timings followed by the *Notices* to execute their trades in the scrip of Metro Global would further show that the buying transaction was always done by them before making bullish recommendation for the said scrip in the said Telegram Channel, as can be observed from the table below:

Table no. 6

Date	PAN	Name	Trade Details								Recommendation	
			Trade Buy Qty	Trade Buy Limit Price (₹)	Trade Buy Start Time	Trade Buy End Time	Trade Sell Qty	Trade Sell Limit Price (₹)	Trade Sell Start Time	Trade Sell End Time	Recommendation (Yes/No)	Recommendation Time
20/07/2021	CQIPP0707R	Avaniben	199	82.20-86.50	15:21:14	15:21:14	199	86.50-87.95	15:23:03	15:23:03	Yes	15:22:00
	DDNPP8715E	Raj	5,000	83	15:20:50	15:20:50	5000	85.45-85.95	15:22:21	15:22:21	Yes	
26/07/2021	DDNPP8715E	Raj	1,000	85.40-860	10:09:52	10:09:52	1000	90.00-90.70	10:10:49	10:10:49	Yes	10:11:12
27/07/2021	ABTPZ5894K	Jaydev	8,100	84.00-111.95	14:18:05	14:39:49	-	-	-	-	Yes	20:56:53
	ABTPZ5894K	Jaydev	4,000	84.00-111.95	14:18:05	14:39:49	-	-	-	-	Yes	

Date	PAN	Name	Trade Details								Recommendation	
			Trade Buy Qty	Trade Buy Limit Price (₹)	Trade Buy Start Time	Trade Buy End Time	Trade Sell Qty	Trade Sell Limit Price (₹)	Trade Sell Start Time	Trade Sell End Time	Recommendation (Yes/No)	Recommendation on Time
	BEHPP8092K	Himanshu	56,933	95.00-111.95	12:57:52	14:17:27	56933	109.80-111.85	14:14:58	14:24:30	Yes	
	DDNPP8715E	Raj	3,225	111.10-111.95	14:20:57	14:24:28	-	-	-	-	Yes	
28/07/2021	ABTPZ5894K	Jaydev	-	-	-	-	8100	110.00-122.80	9:06:55	9:15:38	Yes	08:15:51
	ABTPZ5894K	Jaydev	-	-	-	-	4000	110.00-122.80	9:06:55	9:15:38	Yes	
	BEHPP8092K	Himanshu	7,200	114.15-120.50	9:22:05	9:24:35	7200	120.30-122.45	9:22:56	9:29:00	Yes	
	CQIPP0707R	Avaniben	5,000	119.50-121.00	9:21:21	9:21:27	5000	119.80-120.50	9:24:08	9:25:04	Yes	
	DDNPP8715E	Raj	11,871	118.95-122.70	9:19:35	9:29:11	15096	111.95-122.45	9:15:00	9:48:35	Yes	

24. It is noted from the aforesaid trade data that the trading pattern of the Administrators/*Notices* follow the same fraudulent and deceitful mode in the scrip of Metro Global (as they followed in the scrip of Total Transport), and in the similar manner, the *Notices* were successful in making a cumulative profit of INR 8.21 Lakh (approx.) in the scrip of Metro Global too, break up of which is presented herein below:

Table no. 7

Name	Date	Gross Buy Vol	Gross Buy Value (₹)	Gross Sell Vol	Gross Sell Value (₹)	Net Trade Vol	Profit (₹)	% of Client Gross Trade Qty to Market	% of Traded Value by the client to the Gross Traded Value of the Client across scrips
Jaydev	27/07/2021	8100	906606	0	0.00	8100	-	1.83	29.17
	28/07/2021	0	0.00	8100	965963	-8100	59,357	1.28	29.67
	27/07/2021	4000	447800	0	0.00	4000	-	0.90	14.41
	28/07/2021	0	0.00	4000	476408	-4000	28,608	0.63	14.63
Himanshu	27/07/2021	56933	5689301	56933	6372149	0	682,849	25.70	64.60
	28/07/2021	7200	867251	7200	872790	0	5,539	2.28	18.92
Avaniben	20/07/2021	199	16577	199	17273	0	696	0.15	1.05
	28/07/2021	5000	600433	5000	604035	0	3,602	1.58	61.55
Raj	20/07/2021	5000	414750	5000	429750	0	15,000	3.66	6.77

Name	Date	Gross Buy Vol	Gross Buy Value (₹)	Gross Sell Vol	Gross Sell Value (₹)	Net Trade Vol	Profit (₹)	% of Client Gross Traded Qty to Market	% of Traded Value by the client to the Gross Traded Value of the Client across scrips
	26/07/2021	1000	85959	1000	90600	0	4,641	2.40	1.78
	27/07/2021	3225	361036	0	0.00	3225	-	0.73	2.91
	28/07/2021	11871	1433968	15096	1816003	-3225	20,998	4.26	36.37
							8,21,290		

25. The investigation reveals that *Noticee nos. 4, 5 and 6* are the family members of the *Noticee nos. 1 and 2* and all of them reside at the same address where search & seizure proceedings were conducted. Further, it is revealed from the investigation that the mobile nos. and email ids of *Noticee nos. 1 and 2* have been provided in the KYC details in respect of trading accounts of *Noticee nos. 4, 5 and 6*, details of which are as under:

Table no. 8

Sr. No.	Name of the account holder	Mobile no./Noticee to which it belongs	Email id/ Noticee to which it belongs
1	Mahendrabhai (Noticee no. 4)	9XXX20XX24/Noticee no. 2	patelmahendrabhaiXX@gmail.com/Noticee no. 2
2	Kokilaben (Noticee no. 5)	9XXX20XX24/Noticee no. 2	patelmahendrabhaiXX@gmail.com/Noticee no. 2
3	Avaniben (Noticee no. 6)	9XXX20XX24/Noticee no. 2	patelhimanshuXXX@gmail.com /Noticee no.1

Mobile no. and email ids have been masked to maintain privacy

26. The materials collected during investigation also show that the trading accounts of *Noticee nos. 4, 5 and 6* were being managed and operated by *Noticee nos. 1 and 2*, and the confirmation with respect to execution of trades in those trading accounts have also been received on the mobile nos. and email ids belonging to

the *Noticee nos. 1* and *2* and these facts have been admitted by *Noticee no.1* in his statement recorded on oath before the Investigating Authority of SEBI on December 02, 2021.

27. Insofar as the *Noticee no. 3* is concerned, it is noticed from the Whatsapp Chat that was exchanged between *Noticee nos. 1* and *2* on July 19, 2021 (as retrieved from their seized mobiles) that he (*Noticee no. 3*) used to receive the information about the impending recommendation of stocks proposed to be made on the said Telegram Channel from the *Noticee no. 1*. In this regard, the extract of the said Whatsapp chat is reproduced hereunder:

[2021/07/19 13:10] Jaydev: Koi share bhai

[2021/07/19 14:01] Himanshu: TOTAL TRANSPORT BHEGA KARO

[2021/07/19 14:01] Himanshu: Jackpot ma

[2021/07/19 14:01] Himanshu: 58-59

[2021/07/19 13:10] Jaydev: kk

28. Subsequent to the above WhatsApp conversation, it is observed that he (*Noticee no. 3*) has adopted and followed trading pattern similar to the trading pattern followed by *Noticee no. 1* in the scrip of Total Transport. The relevant details along with the timings of the trades executed by the *Noticee no. 3* in the scrip of Total Transport are mentioned in the following table:

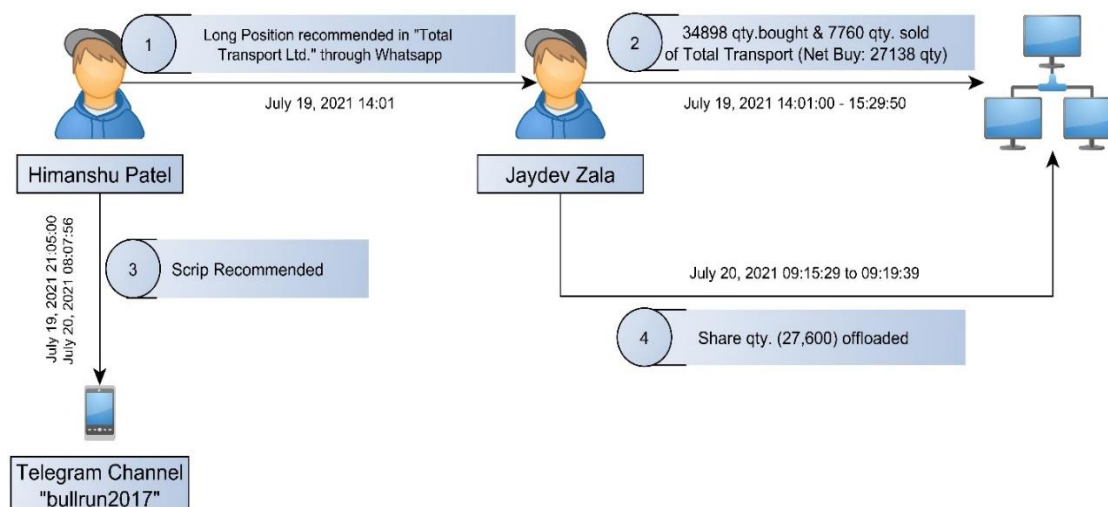
Table no. 9

Date	Trade details								Recommendation Time
	Buy Qty.	Buy Limit Price	Buy Start Time	Buy End Time	Sell Qty.	Sell Limit Price	Sell Start Time	Sell End Time	
19/07/2021	35360	58.35 - 65.35	13:41:04	15:29:50	28165	56.50 - 65.85	9:18:15	15:26:19	21:05:00
20/07/2021	-	-	-	-	27600	68.05 - 70.50	9:15:29	9:19:39	08:07:56

29. It is noted from the afore cited extract of Whatsapp Chat that the information about the impending recommendation was conveyed to *Noticee no. 3* on July 19, 2021 at 14:01. On the said day, *Noticee no. 3* purchased a total of 35,360 shares, and

sold a total of 28,165 shares of Total Transport. However, almost 98% of such purchased quantity amounting to 34,898 shares were purchased by *Noticee no. 3* only after 14:01 pm, i.e., after getting the information from the Whatsapp Chat. Further, out of 28, 165 shares sold on the said day, only 7,760 shares were sold after the time of receipt of aforesaid information, consequently, the net buying position in the scrip after receipt of information remained as 27,138 shares, which he disposed of subsequently as discussed in the next para.

30. The recommendation to purchase the shares of Total Transport on the Telegram Channel was made by *Noticee no. 1* on July 19, 2021 at 21:05:00 and also at 08:07:56 on July 20, 2021. On the very next day, *Noticee no. 3* successfully offloaded as much as 27,600 shares of Total Transport in merely 4 minutes of market opening (09:15:29 to 09:19:39), consequently netting a profit of INR 2.49 Lakh (approx.).
31. The aforesaid events which got unfolded between *Noticee nos. 1* and 3 are depicted in the following pictorial representation for better explanation:



32. It is to be noted here that the aforesaid pattern of exchange of information between *Noticee nos. 1* and 3 and the consequent profitable trades executed by *Noticee no. 3* have been followed while trading in other scrips as well, like the ones indicated in the following table:

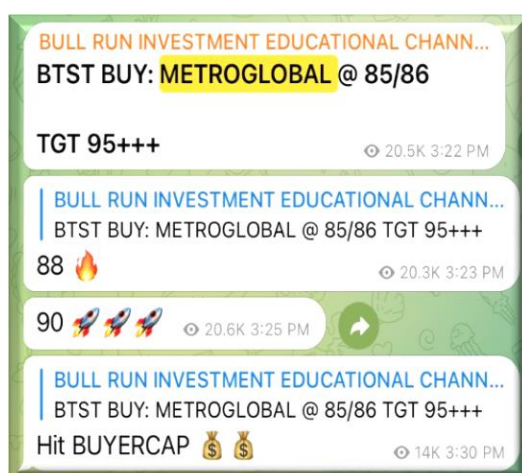
Table no. 10

Sr. No.	Name of the scrip	Timing of sharing of information on Whatsapp between Noticee No.1 and 3.	Timing of making recommendation on Telegram Channel	Timing of selling shares by Noticee no. 3	Profit made (in INR)
1.	Metro Global Limited	July 27 at 14:17	(i) July 27 at 20:56:53 (ii) July 28, 2021 at 05:15:51	July 28 09:06:55 to 09:15:38	87,965.50
2.	Alkali Metals Ltd.	July 15 at 14:28	(i) July 15 at 21:47:00 (ii) July 16, 2021 at 08:55	July 16 09:07:55 to 09:17:28	18,412.90

33. As highlighted in the preceding paragraphs through illustrations, based on the cogent material collected during the investigation including the confessional statements recorded from the concerned persons, the trade details of the *Noticees* as obtained from the trade data of the Exchanges, various information including the WhatsApp chats as retrieved from the mobile phones etc., the following compelling observations can be easily made:

- I. A social media Channel named as “bullrun2017” was started in Telegram and the Administrators of the said Telegram Channel at present are *Noticee nos. 1, 2 and 3*
- II. The said Telegram Channel was promoted amongst general public through other Social Media Channels like Facebook, Instagram etc. The subscriber base has always been growing since July 16, 2021 and as has been revealed during investigation, the strength of its subscribers has risen from 35016 to 51980 till December 14, 2021.

- III. *Noticee nos. 1, 2 and 3* were making recommendation in the said Telegram Channel inducing investor to trade in various scrips following their recommendations and the recommendatory messages so being circulated in the said Telegram Channel projected high returns in short time by trading in such scrips.
- IV. *Noticee nos. 1, 2 and 3* who are running the said social media account in the Telegram channel have made a patently false claim of having a team of 4 experienced Research Analysts who are running the said Telegram Channel whereas in reality, the stock specific recommendations were being made by a person (*Noticee no.1*) who held an educational qualification of Masters in Tourism Management and had some experience of working in a Hotel and did not possess any qualification whatsoever related to the securities market. Further, they have also made a false declaration that they are in the process of seeking registration with SEBI as a Research Analysts.
- V. The *modus operandi* typically being followed by the *Noticees*, particularly the *Noticee no. 1* to 3 was that they used to first buy shares of selected scrips in their trading accounts (as well as trading accounts of family members of *Noticee nos. 1* and 2) and thereafter they used to circulate favorable messages about those scrips through the Telegram Channel amongst the thousands of subscribers enticing and inducing to purchase those shares and afterwards the *Noticees* are seen to have sold their pre-acquired shares of those specific scrips (about which they have circulated their recommendations to the subscribers) immediately or in next few days thereby pocketing large amounts of profits for themselves
- VI. It is also noted from the texts of the messages being circulated by the *Noticees* that the recommendations about the specific scrips were being made by the *Noticees* in a very ingenious manner so as to create a 'Fear of Missing Out' amongst the subscribers. For instance, the same is evident from the following recommendation that was circulated to allure and entice for buying the scrip of Metro Global on July 20, 2021:



- VII. On July 20, 2021, the recommendation to buy shares of Metro Global at a price of INR 85-86 was made with a strategy of BTST, i.e., “Buy Today-Sell Tomorrow”. The said recommendation made at 03:22 pm also projected a target price of above INR 95. It is observed that immediately thereafter, within a span of one minute, the prevailing market price of the shares of Metro Global at that point of time was intimated (in another message circulated on the Telegram Channel) to be INR 88, followed by a symbolic image of fire in the same message to indicate how the interest in the scrip is heating up in the market. After a gap of 03 minutes, the market price was disseminated to be at INR 90 and to emphasis on the prospect of a sky rocketing growth, symbolic images of jets were used in the said message. Finally, at 03:30 pm, the message about the scrip price hitting the buyer cap (upper cap or a situation with a scrip having only buyers) was also posted/circulated in the Channel followed by representative symbols money bags in the same message *prima facie* to create a hype amongst the investors/subscribers that those who have bought the said scrip will stand to earn lots of money.
34. In the aforesaid context, at the time when the *Noticees* were actively circulating a series of enticing messages about the scrip of Metro Global in their Telegram Channel provoking and inducing subscribers to buy the shares of the said company which is likely to follow a rising trail, else they will miss the opportunity

of making money out the said scrip, it is observed from the trades data of the *Notices* that *Noticee nos. 2 and 6* have purchased the shares of Metro Global, just few seconds before the afore cited enticing messages and recommendations which were circulated in the said Telegram Channel. The investigation has revealed that *Noticee no. 2* had purchased 5000 shares at INR 83 at 15:20:50, whereas, *Noticee no. 6* had purchased 199 shares at 15:21:14 at price range of INR 82.20-86.50, i.e., just a few seconds before the *Notices* commenced their stock recommendations about Metro Global at 15:22:00 in the said Channel, which was seen by more than 20,000 persons (as signified by the symbol of 'eye' at the bottom of the message). It is also seen that immediately thereafter *Noticee no. 2* was able to sell all 5000 shares at 15:22:21 at a price range of 85.45-85.95 while *Noticee no. 6* has successfully sold her 199 shares at 15:23:03 at a price range of 86.50-87.95 and earned a profit.

35. It has been noticed during the investigation that by consistently following the aforesaid pattern of first buying shares of the specific scrips and then selling those shares subsequently in the wake of increased demand and price rise of those shares, preponderantly caused *prima facie* by the exuberance triggered by circulation of recommendations and inducing messages as seen above in the case of the scrip of Metro Global, the *Notices* herein have been successful in raking in large amount of profits in several scrips, details of which are mentioned herein below:

Table no. 11

Sr. No	Trading Accounts	Profit (in ₹)	Accounts used by
1	Himanshu Mahendrabhai Patel (<i>BEHPP8092K</i>)	1,66,65,883	Himanshu and Raj Mahendrabhai Patel
2	Raj Mahendrabhai Patel (<i>DDNPP8715E</i>)	50,02,834	
3	Avaniben Kirankumar Patel (<i>CQIPP0707R</i>)	26,85,640	
4	Kokilaben Mahendrabhai Patel (<i>DAUPP2977L</i>)	9,72,328	
5	Mahendrabhai Bechardas Patel (<i>ABNPP4581B</i>)	7,71,010	
	Sub-Total (in ₹)	2,60,97,695	
6	Jaydev Zala(<i>ABTPZ5894K</i>)	23,32,253	Jaydev Zala
	Grand Total (in ₹)	2,84,29,948	

36. Based on the aforesaid factual findings, the depositions made by the concerned entities before the Investigating Authority wherein they have confessed to their

involvement in the aforesaid manipulative acts committed through the medium of Telegram Channel and also based on the records/information retrieved from their mobile phones, it leaves no space for any doubt now that the *Noticees* have ostensibly and knowingly devised an imaginative scheme for defrauding innocent investors by engaging in such deceitful acts to induce thousands of gullible subscribers to their Telegram Channel and in this process to induce the other general investors as well, to deal in securities purely based upon misleading, specious and unsolicited stock tips about specific scrips recommended by the *Noticees* through their social media account in Telegram Channel, and such tips & recommendations were devoid of any fundamental analysis or supporting information and were purely speculative messages without any basis. The above stated acts of the *Noticees* of trading in securities by devising a scheme where under, after taking a buy position in certain selected scrips and then enticing other to take similar buy positions so as to cause rise in price and volume in those selected scrips, the *Noticees* have successfully off-loaded the shares so acquired by them earlier, at inflated/manipulated prices to book substantial gains for themselves. Such a scheme appears to have been implemented by the *Noticees* by misusing their privileged position as Administrators of the said Social Media Channel of Telegram through which they have been issuing stock specific speculative tips/recommendations without any identifiable rationale or backing of fundamentals for those scrips and with the sole malicious motive of extracting profits by selling shares of such companies, which were acquired shortly before sending such false recommendations and base-less stock tips. Commission of such deceitful acts by the *Noticees* by engaging themselves in a scheme as discussed at length above, with a dubious intent to make money at the cost of the interest of innocent investors in the securities markets are *prima facie* found to be in glaring violations of provisions of Securities and Exchange Board of India Act, 1992 (hereinafter referred to as “*SEBI Act, 1992*”) and the SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 framed thereunder (hereinafter referred to as “*PFUTP Regulations*”). By

resorting to such a scheme as narrated above in detail, the *Notices* have not only indulged in unfair trade practices to earn illicit profit from transactions in shares by manipulating the market but have also perpetrated frauds and deceit within the ambit of PFUTP Regulations as the recommendations are alleged to have containing elements potential to induce investors of the securities market. It is observed that in this entire scheme of deceit, manipulation and fraud as conceived by the *Notices*, especially the *Notices nos. 1, 2 and 3* who are the Administrators of the said Telegram Channel and the *Notice nos. 4, 5 and 6* being the family members of *Notice nos. 1 and 2*, have aided abetted through their willful permission by facilitating the use of their trading accounts for execution of trades in the securities market and thereby rendering themselves equally liable for the collusive acts on their parts, which are seen as detrimental to the integrity and interest of the investors of the securities market. Thus, all the *Notices* herein, by their acts of influencing through social media channel to buy shares of certain scrips have been successful in generating artificial demands in the market having impact on the price and volume of those scrips.

37. In addition to the above, sufficient evidence adduced in form of deposition made by the *Notice no. 3* and his trade data as collected in the course of investigation make it glaringly clear the *prima faice* complicity of *Notice no. 3* in the whole scheme, wherein he was also one of the Adminsitraotrs of the said Telegram Channel and has also derived personal benefit by indulging in trades in those scrips, recommendations of which were made through the said Telegram Channel and the information was already received by him through Whatspp. Under the circumstances, the investigation has come to a clear finding that *Notice nos. 1, 2 and 3* have indulged in fraudulent and unfair trade practices in the securities market and have thus acted in violation of Section 12 A (a), (b), (c) of the SEBI Act, 1992 read with Regulation 3 (a), (b), (c), (d), 4 (1), 4 (2) (a), (d), (e), (k), (o) and (r) of the PFUTP Regulations.
38. As regard to the acts of the *Notice nos. 4, 5 and 6* (who are the family members of *Notice nos. 1 and 2*), I find from the facts of the matter that these three *Notices*

have knowingly vested the operation of their trading accounts in the hands of *Noticee nos. 1 and 2*, who in turn, by resorting to the deceitful scheme as discussed above, have utilized those accounts for indulging in fraudulent and unfair trade practices in the scrips of various companies and thereby aided and abetted *Noticee nos. 1, 2 and 3* in carrying out their nefarious acts of deceit, fraud and manipulation while dealing in the securities market. It has been stated above with detail that the nefarious and deceitful acts have led to successful generation of profits arising out of such trades executed in the accounts of *Noticee nos. 4 to 6* showing that benefits of such manipulative scheme have accrued to the accounts of the *Noticee nos. 4, 5 and 6* as well. Under the circumstances, it leaves no ambiguity in my mind that the *Noticee nos. 4, 5 and 6* have also *prima facie* violated Regulation 3 (a), (b), (c), (d) and 4 (1) of PFUTP Regulations.

39. I observe that in view of my aforesaid *prima facie* observations about the misconduct, fraudulent acts and unfair trades executed by the *Noticees*, another inevitable observation that deserve to follow, is that the profits/gains so made by the *Noticees* by indulging in the aforesaid scheme of deceit, fraud and manipulation, have to be *prima facie* held as unlawful/wrongful gains, that would not have accrued to the *Noticees*, had the trades were not executed by them under the said scheme/artifice devised and deployed by them as unearthed during the investigation. To reiterate at this point, from the details of profits generated by the *Noticees* by trading in certain shares as summarised earlier in this order at para-no. 35, it seems that the *Noticees* have been successful in making unlawful gains of Crore of rupees by merely making baseless speculative messages & stock tips/recommendation to their Telegram Channel, obviously without disclosing the ill intent behind such messages. In the process, it also observed that these *Noticees* have made profit by taking advantage of the movement of price and volume in scrips whose recommendation was made in their Channel. It is evident that these *Noticees* have by taking a certain position in the scrip made recommendation in the said Channel giving cause for others to act on the recommendation without even realising that the persons (Administrators) giving

such stock tips & messages are themselves taking contrary position in the same scrips immediately after issuing the messages & recommendations pertaining to those scrips which eventually led to unlawful enrichment of the *Noticees*.

40. It is a common knowledge that the market price of any share moves in tandem with the market demand for the said scrip and at any given point of time the actual market price of the scrip is the outcome of the demand and supply for such scrip in the market. However, sometimes some persons/entities with dubious motive fabricate schemes, through which they act and resort to fraudulent & unfair trade practices which could be dangerous in distorting the price discovery mechanism of the securities market. As a result of such fraudulent and manipulative trades, not only such persons succeed in manipulating the price & volumes of trades in those scrips but also unjustly enrich themselves at the cost of other investors. I note that the foremost objective of the SEBI Act, 1992 is the protection of the interests of investors. In this context, I strongly view that the fraudulent and unfair trade practices as have been exhibited by the *Noticees* in this case are *prima facie* in serious violations of provisions governing the securities market as it directly affects the interest of small investors who do not have the adequate wherewithal or knowledge base to ascertain the actual reasons of price/volume movements. In the present case, I can clearly observe from their trading in the Metro Global that by sending consecutive speculative & enticing messages to the in the Telegram Channel, near to market closure timings therein strongly predicting price rise of the said scrip, contains elements of inducing the gullible investors and the contents are likely to put investors under a strong inducement to trade based on such strong recommendation made by the *Noticees*. The *Noticees* have chosen an opaque platform of Telegram to run their scheme of fraud, deceit and unfair trade thereby causing manipulation in the price & volumes of various scrips as well as undue price advantage to them, which warranted a search and seizure operation to be conducted by SEBI to reach the roots of such manipulation and to identify & expose the said scheme along-with its perpetrators and also to bring on record all relevant evidence including the

devices through which these entities were operating the scheme on the social media platform of Telegram.

41. It is worth mentioning here that with technology growing at a fast pace, various modes of Social Media Channels with innovative features have become an inevitable part of everyone's life, and as the history would suggest, any major technological innovation brings with it the hazards of its potential mis-utilisation by offenders who use it for performing illicit activities. As the Regulator of the securities market, SEBI in the past has taken various steps so as to protect the interest of the investors from such nefarious activities that are noticed using Short Messages Services (SMS). It is noted that earlier, certain entities used to manipulate the stock prices by sending bulk messages to large no. of people. After noticing such a malpractice, SEBI swung into action and in order to protect the innocent investors from such manipulative schemes, SEBI collaborated with the Telecom Regulator viz., Telecom Regulatory Authority of India (TRAI). As a result, TRAI vide its notification dated August 10, 2017 has issued directions to its regulated entities to curb circulation of bulk SMS from unregistered entities and has advised them that certain keywords as prescribed by it (buy/sell/hold/Stop loss etc.) can be used based on which such SMS can be blocked from circulating thereby preventing the gullible investors from falling prey to such ill-motivated stock tips/recommendations.
42. I observe that despite taking all possible steps by SEBI like the one stated above, the miscreants always try to create a bypass to the Regulatory fence to implement their malicious schemes to earn unlawful gains. Like in the present case, the application of Telegram which is essentially an application based Chat platform has been used by the *Notices* herein to implement the same strategy as was being used by sending Bulk SMS. As part of its many novel features, Telegram allows creation of public channels wherein large number of subscribers can be added to be part of it, without disclosing the identity of the persons behind such channel. Such a Channel essentially acts as a message dissemination forum where the Administrators only are allowed to disseminate messages, the content of which

is solely decided by them. The subscribers, on the other hand, can only read/view such content and such subscribers do not have any option to send messages or respond to the messages sent by the Administrators.

43. As demonstrated in the present order, this feature of Telegram has been successfully used for illicit activities like manipulating the stock prices by repeatedly sending unfounded stock recommendations for the personal yet unlawful benefit of the Administrators of such Channel. The tips circulated through the Channel create an inducing impact which are then followed by the subscribers and ironically, such stock tips may also prove to be true, if large number of recipients of such tips believe it and collectively act on it. Slowly and gradually, after seeing the price of the said thinly traded scrip actually rising, more and more subscribers start believing in the tips and start acting on it, which further strengthens the belief of such tips being genuine, as large number of individuals end up acting on such tips and by their collective buying actions, convert the deceitful, specious and baseless tips to reality.

44. Consequently, when large number of investors start following and acting on the tips issued to them on a social media platform with respect to the scrip of a small cap company or thinly traded company, the price and volume of the said scrip are bound to rise which again in turn would reinforce the belief of such investors in the tips & recommendations received by them from the said social media channel leading to more & more investors/subscribers of such channel getting trapped in the mirage crafted by the *Notices*. Such collective belief by the large base of subscribers of the channel in the stock recommendations given by the *Notices* would lead to a bull run in the said scrips and propel the scrip price/volume upwards, ultimately giving a golden opportunity to the *Notices* to make unlawful profits by selling their shares in the same scrip.

Nevertheless, SEBI being entrusted with the mandate of protecting the interest of the investors cannot be a mute spectator irrespective of the technology used by the delinquents and such delinquents need to be kept out of the walls of the securities market.

45. Keeping in view the foregoing discussions and the unravelling of events and crucial evidence by the investigation conducted by SEBI, in my view a strong case has been made out against the *Noticees* warranting invocation of the powers conferred upon me under the provisions of the SEBI Act, 1992 to pass appropriate directions including directions for impounding of such alleged unlawful gains made by the *Noticees* by their fraudulent & unfair acts for the following reasons:

- a) Based on the aforesaid findings and discussion, a strong *prima facie* case has been built up against the *Noticees* which has exposed the nefarious scheme deployed meticulously by them through which large sums of unlawful profits have been generated by them, which otherwise would not have arisen, had the trades were not executed under the scheme devised by them;
- b) The alleged scheme of enticing and inducing others to deal in certain securities thereby creating adverse and artificial impact on the price and volume of those scrips, has been ingenuously crafted and implemented in a manner that it was an impossible task for the common investors to identify any dubious hidden intent behind such messages and tips that were being circulated amongst them through the Telegram Channel;
- c) Even for a Regulator having all investigative tools at its disposal, it becomes difficult to reach to the mastermind of such a scheme being deployed through social media platforms, where encrypted messages are exchanged, without resorting to search and seizure action which was the only way to unearth the facts & evidence and to uncover the perpetrators of the said scheme along with mobile phones used by them to run such scheme deceitfully to their advantage;
- d) As stated in the beginning, the number of subscribers/investors in the Telegram Channel being run by the *Noticees* has been continuously growing and undisputedly, more the number of investors/subscribers to such social

media channel, higher the percentage of profits that would likely to accrue to the persons indulged in such fraudulent and unfair activities;

e) Given the aforesaid contraventions, misdemeanors and fraudulent acts alleged to have been committed by the *Notices* to corner large sums of unlawful gains, there is an urgent necessity for SEBI to take necessary remedial measures under the provisions of SEBI Act, 1992, to ensure that the *Notices* are dispossessed of the unlawful profits earned by them by deploying the above discussed fraudulent and unfair scheme else, there is a strong possibility that the *Notices* may attempt to divert the funds so earned out of their acts of deceit/ fraud and unfair acts, so as to go out of the reach of the law enforcement process. The powers vested under Section 11 (4) that enables that impounding of the proceeds of securities in respect of such transactions, either pending investigation or completion thereof ought to be invoked in the present case, so that no irreparable loss is caused due to possible diversion of such ill-gotten profits;

46. In view of the foregoing compelling facts and circumstances and after a careful consideration of the totality of the facts surrounding the case which reveals such blatant acts of fraud & unfair acts have been committed by the *Notices* to earn money in an unlawful manner, in my view the balance of convenience strongly lies in favour of invocation of the aforesaid statutory powers of SEBI to pass interim directions to the *Notices*.

47. The facts of the case narrated in the preceding paragraphs place before me a critical situation of urgency which calls for early invocation of power provided under Section 11 of the SEBI Act, 1992 in order to insulate the securities market from unfair and fraudulent acts like the ones perpetrated by the *Notices* which are antagonistic and detrimental to the orderly development of the securities market. The startling revelations that came out of SEBI's investigation which have been already narrated in the preceding paragraphs, show how entities who do not even possess basic minimum qualifications related to securities market have

blatantly disclosed in the social media channel that their team comprises 4 persons having combined experience of 40 years in the securities market and are in the process of seeking registration with the Regulator are seen with issuing stock recommendations. Considering the length of experiences in securities markets as claimed by the *Noticees* in their channel, it is but natural for the subscribers to strongly believe in and rely upon those speculative, and baseless stock tips & recommendations issued by the *Noticees* for taking trading positions in those scrips without knowing the true *malafide* intent and nefarious design crafted by the *Noticees* to make quick unlawful profits from the securities market. Such dubious acts of the *Noticees* are quite alarming hence, it becomes imperative to act immediately and restrain them from perpetuating such fraudulent activities in the securities market through any other scheme and in any other manner thereby further threatening the integrity of the securities market.

48. I observe that the Hon'ble Courts of the country have time and again stressed upon about the need to curb the manipulative and unfair trade practices in securities market and in this respect, the Hon'ble Supreme Court of India in the matter of *N. Narayanan Vs. SEBI* [(2013) 12 SCC 152] has observed that "*if market abuse is not properly curbed, then it would result in defeating the very object and purpose of SEBI Act.....Prevention of market abuse and preservation of market integrity is the hallmark of Securities Law...Market manipulation is normally regarded as the "unwarranted" interference in the operation of ordinary market forces of supply and demand and thus undermines the "integrity" and efficiency of the market*". The Hon'ble Supreme Court have also observed that "*Section 12A read with Regulations 3 and 4 of the Regulations 2003 essentially intended to preserve 'market integrity' and to prevent 'Market abuse'.*" In yet another judgment passed in the matter of *Kishore Ajmera Vs. SEBI* [AIR 2016 SC 1079], the Hon'ble Supreme Court has further held that: "*Investors' confidence in the Capital/Securities Market is a reflection of the effectiveness of the regulatory mechanism in force. All such measures are intended to pre-empt manipulative trading and check all kinds of impermissible conduct in order to boost the investors' confidence in the Capital market. The primary purpose of the statutory*

enactments is to provide an environment conducive to increased participation and investment in the securities market which is vital to the growth and development of the economy."

49. Insofar as the impounding of unlawful gains is concerned, it has already been established by the investigation that the *Notices nos. 1, 2 and 3* were the Administrators of the said Telegram Channel, out of which *Notice nos. 1 and 2* are brothers. Both of the said *Notices* were involved in transmission of stock tips and recommendations to the Channel as well as execution of trades in the trading accounts of the *Notice nos. 4, 5 and 6*, who are their family members. In the said process, which apparently seems to have been initiated by *Notice nos. 1 and 2*, the other *Notices*, i.e., *Notice nos. 4, 5, and 6*, who are the family members of *Notice nos. 1 and 2* and, *Notice no. 3* who is the friend of *Notice no. 2*; are unequivocally seen to have joined the illicit scheme devised by *Notice nos. 1 and 2* for their own gains. *Notice nos. 4, 5 and 6* have provided the commands and control of their respective trading accounts to *Notice nos. 1 and 2*. *Notice no. 3*, apart from being one of the Administrator of the said Telegram Channel, is also seen to have got the information about the impending recommendations to be made on the Telegram Channel before -hand through Whatsapp chats from *Notice no. 1*. Thus, the deployment of the scheme and making of unlawful profits through the said scheme have been jointly and severally undertaken by *Notice nos. 1, 2, 3, 4, 5 and 6*. Therefore, in the fitness of things, all the *Notice viz., Notice nos. 1, 2, 3, 4, 5 and 6* are liable to be held jointly and severally responsible for actively colluding with each other in devising and implementing the scheme for the unlawful profits made through the said scheme.
50. Accordingly, as an urgent interim measure to prevent the *Notices* from continuing with such fraudulent acts, it is now warranted that an order under Section 11 (1) read with Section 11 (4) (d) and 11B (1) be passed against the *Notices*, restraining the *Notices* from being associated with the securities market as well for impounding the unlawful profits so far made by them through their

fraudulent acts in contravention of various provisions of SEBI Act, 1992 and PFUTP Regulations, as pointed out above in the order.

Order

51. 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, 1992 hereby issue by way of this *interim ex-parte order*, the following directions, which shall be in force until further orders:-

- a) All the *Noticees* viz: *Noticee nos. 1 to 6* 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 close out/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 bank accounts of the *Noticees* are hereby impounded jointly and severally for an amount of INR 2,84,29,948 (alleged unlawful gains)
- d) Further, the *Noticees* are directed to open an escrow account with a Nationalized/Scheduled Commercial bank jointly and severally, and deposit within 15 days from the date of service of this order, the impounded amount as mentioned which has been *prima facie* found to be the proceeds of wrongful profits/gains allegedly generated from the unfair trade practices activity 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) The banks where the *Notices* are holding bank accounts, jointly or severally, are directed to ensure that till further directions, except for compliance of directions as stated above, no debits shall be made in the bank accounts of the *Notices* without the permission of SEBI. The banks are directed to ensure that all the above directions are strictly enforced. Only on production of proof of deposit of entire amount of INR 2,84,29,948 (either jointly or severally) in the escrow account/s, SEBI shall communicate to the banks to defreeze the bank accounts.
- f) The *Notices* are directed not to dispose of or alienate any assets, whether movable or immovable, or any interest or investment or charge on any of such assets held in their name, individually or jointly, including money lying in bank accounts except with the prior permission of SEBI until the impounded amount is deposited in the escrow/s account.
- g) The *Notices* are directed to provide a full inventory of all assets held in their name, individually or jointly, whether movable or immovable, or any interest or investment or charge on any of such assets, including details of all bank accounts, demat accounts and mutual fund investments, immediately but not later than 5 working days from the date of receipt of this order.

52. The foregoing observations contained in this Order, are made on the basis of the material available on record. The *prima facie* findings as recorded in this order will be treated as allegations against the respective *Notices* and the present order is to be also treated as an interim order cum show cause notice. The *Notices* are hereby called upon to show cause as to why suitable directions, including the following, should not be issued/imposed against them under Sections 11(1), 11(4)(d) and 11B (1) of the SEBI Act, 1992:

- a) Directing them to disgorge the amount equivalent to the alleged unlawful profits made on account of the scheme, as described above; and

- b) Directing them to refrain from accessing the securities market and prohibiting them from buying, selling or otherwise dealing in securities for an appropriate period.

53. Further, the *Notices* are called upon to show cause as to why appropriate penalty under Section 11B (2) and 11(4A) read with Section 15HA of SEBI Act, 1992 should not be imposed on them for the alleged violations of SEBI Act, 1992 and PFUTP Regulations, as the case may be.
54. This Order is without prejudice to the right of SEBI to take any other action that may be initiated against the *Notices* in accordance with law.
55. The *Notices* may file their replies to SEBI within 45 days from the date of receipt of this Order. They may also indicate in their replies whether they wish to avail an opportunity of personal hearing in the matter.
56. This Order shall come into force with immediate effect and shall be in force until further orders.
57. A copy of this order shall be served upon the *Notices*, Stock Exchanges, Banks, Registrar and Transfer Agents and Depositories for necessary action and compliance with the above directions.

-Sd-

DATE: January 12, 2022

S. K. MOHANTY

PLACE: MUMBAI

WHOLE TIME MEMBER

SECURITIES AND EXCHANGE BOARD OF INDIA