BEFORE THE ADJUDICATING OFFICER
SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER Ref No.: Order/AP/AS/2020-21/9008]

UNDER SECTION 15-I OF SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 READ WITH RULE 5 OF SEBI (PROCEDURE FOR HOLDING INQUIRY AND IMPOSING PENALTIES) RULES, 1995.

In respect of:

BDS Share Brokers Pvt. Ltd.
(PAN - AACCB0124D)
C-77, Prashant Vihar,
New Delhi - 110085

In the matter of Nagpur Power & Industries Limited

1. Nagpur Power & Industries Ltd (hereinafter referred to as 'NPIL' or 'Company') is a listed company having its shares listed on Bombay Stock Exchange Limited (BSE). BSE and NSE conducted a joint examination regarding the trading activities of certain investors (hereinafter referred to as 'Group') in certain scrips during December 15, 2011 to October 09, 2014 (hereinafter referred to as 'investigation period'), on the basis of alerts generated by their surveillance system and complaint received from Securities and Exchange Board of India ('SEBI') alleging circular trading in the scrip of Ponni Sugars (Erode) Limited by the said Group. Thereafter, BSE and NSE forwarded a joint examination report to SEBI, wherein it was observed that Group entered into bulk deals amongst themselves and reversed the said deals within a short period of time at either of the exchanges.

2. The major of observations of the joint examination was as follows:

   a. A group of 11 related entities were observed to enter into bulk deals among themselves and reversed the said deals within a short period of time at either of the exchanges making significant positive/negative square off differences.

   b. There were 17 scrips at BSE and NSE where Group executed/ reversed trades through bulk deals.

   c. These 17 scrips included the scrip of NPIL.

3. Based on joint examination by BSE and NSE, SEBI conducted an investigation in the matter under this notice. The focus of investigation was to ascertain whether there was any violation of the provisions of SEBI Act, 1992, SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities market) Regulations, 2003 (hereinafter referred to as 'PFUTP Regulations'), SEBI (Substantial Acquisitions of Shares and Takeovers) Regulations, 2011 (hereinafter referred to as 'SAST Regulations') and SEBI (Prohibition of Insider Trading) Regulations, 1992 (hereinafter referred to as 'PIT Regulations') by the Group while trading in the scrip of NPIL during December 15, 2011 to October 09, 2014.

4. On completion of the investigation in the said matter, following was observed by SEBI:

   a. NPIL is a part of Khandelwal group of Companies, established in 1946 with business interests in a wide variety of manufacturing and service. The registered office of NPIL is at *"Nirmal", 20 Floor, Nariman Point, Mumbai - 400021.*

   b. The price movement of the shares of the Company at BSE have been classified as (i) before the investigation period; (ii) during 5 patches of the investigation; and (iii) post inspection, is summarized below:

Table – 1

Period	Dates		Open	High	Low	Close	Total Vol/Avg. Vol.
Pre Investigation Period	15/09/2011-14/12/2011	Price	34.8	37.5 (08/11/2011)	29.05 (01/12/2011)	33.85	52299/902
		Vol	134	14041 05/10/2011	1 (2-Days)	3578	
Patch 1 (Rise)	15/12/2011 -13/11/2012	Price	36.3	54.90 (12/11/2012)	26.75 (06/02/2012)	54.15	2892997/13210
		Vol	18	385645 (14/09/2014)	1 (3-Days)	919	
Patch 2(Fall)	15/11/2012-10/10/2013	Price	52.95	55.5 (22/11/2012)	23.8 (26/07/2013)	24.25	120489/826
		Vol	1021	13999 (21/03/2013)	1 (15-Days)	100	
Patch 3 (Rise)	11/10/2013 -12/12/2013	Price	23.05	41.75 (12/12/2013)	23.05 (11/10/2013)	41.75	10423/359
		Vol	105	2838 (18/11/2013)	1 (2-Days)	3	
Patch 4(Fall) (Dec13-15, 2013; no trading at the exchange)	16/12/2013 -06/05/2014	Price	41.50	41.50 (16/12/2013)	23.8 (03/03/2014)	25.65	80252/1294
		Vol	1	10481 (28/03/2014)	1 (7-Days)	442	
Patch 5 (Rise)	07/05/2014-09/10/2014	Price	26.75	46.00 (16/09/2014)	24.1 (09/05/2014)	38.25	195104/1991
		Vol	302	14707 (23/05/2014)	2 (2-Days)	770	
Post Investigation period	10/10/2014-08/01/2015	Price	39.50	45 (31/12/2014)	28.55 (09/12/2014)	35.4	95082/1794
		Vol	1950	29516 (21/10/2014)	1 (23/10/2014)	668	

   c. Details of top 10 buy clients and sell clients concentration in the scrip on BSE during the investigation period is as follows:

Table 2

Buy Client Name	Total	% of Trd Vol	Selling Client Name	Total	% of Trd Vol
Bharat Jayantilal Patel	4,03,289	12.22	Bharat Jayantilal Patel	3,78,428	11.47
Rajesh Devraj Mehra	3,77,197	11.43	Ruchit Bharat Patel	3,75,159	11.37
Pankaj Patel	3,74,750	11.36	Pankaj Patel	3,74,750	11.36
Aatash Shares And Commodities Broking Pvt Ltd	3,74,750	11.36	Aatash Shares And Commodities Broking Pvt Ltd	3,74,750	11.36
Prakash Mohta Co	3,74,600	11.35	Prakash Mohta Co	3,74,600	11.35
Ruchit Bharat Patel	3,74,600	11.35	Matangi Traders Investors P Ltd.	3,34,000	10.12
Informed Technologies I Ltd	86,088	2.61	BDS Share Brokers P Ltd	77,170	2.34

BDS Share Brokers P Ltd	74,898	2.27	Tirath Pradyuman Parikh	61,123	1.85
Tirath Pradyuman Parikh	61,123	1.85	BP Fintrade Private Limited	37,631	1.14
BP Fintrade Private Limited	37,631	1.14	Priyam Prem Devidayal	18,369	0.56
Top 10 Buy Clients	**25,38,926**	**76.94**	**Top 10 Selling Clients**	**24,05,980**	**72.93**
Remaining Clients	**7,60,339**	**23.06**	**Remaining Clients**	**8,93,285**	**27.07**
Total Traded Volume	**32,99,265**	**100**	**Total Traded Volume**	**32,99,265**	**100**

d. On the basis of price movement (rise and fall), investigation period has been divided into 5 patches (*refer Table 1*) and the contribution of top 10 LTP contributors to price rise / price fall has been analysed as follows:

I. <u>Patch 1: price rise period (15/12/2011 to 13/11/2012 - *refer Table 1*)</u>

i. During Patch-1 of the investigation period, a total of 28,92,997 shares were traded in 6296 trades at BSE. The previous closing price (as on 14/12/2011) of the scrip was ₹33.85. The closing price for the Patch-1 was ₹54.15 (as on 13/11/2012) at BSE. i.e. price of the scrip increased by ₹20.30.Since there was price rise during this patch, buy side of the trades were analysed. On the basis of net positive LTP contribution, trades of top 10 entities are analysed as under:

Table 3

Buyer Name	All Trades			trades with LTP diff > 0			trades with LTP diff < 0			trades with LTP diff = 0		% of positive LTP to Total Market positive LTP
	Net LTP (in Rs.)	Total QTY	No of trades	LTP impact in Rs.	QTY traded	No of trades	LTP impact in Rs.	QTY traded	No of trades	QTY traded	No of trades	
Ms BDS Share Brokers P Ltd	292.55	56079	1447	627.40	11244	617	-334.85	15169	559	29666	271	43.90
Aditya Sadhana Huf	36.15	36868	154	44.00	23967	103	-7.85	4926	20	7975	31	3.08
Informed Technologies India Ltd	16.40	56077	208	34.60	23065	85	-18.20	4952	35	28060	88	2.42
Rachita Shripalkumar Shah	15.60	1018	75	54.95	755	45	-39.35	64	28	199	2	3.85
Mundra Anant	15.20	13581	60	19.90	9127	32	-4.70	1689	11	2765	17	1.39
Tirath Pradyuman Parikh	13.10	61123	237	32.30	10610	98	-19.20	4113	37	46400	102	2.26
Mahipal Multanmal Jain	10.30	894	11	10.60	294	6	-0.30	500	4	100	1	0.74
Asmah Shares Stock Brokers Pvt Lt	8.95	3522	23	10.55	2258	11	-1.60	110	4	1154	8	0.74
Mithlesh Gupta	8.70	18000	79	16.55	7118	24	-7.85	1878	10	9004	45	1.16
Sunil Ramchand Awani	8.60	11551	37	9.20	8836	24	-0.60	101	2	2614	11	0.64
Top 10	**425.55**	**258713**	**2331**	**860.05**	**97274**	**1045**	**-434.50**	**33502**	**710**	**127937**	**576**	**60.18**
Others	**-405.70**	**2634284**	**3965**	**569.10**	**1229631**	**1102**	**-974.80**	**880637**	**1405**	**524016**	**1458**	**39.82**
Market	**19.85**	**2892997**	**6296**	**1429.15**	**1326905**	**2147**	**-1409.3**	**914139**	**2115**	**651953**	**2034**	**100**

ii. From the above table, it was observed that top 10 LTP contributors have contributed positive LTP of ₹860.05 during Patch-1, which is 60.18% of total market positive LTP contribution i.e.₹1429.15. On the basis of UCC, off market transfers, MCA data and bank statements (linked to the trading account of entities having 5% & above LTP contribution), none of the top 10 entities were found connected amongst themselves or to suspected entities/NPIL/promoters or directors of NPIL.

iii. It was also observed that BDS Share Brokers Pvt. Ltd. (hereinafter referred as 'BDS' or 'Noticee'), a SEBI registered sub broker, was highest contributor out of the top 10 LTP contributors in the scrip, wherein, it had contributed net LTP of ₹292.55 in 1447 trades for 56,079 sharesduring Patch-1. Further, BDS had contributed positive LTP of ₹627.40 which is 43.90% of total positive LTP of market in 617 trades for 11,244 shares during Patch-1.On further analysis of BDS trades, it was observed that it had placed small quantity buy orders in the scrip. Details of its trades along with their LTP contribution is as follows:

Table 4

Sl. No.	Description	No. of trades	LTP Contribution (₹)	% of total market positive LTP
1.	Trades where buy order qty is 1 share	352	442.75	30.98%
2.	Trades where buy order qty is 2 - 10 shares	168	156.6	10.96%
3.	Trades where buy order qty is more than 10 shares	97	28.05	1.96%
	All buy trades which contributed to positive LTP	**617**	**627.40**	**43.90%**
4.	Trades wherein buy orders were placed at higher LTP before the sell Order	103	84.10	5.88%
5.	First Trade with positive LTP	49	94.35	6.60%
6.	Self-trade with positive LTP	59	60.4	4.23%

iv. From the above table, it was observed that out of 617 buy trades of BDS; in 352 trades (57.05%) buy order quantity was 1 share, which contributed to positive LTP of ₹442.75. In 168 trades (27.22%) buy order quantity was in the range of 2-10 shares, which contributed positive LTP of ₹156.6. It was observed that aforesaid 520 trades (84.27%) of BDS were in the range of 1-10 shares and had contributed positive LTP of ₹599.35 which is 41.94 % of total market positive LTP during Patch-1.

v. On further analysis, it was observed that BDS had traded for 176 days during Patch-1. Out of 176 days, on 49 days, its order resulted in the first trade which had contributed positive LTP of ₹94.35, which is 6.60% of market positive LTP. Also, it was observed that out of 617 positive LTP contributing trades, 59 trades for 454 shares were self-trades and positive LTP of self-trades was ₹60.4, which is 4.22% of total market positive LTP.

vi. An illustration of the top 5 LTP contributing trades of BDS is as follows:

Table 5

Batch Date	Buyer Name	Seller Name	Trade Time	Buy Order Time	Sell Order Time	Trade Price	LTP Diff	Buy Order Price(₹)	Sell Order Price(₹)	Trade Quantity	Sell Order qty	Buy Order qty
31/07/2012	BDS	Naresh K Sheth	09:24:52	09:24:52	09:18:23	37.4	5.35	37.4	37.4	1	100	1
16/01/2012	BDS	Bimla R Somany	09:33:35	09:33:35	09:32:45	31.9	4.9	31.9	31.9	1	25	1
16/10/2012	BDS	Kiran Gupta	09:08:28	09:06:45	09:00:02	43.5	4.7	43.5	43.5	1	49	1
06/01/2012	BDS	Kirit C Solanki	14:22:56	14:22:56	14:18:36	36.35	4.55	36.35	36.35	1	3	1
15/10/2012	BDS	Yamini A Sampat	15:15:20	15:15:20	15:15:19	42.5	4.5	43	42.5	1	50	1

vii. From the above illustration in respect of top 5 LTP trades of BDS it was observed that, while the sell orders of the scrip in which it traded were large, BDS placed its buy orders for only 1 share.

II. Patch 2: price fall period (14/11/2012 to 10/10/2013 - *refer Table 1*)

During Patch-2 of the investigation period, a total of 1,20,489 shares were traded in 818 trades at BSE. The previous closing price (as on 13/11/2012 in Patch -1) of the scrip was ₹54.15. The closing price of the Patch-2 was ₹24.25 (as on 10/10/2013) i.e. price of the scrip decreased by ₹29.90.Since there was price fall during this patch, sell side of the trades were analysed. On the basis of net negative LTP contribution, trades of top 10 entities were analysed and no significant individual contribution was observed during Patch-2 in the scrip.

III. Patch 3: price rise period (11/10/2013 to 12/12/2013 - *refer Table 1*)

i. During Patch -3 of the investigation period, a total of 10,423 shares were traded in 95 trades at BSE. The previous close price (as on 10/10/2013 in Patch -2) of the scrip was ₹24.25 and closing price at the end of the Patch -3 (as on 12/12/2013) was ₹41.75 i.e. price of the scrip increased by ₹17.5. Since there was price rise during this Patch, buy side of the trades were analysed. On the basis of net positive LTP contribution, trades of top 10 entities are analysed as under:

Table 6

	All Trades			trades with LTP diff > 0			trades with LTP diff < 0			trades with LTP diff =0		% of positive LTP to Total Market positive LTP
Buyer Name	Net LTP (in Rs.)	Total QTY	No of trades	LTP impact in Rs.	QTY traded	No of trades	LTP impact in Rs.	QTY traded	No of trades	QTY traded	No of trades	
BDS Share Brokers P Ltd	23.35	696	19	24.60	61	14	-1.25	365	1	270	4	49.85
Vibha Garg	4.85	10	4	4.85	5	2	0.00	0	0	5	2	9.83
Gira Kirtikumar Shah	3.70	4	2	3.70	4	2	0.00	0	0	0	0	7.50
Ajitkumar Ajitkumar Berawala	2.00	100	1	2.00	100	1	0.00	0	0	0	0	4.05
Kirtikumar Punamchand Shah	1.80	2	1	1.80	2	1	0.00	0	0	0	0	3.65
Pranav Kiritbhai Patel	1.25	250	4	1.25	20	1	0.00	0	0	230	3	2.53
Sangita Mane	1.10	3	3	1.50	1	1	-0.40	1	1	1	1	3.04
Jiten Kanwar Singh	0.55	250	5	1.25	50	1	-0.70	78	1	122	3	2.53
Rajendra Sohanraj Lalwani Huf	0.50	100	3	0.50	49	1	0.00	0	0	51	2	1.01
Chandrakala	0.25	1550	2	0.25	1050	1	0.00	0	0	500	1	0.51
Top 10	**39.35**	**2965**	**44**	**41.70**	**1342**	**25**	**-2.35**	**444**	**3**	**1179**	**16**	**84.50**
Others	-21.85	7458	51	7.65	301	6	-29.50	3089	24	4068	21	15.50
Market	**17.5**	**10423**	**95**	**49.35**	**1643**	**31**	**-31.85**	**3533**	**27**	**5247**	**37**	**100**

ii. From the above table, it was observed that top 10 LTP contributors have positive LTP contribution of ₹41.70 which is 84.50% of total market positive LTP contribution i.e.₹49.35 in the scrip during Patch-3.On the basis of UCC, off market transfers, MCA data and bank statements linked to the trading account of entities having 5% & above LTP contribution, none of these top 10 LTP contributing entities were found connected to suspected entities/NPIL/promoters or directors of NPIL. However, BDS and Ms. Vibha Garg (entities at Sl. nos. 1 and 2, respectively in the above table) were found to be connected to each other, as they were sharing same address and contact details. Further, Ms. Gira Kiritkumar Shah and Mr. Kirtikumar Punamchand Shah (*entities at Sl. nos. 3 and 5, respectively in the above table*) were found to be connected to each other, as they were sharing same address and contact details.

iii. On examination of trades of the aforesaid connected entities in the scrip of NPIL during Patch-3, it was observed that BDS and Ms. Vibha Garg altogether in 16 trades for 66 shares of NPIL contributed positive LTP of ₹29.45, which is 59.68% of total, market positive LTP. On further analysis of their trades, it was observed that out of the 16 positive LTP contributing trades, there were 7 different unconnected counterparties. Out of 16 trades, maximum trades i.e. 14 were executed by BDS. All trades except one trade were done for 1-5 shares. It was observed from the order log analysis of these trades that BDS had placed buy order for smaller quantity on 3 occasions, wherein sell quantity was available in larger quantity and thus, contributed to significant positive LTP of ₹4.2, which is 8.51% of market positive LTP.

iv. Out of 16 trades, 2 trades were done by Ms. Vibha Garg and no manipulative pattern was observed from her trades. Further, on analyzing trades of Ms. Gira Kiritkumar Shah and Mr. Kirtikumar Punamchand Shah altogether no manipulative pattern was observed from their trades.

IV. <u>Patch 4: price fall period (16/12/2013 to 06/05/2014- *refer Table 1*)</u>

During Patch-4 of the investigation period, a total of 80,252 shares were traded in 1294 trades at BSE. The previous day close price (as on 12/12/2013 in Patch-3) was ₹41.75. The closing price of Patch-4 was ₹25.65 (06/05/2014) at BSE i.e. price of the scrip decreased by ₹16.1.Since there was price fall during this patch, sell side of the trades were analysed. On the basis of net negative LTP contribution, trades of top 10 entities were analysed and no significant individual contribution was observed during Patch-4 in the scrip.

V. <u>Patch 5: price rise period (07/05/2014 to 09/10/2014 - refer Table 1)</u>

i. During Patch-5 of the investigation period, a total of 1,95,104 shares were traded in 1991 trades at BSE. The previous day close price (as on 06/05/2014 in Patch-4) was ₹25.65. The closing price of Patch-5 was ₹38.25 (09/10/2014) at BSE i.e. price of the scrip increased by ₹12.60.Since there was price rise during this patch, buy side of the trades were analysed. On the basis of net positive LTP contribution, trades of top 10 entities are analysed as follows:

Table 7

Buyer Name	All Trades			trades with LTP diff > 0			trades with LTP diff < 0			trades with LTP diff = 0		% of positive LTP to Total Market positive LTP
	Net LTP (in Rs.)	Total QTY	No of trades	LTP impact in Rs.	QTY traded	No of trades	LTP impact in Rs.	QTY traded	No of trades	QTY traded	No of trades	
Goldenlife Financial Services P Ltd	111.60	36902	208	117.50	13900	95	-5.90	1696	12	21306	101	**22.10**
Gira Kirtikumar Shah	16.80	281	15	17.25	45	11	-0.45	116	2	120	2	3.24
Ms BDS Share Brokers Private Ltd	14.90	8714	204	47.75	2392	74	-32.85	2977	77	3345	53	**8.98**
Gaurav Uddhav Nikumbh	10.30	9	2	10.30	9	2	0.00	0	0	0	0	1.94
Ramesh Gordhandas Chavda	9.80	3744	31	10.85	810	10	-1.05	759	7	2175	14	2.04
Kirtikumar Punamchand Shah	9.60	510	7	9.60	25	4	0.00	0	0	485	3	1.81
Kiran Prakash Patil	6.55	30	1	6.55	30	1	0.00	0	0	0	0	1.23
Sunanda S Patkar	6.30	6970	50	7.90	2389	25	-1.60	1418	5	3163	20	1.49
Amin Mukundbhai S	6.25	100	12	8.15	94	10	-1.90	6	2	0	0	1.53
Brahmachar Vasudevachar	5.75	200	2	5.75	20	1	0.00	0	0	180	1	1.08
Top 10	**197.85**	**57460**	**532**	**241.60**	**19714**	**233**	**-43.75**	**6972**	**105**	**30774**	**194**	**45.44**
Others	-185.25	137644	1428	290.15	37132	391	-475.40	33220	452	67292	585	54.57
Market	**12.6**	**195104**	**1960**	**531.75**	**56846**	**624**	**-519.15**	**40192**	**557**	**98066**	**779**	**100**

ii. From the above table, it was noted that top 10 LTP contributors have positive LTP contribution of ₹241.60 which is 45.44% of total market positive LTP contribution i.e.₹531.75. On the basis of UCC, off market transfers, MCA data and bank statements linked to the demat account of entities having 5% & above LTP contribution, none of these top 10 LTP contributing entities were found connected to suspected entities/NPIL/promoters or directors of NPIL. However, Ms. Gira Kiritkumar Shah and Mr. Kirtikumar Punamchand Shah (entities at Sl. nos. 2 and 6, respectively in the above table) were found to be connected to each other as they were sharing same address and contact details.

iii. It was observed that BDS through its 74 trades for 2392 shares of NPIL had contributed positive LTP of ₹47.75, which is 8.98% of, total market positive LTP. On further analysis of these trades, it was observed that BDS had placed buy orders in small quantity. Details of its trades along with their LTP contribution during Patch-5 in the scrip is as follows:

Table 8

Sl. No.	Description	No. of trades	LTP Contribution (₹)	% of total market positive LTP
1.	Trades where buy order qty is 1 share	23	25.00	4.70%
2.	Trades where buy order qty is 2 - 10 shares	17	10.20	1.91%
3.	Trades where buy order qty is more than 10 shares	34	12.55	2.36%
All buy trades which contributed to positive LTP		**74**	**47.75**	**8.98%**

iv. From the above table, it was observed that out of 74 trades, it had placed 40 buy orders for 1-10 shares of NPIL, which has contributed positive LTP of ₹35.20 which is 6.61% of total market positive LTP during the Patch-5. Further, it was observed from the order log analysis that in 29, out of 40 trades, buy orders for smaller quantity was placed even when sell quantity was available in for larger number of shares. These 29 trades had contributed positive LTP of ₹26.25 which is 4.94% of market positive LTP.

v. Further, on analyzing trades of Ms. Gira Kiritkumar Shah and Mr. Kirtikumar Punamchand Shah altogether and Goldenlife Financial Services Pvt Ltd trades stand only, no manipulative pattern was observed from their trades.

Allegations:

e. In view of the above findings with respect to Patch 1, 3 and 5, it is alleged that BDS had repeatedly entered into the trades wherein it kept buying single share or smaller quantity of shares of NPIL on several days, when sell order were available in larger quantity and contributed significantly to positive LTP. It was also alleged that BDS was not acting as genuine buyer and had no *bona fide* intention to buy because in-spite of large quantity of sell orders, it was placing buy orders of small quantity, by either matching or placing the buy price slightly higher than sell order rate, which were already above LTP at the time of buy order entry; or by placing buy orders at prices above LTP which were subsequently matched by sell orders, thereby contributing significant to positive LTP. It was further alleged that BDS had indulged in self-trades. It is evident from the above trading pattern that the intention of BDS was to mark the price higher and not merely to enter into the buy transactions carried out by it. Therefore, it was alleged that BDS manipulated the price of the scrip of NPIL and created a misleading appearance of trading in the said scrip by such trades as explained hereinabove and thus, BDS had allegedly violated Regulations 3(a),(b),(c),(d) and Regulations 4(1), 4(2)(a), (e) and (g) of the PFUTP Regulations.

f. It is further alleged that BDS being a SEBI registered sub-broker had indulged in such manipulative trades (as explained hereinabove) and violated clause A(1) and D (1), (4) and (5) of the Code of Conduct for sub-brokers as specified under Schedule II read with Regulation 15 (1) (b) of the SEBI (Stock Brokers and Sub-Brokers) Regulations, 1992 (hereinafter referred as 'Stock Broker Regulations').

5. The relevant applicable provisions of the PFUTP Regulations and the Stock Broker Regulations are reproduced herein under:

PFUTP Regulations

3. Prohibition of certain dealings in securities

No person shall directly or indirectly—

(a) buy, sell or otherwise deal in securities in a fraudulent manner;

(b) use or employ, in connection with issue, purchase or sale of any security listed or proposed to be listed in a recognized stock exchange, any manipulative or deceptive device or contrivance in contravention of the provisions of the Act or the rules or the regulations made there under;

(c) employ any device, scheme or artifice to defraud in connection with dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange;

(d) engage in any act, practice, course of business which operates or would operate as fraud or deceit upon any person in connection with any dealing in or issue of securities which are listed or proposed to be listed on a recognized stock exchange in contravention of the provisions of the Act or the rules and the regulations made there under.

4. Prohibition of manipulative, fraudulent and unfair trade practices

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

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

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

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

(g) entering into a transaction in securities without intention of performing it or without intention of change of ownership of such security;

Broker Regulations

SCHEDULE II

Securities and Exchange Board of India (Stock Brokers and Sub-brokers) Regulations, 1992

CODE OF CONDUCT FOR SUB-BROKERS

[Regulation 15]

A. General.

(1) Integrity: A sub-broker, shall maintain high standards of integrity, promptitude and fairness in the conduct of all investment business.

D. Sub-Brokers via-a-vis Regulatory Authorities.

(1) General Conduct: A sub-broker shall not indulge in dishonourable, disgraceful or disorderly or improper conduct on the stock exchange nor shall he willfully obstruct the business of the stock exchange. He shall comply with the rules, bye-laws and regulations of the stock exchange.

(4) Manipulation: A sub-broker shall not indulge in manipulative, fraudulent or deceptive transactions or schemes or spread rumours with a view to distorting market equilibrium or making personal gains.

(5) Malpractices: A sub-broker shall not create a false market either singly or in concert with others or indulge in any act detrimental to the public interest or which leads to interference with the fair and smooth functions of the market mechanism of the stock exchanges. A sub-broker shall not involve himself in excessive speculative business in the market beyond reasonable levels not commensurate with his financial soundness.

6. In view of the above, SEBI has *prima facie* felt satisfied that there are sufficient grounds to inquire and adjudicate upon the alleged violations of the provisions of the PFUTP Regulations and the Stock Broker Regulations by the Noticee. Accordingly, Shri Santosh Shukla, Chief General Manager had been appointed as Adjudicating Officer ('erstwhile AO') in the matter to inquire and adjudge under Rule 5 of the SEBI (Procedure for Holding Inquiry and imposing penalties) Rules, 1995 (Adjudication Rules) and under section 15HA and 15HB of the SEBI Act, of the alleged violation of the aforesaid provisions by the Noticee. Subsequently, by a common *communication-order* dated January 07, 2020, this case was transferred to the undersigned with the advice that except for the change of the Adjudicating Officer, the other terms and conditions of the original orders *'shall remain unchanged and shall be in full force and effect'* and that the "*Adjudicating Officer shall proceed in accordance with the terms of reference made in the original orders*".

7. Accordingly, in terms of Rule 4(1) of the Adjudication Rules read with section 15I of the SEBI Act, the notice to show cause no. EAD-2/AP/AKS/2744/2020 dated January 21, 2020 (hereinafter referred as 'SCN') was issued to the Noticee, calling upon to show cause as to why an inquiry should not be held against it in terms of Rule 4 of the Adjudication Rules and penalty be not imposed under section 15HA and 15HB of the SEBI Act on it for the aforesaid alleged violations.

8. The SCN was duly served upon the Noticees. Vide letter dated February 07, 2020, the Noticee asked for 3 weeks' time to file its reply to the SCN. Accordingly, in the interest of natural justice and in terms of Rule 4(3) of the Adjudication Rules, an opportunity of personal hearing was granted to the Noticee vide hearing notice dated

February 11, 2020, to appear for personal hearing on February 26, 2020 and the Notice was allowed to file its reply to the SCN before the date of aforesaid hearing. Thereafter, vide letter dated February 18, 2020, the Noticee showed its inability to appear for hearing in Mumbai and requested it to schedule the hearing in New Delhi office of SEBI. Vide aforesaid letter, the Noticee also requested for Last Traded Price (LTP) and all of its trades data beyond investigation period. Vide e-mail dated February 26, 2020, the Noticee have been informed that relied upon documents in the instant proceedings i.e. the relevant extracts of trade log of the Noticee during the investigation period and Price Volume data of the investigation period is provided to it along with the SCN and therefore, the aforesaid request has not been considered. It was further informed to the Noticee that new date of hearing will be informed as and when hearing will be scheduled.

9. Thereafter, due to ongoing pandemic environment and in terms of Rule 4(3) of the Adjudication Rules, an opportunity of personal hearing was granted to the Noticee on August 17, 2020, wherein, it was allowed to appear *via* tele video conferencing available at SEBI's Northern Regional Office at New Delhi. Vide letter dated August 12, 2020, the Noticee submitted its written reply to the SCN. The authorized representative Mr. Rama Kant Sultania, an employee of the Noticee appeared before me on scheduled date of hearing. Mr. Rama Kant Sultania made oral submissions on the lines of Noticee's written reply dated August 12, 2020. The submissions of the Noticee with respect to the SCN *inter alia* are as follows:

   a. It was not a sub-broker of BSE during the investigation period. It had taken SEBI registration as sub-broker on May 19, 2015. Therefore, compliance of code of conduct for sub-brokers specified under schedule II read with regulation 15(1) (b)of the Stock Brokers Regulations is not applicable upon it. Thus, the violations of clause A(1) and D(1), (4) and (5) of code of conduct for sub-brokers does not arise against it.

   b. During the investigation, its name had been included with other parties. Further, only purchase side of transaction had been considered during analysis instead of taking both side of transaction i.e. purchase and sale of shares. It had been the net seller, as it had sold 2272 shares (No. of shares sold - 77170 minus No. of shares purchased -74898) of the Company during the investigation period. As it was net seller in the shares of the Company, it could not have increase the price of the shares of the Company. The price can be increased, only if someone is a net buyer of the large quantity of the shares of the Company. Thus, it had not increased or manipulated the price of the shares of the Company.

   c. It is not connected with the Company or its directors or with other counter-parties. There were several entities which placed buy order and reversed trades in the share of the Company. This has become the basis of initiating investigation in the scrip of the Company. Therefore, the inquiry should be made against those entities and not against it. Moreover, its name was not in the bulk deal, thus, its name should not be part of the investigation.

   d. As per table 5 purchase price of its trade were compared with different base rate. In this regard, it has submitted that it had placed orders on basis of the buyers/sellers in the market and not on the basis of LTP. Thus, if a stock closed price was ₹39 per share on the previous day and on the next morning, if there is a buyer, who placed buy order at ₹40 per share, then it will place order to buy at a rate higher than ₹40 per share, so that there is a resonable chance of being able to buy those shares. In such a scenario, when its order gets match, it may seem to be at a LTP deviation but that is not intentional and it is simply a result of the other orders available in the market.

e. A persons order size depends upon market, company performance, share price trading pattern, funds, margin requirement etc. It is not necessary to buy large quantity of shares. It sometimes did jobbing in the shares. It had purchased/ sold the shares at higher/ lower than purchase price, incurring profit/ loss. On few occasions, it squares its purchase position at the same rate incurring no profit no loss. Thus, only taking buy order and higher selling rate into consideration did not mean it indulged in matching of the trades.

f. It had traded in a large number of scrips of the companies during the investigation period. Details of the same is as follows:

Table 10

Investigation Period	Number of total scrips traded
Patch 1	429
Patch 2	224
Patch 3	121
Patch 4	277
Patch 5	429

g. There are several days on which buy order of small quantity of shares were placed by it. Similarly, other parties also placed such small orders on other days on which it had not traded. Thus, it is not the only one who had placed orders in small quantity. It is a normal practice to place small quantity of shares in the market. The minimum quantity for placing the order is 1 and not 100 or higher quantity. The example of trading in the shares of the Company, where small quantity of shares traded but it had not traded on that day are as follows:

Table 11

Transaction date	02-01-12	29-2-12	10-4-12	10-8-12	31-8-12	20-9-12
Total shares traded	106	3	2	100	18	108
No. of trades	7	3	2	4	4	8

h. It had traded on 76 days out of 219 days during Patch 1. It had placed order in small quantity on both sides, but selectively purchased order has been considered during investigation. Sometimes, it did place purchase order to square up the sale position of 1 to 10 quantity. It was not wise to keep open the sale side position because the cost of delivery would be higher as compared to cost associated with purchase of shares on that day.

i. Whenever it had net position of buy in the scrip of the Company, it had taken delivery of the shares. It had taken delivery of shares and delivered shares, as per its position on a particular day. It had taken delivery of approximately 19,000 shares and delivered approximately 20000 shares.

j. As per Table 3, it had traded 56,079 shares of the Company during Patch 1, which on average was 318 shares volumes traded per day during Patch 1 by it. The above shows that it is a genuine investor.

k. The closing price of the share of the Company was ₹ 33.95 on 14-12-2011 i.e. beginning of Patch 1. Price had increased to ₹41.25 on 03-05-2012 (*in patch 1 from 14-12-2011 to 25-10-2012*) and touch the low of ₹29.70 on 19-01-12. During Patch 1, on most number of days the share price of the Company moved between 10% low to 20% high, which is a usual price movement. Further, approximately for whole year, the share price of the Company was range bound between daily price limit for a day fixed by stock exchange. Moreover, its trading volume was on lower side, when market volume was high. Also, on several days it traded at lower price in comparison to previous day's closing price. Thus, it could not have increased the price of the share of the Company.

l. During Patch 3, there were 29 trading days, out of which, it had traded on 17 days on buy side. During this period, total 10,423 shares of the Company were traded in the market and it had purchased 696 shares i.e. 6% of the market volume, which is small and this could not increase/manipulate the price. As per table 6, out of 696 shares of the Company traded by it, only 61 shares resulted in positive LTP. Thus, it is only minor portion i.e. 11.41% of its total trade. There were also few instances, wherein, it had not traded when there was increase in the price of the shares of the Company.

m. It is not possible to know from the record that, whether, it had first placed buy order or counterparty had placed the sell order at higher rate, which resulted in positive LTP. It is not the case, where it had placed buy order and remove the buy order after sometime, which might lead to misleading appearance of buyer.

n. During 1st patch, the price of the share of the Company increased from ₹ 33.85 to ₹ 54.15. During the same period, BSE Sensex moved from 15881.14 (*on 14-12-2011*) to 18618.87 (*on 13-11-2012*) and S&P BSE 500 index moved from 5974.13 (*on 15-12-11*) to 7123.69 (*on 16-11-12*). Similarly, during Patch 3, BSE Sensex moved up from 13,379.77 (on 30-9-13) to 20,925.61 (on 12-12-13) and during Patch 5, BSE Sensex moved up from 22508.42 (*on 06-05-14*) to 26637.28 (*on 09-10-14*). The share price of the Company also moved up following the overall uptrend in the market during this period. Thus, share market was bullish and moving upwards, wherein, few company's shares increased more than percentage increase in index. There are various company's shares, which moved more in percentage term as compared to percentage increased in index. Thus, it was not unusual that the price of the shares of the Company increased and it traded on higher price. The same should not be treated as manipulation.

o. It had traded during Patch 2 and Patch 4, when share price of the Company was decreasing, which shows that it had traded in the scrip of the Company during each patch irrespective of price rise/ fall.

p. During the investigation period it had done trade in the security market as an investor. It is a small investor and did not have expert knowledge of securities market and it did not trade on the basis of LTP. Further, its broker had not informed it about the proper way of placing order.

q. In view of above submissions, it had not violated the provisions of regulations 3(a) (b) (c) and (d), 4(1),4(2) (a), (e) and (g)of the PFUTP Regulations. Further, it had no intention to manipulate the share price of the Company and it had not created misleading appearance in the trading of shares of the Company and it was acting acted as genuine buyer. Thus, it has requested for dropping the instant inquiry proceedings.

10. I have considered the allegation levelled in the terms of reference, the relevant material brought on record, reply/ submissions of the Noticees and documents produced by the Noticee before undersigned. In this case, the Noticee has contested that during the investigation period, it was not the SEBI registered sub-broker, instead it was trading as a general investor. The Noticee submitted that it obtained registration as sub-broker from SEBI on May 19, 2015, and therefore, it is wrong to allege that it has violated the provisions of Clause A (1) and D (1), (4) and (5) of the Code of Conduct for Sub Brokers as specified under Schedule II read with Regulation 15 (1) (b) of the Stock Brokers Regulations. In this regard, I note that, as per Market Intermediaries Regulation and Supervision Department of SEBI, the Noticee was registered as sub-broker w.e.f. May 19, 2015 and its registration got expired on March 31, 2019. As on date the registration status of the Noticee is '*de-recognised*'. Since, the Noticee was not a registered sub-broker during the relevant period of violation, I am of the view that the Noticee cannot be held liable for violating "Code of Conduct" prescribed for sub-broker for the period, when it was not registered as sub-broker.

11. In this case, charges against the Noticee are – manipulation of price of the scrip of the Company by significantly contributing to positive LTP during Patch 1, Patch 3 and Patch 5 of the investigation period and indulgence in self trades during Patch 1 of the investigation period. By indulging in such activities, its aim was to mark the price higher of the scrip of the Company and creating misleading appearance of trading in the scrip of the Company. In the instant case, the trades that are the basis of allegations in the SCN are admitted by the Noticee. However, the Noticee has contested that, it was not the part of the Group of 11 entities, who were alleged to enter into the bulk deals among themselves and reversed the said deals in 17 scrips at BSE/NSE. It further contested that it is not connected with either the Company or with its counterparties or with the aforesaid group, therefore, it should not have been part of the aforesaid investigation. In this regard, I note that, the investigation in the matter was initiated on the basis of joint examination report forwarded by the BSE and NSE. The execution of bulk deals and reversing of the deals in the 17 scrips was the initial observations of the exchanges, which required further detailed investigation in the scrip of the Company. The aforesaid Group of 11 entities along with the Noticee and other entities were the part of the detailed investigation carried out in the matter. During the said investigation, various observations were made with respect to the Noticee, which resulted into the initiation of the instant proceedings. The relevant findings/ observations/ violations with respect to the Noticee during investigation has been provided in the SCN. Therefore, I do not find merit in the Noticee's submission and reject such contentions.

12. The Noticee has contended that, it was trading in large number of scrips during the different patches of the investigation period apart from the scrip of the Company and therefore, it cannot be said that it had specifically manipulated price of the scrip of the Company. In this regard, I am of the view that the fraudulent trading for

manipulating the price of the scrip of the Company cannot be justified merely because the Noticee was trading in the scrips of large number of companies. The Noticee has also contended that from the available record it cannot identify, whether it had first placed buy order or counterparty had placed the sell order at higher rate, which resulted in positive LTP. In this regard, I note that the relevant trade log provided to the Noticee has columns such as – Order Time, Counter Party Order Time, Trade Time, Last Modified Order Time and Counterparty Last Modified Order Time. The aforementioned columns specifically provide the details of order punched by each party, therefore, I find no merit in such contentions of the Noticee and reject the same.

13. One of the Noticee's contention is that, during the investigation period the share market was bullish and continuously shown an uptrend, BSE Sensex rising from 15,881.14 points at start of investigation to 26,637.28 points at the end of the investigation period. Further, during Patches 1, 3 and 5 also, BSE Sensex had shown uptrend, which resulted in the upward movement of price of the shares of the Company. Therefore, it was not unusual if it had traded in the shares of the Company during that period. In this regard, I note that, the movement in the price of a scrip in a share market depends on several factors and ongoing sentiments in the market may be one of the several factors, which may or may not impact the price. As far as fundamental parameters of the Company are concerned, the same does not support the rise in the price of the shares of the Company, as Company was declaring losses, apart from only financial year 2012-13 and no major corporate announcement were made by the Company during relevant period. Further, the opening price of the share of the Company at start of the investigation was ₹36.30 per share and at the end of the investigation was ₹38.25 per share, while BSE Sensex has moved almost 70% during this period. Since, the price of the scrip of the Company in itself was not in tandem to BSE Sensex movement, therefore, I reject such contentions of the Noticee.

14. From the trading pattern of the Noticee, it is noted that the Noticee was part of the top 10 buy clients and sell clients group in the scrip of the Company during the investigation period. Further, during Patch 1 and Patch 3 of the investigation period, it was the top contributor of positive LTP in the scrip of the Company to total market positive LTP i.e. 43.90% in Patch 1 and 49.85% in Patch 3. During Patch 5, it was the third highest contributor of positive LTP and contributed 8.98% in positive LTP. From the above trading pattern, it is obvious that the Noticee has contributed significantly in the positive LTP through its trades during investigation period and during Patch 3, its contribution was almost 50%.

15. Further, from the detailed analysis of the Noticees's trades, it is noted that during Patch 1 its 57% of orders were for 1 shares and 84% of orders were for 1-10 shares. Also, through these 84% of orders for 1-10 shares, it positively contributed LTP of ₹599.35 which is 41.94 % of total market positive LTP during Patch-1. Similarly, during Patch 5, 31% of orders were for 1 shares and 54% of orders were for 1-10 shares. Also, through these 54% of orders for 1-10 shares, it positively contributed LTP of ₹35.20 which is 6.61 % of total market positive LTP during Patch-5. It is also to be noted that, the Noticee was placing buy order of small quantity, wherein sell order for larger quantity was available in the market. During Patch-3, there were 3 such occasions and during Patch – 5, out of 40 order of 1-10 shares, 29 orders were such, where sell order for large quantity was available in the market.

16. It is noted from the illustration of top 5 LTP contributing trades of the Noticee during Patch 1 provided in Table 5 that, all 5 trades are for 1 share of the Company, wherein sell order quantity available in the market were 100, 25, 49, 3 and 50, respectively. Further, the positive LTP contributed through these 5 trades were ₹5.35, ₹4.90, ₹4.70, ₹4.55 and ₹4.50, respectively.

17. In view of the above, I note that, it is not a mere coincidence that the Noticee keep on placing orders in small quantity in the scrip of the Company in different patches of the investigation, especially in a circumstance wherein its 84% orders during Patch 1 and 54% orders during Patch 5 were for 1-10 shares. Such trading pattern also raise suspicions when same is seen in a scenario of availability of large sell orders in the market at the time of placing buy order. I cannot lose sight of the fact that substantial positive LTP contributed during Patch 1, Patch 3 and Patch 5 by the Noticee were through its trade in single share. There were the occasions, when single share buy orders has resulted in positive LTP of ₹4.50 and more. Considering the fact that share price of the Company during these trades were in range of ₹29 to ₹55, a LTP contribution of ₹4.50 and more through a single trade of a share is substantially high contribution and same cannot be consider as a general practice followed in the securities market.

18. I also note that, the Noticee's contention regarding being a net seller in the scrip of the Company during the investigation and a net seller could not have increase the price of the shares of the Company is a misplaced notion in itself. As every trade in the market establishes the price of the scrip. A person by purchasing the share of a company at higher price than the last traded price positively contributes towards the LTP and thus, move the price of the share upward. So by trading in such manner repeatedly that person can move a price of a share up to certain level, where he/she may find it suitable to sell shares, he/she is holding. Further, the allegation in this case is regarding manipulation of the price of the scrip of the Company. Therefore, I am of the view that, whether the Noticee is net buyer / seller during the relevant period is immaterial, as the Noticee has been found to be engaged in the practice of manipulating the price of the scrip of the Company.

19. It is matter of record that during the investigation period, no major corporate announcements were made by the Company. Further, the Company had reported net loss in all the financial years except financial year 2012-13 during investigation period. It is very unusual in the market that in a situation the miniscule quantity is being purchased by the buyers when the sellers place orders in large quantity as observed in this case. Such behavior would be self-detrimental as seeing so much interest on the seller side, buyer is purchasing small quantity of shares. In a real market situation, the buyer and sellers move step by step gauging the interest on the opposite side. The involvement of Noticees in placing such buy orders in minuscule quantity repeatedly and consistently for a longer duration when the large number of sell orders were available in the market indicates the manipulative intent of the Noticees. This behaviour of the Noticee indicates that the buyer played a major role in manipulating the price of the scrip. I note that, with regard to placing of the miniscule order when large order on opposite side are available in the system, the Hon'ble SAT in its order dated February 25, 2020 in the matter of *Mrs. Kalpana Dharmesh Chheda and Mr. Utkarsh Dharmesh Chheda Vs. SEBI inter alia* held as under:

"...*The pattern of trade clearly establishes this as it is on 49 occasions that the appellants sold 1 to 5 shares, mostly one share, when in fact the buy orders available in the system was much higher. This behavior cannot be justified in terms of normal rational expectations of a seller....... their selling miniscule quantity of one share each on more than four dozen occasions is nothing but a strategy of manipulation and unfairly benefiting by off-loading the entire shareholding after raising the price to considerable levels....*"

20. I further note that, the Noticee has been found to be engaged in such practice of placing orders in small size repeatedly. Further, the Noticee has failed to give any plausible reason/explanation regarding its trading pattern of placing buy orders in such small quantity and submitted that minimum prescribed quantity is one share only and the Noticee was not the only one who had placed orders in small quantity. He also submitted that placing small quantity of shares orders in the market is a normal practice. Considering the above, I am of the opinion that such an act of these Noticee cannot be considered as normal market practice or trading pattern. Here, it is important to refer to the observations made by the Hon'ble Securities Appellate Tribunal (SAT) in its order dated March 21, 2014 in *Saumil Bhavnagari Vs. SEBI* which are as under: "*... but by purchasing shares at the higher price in LTP in most of the trades, the noticee had given a wrong impression about the liquidity of the scrip in the market. It must not be forgotten that every trade establishes the price of the scrip and the noticee's trading at higher than LTP resulted in the price of the scrip going up and were done with a view to set the price at a desired level and thereby influencing the innocent/gullible investors.*"

21. I also note that during Patch 1 of the investigation period, the Noticee's 59 trades for 454 shares were self-trades and positive LTP of those self-trades was ₹60.4 i.e. 4.22% of market positive LTP. These 59 trades were 2.7% of market trades which had created positive LTP. Further, out of 176 days, on 49 days, its order resulted in the first trade which had contributed positive LTP of ₹94.35 i.e. 6.6% of market positive LTP. While seeing these self-trades and first trades of the Noticee on solitary basis, the contribution does not appear to be significant. However, when same are analyse in concurrence with the other trades of the Noticees, wherein, he significantly contributed to the positive LTP, it indicates that these self-trades and first trades were the part of whole scheme to manipulate and mark the price of the scrip of the Company upward and creating a misleading appearance of trading in the scrip of the Company by such self-trades.

22. I, therefore, find that the Noticee has dealt in the scrip of the Company in a fraudulent and manipulative manner by employing manipulative device. By indulgence in such acts, the Noticee has created false or misleading appearance of trading in the securities market and manipulated the price of the scrip of the Company. By executing self-trades the Noticee transacted into the scrip of the Company, without having an intention of performing the transaction or changing of ownership of the said scrip. The patch-wise violations observed are as under:

    a. **<u>Patch 1:</u>** The Noticee has contravened provisions of regulation 3 (a), (b), (c), (d), regulation 4(1), 4 (2)(a), (e) and (g) of the PFUTP Regulations.

    b. **<u>Patch 3 & 5:</u>** The Noticee has contravened provisions of regulation 3 (a), (b), (c), (d), regulation 4(1), 4 (2)(a) and (e) of the PFUTP Regulations.

23. I further note that the Noticee was not a sub-broker during the relevant period of violation, therefore, I am of the view that the Noticee has not violated the provisions of Clause A (1) and D (1), (4) and (5) of the Code of Conduct for Sub Brokers as specified under Schedule II read with Regulation 15 (1) (b) of the Stock Brokers Regulations.

24. I also find that the acts and omissions of the Noticee as described above is detrimental to the interests of investors in the securities market. Considering the aforesaid facts and circumstances, I am of the opinion that this case deserves imposition of penalty under section 15HA of the SEBI Act. The provisions of section 15HA of the SEBI Act are reproduced as follows:

> ***SEBI Act, 1992***
>
> ***Penalty for fraudulent and unfair trade practices. (for Patch 1 and Patch 3)***
>
> ***15HA.*** *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty twenty-five crore rupees or three times the amount of profits made out of such failure, whichever is higher.*
>
> ***Penalty for fraudulent and unfair trade practices. (for Patch 5) – w.e.f. 08/09/2014***
>
> ***15HA.*** *If any person indulges in fraudulent and unfair trade practices relating to securities, he shall be liable to a penalty which shall not be less than five lakh rupees but which may extend to twenty-five crore rupees or three times the amount of profits made out of such practices, whichever is higher.*

25. While determining the quantum of penalty, it is important to consider the factors stipulated in Section 15J of the SEBI Act which reads as follows: -

> *While adjudging quantum of penalty under section 15-I, the adjudicating officer shall have due regard to the following factors, namely: -*
>
> *(a) the amount of disproportionate gain or unfair advantage, wherever quantifiable, made as a result of the default;*
>
> *(b) the amount of loss caused to an investor or group of investors as a result of the default;*
>
> *(c) the repetitive nature of the default."*
>
> ***Explanation.*** *—For the removal of doubts, it is clarified that the power of an adjudicating officer to adjudge the quantum of penalty under sections 15A to 15E, clauses (b) and (c) of section 15F, 15G, 15H and 15HA shall be and shall always be deemed to have been exercised under the provisions of this section;*

26. For the purpose of adjudication of penalty, it is relevant to mention that under section 15I of the SEBI Act imposition of penalty is linked to the subjective satisfaction of the Adjudicating Officer. The words in the section that "*he may impose such penalty as he thinks fit*" are of considerable significance, especially in view of the guidelines provided by the legislature in section 15J of the SEBI Act. Further, while adjudging the quantum of penalty the adjudicating officer has discretion and such discretion should be exercised having due regard to the factors specified in section 15J. Having regard to the factors listed in section 15J, it is noted that from the material available on record, any quantifiable gain or unfair advantage accrued to the Noticee or the extent of loss suffered by the investors as a result of the default in this case cannot be computed.

27. The acts of artificially increasing the price of scrip have potential to mislead and induce gullible and genuine investors to trade in the scrip and harm them and, thus, the fundamental tenets of market integrity get violated with impunity due to such fraudulent acts. In the facts and circumstances of this case, it can reasonably be inferred that the impugned miniscule buy trades of the Noticee despite having large number of sell orders available in the market were carried out by the Noticee with a manipulative intent. I am of the considered view that the manipulation in the price of the scrip by the Noticee has the potential to induce gullible and genuine investors to trade in the scrip and harm them. The *modus operandi* adopted by the Noticee is detrimental to the smooth functioning of the securities market and such acts as found in this case should be suitably penalized. While noting so, I am aware of the fact that the impugned trades of the Noticee are of the period 2011-2014.

28. Further, with respect to penalty provisions under section 15HA of the SEBI Act, violations by the Noticee during Patches 1 and 3 of the investigation period relates to a period prior to Securities Laws (Amendment) Act, 2014. The said amendment came into effect from September 09, 2014, wherein, a minimum penalty of Rupees Five Lakh was prescribed for a person, who indulges in fraudulent and unfair trade practices relating to securities. Prior to the said amendment no minimum penalty was prescribed for aforesaid violations penalized under section 15HA. Therefore, for Patches 1 and 3 of the investigation period no minimum penalty has been prescribed under section 15HA, while for Patch 5 of the investigation period a minimum penalty of Rupees Five Lakh has been prescribed under section 15HA.

29. Taking into consideration all the facts and circumstances of the case including the aforesaid 15J factors and mitigating factors, exercising the powers conferred upon me under section 15I of the SEBI Act read with Rule 5 of the Adjudication Rules, I hereby impose a consolidated monetary penalty of ₹7,00,000/-(Rupees Seven Lakh Only), upon BDS Share Brokers Pvt. Ltd. under section 15HA of the SEBI Act as under: -

Patch of Investigation Period	Penalty Amount
Patch 1	₹1,00,000/- (Rupees One Lakh Only)
Patch 3	₹1,00,000/- (Rupees One Lakh Only)
Patch 5	₹5,00,000/- (Rupees Five Lakh Only)
Total	**₹7,00,000/- (Rupees Seven Lakh Only)**

In my view, the said penalty commensurate with the violation committed by the Noticee in this case.

30. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order in either of the way of demand draft in favour of "*SEBI - Penalties Remittable to Government of India*", payable at Mumbai, or by following the path at SEBI website www.sebi.gov.in, ENFORCEMENT > Orders > Orders of AO > PAY NOW; OR by using the web link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html. In case of any difficulties in payment of penalties, the Noticees may contact the support at portalhelp@sebi.gov.in

31. The Demand Draft or details and confirmation of e-payment made in the format as given in table below shall be sent to "*The Division Chief, EFD-DRA-IV, Securities and Exchange Board of India, SEBI Bhavan, Plot No. C- 4 A, "G" Block, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051.*" and also to e-mail id:- tad@sebi.gov.in:

1	Case Name	
2	Name of the 'Payer/Noticee'	
3	Date of Payment	
4	Amount Paid	
5	Transaction No.	
6	Bank Details in which payment is made	
7	Payment is made for(like penalties/disgorgement / recovery / settlement amount and legal charges along with order details)	

32. In the event of failure to pay the said amount of penalty within 45 days of the receipt of this Order, recovery proceedings may be initiated under section 28A of the SEBI Act, 1992 for realization of the said amount of penalty along with interest thereon, *inter alia*, by attachment and sale of movable and immovable properties.

33. In terms of Rule 6 of the Adjudication Rules, copies of this order are sent to the Noticee and also to SEBI.

Date: September 09, 2020

Place: Mumbai

Amit Pradhan

Adjudicating Officer

AMIT PRADHAN

Digitally signed by AMIT PRADHAN
Date: 2020.09.09 14:42:47 +05'30'