BEFORE THE ADJUDICATING OFFICER

SECURITIES AND EXCHANGE BOARD OF INDIA

[ADJUDICATION ORDER NO. Order/PM/AB/2019-20/4574]

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

In respect of:

Smt. Chandrakanta Laddha

PAN: ABIPL0665K

FACTS OF THE CASE:

1. Securities and Exchange Board of India (hereinafter be referred to as, the "***SEBI***") conducted investigation into trading activities of certain entities in the scrip of Moryo Industries Ltd. (hereinafter be referred to as, the "***Moryo***") for the period of January 15, 2013 to August 31, 2014 (hereinafter be referred to as, the "***Investigation Period***").
2. Based on the findings of the investigation, SEBI initiated adjudication proceedings against Smt. Chandrakanta Laddha (hereinafter be referred to as, the "***Noticee***") under Section 15HA of the Securities and Exchange Board of India Act, 1992 (hereinafter be referred to as, the "**SEBI Act**"), for the alleged violation of Regulations 3(a), (b), (c) & (d), 4(1) and 4(2) (a) & (e) of SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations 2003 (hereinafter be referred to as, the "***PFUTP Regulations***").

APPOINTMENT OF ADJUDICATING OFFICER

3. SEBI vide order dated September 7, 2017 appointed the undersigned as the Adjudicating Officer under section 15 I of SEBI Act, 1992 read with Rule 3 of SEBI (Procedure for Holding Inquiry and Imposing Penalties by Adjudicating Officer) Rules, 1995 ("AO Rules") to inquire into and adjudge the aforesaid allegations under Section 15HA of the SEBI Act.

SHOW CAUSE NOTICE, REPLY AND PERSONAL HEARING

4. A Show Cause Notice dated April 27, 2018 (hereinafter be referred to as the "***SCN***") was issued to the Noticee under Rule 4 of the AO Rules to show cause as to why an inquiry should not be initiated and penalty be not imposed under Section 15HA of the SEBI Act for the allegations as detailed in the said SCN. The price movement during the investigation period was examined in various patches. The SCN alleged that during the period January 15, 2013 to November 8, 2013 ("***Patch 1***"), the price of the scrip of Moryo opened at Rs. 93.40 and closed at Rs. 101 with a high of Rs. 138.6 and a low of Rs. 60.30. A total of 1,45,926 shares were traded during Patch 1 with the average daily traded volume of 1,363 shares. The role of entities who had contributed to the increase in Last Trade Price (hereinafter referred to as "LTP") was examined by SEBI.

5. The summary of trading of the Noticee during Patch 1 was as follows:

Table 1: Summary of trading done by the Noticee

Total Trades			LTP Diff. >0			LTP Diff. < 0			LTP Diff. =0		% of Positive LTP to Total Market Positive LTP
Sum of LTP diff	Sum of Quantity	No of trades	LTP impact	QTY traded	No of trades	LTP impact	QTY traded	No of trades	QTY traded	No of trades	
72.65	1235	28	77.85	36	14	-5.20	1000	1	199	13	27.45

6. It was observed that the Noticee contributed to more than 5% to total market positive LTP through 28 trades for a total quantity of 1235 shares during this patch. Out of these 28 trades, Noticee contributed Rs. 77.85 of positive LTP (27.45% of market positive LTP) in 14 trades for 36 shares. It was observed that out of these 14 trades, there were 10 trades of 23 shares wherein the buy order was placed for small quantity (less than or equal to 10 shares) before the sell order. Such 10 trades were executed on 10 different days and resulted in positive LTP contribution of Rs 46.55 (16.41% of total market positive LTP) during Patch 11. Details of these 10 trades along with their LTP contribution is given below:

Table 2: Details of trades of the Noticee

Sl. No.	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 Disclose	Buy Order Original

												Volume	Quantity
1	10.04.2013	Chandrakanta Laddha	Badri Lal Birla	15:15:28.0197830	15:09:25.3511850	15:11:51.8788370	66.00	5.00	66.00	66.00	1	1	5
2	11.04.2013	Chandrakanta Laddha	Badri Lal Birla	15:15:20.9609680	14:30:39.5564540	14:32:19.9057080	69.00	3.00	69.00	69.00	1	1	10
3	13.05.2013	Chandrakanta Laddha	Badri Lal Birla	15:15:29.0931230	14:31:43.9379730	14:32:47.9692090	121.20	5.20	121.20	121.20	3	3	5
4	17.05.2013	Chandrakanta Laddha	Badri Lal Birla	15:15:31.5513270	14:30:34.6734180	14:31:15.3454240	132.00	5.50	132.00	132.00	2	2	10
5	27.06.2013	Chandrakanta Laddha	Badri Lal Birla	15:15:26.5524120	14:33:10.3273100	15:13:35.9956750	108.00	2.65	109.35	107.95	1	1	2
6	01.07.2013	Chandrakanta Laddha	Badri Lal Birla	15:15:30.3549310	14:53:06.6327380	14:59:55.9148270	106.80	4.15	106.80	106.75	2	2	5
7	02.07.2013	Chandrakanta Laddha	Badri Lal Birla	15:15:35.1818470	14:39:36.1466430	14:48:16.2415370	109.90	3.10	109.90	109.85	1	1	3
8	04.07.2013	Chandrakanta Laddha	Badri Lal Birla	10:15:46.2864050	10:03:36.6494630	10:04:35.0806030	114.80	4.90	114.85	114.80	5	5	5
9	08.07.2013	Chandrakanta Laddha	Narendra G Navalakha	15:15:32.6766650	14:43:07.8061160	15:13:06.9253630	118.70	3.70	120.65	118.65	5	5	10
10	19.07.2013	Chandrakanta Laddha	Badri Lal Birla	15:15:36.1418160	14:48:21.9549690	15:04:47.1531770	104.45	9.35	105.00	104.45	2	2	2

7. It is observed from these trades of the Noticee that the Noticee placed buy orders before the sell orders at prices significantly above LTP, which were subsequently matched by sell orders. Further, 5 trades took place between June 27, 2013 to July 08, 2013 i.e. during 7 trading days. Moreover, out of the above 10 trading days, on 3 days the trades of the Noticee were the only trades of the day.

8. Thus, it was alleged that the Noticee was not acting as genuine buyer and had no bona fide intention to buy but to mark the price higher because she was placing small quantity buy orders at prices significantly above LTP which were subsequently matched by sell orders thereby contributing to significant positive LTP. The Noticee, by trading in the aforesaid manner, manipulated the scrip price and created a misleading appearance of trading in the scrip by such trades and thereby allegedly violated Regulations 3(a), (b), (c), (d), 4(1), 4(2)(a), and (e) of PFUTP Regulations, 2003.

9. The SCN was duly delivered through Speed Post A.D. and the Noticee filed her reply vide letter dated May 11, 2018. An opportunity of personal hearing was

granted to the Noticee on April 24, 2019 vide Notice of hearing dated April 4, 2019 in accordance with Rule 4(3) of the AO Rules. The authorized representative appeared on the said date and filed submissions dated April 24, 2019 during the course of hearing.

10. A summary of the submissions made by the Noticee in response to the SCN is as follows:

    a. The Noticee has been trading in market for 40 years and has a clean history. The Noticee got attracted to the share of Moryo because of the price movement of share and was inclined to invest in the said company.

    b. The Noticee is a regular trader in the market and used to place small quantity of shares to know the volumes and so that she can plan her trades.

    c. The Noticee watching the share of Moryo since August, 2012 and invested in the company in December and made a profit of Rs. 400 on 30 shares. In April, the Noticee again bought the shares but incurred loss this time.

    d. The Noticee was watching the scrip of Moryo and the Noticee wanted to buy some shares in Moryo so in order to get the indication of seller, the Noticee used to enter orders in small quantity.

    e. The Noticee finally got 1000 shares after 4 months and the Noticee purchased further shares in December which she sold in December and January. The Noticee earned an overall profit of Rs. 1,00,808 by trading in shares of Moryo. The Noticee never had intention of increasing the price of the share and the only reason of entering orders in small quantity was to assess the seller. On many occasions, the trades were executed for a quantity lower than the Noticee’s price.

CONSIDERATION OF ISSUES AND FINDINGS

11. I have carefully perused the reply to the SCN, oral and written submissions of the Noticee and the documents available on record. The issues that arise for consideration in the present case are:

Issue No. I Whether the trading done by the Noticee during the Investigation Period were in violation of Regulations 3(a), (b), (c) & (d), 4(1), 4(2)(a) &(e) of the PFUTP Regulations?

Issue No. II If yes, whether the violation, on the part of the Noticee would attract monetary penalty under Section 15HA of the SEBI Act?

Issue No. III If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5 (2) of the Adjudication Rules?

12. Before proceeding further, I would like to refer to the relevant provisions of PFUTP Regulations which are reproduced as under: -

"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 in a 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;

(b) ....

(c) ....

(d) ....

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

13. It is seen from the reply of the Noticee that the Noticee purchased a total of 1235 shares through 28 trades during patch 1. The striking feature of the trading was that the Noticee placed miniscule orders on 10 occasions which lead to an

increase in the LTP by Rs. 46.55 i.e. 16.41% of the total market positive LTP. It can be observed from the trading of the Noticee given in Table 2 that in all the 10 instances, the buy order was placed before the sell order and in all cases the buy order was placed at a significantly higher price than LTP. Out of the 10 trades mentioned in Table 2 above, on 3 days, the Noticee's trades were the sole trades of the day when Noticee was the buyer. As it can be seen that the orders of the Noticee were placed before the sell orders, so there could be an occasion that no sellers would be available. However, it is intriguing to note that the Noticee being a buyer placed her orders well above the LTP. If the trading in the scrip was sparse and there were not many sellers available, then the Noticee should have placed her orders closer to the LTP and if required could have revised her order. However, the Noticee herself entered the orders substantially higher than LTP thereby giving chance to the seller to place orders at a higher price. As a buyer who is purportedly trying to gauge the interest of sellers, the effort of the Noticee should have been to buy at a lower price rather than buying at a higher price. There have been 6 occasions out of the 10 trades mentioned in Table 2 where the Noticee has placed buy orders even higher than the sell order price. This indicates that the seller would have been willing to sell at a lower price but the Noticee was inclined to buy at a higher price. Further, if the Noticee was keen on buying the shares in larger quantity, why didn't the Noticee enter a buy order every day or on days when there was some trading happening in the shares of Moryo. The trading of the Noticee appears to be concentrated only on days when the scrip had very miniscule volume.

14. The Noticee as a buyer had placed her orders of miniscule quantities above the LTP and on most occasions due to sparse trading in the scrip, the trades resulting from these orders contributed to increase in the LTP and the closing price of the scrip. Considering this pattern of trading it was alleged that the Noticee was not acting as genuine buyer and had no bona fide intention to buy or sell the shares.

15. I have considered the submissions of the Noticee wherein the Noticee has submitted that she was watching the scrip and was entering orders in miniscule quantity to see the interest of sellers.

16. As per the submissions of the Noticee she was trading in the securities market for 40 years and used to trade in small quantities to see the indication in the scrip. This indicates that the Noticee understood how the market functions and had the knowledge about trading in shares. However, as discussed in the preceding paragraphs, the trading of the Noticee made no economic rationale and could not be justified on any ground. The Noticee in his reply has also not provided any justification for his trading except for the fact that she was just seeing the interest of sellers in the scrip. As stated earlier, it's natural tendency for the buyers to buy at a lower price and seller to sell at a higher price.

However, in the case of the Noticee, the buyer was herself willing to buy at a price higher than what was asked by the sellers. Thus, from the trading of the Noticee it appears that the sole purpose of entering the orders was to increase the price of shares of Moryo without having any bonafide intention of trading in the scrip. It has already been pointed out in SCN that at various occasions the Noticee entered buy order before the sell orders and the price was significantly higher than the LTP.

17. In view of the aforesaid, I find that the Noticee, by engaging in such non-genuine transactions, manipulated the price of the scrip of Moryo and also created a misleading appearance of trade in the scrip. I am of the considered view that the aforesaid act of the Noticee is in clear violation of Regulations 3(a), (b), (c)&(d) and 4(1), 4(2)(a) &(e) of the PFUTP Regulations.

Issue No. II **If yes, whether the violation, on the part of the Noticee would attract monetary penalty under Section 15HA of the SEBI Act?**

&

Issue No. III **If yes, what would be the monetary penalty that can be imposed upon the Noticee taking into consideration the factors stipulated in Section 15J of the SEBI Act read with Rule 5 (2) of the Adjudication Rules?**

18. Since violation of Regulations 3(a), (b), (c)&(d) and 4(1), 4(2)(a) &(e) of the PFUTP Regulations by the Noticee is established, I am of the view that the same warrants imposition of monetary penalty upon the Noticee under Section 15HA of the SEBI Act, text of which is produced as under:

> ***SEBI Act***
> “***Penalty for fraudulent and unfair trade practices.***
> *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.*”

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

Section 15J - Factors to be taken into account by the adjudicating officer While adjudging quantum of penalty under section 15, 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.

20. It is seen from the submission of the Noticee and the trade data that the manipulative trades which increased the price of the shares of Moryo were for a miniscule quantity and the total profit of the Noticee by trading in scrip of Moryo was Rs. 1,00,808. Further, the loss caused to investors cannot be quantified. However, as stated earlier, the Noticee contributed significantly to the increase in the price of shares of Moryo through her trading. No material is available on record to indicate that the Noticee has repeated his actions.

ORDER

21. In view of the above, after considering all the facts and circumstances of the case and exercising the powers conferred upon me under Section 15-I (2) of the SEBI Act, 1992 read with Rule 5 of the Adjudication Rules, I hereby impose monetary penalty of Rs. 6,00,000/- (Rupees Six Lakhs only) on the Noticee.

22. The Noticee shall remit / pay the said amount of penalty within 45 days of receipt of this order either by way of Demand Draft in favour of "SEBI - Penalties Remittable to Government of India", payable at Mumbai, OR by using the web link https://siportal.sebi.gov.in/intermediary/AOPaymentGateway.html

23. The Noticee shall forward said Demand Draft to the Enforcement Department – Division of Regulatory Action – IV of SEBI. The Noticee shall provide the following details while forwarding the Demand Draft:

    a. Name and PAN of the entity (Noticee)
    b. Name of the case / matter
    c. Purpose of Payment – Payment of penalty under AO proceedings
    d. Bank Name and Account Number
    e. Transaction Number

24. Copies of this Adjudication Order are being sent to the Noticee and also to SEBI in terms of Rule 6 of the Adjudication Rules.

Date: September 24, 2019

Place: Mumbai

PRASANTA MAHAPATRA
ADJUDICATING OFFICER